

## **A Study On Cash Management of South India Metal Company,**

**Shoranur**

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### **Abstract**

Cash management deals with the movement of money into or out of a business, project, or financial product it is usually measured during a specified, finite period of time. The need for cash to run the day - to - day business activities cannot be overemphasized one can hardly find a business firm, which does not require any amount of cash indeed, firms differ in their requirements of the cash. The purpose of a project study is to provide a detailed understanding of the project's scope, objective, requirements, risk and potential benefits. it typically includes conducting data, analyzing market trends, assessing financial implications, evaluating technical requirement and considering regulatory and legal consideration.

The objective are to analyze the cash management and to determine efficiency in cash, inventories, debtors and creditors. Further, to understand the liquidity and profitability position of the firm. These objectives are achieved by using ratio analysis and then arriving at conclusions, which are important to understand the efficiency / inefficiency of cash.

**Keywords:** Cash Management

## 1. INTRODUCTION

The cash management of south India metal company private ltd. This study intended to analyze the management of cash and it uses various techniques for analyzing the component of cash and also use various tables and graphs for representing the data for analyzing purpose.

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 or 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 most liquid asset that a business owns. Cash is a critical asset. If finance department of a firm is its heart, cash is its life blood. Cash is necessary for efficient working of the organization. Cash is the starting point and finishing point in any business. It is the sole asset at the commencement and termination of a business. At the commencement of a business, cash is converted in to expenditure (asset) and expenses. At the termination of a business the assets are converted in to cash. Cash is to be kept at the required level.

Cash management is simply the management of cash i.e. cash inflows and cash outflows. It is the process of forecasting, collecting, disbursing, investing and planning for the cash a company needs to operate its business smoothly. Good cash management can improve financial results. If a firm keeps inadequate cash reserve, it cannot buy assets, or pay wages, salaries etc. or payoff liabilities or service debt or pay dividend, taxes and so on. When a firm fails to meet its obligations, it will be declared bankrupt. Some firms retain an excessive amount of cash to meet unexpected contingencies. This will restrict the firm's growth and lower its profitability. This is because excessive cash will simply remain idle. Therefore, a firm should keep only adequate cash, neither more nor less. All these indicate that cash should be properly managed.

## □ INDUSTRY PROFILE

Metal industries are the indispensable part of an economy the form the backbone of industrial development of any country. In India, the industrial development began with the setting up of Tata iron and steel company (TISCO) at Jamshedpur in 1907. It starts its production in 1912.

The came up Burnpur and Bhadrawati steel plants in 1919 and 1923 respectively. It was, forever, after independence that the steel industry has been able to find its feet. Barring the Jamshedpur plant of the Tata's, all are in public sector and looked after by the steel authority of India ltd (sail). Bhilai and Bokaro plants were set up with the soviet collaborations. Durgapur and Rourkela plants came up with British and German technology know-how. Iron and steel industry is by nature a heavy industry. Proximity to raw materials and access to efficient transportation network are crucial to this industry. The Chotanagpur plateau bordering west Bengal, Bihar, Orissa, and Madhya Pradesh therefore has been natural core of this industry.

Besides, iron and steel industry, heavy engineering and machine tools industries are the main dealers of metals. These industries have witnessed a phenomenal growth and produce a wall range of capital goods and consumer durables. The capital goods required for textile industry, fertilizer plants, power metal industries are the indispensable part of an economy; they form the backbone of industrial development of any country. Projects, cements, steel and petrol chemical plant, mining, construction and agriculture machinery such as equipment for irrigation projects, diesel engines, pumps and tractors, transport vehicles etc., are being produced indigenously. The heavy engineering corporation ltd., set up at Ranchi in 1958 fabricates huge machines required for the iron and steel industry. Locomotives are manufactured by three units, viz.. locomotive works, Chittaranjan (west Bengal), diesel locomotives works, Varanasi (UP).

And Tata Engineering and Locomotive Co ltd., (TELECO), Jamshedpur. The Hindustan Machine Tools ltd (HMT) is a major manufacturer of a wide range of machines and tools. It has its units in Bangalore, Pinjore (Haryana), Kalamassery (Kerala) and Hyderabad. The HMT produces a wide range of watches.

## □ COMPANY PROFILE

SOUTH INDIA METAL COMPANY was established in 1936 as a private company with initial investment of Rs.80,000. SIMCO is well known firm manufacturing agricultural implements and garden tools. The business was taken over by Sri P. M. C. Divakaran Namboodirippad and his three brothers in March 1947.

The company is one of the pioneers in manufacturing various kinds of agriculture implements, garden tools and estate tools. The company is a farmer firm now in the production of above items in India. High quality implements are produced here.

SIMCO enjoys good demand in the market because most of the people in India are engaged in agriculture implements: besides these the firm enjoys a good market inside and outside Kerala. SIMCO has market in Kerala and Tamil Nadu.

## 2. LITERATURE REVIEW

**W.J Baumol**, at his article "the transaction demand for cash: An inventory theoretic Approach" on quarterly journal of economic (Vol, LXV, Nov, 2018) identifies cash maintenance as analogues to inventory maintenance and demonstrates that the model of economic order quantities that is applicable to inventory management is perfectly applicable in cash management tool. He has presented model in view of minimizing the opportunity cost of holding cash and maximizing the return on the available funds, the cash balance should be maintained at a minimum level and the funds not required from immediate use be invested in the marketable securities.

