

## A STUDY ON CASH MANAGEMENT AT HERITAGE FOOD LIMITED

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### ABSTRACT

Managing cash flow at heritage foods is a crucial aspect of its financial plan, with the goal of maintaining the company's liquidity, operational stability, and long-term viability. As a diverse food and dairy business, heritage foods handles significant amounts of cash transactions daily, especially from its dairy and retail divisions. The company follows a structured method to track and manage cash inflows and outflows, guaranteeing that there are sufficient funds to cover operational expenses, such as purchasing supplies, paying employees, managing logistics, and settling utility bills. Heritage foods places a significant emphasis on cash flow forecasting and budgeting to anticipate both short-term and long-term cash needs. By taking a proactive stance, businesses can prevent cash shortages and surplus accumulation, which can have a negative impact on their profitability.

### INTRODUCTION

Cash management is a crucial component of financial operations at heritage food limited, ensuring the effective management of cash flows to support its extensive dairy business. As a collaborative organization, heritage relies on a wide range of suppliers, distributors, and customers, necessitating effective cash management to ensure a steady flow of funds and financial security. The company places great importance on efficient planning, gathering, and making use of cash to fulfill its operational and strategic objectives. With limited access to traditional ingredients, the organization employs cutting-edge financial strategies, including accurate forecasting, streamlined payment processes, and prudent allocation of surplus funds, to improve its operational effectiveness and financial performance. This method allows heritage food with limited availability to continue growing while staying true to its dedication to its farmers and stakeholders.

### NEED OF THE STUDY

The study of cash management is essential because it addresses one of the most critical aspects of financial health-liquidity. Despite having profitable operations, many organizations struggle or fail due to poor cash flow management. By studying cash management, individuals and businesses can gain a deeper understanding of how to plan, monitor, and control cash flows effectively to ensure timely payments, avoid unnecessary borrowing, and make informed financial decisions. It helps in identifying cash shortages and surpluses in advance, reducing idle cash, optimizing working capital, and improving financial planning. Moreover, in a dynamic

economic environment marked by uncertainty, inflation, and market volatility, the need for proactive cash management becomes even more significant.

## SCOPE OF THE STUDY

The scope of cash management at Heritage Foods Limited encompasses a wide range of financial activities that are essential to the company's daily operations and long-term financial health. It involves the planning, monitoring, and controlling of cash flows to ensure that adequate funds are available to meet operational requirements while maximizing the efficient use of financial resources. This includes managing collections from customers, timely disbursement to suppliers and employees, maintaining optimal cash reserves, and investing surplus cash in low-risk, short-term instruments. The scope also extends to effective working capital management, covering areas such as inventory control, credit policies, and receivables management to ensure liquidity is not compromised. Additionally, cash management at Heritage Foods involves coordination with banks and financial institutions for transaction processing, fund transfers, and managing lines of credit.

## OBJECTIVES OF THE STUDY

- To ensure optimal utilization of available cash for day-to-day operations and long-term investments while maintaining financial stability.
- To study the minimization of liquidity risks by maintaining an adequate balance of cash reserves and ensuring timely collection of receivables.
- To streamline cash inflows and outflows by adopting efficient cash forecasting and monitoring practices to prevent cash shortages or excess.
- To study the business expansion and operational growth through prudent cash management that funds capital expenditures, investments, and new projects.
- To ensure timely payments to farmers, suppliers, and other stakeholders, enhancing relationships and fostering trust within the cooperative structure.

## REVIEW OF LITERATURE

**Ravi Patel** ;This article provides an in-depth analysis of the critical role of accurate cash flow forecasting and liquidity management at Heritage Foods Limited, particularly in the context of the pronounced seasonal fluctuations in milk production that characterize the dairy industry. The authors emphasize that Heritage Foods Limited, as a large cooperative with a vast network of dairy farmers, faces unique challenges in balancing its cash flows due to the inherently variable nature of milk supply, which is influenced by factors such as weather conditions, feed availability, and animal health. Simultaneously, consumer demand for dairy products can also exhibit cyclical patterns, further complicating cash management.

