

CASH MANAGEMENT IN HERO MOTOCORP LIMITED: Analytical Study

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Abstract: 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.

A firm should aim at maximizing their wealth. In its endeavor to do so, a firm should earn sufficient return from its operation. The firm has to invest enough funds in current asset for generating sales. Current asset are needed because sales do not convert into cash instantaneously. There is always an operating cycle involved in the conversion of sales into cash.

The objectives 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.

The company goes in insufficient manner in the past five years. So the company takes steps to improve the performance and concentrate in local areas. The company financial capacities are low and borrow funds from the government and outsiders. It creates liabilities for the company. The working capital is reducing from year to year. So they should take some necessary steps for adding more amounts to working capital.

Keywords: Cash management, turnover, ratio, working capital

INTRODUCTION:

There are a couple of old sayings in business. One is, "Cash is king." Another is, "Happiness is a positive cash flow." Surveys are conducted constantly of failed businesses. Most failed businesses, up to 60%, say that all or most of their failure was due to cash flow problems. Businesses have to have as their guide another old saying. Nothing matters more than cash. Making a profit is nice, cash flow is necessary. Cash management is the key to business success.

Start-up businesses often find themselves short of cash right off the mark. Existing businesses can find ways to survive if they can find ways to generate cash. Cash is the single most important element of survival for a small business. Small businesses often say that an inability to control cash is their single biggest problem.

Just like an individual or a family, companies need cash cushion to rely on. This gives them security in unstable times. It also gives them an opportunity to take advantage of strategic investments or take advantage of opportunities to reduce costs. Small businesses also have to focus on the concept of free cash flow in order to establish that cash cushion.

Purpose

The Cash management was previously known as the flow of cash in the statement. The cash flow statement reflects a firm's liquidity.

The balance sheet is a snapshot of a firm's financial resources and obligations at a single point in time, and the income statement summarizes a firm's financial transactions over an interval of time. These two financial statements reflect the accrual basis accounting used by firms to match revenues with the expenses associated with generating those revenues. The cash flow statement includes only inflows and outflows of cash and cash equivalents; it excludes transactions that do not directly affect cash receipts and payments. These noncash transactions include depreciation or write-offs on bad debts or credit losses to name a few. The cash flow statement is a cash basis report on three types of financial activities: operating activities, investing activities, and financing activities. Noncash activities are usually reported in footnotes.

The cash flow statement is intended to provide information on a firm's liquidity and solvency and its ability to change cash flows in future circumstances

1. provide additional information for evaluating changes in assets, liabilities and equity
2. improve the comparability of different firms' operating performance by eliminating the effects of different accounting methods
3. indicate the amount, timing and probability of future cash flows

The cash flow statement has been adopted as a standard financial statement because it eliminates allocations, which might be derived from different accounting methods, such as various timeframes for depreciating fixed assets.

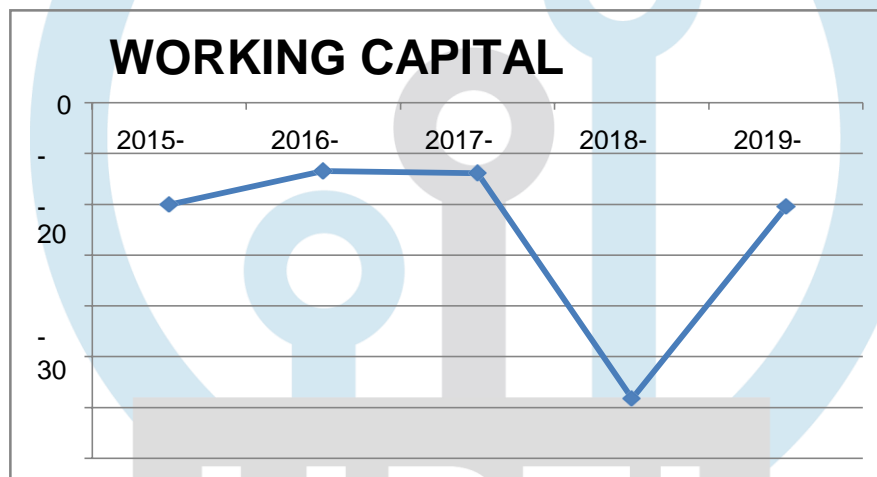
Objectives:

1. To meet the Cash Disbursement needs
2. To know the sources of Cash Inflow and uses of Cash Outflow in Hero Motocorp Limited.
3. To determine how short term / current obligations of the Company are met by the Liquidity Ratio.
4. To know the short term Solvency Position and the trend

DATA ANALYSIS

WORKING CAPITAL TURNOVER RATIO

YEAR	SALES	WORKING CAPITAL	RATIO
2015-2016	28599.3	-1425.6	-20.06123737
2016-2017	28500.46	-2113.8	-13.48304475
2017-2018	32230.49	-2310.1	-13.95198909
2018-2019	33650.54	-577.44	-58.27538792
2019-2020	28836.09	-1407	-20.49473348

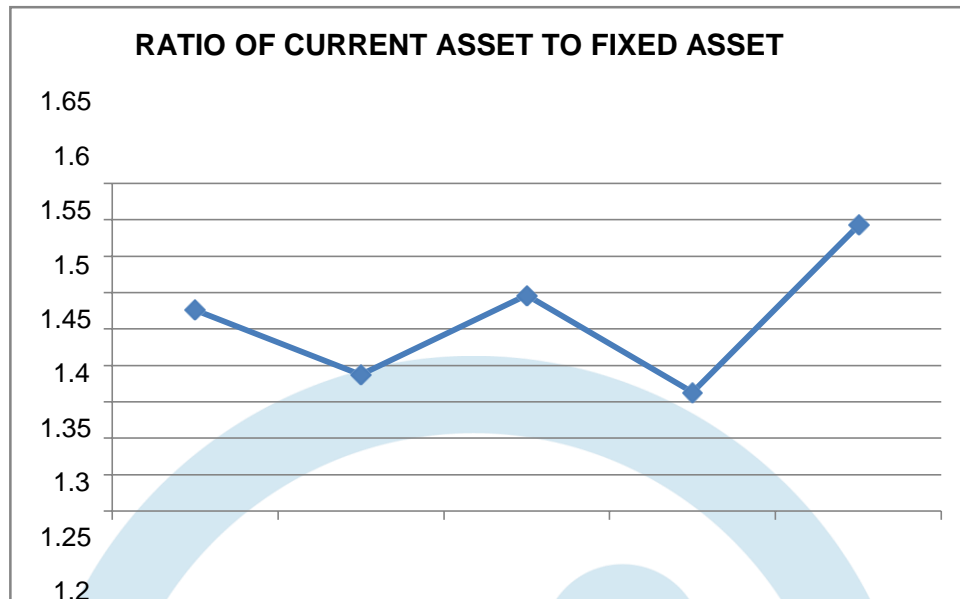


Interpretation:-

From the above table, the working capital turnover ratio in the year 2015 is -20.061 increased to -13.95 in the year of 2017-18, compare to 2017-18 to 2018-19 working capital turnover ratio was decreased i.e -58.27. Finally in 2019-20 the working capital turnover ratio was increased.

RATIO OF CURRENT ASSET TO FIXED ASSET

YEAR	CURRENT ASSETS	FIXED ASSETS	RATIO
2015-2016	2087.14	1414.16	1.475886745
2016-2017	2354.91	1698.6	1.386382904
2017-2018	2485.1	1661.52	1.495678656
2018-2019	4030.4	2958.03	1.36252844
2019-2020	2936.97	1845	1.591853659

