

Financial Performance of Selected Sugar Mills in Tamil Nadu

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ABSTRACT

Sugar mills are one of the agro-based industries in India and it is the second largest next to cotton and textile industry. History says that the art of making sugar went back to Persia and subsequently to the world from India. The production of sugar, first from sugarcane and later from beets, is one of the oldest and best-studied technological processes. It is universally acknowledged that India is the homeland of sugarcane and sugar. The growth and performance of the sugar mills in Tamil Nadu are impressive and they are significantly related to the government policies as well. The national and international scenario in terms of production and improvement in technology also stimulated the growth factor of Sugar mills in Tamil Nadu. In this study we are going to see about the performance of select sugar mills which are operating in Tamil Nadu.

1. Introduction

The sugar industry covers a key place on our country. This industry has an significant role to play both in the economic constancy of a country and in the supply of necessary product for the entire inhabitants. Its further development and progress should be of great concern to everyone. India has been major produce sugar in the world for 7 out of 10 years but now Brazil has taken a guide from India. Indian sugar production from both the sectors sums up to 22 million tons. Indian share in the world's total manufacture has shown an increasing trend in the past few years and at present India is contributing to around 16%. The country has been indulged in the production of cane sugar as India's steamy climate conditions support sugarcane cultivation.

The cultivation of sugarcane in India has improved during the last ten years and is still on a rising trend. The cultivation of sugarcane in the northern areas of the country is lower than the cultivation in southern areas. In India, sugar is grown over 4 million hectares of land.

2. Statement of the research problem

The sugar has marketed by both open market and levy system by civil supply department. This may affect the manufacturing cost of the sugar. The government of India has fixed the purchase price for the levy sugar which is less than cost of sugar production. Poor profitability is one of the problems of sugar industry. Under ability utilization, higher costs of production, industrial disputes, and financial misconduct are some of the causes for poor profitability. The rapidly changing financial, scientific and authoritarian environment has affected the progress of India sugar industry owed to the poor availability of raw materials.

The capacity consumption rate has been moribund due to the problems stated above. In view of the concentrated drive for subsequent rise in demand for sugar in the coming years and high capital costs requisite for new savings, it is prudent to ensure that the available installed capacity is utilized fully. Rather than fresh investments, the task of restoration and

transformation of existing capacity needs to be seriously measured.

3. Objectives of the study

- To evaluate the liquidity position of the sugar mills and thereby analyses the short-term solvency position of the sugar mills in Tamil Nadu.
- to suggest suitable measures to improve the financial performance of the sugar mills in Tamil Nadu.

4. Scope of the study

The study covers only the sugar industries of Tamil Nadu. Out of the total 43 sugar industries, operating in Tamil Nadu, each 5 mills from private and co-operative sectors have been chosen for the study purpose. The trends indicated may differ from year to year as the pattern of investments and borrowings differ. The study becomes more meaningful as it covers a longer period i.e. 10 years.

5. Research Methodology

The study is observed in nature with a spotlight on assessing the financial performance of the sugar mills in Tamil Nadu from the point of view of liquidity, and profitability.

6. Data Collection

The study encompasses primary and secondary data. For collecting primary data, personal deliberations were held with the officials of the select sugar mills in Tamil Nadu.

7. Secondary Data

The secondary data on the other hand are those which have previously been passed through the statistical process, usually published data which are available in,

- Technical and trade journals
- Books, magazines and newspapers.
- Report and publication of various associations connected with sugar industry.
- Public records, statistics ,historical documents and others sources of published information.

8. Sampling

The researcher has adopted convenient sampling method in this research study. The select sugar mills are located in various districts of Tamil Nadu and for the study purpose the

mills are chosen from co-operative and public sectors as per the convenience of the researcher.

9. Liquid Ratio Position of Selected Sugar Mills in Tamilnadu

TABLE-1

YEAR	BANNARI	DHARANI	PONNI	RAJ SHREE	SAKTHI	OTHER PRIVATE
2007-08	0.62	1.16	0.03	0.37	2.69	0.97
2008-09	0.60	3.53	0.07	0.36	2.25	1.36
2009-10	0.61	0.60	0.01	0.36	1.90	0.69
2010-11	0.76	2.96	0.03	0.34	2.11	1.24
2011-12	0.89	2.47	0.02	0.80	6.44	2.12
2012-13	1.28	1.92	0.23	0.44	4.22	1.62
2013-14	0.89	0.74	0.10	0.68	1.48	0.78
2014-15	0.68	0.27	0.22	0.90	1.56	0.72
2015-16	0.95	1.04	0.11	0.95	1.09	0.83
2016-17	0.75	1.18	0.18	0.52	0.85	0.70
MEAN	0.80	1.59	0.10	0.57	2.46	1.10
SD	0.21	1.09	0.08	0.24	1.69	1.12
CV	26.35	68.44	83.04	41.70	68.82	101.20

Source: Computed from the annual reports of various Sugar Mills

Liquid ratio is also known as Quick ratio or Acid test ratio. This ratio is calculated by dividing liquid assets exclusive of stocks by current liabilities. The cause for exclusion of stock is the fact that stock is a least liquid asset. The satisfactory standard for quick ratio is 1:1. this ratio measures the ability of a company to use its near cash or quick assets immediately to extinguish its current liabilities. Quick assets include those current assets apparently can be quickly converted to cash at close to their book values. Such items are cash, markable securities, and accounts receivables. This ration indicates a firm's capacity to maintain operations as usual with current cash or near cash reserves in bad periods. As such, this ratio implies a liquidation approach and does not distinguish the rotating nature of current assets and liabilities.

