

A Study on Cash Management in Malladi Drugs and Pharmaceuticals LTD, At Gajulamandyam

V. ABHIRAM TEJA ,Ms. P. HARITHA

*Student, II MBA, Department of MBA, Annamacharya Institute of Technology & Sciences: Tirupati (Autonomous), Mobile no:9912878874;
email: abhiram26178@gmail.com

**ASSISTANT PROFESSOR , Department of MBA, Annamacharya Institute of Technology & Sciences: Tirupati (Autonomous)

Abstract:

This study analyzes the cash management practices of Malladi Drugs and Pharmaceuticals Ltd. and highlights the importance of maintaining liquidity and efficient financial operations. It evaluates how the company manages cash inflows, outflows, and optimal cash balances using financial data from 2021–22 to 2024–25. Various tools such as cash turnover ratio, cash holding period, cash ratio, current ratio, and liquid ratio are applied to assess performance. The study also examines cash budgeting, investment patterns, and working capital management to understand overall financial efficiency.

Key words: Cash Management, Liquidity, Cash Inflows, Cash Outflows, Cash Turnover Ratio, Cash Holding Period, Financial Performance, Cash Budgeting, Pharmaceutical Industry

INTRODUCTION

The term “cash” with reference to cash management is used in two senses. In a narrow sense it includes coins, currency notes, cheques, bank drafts held by a firm with it and the demand deposits held by it in banks. In a broader sense it also includes “near-cash assets” such as, marketable securities and time deposits with banks. Such securities or deposits can immediately be sold or converted into cash if the circumstances require. The term cash management is generally used for management of both cash and near-cash assets.

Cash is the most important asset for the operations of the business firms. It is the basic input needed to keep the business running on a continuous basis and also the ultimate out for the business operations. The business firm should always maintain sufficient cash reserves, because the excessive cash will remain idle, shortage will disrupt the firm operations. Normally, every business firm holds 1 to 3 percent of its assets in the form of cash to enable itself to discharge its routine obligations such as payment of salaries, bills, day-to-day expenses, repayment of loans, dividends, interest, etc. The meeting capacity of business transactions depends more on the amount of cash it holds either in bank or on hand. To enable its liquidity and paying capacity, a sound cash management is necessary.

Definitions

Cash Management can be defined as follows.

- This is not about managing bank accounts to ensure adequate cash is on hand: that is a liquidity management function – commonly called cash management
- This is not about the effective use of cash at hand in terms of short-term investments: that is a treasury function.
- It is about managing the budget at hand effectively.

COMPANY PROFILE

Malladi Drugs & Pharmaceuticals Ltd., established in 1980 by M. L. N. Sastry, is a leading pharmaceutical company specializing in the manufacture of active pharmaceutical ingredients (APIs) such as ephedrine, pseudoephedrine HCL, and phenylephrine salts. Its Unit-5 facility at Gajulamandyam, Tirupati, was earlier known as Aswini Biopharma Ltd. and was renamed in 2002, expanding production to include products like selegiline HCL and alprazolam. The company

exports to over 60 countries and is recognized globally for its leadership in ephedrine and pseudoephedrine production. With advanced infrastructure, adherence to USP quality standards, and a strong focus on research, innovation, and ethical practices, the company ensures high-quality output. It also emphasizes environmental sustainability through zero-pollution initiatives and biogas energy, while maintaining strict safety standards and efficient operations under experienced leadership

REVIEW OF LITERATURE

RivensonHL(1993), examined that the cash is one of the most precious assets held by health systems. This article presents results of discussions on cash management and investment policies at a dozen major not-for-profit health systems.

Niels Peter Mols, Per Nikolaj D.Bukh, Per Blenker, (1997), examined that it provides evidence of the criteria for the choice of domestic cash management banks adopted by large European firms. **WimWesterman august 2002**, We discuss the impact of liberalization, deregulation and the introduction of a single currency on cash management within multinationals in the euro zone. The developments in the euro zone reduce financial market imperfections in transferring cash and diminish the need for separate local cash holdings.

IvalinaKalcheva(2007), This article uses managerial control rights data for over 5000 firms from 31 countries to examine the net costs and benefits of cash holdings. We find that when external country-level shareholder protection is weak, firm values are lower when controlling managers hold more cash.

Katherine Schipper(September, 2012) ,examined the average cash holdings of Chinese-listed firms decreased significantly after the split share structure reform in China, which specified a process that allowed previously nontrade able shares held by controlling shareholders to be freely tradable on the exchanges.

