

# A Study on A Study on Cash Management with Reference To Del Monte Foods Private Limited Company

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## ABSTRACT

Cash management is a critical component of financial management that ensures a company's liquidity, operational efficiency, and financial stability. This study examines the cash management practices at Del Monte Foods Private Limited, a prominent player in the food and beverage industry. The objective is to analyse the company's strategies for managing cash flows, maintaining optimal cash balances, and ensuring timely payments and collections.

The research explores key components such as cash inflows from sales, cash outflows for operational and capital expenses, and short-term investments. Tools and techniques used by Del Monte to forecast cash flows, manage working capital, and optimize liquidity are evaluated. The study also assesses how cash management impacts the company's profitability and decision-making.

Through data analysis and review of financial statements, the study identifies the effectiveness of Del Monte's cash management practices, highlights challenges, and provides recommendations for improvement. The findings emphasize the importance of efficient cash management in enhancing operational efficiency and ensuring sustainable growth in a competitive industry.

**Keywords:** cash inflow, capital expenses, financial statement.

## 1. INTRODUCTION

Cash management involves the processes of collecting, overseeing, and utilizing cash, often for short-term investments. It plays a critical role in maintaining a company's financial health and ability to meet obligations. Corporate treasurers or managers typically oversee cash management to ensure the company remains financially sound and solvent.

Cash flow is the transfer of money into and out of a business. Inflows—funds entering the business—usually come from customer payments, while bank loans can also be considered inflows. Outflows, or funds leaving the business, typically represent expenses such as purchase payments, operational costs, and loan repayments.

### 1.1 OBJECTIVE

- To measure the financial position and performance of del monte food private limited company.
- To analyse the cash management abilities of the company.

## 2. REVIEW OF LITERATURE

According to **Zeng and Zhao (2022)**, the adoption of financial technologies (fintech) has significantly impacted cash management practices, especially in the context of SMEs. The authors suggest that fintech has made cash management more efficient and effective by providing real-time information on cash flow, enabling cash forecasting, and automating cash management processes.

**Kienitz and Wetter (2021)** suggest that interest rate fluctuations and inflation can significantly impact cash management practices. The authors argue that organizations need to consider macroeconomics factors when developing their cash management strategies to ensure they can adapt to changing economic conditions.

A study by **Ghosh and Jain (2020)** found that effective cash management practices can significantly improve the profitability of SMEs. However, more research is needed to understand the specific mechanisms through which cash management practices impact organizational performance.

A study by **Aziz and Haider (2019)** examined the impact of cash management practices on the financial performance of manufacturing firms in Pakistan. The study found that effective cash management practices, such as cash budgeting, cash forecasting, and cash flow analysis, positively impact the firm's financial performance. Furthermore, the study identified that manufacturing firms face challenges in cash management due to late payments and insufficient working capital.

A study by **Alghamdi and Alshammari (2019)** investigated the cash management practices of listed firms in Saudi Arabia. The study found that effective cash management practices, such as cash forecasting, cash budgeting, and cash flow analysis, positively impact the firm's financial performance. Additionally, the study identified that firms with high liquidity and low leverage tend to have higher firm value.

Another study by **Boubaker et al. (2019)** investigated the relationship between cash management and firm value in the context of French SMEs. The study found that effective cash management practices, such as cash forecasting and cash flow analysis, positively impact the firm's value. Moreover, the study highlighted that companies with high liquidity and low leverage tend to have higher firm value.

A study by **Khan et al (2018)** on the effect of cash management practices on the financial performance of firms in Pakistan concluded that efficient cash management practices have a positive influence on their financial performance. The study recommended that firms should adopt effective cash management practices, such as cash forecasting, cash budgeting and cash flow analysis, to improve their financial performance.

A study by **Bhojraj and Sengupta (2018)** investigated the impact of cash management practices on the stock returns of U.S firms. The study found that firms with effective cash management practices, such as cash forecasting, cash budgeting, and cash flow analysis, have higher, have higher stock returns than firms with ineffective cash management practices.

