



A STUDY ON CASH MANAGEMENT WITH REFERANCE OF SERVOMAX INDIA LIMITED

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ABSTRACT:

Cash is to a business is what blood is to a living body. A business cannot operate without its life-blood cash, and without cash management, there may remain no cash to operate. Cash movement in a business is two-way traffic. It keeps on moving in and out of business. The inflow and outflow of cash never coincides. Important aspect which is unique to cash management is time dimension associated with the movement of cash. Due to non-synchronicity of cash inflow and outflow, the inflow may be more than the outflow or the outflow is more than the inflow at a particular point of time. Left to shift cash flow is apart to follow monotonic pattern, and showers of cash may be heavy, scanty or just normal. Hence there is a dire need to control its movement through skillful cash management.

KEYWORDS:

Cash flow analysis, Cash position reporting, Cash forecasting, Cash reconciliation, Bank account management, Investment management

INTRODUCTION:

Cash is the important current asset for the operations of the business. Cash is the basic input needed to keep the business running on a continuous basis; it is also the ultimate output expected to be realized by selling the service or product manufactured by the firm. The firm should keep sufficient cash, neither more nor less. Cash shortage will disrupt the firm's manufacturing operations while excessive cash will simply remain idle, without contributing anything towards the firm's profitability. Thus, a major function of the financial manager is to maintain a sound cash position. Cash is the money which a firm can disburse immediately without any restriction such as marketable securities or bank times deposits, are also included in cash. The basic characteristic of near cash assets is that they can readily be converted into cash. Cash management is a sub function of cash management. It refers to day to day handling of cash inflows and out flows to meet payment obligations, plan for future payments, and maintain financial stability. It's a pillar of financially health business.

OBJECTIVES OF STUDY:**PRIMARY OBJECTIVES:**

1. To study on Cash Management with reference to Servomax India limited

SECONDARY OBJECTIVES:

1. To determine the cash management requirement of the company.
2. Analysis the various component of the cash management of the company.
3. To study the management of the working capital during previous 5 years.

REVIEW OF LITERATURE

1. In other study, **(Lyroudi & Lazaridis, 2011)** use food industry Greek to examined the cash conversion cycle (CCC) as a liquidity indicator of the firms and tries to determine its relationship with the current and the quick ratios, with its component variables, and investigate the implications of the CCC in terms of profitability, indebtedness and firm size. The results of their study indicate that there is a significant positive relationship between the cash conversion cycle and the traditional liquidity measures of current and quick ratios. The cash conversion cycle also positively related to the return on assets and the net profit margin but had no linear relationship with the leverage ratios. Conversely, the current and quick ratios had negative relationship with the debt-to-equity ratio, and a positive one with the times interest earned ratio.

2. According to recent studies they found that small businesses have a poor cash management attention **(Denver, 2005)** To have efficient and effective liquidity management is very important for the survival, especially for smaller businesses (Sardakis et al, 2007). It is a matter of life and death for smaller companies because they can survive for a long time without a profit but fails when they cannot meet a payment. Liquidity means the level of cash and near-cash assets held, together with cash in and outflows of the assets (Ekanem, 2010). This concept is becoming more and more used in Sweden. Managing the liquidity is not something new but cash management is a modern way of doing that

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cash and nearcash assets held, together with cash in and outflows of the assets (Ekanem, 2010). This concept is becoming more and more used in Sweden. Managing the liquidity is not something new but cash management is a modern way of doing that.

5. The study of (Shin & Soenen, 2004) consistent with later study on the same objective that done by (Deloof, 2004) by using sample of 1009 large Belgian non-financial firms for the period of 2003-2007. However, (Deloof, 2004) used trade credit policy and inventory policy are measured by number of days accounts receivable, accounts payable and inventories, and the cash conversion cycle as a comprehensive measure of working capital management. He finds a significant negative relation between gross operating income and the number of days accounts receivable, inventories and accounts payable. Thus, he suggests that managers can create value for their shareholders by reducing the number of day's accounts receivable and inventories to a reasonable minimum. He also suggests that less profitable firms wait longer to pay their bills

RESEARCH DESIGN:

The research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data. The research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.

