

Financial Ratio Analysis of Select Sugar Companies in Tamil Nadu

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Abstract: The examination concentrate titled "A Study on Financial Ratio Analysis of Sugar Companies in Tamil Nadu" is a bit of research work done so as to survey the budgetary soundness, gainfulness, long haul dissolvability, productivity in resource usage of the five noteworthy sugar organizations working in the territory of Tamil Nadu. The examination has been led during 2006-07 to 2010-11 which is certain that the Ministry of Company Affairs, Ministry of Finance – Government of India, just as the Reserve Bank of India are truly thinking together for further advancement, and to diminish the bank rate of enthusiasm on the welfare of the organizations and the financial offices were approaching to help these ventures monetarily to improve the efficiency and giving immediate and backhanded work for the basic man. Since, these kind of ventures fundamentally relies on farming generation and the equivalent thus relies upon the land and atmosphere states of a State which is over the hands of a basic man. Purposely the scientist has made an endeavor to find that whether these white elephants are sound and monetarily sufficiently able to keep running without anyone else leg, the specialist had made an endeavor to basically investigate the money related qualities. It is discovered that on a normal every one of the units considered for the examination are at normal to the business benchmarks and to the standard guideline. While making with the Motaal's Comprehensive Test Kothari Sugars state in any case where all the sugar organizations considered for study ought to take in an exercise from Kothari Sugars. Rajshree Sugars demonstrates seven days proportion and infers that it is to be bankrupted. It is a notice for different organizations to be all things considered astute. This analyst infers that all the five noteworthy sugar organizations considered for study demonstrates a normal profitability which can be expanded given these businesses specifically relies on farming generation where the concerned focal and state Government needs to answer whether these ventures will be at a Survival.

Keywords: Sugar Industry, Financial Performance

I. INTRODUCTION

The focal point of money related examination is a key factor in deciding the destiny of any organization. The investigation of budget summaries is a procedure of assessing connection between segments of fiscal reports to acquire a superior comprehension in the company's presentation. Fiscal report investigation includes dissecting the association's budget summaries to extricate data that can encourage basic leadership movement. An examination of the fiscal report can uncover whether the firm will almost certainly meet its long haul obligation responsibility, or monetarily upset, organization utilizes its physical resources effectively and ideal financing blend is kept up, regardless of whether firm is producing sufficient come back to its investors and whether it can support its upper hand. While the data utilized is recorded, the aim is to obviously touch base with proposals and figures for the future as opposed to give an "image of the past".

Sugar Industry - Profile

Sugar industry is imperative to the Indian national economy because of its various commitments in the state of business and arrangement of crude materials to different ventures. It had been properly brought up by late Shri. Fakhruddin Ali Ahmed who was the then minster for sustenance and farming. In his eleventh yearly broad gathering of the national organization of co-usable processing plants restricted he tended to that "the co-usable sugar production lines in certain pieces of the nation have turned into the image of industrialization in the advancement of subordinate ventures giving chances of work to the town society". The business gives work to around 35 million developments and 3.6 lakhs talented and incompetent specialists. Further, it represents giving work to crores of thousands in the sugar exchange, moving of sugarcane and sugar and so forth. It's by - items are utilized as crude materials in ventures, for example, liquor, plastics, synthetics, elastic, and fiberboard pharmaceuticals, paper, and so on. The sugar business as of late has traded sugar, along these lines procuring profitable remote trade other than it gives Rs.300 crores as assessment to the administration. Comprising these realities of significance it is positioned second among the real purchaser enterprises of this nation, next just cotton, material industry. In India, significant sugarcane developing states incorporates Uttar Pradesh, Maharashtra, Karnataka, Gujarat, Tamil Nadu, and Andhra Pradesh. These six states contribute over 85% of

complete sugar generation in the nation. Uttar Pradesh and Maharashtra together contribute over 57% of absolute generation.