A study by **Cevik et al. (2017)** examined the cash management practices of Turkish SMEs and their impact on the firm's financial performance. The study found that effective cash management practices, such as cash budgeting and cash forecasting, positively impact the firm's financial performance. Furthermore, the study highlighted that SMEs face challenges in cash management due to late payments and lack of access to financing.

A study by **Lee et al. (2016)** on cash management practices in the Korean construction industry found that firm that adopted effective cash management practices, such as cash budgeting, cash flow analysis, and cash forecasting, were better able to manage their cash flows and improve their financial performance

### 3. RESEARCH METHODOLOGY

Research is an organized, systematic, database, critical, objective, scientific, inquiry or investigation into a specific problem, undertaken with the purpose of finding answer or solutions to it. According to Emory, research is "an organized inquiry aimed at providing information to solve a particular problem." Research design, in turn, is the formulation of methods and strategies for collecting the data needed to address the problem. It is described as "the arrangement of conditions for data collection and analysis designed to combine relevance to the research goal with procedural efficiency."

#### 3.1 Collection of Data

For this research, secondary data was collected from publicly available sources, including statement of profit and loss, cash flow statement and balance sheet documents of del monte food private limited company for the period from 2020 to 2024. The following steps were followed:

**Data Identification:** Relevant financial reports, including balance sheets, profit and loss statements, and cash flow statement from for the past five years (2020-2024) were identified as key sources of secondary data.

**Data Collection:** Data was gathered from credible financial databases such as Bloomberg, Reuters, and Reserve Bank of India (RBI) reports. Additional data was obtained from del monte food private limited company annual reports and other publicly available documents.

**Data Handling:** The collected data was manually reviewed for relevance and accuracy, and then digitized for analysis. The focus was on key financial ratios such as, cash ratio and inventory to asset ratio.

**Data Analysis:** The data was analysed using descriptive statistics and financial analysis techniques to understand the cash management, financial position and performance of del monte food private limited company.

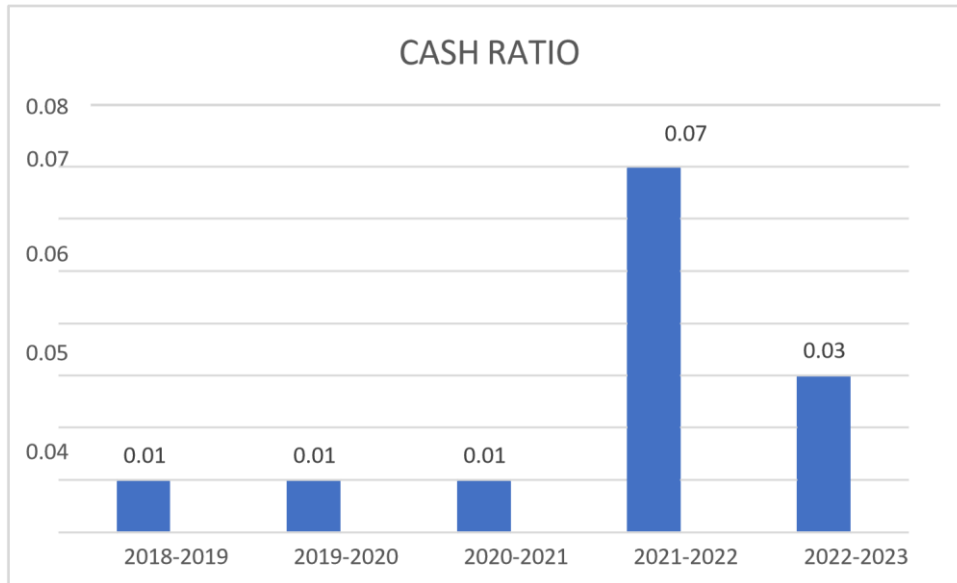
### 4. DATA ANALYSIS AND INTERPRETATION

#### 4.1 CASH RATIO

YEAR	CASH&EQUIVALENCE	CURRENT LIABILITIES	RATIO
2018-2019	1.96	150.13	0.01
2019-2020	1.94	181.81	0.01
2020-2021	2.74	234.44	0.01
2021-2022	26.39	393.44	0.07
2022-2023	12.44	452.05	0.03