**Ramesh patel;** The paper titled "Cash Management Challenges in the Indian Cooperative Sector: A Case of Heritage Foods Limited " by Ramesh Patel provides an in-depth exploration of the unique cash management challenges faced by Heritage Foods, one of India's largest and most successful cooperatives. Patel begins by contextualizing the cooperative sector, highlighting that unlike traditional profit-driven businesses, cooperatives like Heritage Foods Limited are fundamentally designed to serve the interests of their members in this case, dairy farmers.

**Naveen Kumar:** The article titled "Cash Flow Optimization in Large-Scale Cooperatives: A Study of Heritage Foods Limited's Approach" by Naveen Kumar provides an insightful analysis of the cash flow optimization strategies employed by Heritage Foods Limited to enhance its financial efficiency. The authors begin by explaining the importance of cash flow management in large-scale cooperatives like Heritage Foods Limited, where managing a vast network of stakeholders-ranging from millions of farmers to multiple processing units and distribution channels-requires sophisticated financial practices.

## RESEARCH METHODOLOGY

### Primary Data collection Methods:

**Interviews:** Conducting interviews with key personnel in Heritage Food's finance department, including cash management officers, accountants, and financial managers.

**Surveys:** Distributing surveys to Heritage Foods Limited's distributors, retailers, and farmers to understand how timely payments are handled, the efficiency of cash collection processes, and the impact of cash management on the supply chain and farmer payments.

**Observations:** Observing daily cash flow operations within Heritage Food's regional offices and processing plants, focusing on cash collection methods, payments to suppliers, and other financial transactions. This helps in assessing how cash management is handled in real-time across different locations.

**Field Visits:** Visiting Heritage Foods Limited's cooperative societies, production units, and distribution center to gather data on cash management practices at the grassroots level. These

visits allow for an understanding of how Heritage Foods Limited manages liquidity in the supply chain from a practical perspective.

## Secondary Data Collection Methods:

**Company Financial Reports:** Analyzing Heritage Foods Limited's annual financial statements, cash flow reports, and balance sheets. These documents provide insights into the overall financial health of the company, its liquidity position, and how effectively it manages cash flow across different periods.

**Industry Reports and Case Studies:** Reviewing industry reports, case studies, and market research publications on dairy industry trends, cash management practices, and financial strategies of similar organizations. These reports provide a broader context on how the dairy sector manages cash flow and financial operations.

## LIMITATIONS OF THE STUDY

- ✓ Cash management strategies depend on economic conditions such as interest rates, inflation, and exchange rates, which are unpredictable and beyond a company's control. Economic downturns, political instability, or financial crises can heavily impact cash flows, making forecasts less reliable.
- ✓ Effective cash management relies on accurate and timely data, but many organization struggle with inconsistent data or outdated financial records. This can lead to poor decision- making and inefficiencies in managing cash flows.
- ✓ For multinational companies, managing cash across multiple regions and currencies can be complex. Exchange rate volatility, cross-border tax regulations, and local compliance issues add layers of difficulty in cash management at a global level.
- ✓ While technology has advanced cash management, many small and medium-sized enterprises (SMEs) lack access to sophisticated tools like ERP systems. Over-reliance on

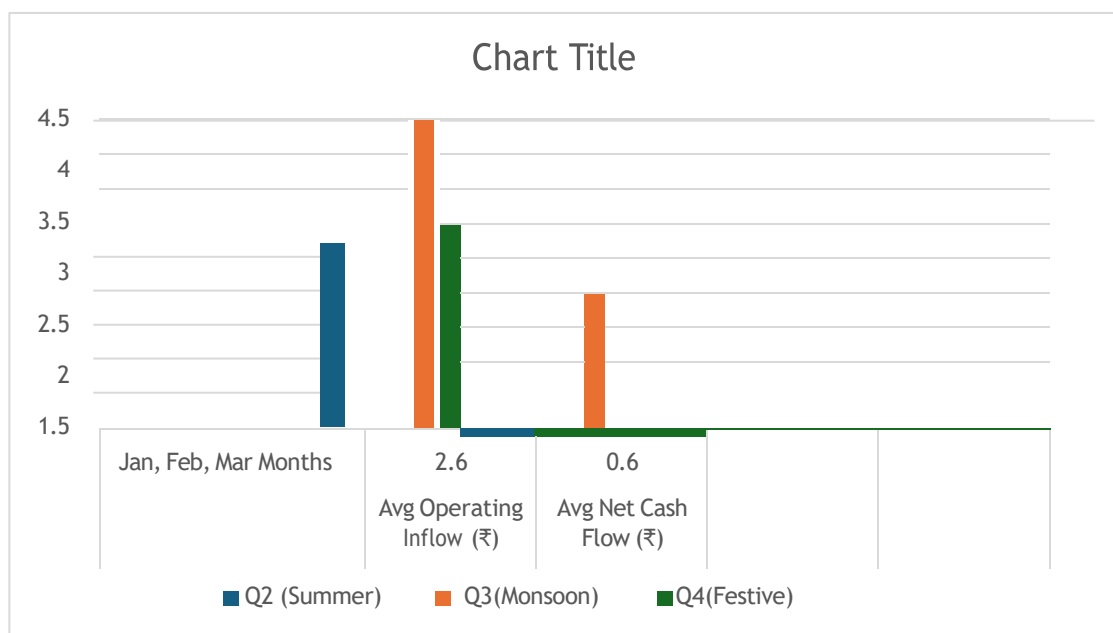
digital solutions also increases vulnerability to cybersecurity risks and fraud.