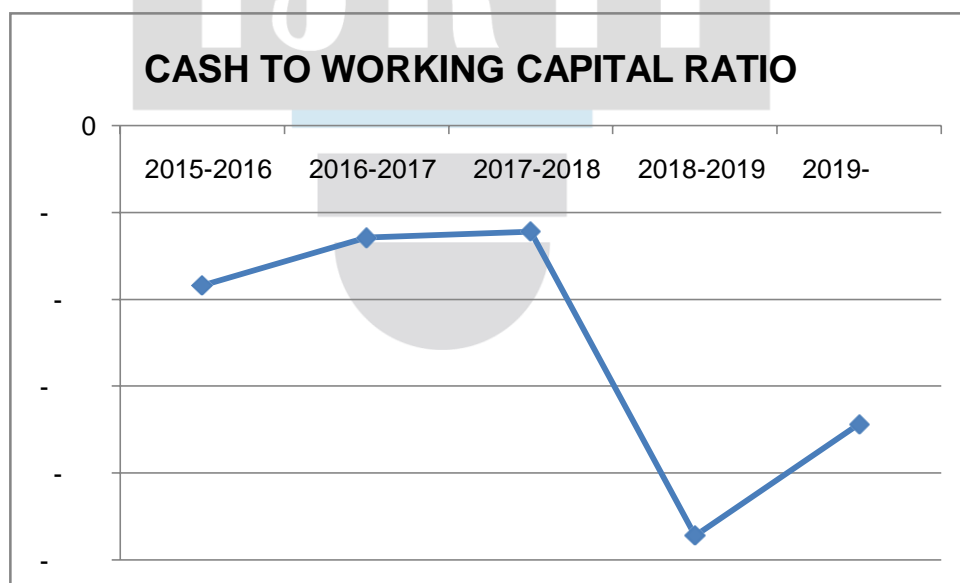


Interpretation:-

From the above table show that, the relationship between current assets to fixed asset. The Current Asset to Fixed Asset turnover ratio in all the year from 1.47 to 1.59 times. It is an effective operation of a business.

CASH TO WORKING CAPITAL RATIO

YEAR	CASH	WORKING CAPITAL	RATIO
2015-2016	131.36	-1425.6	-0.092143659
2016-2017	136.73	-2113.8	-0.064684455
2017-2018	141.34	-2310.1	-0.061183499
2018-2019	136.46	-577.44	-0.236318925
2019-2020	241.86	-1407	-0.171897655

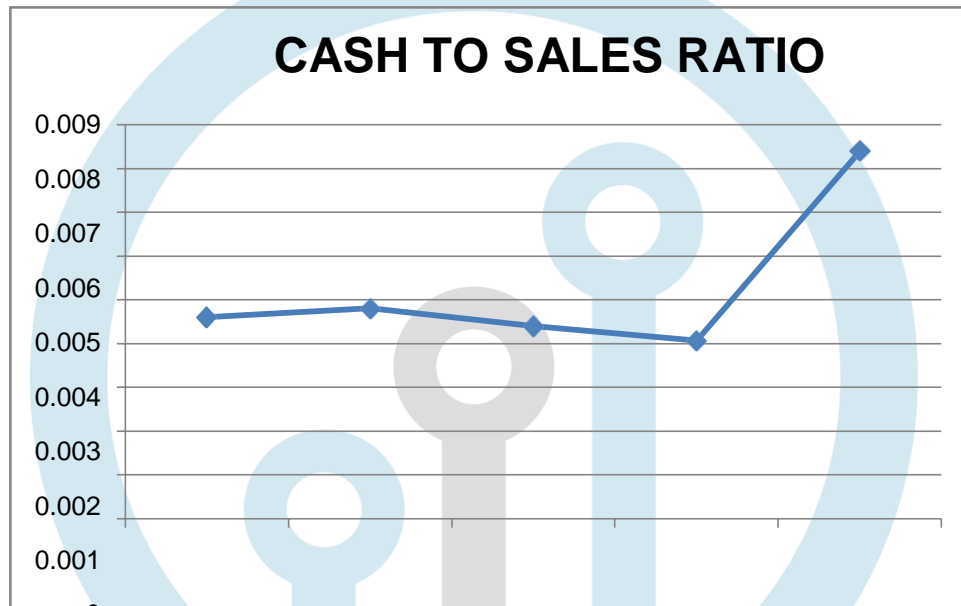


Interpretation:-

From the above table, the ratio is decreased gradually from year to year (2015-2020) it shows, low cash to working capital ratio minimize working capital and the ratio is decreasing.

