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A Study on Cash Management at Salzer Electronics Limited

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ABSTRACT
Cash management plays a vital role in the success of any industry, including the electronics industry. In this industry, companies deal with high operating costs, fluctuating demand, and intense competition. Effective cash management can help companies to maintain a positive cash flow, reduce financial risks, and improve profitability. The electronics industry comprises various sub-sectors such as consumer electronics, semiconductors, telecom, and electronic components, all with different challenges in cash management. Each sub-sector requires a unique approach towards cash management as they have distinctive cash generation and management mechanisms. Cash collection, liquidity management, and forecasting are the essential components of cash management in the electronics industry. Companies need to optimize their credit management and collection processes by closely monitoring accounts receivable, which can help to reduce the time of receivables, improve the cash flow cycle, and reduce the possibility of bad debts. In addition, companies in the electronics industry need to manage their liquidity correctly by ensuring that cash reserves are available to meet operational and investment requirements. Proper forecasting of cash requirements will help organizations to maintain sufficient liquidity, avoid costly delays, and effectively manage working capital

KEYWORDS: Positive cash flow, Cash collection, liquidity management, and forecasting

I. INTRODUCTION

The project programme was created to provide students with the chance to share their knowledge, investigate the link between academic preparation and field learning, and assist people working in development. and the program's implementation. An extensive study that compliments my project-related experience. The six-week project had a dual purpose by giving students between their third and fourth semesters of the MBA programme a critical business perspective as well as an industry for highly qualified graduates. since the creation of the planet.

All programme participant's projects are unique and catered to their requirements and interests. Students should actively participate in the process of identifying appropriate internships as part of their internship experience.

II. OBJECTIVE OF THE STUDY

- To Investigate cash management techniques and the impact on the income statements.
- To Evaluate the effectiveness of the cash management of the SEL.
- To Evaluate the cash flow of the industry.
- To Identify revenue and payments for the industry.
- To Determine the link between bond management and profitability.

III. RESEARCH METHODOLOGY

RESEARCH DESIGN

Data collection is done with the aid of data from the company's financial management and information from
cash management, a financial management tool.

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LIMITATION OF RESEARCH

This study contains a number of restrictions:

1. Just five years' worth of data are gathered.
2. Most financial information is kept private.
3. The time frame is set at six weeks.
4. The management forbade researchers from working in each department.

IV. REVIEW OF LITERATURE

Money is an exchangeable medium, **according to Davidson et al (1999)**. It has to be unrestricted for business uses. Cash must satisfy the two primary conditions of being accepted and readily available for use when making purchases or paying obligations. Common tests that apply to cash things include bank deposits. Planning, controlling, and calculating cash transactions and cash balances are done in this manner. By transforming available funds into expenses directly or indirectly, we increase productivity.

Pandey, (2007) A crucial current asset for business operations is cash. The primary source of information required for the efficient operation of your organisation is money. Selling the company's services or goods should lead to this as the desired outcome. The business must have just enough funding, nothing more. The company's manufacturing activities will be hampered by a lack of liquidity, and an abundance of liquidity will just sit idle. without enhancing Hue's financial success. As a result, the financial manager's primary responsibility is to maintain a positive cash flow.

Waltson and Head (2007) Optimizing free cash flow, maximising interest earned on reserve funds not immediately needed, and minimising late transfer losses are all concepts covered under cash management.

V. DATA ANALYSIS AND INTERPRETATION

Cash Ratio

The ratio of the company's short-term obligations to cash and cash equivalents is known as the cash ratio. Although it solely compares cash and cash equivalents with current obligations, this liquidity ratio is quite high. the following is a measure only.

CASH RATIO = CASH/CURRENT LIABILITY*100

TABLE SHOWING CASH RATIO

Year	Cash	Current Liability	Cash Ratio
2017-18	199.47	23,655.68	0.84%
2018-19	712.92	25398.64	2.81%
2019-20	221.82	26,052.43	2.80%
2020-21	493.33	30790.73	1.60%
2021-22	190.21	36153.51	0.53%

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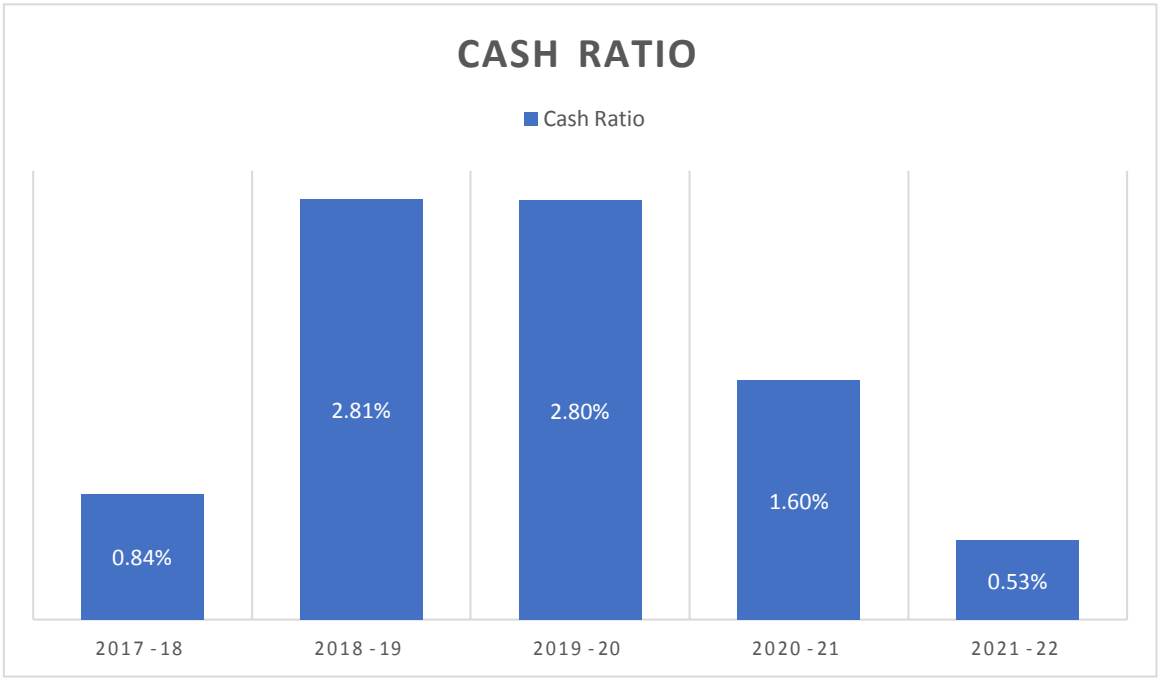
Figure: 1Graph showing the Cash Ratio in financial years 2017-18 to 2021-22