SOURCE: SECONDARY DATA

**CHART SHOWING CASH RATIO OF THE COMPANY**



**INTREPRETATION:**

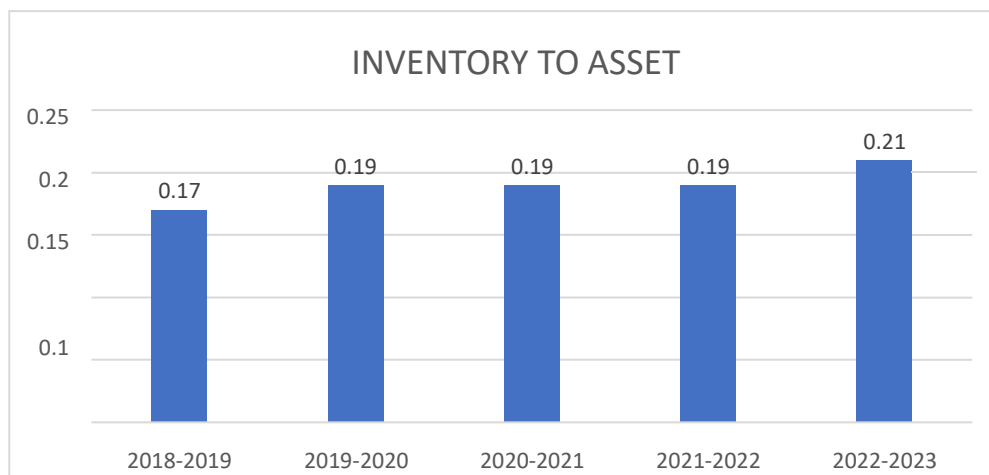
The above table infers that the measures the ability of the business to repay its current liabilities by only using its cash and cash equivalents. It’s more in 0.07 in 2021- 2022 but got decreased to 0.03 in the year 2022-2023.

**4.2 INVENTORY TO ASSET RATIO**

YEAR	INVENTORIES	TOTAL ASSET	RATIO
2018-2019	63.27	369.86	0.17
2019-2020	79.28	417.44	0.19
2020-2021	96.02	512.57	0.19
2021-2022	140.72	723.15	0.19
2022-2023	178.78	864.13	0.21

SOURCE: SECONDARY DATA

**CHART SHOWING INVENTORY TO ASSET RATIO OF COMPANY**



**INTERPRETATION:**

The above table infers that the ratio increased steadily from 17% in 2018-2019 to 21% in 2022-2023, showing a consistent 4% growth. The most significant acceleration was observed between 2020-2021 and 2021-2022, indicating a notable surge in the measured parameter during the latest year.

**FINDINGS****Cash ratio**

The ability of the business to repay its current liabilities by only using its cash and cash equivalents has increased to 0.07 in 2021-2022 but got decreased to 0.03 in the year 2022-2023.

**Inventory to asset ratio**

The ratio has increased steadily from 17% in 2018-2019 to 21% in 2022-2023, showing a consistent 4% growth. The most significant acceleration was observed between 2021-2022 and 2022-2023, indicating a notable surge in the measured parameter during the latest year.

**CONCLUSION**

The company exhibits a mix of positive and negative growth phases over the years. Focus on improving liquidity to mitigate potential challenges in repaying current liabilities using available cash and cash equivalents. Enhance strategies for managing short-term debt and other current liabilities to ensure financial stability. Maintain current production consistency while exploring opportunities to optimize inventory turnover. Regularly assess the impact of changes in the current assets to total asset's ratio on the company's financial position. Adjust strategies to maintain a balanced ratio. Strengthen efforts to improve debtor turnover by implementing effective credit control measures and efficient collection processes.

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