

An Analysis of Cash Management with Reference to Deccan Industries

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INTRODUCTION

Cash management refers to a broad area of finance involving the collection, handling, and usage of cash. It involves assessing market liquidity, cash flow, and investments. In banking, cash management, or treasury management, is a marketing term for certain services related to cash flow offered primarily to larger business customers. It may be used to describe all bank accounts (such as checking accounts) provided to businesses of a certain size, but it is more often used to describe specific services such as cash concentration, zero balance accounting, and automated clearing house facilities. Sometimes, private banking customers are given cash management services. Financial instruments involved in cash management include money market funds, treasury bills, and certificates. Cash management essentially means dealing with an organization's cash so its use provides the most value to the business. This can mean planning to keep the right amount of cash on hand as well as making plans for the cash the company does not need to have available for business operations. Cash managers plan for, protect, and invest cash assets. Basic parts of planning for efficient cash management include knowing how much cash should be on hand, efficiently handling cash transactions, and investing any surplus cash in securities that will grow the value of the company's money.

OBJECTIVES OF THE STUDY

- **PRIMARY OBJECTIVE**
- To examine the impact of cash management on the financial performance of Deccan Industries.
- **SECONDARY OBJECTIVES**
- To study the overall operating efficiency and performance of the company.
- The study is conducted to evaluate the returns to the company.
- To ascertain the efficiency with which the firm is utilizing its assets in generating sales revenue.
- To study & analyze the short-term solvency & liquidity position of the company.

NEED FOR THE STUDY

- The study has great significance and provides benefits to various parties whom directly or indirectly interact with the company.
- It is beneficial to the management of the company by providing a crystal clear picture regarding important aspects like liquidity, leverage, activity and profitability.
- The study is also beneficial to employees and offers motivation by showing how actively they are contributing for the company's growth.
- The Investors who are interested in investing in the company's shares will also get benefited by going through the study and can easily take a decision whether to invest or not to invest in the company's shares.

SCOPE OF THE STUDY

- The purpose of preparing a cash flow project is to determine shortages or excesses in cash. Ways to reduce the amount of cash paid out includes having fewer inventories, reducing purchases of equipment or other fixed assets, or eliminating some operating expenses.
- The objective is to finally develop a plan which, if followed, will provide a well-managed flow of cash. It involves the study of the existing pattern of cash flow management in the organization.
- Understand the types of transactions that result in cash flows from operating, investing, and financing activities.
- Develop an ability to analyze the statement of projected cash flows, including the relation among cash flows from operating, investing, and financing activities for businesses in various stages of their growth.

REVIEW OF LITERATURE:

Kakani et al.(2023) examined the determinants of firm performance for 566 Indian firms. They tool ROA, ROCE, cash flow ratio, Sales to asset, gross profit margin, net profit margin, return on Net worth etc., as dependent variable and size, age, leverage, working capital ratio, business group affiliation etc., as determinants of firm performance and found that size, market expenditure and international diversification had a positive relation with market valuation for firms. A firms ownership composition, particularly the level of equity ownership by domestic financial Institutions and Dispersed public shareholders, and the leverage of the firm were important factors affecting its financial performance.

Krishna Prasad Upadhyay (2023) used different types of financial ratios to check up the financial performance of the selected finance companies. Basically in this study he used solvency ratio, liquidity ratio, efficiency ratio, profitability ratio and valuation ratio. Different measures like return on investment, return on equity, return on assets, earning per share, dividend per share, and asset utilization ratio are used to assess the profitability of the companies. He concluded his study stating that the solvency position of both companies is not sound and credit creation capacity is good in both the companies in aggregate.

Bala Ramaswmy, Darrylong and Matthew C.H. Yeung (2023) has found empirical evidence that firm size and the firm ownership are important determinants of financial performance in the Malaysian palm oil sector-findings lend support to industry analysts who have highlighted that profitability is higher in privately owned firms.