OBJECTIVES OF THE STUDY

- The cash management is to meet the payments schedule. In other words, the firm should have sufficient cash to meet the various requirements of the firm at different periods of time..
- To find out the operating efficiency of the organization.
- To study the important financial aspects like the liquidity, activity, Leverage and profitability of the company.
- To find the ratio which are directly and indirectly influencing cash
- To understanding the importance of cash management by the use of company's profit and loss a/c and balance sheet

NEED FOR THE STUDY

The MALLADI's are pioneers in the development of ephedrine technology in India. The only other company in the world manufacturing this bulk drug in substantial quantities is KNOLLS Limited of Germany. It is known fact that success of every organization depends upon its financial strengths and weakness of the firm and ratio analysis is used as a tool to analyze the financial performance of the company.

SCOPE OF THE STUDY

The scope of the study is to give a clear picture about the financial position of Malladi Drugs & Pharmaceuticals Limited and to identify the shortcomings and to suggest the measure to overcome the problem if any. The main objective of the study was to put into practical, the theoretical aspects of the study into real life work experience. It deals with analysis an INTERPRETATION of data collected through the sources primary and secondary data. Graphs and diagrams and tabulation method are used to analyze and interpret the data collected.

The study covers the methods for managing cash, including cash collection, cash payments, and maintenance of cash balances. The scope includes examination of sources of cash (sales receipts, collections from debtors, other income) and uses of cash (payments to suppliers, wages, operating expenses, taxes, etc.).

RESEARCH METHODOLOGY

Research involves getting tools, ideas from texts, journals, books, records, websites. The collection of data is an important aspect of research.

SOURCES OF DATA

The presented study is based on both

Primary data

Secondary data.

1.Primary data

First hand information was collected from experts of finance department on their course of actions towards collections and observations.

2. Secondary data

Secondary data is collected from different published sources.

Collection of data through company annual reports, company manuals and other relevant documents.

By textbooks, journals & websites.

Collection of data through the literature provided by the company.

The secondary data for the study is collected from the annual reports of Malladi Drugs & Pharmaceuticals Limited from 2021-2022 to 2024-25.

LIMITATIONS OF THE STUDY

- The cash management is calculated from the past financial statement and they are not the correct indicators of the future.
- Most of the study is done through the secondary data.
- As some of the financial data was highly confidential, it is not disclosed to outsiders.
- The study was conducted within a short period, so in-depth analysis of long-term cash management practices was limited.
- Most of the information was collected from annual reports and company records. Primary data (like interviews with finance managers) was limited.

DATA ANALYSIS AND INTERPRETATION

Table 4.1: CASH TURNOVER RATIO

Particular	Sales	Average Cash Balance	Cash turnover
2021-22	53.71	-	-
2022-23	81.64	1.91	42.7
2023-24	53.64	1.26	42.5
2024-25	59.78	1.6	37.36

Cash Turn over Ratio = Net Sales /Average Cash Balance

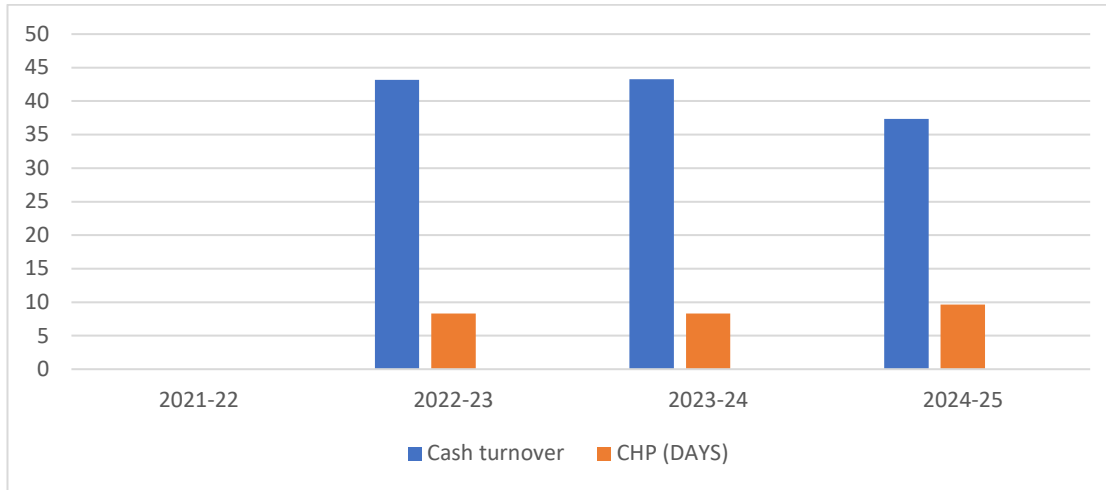
INTERPRETATION:

From the above table 4.1 RSPL is able to turnover its cash 37.36 times in 2024-25 .In other words, company can replenish its cash balance 37.36 times with its sale revenue .from the above table it can be noticed that sale have increased since 2021-22, cash turnover ratio has also decreased since 2022-23. The figures for 2021-22 are nil because the opening balance of cash for the previous year 2023-24 is unknown.

