International Journal of Multidisciplinary Research and Development

Volume: 2, Issue: 10, 246-250
Oct 2015
www.allsubjectjournal.com
e-ISSN: 2349-4182
p-ISSN: 2349-5979
Impact Factor: 5.742

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Financial Analysis of Sakthi Sugar Private Limited, Coimbatore

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Abstract
The journal is about financial performance of Sakthi sugars. The organization is involved in producing sugar. The organization was started in the year 1921 in pollachi. The main objective of the study is found out the financial stability of the concern and to evaluate the overall performance of the firm.
This study will help Sakthi sugars in making some financial decision for the further years. Then it is useful to the creditors and company to know their financial statement. This study has ratio analysis, comparative balance sheet, trend analysis and cost sheet analysis so we can easily identify the financial stability of the firm. From the conclusion of the study it's found out that the company's growth had slow down and the management wants to take a remedy measure for further development.

Keywords: sugar industry and economy.

Introduction
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 tonnes per hectare.
India is the largest single producer of sugar including traditional cane sugar sweeteners, Khandsari and Gur equivalent to 26 million tonnes raw value followed by Brazil in the second place at 18.5 million tonnes. Even in respect of white crystal sugar, India has ranked no.1 position in 7 out of last 10 years.
Traditional sweeteners Gur & Khandsari are consumed mostly by the rural population in India. In the early 1930's nearly $2/3^{rd}$ of sugarcane production was utilized for production of alternate sweeteners, Gur & Khandsari. With better standard of living and higher incomes, the sweetener demand has shifted to white sugar. Currently, about $1/3^{rd}$ sugarcane production is utilized by the Gur & Khandsari sectors. Being in the small scale sectors, these to sectors are completely free from controls and taxes which are applicable to the sugar sector.
The advent of modern sugar processing industry in India began in 1930 with grant of tariff protection to the Indian sugar industry. The number of sugar mills increased from 30 in the year 1930 – 31 to 135 in the year 1935 – 36 and the production during the same period increased from 1.20 lakh tonnes to 9.34 lakh tonnes under the dynamic leadership of the private sector.
The era of planning for industrial development began in 1950- 51 and government laid down targets of sugar production and consumption, licensed and installed capacity, sugarcane production during each of the five year plan periods.

Review of Literature
M. Sharafali (1984), examines the financial health of cooperative sugar mills in the state of Tamil Nadu. Two firms have been selected for the study. While the financial condition of both the firms is below par, relatively speaking, one firm has better financials than the other one.
G. Padmanabhan *et al.* (1995) studied on the relationship between corporate social responsibility and financial performance is reexamined using a new methodology, improved technique, and industry-specific control groups. Average age of corporate assets is found to be highly correlated with social responsibility ranking. After controlling for this factor, there still is some correlation between corporate social responsibility and financial performance.

Need of the Study
The study is to analyze about the financial performance of sakthi sugars. The need of the study is analyze about the market potential and the performance of the company which may helpful for the company to know about its performance in past and the future performance where the errors can be minimized and the profit can be increased.

Scope of the Study

This study helps to identify the overall performance of financial for the past five years. To know the business ethics followed by the company in financial activity in sugar sector. The liquidity and turnover ratio using current liabilities. The solvency position of the company is also analyzed using ratios.

Objectives of the Study

The present study is carried out with the following objectives

- To analyze the liquidity and the profitability position of the sakthi sugars limited
- To know the comparative and cost analysis of the company
- To study the trend analysis of the company
- To suggest the ways and improve the financial position of the company

Methodology

Data collection

Secondary data was collected for the purpose of the study.

Period of Study

Data of financial years are used for the purpose of study. The five years of study ranges from 2007 to 2011.

Tools and Techniques

The tool used calculation of financial performance analysis is following statistical tools were applied to analyze the statistical data collected.

- Ratio analysis
- Trend analysis
- Comparative balance sheet
- Cost analysis

Limitations of the Study

- The study is limited to short period of time where the whole data cannot be analyzed from the financial report of the company.
- There may be a mismatch between the report and data given by the company.
- The tool used for the study may not be matched with the balanced sheet of the company.