Woo Gon Kim, Baker Ayoun (2022) the study attempts to investigate the technique applied in this industry. Hospitality – related industry segments may comprise hotels, restaurants, airlines, and other amusement and recreational services. The objective of the study is to provide information to a variety of entities that might be interested in comparing major financial characteristics of companies on its different segments. The researcher used financial ratios, time series and Multivariate analysis of variances’ test as statistical tools.

RESEARCH METHODOLOGY

Cash management refers to a broad area of finance involving the collection, handling, and usage of cash. It involves assessing market liquidity, cash flow, and investments. In banking, cash management, or treasury management, is a marketing term for certain services related to cash flow offered primarily to larger business customers. It may be used to describe all bank accounts (such as checking accounts) provided to businesses of a certain size, but it is more often used to describe specific services such as cash concentration, zero balance accounting, and automated clearing house facilities. Sometimes, private banking customers are given cash management services. Financial instruments involved in cash management include money market funds, treasury bills, and certificates. Cash management essentially means dealing with an organization's cash so its use provides the most value to the business. This can mean planning to keep the right amount of cash on hand as well as making plans for the cash the company does not need to have available for business operations. Cash managers plan for, protect, and invest cash assets. Basic parts of planning for efficient cash management include knowing how much cash should be on hand, efficiently handling cash transactions, and investing any surplus cash in securities that will grow the value of the company's money.

RESEARCH DESIGN

Analytical research is used in the study.

Research design is the strategy for a study and the plan for which the strategy is to be carried out. It specifies the methods and procedures for the collection, measurement, and analysis of data. The strategy used for this study “Cash Flow Analysis” is Causal Relationship. This particular design is suited for the study because it helps in the interpretation of causation; found in experimentation, that some external factor “produces” a change in the dependent variable.

DATA COLLECTION:

SECONDARY DATA

- (i) Company balance sheet
- (ii) Profit and loss account
- (iii) Annual report

TOOLS FOR ANALYSIS

- 1) Trend Analysis
- 2) Comparative balance sheet
- 3) Cash flow statement

4) Cash budget

In business usage the term financial statement analysis and interpretation are applied to almost any kind of detailed inquiry into financial data. It is a technical tool in the hands of financial executives to measure the financial progress. It is an attempt to determine the significance and meaning of the financial statement data so that a forecast can be made on the prospects of future earning ability to pay interest and debt maturity both current as well as long term and to study the probability of a sound dividend policy. The techniques are used to ascertain or measure the performance of the company as a whole.

RATIO ANALYSIS

Ratio analysis is one of the most powerful tools of financial analysis. It is the process of establishing and interpreting various ratios.

TABLE NO 4.1

(Rs. In lakhs)

Year	Current Assets	Current Liabilities	Current Ratio
2018-2019	214352.83	115331.62	1.86
2019-2020	287644.83	127410.35	2.26
2020-2021	290385.92	111838.04	2.60
2021-2022	131088.78	238908.46	0.55
2022-2023	147382.90	225801.85	0.65

Sources : Secondary data

Interpretation

It has been found that the current ratio which is a measure of current assets by current liabilities is 1.86 in the year 2018-2019, 2.26 in 2019-2020, 2.6 in 2020-2021, 0.55 in 2021-2022 and then 0.65 in 2022-2023. Thus from the time of incorporation the current ratio is in a healthy trend.

TABLE NO 4.2

(Rs. In lakhs)

Year	Liquid Assets	Current Liabilities	Quick Ratio
2018-2019	177302.99	115331.62	1.54
2019-2020	242868.30	127410.35	1.91
2020-2021	240655.02	111838.04	2.15
2021-2022	74822.63	238908.46	0.31
2022-2023	97777.22	225801.85	0.43

Sources of secondary data

Interpretation

It has been found that the Quick Ratio which is a measure of Current assets less Inventories by Current Liabilities is 1.54 in the year 2018-2019, 1.91 in 2019-2020, 2.15 in 2020-2021, 0.31 in 2021-2022 and then 0.43 in 2022-2023. This shows that the Quick Ratio is stable for the company.