TABLE 4.2: CASH HOLDING PERIOD

Particular	CHP (DAYS)
2021-22	-
2022-23	8
2023-24	9
2024-25	10

GRAPH SHOWING 4.2: CASH TURNOVER RATIO AND CASH HOLDING PERIOD



VARIATION:

A variation to the cash turnover ratio measures how many days it takes a business to replenish its cash balance. This variation equals 360 divided by the cash turnover ratio

$$\text{CASH HOLDING PERIOD } chp = \frac{360}{\text{cash turnover ratio}}$$

INTERPRETATION:

From the above graph4.2 comparing ratio over time can help us determine how efficiently one can turnover cash relative to other accounting period. If the ratio increases, one can turn over the cash balance more times per year and take fewer days to replenish it. Turning over cash more frequently is generally a better use of the cash than letting it idle because idle cash generates very low return.

CASH RATIO

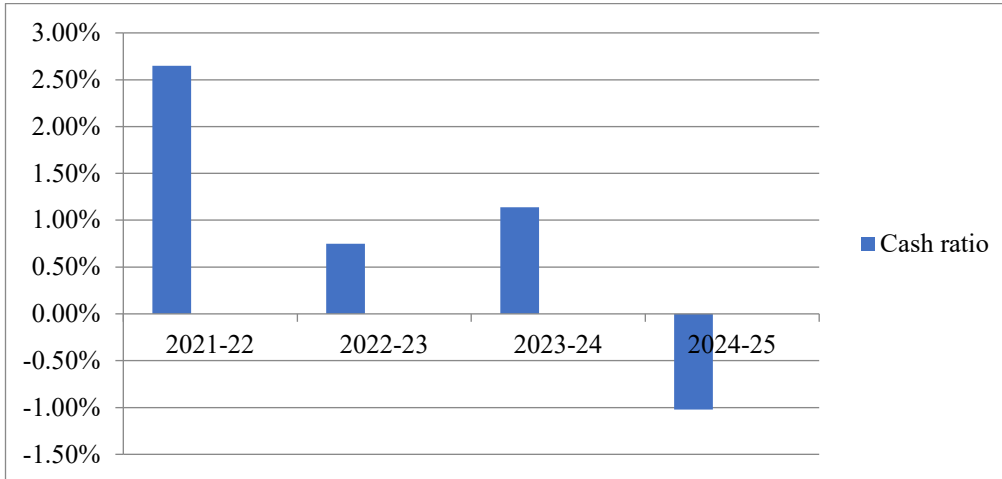
Since cash is most liquid assets, a financial analyst examine cash ratio and its equivalent to current liabilities. Trade investment are marketable securities are equivalent to cash ; therefore ,they may be included in the computation of cash ratio

Cash Ratio = Cash / Current Liabilities *100

TABLE 4.3: CASH RATIO

Particular	Cash	Current liabilities	Cash ratio
2021-22	2.93	110.5	2.65%
2022-23	0.89	118.6	0.75%
2023-24	1.6	140.2	1.14%
2024-25	(1.69)	164.75	(1.02%)