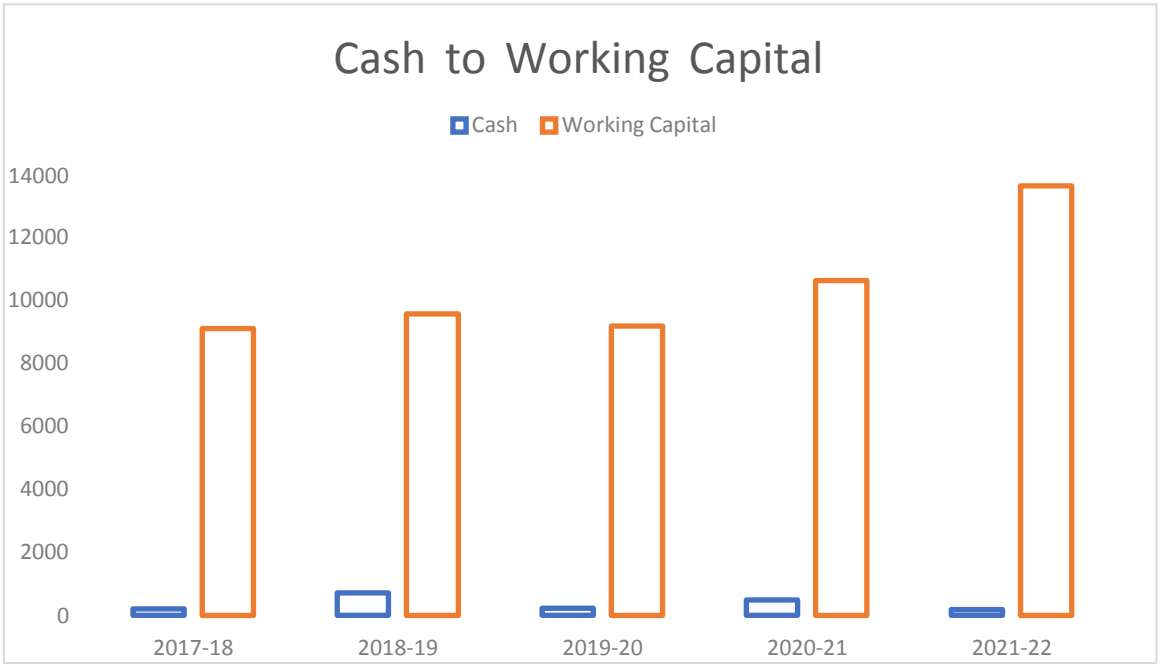
Analysis and Inference
As seen in the aforementioned graphic, the liquidity ratio for 2017–18 was 0.84%. 2.81% in 2018-19,2019-20 2.80%, In 2020–21, it dropped to 1.60 percent. 2021–2022 will have an annual change of 0.53%. At 0.53%, the cash ratio in 2022 is quite low.

CASH TO WORKING CAPITAL
The cash generating capital ratio measures the extent to which current liabilities can be hedged using cash and cash equivalents and current assets such as securities. This includes situations in which the company does not spend too much money on inventory and moves quickly to sales.
CASH TO WORKING CAPITAL = Cash and Cash Equivalents / Total Current Assets — Total Current Liabilities
Working capital = Current Assets - Current Liability

TABLE SHOWING CASH TO WORKING CAPITAL

Year	Cash	Working Capital	Ratio
2017-18	199.47	9,103.99	0.02%
2018-19	712.92	9,570.46	0.07%
2019-20	221.82	9,189.13	0.02%
2020-21	493.33	10618.34	0.05%
2021-22	190.21	13629.69	0.01%