## DATAANALYSIS AND INTERPRETATION

Table:- 1

Month	Opening Balance (₹)	Cash Inflow (₹)	Cash Outflow (₹)	Closing Balance (₹)	Surplus/Deficit (₹)
January	5,00,000	3,00,000	2,50,000	5,50,000	+50,000
February	5,50,000	2,00,000	3,20,000	4,30,000	-1,20,000
March	4,30,000	4,50,000	3,00,000	5,80,000	+1,50,000
April	5,80,000	2,20,000	3,00,000	5,00,000	-80,000
May	5,00,000	5,00,000	4,00,000	6,00,000	+1,00,000

Figure:-1



## Interpretation

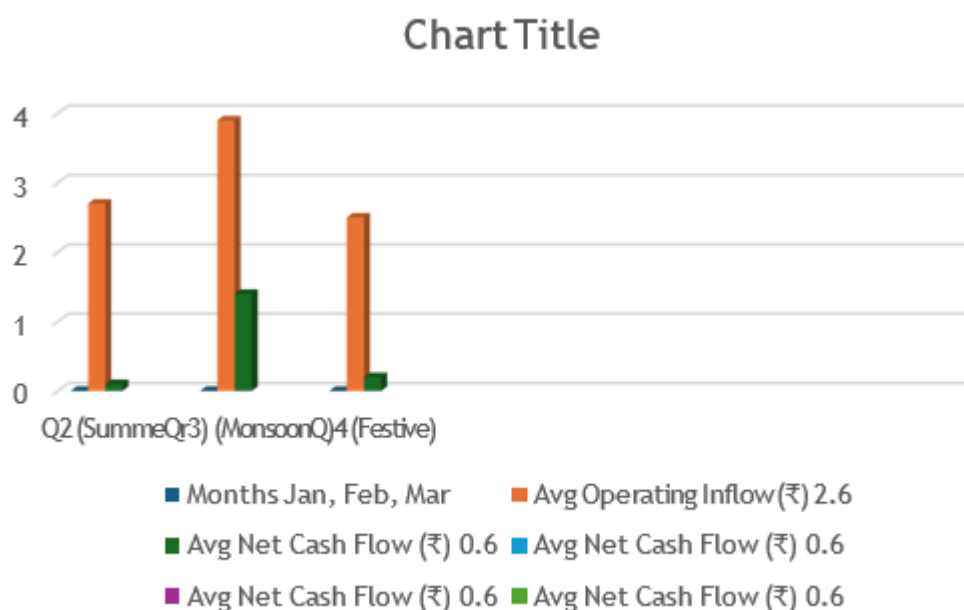
The cash management analysis over five months reflects fluctuating trends in cash inflow and outflow.

In January, a modest surplus of ₹50,000 indicated a healthy financial start. However, February showed a deficit of ₹1,20,000.