TABLE NO 4.3

(Rs. In lakhs)

Year	Absolute Liquid Assets	Current Liabilities	Absolute Liquid Ratio
2018-2019	141905.18	115331.62	1.23
2019-2020	194342.42	127410.35	1.53
2020-2021	215214.90	111838.04	1.92
2021-2022	50094.35	238908.46	0.21
2022-2023	51218.56	225801.85	0.23

Sources : Secondary data

Interpretation

It has been found that the Absolute Liquid Ratio which is a measure of Absolute Liquid Assets by Current Liabilities is 1.23 in the year 2018-2019, 1.53 for the year 2019-2020, 1.92 in the year 2020-2021, 0.21 in the year 2021-2022 and then 0.23 in the year 2022-2023.

TABLE NO 4.4

(Rs. In lakhs)

Year	Gross Profit	Net Sales	Gross Profit Ratio
2018-2019	138238.85	347490.00	0.40
2019-2020	129481.60	380825.61	0.34
2020-2021	257406.54	354033.03	0.73
2021-2022	151845.85	465598.56	0.33
2022-2023	141355.80	461566.69	0.31

Sources : Secondary data

Interpretation

It has been found that the Gross Profit Ratio which is a measure of Gross Profit by Net Sales is 0.40 in the year 2018-2019, 0.34 for the year 2019-2020, 0.73 in the year 2020-2021, 0.33 in the year 2021-2022 and then 0.31 in the year 2022-2023. The gross profit ratio is healthy for the company.

TABLE NO 4.5

(Rs. In lakhs)

Year	Gross Profit	Net Sales	Percentage	Gross Profit Margin
2018-2019	138238.85	347490.00	100	39.78
2019-2020	129481.60	380825.61	100	34.00
2020-2021	257406.54	354033.03	100	72.71
2021-2022	151845.85	465598.56	100	32.61
2022-2023	141355.80	461566.69	100	30.63

Sources : Secondary data**Interpretation**

It has been found that the Gross Profit Margin which is a measure of Gross Profit by Net Sales multiplied by 100 is 39.78 in the year 2018-2019, 34 for the year 2019-2020, 72.71 for the year 2020-2021, 32.61 for the year 2021-2022 and then 30.63 for the year 2022-2023. The gross profit margin is also healthy for the company.

TABLE4.6**(Rs. In lakhs)**

Year	Operating Cost	Net Sales	Operating Ratio
2018-2019	274726.12	347490.00	0.79
2019-2020	332051.02	380825.61	0.87
2020-2021	345278.18	354033.03	0.98
2021-2022	430370.07	465598.56	0.92
2022-2023	436330.21	461566.69	0.95

Sources : Secondary data**Interpretation**

It has been found that the Operating Cost ratio which is a measure of Operating Cost to Net Sales is 0.79 in the year 2018-2019, 0.87for the year 2019-2020, 0.98 for the year 2020-2021, 0.92 for the year 2021-2022and then 0.95for the year 2022-2023. The operating cost is nominal for the company.

CONCLUSION

The growth and appraisal by the present study concludes that the company has mobilized the funds in a balanced way and in the same manner the funds are invested productively in the capital asset as well as working capital. The financial performance experienced a healthier path in terms of liquidity and profitability of the business during the study period. The solvency position was also good due to judicious control by the top management. The company has a high operational efficiency and the company should take measures to generate more profits by improving its capacity utilization which would maximize the generation of resources for expansion, growth and diversification. In the changing economic scenario, the financial performance has to be bettered and improved day by day. Both long term and short term funds should be available to the business at a comparatively low cost. The company has a high operational efficiency and most of the ratios seem to be satisfactory from the point of view of both the investors and lenders. The other important factor which is worth mentioning here is that the company has been progressing steadily on its capacity utilization in line with its growing financial performance. To end with, we can conclude that if the company takes the above actions as suggested, the company would remain as the number one leader in their products industry in future, with its excellent past records and the latent potential for achieving greater heights in future.

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