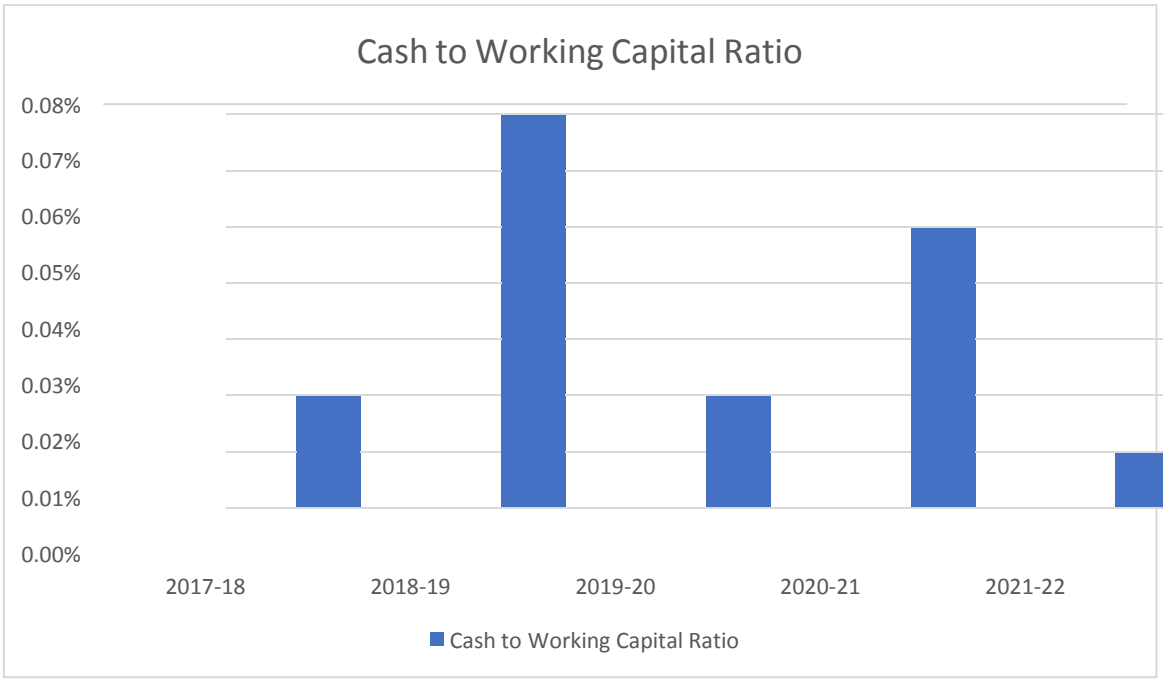
Figure: 2 Graph showing the cash and working capital relation in financial years 2017-18 to 2021-22



Analysis and Inference

According to the graph above, the ratio of cash to working capital was 0.02% in 2017–2018 and 0.07% in 2018–2019. 0.02% in 2019-2020. It dropped to 0.01 in 2021–2022.

Figure: 3 The following graph shows the ratio of cash and working capital



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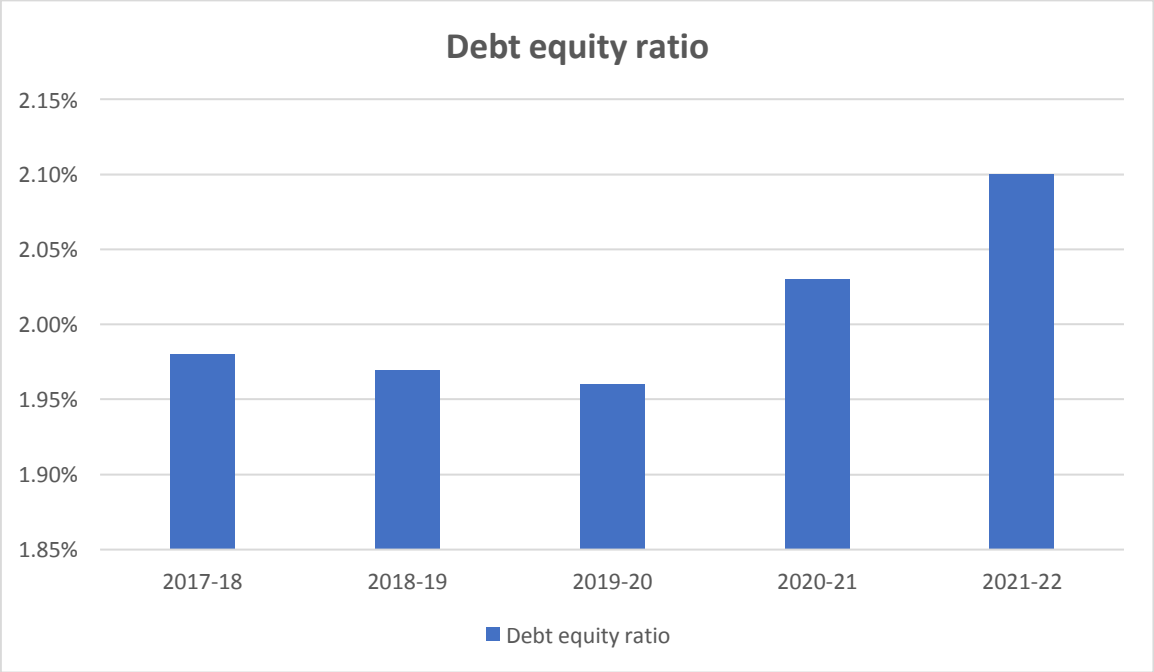
Debt Equity Ratio

Debt Equity Ratio = Total Liabilities / Shareholders Funds

Table showing Debt Equity Ratio

Year	Total Liabilities	Shareholders' Funds	Debt Equity Ratio
2017-18	53,723.18	27,060.09	1.98%
2018-19	56,556.38	28,699.45	1.97%
2019-20	60675.70	30,937.99	1.96%
2020-21	67422.57	33,128.65	2.03%
2021-22	75233.24	35,838.03	2.10%

Figure: 4 Graph showing the cash and Debt equity ratio min financial years 2017-18 to 2021- 22.



Analysis and Inference

The debt-to-equity ratio for Salzer Electronics Industries is 1.98% in 2017–18, 1.97% in 2018–19, 1.96% in 2019–20, 2.03% in 2020–21, and 2.10% in 2022. The graph clearly shows that SEIL's debt equity turnover ratio is rising. As SEIL's debt equity ratio is rising, the firm must worry about its high debt ratio in order to satisfy its fixed commitments and is also dependent on shareholders and outsiders.