Table:-2

Month	Opening Balance (₹)	Cash Inflow (₹)	Cash Outflow (₹)	Closing Balance (₹)	Surplus/Deficit (₹)	Inflow to Outflow Ratio
January	5,00,000	3,00,000	2,50,000	5,50,000	+50,000	1.20
February	5,50,000	2,00,000	3,20,000	4,30,000	-1,20,000	0.63
March	4,30,000	4,50,000	3,00,000	5,80,000	+1,50,000	1.50
April	5,80,000	2,20,000	3,00,000	5,00,000	-80,000	0.73
May	5,00,000	5,00,000	4,00,000	6,00,000	+1,00,000	1.25
June	6,00,000	2,80,000	3,50,000	5,30,000	-70,000	0.80

Figure:-2



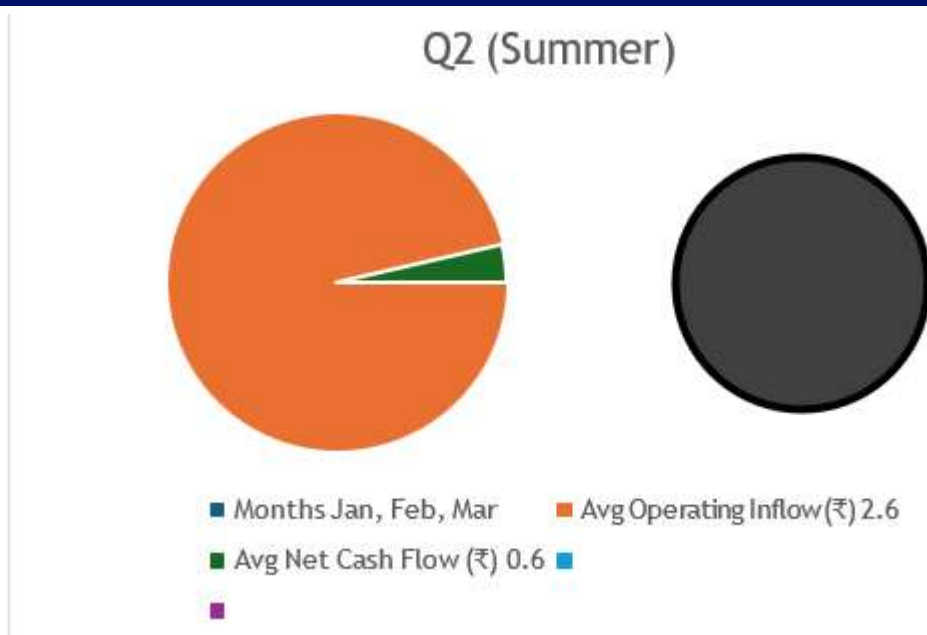
## Interpretation

The six-month cash flow analysis reveals a cyclical cash pattern, alternating between surplus and deficit months. The organization maintained a positive opening balance throughout, which provided a safety net during months of higher outflows. January and March were strong months with inflow-to-outflow ratios of 1.20 and 1.50 respectively, indicating excellent cash efficiency.

**Table:-3**

Quarter	Openig Balance	Total Inflows	Total Outflows	Net Cash Flow	Closing Balance
Q1	5.00	9.3	7.0	+2.3	5.80
Q2	5.80	10.0	9.3	+0.7	6.00
Q3	6.00	14.6	10.5	+4.1	9.30
Q4	9.30	9.0	9.0	0.0	9.30