CASH TO SALES RATIO

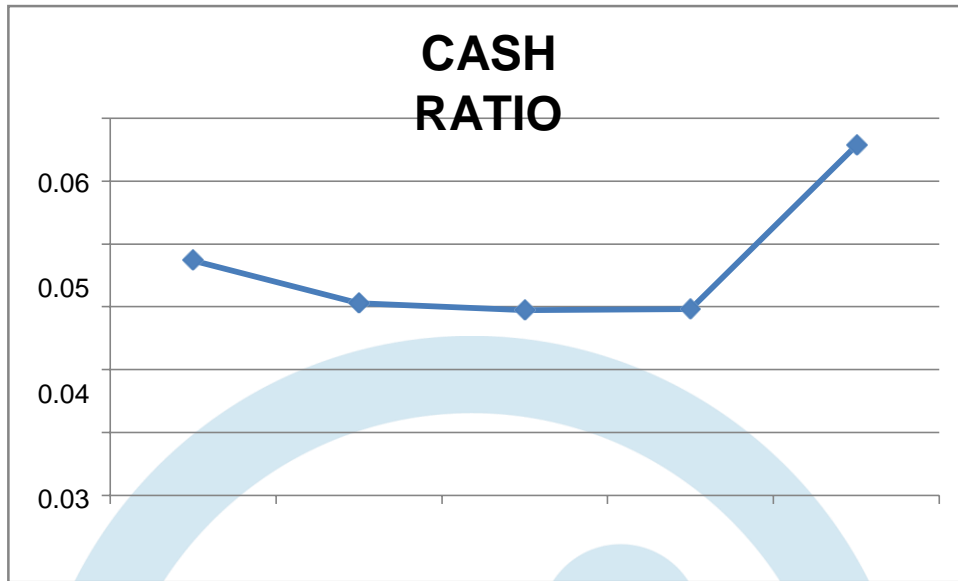
YEAR	CASH	SALES	RATIO
2015-2016	131.36	28599.3	0.004593119
2016-2017	136.73	28500.46	0.004797466
2017-2018	141.34	32230.49	0.004385289
2018-2019	136.46	33650.54	0.00405521
2019-2020	241.86	28836.09	0.008387406

**INTERPRETATION**

From the above table the cash to sales ratio is raising from the year of 2015-2020 and at the end of the year it decrease. So the cash to sales ratio is not in a good manner.

CASH RATIO

YEAR	CASH	CURRENT LIABILITIES	RATIO
2015-2016	131.36	3512.75	0.037395203
2016-2017	136.73	4468.66	0.030597539
2017-2018	141.34	4795.19	0.02947537
2018-2019	136.46	4607.84	0.029614744
2019-2020	241.86	4344	0.055676796



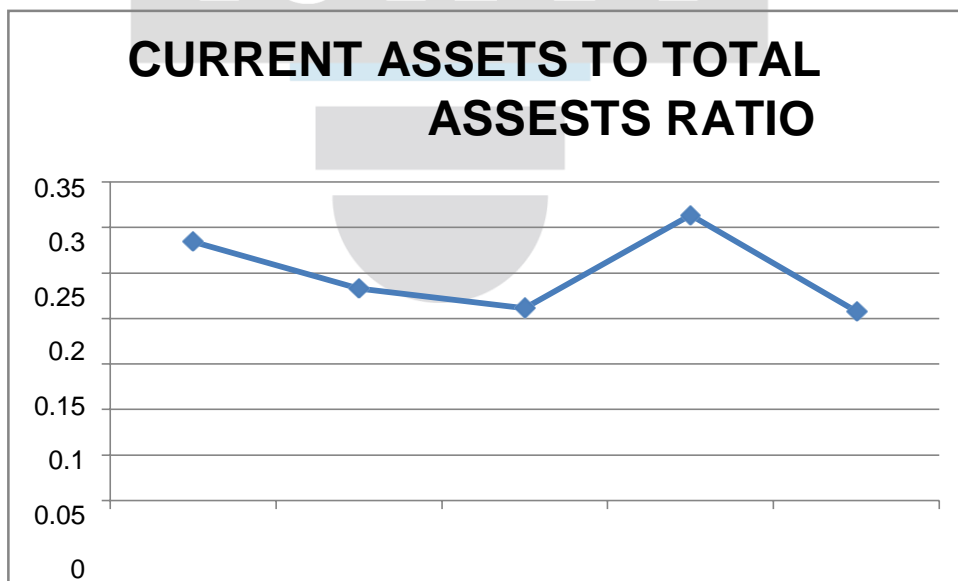
Interpretation

From the above table it is proved that the cash to current liabilities are not in a constant the ratios changes for each and every year. The ratio is not decreasing.

