

A Study on Cash Management With Reference To Silk Industries Kerala Limited, Kayarampara ,Ottapalam

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Abstract- This project report presents a study conducted at Steel Industries Kerala Limited, Ottapalam, focusing on cash management in Steel Industries. The study aims to analyse the cash management practices of the company and provide recommendations for improvement. The research methodology involved a detailed analysis of the company's cash management processes, including cash inflows, outflows, and working capital management. Data was collected observations, and analysis of financial statements. The findings highlight the importance of efficient cash management in enhancing the financial performance of the company. Recommendations include optimizing cash flow forecasting, improving working capital management, and implementing technology solutions for better cash management. Overall, the study emphasizes the significance of effective cash management in ensuring the financial stability and growth of Steel Industries.

I. INTRODUCTION

Steel Industrials Kerala Limited (SILK) was setup in 1974 by the Government of Kerala with a mission to develop steel-based industries and services in Kerala. SILK has evolved into a multi-faceted company, capable of delivering a wide array of products and services by engaging highly qualified engineers. SILK has diversified and grown into a 100 crore Company today and it possesses state of the art facilities for fabrication, Casting, Ship Building/Breaking, Manufacturing of Hospital/Home Furniture and Project Management Consultancy (PMC) services. This study mainly focusing on deep analysis on steel industries kerala limited cash management system and also how they effectively maintain liquidity to meets their shortterm obligations. Cash management is the process of efficiently handling the company's cash. It includes managing bank accounts, ensuring there's enough money for short-term needs, and making smart investment choices.

INDUSTRY PROFILE

Steel is one of the most important, multifunctional and most adaptable materials which plays a key role in making lives

convenient. Being the basic raw material for a host of manufacturing activities, steel forms the backbone for national economic development. The steel industry is often considered as an indicator of economic progress, because of the critical role played by it in infrastructural and overall industrial development of a country. Indian Steel Industry contributes to all the facets of economy, including GDP, industrial and infrastructural development. The steel industry contributes approx. 2.5% to national GDP, employing 2.5 million people, directly & indirectly. The output effect of steel on Indian economy is approx.1.4 times, with an employment multiplier of 6.8 times.

COMPANY PROFILE

Steel Industrials Kerala Limited (SILK) was setup in 1974 by the Government of Kerala with a mission to develop steel-based industries and services in Kerala. SILK has evolved into a multi-faceted company, capable of delivering a wide array of products and services by engaging highly qualified engineers. SILK has diversified and grown into a 100 crore Company today and it possesses state of the art facilities for fabrication, Casting, Ship Building/Breaking, Manufacturing of Hospital/Home Furniture and Project Management Consultancy (PMC) services. Our products include various types of castings to cater to light and Heavy Engineering sector, fabricated products like penstock, shutters for dams, radial gates, fabrication and erection of engineering structures, Repair/Breaking/Building of small sea going vessels and manufacturing of various steel based furniture.

II. REVIEW OF LITERATURE

Westerman, Wim (2020) : The document discusses the centralisation and decentralisation issues in cash management decision-making within companies. It highlights the historical trends, current challenges, and potential future developments in cash management organisation views. The study emphasizes the need for a refined understanding of financial economics, strategic direction, and operational flexibility in managing cash effectively. It calls for further research through

case studies and surveys to explore how organisations respond to the evolving cash management landscape.

Salas-Molina, F. (2020): This document presents a multiobjective model for risk-sensitive control of cash management systems. It introduces a linear-quadratic modeling framework, stability analysis, and robustness evaluation. The model aims to optimize cost and risk objectives, offering a practical approach for adjusting policies based on risk preferences. Overall, the paper provides insights into enhancing cash management strategies through a risk-sensitive control framework.

K.C JOHN WEI(2007): The paper examines the impact of legal protection and financial constraints on corporate cash management policies. Firms in countries with strong legal protection of investors are less sensitive to changes in cash flows but more responsive to stock prices. Financially constrained firms show higher sensitivity to cash flows. The study finds consistent results across different measures of legal protection and financial constraints. Legal protection influences cash-cash flow and cash-stock price sensitivities. Financial constraints affect cash-cash flow sensitivity. Interaction terms between legal protection, financial constraints, and firm characteristics provide insights into cash management policies.

III. OBJECTIVE

- Conduct a detailed analysis of the organization's financial statements using ratio analysis to assess liquidity, profitability, and efficiency ratios.
- Prepare a schedule of working capital to determine the organization's short-term liquidity position and working capital requirements.
- Perform a comparative analysis of balance sheets to identify trends and changes in key financial indicators over time. → Develop actionable recommendations for improving cash management practices based on the findings of the analysis.

IV. SCOPE

- Evaluating the time it takes for cash to flow through the organization's operating cycle
- Developing a comprehensive budget that outlines expected cash inflows and outflows over a specific period
- Managing the balance between current assets and liabilities to optimize working capital levels
- Predicting future cash flows based on historical data, market trends, and business projections.

