Chapter-V

MANAGEMENT OF CASH

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Chapter-V

MANAGEMENT OF CASH

Cash is the most important current asset for the operation of the business. It is the basic input needed to keep the business running on a continuous basis, it is also the ultimate output expected to be realised by selling the service or product, manufactured by the company. The company must keep sufficient cash, neither more nor less.

Meaning of Cash Management

Cash is the most crucial component of the working capital of a firm. Its effective management is the key determinant of effective working capital management. "Cash is like blood stream in the human body". It gives vitality and strength to a business enterprises. The steady and healthy circulation of cash throughout entire business operation, is the basis of business solvency."¹ Cash is the money which a firm can disburse immediately without any restriction. The term cash includes coins, currency and cheques held by the firm, and balance in its bank accounts. Sometimes near cash items, such as marketable securities or bank time deposits are also included in cash.

According to J.M. Keynes, "It is the cash which keeps a business
going. Hence, every enterprise has to hold necessary cash for its existence.  

According to I.M. Pandey, “Cash management is the philosophy of management regarding liquidity and risk of insolvency.” According to William and Donaldson, “Cash management is concerned with minimizing unproductive cash balance inventory temporarily excess cash advantageously and to make the best possible arrangements to meet planned and unexpected demands on the firm’s cash.” Near cash reserves as explained by Singhvi and Kaupisch such as, “Marketable securities or bank time deposits are also included in cash management. The basic characteristic of near cash assets is that they can readily be converted into cash.” Generally, when a firm has excessive cash, it invests it in the marketable securities. This kind of investment contributes some profit to the firm.

Finally, the cash is the beginning as well as the end of the operating cycle of manufacturing concern. It is the basic input needed to keep the business running on a continuing basis and that is also the ultimate output expected to be realised by selling the product. The cash balance of a company is ‘safety value’ or shock absorber, protecting the company against short-run fluctuations in funds requirements.
Objects of Cash Management

The basic aim of cash management is to help the companies achieve their objectives of liquidity and profitability. It is a native belief that a profitable company is a strong company or that cash and profits are the same thing. But it is not so. Profits are relative figures not being equivalent to cash. Roger says, “Included among many insolvent companies and plenty of firms with sizable profits but unable to pay their debts on due dates or meet their day-to-day expenses,” Proper utilization of cash is intended to bring additional savings to the business. According to Edick, “In a sound cash management programme, profits are maximized through the skillful administration of available funds. Enough money has to be provided to run the business. The left over surplus cash is invested. The point is that, cash should be a working asset and every penny dollar should be used or invested, so that the profits are maximized.”

The cash management system of an organization may be said to be satisfactory if it is able to meet all its commitments on due dates, and does not run into the difficulties of not paying the bills, salaries and other day to day expenses, which does not have any idle cash and keeps its surplus cash fully employed for earning additional income.
Nature of Cash Management

Cash management is not a magic formula capable of bringing miraculous results by itself. It is an art and the art requires an imaginative application to achieve desired objectives. The nature of cash management in an organization depends to a great extent, on the nature of the enterprise, efficiency of the internal structure for collecting detailed and accurate information, its proper processing and its utilization in a rational manner. Therefore, the importance of the individual finance executive cannot be emphasized. It's initiative caliber dynamism and unstinting devotion to its duty, play a great role in the success of cash management programme, which is a never-ending process and which must be reviewed and updated continuously to bring improvement in figure.

General Principle of Cash Management

The efficiency of cash management depends on its principles like determinable variations of cash needs, contingency cash requirements, availability of external cash, maximizing cash receipts, maximizing cash utilization and minimizing cash disbursements. The main principles are as given above:-
(a) Determinable Variations of Cash Needs

Under this principle, a substantial amount of cash is maintained as a reserve for the anticipated periods of cash deficits. Such deficits may be for short periods and extend for the longer duration of time. A simple procedure for equalizing such reductions of cash is to pay plant employers on a different day of the week from the office staff. Another technique for maintaining a balanced level of cash is to schedule cash disbursements to creditors on a scattered basis during period of the month when accounts receivable collections are heavy.

(b) Contingency Cash Requirements

There are many instances when there will be special cash requirements during business operations, when have not been anticipated in connection with the cash budget such as strikes, fires, large bad-debts or wholesale product reaction. Studies of previous experience and investigation of other similar companies are customary practices. A practical procedure is to carry protective insurance coverage for special contingencies such as fire or bad-debt losses.

