

PERFORMANCE AND PRACTICES OF CASH MANAGEMENT IN MADHUCON INDUSTRY

C.Ravi Kumar Asst .Professor Mba Departent Santhiram Engineering College(Autonomous) Nandyal

G.Sanghavi Mba Student Santhiram Engineering College(Autonomous) Nandyal

Abstract :

Cash Is The Most Vital Resource And Lifeblood Of Any Business. Healthy Circulation Of Cash Throughout The Business Operations Has Been The Basis Of Business Success Which Will Depend On The Efficient Cash Management. In The Past, The Objective Of Cash Management Was Having Sufficient Funds To Meet The Requirement. In Modern Business, The Objective Being Is Maintenance Of Optimum Level In Order To Meet Liquidity And Profitability. The Objective Of The Paper Is To Study The Performance And Practices Of Cash Management In Select Sugar Factories In Madhucon.

Introduction:

The Concept Of Cash Management Is Not New And It Is Given Greater Significance In The Modern Business Environment Due To The Changes In Conduct Of Business And Ever Increasing Difficulties And Cost Of Borrowings. Cash Is The Most Vital Resource In Any Business. Management Of Cash Is Peculiar From That Of Other Resources Since It Is Invested In The Rest Of The Resources.

Cash Is The Lifeblood Of Any Firm, And Healthy Circulation Cash Throughout The Business Operations Has Been Shown Repeatedly To Be The Basis Of Business Solvency. In The Past, The Emphasis Was Only On Having Sufficient Funds To Meet The Requirement. If This Was Accomplished, Cash Management Was Considered To Be The Desired Objective. In Modern Business, Much More Is Required, As Competition Has Become Order Of The Day.

Review Of Literature

Gowda K, (1984)[7]Studied On Geo-Metric Problems And Prospective Of Sugar Industry In Karnataka. Maximisation Of Small Farmers' Income And Contribute National Income, He Felt That Resources Based Production Planning At The State Level For The Development Of Sugarcane Cultivation And Sugar Industry Is A Major Need Of The Country.

Patel K.S. And Ashturkar B.W, (1992)[9] Have Investigated The Causes For Sickness Of Sugar Industry In Marathwada. They Conclude That The Industry Is Mainly Suffering From Inadequacy Of Sugarcane; Low Productivity; High Cost And Under-Utilisation Of Plant Capacity.

Vijayakumar A. And Venkatachalam A, (1995)[10] Carried Out Study On The Interrelationship Between Working Capital Management And Profitability. The Study Carried Out By Taking 31 Sugar Factories In Tamil Nadu. They Concluded That Liquidity Was Negatively Associated With Profitability, Whereas The Inventory Turnover And Debtors' Turnover Had A Positive Influence On Profitability.

Statement Of The Problem

Cash Should Be Kept At Optimum Level In Order To Meet All The Necessary Requirements. Determining The Optimum Cash Balance Involves A Trade-Off Between Risk And Return. If The Firm Maintains Small Cash Balance, Its Liquidity Position Weakens And It Suffers From A Paucity Of Cash To Make Payments. But Investing Released Funds In Some Profitable Opportunities Can Attain A Higher Profitability. When The Firm Runs Out Of Cash, It May Have To Sell Its Marketable Securities, If Available, Or Borrow. On The Other Hand, If The Firm Maintains A High Level Of Cash Balance, It Will Have A Sound Liquidity Position But Foregoes The Opportunities To Earn Interests.

Objective Of The Paper

The Main Objective Of The Paper Is To Study The Performance And Practices Of Cash Management In Select Sugar Factories

Hypothesis Of The Study

Ho: There Is No Significance Difference Among Current Ratio Of Select Sugar Factories

Hi: There Is No Significance Difference Among Current Ratio Of Select Sugar Factories

Ho: There Is No Significance Difference Among Quick Ratio Of Select Sugar Factories

Hi: There Is No Significance Difference Among Quick Ratio Of Select Sugar Factories

Cash Management In Sample Factories - Analysis

Analysis Of Cash Management Practices In Sample Sugar Factories Covers Determination And Objectives Of Keeping Cash Balance, Preparation Of Cash Reports, Sources Of Financing Cash Shortage And Studying The Cost Of Running Out Of Cash; Utilisation Of Surplus Cash, Size And Adequacy Of Cash; Appraisal Of Sources And Utilisation Of Funds, Operational Adequacy Of Cash And Control Of Cash Flows

Determination Of Level Of Cash Balance

Keeping Cash Is The Primary Objective Of All Sample Sugar Factories. The Researcher Found That All The Five Sample Sugar Factories Determine Cash Balance By Way Of Preparing Cash Forecast. The Cash Budget, Cash Flow Statement Or Funds Flow Statements Are Prepared To Make A Realistic Assessment Of Cash Flows And Then Compared With The Cash Budget To Find Out Variations And To Take Corrective Measures To Avoid Impending Liquidity Crisis. The Person Who Prepares Cash Budget Has Been Known By Different Designations.

