

# A Study on the Financial Analysis of Sugarcane Mills in Tamilnadu

Dr. Marimuthu <sup>1</sup>, G. SoundaryaKodi <sup>2</sup>

<sup>1,2</sup> Assistant Professor

<sup>1</sup>Department of Management Studies, Manonmaniam Sundaranar University, Tirunelveli

<sup>2</sup>Department of Commerce (s/f), Sri Parasakthi College for Women, Courtallam

**Abstract-** The research study titled “A Study on Financial Performance Analysis of Sugarcane mills in Tamil Nadu” is a part of research work done in order to evaluate the financial stability, profitability, long term solvency, efficiency in asset utilization of the five major sugarcane mills operating in the state of Tamil Nadu. The study has been conducted during 2010-2014 which is clear that the Ministry of Company Affairs, Ministry of Finance – Government of India, as well as the Reserve Bank of India are seriously thinking together for promote liberalization, support these industries financially to improve the productivity and giving direct and indirect employment for the ordinary man. Since, this kind of industries basically depends upon agricultural production with the same in turn depends on the geographical and climate conditions of a State which is above the hand of a common man. Financially strong enough to run on its own leg, the researcher had made an attempt to critically analyze the financial strengths. It is found that on an average all the units careful for the study at average to the industry standards also to the rule of thumb. While making with the complete Test Kothari Sugars state in the first place where all the sugar companies considered for study should learn a lesson from Kothari Sugars. This researcher concludes that all the five major sugar companies considered for study shows an average productivity. The performance of sugarcane mills was reduced during 2010-14 season and the sugar production was 19.58 lakh metric tons with an average recovery of 9.15 per cent. Tamil Nadu is one of the leading producers of sugar in the country and its contribution is about 10 per cent of the country's total sugar production.

Key Words: Sugar Industry, Financial Performance, operational efficiency.

## INTRODUCTION OF SUGARCANE MILL

Sugars are in a main appearance the carbohydrates with are found almost certainly in every one of green plant life. They occur be major association amount scheduled mainly fruits along with vegetables. There are three foremost most important undemanding sugars sucrose, fructose furthermore glucose. Sucrose is into verity of arrangement fructose scheduled glucose with the body speedily broken down into these divide substance. All energy stored in food is ensuing in the beginning from the sun as well as it is made through green plant life. The sun force acts upon the green element chlorophyll in the plants of plants be manufacture sugars along with starches from the carbon dioxide in the impression moreover the water from the roots via the practice known as Photosynthesis. These carbohydrates acts as the plants food as well as energy supply. The force require of human body is a regularly dependent on the carbohydrates to be ensuing from plants. An unprejudiced diet can come from a diversity of diverse foods calculated to the favorite levels of carbohydrates, proteins, fats, vitamins with minerals. Nutritional scientist's enthusiast to carbohydrates should give for least 50% of over power supplies.

Sugar has been made through some plants to store force that they don't have need of straight away, rather like animals

make fat. People like sugar for it is sweetness in addition to its energy some of these plants be urbanized commercially to remove the sugar. The sugar manufacturing of the India had face a boom in the 1980 but the crisis started from 1990, after the financial liberalization. Indian sugar industry is known by recurring raw material supply, struggle from various unit of raw materials furthermore lack was control for quality and quantity for cane supply from frequent farmers. Area separation a growing cane for each mill is resolute in the state government. To motivate the farmers to grow cane, different financial incentives or subsidies the required to be offered by the sugar mills besides cane price and transport subsidy notify by the government sourcing of the raw materials further the commenced area that does it requires permissions from the adaptable authority. Sugars are a chief form the carbohydrates in addition to be originate in all prospect inside all green plant life. The nearby be three main simple sugars sucrose, fructose besides glucose. Sucrose is within in order a combination of fructose as glowing as glucose through the corpse quickly breaks down involved within this part substance. Lakshmanan et al., (2005) have reviewed recent advances, further challenges and opportunities in sugarcane somatic embryogenesis. Anderson & Jenshagen (2010) sugar industry in Fiji is facing a lot of problems. Since the Government of Fiji has not fulfilled their commitments to the European Union (EU), the EU has backed away from supporting the industry. The milling efficiency has been constantly declining since the

mid 1980's and farm productivities have not kept pace with the changing international market for sugar. Smirti (2013) analyzed the growth and distribution of sugar industry in all over India. From the above review of literature found various issues, which is explained in the problem of the study.

**Statement of the Problem**

The sugar prices have been a political issue and rather than economical issue many times it worsens economy of sugar mills. The Tamilnadu are incurring losses due to many reasons are increase in cost involved during production and recovery of sugar of sugar per tone sugarcane crushed. It has been common observation that sugarcane mills are lagging behind in management efficiency. They are not able to control their cost. Quality of sugarcane mills under the utilization of capacity, low sugar recovery rate shortage of funds and in efficient management. Working capital is common problem of sugarcane mills. The fact is inadequate working capital finance is prevailing in every private and public sector sugarcane mill. Spite in of encouraging policy and strong financial support, sugarcane mills are in huge losses for several years. The mismanagement of working capital in the real problem that leads the sugarcane mills to losses.