(c) Availability of External Cash

A factor, which has a significant influence on cash balances and
cash balances and cash reserves to be carried, is the ready availability of outside funds. Mainly external funds may be available from shareholders, owners of the business, bank or private financing and government’s agencies.

(d) Maximizing Cash Receipts

This basis objective of the financial manager is to make the most of all possible cash receipts, continuous evaluation is always called for check the comparative costs of granting cash discounts to customers as contrasted with the alternate policy involving the interest expense for borrowing instead. Some important techniques to accelerate cash receipts are a sunder:-

(1) Connection Banking

To speed up collections, collections should be decentralized as far as possible. If, instead of one collection centers for the purpose, collections would certainly by speeded up. This procedure is named as concentration banking.

(2) Lock Box System

Under this system, the time required in collecting the payment, processing them and finally depositing them in the local bank accounts is
further reduced. The company at each collection center hires a post office box and the customers are instructed to mail through remittances to the box. The remittances are picked up by the local bank directly from the post office box as per the instructions given by the company. The bank can pick up the mail several times a day and deposit the cheques in the account of the company. A record is kept by the bank regarding firm as and when required,

(3) Collection of Payments Personally

"Studies regarding selection of a technique for speeding up collections do not provide clear guidelines for choosing the best methods." It is left to the financial manager of the company to employ any one or more of the techniques to speed up collections.

(4) Minimizing Cash Disbursements

Under this system, staggered payments to creditors and for payroll is a fundamental procedure. Payments made to larger creditors by using time drafts serve to make payments by the least possible fixed date. Prevention of fraudulent practices is also of prime importance in the handling of cash disbursements
(5) Maximizing Cash Utilization

There are many occasions when a company has more funds required in the cycle of business operations. If these funds remain in the current account with the bank or in a company’s cash, they will bring no return to the company. On the other hand, these funds being temporary in nature cannot be disposes off permanently, because after a short-while the firm would again require these funds. A financial manager would make the best possible use of idle funds even for a short duration.

(6) Techniques of Cash Management and Control

The control of cash flow through speeding up cash in flows and delaying cash out flows to the extent possible maximizes the availability of cash and lessens the permanent investment in cash. The cash inflow stream can be visualized to start from the time an order is received and ends when payment becomes spendable funds. The speeding up of cash inflow maximizes the availability of cash and reduces the permanent investment in cash. The main area of speeding up cash inflow directly connected with cash management lies in quickening the pace of collection of funds from customers and reducing the float period i.e. the time when funds remain in transit or before they become spendable funds. The techniques of cash management & control are as given below:
(i) **Transferring Funds:** It includes wire transfer, depository transfer, cheques and electronic transfer. Cheques automatic clearing houses.

(ii) **Concentration Banking:** Concentration banking is a system of accelerating the flow of funds to be received from debtors by a concern by establishing strategic collection centers. That is, instead of a centralized collection system located at the company's head office, it should be instructed to remit their payments to a collection center in that area. These centers deposit the collected amount with local banks which transfer the cash at the earliest opportunity to central bank accounts of the company being operated by the head office, generally through automatic wire transfer. The following chart (on next page) shows the flow of funds under this system.

(iii) **Lock-Box-System:** In this system, local post office box is rented by the company in a city and customers of nearby places are asked to send their remittances to it. Local bank is authorized to pick up remittances from the box and deposit them in the account of the company, ultimately to be transferred to the central bank of the concern.

(iv) **Other Procedure:** This system includes personal pick up of cheques by the company or by messenger service.

**Scope of Cash Management**

This chapter focuses on the efficiency with which the management of the selected steel companies in India managed their liquidity and cash
position. The study of cash management and liquidity in steel industry will include the following areas of discussion:

(a) Size of Cash,
(b) Current Ratio,
(c) Quick Ratio,
(d) Cash Budget,

Size of Cash and Growth Rate of Cash and Sales and Cash to Sales Ratio.

The size of cash balance of a company is affected by various factors such as the nature of its business and the size of business. The status of its receivables, inventory accounts and the credit position of the companies are also affected by the size of cash. These all factors would force a company to carry higher or lower level of cash balance. So proper supply of cash to meet the needs of the business is essential.