Statement of the Problem

India is the fourth ease sugar makers on the planet after Australia, Brazil and Thailand. India's expense of sugar creation is one-fourth of that in Europe. India's sugar area faces a fall in costs, rising crude material costs, restricted fare limit and an absence of adaptability to deliver ethanol for biofuel, examiner Licht said. Sugar is the second biggest agro-based industry in India. The business gives work to around two million gifted and semi-talented laborers other than the individuals who are utilized in subordinate exercises, for the most part from provincial territories. In spite of the fact that the business contributes a ton to the financial improvement of the country, it is tormented with various issues, for example, recurrent vacillations, high help costs payable to ranchers, absence of satisfactory working capital, fractional decontrol and the unsure fare viewpoint. Worldwide sugar costs have fallen strongly in view of an enormous overabundance of creation driven by the world's driving makers, for example, Brazil, India and Thailand.

The Sugar Industry in Tamil Nadu assumes a fundamental job in the financial advancement of the State, especially in rustic territories. Tamil Nadu is one of the main makers of sugar in the nation and its commitment is about 7% of the nation's absolute sugar generation. At present, there are 47 sugar factories in Tamil Nadu of which 16 sugar plants are in agreeable area, 3 in open segment and 28 in private division. At present 44 sugar factories are working and the rest of the 2 plants viz., Madura Sugars and Arunachalam Sugar Mills Limited are not working. The Agro based sugar factories assume a significant job in the monetary development of country territories with the sole expect to create enormous scale direct business. Aside from that, a great deal of circuitous work to rustic populace is additionally given. Tamil Nadu Sugar industry is in charge of about 10% of the all out sugar generation in India. At present, the sugar business in Tamil Nadu remains in a complete wreckage like that of the other rustic enterprises.

Scope of the Study

The examination 'Fiscal summary Analysis of sugar organizations in Tamil Nadu' is a lady endeavor to break down different monetary parts of sugar organizations. It examinations different perspectives, for example, liquidity, dissolvability, turn-over and so on of the year 2013-14, 2014-15, 2015-16, 2016-17, 2017-18. It is a particular report which is bound to money related angles just and is absolutely founded on optional information which additionally confines the extent of the examination. The examination features the money related position of the sugar organizations in Tamil Nadu for the investigation time frame. The investigation comprehends the budgetary position and gives reasonable recommendation to improve their money related execution.

II. METHODOLOGY

The source of data for the study is collected from the annual Reports and balance Sheet of select 5 sugar companies in Tamil Nadu. The Companies considered are Bannari Amman Sugars (BAS), Ponni Sugars (PS), EID Parry(EID), Kothari Sugars(KS) and Rajshree Sugars(RS) all these are located and operating in Tamil Nadu only. The objective of this paper is to analyze and compare the Profitability, Liquidity, Long Term Solvency position and Efficiency in Asset Utilization of sugar companies under study and to offer findings and suggestion to improve the financial position of sugar companies. The tool used for the study includes Ratio Analysis, Comparative Financial statement, Common Size statement, Motaal's Comprehensive Test, Z – Score Ratio, Trend Analysis and Correlation and to understand the actual financial position, trend projection made to projected for the following three years based on the actual position. Study was made for just five years and the current year was excluded on account of the non availability of the data. It is based is on secondary data, were it is affected by the inherent limitations of the secondary data.

III. RESULTS FROM THE ANALYSIS

Liquidity ratio

It was found that the overall concert, Bannari Amman Sugars shows high with 1.61 as average current ratio whereas Rajshree sugars low with 0.84 during the study period. It was found that the overall performance of EID Parry was shows 1.32 liquidity ratio whereas Ponni sugars low at 0.42 against the standard norm of 05. Performance of Kothari Sugars is good by 6.13 as against Bannari Amman Sugars low 2.86 with regard to inventory turnover ratio. It was found that the overall performance, Ponni sugars was showing 312.48 as an average debtor's turnover ratio while EID Parry low with 34.23.