Ratio Analysis

The following are the various ratio analyses done on sakthi sugar out of the data obtained for a period of five years from 2007 to 2011.

Current Ratio

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Current Assets	1626.27	1426.32	2112.05	2257.21	2898.6
Current Liabilities	498.70	453.38	700.37	773.48	1372.4
Current Ratio	3.26	3.15	3.0	2.9	2.11

Quick Ratio/Acid Test Ratio

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Liquid Assets (Rs in Lakhs)	1099.94	951.06	1335.45	1509.61	1695.4
Liquid Liabilities (Rs in Lakhs)	498.70	453.38	700.37	773.48	1372.4
Current Ratio	2.21	2.10	1.91	1.95	1.23

Working Capital Ratio

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Sales	2786.39	3577.9	4137.52	5001.04	5942.43
Working Capital	1127.57	3672.94	1411.68	1483.73	1526.4
W.C.T.O Ratio	2.47	0.97	2.93	3.37	3.89

Inventory Turnover Ratio

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Sales (Rs in Lakhs)	2786.39	3577.89	4137.52	5001.04	5942.43
Average inventory (Rs in Lakhs)	158.37	205.45	277.61	336.12	975.4
Inventory T.O. ratio	17.6	17.41	14.90	14.88	6.09

Debtors Turnover Ratio

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Net sales (Rs in Lakhs)	2786.39	3577.89	4137.52	5001.04	5942.43
Debtors (Rs in Lakhs)	415.44	595.99	760.98	887.23	1156.3
Debtors T.O. ratio	6.71	6	5.44	5.64	5.13

Creditors Turnover Ratio

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Net purchase (Rs in Lakhs)	2447.75	3190.45	3781.72	4690.67	5452.65
Creditors (Rs in Lakhs)	265.88	232.19	330.01	463.94	483.65
Creditors T.O.ratio	9.21	13.74	11.46	10.11	11.27

Debt Equity Ratio

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Debt (Rs in lakhs)	1731.27	3005.91	2943.73	4679.45	3287.12
Equity (Rs.in.Lakhs)	2207.61	3124.55	4023.74	4121.66	5477.4
Debt-equity Ratio	0.78	0.96	0.7	1.14	0.60

Operating Margin Ratio

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Operating income(Rs in Lakhs)	420.01	559.3	592.3	553.7	912.01
Net sales (Rs in Lakhs)	2786.39	3577.9	4137.52	5001.04	5942.43
Ratios	0.15	0.16	0.14	0.11	0.15

Gross Profit Margin Ratio

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Gross profit (Rs in Lakhs)	387.60	432.6	454.93	328.26	495.08
Net sales(Rs in Lakhs)	2786.39	3577.9	4137.52	5001.04	5942.43
Ratios	0.13	0.120	0.109	0.065	0.083

Net Profit Margin Ratio

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Net profit (Rs in Lakhs)	186.93	225	243.07	137.43	495.08
Net sales (Rs in Lakhs)	2786.39	3577.9	4137.52	5001.04	5942.43
Ratios	0.07	0.062	0.048	0.027	0.085

Trend Analysis Net Sales

Trend Analysis Of Net Sales				
Year	**Net sales**	**X**	**X^2**	**XY**
2008	2786.39	-2	4	-5572.78
2009	3577.89	-1	1	-3577.89
2010	4137.52	0	0	0
2011	5001.04	1	1	5001.04
2012	5942.43	2	4	11884.86
	21445.27		10	7735.23
	A	4289.054		
	B	773.523		
	Year(X)	**Predicted net sales (Y)**		
3	2013	6609.61		
4	2014	7383.13		
5	2015	8156.65		
6	2016	8930.17		
7	2017	9703.69		

Earnings before Interest and Tax

Trend Analysis For EBIT				
Year	**EBIT**	**X**	**X^2**	**XY**
2008	387.6	-2	4	-775.2
2009	432.63	-1	1	-432.63
2010	454.93	0	0	0
2011	328.26	1	1	328.26
2012	495.08	2	4	990.16
	2098.5		10	110.59
	A	419.7		
	B	11.059		
	Year (X)	**Predicted EBIT(Y)**		
3	2013	452.877		
4	2014	463.936		
5	2015	474.995		
6	2016	486.054		
7	2017	497.113		