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Growth of Cash Position

Table Showing Growth of Cash Position

Year	Amount	Growth rate in (%)
2017-18	199.47	100
2018-19	712.92	357.41
2019-20	221.82	111.20
2020-21	493.33	247.32
2021-22	190.21	95.36

Figure: 5 Graph depicting the Cash situation during the fiscal years 2017–18 to 2021–22.

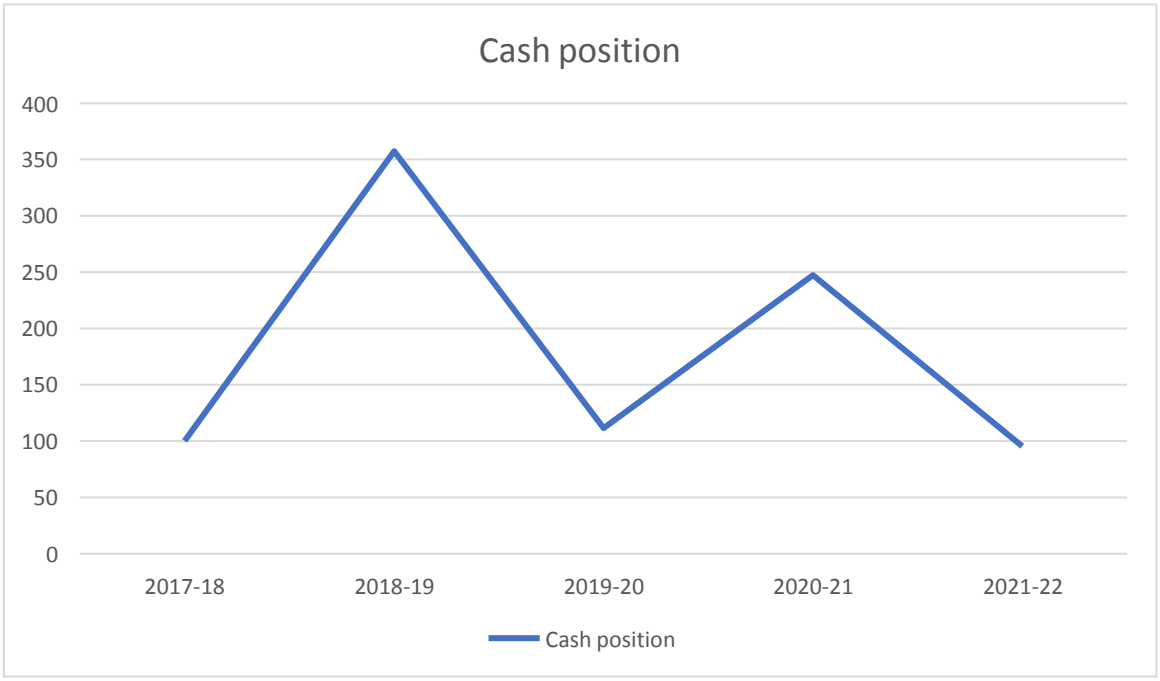

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Figure: 6 Graph depicting the growth in cash position from the 2017–18 to the 2021–22 fiscal years.

Analysis and Inference

As seen in the aforementioned graph and chart, higher cash holdings tend to raise estimates for 2017–18 as opposed to 2019–20. 2018–19 had an increase in growth rate to 357.41. Also, the growth in cash is advantageous for the business in 2020–21, it may be argued. Nevertheless, it goes down in 2021–22.

CASH TO CURRENT ASSETS

The cash rate is the percentage of all current assets, which includes the company's securities, cash and cash equivalents, and the most recent assets.

The present value of the securities and cash divided by the company's current obligations is the cash-to-cash ratio. The quantity of highly liquid assets (such cash and securities) to the amount of current obligations are compared using cash ratios, also known as cash ratios.

Cash to Current Assets = Cash/Current Assets*100

Table showing Cash to Current Assets

Year	Cash	Current Asset	Ratio
2017-18	199.47	32,759.67	0.61%
2018-19	712.92	34,969.10	2.04%
2019-20	221.82	35,241.56	0.63%
2020-21	493.33	41,409.07	1.19%
2021-22	190.21	49,783.20	0.38%