Long Term Solvency ratio

A Rajasjree sugar performs well with regard to Debt equity ratio (15) and long term debt equity ratio (2.48) and low in the case of interest coverage ratio (1.97). Bannari amman sugars a low degree with 0.57 in the case of debt equity ratio as well as in the case interest coverage ratio it is found to be as high as 18.35. Ponni sugars has performed quite good during the study period in the case of return on long term fund with 147.25 and

as low as 0.21 in the case of long term debt equity ratio. Rajshree sugars shows a high average of 2.46 in long term debt equity ratio and Kothari sugars with 41.70 as average low on long term fund ratio.

Activity Ratio

It was found that the overall performance of debt equity ratio found to be high in the case of Rajshree Sugars (14) as an average debt equity ratio whereas Bannari amman Sugars low with 0.54. Ponni sugars were showing high with 2.93 as an average fixed asset turnover ratio whereas EID Parry low with 0.96. It is understood that the overall performance of Ponni Sugars is 2.04 as an average total asset turnover ratio whereas EID Parry with 0.63. It was found that the overall performance of EID Parry was showing high with 1.18 and Rajshree Sugars low with 0.35 return on net worth ratio.

Profitability Ratio in relation to sale

Operating ratio is concerned it is pragmatic that Bannari Amman Sugars was shows high value of 97.74 as EID Parry low with 31.29. Gross Profit Ratio is found to be good in the case of Bannari Amman Sugars by 15.07 whereas EID Parry is low with 2.24. Average profit ratio is concerned it is understood that EID Parry shows high 23.02 and Rajshree sugars with 2.50. Bannari Amman Sugars posses 14.02 as average profit before interest and tax ratio whereas EID Parry with -0.01.

Profitability Ratio in relation to investment

Earnings per share ratio is high with Bannarii Amman sugars Rs.77.82 and Kothari Sugars low of Rs.1.14. Dividend payout ratio to net profit is concerned it is found that EID Parry shows high 30.63 whereas Kothari Sugars has not paid dividend to its share holders throughout the study period which has to be taken in to account. It was found that the overall performance of EID Parry was shown high with 26.47 as average dividend payout ratio cash profit whereas Kothari Sugars has not paid dividend to its share holders throughout the study period . Investment turnover ratio is concerned it is found that Kothari Sugars shows high with 6.56 times whereas Bannari Amman Sugars low with 2.86.

Common Size Statement

Common size balance sheet shows that the current liabilities and current assets shows fluctuation in its respective percentage to total liabilities and total assets when compared each year. In the year 2014 Rajshree sugars percentage of total current asset to its total asset is (24%) less than the percentage of total current liabilities to its total labilites (33 %).While comparing the five companies for five years the percentage of reserve has increased except Rajshree sugars and Bannarii amman sugars.

Common size income statement when compared to the then yester four year's Bannarii amman sugars total income has increased at 132 % against its total sales in the year 2017 and total expenses increased at 114% to its total sales. Compared with other years the operating profit of EID Parry has decreased at -5% to its sales in the year 2014 due to decrease in total income at 109% on its total sales. The Operating profit of Ponni sugars in the year 2016 has increased at 31% to its total sales to total income at 110% which decreased at 85% to its total sales on total expenditure.

Comparative Statement

Comparative balance sheet is found that the Bannary Amman sugars total liability has decreased to -2% during the year compare then its previous year. Cash and bank balance of Rajshree sugars increased to 1221 times during the year 2016.The percentage of capital work in progress has increased 1008 times during the year 2014. Kothari sugars reserves has increased to 256% during the year 2016 compare then its previous year 2015.Sundry debtors of Ponni sugars has increased 1187 times during the year 2014. Total asset and liabilities of Ponni sugars has decreased to -10% during the year 2017.

Comparative income statement is found to increase in net sales to 78% during the year 2016 due to increase in total income 7% to 8%. Even though there has been no change in total expenses during the year 2015. -4272 time decrease in net profit during the year 2015 of EID Parry. Kothari sugars net profit has increased 1254 times during the year 2016 compared to its previous year 2015 Kothari sugars net profit has decreased to -43% during the year 2014 due to increases in its miscellaneous expenses to 1887 times.

