A Study on Growth and Financial Efficiency of Selected Sugar Companies in India

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Introduction

Sugar industry is the largest agro-based industry located in the rural India. About 45 million sugarcane farmers, their dependents and a large mass of agricultural labours are involved in sugarcane cultivation, harvesting and ancillary activities, and constituting 7.5 per cent of the rural population. Beside these, about 0.5 million skilled and semi-skilled workers, mostly from the rural areas are engaged in the sugar industry. The sugar industry in India has been a focal point for socio-economic development in the rural areas by mobilizing rural resources, generating employment and higher income, transport and communication facilities. Further, many sugar factories have established schools, colleges, medical centers and hospitals for the benefit of the rural population. Some of the sugar factories have also diversified into byproduct based industries and have invested and put up distilleries, organic chemical plants, paper and board factories and cogeneration plants. The industry generates its own replenish able biomass and uses it as fuel without depending on fossil fuel. The sugar industry's contribution to the Indian economy is, therefore, enormous.

There are 553 installed sugar mills in the country with a production capacity of 180 lakh MTs of sugar. These mills are located in 18 states of the country. About 60 per cent of these mills are in the cooperative sector, 35 per cent in the private sector and rest in the public sector.

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Besides these, India for long was remained and continued to be predominantly an agricultural country, nearly 70 per cent of the country's population derives their livelihood from agriculture (Desai, S.S.M, 1988).

Finance is a lifeblood of business, and its plays a vital role in all areas of business activity. Sugar industry of India, being so important in the economy of the country for its growth and its performance is important to sustain ever growing demand for the expansion of the industry. Due to the agro-based industry its growth depends upon the economic development. Indian economy is totally relying on agriculture industry.

Since the prices paid to the sugar cane growing farmers, and to the sugar mills are very less i.e., dual price concept due to the government policies that are laid by the government a part from that the sugar factories have to surrender a part of their production to the government (30%) at prices about 20% below the cost of production as levy sugar for distribution to the consumers through public distribution system. The fixation of sugar price leads to the political issue based on the populistic perception of the ruling and opposite parties. The price announced by the central government is SMP-Statutory Minimum Price and the state government is SAP-The State Advised Price.

Sugar industry is one of the leading industries in India, which leads to the development of the country. Each and every industry has strength as well as weakness. The Indian sugar industry is the largest producer in the world but the country has still not lead with the modern utilization of its resources, which would be earned by means of profit. The profit is a great reward for any organization to function effectively and efficiently.

The country like India having poor display in the field of the industrial growth should make a total change to modify the GNP (Gross National Product). The need arises the necessity of improving the dominance. Most of the sugar-manufacturing units could not properly settle their dues to the suppliers of raw material, which is to the cultivators of sugarcane. So that the cultivators not shown much interest in their production activities. Sugar factories provide facilities to the farmers like inputs and they had to finance at right time. Thus the farmers get benefits from the sugar industry.

The public will deposit the money and the financial institutions would lend loan only when the company earns profit. Sugar companies raise their funds by means of issuing shares and debentures and borrowings from financial institutions. Due to modern technological development, the manufacturing processes are changed into mechanized manner. That leads to huge initial investment and its regular operating expenses are also increased. All the above-mentioned problems would affect the growth of sugar companies. By keeping the above points in the mind the researcher has analyzed the growth and financial Performance of sugar industry in India.

The paper has been written with objectives to analyze the growth rate, trends of the selected sugar companies in India and to evaluate the financial strength of the selected sugar companies in India. The required data were collected from the corporate data house and other relevant data used are collected from the secondary sources like journals, magazines, and websites, covering the period of 10 years from 1995-96 to 2004-05, and they are collected from 10 companies. The financial year starts from 1st April to 31st March.

The following sugar industries have been selected for analysis: Balarampur Chini Mills Ltd. (in short BALA), Bannari Amman Sugars Ltd. (BANNA), Dharani Sugars Ltd.(DHARA), EID Parry (India) Ltd.(EID), Jeypore Sugar Company (JAY), KCP Sugar & Allied Industries Corporation Ltd.(KCP) , Kothari Sugars & Chemicals Ltd.(KOTH) , Piccadily Sugar & Allied Industries Ltd (PICC), Rajshree Sugars & Chemicals Ltd (RAJ) , Rana Sugars Ltd.(RANA) , Sakthi Sugars Ltd (SAKTHI).