Sales and cash holdings are positively correlated. Larger cash and bank balances generally accompany growth in sales. A sound cash management system should ensure that the rate of growth in cash holdings is lower than the actual cash holdings which increased more than the square root of sales. The rule is that as sales increase, cash also increases but at a decreasing rate. A downward trend in cash to sales ratio over the years, indicates effective control over cash flows.
Table 5.1

Size of cash sales sharing trend percentage of steel industry in India.

From 2005-06 to 2011-12

<table>
<thead>
<tr>
<th>Year</th>
<th>Tata Steel</th>
<th></th>
<th>Bhushan Steel</th>
<th></th>
<th>Essar Steel</th>
<th></th>
<th>JSW Steel</th>
<th></th>
<th>Jindal Steel</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash(%)</td>
<td>% Sales</td>
<td></td>
<td>Cash(%)</td>
<td>% Sales</td>
<td></td>
<td>Cash(%)</td>
<td>% Sales</td>
<td></td>
<td>Cash(%)</td>
<td>% Sales</td>
</tr>
<tr>
<td>2005-06</td>
<td>246.68</td>
<td>100.00</td>
<td>14489.7</td>
<td>100</td>
<td>10.69</td>
<td>100.00</td>
<td>2674.99</td>
<td>100.00</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>2006-07</td>
<td>288.35</td>
<td>116.89</td>
<td>15132.09</td>
<td>104.4</td>
<td>11.50</td>
<td>107.6</td>
<td>2793.99</td>
<td>104.4</td>
<td>15.01</td>
<td>100</td>
</tr>
<tr>
<td>2007-08</td>
<td>446.51</td>
<td>181.00</td>
<td>17452.66</td>
<td>120.4</td>
<td>16.14</td>
<td>151.0</td>
<td>3829.60</td>
<td>143.2</td>
<td>43.23</td>
<td>288.0</td>
</tr>
<tr>
<td>2008-09</td>
<td>465.00</td>
<td>188.50</td>
<td>19654.41</td>
<td>135.6</td>
<td>21.38</td>
<td>200.0</td>
<td>4180.23</td>
<td>156.3</td>
<td>103.46</td>
<td>689.3</td>
</tr>
<tr>
<td>2009-10</td>
<td>463.58</td>
<td>187.90</td>
<td>22348.32</td>
<td>154.2</td>
<td>124.29</td>
<td>1162.7</td>
<td>4985.72</td>
<td>186.4</td>
<td>17.9</td>
<td>119.2</td>
</tr>
<tr>
<td>2010-11</td>
<td>500.30</td>
<td>202.80</td>
<td>24940.65</td>
<td>172.1</td>
<td>100.42</td>
<td>939.4</td>
<td>5621.77</td>
<td>210.2</td>
<td>1771.25</td>
<td>11800.5</td>
</tr>
<tr>
<td>2011-12</td>
<td>512.76</td>
<td>207.90</td>
<td>29307.35</td>
<td>202.2</td>
<td>29.63</td>
<td>2772.2</td>
<td>6943.81</td>
<td>259.6</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

Source—Annual Report and Accounts of Tata, Essar, Bhushan, JSW and Jindal Steel Company from 2005-06 to 2011-12
Graph 5.1
Size of cash sales sharing trend percentage of steel industry in India.
From 2005-06 to 2011-12

Tata Steel, Bhushan Steel, Essar Steel, JSW Steel, Jindal Steel
Table 4.1 reveals that sales growth percentage ratio in relation to base year increased in Tata steel co. The cash growth rate of cash percentage in relation to base year also increased the growth rate of cash percentage was highest as 207.9 percent in 2011-12. Where as sales percent in 2011-12. It can be inferred from above table that cash was not so much properly utilized in Tata steel co., proper cash control should be there.

In case of Bhushan steel co., cash and Bank balance growth percentage was fluctuated where as rules percentage was increased during the study period. Cash percentage was varied from 100 percent in 2005-10. It was highest in 2009-10 and lowest in 2005-06 as 100 percent. Sales percentage was varied from 100 percent in 2005-06 to 259.6 percent in 2011-12. It can be concluded that the cash position was decreasing where as the sales were increasing.