Trend Projection

It was found to be negatively performed with a net profit towards the companies showing fluctuation trend. A sale of companies considered for the study gradually increased and was steady in all projected periods i.e. 2016-17 to 2017-18 except Bannari Amman Sugars & Kothari Sugars. In the case of reserve & surplus it is learnt that there was a positive trend of all the five companies except Rajshree Sugars. Sundry Debtors is concerned companies considered such as Ponni Sugars and Kothari Sugars are well maintained. Rajshree Sugars trend was healthy and positive towards fixed asset for the entire projected period.

Z-Score

Altman's Z- Score reveals Ponni Sugars, Bannarii Amman Sugars, EID Parry and Kothari Sugars shows Healthier except Rajshree sugars. Ponni Sugars shows healthy zone during 2014 -15 with a score of 4.28 and Rajshree Sugars shows a bankruptcy signal during the year 2013-14 whose score is 0.99. All the companies

are found to be in the healthy zone and it is certain that financial health of the companies considered are good and high except Rajshree Sugars where necessary steps to be taken for recovery of this poor financial position.

Motaal's Comprehensive Test

During 2013 - 14 the said companies were ranked as 1st except Kothari Sugars. In the year 2014 – 15 2nd rank was achieved by EID Parry, Kothari Sugars and Rajshree Sugars. In the year 2015 – 16 Bannari Amman Sugars, Kothari Sugars and Rajshree Sugars achieved 4th rank. In the year 2016 – 17 1st rank was achieved by Kothari Sugars. EID Parry and Rajshree Sugars were achieved 5th rank in the year 2017 – 18. It is evident from the above test that the sugar companies considered for the study are equally doing good.

Correlation

There exist a positive correlation between current asset and debt equity ratio except EID Parry (-0.24106). There is a positive correlation between inventory turnover ratio and net profit ratio, current asset and inventory turnover ratio, quick ratio and return on capital employed of all the five companies considered for the study.

IV. SUGGESTION

Liquidity position of Ponni Sugars indicates terrible showing thus the organization needs to find a way to improve its liquidity position by keeping up the adequate current resources. While taking the Long Term Solvency position in to thought Ponni Sugars execution seems to beneath the organization needs to focus on long haul speculations to improve its long haul dissolvability position. EID Parry's action proportion is low, and to defeat this organization needs to focus on its movement position by conveying more assets on its fixed resources just as absolute resources. Productivity position of EID Parry indicates lackluster showing. The organization needs to improve its deals by diminishing working costs to acquire more benefit. Motaal's Comprehensive test uncovers that the EID Parry accomplished fifth position during the year 2016 – 17 the organization needs to think to improve its liquidity position. Rajshree Sugars circumstance on account of Z – score test is in chapter 11 circumstance, to protect the organization from this circumstance it needs to focus on its everything exercises. There is negative Correlation between current resource and obligation value proportion of EID Parry. Henceforth the present resources don't impact the obligation value proportion of EID Parry.

V. CONCLUSION

The investigation has been led during 2013-14 to 2017-18 which is evident that the Ministry of Company Affairs, Ministry of Finance – Government of India, just as the Reserve Bank of India are truly thinking together for further advancement, and to lessen the bank rate of enthusiasm on the welfare of the organizations and the financial offices were approaching to help these ventures monetarily to improve the profitability and giving immediate and roundabout work for the basic man. Since, these sort of enterprises fundamentally relies on farming generation and the equivalent thusly relies upon the topographical and atmosphere states of a State which is over the hands of a regular man. It is discovered that on a normal every one of the units considered for the investigation are at normal to the business benchmarks and to the standard guideline. While making with the Motaal's Comprehensive Test Kothari Sugars state in any case where all the sugar organizations considered for study ought to take in an exercise from Kothari Sugars. Rajshree Sugars demonstrates seven days proportion and suggests that it is to be bankrupted. It is a notice for different organizations to be all things considered smart. This scientist infers that all the five noteworthy sugar organizations considered for study demonstrates a normal efficiency which can be expanded given these ventures specifically relies on horticultural creation where the concerned focal and state Government needs to answer whether these enterprises will be at a Survival.

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