**Figure:-3**



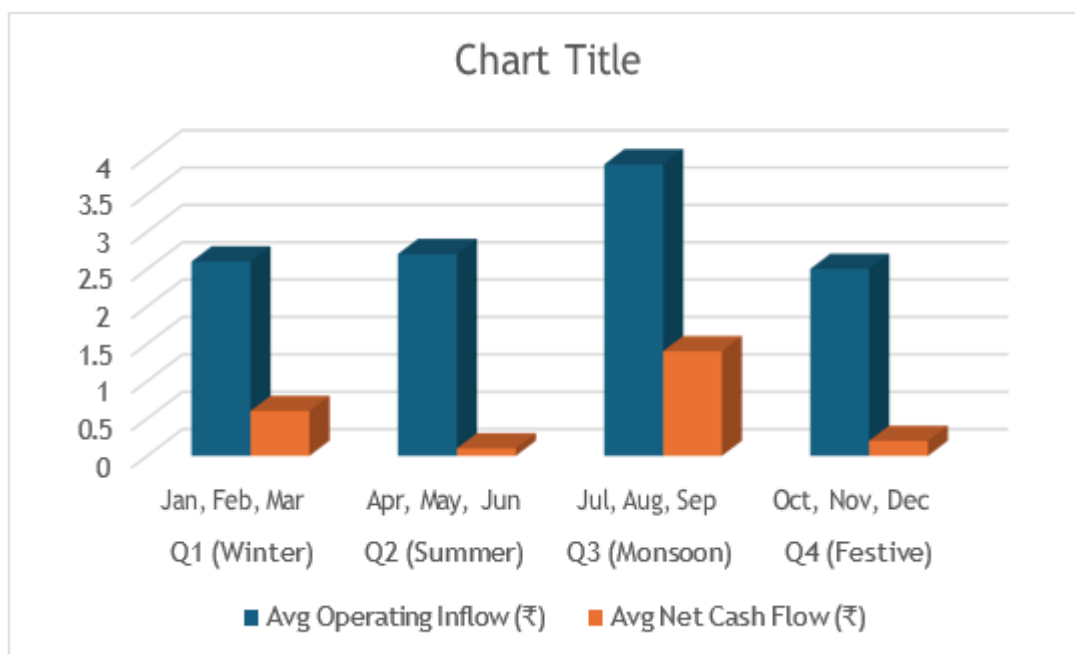
## Interpretation of Quarterly Cash Flow Summary

The quarterly cash flow summary highlights the business's **progressive improvement in liquidity** and overall financial health across the year. Starting with an opening balance of ₹5.00 lakh in Q1, the company closed the year at a strong ₹9.30 lakh, reflecting sound cash management practices.

Season	Months	Avg Operating Inflow (₹)	Avg Net Cash Flow (₹)	Cash Trend
Q1 (Winter)	Jan, Feb, Mar	2.6	+0.6	Moderate Growth
Q2 (Summer)	Apr, May, Jun	2.7	+0.1	Volatile
Q3 (Monsoon)	Jul, Aug, Sep	3.9	+1.4	Strong Growth

Q4 (Festive)	Oct, Nov, Dec	2.5	+0.2	Stable
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**Figure:-4**



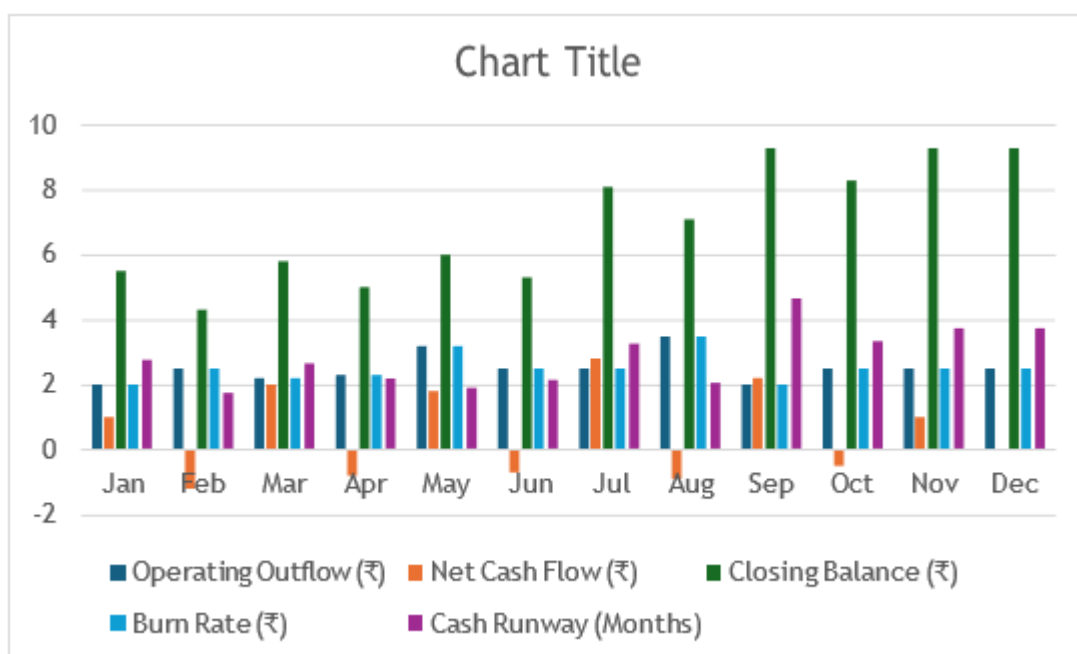
**Interpretation:** Cash flows show seasonal behavior, with the Monsoon quarter (Q3) being the best-performing period due to peak operational inflows and higher net gains. The Summer quarter (Q2) is volatile, possibly due to higher expenses or uncertain revenue. This insight can help in planning investments or reserve buffers.