Analysis and Interpretation of Data

Table – 1.3 shows the Annual Compound Growth Rate for Selected Sugar Companies in India during the study period from 1995-96 to 2004-05.

	PRODUCTIVE CAPITAL	NETWORTH	FIXED ASSETS	NET SALES	GROSS PROFIT	OPERATING PROFIT	NET PROFIT
BALA	15.662	13.488	15.603	17.455	18.4	13.993	13.723
BANNA	17.647	11.342	16.729	15.923	19.426	14.57	11.04
DHARA	8.238	0.197	4.858	7.934	-2.591	5.709	-17.072
EID	1.545	1.723	1.734	1.235	10.815	5.981	4.966
JEY	4.268	4.841	7.867	11.027	39.959	12.171	31.826
KCP	2.53	5.701	5.502	55.239	34.896	59.588	14.485
KOTH	-4.391	-5.507	-3.061	2.679	12.956	10.652	-0.67

PICC	-13.104	-12.36	-4.281	7.932	25.092	-2.815	11.429
RAJ	8.258	2.412	13.708	10.053	10.362	9.537	8.936
RANA	12.434	15.558	12.409	11.764	23.424	11.661	23.509
SAKTHI	8.373	13.496	11.825	2.896	-8.230	-8.294	16.051

Trend Analysis For Selected Sugar Companies In India

Table – 1.4 shows the TREND ANALYSIS BY METHOD OF LEAST SQUARE for Selected Sugar Companies in India during the study period from 1995-96 to 2004-05. (**Rs. in Crores)**

	SALES	**RAW MATERIALS**	**TOTAL INCOME**	**PROFIT**	**TOTAL ASSETS**	**WORKING CAPITAL**
BALA	1361.33	814.47	1441.1	143.02	1398.72	611.05
BANNA	844.48	444.95	894.06	57.61	915.62	435.63
DHARA	253.3	170.23	258.06	-4.31	379.92	183.7
EID	1692.38	1028.72	1738.4	89.51	1096.11	401.91
JEY	343.79	197.74	335.89	14.38	254.82	70.62
KCP	417.71	234.22	418.55	38.2	303.69	143.57
KOTH	205	135.83	323.29	-64.24	130.84	12.04
PICC	47.28	14.88	29.89	-4.24	14.55	-18.16
RAJ	317.24	172.39	314.23	16.02	287.43	95.17
RANA	195.76	117.83	196.47	17.65	328.8	153.66
SAKTHI	716.73	431.62	698.05	-21.80	305.80	435.07

Table – 1.5 shows the ANOVA for Selected Sugar Companies in India during the study period from 1995-96 to 2004-05.

NAME OF THE COMPANY	**F - VALUE**	**P-VALUE**	**S/N.S**
Balarampur Chini Mills Ltd	18.857	0.000	S
Bannari Amman Sugars Ltd	24.446	0.000	S
Dharani Sugars Ltd	45.439	0.000	S
EID Parry (INDIA) Ltd	46.919	0.000	S
Jeypore Sugar Company	61.374	0.000	S
KCP Sugar & Industries Corporation Ltd	27.853	0.000	S

Kothari Sugars & Chemicals Ltd	121.876	0.000	S
Piccadily Sugar & Allied Industries Ltd	28.046	0.000	S
Rajshree Sugars & Chemicals Ltd	31.896	0.000	S
Rana Sugars Ltd	41.386	0.000	S
Sakthi Sugars Ltd	131.425	0.000	s

$P \leq 0.05$ Significant (S) otherwise Not Significant (NS)

The calculated value of F is higher than the table value of 3.35413 @ 5% level of significance with the d.f being V1=2 and V2=27 and K=29 in the selected sugar companies in India. The highest value is in Sakthi Sugars & Chemicals Ltd by 131.425 and followed by it the Kothari Sugar Company was high by 121.876. The lowest value is in Balarampur Chini Mills Ltd by 18.857. Hence null hypothesis is rejected (S). So it is concluded that the alternative hypothesis is accepted, that is, it has significant relationship between the purchases, sales, and Net profit.