In the case of Essar steel co., cash and Bank balance percentage and sales was showing fluctuating trend. Cash and Bank percentage was highest in 2010-11 as 11800.5 percent and lowest was 100 percent in 2006-07. Sales percentage was highest in 2009-10 as 189.0 percent and lowest in 2006-07 as 100 percent. It can be concluded that cash position was increasing as well as the sales was also increasing. It indicates better control of cash and sales in Essar Steel Co.
In JSW Ispat steel co., there was high fluctuation in cash and Bank balances during the period of study from 2005-06 to 2011-12. Its varied from 100 percent in 2005-06 to 352.6 percent in 2007-08 average percentage of increased in cash is 79.4 percent whereas sales percentage was 100 percent in 2005-06 as lowest as 167.8 percent in 2010-11 as highest. The average rate of sales was 107.0 on the above basis, it can be concluded that the sales and the cash position fluctuating, where as the sales was also fluctuating variations in cash balance should be proper scrutinized to have better control of cash from proper management of working capital.

In the case of Jindal Steel Co., cash percentage was varied from 100 percent in 2005-06 to 385 percent in 2009-10 where as sales was showing increasing trend, that means cash sales was increasing but due to luck of proper management cash was having fluctuating trend.

As regards inter-firm comparison in Tata steel company, Bhushan steel co. JSW Ispat steel co. and Jindal steel co. was fluctuating in relation to fluctuating in sales where as in Essar to fluctuating in Sales where as in Essar Steel co. there was increase in both cash balance and sales. To have a better working capital management control cash in relation to sales in, Tata steel, Bhushan steel, JSW Ispat steel and Jindal steel co. are suggested and
also to maintain the balance of cost in relation with the sales.

**Current Ratio**

Current ratio is the most widely used measure of liquidity position of a concern. This ratio shows the relationship between current assets and current liabilities. "The components of working capital are used to calculate the current ratio, which measures the number of times the current liabilities could be paid with the available current assets."\(^9\) the current ratio is considered as powerful parameter of a company's solvency and a reliable prognosticator of potential liquidity."\(^10\) According to Rudolph W. Schattka and Howard G. Jensen, "The current assets, along with the current liabilities, inform us the short run ability of the company to pay obligations as they became due. Current assets and current liabilities are related as current assets are used to pay current liabilities. The excess of current assets over current liabilities, termed working capital and the ratio of current assets to current liabilities, termed as current ratio are commonly used indicators of the short-run financial strength of a company."\(^11\)

A current ratio of 2:1 was long considered as minimum in a sound business. This rule of thumb has, however, succumbed to the rule of reason. An excess of current assets over current liabilities does not necessarily mean the debts can paid promptly. If current assets contain a
high proportion of uncollectible accounts receivable or unsaleable inventories, there will be a slow down in the inflows of cash. Traditionally a 2:1 current ratio is best ratio of liquidity.

Table 5.2

Current Ratio of Steel Industry in India.

From 2005-06 to 2011-12

<table>
<thead>
<tr>
<th>Year</th>
<th>Tata</th>
<th>Bhushan</th>
<th>Jindal</th>
<th>JSW Ispat</th>
<th>Essar</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>0.69</td>
<td>0.70</td>
<td>1.09</td>
<td>1.87</td>
<td>1.23</td>
</tr>
<tr>
<td>2006-07</td>
<td>0.71</td>
<td>0.83</td>
<td>0.83</td>
<td>0.93</td>
<td>0.85</td>
</tr>
<tr>
<td>2007-08</td>
<td>1.69</td>
<td>0.81</td>
<td>0.68</td>
<td>0.99</td>
<td>0.77</td>
</tr>
<tr>
<td>2008-09</td>
<td>3.81</td>
<td>0.76</td>
<td>1.25</td>
<td>0.96</td>
<td>0.67</td>
</tr>
<tr>
<td>2009-10</td>
<td>0.91</td>
<td>1.06</td>
<td>1.04</td>
<td>0.85</td>
<td>0.71</td>
</tr>
<tr>
<td>2010-11</td>
<td>1.12</td>
<td>1.23</td>
<td>0.65</td>
<td>1.01</td>
<td>0.72</td>
</tr>
<tr>
<td>2011-12</td>
<td>1.78</td>
<td>1.04</td>
<td>0.79</td>
<td>1.01</td>
<td>NA</td>
</tr>
<tr>
<td>Average</td>
<td>1.53</td>
<td>0.92</td>
<td>0.90</td>
<td>1.09</td>
<td>0.83</td>
</tr>
</tbody>
</table>

Source—Annual Report and Accounts of Tata, Essar, Bhushan, JSW and Jindal Steel Company from 2005-06 to 2011-12