**Objectives of the Study**

The present research paper aims to identify the various problems in attaining the effective cost control methods and improved recovery of sugarcane mill increase the profitability and improve the performance of sugarcane mill in Tamilnadu.

- To examine the asset and receivable management of sugarcane mills.
- To evaluate the cash and inventory management of sugarcane mills.
- To examine the trends in the profitability position of sugarcane mills in Tamilnadu.

**Research Methodology**

Researcher here is used one part of the analysis on the research. The above objectives were elaborated in this paper about ratio analysis of the sugar mill companies. The type of research is analytical Method. Analytical research is a precise type of investigate that involves critical thoughts skill with the appraisal of facts in addition to in order relative to the research organism conducted. This research is used both primary and secondary data. Secondary data was obtained from various records and financial reports of the concern with the financial performance management.

**DATA ANALYSIS & INTERPRETATIONS  
BALANCE SHEET ANALYSIS**

Net Worth            2.Net Block

**NET WORTH**

*NetWorth = EquityCapital + ReservesSurplus*

**TableNet worth 2010 - 2014**

	Net Worth (in Crores)
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Year	Empee Sugar	Dharani Sugar	Ponni Sugar	EID Parry Sugar	Kothari Sugar
2010	111.03	107.51	79.64	1096.34	109.95
2011	160.07	110.81	96.25	1150.28	116.52
2012	113.05	117.54	111.54	1217.63	123.93
2013	81.46	126.20	129.14	1346.88	131.55
2014	28.37	92.30	123.76	1279.42	128.40

Source: Company Report

The absolute size of Empee Sugar net worth increased to 160.07 crores of significantly from 2010 - 2011. The absolute size of Empee Sugar net worth decreased to 28.37 crores of significantly from 2012 – 2013.

The absolute size of EID Parry net worth increased to 1346.88 crores of significantly from 2010 - 2013. The absolute size of EID Parry sugar net worth decreased to 1096.34 crores of significantly from 2010

**RETURN ON NETWORTH**

*Return on Net worth = Profit after Tax / Net worth*

**Table Return on Net worth 2010 - 2014**

Year	Return on Net worth				
	Empee Sugar	Dharani Sugar	Ponni Sugar	EID Parry Sugar	Kothari Sugar
2010	-0.18%	0.42%	0.12%	0.31%	0.01%
2011	-0.09%	0.03%	0.09%	-0.01%	0.01%
2012	-0.09%	0.08%	-0.04%	-0.03%	0.09%
2013	-0.53%	0.09%	0.00%	0.05%	0.12%
2014	1.42%	-0.36%	0.00%	0.02%	0.01%

Source: Company Report

The Return on net worth of Empee Sugar of improves on the 1.42% substantially from 2011 – 2012. The drives for the substantially increase to the profit after tax. The return on net worth of Empee Sugar of reduced to the -0.53% from the year 2010 – 2013 substantially decreases to the profit after tax.

The Return on net worth of Kothari Sugar of improves on the 0.12% substantially from 2010 - 2013. The drives for the substantially increase to the profit after tax. The return on net worth of Kothari Sugar of reduced to the 0.01% from the year 2013 – 2014 substantially decreases to the profit after tax.

**NET BLOCK**

*Net block = Gross block – Accumulated Depreciation*

**Table Net Block 2010 - 2014**

Year	Net Block (In Crores)				
	Empee Sugar	Dharani Sugar	Ponni Sugar	EID Parry Sugar	Kothari Sugar
2010	45.59	355.78	47.03	810.72	195.17
2011	51.08	349.27	45.21	777.36	184.04
2012	392.50	342.14	44.17	759.59	182.53
2013	361.55	487.18	133.09	1224.51	226.70
2014	354.23	476.99	133.39	1476.26	218.95

Source: Company Report

The gross blocks of Empee Sugar of improve the asset from the year 2012 charges increased for accumulated depreciation on assets for the Net Block of 392.50. The gross blocks of Empee Sugar of improve the asset from the year 2010 charges reduced for accumulated depreciation on assets for the Net Block of 45.59.

The gross blocks of EID Parry Sugar of improve the asset from the year 2012 - 2014 charges increased for accumulated depreciation on assets for the Net Block of 1476.26. The gross blocks of Empee Sugar of improve the asset from the year 2011 - 2012 charges reduced for accumulated depreciation on assets for the Net Block of 759.59.