**Table:-5**

Month	Operating Outflow (₹)	Net Cash Flow (₹)	Closing Balance (₹)	Burn Rate (₹)	Cash Runway (Months)
Jan	2.0	+1.0	5.50	2.0	2.75
Feb	2.5	-1.2	4.30	2.5	1.72

Mar	2.2	+2.0	5.80	2.2	2.63
Apr	2.3	-0.8	5.00	2.3	2.17
May	3.2	+1.8	6.00	3.2	1.88
Jun	2.5	-0.7	5.30	2.5	2.12
Jul	2.5	+2.8	8.10	2.5	3.24
Aug	3.5	-0.9	7.10	3.5	2.03
Sep	2.0	+2.2	9.30	2.0	4.65
Oct	2.5	-0.5	8.30	2.5	3.32
Nov	2.5	+1.0	9.30	2.5	3.72
Dec	2.5	0.00	9.30	2.5	3.72

**Figure:-5**



## INTERPRETATION

This table helps assess sustainability of current cash reserves based on how fast money is being spent. Months like Sep, Jul, and Nov show improved cash runway, giving the company

more time to operate without external funding. Feb and May have the shortest runway, indicating urgency to either reduce burn or boost inflow.

## FINDINGS

- **Strong Market Position:** Heritage Foods has established a dominant presence in India's dairy industry, with a broad product range and significant brand recognition in both urban and rural markets.
- **Commitment to Quality:** The company focuses on delivering high-quality dairy products, ensuring safety, freshness, and consistency, which has helped build consumer trust over the years.
- **Farmer Empowerment:** Through its "Relationship Farming Model," Heritage Foods empowers farmers by providing fair prices, training, and support, thus enhancing their productivity and livelihoods.
- **Sustainability Efforts:** Heritage Foods has made strides in sustainability by incorporating renewable energy, waste management practices, and eco-friendly packaging in its operations.

## SUGGESTIONS

- Heritage Foods Limited can further enhance its growth and competitiveness by diversifying its product portfolio into plant-based alternatives, organic dairy, and health-conscious food items to cater to evolving consumer preferences.
- Strengthening sustainability practices through improved waste management, renewable energy adoption, and greener packaging will align the company with global environmental trends.
- Additionally, expanding its digital presence and e-commerce capabilities, particularly through direct-to-consumer platforms and leveraging data analytics.
- Heritage Foods to engage with a broader audience, especially in tier-II and tier-III cities. Investing in research and development to innovate new functional dairy products and better packaging solutions will keep the brand at the forefront of industry trends.
- Further supporting farmer welfare by providing additional training, digital tools, and

financial services will enhance the company's Relationship Farming Model, improving the livelihoods of its suppliers. Strategic partnerships and acquisitions could accelerate market expansion, while an increased focus on marketing, consumer engagement, and international expansion would bolster the brand's global presence.

- Overall, by diversifying, focusing on sustainability, embracing digital transformation, and expanding both locally and internationally, Heritage Foods can ensure continued success and growth in the competitive dairy and food industry.

## BOOKS

- This book provides an in-depth analysis of the dairy sector in India, including case studies of leading companies like Heritage Foods.
- Offers insights into the management practices of agribusinesses, with references to dairy companies such as Heritage Foods.
- Accounting software with built-in cash flow management features.
- Cloud-based accounting for businesses, including cash flow reports.
- For freelancers and small businesses. Good invoicing and cash tracking.

## JOURNALS

Journal of Dairy Science and Technology

Publishes research on dairy science and industry practices, offering context to the operational strategies of companies like Heritage Foods.

Indian Journal of Agricultural Economics

Features articles on the economic aspects of agriculture and agribusiness, including studies on dairy industry dynamics relevant to Heritage Foods.

Websites

1. <https://mint.intuit.com>
2. <https://www.youneedabudget.com>
3. <https://www.everydollar.com>
4. <https://www.empower.com>



5. <https://quickbooks.intuit.com>