A STUDY ON OVERALL FINANCIAL PERFORMANCE OF PONNI SUGAR LTD.

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ABSTRACT:

India ranks first in sugar consumption and second in sugar production in world but its share in global sugar trade is below 3%. Indian sugar industry has been facing raw material, and resource as well as infrastructural problems. Globalization has brought a number of opportunities but at the same time posed certain challenges before sugar industry. Special attention is needed to be given on water resource management. All the area under sugar cultivation should he brought under drip irrigation to conserve water as well as fertilizers. Adequate and regular power supply to sugarcane growers and sugar factories would increase production and productivity. Biogases based power generation projects installed adjacent to each sugar factory would fulfill need of power. NABARD should provide adequate and timely refinance to these projects. At concessional interest rates. New sugar units should be set up taking into consideration sugarcane availability. The Sugar Industry in Tamil Nadu plays a vital role in the economic development Of the State and particularly in rural areas. Tamil Nadu is one of the leading producers Of sugar in the country and its contribution is about 7% of country's total sugar Production.

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INTRODUCTION

Sugar industry is an agro-based industry with large employment and output potential. Sugar industry is backbone of any nation with agricultural background. In our country, two-third of its population is engaged with these agro-based Industries. Sugar industry plays a vital role in earning foreign exchange. There are about 436 sugar factories are in operation in the country. The country's techno-economic background is to be eliminated. First of all, it is necessary to diversify the pattern of economy by equipping it within the latest machinery and utilizing modern technologies and techniques of production.

MEANING OF SUGAR

Sugar is a liquid substance that is white colour when it is pure. In other words, sugar is a sweet crystalline substance, derived from the juice of various plants, mainly from sugar Cane. Sugar is one of a major counterpart in the nutrition of Indian culture and is used as sweetens in the essential nutritious of preparations of Indian Foods. People use sugar to improve the flavor of many other varieties of food. In India, sugar has three forms viz.., Jaggery, Khandasari and White Sugar.

STATEMENT OF THE PROBLEM

It is essential to work out and understands the problems hampering the growth and development of ponni sugars limited .Now a days sugar industries are facing many problems, electricity problems, are the some of the problems faced by sugar industry, India's sugar sector faces a fall in prices, rising raw material cost, limited export capacity, and etc.., because of above said problem low sugarcane production industries are affected and sugar production cost is increases, so they earns low profit.

SCOPE OF THE STUDY

The financial statement analysis of ponni sugars limited gives the company a good view about the performance. Future decisions of ponni sugars limited are made only on the basis of performance .The study gives an idea to the public about the liquidity position and annual growth rate of the company. This study also suggests various measures by which the company can utilize the various steps for the betterment, this study also helpful to the investors to make investment in share.

OBJECTIVES OF THE STUDY

1 To evaluate the financial performance of ponni sugars limited by using accounting ratios.

2 To assess the annual growth rate of ponni sugars limited.

3 To assess the profitability of ponni sugars limited.

HYPOTHEESIS OF THE STUDY

1. This is no significant difference between current assets and current liabilities.

2. This is no significant difference between gross profit and net sales.

RESEARCH METHODOLOGY

The methodology adopted in the present study regarding sources of data. Data analysis and period of study has been presented below.

PERIOD OF THE STUDY

For the purpose of present study ten years of data has been carried out, beginning with 2002 and ending 2011.

SOURCE OF DATA

The study is based on secondary data from published source i.e. annual reports of **Ponni Sugar Limited**.

FINANCIAL TOOLS USED IN THIS ANALYSIS

The analysis made by applying financial tools and techniques such as

- Ratio Analysis
- Trend Analysis
- Compound Annual Growth Rate**.**

STATISTICAL TOOLS ARE USED IN THIS STUDY

1 Mean

2 Standard Deviation

3 Co-efficient of variation

4 T-test

REVIEW OF LITERATURE

A review in the confirmation of a study with detailed examination on the subject again and again. By going through the reviews of the past research analysis or study, we gather the knowledge and ideals on the various topics. Past studies would help researcher to be aware of the problems and limitations which may come across while pursuing the research task. Following are the literature reviewed for the present work.

Nirmala.N., (2003), in her study "Working capital management in India Cement Ltd", Pointed out the financial Statement Analysis of India cements Ltd, would able to understand the financial position and performance of the e-concern with the help of financial statement analysis has noted that the liquidity and profitability position of India cement Ltd has normal and they have maintained the significant level ratio.

