

A COMPARATIVE STUDY ON FINANCIAL PERFORMANCE OF SUGAR COMPANIES WITH SPECIAL REFERENCE TO SAKTHI SUGARS LTD., SAKTHI NAGAR, BANNARI AMMAN SUGARS LTD., SATHYAMANGALAM, & PONNI SUGARS (ERODE) LTD.,

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ABSTRACT

The subject of financial management is of immense interest to both academicians and practicing managers. It is of great interest to academicians because the subject is still developing, and there are still certain areas where controversies exist for which no unanimous solutions have been reached as yet practicing managers are interested in this subject because among the most crucial decisions of the firm are those which relate to finance, and an understanding of the theory of financial management provides them with conceptual and analytical insights to make these decisions skill fully.

KEYWORDS: Financial Management, Market, Sugar Industry

INTRODUCTION

Financial health is very important for the organization to survive and with stand in the market. All companies should know the financial status by way of assessing the financial health. In addition, outsiders will also consider the long-term health of the company when deciding on extensions of credit, long-term supplier arrangements, or investment in the firm's equity.

Sugar Industry-History

India has been known as the original home of sugar and sugarcane. Indian mythology supports the above fact as it contains legends showing the origin of sugarcane. India is the second largest producer of sugarcane next to Brazil. Presently, about 4 million hectares of land is under sugarcane with an average yield of 70 tones per hectare.

India is the largest single producer of sugar including traditional cane sugar sweeteners, khandsari and Gur equivalent to 26 million tones raw value followed by Brazil in the second place at 18.5 million tones. Even in respect of white crystal sugar, India has ranked No.1 position in 7 out of last 10 years.

Sakthi Sugars Limited

The Company was incorporated in 1961 at Pollachi, Tamil Nadu and it manufactures Sugar and Spirit. The sugar is produced by the double sulphitation process.

Bannari Amman Sugars Pvt Ltd

It is one of the largest Industrial Conglomerates in South India with wide spectrum of manufacturing, trading,

distribution and financing activities. Manufacturing and trading include sugar, alcohol, liquor, granite, cotton yarn. Distribution of automobiles and related accessories of renowned brands with financing activities. The service sector has wind power energy, education, health care, real estate etc. Group's net-worth exceeds US \$95 million, with sales turnover crossing US \$310 million.

Ponni Sugars (Erode) Limited

Ponni Sugars is the brainchild of late S Viswanathan, affectionately referred to as SV by his friends & associates, a renowned industrialist of the South. SV was a lawyer-turned freedom fighter-turned industrialist of a unique genre. He was a close associate of late Jaya Prakash Narayan. He teamed up with Sri R Venkataraman, former President of India, to practice Law at Chennai. He joined in 1957 the House of Seshasayee, a Managing Agency firm of repute in that era.

With the untimely death of Sri V Seshasayee, SV took on the mantle, and established in quick succession between 1958 and 1962 four industrial enterprises, namely, Seshasayee Industries Ltd, Neyveli Ceramics and Refractories Ltd, Simco Meters Ltd and Seshasayee Paper and Boards Ltd. He later established Ponni Sugars and Chemicals Ltd, SPB Projects and Consultancy Ltd, Esvin Advanced Technologies Ltd etc.

Statement of the Problem

Sugar Industry is one of the leading industries in India. In India, sugar mills are operating in public sector, co-operative sector and private sector. The sugar industry has been assigned a significant role in the development of our country. It is necessary that they function in an efficient manner and generates sufficient surpluses. The reward of capital is profit which could be earned through its efficient utilization of its resources. The success of any undertaking depends upon the efficient performance that is growth, profitability and turnover.

The financial problem is the main reason for unsatisfactory performance of sugar mills. Hence the study focuses on the financial management in sugar mills. Therefore, Ponni Sugars (Erode) Ltd, Bannariamman Sugars Ltd, and Sakthi Sugars Ltd are selected for the study.

OBJECTIVES OF THE STUDY

Primary Objective

To analyze the financial position and performance of Bannariamman Sugars Ltd., and Ponni Sugars (Erode) Ltd., and when comparing with Sakthi Sugars Ltd.

SCOPE OF THE STUDY

The study takes into account the financial performance of Sakthi Sugars Ltd., compared with Bannariamman Sugars Ltd., and Ponni Sugars (Erode) Ltd.

REVIEW OF LITERATURE

Sugar industry, with its immense financial technical significance is a subject where a great deal of effort has been and is being made in research and documentation. In the following paragraphs an attempt has been made present available related literature.

- M.M. Mehta, says that the locational pattern of sugar industry is greatly influence by the character of local distribution of sugar cane within the country and since such distribution depends upon entirely on physical of geographical factors, nature plays a dominant role in determining the location of sugar industry.
- Sastry (1966) attempted a similar exercise for sugar industry for the period 1951 – 1961 and found that the growth in labour. Productivity in that industry is entirely attributed to the capital available per worker.
- Banerjee bhabatosh (1974) studied the dangers of too little working capital and too much working capital by laking a case study he used certain ratios in order to analyze working capital management performance.
- P.M. Kharch (1977) conducted a study on co-operative sugar industry in marathwada. The study discussed the working of co-operative sugar industry in Marathwada region in Maharashtra. The author highlighted the various socio-economic development of sugarcane formers in this region due to sugar co-operatives.
- Bhabatosh Banerjee (1979) analyzed the different turn over ratios, such as debtors and creditors, turnover as also the stock turnover ratios. The cash position & cash movement is also examined with the effect of the liquid ratio.

RESEARCH METHODOLOGY

Research Design

The analysis is intended to compare the financial performance of Sakthi Sugars Ltd., when compared with Bannariamman Sugars Ltd., and Ponni Sugars (Erode) Ltd., The methodology includes area of study, sources of data, and statistical tools used.