Table 5.2 reveals the current ratio of steel industry in India from 2005-06 to 2011-12. In the case of Tata steel company the ratio of current assets upon current liabilities was showing a fluctuation trend in the study period. In first four year i.e. from 2005-06 to 2008-09 it was increased from 0.69 percent to 3.81 percent. In next year i.e. in 2009-10 it was decreased, again in next two years i.e. 2010-11 and 2011-12 it was
showing increasing trend. The average ratio was 1.53 percent.
In Bhushan steel co., it can be concluded from table 4.2 that it was having a fluctuating trend. It varied from 0.70 percent i.e. 2005-06 to 1.23 percent in 2010-11. It was highest as 1.23 times in 2010-11 and lowest as 0.70 times in 2005-06. The average ratio was 0.92 and in last three years i.e. from 2009-10 to 2011-12 it was higher from average ratio.

In the case of Jindal steel co., there were a lot of fluctuating in current ratio. It was 1.09 times in 2005-06 as compare to 0.79 times in 2011-12. It was highest in 2008-09 as 1.25 times and lowest in 2010-11 as 0.65 times.

From the table 4.2 we can conclude that in JSW Ispat steel company the ratio of Current Assets upon current Liabilities was having no constant trend. It was 1.87 times in 2005-06 as compare to 1.01 times in 2011-12. It was ranged between 0.85 times in 2009-10 to 1.87 times in 2005-06.

In Essar steel company, the trend of current ratio was showing decreasing trend in first four years of study period i.e. from 2005-06 to 2008-09 as 1.23 times to 0.67 times. In next two years means in 2009-10 and in 2010-11 it was showing in increasing trend and increased from 0.67 times to 0.72 times.

As the comparison of inter-firm it can be concluded that Tata steel co. have highest ratio and Essar steel co. has lowest current ratio.
Quick Ratio

It is a method of judging the immediate ability of the company to pay off its current obligations. It is obtained by dividing quick assets by current liabilities. Quick assets comprises of those assets that can be liquidated immediately and at minimum loss, in order to meet pressing financial obligations. As observed by Brown and Howard, "Quick ratio is a more penetrating test of liquidity than the current ratio. It shows the availability of cash and near cash items against current obligations. While management should try hard to maintain enough liquid assets against current liabilities, efforts should be made to avoid excessive liquid resources. Increased liquid resources more usually indicate a wise use of funds which could be better employed."

Liquid assets include cash, debtors after providing for bad and doubtful debts and securities which can be realised without difficulty. Quick and liquid liabilities refer to current liabilities, less bank overdraft, i.e., creditors, bills payable and outstanding expenses.

Finally, quick ratio is an indicator of the liquid position of an enterprise. It is a more rigorous pointer to the short-term solvency or financial status of the organisation. The ideal quick ratio as per rule of thumb is 1:1.
Table 5.3
Quick Ratio of Steel Industry in India.
From 2005-06 to 2011-12

<table>
<thead>
<tr>
<th>Year</th>
<th>Tata</th>
<th>Bhushan</th>
<th>Essar</th>
<th>JSW Ispat</th>
<th>Jindal</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>0.33</td>
<td>1.03</td>
<td>0.54</td>
<td>1.53</td>
<td>1.01</td>
</tr>
<tr>
<td>2006-07</td>
<td>0.30</td>
<td>1.20</td>
<td>0.42</td>
<td>0.58</td>
<td>0.78</td>
</tr>
<tr>
<td>2007-08</td>
<td>1.37</td>
<td>1.07</td>
<td>0.43</td>
<td>0.81</td>
<td>0.73</td>
</tr>
<tr>
<td>2008-09</td>
<td>3.52</td>
<td>1.88</td>
<td>0.53</td>
<td>0.54</td>
<td>1.10</td>
</tr>
<tr>
<td>2009-10</td>
<td>0.57</td>
<td>0.92</td>
<td>0.25</td>
<td>0.42</td>
<td>0.95</td>
</tr>
<tr>
<td>2010-11</td>
<td>0.76</td>
<td>0.93</td>
<td>0.26</td>
<td>0.43</td>
<td>0.74</td>
</tr>
<tr>
<td>2011-12</td>
<td>1.45</td>
<td>0.67</td>
<td>NA</td>
<td>0.53</td>
<td>1.04</td>
</tr>
<tr>
<td>Average</td>
<td>1.19</td>
<td>0.96</td>
<td>0.41</td>
<td>0.69</td>
<td>0.91</td>
</tr>
</tbody>
</table>

Source-Annual Report and Accounts of Tata, Essar, Bhushan, JSW and Jindal Steel Company from 2005-06 to 2011-12

From the table 4.3 it can be observed that Tata steel co. was having fluctuating trend it was varied from 0.30 times in 2006-07 to 3.52 times in 2008-09. The average ratio was 1.19 times and only in 2007-08 and 2008-09 it was higher from average ratio, as 1.37 times and 3.52 times.