Sundarasana Reddy.G., (2005), in his study it has been found that the Paper industry in Andhra Pradesh needs the induction of Additional modernization of Technology for better operating performance use of fixed assets, effect creation of adequate depreciation provision optimizing inventory investment, the degree liquidity adoptions of sound credit policies creative efforts on marketing frond and Government's concession and support. This would go a long way towards strengthening the profitability of paper mills with this there is a very possibility of the Industry flourishing and touching the new heights in future.

Surendra Yadav. S. Jain .P.K., (201l), in their study on "Working capital management in oil industry in India", concluded the current ratio in BPCL was less 1.5 in all the ten years of the study period. The average current and acid test ratio were 1.11 and 0.55 respectively whereas in HPCL. The liquidity ratios were not satisfactory .In IOCL, the liquidity position had satisfactory, the highest average working capital turnover of 130.40 followed by the HPCL at 20.65 and IOCL at 11.52 is study period. The average current assets were s5.29 for BPCL, 5.41 for HPCL and 3-49 for IOCL. The average debtors were low at 9.08 for the period 1988-1992 to 11.45 during the period 1993-97 BPCL'S performance in the area of working capital management was not good.

SUGAR INDUSTRY IN TAMIL NADU

In Tamil Nadu most of the area is dry, but for extensive irrigation from wells, rivers, depend upon rainfall, which is not evenly spread. Principal commercial crops of Tamil Nadu are sugarcane, groundnut and cotton.

Sugarcane is one of the important cash crops grown in Tamil Nadu. As a major producer of sugarcane with the sound area of 3.19 lakh hectares. Tamilnadu accounts for 343 lakh tonnes cane production and it has achieved the position of being the premier sugar producing, state in South India. For the last hundred years, sugarcane had its own place in the rotation of crops in the economy of Tamil Nadu. Because of new varieties of canes introduced by Sugarcane Breeding Institute of Coimbatore, Tamilnadu, it occupies foremost place among the sugarcane producing states registering a compound growth rate of 4.7 per cent per annum between 1990-95.

Table

SUGAR MILLS IN TAMILNADU

S.No	Category	Number of factories
1.	Public Sector	3
2.	Private Sector	27
3.	Co-operative Sector	16
	Total	46

FINANCIAL PERFORMANCE ANALYSIS OF PONNI SUGAR LTD.

CURRENT RATIO

This ratio is also called 'working capital ratio'. It is used to assess the short-term financial position of the business concern other words, it is an indicator of the company's ability to me short-term obligations. It matches the total current assets of the company against its current liabilities. It is calculated on the basis of the following formula;

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

The current ratio is supposed to be 2:1. The higher the ratio, the more protected are the short-term creditors. This also indicates that the company is in a position to pay off its creditors. Null Hypothesis: There is no significant difference between current assets and current liabilities.

TABLE -1
CURRENT RATIO

(Rs.in crores)

Years	Current Assets	Current Liabilities	Ratio
2002	52.09	15.59	3.31
2003	29.6	19.55	1.51
2004	38.68	23.08	1.67
2005	37.4	36.53	1.02
2006	41.91	32.94	1.27
2007	44.18	33.54	1.32
2008	48.13	35.31	1.37
2009	55.03	36.98	1.48
2010	103.88	45.37	2.28
2011	71.82	47.2	1.52
Mean			**1.675**
S.D			**0.672**
CAGR			**-7.49**
C.V.(%)			**37.12**
('t'value)			**3.5508**

Table no 1 shows that the current ratio. In the year 2002 and 2010(3.31&2.28), the current ratio is high as compare to norms (2:1) and it indicates better level. From 2003 to 2009&2011, the current ratio is low as compare to norms & it indicates dissatisfactory level. The mean value & SD of current ratio is 1.675 and 0.672 respectively. Over the course of 10 periods declined from 3.31 to 1.52, and its compound annual growth rate or its overall return, is -7.49.

The CV of current ratio is 37.12 and it shows moderate level. The CAGR value indicates the lower growth performance during the study period. Since the calculated value of t-test (3.5508) is greater than the table value [t (9) =1.833].So, the null hypothesis is rejected and there is significant difference between current assets and current liabilities. Null Hypothesis: There is no significant difference between Quick assets and current liabilities. 5% level of significance.

TOTAL ASSETS TURN OVER RATIO

The ratio shows the relation between total assets and net sales of the concern. If the ratio is high it implies that the concern is over trading on fixed assets. Ratio is low; it indicates that over investment in assets and non-utilization of total capacity.

$$\text{Total Assets Turn Over Ratio} = \frac{\text{Net sales}}{\text{Total Assets}}$$

Null Hypothesis: There is no significant difference between Net sales and Total assets.