V. LIMITATIONS

- Cash management strategies may be influenced by rapidly changing market conditions, economic factors, and industry dynamics, making it challenging to develop long-term plans and forecasts.
- Companies are not ready to reveal their accurate financial data to outside, they keep the financial data very confidential
- Cash management have interrelated process including working capital optimization, liquidity management etc. for handling it can be require specialized knowledge

VI. RESEARCH METHODOLOGY

6.1 REASEARCH DESIGN

Research approach used in cash management is Descriptive research

6.2 SOURCE OF DATA

In this study the data source is secondary data that is financial statement which is drafted by the company such as balance sheet and profit and loss account

6.3 DATA ANALYSIS TECHNIQUES

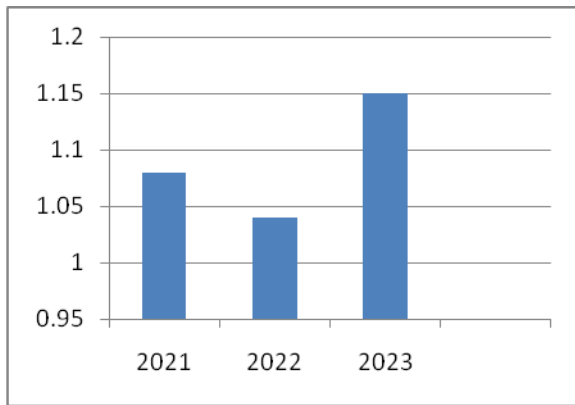
- Ratio analysis
- Schedule of changes in working capital
- Comparative balance sheet

VII. DATA ANALYSIS

7.1 Ratio Analysis

7.1.1 CURRENT RATIO

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2021	43680845.96	40304524.36	1.08
2022	58802169.01	56625140.71	1.04
2023	85623873.09	74236080.05	1.15

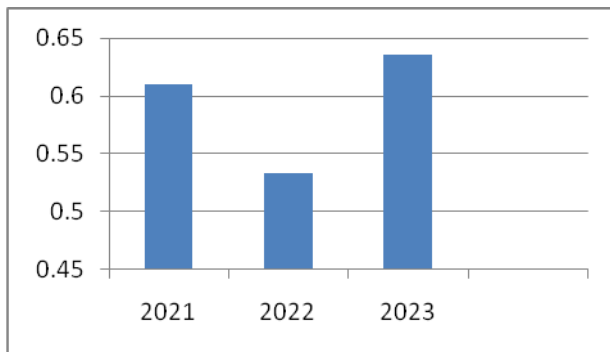


Interpretation

The figures does not reach its ideal position 2:1, now company is in growing stage.it shows increase in current years over the year.

7.1.2. QUICK RATIO

YEAR	QUICK ASSET	CURRENT LIABILITIES	RATIO
2021	24594836.02	40304524.36	.610
2022	30207941.1	56625140.71	.533
2023	47208681.82	74236080.05	.636



Interpretation

The company is in improvement stage in 2023 the quick ratio is .636 that is going to nearly 1 it means that improvement in the company's ability to cover its short-term obligations with its most liquid assets.

7.2 Schedule Of Changes In Working Capital

7.2.1 Schedule Of Changes In Working Capital of 2021 to 2022

	2021	2022
Current assets	43680845.96	58802169.01
Current liability	40304524.36	56625140.71
Working capital	3376321.6	2177028.3
Net decrease in working capital		1199293.3
total	3376321.6	3376321.6

Interpretation

In this case, even though current assets increased, current liabilities increased by a greater amount, resulting in a decrease in net working capital.The company may be growing its business and needing to invest in more inventory to meet customer demand.

7.2.2 Schedule Of Changes In Working Capital of 2022 to 2023

	2022	2023
Current assets	58802169.01	85623873.09
Current liability	56625140.71	74236080.05
Working capital	2177028.3	11387793.04
Net decrease in working capital	9210764.74	
total	11387793.04	11387793.04

Interpretation

The table suggests that the company's working capital position has improved significantly. This could be due to a number of factors, such as improved collections from customers, better management of inventory, or a more efficient supply chain.

7.3 Comparative balance sheet

7.3.1 Comparative balancesheet of 2021 to 2022

ASSET	2021	2022	INCREA SE	DECR EASE
C.A				
STOCK	19086009.94	28594227.91	95,08,217.97	-49.82
DEPOSI TS	2341988.37	2341988.37	0	0