GRAPH SHOWING 4.3: CASH RATIO



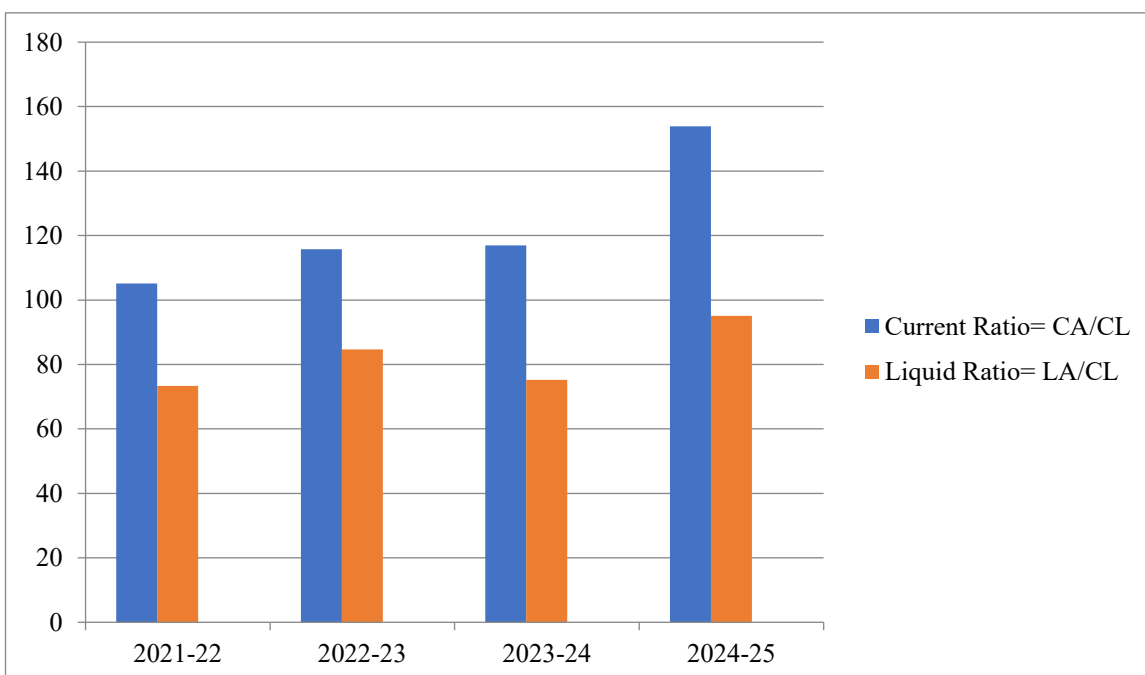
INTERPRETATION:

From the above graph 4.3 RSPL does not carries a huge amount of cash which is very good sigh of progress, as this may not lead to unnecessary blocking of fund. The percentage has decreased to 1.02 from 2.65 in 2021-22. Which means RSPL is making a constant effort on not making its fund idle.

Table 4.4: CALCULATION OF CURRENT RATIOS AND LIQUID RATIOS

Particular	Current assets	Current Liabilities	Current Ratio= CA/CL	Liquid Assets	Liquid Ratio= LA/CL
2021-22	116.17	110.5	1.05	81.07	0.73
2022-23	137.26	118.6	1.15	100.36	0.84
2023-24	164.02	140.2	1.16	105.52	0.75
2024-25	253.59	164.75	1.53	156.69	0.95

GRAPH SHOWING4.4: CURRENT RATIO AND LIQUID RATIO



Formulas:

Current Ratio = Current Assets/Current Liabilities

Liquid Ratio = Liquid Assets/Current Liabilities

INTERPRETATION:

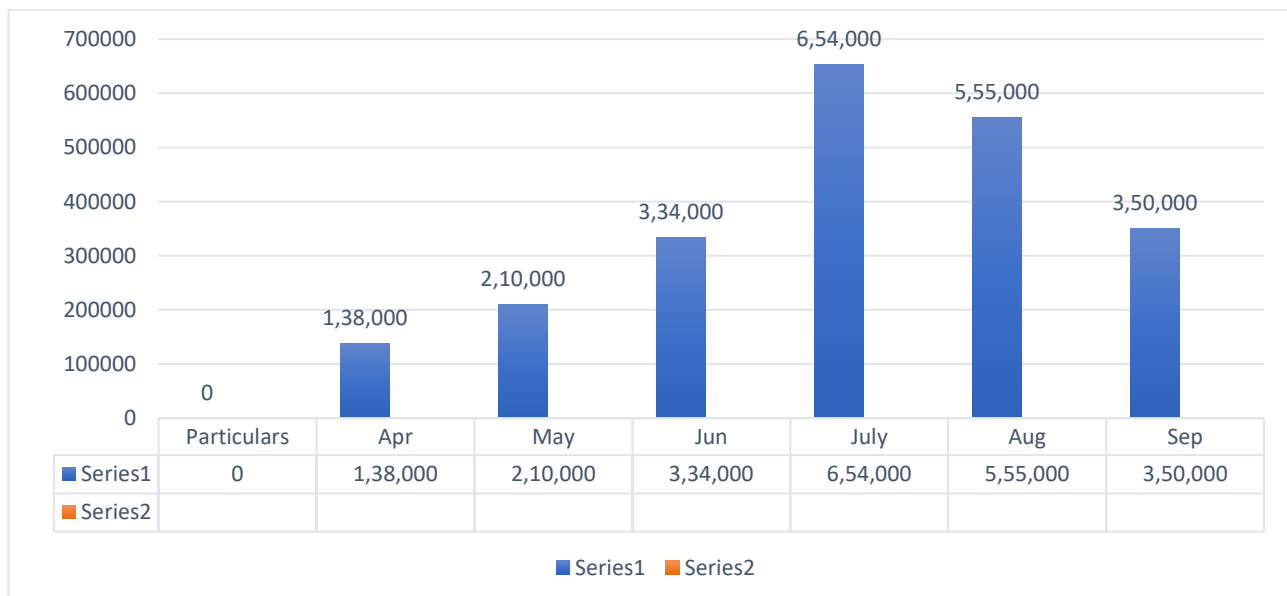
From the above graph 4.4 shows the liquidity position of the company in both current ratio and liquid ratio. In 2024-25 the current ratio of the company has increased to the extent of 1.53 times, and the company is trying to reduce its current ratio and the liquid ratio. The liquidity position of the company was good in the year 2023-24 compare to previous years.