**M.H. Miller and Orr. D**, in their article " a Model of the Demand for money in firms" on quarterly journal of economic, (Vol, LXV, Aug, 2019) have developed a model known as MillerOrr model, that takes into account the realistic pattern of cash flows and prescribed when and how much to transfer from cash to investment account and vice- versa.

**Ram M. Saksena** at his article, "Towards more efficient cash management" on quarterly journal of management quality (Vol.No. 5, 2020) identified that the term cash management has a meaning according to the purpose for which it is used and persons with varying branches of knowledge implies various meaning of cash. Economics considered cash, as the means to satisfy human want, the lawyer the view that cash is the legal tender money issued by a determinate authority.

### 3. OBJECTIVES

- To ensure the quality requirement of the product and services offered, are maintained at all stages.
- To detect and prevent appropriate change in quality management system.
- To create a culture among all employees to lead quality, concept and productivity through total involvement and commitment of employees.

### 4. RESEARCH METHODOLOGY

- **RESEARCH DESIGN:**

Research design is a detailed plan of how a research study is to be completed. In this study the type of research design adopted is descriptive research. It is a fact investigation technique.

- **SOURCE OF DATA:**

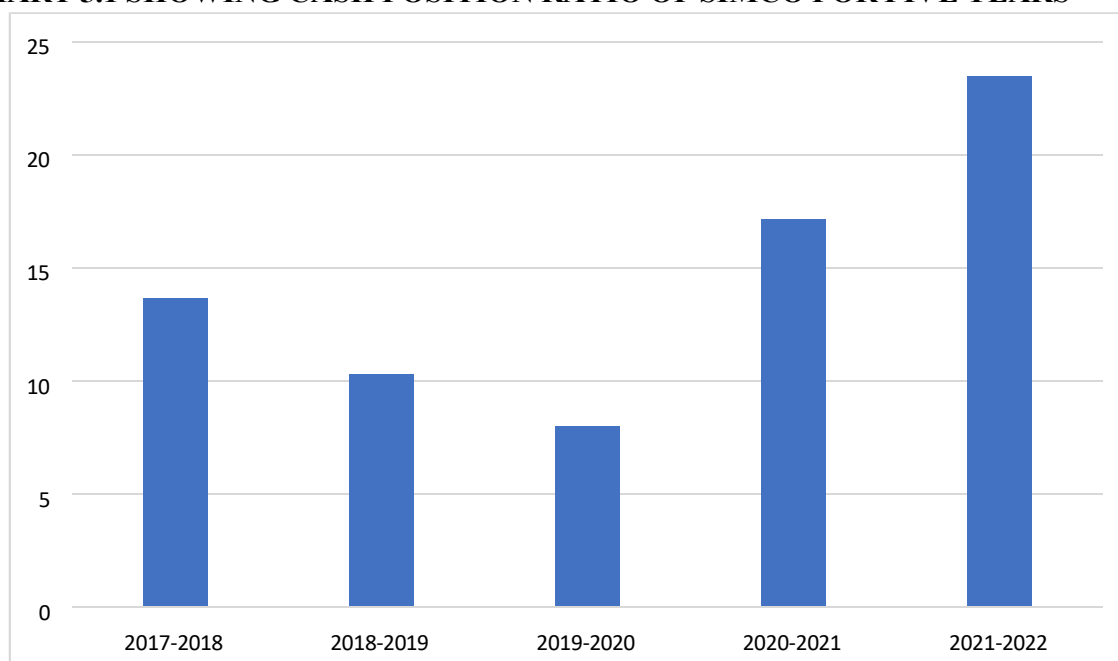
The data is collected from secondary data. The major source of data was collected from balance sheet and profit and loss of THE SOUTH INDIA METAL COMPANY.

## 5. DATA ANALYSIS

**TABLE 5.1 SHOWING CASH POSITION RATIO OF SIMCO FOR FIVE YEARS**

YEAR	CASH	CURRENT LIABILITY	RATIO
2017-2018	512373.31	3745750.74	13.67
2018-2019	544669.08	5275374.23	10.32
2019-2020	226917.66	2823329.70	8.0
2020-2021	533614.88	3111965.98	17.14
2021-2022	702617.97	2992167.25	23.48

**CHART 5.1 SHOWING CASH POSITION RATIO OF SIMCO FOR FIVE YEARS**



### INTERPRETATION:

This chart shows an upward trend in the year 2020-2021 and 2021-2022 i.e. 17:14 and 23:48. A higher cash position ratio implies that the firm is unable to make profitable use of resources.