CURRENT ASSETS TO TOTAL ASSESTS RATIO

Table number 6.10

YEAR	CURRENT ASSETS	TOTAL ASSETS	RATIO
2015-2016	2087.14	7339.35	0.28438
2016-2017	2354.91	10111.29	0.2329
2017-2018	2485.1	11768.88	0.21116
2018-2019	4030.4	12857.12	0.31348
2019-2020	2936.97	14136.4	0.20776

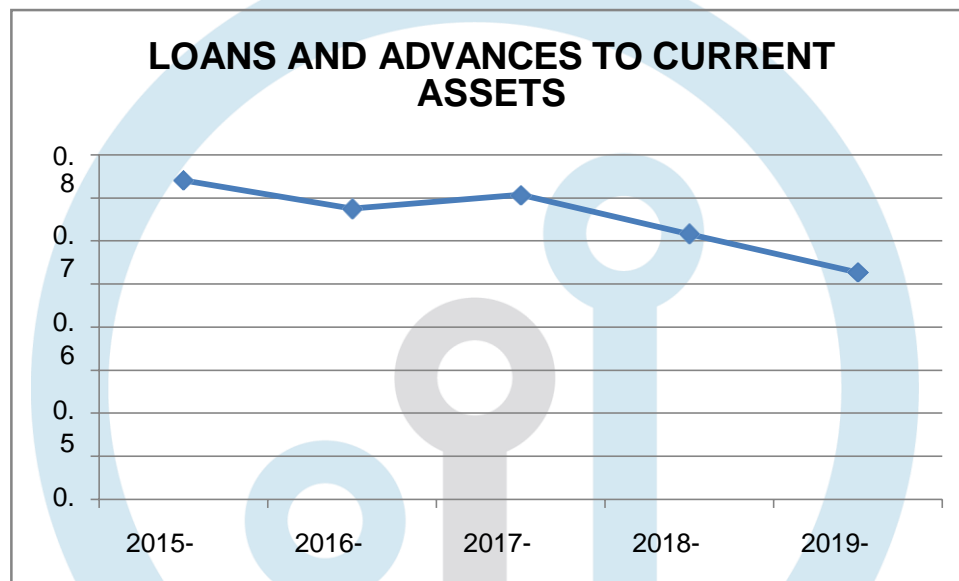


Interpretation:

The ratios shows the relationship between the current assets to total assets. There is no much differences between the ratios from each year.

LOANS AND ADVANCES TO CURRENT ASSETS RATIO

YEAR	LOANS AND ADVANCES	CURRENT ASSETS	RATIO
2015-2016	1545.04	2087.14	0.740266585
2016-2017	1588.86	2354.91	0.674700944
2017-2018	1755.57	2485.1	0.706438373
2018-2019	2481.74	4030.4	0.61575526
2019-2020	1545.93	2936.97	0.526369013

**Interpretation:**

The above table shows the relationship between loans and advances to current assets ratio and ratios gradually decreases from the year of 2015 to the end of the year.

CONCLUSION

From the critical analysis depicted through out of the study. It is evident that the over all cash management of the company with regard to profitability is not satisfactory but still, the company can be maximize through stringent measures which will enhances the operating of the company.

Since the company faces losses management has to take several steps in order to improve the profitability. The clothes are one of the basic needs of human beings; I deduce that Hero Motocorp Limited sickness is not terminal. The cure for such sickness is if the company adopts the prescription and if its applies recommendation of the study towards its management of the company will be back on to a profitable position within no time.

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