The case of Bhushan steel co. Quick ratio was showing a fluctuating trend. It was 1.03 times in 2005-06 as compare to 0.67 times in 2011-12. It was lowest in 2011-12 as 0.67 times. The average ratio was 0.96 times, and in 2005-06, 2006-07 and 2007-08 it was higher from average ratio, as 1.03 times 1.20 and 1.07 times.
Graph 5.3
Quick Ratio of Steel Industry in India.
From 2005-06 to 2011-12
As we can conclude from the table 4.3 that in Essar steel company, trend of quick ratio was showing a decreasing trend. In 2005-06 it was 0.54 times and it came down to 0.26 times in 2010-11. It was showing a lack of proper management of quick assets. In the case of JSW Ispat Steel Company, quick Assets upon current liabilities ratio trend was not constant. It varied from 0.42 times in 2009-10 to 1.53 times in 2005-06.

The average ratio was 0.69 times. In the year 2005-06 and 2007-08 it was higher from average ratio at 1.53 and 0.81 times, otherwise it was below the average.

In Jindal steel company we can see that there is fluctuating trend of quick ratio. The highest ratio was 1.10 times in 2008-09 and lowest ratio was 0.73 in 2007-08. The average ratio was 0.91 times.

As the inter-firm comparison, it can be concluded that, on the basis of average quick ratio, Tata steel co. Bhushan steel co. and Jindal steel co. had good management of quick assets and current liabilities but Essar steel company and JSW Ispat steel company had no proper management.

**Cash Position Ratio**

This ratio is represented by cash and near cash items. So while calculating this ratio, only the absolute liquid assets are compared with current liabilities. These absolute liquid assets are cash, bank and marketable securities. A standard of 0.5:1 of cash position ratio is considered as an acceptable norm. This ratio generally indicates the adequacy of cash for meeting current liabilities.
<table>
<thead>
<tr>
<th>Year</th>
<th>Tata Steel</th>
<th>Bhushan Steel</th>
<th>Essar Steel</th>
<th>Ispat</th>
<th>Jindal Steel</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash</td>
<td>C.L.</td>
<td>Ratio</td>
<td>Cash</td>
<td>C.L.</td>
</tr>
<tr>
<td>2005-06</td>
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<td>4247.43</td>
<td>5.80</td>
<td>10.69</td>
<td>464.96</td>
</tr>
<tr>
<td>2006-07</td>
<td>288.35</td>
<td>4552.39</td>
<td>6.33</td>
<td>11.50</td>
<td>593.49</td>
</tr>
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<td>2007-08</td>
<td>446.51</td>
<td>6349.24</td>
<td>7.03</td>
<td>16.14</td>
<td>926.02</td>
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<td>2008-09</td>
<td>465.00</td>
<td>6842.26</td>
<td>6.80</td>
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<td>463.58</td>
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<td>1617.77</td>
</tr>
<tr>
<td>2010-11</td>
<td>500.30</td>
<td>8699.34</td>
<td>5.75</td>
<td>100.42</td>
<td>1900.65</td>
</tr>
<tr>
<td>2011-12</td>
<td>512.76</td>
<td>10383.04</td>
<td>4.94</td>
<td>29.63</td>
<td>2724.72</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>417.60</strong></td>
<td><strong>7148.49</strong></td>
<td><strong>5.97</strong></td>
<td><strong>44.86</strong></td>
<td><strong>1381.49</strong></td>
</tr>
</tbody>
</table>

**Source:** Annual Report and Accounts of Tata, Essar, Bhushan, JSW and Jindal Steel Company from 2005-06 to 2011-12
Graph 5.4
Cash position ratio for steel industry
From 2005-06 to 2011-12
In the table 5.4 we had cash position ratio of firms under study period. On the basis of table 4.4, it can be concluded that Tata steel company had a fluctuating trend of cash over current liabilities. It varied from 7.03 times in 2007-08 to 4.94 times cash was increasing as well as current liabilities were also increasing, that is why the ratio was in fluctuating nature.