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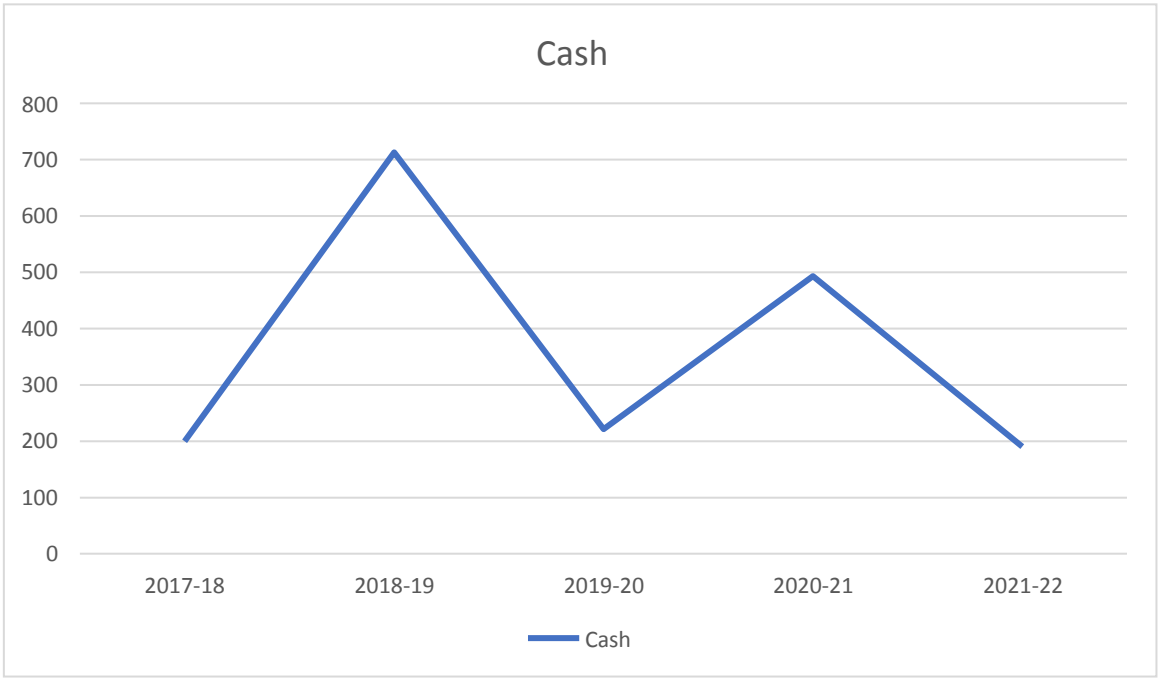
Figure: 7 A graph displaying the Cash from the fiscal years 2017–2018 through 2021–2022.



Analysis and Inference

According to the aforementioned graph, the ratio of liquid assets to liquid assets was 0.61 in 2017–18, 2.04 in 2018–19, but it fell to 0.63 in 2019–20 before increasing to 1.19 in 2020–21. The information above demonstrates how the company's cash to present ratio changes over time. As compared to 2018, 2019, 2020, and 2021, the figure for 2021–22 is 0.38%, which is quite low.

Figure: 8 Graph depicting the current asset from the 2017–18 to the 2021–22 fiscal years.