From the table 1, it is observed that the liquid ratio of Bannari Amman Sugars ranged between 0.6 times and 1.28 times. The lowest ratio was observed in the year 2007-08 and the highest ratio was observed in the year 2010-11. The average liquid ratio of Bannari Amman Sugars was found to be 0.80 times and the standard deviation was 0.36 times. The co-efficient of variation of liquid ratio of Bannari Amman Sugar was 16.06 percent which denotes that there was a consistent liquid ratio maintained by the company. It implies that the short-term solvency of Bannari Amman Sugars was good during the study period.

Dharani Sugars was 68.44 percent which denotes that the liquid ratio of the company was inconsistent. However, the short-term solvency of Dharani Sugars was good during the study period.

It is noticed that the liquid ratio of Dharani Sugars ranged between 0.27 times and 3.53 times. The lowest ratio was

observed in the year 2012-13 and the highest ratio was observed in the year 2009-10. The average liquid ratio of Dharani Sugars found to be 1.59 times and the standard deviation was 1.09 times. The co-efficient of variation of liquid ratio of Dharani Sugars was 68.44 percent which denotes that the liquid ratio of the company was inconsistent. However, the short term solvency of Dharani Sugars was good during the study period. It is understood that the liquid ratio Ponni Sugars ranged between 0.01 times and 0.23 times. The lowest ratio was observed in the year 2011-12 and the highest ratio was observed in the year 2012-13. The average liquid ratio of Ponni Sugars was 83.04 percent which denotes that there was an inconsistent liquid ratio maintained by the company. Since the liquid ratio was less than the ideal ratio of 1:1 all over the study period, the short-term creditors of the company at threat to some extent.

The above table depicts that the liquid ratio of Rajshree Sugars ranged between 0.34 times and 0.80 times. The lowest ratio was observed in the year 2010-11 and the highest ratio was observed in the year 2015-16. The average liquid ratio Rajshree Sugars was found to be 0.57 times and the standard deviation was 0.24 times. The co-efficient of variation of liquid ratio of Rajshree Sugars was 41.70 percent which denotes that there was a consistent liquid ratio maintained by the company. However, since the liquid ratio of the company was less than the ideal ratio of 1:1 throughout the study period, the short-term solvency position of the company was not so better. It is portrayed by the above table that the liquid ratio of Sakthi Sugars ranged between 0.85 times and 6.44 times. The lowest ratio observed in the year 2016-17 and the highest ratio was observed in the year 2011-12. The average liquid ratio Sakthi Sugars was found to be 2.46 times and the standard deviations was 1.69 times. The co-efficient of variation of liquid ratio of

Sakthi Sugars was 68.82 percent which denotes that liquid ratio of the company was inconsistent. However, the short-term solvency of Sakthi Sugars was good during the study period.

10. Findings

Private sectors Sugars Consistent liquid ratio has been maintained by Bannari Amman sugars only and all other private sector sugar mills are of inconsistency during the study period.

11. Suggestions

As co-operative sugar mills have borrowed more outstanding loans from Government, they are restricted to avail additional loans from any other external sources for their survival. As in the case waiving done on some of the loans provided by the Government to the farmers, the concerned ministry of the Government has to waive the loans of co-operative sugar sectors to save them to get rid of such restriction in borrowing additional loans.

1. If the government is not willing to waive the loans, it can convert them into shares.
2. By becoming the shareholder of co-operative sugar mills, it can make the later to come out of such critical position
3. Amount of interest on loan payable for the loans is also not to be borne by the co-operative sugar mills was it already suffers from shortage of funds. So, rate of interest on loan to be reduced, as they manufacture the necessary commodity for the people.
4. While purchasing the machineries and tools, due to misappropriation of funds by the officials, perfection is not practiced in installation. Machineries of co-

operative sector sugars are often getting breakdown due to obsolescence. As such, co-operative sugar mills are unable to attain 100% production. Such situation exists, because of the absence of inefficient system practiced on machineries by the co-operative sugar mills but such inefficiency is not there in private sector sugars. The concerned officials with the assistance government have to take steps to frame a proper system to plan to install updated machines to improve productivity of co-operative sugar mills.

Another reason for the poor financial performance of sugar mills is that the non-availability of co-generation and ethanol plants. Because of this, molasses and bagasse are sold to outsiders for lesser amount, otherwise they can be reprocessed by installing ethanol and co-generation plants to earn more profit by co-operative sugar mills.

12. Conclusion

Sugar industries are among the industries producing the necessity commodities to the general public. Sugar industries suffer to shortage of funds to function well. if adequate attention is given, sugar industries also can shine in market like any other industries. Government has to allocate the required funds from the budget to sugar industries for its improved performance to enable more exports. Financial management of any organization if functions effectively , problems of any type can be solved. Success of any organization entirely is in the hands of financial management of the same. Management of sugar industries ha to make required changes in the existing operations, so that the differences faced by sugar industries currently can be solved and their performance will go up into a great level.

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