TABLE -2
TOTAL ASSETS TURN OVER RATION
(Rs.in crores)

Year	Net Sales	Total Assets	Ratio
2002	96.68	87.36	1.1
2003	115.33	66.53	1.73
2004	80.75	71.02	1.13
2005	89.3	51.86	1.72
2006	135.77	56.09	2.4
2007	139.53	64.06	2.17
2008	143.15	80.34	1.78
2009	137.3	80.38	1.7
2010	243.98	113.95	2.13
2011	272.15	112.7	2.41
Mean			**1.82**
S.D			**0.43**
CAGR			**8.16**
C.V (%)			**23.62**
(‘t’ Value)			**2.32**

Table no 2 shows that the total assets turnover ratio, in the year 2006&2007 and 2010&20011(2.40, 2.17&2.13, 2.41), the total assets turnover ratio is high as compare to other years.2002 to 2002to 2005&2008to2009 and it indicates low level. The mean value & SD of total assets turn ratio is 1.82& 0.43 respectively. Over the course of 10 years period declined from 2.41 to 1.10, and its compound annual growth rate or its overall return, is -7.49 .

The CV of total assets turnover ratio is 23.62 and it shows moderate level. The CAGR value indicates the better performance during the study period. Since the calculated value of t-test (2.32) is greater than the table value [t (9) =1.833].So, the null hypothesis is reject and there is significant difference between Net sales and total assets. 5% level of significance.

DEBT –EQUITY RATIO

Debt Equity Ratio, Also known as external - internal equity is calculated to like relative of outsider and the shareholders against the company's assets. Indicates the relationship between the external equities / outsiders fund's and the internal equities / shareholder's funds / a high ratio shows the claims of the are greater than those of owners. The low ratio implies a greater claim of owners than outsiders.

Outsiders-Funds

Debt - Equity Ratio = -----------------------------------

Shareholders' funds

TABLE -3

DEBT –EQUITY RATIO

(Rs.in crores)

Year	Outsiders Fund	Share Holders Fund	Ratio
2002	88.21	13.87	6.36
2003	60.36	14.27	4.23
2004	58.75	20.19	2.91
2005	31.09	25.28	1.23
2006	24.11	35.47	0.68
2007	28.05	39.51	0.71
2008	47.79	37.05	1.29
2009	33.69	46.8	0.72
2010	110.61	79.64	0.43
2011	16.36	96.25	0.17
Mean			**1.87**
S.D			**1.91**
CAGR			**-30.39**
C.V (%)			**102.13**
('t' Value)			**0.7**

Table no 4.6 shows that the Debt-Equity ratio. In the year 2003 to2004 (6.36, 4.23&2.91). From 2005to 2011, the debt-equity ratio is low it indicates dissatisfactory level. The mean value & SD of ratio debt-equity is 1.87 & 1.91 respectively. Over the course of 10 years period declined from 0.17 to 6.36, and its compound annual growth rate or its overall return, is -30.39.

The CV of Debt-equity ratio is 37.12 and it shows moderate level. The CAGR value indicates the lower growth performance during the study period. Since the calculated value of t-test (0.7) is less than the table value [t (9) =1.833].So, the null hypothesis is accepted and there is no significant difference between outsider's funds and Shareholders funds. 5% level of significance.

PROPRIETARY RATIO

This ratio is also called 'Equity ratio' (or) 'Owners fund ratio' (or) 'Net worth ratio' (or) 'Shareholders equity ratio'. This ratio points out relationship between the Shareholders funds and total tangible assets.

$$\text{Proprietary ratio} = \frac{\text{Shareholders fund's}}{\text{Total tangible assets}}$$

Null Hypothesis: There is no significant difference between Shareholders fund's and Total tangible assets.

TABLE -4

Year	Share Holders Fund	Total Assets	Ratio
2002	13.87	87.36	0.15
2003	14.27	66.53	0.22
2004	20.19	71.02	0.28
2005	25.28	51.86	0.48
2006	35.47	56.09	0.63
2007	39.51	64.06	0.61
2008	37.05	80.34	0.46
2009	46.8	80.38	0.58
2010	79.64	113.95	0.69
2011	96.25	112.7	0.85
Mean			**0.495**
S.D			**0.210**
CAGR			**18.94**
C.V (%)			**42.42**
(ItI Value)			**3.41**

PROPRIETARY RATIO (Rs.in crores)

Table no 4 shows that the Proprietary ratio, in the year 2011 (0.85) Proprietary ratio is high as compare to other years. It indicates satisfactory level. From 2002 to 2010 and it indicates low as compare to other years and it indicates dissatisfactory. The mean value & SD of Proprietary ratio is 0.495&0.210respectively. Over the course of 10 years period declined from 0.85 to 0.15, and its compound annual growth rate or its overall return, is 18.94.