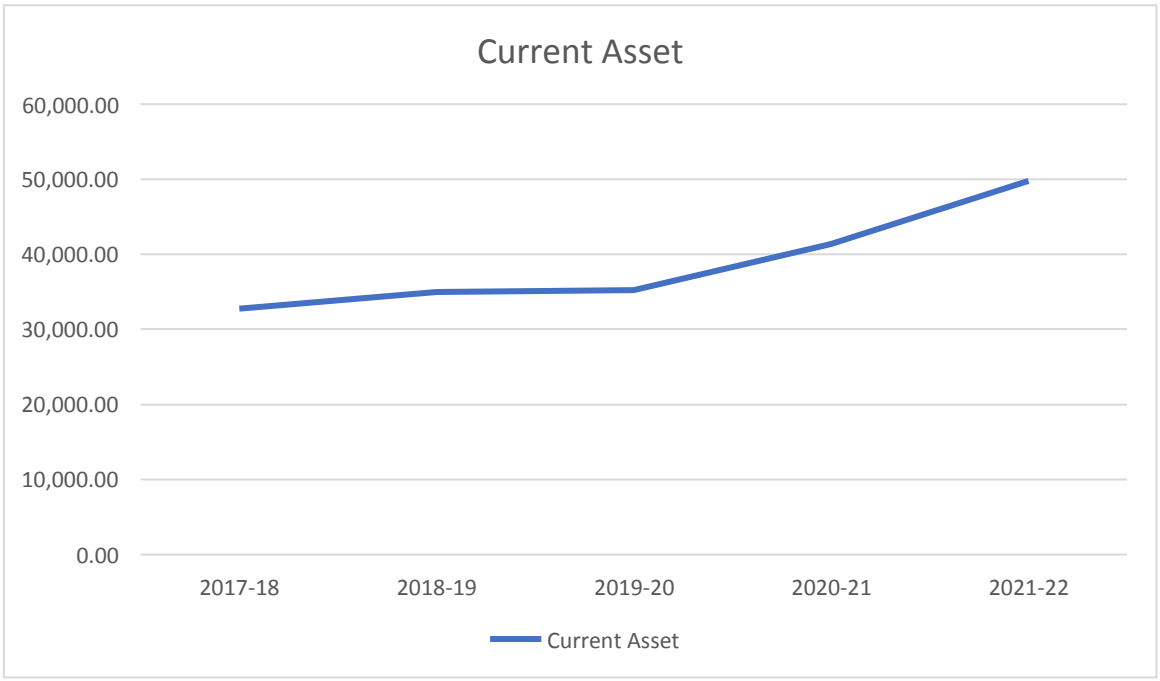


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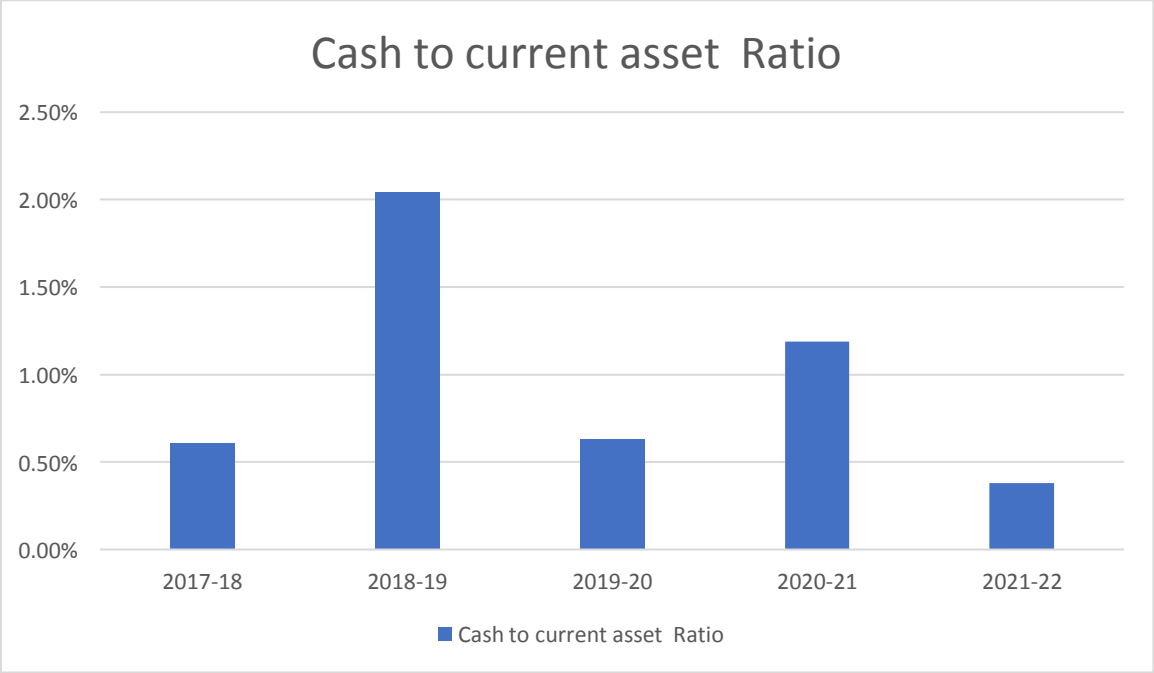
Figure: 9 Graph depicting the Cash to Current Asset Ratio from the 2017–18 through the 2021–22 financial years.



NET PROFIT RATIO

Net income ratio = Net income after net sales / Net sales * 100

Table showing Net sales to Net profit ratio

Year	Net Profit After Tax	Net Sales	Net Profit Ratio
2017-18	2,001.65	45,333.17	4.41%
2018-19	2,395.74	55,976.62	4.28%
2019-20	2,638.66	56,694.56	4.65%
2020-21	2,067.35	60,561.95	3.41%
2021-22	2,420.46	80,354.15	3.01%

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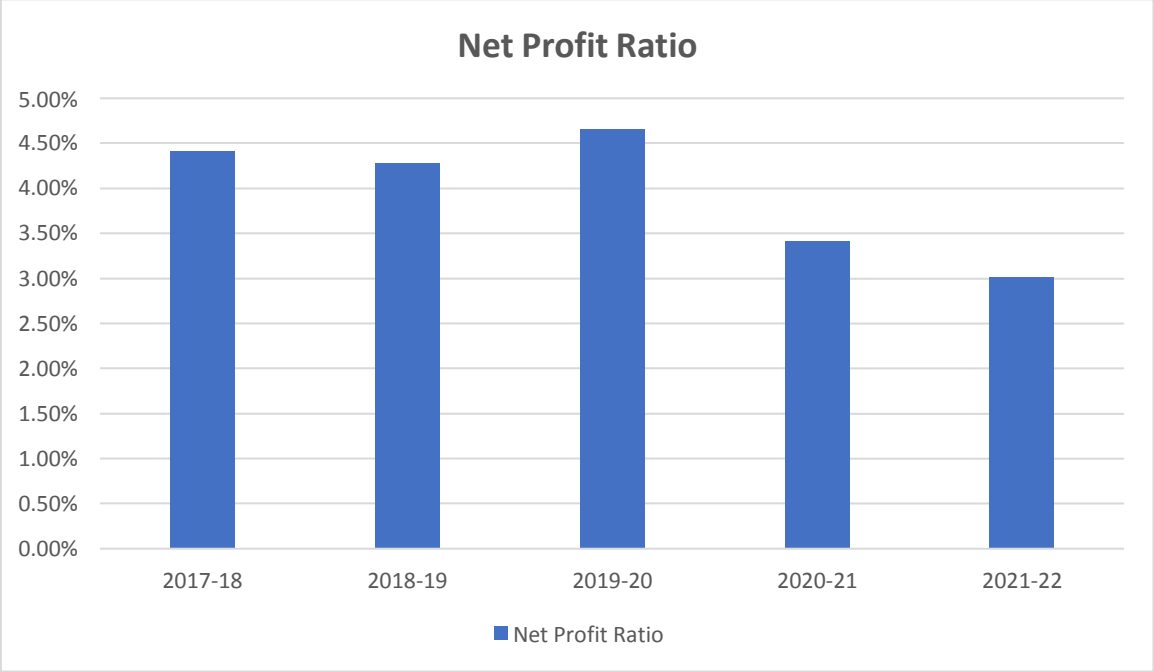
Figure: 10 Graph depicting the Net Profit Ratio from 2017–18 through 2021–22.



Analysis and Inference

From the graph, it is clear that Salzer electronics industries' net profit ratio will increase to 4.65 in 2019–20 from its previous value of 4.41 for the fiscal years 2017–18, 2018–19, and net profit of $2,395.74 and 4.28, respectively and fell in 2021 and 2022. The Salzer electronics industries' declining net profit ratio reveals that the business's profitability position is flexible.