LOANS & ADVANCE	7270301.79	7507646.29	- 2,37,344.50	-3.26
SUNDRY DEBTORS	14998477.36	20326647.68	- 53,28,170.32	-35.52
CASH IN HAND	14425.95	27182.21	-12,756.26	-88.42
BANK ACCOUNTS	-48038.45	4476.55	-52,515	109.31
OTHERS	19086009.94	28594227.91	- 95,08,217.97	-49.82
TOTAL CA	43680845.96	58802169.01	- 1,51,21,323.05	-34.61
FIXED ASSET	53815352.01	54952972.62	- 11,37,620.61	-2.11
TOTAL ASSETS	97496197.97	11375514.1.6	1,62,58,943.63	-16.67
LIABILITIES				
LOANS				
Bank od	2534878.53	7953845.07	- 54,18,966.54	-213.77
CL				
DUTIES & TAX	- 199948.66	-90655.55	- 1,09,293.11	54.66
PROVISION	11047229.38	11504699.38	-4,57,470	-4.14
SUNDRY CREDITORS	12214709.11	22365896.82	- 1,01,51,187.71	-83.1
EPF	4676351.6	6676010.6	-19,99,659	-42.76
ESI	497879.43	577805.1	-79,925.67	-16.05
SALARY PAYABLE	891868.75	2001031.75	-11,09,163	-124.36

OTHERS	11176435.08	13590352.61	- 24,13,917.53	-21.59
TOTAL CL	40304524.36	56625140.71	- 1,63,20,616.35	-40.49
BRANCH/DIVISION	56433725.12	60123674.55	- 36,89,949.43	-6.54
P&L	- 1776930.04	- 10947518.7	91,70,588.66	-516.09
TOTAL LIABILITY	97496197.97	11375514.1.6	- 1,62,58,943.63	-16.67

Interpretation

The company's total assets and liabilities increased in 2022 compared to 2021. The increase in assets was largely due to the increase in current assets. The increase in liabilities was largely due to the increase in branch division liabilities and profit and loss.

7.3.2. Comparative balancesheet of 2022 to 2023

ASSETS	2022	2023	INCREASE	DECREASE
C.A				
STOCK	28594227.91	38415191.27	- 9820963.36	-34.34
DEPOSITS	2341988.37	2373173.37	-31185	-1.33
LOANS & ADVANCE	7507646.29	4160868.29	3346778	44.58
SUNDRY DEBTORS	20326647.68	40573178.26	- 20246530.58	-99.6
CASH IN HAND	27182.21	17333.1	9849.11	36.2
BANK ACCOUNTS	NIL			

TS				
OTHERS	4476.55	84128.8	-79652.25	-1779.32
TOTAL CA	58802169.01	85623873.09	26821704.08	-45.6
FIXED ASSETS	54952972.62	85944452.45	30991479.83	-52.7
TOTAL ASSETS	113755141.6	171568325.5	57813183.9	-50.8
LIABILITIES				
LOANS				
Bank	7953845.07	6782608.4	-1171236.67	14.72
CL				
DUTIES & TAX	-90655.55	-2577113.51	2486457.96	2742.75
PROVISION	11504699.38	14230556.5	2725857.12	-23.69
SUNDRY CREDITORS	22365896.82	39349142	16983245.18	-75.93
EPF	6676010.6	7535100.6	-859090	-12.87
ESI	577805.1	561504.1	16301	2.82
SALARY PAYABLE	2001031.75	844917.75	1156114	57.77
OTHERS	13590352.61	14291973.05	701620.44	-5.16
TOTAL CL	56625140.71	74236080.05	17610939.34	31.1

BRA NCH/ DIVISION	60123674.55	105022414.8	-44898740.25	-74.67
P&L	-10947518.7	-14472777.71	3525259.01	32.2
TOTAL LIABILITIES	113755141.6	171568325.5	57813183.9	-50.82

Interpretation

In this table shows it was increase in the current assets and current liabilities in 2023 as compared to the 2022 it shows the company is in growing stage. It is possible in future they can reduce the current liabilities makes the organization more profit

VIII. FINDINGS

- Liquidity ratio shows increase year by year which means the company has the ability to meet its short term liability but it does not reach in its ideal position
- The highest increase in working capital shows in the year 2022 and 2023 there is huge increase in the sundry debtors and stocks that will decreases the current liability of the year 2023
- By using the tool comparative balance sheet shows the upward trend in coming years now company is in growing stage as compared to the base year .
- The company reduces its liabilities over the years that gives a positive sign to the future

IX. SUGGESTIONS

- Improve Liquidity Ratio: The Company should focus towards increase in liquidity ratio to ensure it can meet its short term obligations without relying heavily on its assets.
- Develop robust cash flow forecasting models to accurately predict cash inflows and outflows, allowing for proactive management of short-term liabilities.
- Seek Professional Advice by consulting financial experts can provide valuable guidance in addressing financial challenges and making informed decision

X. CONCLUSION

Study on cash management in steel industries Kerala limited by analyzing the financial data drafted and maintained by the company shows that the company was now in growing stage as compared to the previous years. Liquidity ratio increases over the years now it was in stable stage so maintain this adequate current ratio will increase the company's capability to meet its short-term obligations. Now company is in growing stage so its need to invest in modern financial systems and technology solutions that streamline processes, improve efficiency, and enhance data accuracy and integrity.

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