SOURCES OF DATA:

- Primary Data – Primary data are those which are collected afresh and for the first time and thus happen to be original in character.
- Secondary Data – the data that are already available, it refers to the data which have already been collected and analyzed by someone else. The secondary data are collected from company profile and website. Mostly the data used for the project are secondary data.

TOOLS FOR ANALYSIS:

1. Cash from operations
2. Trend Analysis
3. Risk Description model

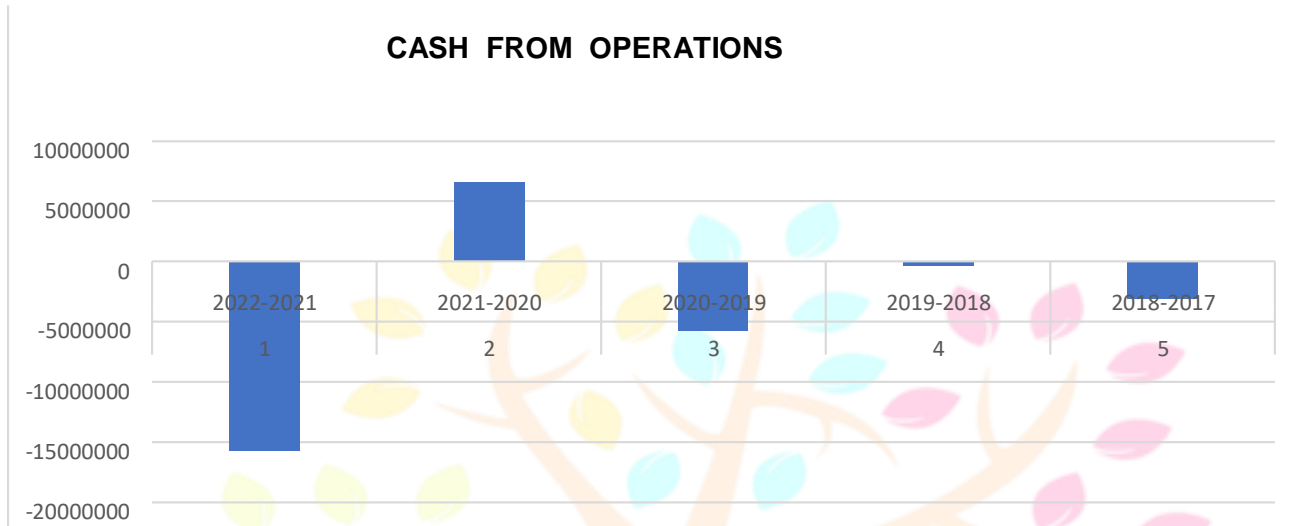
Data Analysis and Interpretation

4.1 CASH FROM OPERATIONS

TABLE 4.1.1: TABLE SHOWING CASH FROM OPERATIONS

S.NO	YEAR	CASH USED/ FROM OPERATIONS
1	2022-2021	-15719407
2	2021-2020	6569272

3	2020-2019	-5799114
4	2019-2018	-354541
5	2018-2017	-3100652

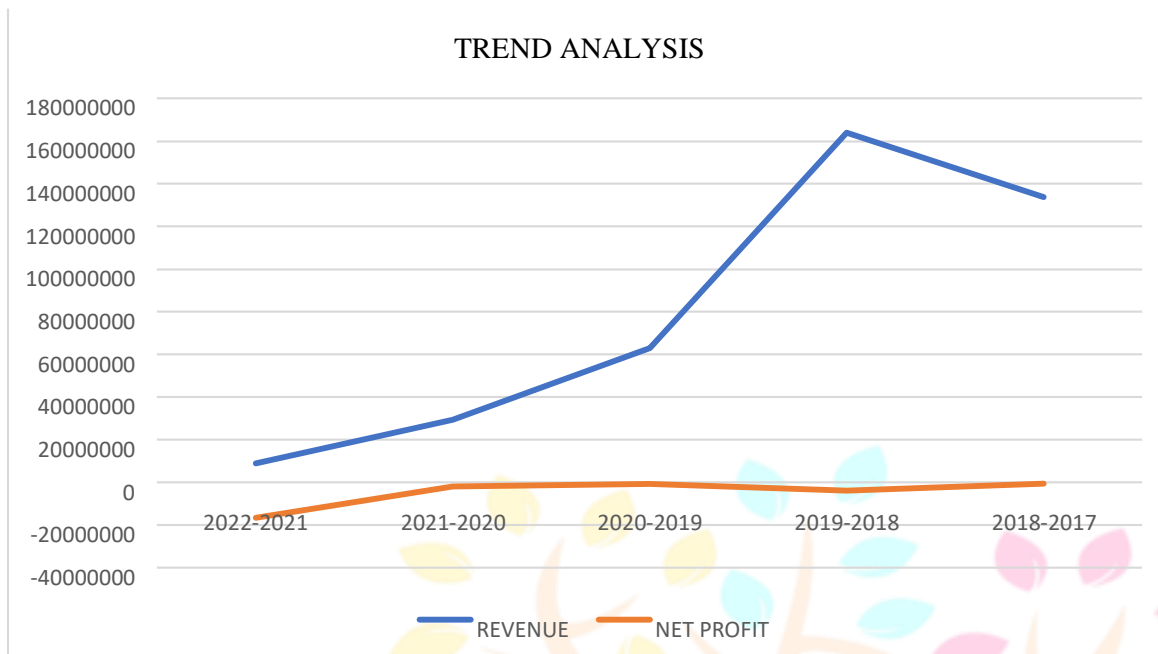
CHART 4.1.1: GRAPHICAL REPRESENTATION OF CASH FROM OPERATIONS**Interpretation**

The Table shows that cash from operations of Servomax pvt ltd are to be efficient. But the company used its cash for all the four years. Except in the year 2021-2020 an amount of 6569272 rupees were generated from the company. Whereas company is using its money for the operations, so company must improve its operations.

TABLE 4.2.1: TABLE SHOWING TREND ANALYSIS

S.NO	Year	REVENUE	NET PROFIT
1	2022-2021	8923750	-16498864
2	2021-2020	29377000	-1859918
3	2020-2019	62962450	-626074
4	2019-2018	164051000	-3748363
5	2018-2017	133865350	-494390

Chart 4.2.1: Graphical Representation Of Trend Analysis



Interpretation

From the above table it is inferred that, the revenue of the company goes on decreasing year by year, it goes in a negative trend. However, the net profit goes on increasing in negative trend over a period of 5 years.