Findings of Correlation Analysis

Companies	Highest Positive Correlation @ 5% level of Significance		Lowest Negative Correlation @ 5 % level Significance	
BALA	OPR &NPR	0.629	CR & TAT	-0.711
BANA	ROA & PR	0.713	CR & TAT	-0.644
DHARA	NPR & PR	0.724	---	---
EID	OPR & PR	0.727	DER & OPR	-0.644
JEY	ROA & PR	0.749	DER & NPR	-0.689
KCP	OPR & ROI	0.731	DER & TAT	-0.686
KOTH	OPR & TAT	0.757	---	---
PICC	DER & ROA	0.741	TAT & PR	-0.713
RAJ	PR & FTR	0.761	DER & FTR	-0.731
RANA	ROI & PR	0.759	DER & TAT	-0.633
SAKTHI	OPR & NPR	0.764	NPR & PR	-0.725

Findings of Ratio Analysis

RATIOS	MEAN		S.D		C.V		SK		Ku	
	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
CR	1.984 (Jey)	7.600 (Picc)	0.215 (Eid)	5.070 (Picc)	0.087 (Eid)	0.607 (Picc)	-1.697 (Jey)	2.381 (Dhara)	-1.084 (Bala)	6.338 (Dhara)
DER	-18.941 (Picc)	5.093 (Dhara)	0.227 Eid)	54.130 (Picc)	-3.030 (Koth)	0.337 (Jey)	-3120 (Picc)	1.469 (Jey)	-1.605 (Sakthi)	9.085 (Picc)
OPR	0.815 (Sakthi)	22.145 (Bala)	0.034 (Rana)	34.846 (Koth)	0.115 (Bana)	2.601 (Picc)	-2.234 (Picc)	1.360 (Koth)	-1.441 (Rana)	6.341 (Picc)
NPR	28.373 (Koth)	10.785 (Bala)	0.034 (Rana)	47.831 (Picc)	-7.585 (Sakthi)	430.418 (Kcp)	-2.906 (Picc)	2.384 (Eid)	-1.288 (Bala)	8.768 (Picc)
ROI	-0.126 (Jey)	4.076 (Picc)	0.039 (Rana)	14.951 (Picc)	-3.758 (Jey)	3.177 (Picc)	-1.314 (Sakthi)	3.158 (Picc)	-1.103 (Bana)	9.981 (Picc)
ROA	-0.169 (Koth)	8.955 (Bala)	0.022 (Bana)	3.304 (Bala)	-8.168 (Jey)	1.246 (Kcp)	-1.551 (Sakthi)	2.184 (Eid)	-1.053 (Koth)	8.483 (Eid)
TAT	0.561 (Rana)	1.293 (Eid)	0.087 (Rana)	0.489 (Kcp)	0.155 (Rana)	0.683 (Eid)	-0.693 (sakthi)	2.234 (Raj0	-1.585 (Bala)	5.703 (Raj)
PR	-0.298 (Koth)	0.528 (Eid)	0.038 (Dhara)	0.649)Koth)	-2.180 (Koth)	2.753 (picc)	-0.980 (Jey)	2.363 (Kcp)	-2.268 (picc)	5.891 (Kcp)
FTR	0.860 (picc)	2.332 (Eid)	0.196 (Bala)	1.021 (Kcp)	0.142 (Bala0	0.506 (picc)	-1.005 (Kcp)	0.910 (Dhara)	-1.091 (Eid)	0.981 (Dhara)

The present business world has become more complex, because of its dynamic nature. In this context the management of sugar industry should be more active and efficient in order to overcome the obstacles and challenges, which require effective Financial Management.

It has been observed that selected Sugar companies have to increase short term financial position. The companies total assets turnover is under utilized, so it should be properly utilized. The companies should improve the financial position to increase profitability position by an efficient management. An in-depth study of sugar industry relating to all analysis could be attempted. A further study of growth and financial performance in other industries like engineering, automobiles, textiles etc could be attempted and a comparison can be made with sugar industry. By-products of the sugar mills viz. bagasse, molasses, and press mud should be gainfully utilized for increasing the revenue of the units.

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