Cash Flow Statement

Particular	2022	2021	2020	2019	2018
A. CASH FLOW FROM OPERATING ACTIVITIES					
Profit/(Loss) after tax	2,450.58	2,210.67	2,546.83	2,377.35	1,956.58
Tax expenses	820.15	671.15	377.50	835.10	1,092.21
Depreciation and Amortisation	1,633.48	1,560.55	1,443.96	1,215.96	1,053.61
Interest Income	-50.05	-34.18	-50.93	-43.42	-80.44
Finance Costs	1,987.65	2,127.42	2,116.68	1,988.47	1,491.25
(Gain)/Loss on Foreign Exchange Fluctuations (Net)	-83.99	30.83	-11.93	73.59	-194.22
Dividend Income	-6.74	-25.42	-18.29	-12.60	-18.21
(Profit)/Loss on Sale of Investments	-43.52	-10.93	15.00	-0.32	-2.90
(Profit)/Loss on Sale of Assets (Net)	-3.13	-1.57	-	-0.45	7.23
Fair valuation of investments	-18.99	-144.43	93.80	-	-5.23
Other Comprehensive Income	-19.61	-47.10	28.92	-	-
Other Non-operating Income	-	-126.79	-22.59	-13.91	-14.47

Operating Profit before working capital changes	**6,665.83**	**6,210.20**	**6,518.95**	**6,419.77**	**5,285.41**
Adjusted for working capital changes					
Inventories	-4,599.21	-2,022.06	-1,448.94	-412.43	-4,516.60
Trade and Other receivables	-1,818.16	-4,144.12	511.79	-1,200.78	-1,732.54
Trade and Other Payables	936.59	1,865.13	-1,392.65	957.81	2,185.67
Other Liabilities	-1,433.70	-25.85	-49.79	-	-
Cash Generated from Operations	**-248.65**	**1,883.30**	**4,139.36**	**5,764.37**	**1,221.93**
Direct Taxes Paid	-975.01	-486.91	-583.96	-598.03	-806.65
Net Cash Flow from Operating Activities.....A	**-1,223.66**	**1,396.39**	**3,555.40**	**5,166.34**	**415.29**
B. CASH FLOW FROM INVESTING ACTIVITIES					
Investment in Fixed Assets-Net	-1,955.51	-	-	-	-
Purchase of Fixed Assets	-	-1,974.82	-3,856.00	-2,880.38	-3,805.51
Sale of Fixed Assets	35.59	-	-	-	-
Non-operating Income	-	126.79	22.59	13.91	14.47
Investment in Mutual Funds and Equities	61.11	-20.31	-18.92	-57.63	161.58
Profit/ (Loss) on Sale of Fixed assets	3.11	18.57	45.76	0.45	-7.23
Dividend Received	6.74	25.42	18.29	12.60	18.21
Interest Received	50.05	34.18	50.93	43.42	80.44
Other Non- Current Investments	17.99	-	-	-	-
Net Cash Used in Investing Activities .....B	**-1,608.18**	**-1,661.02**	**-5,024.00**	**-2,829.00**	**-3,261.84**
C. CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from Short Term Borrowings	5,212.42	2,737.11	2,030.76	782.22	2,473.00
Other Non-Current Assets	-290.60	-	-	-	-
Share Application/Allotment Money Received	-	-	-	6.38	2,127.32
Long term Borrowings	-	178.92	1,379.78	-	29.51
Repayment of - Non-Current Liabilities	-386.00	-329.86	-23.25	-344.15	-446.78
Interest and Finance Charges	-1,987.65	-2,127.42	-2,116.68	-1,988.47	-1,491.24
(Gain)/Loss on Foreign Exchange Fluctuations (Net)	83.99	-30.83	11.93	-73.59	194.22

Dividend and Dividend Tax Paid	-19.04	-	-339.18	-307.60	-279.17
Net Cash Generated from Financing Activities..... C	**2,613.12**	**427.92**	**943.36**	**-1,925.21**	**2,606.85**
Net Increase in Cash and Cash Equivalents .....A+B+C	**-218.72**	**163.29**	**163.29**	**412.13**	**-239.70**
ADD: Opening Cash and Cash Equivalents	**1,393.30**	**886.63**	**1,411.87**	**999.74**	**1,239.44**
Less: Bank Balances not considered as Cash and Cash equivalents	-	-	-	698.95	800.27
Closing Cash balance	**1,174.58**	**1,049.92**	**886.63**	**712.92**	**199.47**

CASHFLOW FROM OPERATING ACTIVITIES

A statement of cash flows, which details the source of funds and how they were used for ongoing commercial operations over a specific time period, includes cash flow from operational activities. This typically comprises working capital, revisions to net income, and changes in net income from the income statement.

Figure: 11 Graph depicting the operating cash flow for the years 2017–18 through 2021–22.

Interpretation

The cash flow from operational operations indicates a significant rate of cash flow volatility in the preceding figure. The cash from operational operations was high in the year 2018–19 at Rs. 5,166.34 lakhs, but it decreased to Rs. 1,396.39 in the next year, showing a decline to Rs. – 1,223.66 in the following year, 2021–22.

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CASHFLOW FROM INVESTING ACTIVITIES

The items in the statement of cash flows that show changes in the amount invested in capital gains, such as investment gains and losses and property, plant, and equipment, are known as cash flows from investing activities.