Cash budget:

Cash budget is the summary statement of the firms expected cash inflows and out flows over a projected time period. It is a fool to forecast the cash inflows and outflows a for specific period. Cash forecasting is the focal aspect of cash budget. The expected cash receipts and payments are portrayed to arrive cash balance or cash shortage. The cash budgets can be prepared for weekly, monthly, quarterly and yearly.

Calculation of cash budget (April-September 2024)

Particulars	April	May	June	July	August	September
Opening cash balance	1,38,000	210,000	334,000	654,000	555,000	350,000
Cash Sales 40%	80,000	72,000	440,000	488,000	400,000	28,000
Credit sales 60%	204,000	192,000	120,000	108,000	660,000	732,000
Total Inflows						
Purchases 60%	284,000	264,000	560,000	596,000	1,060,000	760,000
Wages	192,000	120,000	108,000	660,000	732,000	600,000
	20,000	20,000	32,000	35,000	33,000	33,000
Interest			100,000			
Other payments					500,000	
Total	212,000	140,000	240,000	695,000	1,265,000	633,000
Net cash flow	72,000	124,000	320,000	-99,000	-205,000	127,000



INTERPRETATION :

1. Cash Sales Contribution

Cash sales are 40% of monthly sales, providing immediate liquidity.

For example, in June, Rs. 440,000 came directly from cash sales, which significantly boosted inflows.

2. Credit Sales Impact

Credit sales (60%) are collected two months later, creating a lag in cash inflows.

This lag means months with high sales (like June and July) generate strong inflows in later months (August and September).

3. Purchases Timing

Purchases equal 60% of sales, but payments are made in the preceding month.

This creates a predictable cash outflow pattern, aligning expenses with expected sales.

4. Major Outflows

June: Rs. 100,000 interest payment reduces net inflow.

August: Rs. 500,000 fixed asset purchase causes the largest deficit, dropping the balance By Rs. 205,000.

5. Cash Position

The firm starts with Rs. 138,000 and maintains a positive balance throughout.

Despite heavy outflows in July and August, the business recovers by September, ending with Rs. 477,000.

6. Liquidity Trend

Strong liquidity in June (Rs. 654,000 closing balance).

Temporary strain in August due to capital expenditure.

Healthy recovery by September, showing resilience in cash flow management.

FINDINGS

1. During the study period, the Malladi Drugs & Pharmaceuticals Ltd. is in profitability situation in the all years.

2. During the study period, the cash from operations is in increasing trend.

3. During the study period the major cash inflows are cash from operations, differed revenue expenditure and unsecured loans

4. The cash turnover ratio of the company shows a declining trend from 42.7 in 2022-23 to 37.36 in 2024-25, indicating a slight decrease in the efficiency of cash utilization.

5. The cash holding period increased from 8 days in 2022-23 to 10 days in 2024-25, which means the company is taking more time to replenish its cash balance.

SUGGESTIONS

1. Concentrate on investment in fixed assets in order to enhance the profitability of the firm

2. The firm should reduce operating cost to enhance cash from operations.

3. The firm should managing and utilizing of cash is an successfully.

4. The firm should maintain liquidity solvency of the company

5. The company should improve cash utilization, as the declining cash turnover ratio indicates reduced efficiency in using cash resources.

CONCLUSION

The study reveals that the company management was efficiently in performing effectively and also to improve the company's overall financial profitability. The study on cash management analysis shows that the company has made continuous efforts to manage its cash resources effectively during the study period. The analysis of cash turnover ratio and cash holding period indicates that the company is able to replenish its cash balance regularly through sales revenue, although the efficiency slightly declined in recent years. The liquidity position of the company improved as the current ratio and liquid ratio increased over the years, showing the ability of the company to meet its short-term obligations. I hereby concluded that the MALLADI DRUGS & PHARMACEUTICALS LTD is utilizing in cash inflows is most efficient way. The overall firm positioning is very good.

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WEBSITE

www.google.com

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