#### MARKET VALUE RATIOS

1. Price Earning Ratios      2. Market to Book Ratio

Price Earning Ratios

$$P/E \text{ Ratio} = \frac{\text{Price Per Share}}{\text{Earnings Per Share}}$$

**Table Price Earning Ratios 2010 - 2014**

Year	Price Earning Ratios (In Crores)				
	Empee Sugar	Dharani Sugar	Ponni Sugar	EID Parry Sugar	Kothari Sugar
2010	88.16	4.3	0.22	2.76	4.6
2011	89.74	4.4	0.28	2.07	4.18
2012	10.3	3.63	0.25	1.37	2.55
2013	10.71	15.65	0.36	1.23	3.76
2014	14.93	1.48	0.5	1.39	2.78

Source: Company Report

The Empee Sugar Industry earnings are evaluate a price earning ration is a high performance of 89.74 for the year 2010 – 2011. The Empee Sugar Industry earnings are evaluate a price earning ration is a low performance of 10.3 for the year 2010 – 2012

The EID Parry Sugar Industry earnings are evaluate a price earning ration is a high performance of 2.76 for the year 2010. The EID Parry Sugar Industry earnings are evaluate a price earning ration is a low performance of 1.23 for the year 2010 – 2013.

Market to Book Ratio

$$\text{Market - To - Book Ratio} = \frac{\text{Price Per Share}}{\text{Book Value Per Share}}$$

**Market Book Ratio 2010 - 2014**

YEA R	Market Book Ratio				
	EMPEE SUGAR	DHARAN I SUGAR	PONNI SUGA R	EID PARR Y SUGA R	KOTHAR I SUGAR
2010	-73.14	-5.14	0.57	0.14	3.95
2011	1046.71	1.16	0.67	0.14	4.82
2012	72.11	2.03	0.79	0.08	3.81
2013	124.03	-6.14	0.51	0.11	3.66
2014	80.35	7.2	0.58	0.09	3.14

Source: Company Report

The Empee Sugar Industry is a market to book ratio high performance is a 124.03 for the year 2010 – 2013. The Empee Sugar Industry is a market to book ratio low performance is a -1046.71 for the year 2010 - 2011

The EID Parry Sugar Industry is a market to book ratio high performance is a 0.14 for the year 2010 – 2011. The EID Parry Sugar Industry is a market to book ratio low performance is a 0.08 for the year 2010 – 2012.

#### Findings of the Study

- The balance sheet analysis is a process of understands of financial information
- The present Net worth of the EID Parry sugar industry firm satisfactory the efforts have to be made in improving the present level in 2013 - 2014. The present Net worth of the Empee sugar industry firm is not satisfactory; the efforts have to be made in improved the present level in 2013 – 2014.
- Return on net worth is Empee sugar industries have been improving for the profits after tax maintain present level in 2013 – 2014. Return on net worth is Dharani sugar industry have been the poor performance of the profit after tax maintain present level in 2013 – 2014
- The present net block is satisfactory of the firm inefficient on EID Parry sugar industry improve the present level 2013 – 2014. The present net block is not satisfactory of the firm inefficient on the Kothari sugar industry improve the present level 2013 – 2014
- The profitability ratio of the form of income earning performance in profitability manner.
- The market value ratio is the current price of financial statement in the earnings ratio
- The price earnings ratio is a share dividend for Empee sugar industry the high performance of present level in 2013 -2014. The price earnings ratio is share dividend Ponni sugar industry for the risk of present level in 2013 -2014.

- The market to book financial ratio is a measure as determined by the Empee sugar industry improve the present level in 2013 – 2014. The market to book financial ratio is a measure as determined by the EID Parry sugar industry poor performance the present level in 2013 – 2014.
- The High correlation between net sales and net profit will explain about the company highest net worth among the investors and shareholders of the company in the market. This is enough to prove in this research about the financial analysis on the sugar industry in tamilnadu performing very well.

#### Suggestions of the Study

- The improving the significant part of the cost of production important of the net worth of Empee sugar industry
- The return on net worth is a maintain for the financial ratio for the production of Dharani and Ponni sugar industry
- The net block is a improve the cost value needs for modern technological innovation for the sugar industry
- The profit margin was an increase the profit and improving productivity.
- Return on asset is a profitable efficient management to increase by the amount of capital invested.
- Return on equity is a cost of production is an increase profit.
- Gross margin is a higher the profitable manner of improving productivity.
- Market value ratio is determining the price earning for improving the financial performance.
- The market book ratio is higher level of financial performance of valuable for cost effective manner.

#### CONCLUSIONS

Profit earning is the aim of any business. From the present research were to examine the study of the financial performance analysis of select sugar industry in the public and private sector in Tamilnadu. The financial efficiency analysis and productivity system an EID Parry is one among the best in the sugar industry. The relationship between net sales and net profit of selected sugar companies in Tamilnadu. Empee, Dharani, and EID Parry sugar industry are highly correlated with net profit. Sugar production, recovery, capacity utilization, reduced mill extraction and cane price paid the performance of private management is far better. This requires the improvement in the productivity efficiency of the factors of production. Working capital management was highly influenced factor to find out profitability of selected sugar companies in Tamilnadu. Hence it is inferred that selected profitability ratios have significant impact on return on total assets of the company. However due to poor turnover the profitability position of the industries is far below the satisfactory level. Once the problem is taken care of sugar

industry would emerge as a successful enterprise not only in the present, But also in the long future.

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