Secondary Data

Secondary data means data that are already available i.e., they refer to the data which have already been collected and analyzed by someone else. The published annual reports, journals, websites are the various sources for the secondary data.

Tools and Techniques

The tools that are used to analyze the secondary data, to make the study perfect are:

- **Financial Tools**

Comparative statement-Profitability analysis-Ratio analysis-Net working capital

- **Statistical Tools**

Mean-Standard deviation-Co-efficient of variance-Correlation- Trend analysis (Regression Method)

- Dr. Mehta, M.M. “Structure of Indian industries” popular Book Depot, Bombay 1961, p. 1851
- Sastry 1966, “Sugar production in orissa ‘Kissan world Aug 2001, Vol 28 No.8, P21
- Baneree Bhabatosh, “Management of working capital derivation from a case study the, Management Accountant, Aug 1974, P.n69.
- P.M. Kharch 1977 co operative sugar industry in marachwada “Agricultural Agro industries, journal vol:10 (12) PP-21-25 Dec 1977.

- Bhabatish Banerjee, Faculty of Business studies university of Calcutta, “working capital & turnover Ratios & cash management the management Accountant, Jan 1979 P –22.

LIMITATIONS OF THE STUDY

- The study is mainly based on the secondary data published by the various sugar companies. Hence, there may be chances of recording errors or omissions.
- Only three sugar companies were compared (Sakthi Sugars Ltd., Bannariamman Sugars Ltd., and Ponni Sugars (Erode) Ltd.). Other sugar companies that perform well or not taken into consideration

ANALYSIS & INTERPRETATION

Table 1: Showing the Correlation between Operating Expenditure and Operating Income of Ponni Sugars (Erode) Ltd.,

Year	Operating Expenditure	Operating Income
2009-10	87.70	1.81
2010-11	88.68	0.85
2012-13	80.68	2.50
2013-14	77.44	6.02
2014-15	119.00	11.36

Table 2

$x-\bar{x}$	$y-\bar{y}$	xy	X^2	Y^2
7.02	-0.69	-4.84	49.28	0.48
8	-1.65	-13.20	64.00	2.72
0	0	0	0	0
-3.24	3.52	-11.40	10.50	12.39
38.32	8.86	339.52	1468.42	78.50
		$\Sigma xy = 310.08$	$\Sigma x^2 = 1592.20$	$\Sigma y^2 = 94.09$

$$r = \frac{\Sigma xy}{\sqrt{\Sigma x^2} \times \sqrt{\Sigma y^2}} = \frac{310.08}{\sqrt{1592.20} \times \sqrt{94.09}}$$

$$= \frac{310.08}{39.90 \times 9.7} = \frac{310.08}{387.03} = +0.80$$

Interpretation

The correlation co-efficient between operating expenditure and operating income,

$$r = +0.80$$

Inference

It is found that there is a high positive correlation between operating expenditure and operating income of Ponni Sugars (Erode) Ltd.,

FINDINGS

- From the analysis, it is depicted that during the financial year 2010-11 Bannariamman Sugars Ltd., maintains a higher level of inventory and sundry debtors when compared with Sakthi Sugars Ltd., The Ponni Sugars (Erode) Ltd. operates at a lower level of sources and application of funds when compared with the others two sugar companies.
- During the period of study, it is found that non operating income is high as that of Bannariamman Sugars Ltd., and Ponni Sugars (Erode) Ltd.
- It is depicted from the analysis that operating expenditure is high for Sakthi Sugars Ltd., while comparing with Bannariamman Sugars Ltd., and Ponni Sugars (Erode) Ltd.
- It is found that the current liabilities of Sakthi Sugars Ltd., has shown a higher rate when comparing with the other sugar companies.
- It is identified that the net working capital of Sakthi Sugars Ltd., has shown higher rate when comparing with other sugar companies.
- The operating ratio of Sakthi Sugars Ltd., has shown a favorable position. Bannariamman Sugars Ltd., and Ponni Sugars (Erode) Ltd., shows the higher value of operating ratio and it is satisfactory. The coefficient of variation depicts that Ponni Sugars (Erode) Ltd., is in the satisfactory level.
- All the sugar companies had more liability compared to the net worth. Among the sugar companies, Bannariamman Sugars Ltd., has the lowest ratio of 1.50. Thus it was inferred that Bannariamman Sugars Ltd., position was very good.
- Among that three, Bannariamman Sugars Ltd., was most solvent. The coefficient of variation for Sakthi Sugars Ltd., depicts that it has the consistency than other sugar companies.
- It was found that there was a high positive correlation between operating income and operating expenditure of Sakthi Sugars Ltd.
- It was identified that there was a positive correlation between operating expenditure and operating income of Bannariamman Sugars Ltd.,

SUGGESTIONS

On the basis of the findings, the following suggestions are placed before the concerns:

- The profitability position of the concerns remains fluctuating which has been brought to the notice of the management.
- During the period of the study, the dividend is not declared regularly in Sakthi Sugars Ltd., and Ponni Sugars (Erode) Ltd., when compared to Bannariamman Sugars Ltd. It may reduce the value of firm and the companies must declare the dividend to the share holders, to maintain the goodwill.

CONCLUSIONS

“All progress is born of inquiry. Doubt is often better than over confidence, for it leads to inquiry and inquiry leads to invention” is a famous Hudson Maxim, which explains the significance of research.

From the analysis, it has been concluded that over all performance of Sakthi Sugars Ltd and Bannariamman Sugars Ltd was above the satisfactory level. Ponni Sugars (Erode) Ltd have to improve its financial performance and it may also become a profitable concern in future, as they are in the sellers market.

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