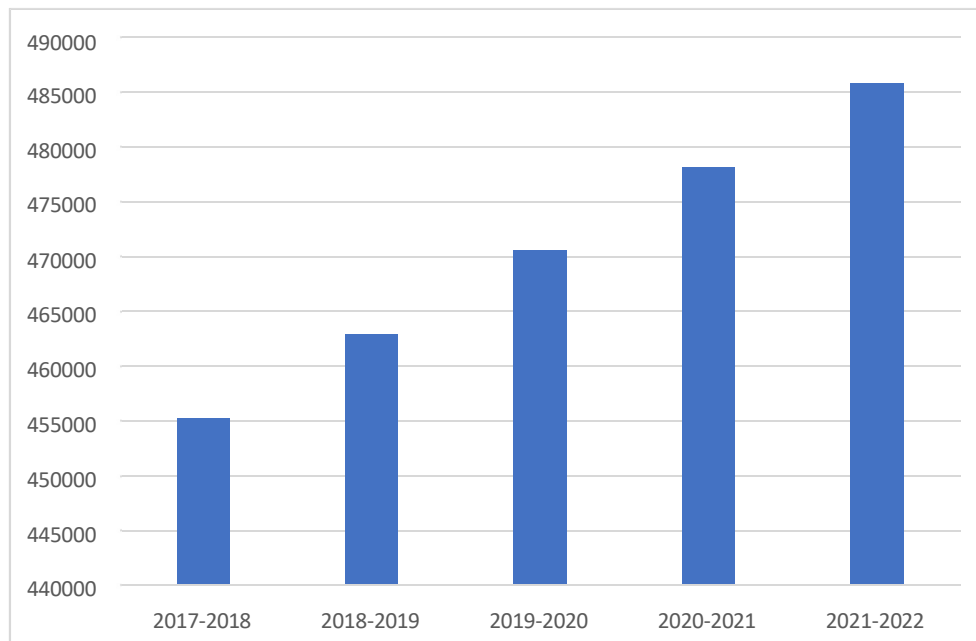
**TABLE 5.2 SHOWING CASH FLOW STATEMENT OF CASH FLOW STATEMENT  
OF SIMCO FOR FIVE YEARS**

<b>PARTICULARS</b>	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>
NET PROFIT	941822.53	270496.41	685471.53	1906884.44	44774372
NET CASH FLOW FROM OPERATING ACTIVITY	1877027.95	5404117.79	2129106.49	638566.4	15938365.48
NET CASH FLOW FROM INVESTING ACTIVITY	194538.21	-65593.01	-356726.44	261892.23	-344324.85
NET CASH FLOW FROM FINANACING ACTIVITY	-243614.17	1924504.12	1535734.17	-718963.14	13544023.8
NET INCREASE/ DECREASE IN CASH & CASH EQUUIVALENTS	-32295.77	317751.42	-306697.22	-169003.09	357655.75
CASH & CASH EQUUIVALENTS AT THE BEGINNING	480077.54	226917.66	79779.56	364611.79	344962.22
CASH & CASH EQUUIVALENTS	512373.31	544669.08	226917.66	533614.88	702617.97



**TABLE 5.3 SHOWING TREND VALUE OF CASH OF SIMCO FOR FIVE YEARS**

YEAR	CASH	X	X <sup>2</sup>	XY	TREND VALUE
2017-2018	544669.08	-2	4	-1089338.16	455299.04
2018-2019	226917.66	-1	1	-226917.66	462927.70
2019-2020	533614.88	0	0	0	470556.36
2020-2021	702617.97	1	1	702617.97	478185.02
2021-2022	344962.22	2	4	689942.44	485813.68
	2352781.81		10	76286.59	

**CHART 5.3 SHOWING TREND VALUE OF CASH OF SIMCO FOR FIVE YEAR****INTERPRETATION:**

This chart shows that the firm's cash level is increased in year by year. In 2017-2018, the trend value of cash is 455299.04. In 2021-2022, it is increased to 485813.68. This indicates that the firm maintains a high level of cash.

## **FINDINGS**

- The firm maintains a satisfactory level of cash in proportion to current assets. It shows an increasing trend of 4:3 in 2021-2022.
- The liquid ratio of the firm is above the standard. The firm could meet its current obligation immediately. The firm's liquidity is satisfactory.
- Cash position ratio shows an increasing trend. In 2017-18, it is 13:67 and this is increased to 23:48 in 2021- 2022. A higher cash position ratio shows the firm is unable to make profitable use of resources

## **6. CONCLUSION**

SIMCO is an important player in the marketing of agriculture tools and implements. Its relevance is higher in a state like Kerala where the density of population is high and more people are used agriculture.

During the period of the study (2017-18 to 2021-22) the performance of the firm was good in terms of profitability, liquidity and cash flows. But the firm wants to more improve in some areas. The areas are financing activity and investing activity. It is concluded that the firm has a good liquidity position and it is hope that the firm can make an excellent performance in the coming years.

## REFERENCE

### JOURNALS

- **W.J Baumol**, at his article "the transaction demand for cash: An inventory theoretic Approach" on quarterly journal of economic (Vol, LXV, Nov, 2018)
- **M.H. Miller and Orr. D**, in their article " a Model of the Demand for money in firms" on quarterly journal of economic, (Vol, LXV, Aug, 2020)

### WEBSITES

- [www.simcoindia.com](http://www.simcoindia.com)
- <https://www.studyfinance.com>
- <https://www.cash flow management.com>