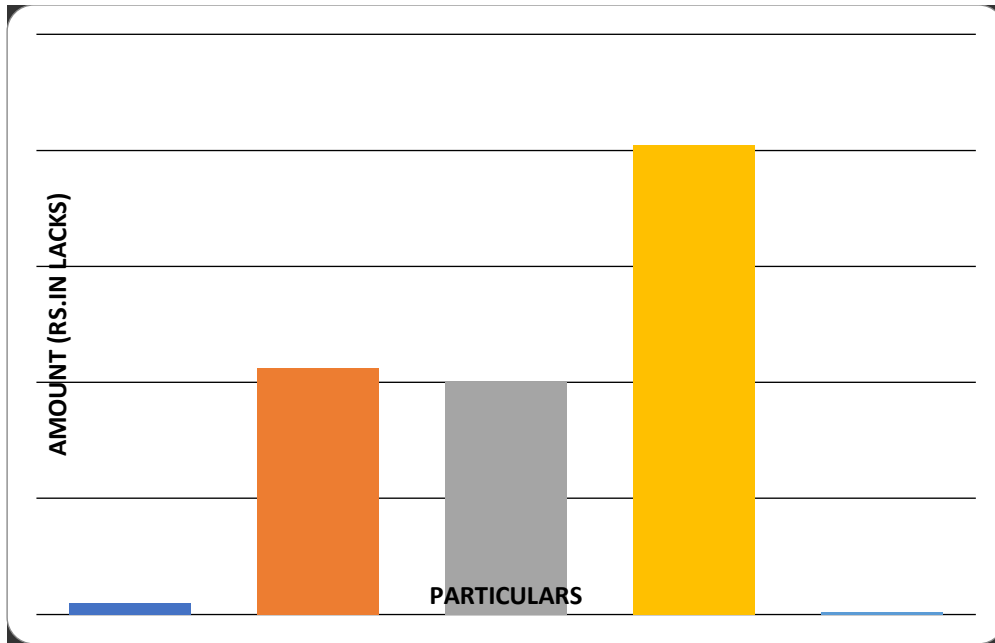
Preparation Of Cash Reports

Cash Management Activity Does Not End With Just Preparation Of Cash Budget; It Just Sets The Framework For Management Of Cash Flows. Cash Inflows And Cash Out Flows May Synchronise Always, Since The Operations Of The Business Firm May Often Deviate From The Plan With Instantaneous Changes In Cash Requirements. Therefore, The Crux Of Effective Cash Management Lies In Synchronising The Cash Inflows With Cash Outflows. In This Direction Preparation A Cash Report Help Synchronization And In Turn Helps The Concerned Personal To Determine The Future Cash Needs Plan For Financing Of These Needs And Exercise Control Over The Cash And Liquidity.

Cash Flow Statement Of Madhucon Sugar & Power Industry Pvt Ltd For The Year 2021-2022

Particulars	Amount (Rs.In Lakhs)
1) Cash From Operating Activity: -	
Net Profit Before Tax And Extraordinary Items Adjust For	66,285
Add: -	
a) Depreciation	49,33,986
b) Misc Expenses Written Off	1,22,300
Operating Profit Before Tax:	51,22,571

2) Change In Working Capital	
a) Increase In Inventories	16,60,16,824
b) Increase In Receivables	40,97,718
c) Increase In Loans & Advances	28,62,665
d) Increase In Current Liabilities	3,66,25,827
	13,63,48,386
3) Cash Flow From Investing Activity	
a) Purchase Of Fixed Assets	9,96,92,617
b) Increase In Misc. Expenditure	6,14,500
	13,03,04,147
4) Cash Flow From Financing Activity	
a) Increase In Equity Fund	27,14,888
b) Increase In Un-Secured Loans	17,53,16,758
	20,24,28,646
Net Cash Flow Operating Activity	8,98,720



Graph No 4.1

Interpretation: -

During The Year 2022-23 Cash Flow Analysis Of Madhucon Sugar & Power Industry Pvt Ltd, Shows The Cash From Operating Activity Is 8, 98,720. Which Is Inflow Of Cash? It Shows That The Company Has Maintained Adequate Cash Balance.

Findings

- 1) It Has Been Find Out That The Company Cash Flow Negative During The Study Period I.E., In 2022.
- 2) It Has Been Observed That As Pdf Is Processing Unit Of Required More Liquid Assets, Specifically Cash Required As Immediately Company Has To Pay The Amount To Formers.
- 3) From The Data Analysis It Has Been Find Out To Maintain The Position Cash Balances In 2022, 2021 And 2020.

Suggestions

1. It Can Be Recommended To The Company That The Company Has To Maintain Sample Cash Balances.
2. The Financial Information Obtained Was Analyzed Using The Appropriate Techniques And It Was Found That The Both Operating Cash Flow And Short Term Debt Coverage Ratio Is In Decreasing Trend.
3. A Part From This The Company Has To Create Contingents Funds For Meeting Any Kind Of Situation As The Company.

Conclusion

1. Finally This Is Not A Hard And Fast Rule. Sometimes A Negative Cash Flow Results From A Company's Growth Strategy In The Form Of Expanding Its Operations.

2. By Adjusting Earnings, Revenues, Assets And Liabilities, The Investor Can Get A Very Clear Picture Of What Some People Consider The Most Important Aspect Of Madhucon Sugar.

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- Dr. S.N. Maheswari, Financial Management, Sultan Chand Publications, New Delhi, 2018

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