In the case of Bhushan steel company, cash position ratio had a fluctuation trend. As from table 4.4 we can concluded that in the year 2009-10 there was a great increase in cash from 21.38 cr. to 124.29 cr. but there was a slightly increase in C.L. as 1442.82 cr. to 1617.77 cr. because of that ratio was increase and reached to highest as 7.68 times but in next year in 2010-11 the cash was decreased and current liabilities were increased, because of that ratio was decreased and reached to 5.28 and again in next year 2011-12 cash was decreased and C.L. were increase and ratio came down to 1.09 times.

In the case of Essar steel company, the cash position ratio was showing an increasing trend in the year 2009-10 when it reached to 0.48 percentage other wise it was good.

Case of JSW Ispat steel company, the cash position ratio was having a highly fluctuating nature. The great downfall in cash was in 2008-09 when it reached from 252.43 cr. to 3.3 cr. and due to this down full the
ratio trend also came on the very low point as 0.11 percent where as in current liabilities there was not so much increase.

In Jindal steel company, cash position ratio was having increasing Nature in first four years of study period i.e. from 2005-06 to 2008-09. In next year 2009-10 there was a great increase in current liabilities and because of that the ratio came down from 6.02 to 3.35 percent. It was lowest in 0.98 percent in 2011-12 and highest as 6.02 percent in 2008-09.

**Cash to Current Assets Ratio**

The proportion of cash to total current assets directly affects the profitability of a concern. The lower the proportion, the greater is profitability of a concern. A downward trend in this ratio over a period represents a tighter control whereas the upward trend reflects a stack control over cash resources.
Table 5.5
Cash to current assets Ratio of steel industry
From 2005-06 to 2011-12

<table>
<thead>
<tr>
<th>Year</th>
<th>Tata Steel</th>
<th>Bhushan Steel</th>
<th>JSW Ispat</th>
<th>Essar Steel</th>
<th>Jindal Steel</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash</td>
<td>C.A.</td>
<td>Ratio</td>
<td>Cash</td>
<td>C.A.</td>
</tr>
<tr>
<td>2005-06</td>
<td>246.68</td>
<td>2700.90</td>
<td>9.13</td>
<td>10.69</td>
<td>931.80</td>
</tr>
<tr>
<td>2006-07</td>
<td>288.35</td>
<td>3002.50</td>
<td>9.60</td>
<td>11.50</td>
<td>890.76</td>
</tr>
<tr>
<td>2007-08</td>
<td>446.51</td>
<td>3411.12</td>
<td>13.09</td>
<td>16.14</td>
<td>1311.38</td>
</tr>
<tr>
<td>2008-09</td>
<td>465.00</td>
<td>3613.46</td>
<td>12.9</td>
<td>21.38</td>
<td>1768.39</td>
</tr>
<tr>
<td>2009-10</td>
<td>463.58</td>
<td>4580.03</td>
<td>10.2</td>
<td>124.29</td>
<td>1974.47</td>
</tr>
<tr>
<td>2010-11</td>
<td>500.30</td>
<td>4012.88</td>
<td>12.5</td>
<td>100.42</td>
<td>2797.01</td>
</tr>
<tr>
<td>2011-12</td>
<td>512.76</td>
<td>4894.55</td>
<td>10.5</td>
<td>29.63</td>
<td>3681.57</td>
</tr>
<tr>
<td>Average</td>
<td>417.60</td>
<td>3745.06</td>
<td>11.13</td>
<td>44.86</td>
<td>1907.91</td>
</tr>
</tbody>
</table>

Source-Annual Report and Accounts of Tata, Essar, Bhushan, JSW and Jindal Steel Company from 2005-06 to 2011-12
Graph 5.5
Cash to current assets Ratio of steel industry
From 2005-06 to 2011-12
From the table 5.5, the cash to current assets ratio of Tata steel company was having fluctuating nature in study period. It was ranged from 10.2 percent in 2009-10 to 13.09 percent in 2007-08. In 2005-06 it was 9.13 percent as compare to 2011-12 it was 10.5 percent. The average was 11.13 percent.