The CV of Proprietary ratio is 42.42 and it shows moderate level. The CAGR value indicates the lower growth performance during the study period. Since the calculated value of t-test (3.41) is greater than the table value [t (9) =1.833].So, the null hypothesis is reject and there is significant difference between

Shareholders fund and total assets. 5% level of significance.

GROSS PROFIT RATIO

This ratio is also known as "Gross Margin Ratio" or 'Trading Margin Ratio'. It shows the relationship between the gross profits to net sales and is generally expressed in percentage. In Other words, it expresses the gross margin as a percentage of sales.

$$\text{Gross profit ratio} = \frac{\text{Gross profit}}{\text{Net sales}} \times 100$$

Null Hypothesis: There is no significant difference between Gross profit and Net sales.

TABLE-5
GROSS PROFIT RATIO

(Rs.in crores)

Year	Gross Profit	Net sales	Ratio
2002	8.8	98.68	8.92
2003	11.95	115.33	10.36
2004	11.3	80.75	13.99
2005	13.55	89.3	15.17
2006	21.56	135.77	15.87
2007	12.42	139.53	8.9
2008	-0.23	143.15	-0.16
2009	23.58	137.3	17.17
2010	74.37	243.98	30.48
2011	18.1	272.15	6.65
			13.625

S.D			**6.57**
C.V (%)			**48.23**
CAGR			**-2.89**
(ItIValue)			**7.59**

Table no5shows that the Gross profit ratio, in the year 2009 & 2010 (17.17&30.48), the gross profit ratio is high as compare to other years. It indicates better level. From 2002 to 2008&2011, it indicates dissatisfactory level. The mean value and SD of gross profit ratio is 13.625 and 6.57 respectively. Over the course of 10 years period declined from 6.65 to 8.92, and its compound annual growth rate or its overall return, is -2.89

The CV of gross profit is 48.23 and it shows it not better. The CAGR value indicates the lower growth performance during the study period .Since the calculated value of t-test (7.59) is greater than the table value [t (9) =1.833].So, the null hypothesis is rejected and there is significant difference between gross profit and net sales. 5% level of significance.

NET PROFIT RATIO

This ratio is also known as "the net profit to sales ratio" or "net profit margin". It measures the rate of the net profit per unit of sales. It is determined by dividing the net profit to the net sales for the period.

$$\text{Net profit} = \frac{\text{Net profit}}{\text{Net sales}} \times 100$$

Net profit ratio based on PBT is an indicator of operational efficiency of the business, and hence, used by the management. Null Hypothesis: There is no significant difference between Net profit and Net sales.

TABLE -6
NET PROFIT RATIO
(Rs.in crores)

Year	Net profit	Net sales	Ratio
2002	1.81	98.68	1.83
2003	0.85	115.33	0.73
2004	2.5	80.75	3.09
2005	6.02	89.3	6.74
2006	11.38	135.77	8.38
2007	4.9	139.53	3.51
2008	-1.88	143.15	1.31
2009	12.26	137.3	8.92

2010	36.85	243.98	15.1
2011	18.61	272.15	6.83
Mean			**5.64**
S.D			**4.22**
CAGR			**14.08**
C.V (%)			**74.82**
(ItI Value)			**8.57**

Table no 6 shows that the net profit ratio, in the year 2009 & 2010 (8.92&15.10), are higher. It indicates better level. From 2002 to 2008 & 2011, the net profit ratio it indicates dissatisfactory level. The mean value and SD of net profit ratio is 5.64 & 4.22 respectively. Over the course of 10 years period declined from 6.83 to 1.83,and its compound annual growth rate or its overall return, is 14.08.

The CV of net profit ratio is 74.82 and it shows not good. The CAGR value indicates the lower growth performance during the study period. Since the calculated value of t-test (-8.57) is less than the table value [t (9) =1.833].So, the null hypothesis is accepted and there no significant difference between net profit and net sales. 5% level of significance.

CONCLUSION

The maximum capacity utilization should earn higher profit by means of modernization of sugar mill. Policy making should be a realistic assessment of cost. Thus a suitable system of financial and non-financial objective must be developed. It can be concluded that in Ponni sugar exercised financial control through the several tools. The accounting system needs to be updated and modernized. Financial performance of Ponni sugar during the study period it was satisfactory except in the year of 2010 -2011. In the year of 2010-2011 ponni sugar ltd not in a position to maintain good financial position because of increasing in operating cost. To improve current ratio the company wants to increase its investment in current assets. Due to low gross profit margin of ponni sugar the company should be improved by adopting effecting profit planning. Higher productivity in terms of sugarcane and recovery percentage can be obtained through research and extension. The research and development in respect of sugarcane and sugar technology are the future strengthened.

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