SUGGESTIONS AND CONCLUSION

1. In servomax mostly the company used cash for their operations, except in the year 2021-2020.
2. The company is not maintaining proper cash reserves for the operations of a company.
3. The net profit of the company is in negative for the five years.
4. If the company doesn't improve its operations it has to shut down its business.
5. In trend analysis the inventory purchase level goes on decrease year by year but, increases in the year 2022-2021.

LIMITATIONS OF STUDY

1. The company's certain information is kept secret
2. The period of study restricted only to five years.
3. The study is based on the past records of the company.
4. The study concentrates only on Cash management of the company

CONCLUSION:

In this study, the cash management effectiveness analysis was conducted at Servomax India Limited. We analysed the effectiveness of liquidity based on data from Hyderabad Electric annual report. The effectiveness of Hyderabad electric cash management was analyzed by analyzing the relationship between cash flow and the balance of sales, investments and financing activities. Since cash management can not control cash flow, inefficient liquidity management can hurt business. In most cases, poor cash management is due to the failure of the business. Effective cash management is therefore essential for the company. The analysis of this project shows significant fluctuations in long-term credit for clients. The analysis shows that sales volume has increased and collections management has improved. Efficient receivables management can generate good revenue growth, healthy cash flow, profitability and a stable sales cycle.

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