In the case of Bhushan steel company, the cash to current assets ratio was fluctuating in nature. It was highest as 6.29 percent in 2009-10 and lowest as 0.80 percent in 2011-12. The average cash to current assets ratio of Bhushan steel company was 2.22.

In can be concluded from the table 4.5, that the cash to current assets ratio of JSW Ispat steel company was having decreasing trend during the study period, except the year 2007-08. The average ratio was 2.98 percent.

In the case of Essar steel company, the cash to current assets ratio, was having an increasing trend except the year 2009-10 in which it was decreased and reached to 0.69 percent the average ratio was highest as 390.17%.

In the case of Jindal Steel company, it can be observed from the table 4.5, that cash to current assets ratio was having fluctuating trend. It was highest in 2008-09 as 6.79 percent and lowest in 2011-12 as 1.25 percent.
As the inter-firm comparison that Tata steel company was having a highest 11.13 percentage on the average basis and after that 8.65 percent in Jindal steel company and next 2.98 percent of JSW steel company and next 2.98 percent of JSW Ispat steel company and the lowest was of Bhushan steel company as 2.22 percent.

**Cash to sales Ratio**

In order to evaluate the control of cash flows, the cash to sales ratio is calculated. If the ratio displays a downward trend during a specific period it betokens on effective control over cash flow. The ratio in respect if steel companies under study has been exhibited in table 5.6
Table 5.6
Cash to sales ratio in steel industry in India.
From 2005-06 to 2011-12

<table>
<thead>
<tr>
<th>Year</th>
<th>Tata</th>
<th>Bhushan</th>
<th>JSW Ispat</th>
<th>Essar</th>
<th>Jindal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs</td>
<td>Trend</td>
<td>Rs</td>
<td>Trend</td>
<td>Rs</td>
</tr>
<tr>
<td>2005-06</td>
<td>2816.78</td>
<td>100</td>
<td>470.38</td>
<td>100</td>
<td>NA</td>
</tr>
<tr>
<td>2006-07</td>
<td>2533.86</td>
<td>89.9</td>
<td>646.21</td>
<td>137</td>
<td>1370.08</td>
</tr>
<tr>
<td>2007-08</td>
<td>4657.58</td>
<td>165.3</td>
<td>907.40</td>
<td>192.9</td>
<td>2047.48</td>
</tr>
<tr>
<td>2008-09</td>
<td>35126.32</td>
<td>124.0</td>
<td>1262.89</td>
<td>268.48</td>
<td>2037.50</td>
</tr>
<tr>
<td>2009-10</td>
<td>6520.59</td>
<td>231.5</td>
<td>1391.67</td>
<td>295.9</td>
<td>2441.64</td>
</tr>
<tr>
<td>2010-11</td>
<td>7113.38</td>
<td>252.5</td>
<td>1691.31</td>
<td>359.6</td>
<td>2520.12</td>
</tr>
<tr>
<td>2011-12</td>
<td>17242.07</td>
<td>612.11</td>
<td>1821.46</td>
<td>387.27</td>
<td>2784.99</td>
</tr>
</tbody>
</table>

Source-Annual Report and Accounts of Tata, Essar, Bhushan, JSW and Jindal Steel Company from 2005-06 to 2011-12
From the table 5.6, it can be revealed that Tata steel company fluctuating percentage of cash to sales trend. It was highest in 2007-08 as 2.56 percent and lowest in 2005-06 as 1.70 percent. It can be observed from table 4.6 that in first three years of study period it was having an increasing trend and after that in next four years of study period it was decreased.

In the case of Bhushan steel company it was having a fluctuating nature in the first five years of study period i.e. from 2005-06 to 2009-10 it was having an increasing trend and in last two years of study period it was decreased. The highest percentage of ratio was 2.49 percent in 2009-10 and lowest in 0.40 percent in 2005-06. It can be observed from the table 4.6 that in Essar steel company, cash to sales ratio was having an increasing trend during the study period except the year 2009-10 as 0.15 percent. The highest percentage of ratio was 16.72 percent in 2010-11.

In the case of JSW Ispat steel company it was having a fluctuating trend during the study period i.e. from 2005-06 to 2011-12. It was highest in 2007-08 as 3.35 percent and lowest in 0.02 percent in 2011-12.

Jindal Steel company was having a fluctuating trend of cash to sales ratio it was ranged from 0.39 percent to 1.72 percent. In 2005-06 it was 1.21 percent as compare to 0.39 percent in 2011-12.
REFERENCES