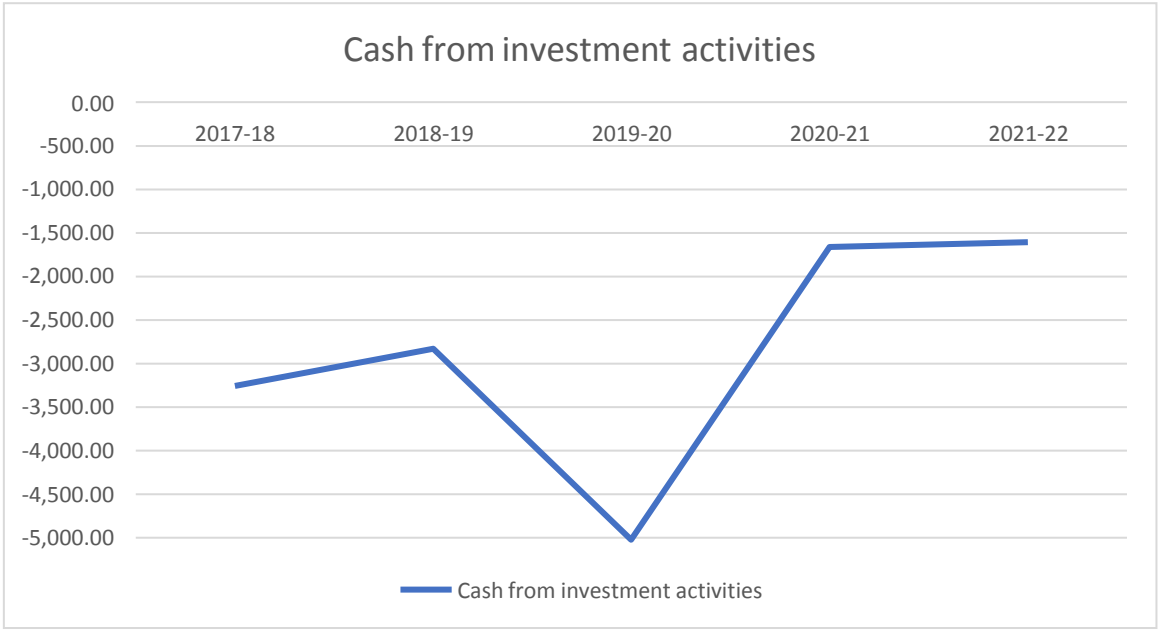


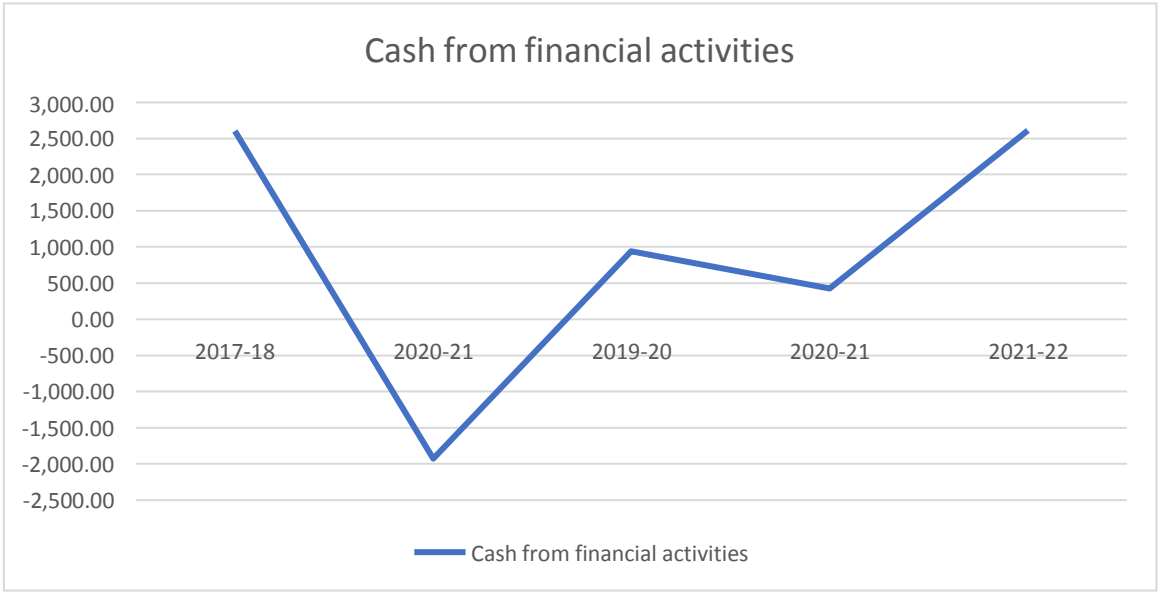
Figure: 12 Graph depicting the cash from investing operations from the 2017–18 through the 2021–22 fiscal years.

Interpretation

The cash flow from investing activities in the preceding figure demonstrates a high rate of investment in fixed assets. It can be seen that the amount of cash from investing activities in the year 2019–20 was Rs – 5,024.00 lakhs, but that amount reduced in the next year to Rs – 1,661.02 and then to Rs – 1,608.18 in the following year, indicating that the fixed asset investment criterion had declined.

CASHFLOW FROM FINANCING ACTIVITIES

Figure: 13 A graph displaying the financial activity cash flow from 2017–18 to 2021–2022.



Interpretation

As can be seen from the above chart, the company's cash and bank balance have changed throughout the years. In 2021–2022, it reached a high of Rs. 2,613.12 and a low of Rs. 427.92.

VI. CONCLUSION

Salzer Electronics Ltd. performed the cash management effectiveness analysis for this project. Using information from Salzer Electronics' annual report, we examined the efficacy of liquidity. By examining the connection between cash flow and the balance of sales, investments, and financing activities, the efficacy of Salzer Electronics' cash management was examined.

Ineffective liquidity management might harm business because cash management cannot regulate cash flow. Poor cash management is typically to blame for a company's downfall. The organisation must consequently practise effective cash management.

The research of this project reveals notable variations in the clients' long-term credit. Sales volume has grown, and collections management has gotten better, according to the report. Effective receivables management may result in a predictable sales cycle, strong cash flow, and high revenue growth.

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