Current Ratio

Trend Analysis Of Current Ratio				
Year	**Current ratio**	**X**	**X^2**	**XY**
2008	2.21	-2	4	-4.42
2009	2.10	-1	1	-2.1
2010	1.91	0	0	0
2011	1.95	1	1	1.95
2012	1.23	2	4	2.46
	9.4		10	-2.11
	A	1.88		
	B	-0.211		
	Year	**Predicted current ratio (Y)**		
3	2013	1.247		
4	2014	1.036		
5	2015	0.825		
6	2016	0.614		
7	2017	0.403		

Net Profit

Trend Analysis For Net Profit				
Year	**EBIT**	**X**	**X^2**	**XY**
2008	186.93	-2	4	-373.86
2009	225	-1	1	-225
2010	243.07	0	0	0
2011	137.43	1	1	137.43
2012	495.08	2	4	990.16
	1287.51		10	528.73
	A	257.502		
	B	52.873		
	Year (X)	**Predicted current ratio (Y)**		
3	2013	416.11		
4	2014	468.98		
5	2015	521.85		
6	2016	574.72		
7	2017	627.59		

Total Income

Particulars	2011		2010		2009		2008		2007	
Sales Turnover	8,433.48	97.80%	6,444.53	99.11%	4,827.47	98.66%	4,786.18	99.33%	3,924.21	98.95%
Other Income	189.74	2.20%	58.01	89.00%	70.79	1.44%	32.02	0.67%	41.59	1.05%
Total Income	8,623.22	100.00%	6,502.54	100.00%	4,898.26	100.00%	4,818.20	100.00%	3,965.80	100.00%

Total Expenses

Expenditure	2011	Percentage	2010	Percentage	2009	Percentage	2008	Percentage	2007	Percentage
Raw Materials	3,771.03	66.21%	2577`99	63.52%	2,749.62	64.86%	223686.00	65.19%	1917.13	65.62%
Power & fuel cost	520.98	9.15%	431.51	10.63%	537.38	12.68%	35966.00	10.48%	333.75	11.42%
Employee Cost	480.7	8.44%	347.63	8.57%	287.91	6.79%	25820.00	7.52%	193.22	6.61%
Other Manufacturing Expenses	117.45	2.06%	117.12	2.89%	115.43	2.72%	11589.00	3.38%	103.46	3.54%
Selling and Admin Expenses	687.64	12.07%	493.13	12.15%	463.92	10.94%	36772.00	10.72%	293.61	10.05%
Miscellaneous Expenses	117.91	2.07%	91.26	2.25%	85.18	2.01%	9303.00	2.71%	80.49	2.75%
Preoperative Exp Capitalized	0	0.00%	0.00	0.00%	0	0.00%	0.00	0.00%	0	0.00%
Total Expenses	5695.71	100.00%	4058.70	100.00%	4,239.44	100.00%	343136.00	100.0%0	2,921.66	100.00%

Cost Sheet Analysis

Particulars	Mar`11	Mar`10	Dec`09	Dec'08	Dec`07
Cost of materials consumed Add Factory overheads	3,771.03	2,577.99	2,749.62	2,236.86	1,917.13
Power & Fuel Cost	520.98	431.57	537.38	359.66	333.75
Employee cost	480.7	347.63	287.91	258.20	193.22
Other Manufacturing Expenses	117.45	117.12	115.43	115.89	103.46
Selling and Admin Expenses	687.64	493.13	463.92	367.72	293.61
Miscellaneous Expenses	117.91	91.26	85.18	93.03	80.49
Add Selling expenses					
Tax	125.44	41.15	60.02	107.24	117.37
Cost of sales	5,821.15	4,099.85	4,299.46	3,538.60	3,039.03

Findings

- When compared to other years in the year 2010-11 the current liability has increased which leads to an current ratio of 2.11.And the current ratio was high in the year 2006,2007 at 3.26 which means that current was higher that current liability.
- When compared to other years in the year 2010-11 the current liability has increased which leads to an current ratio of 1.23.And the current ratio was high in the year 2006,2007 at 2..21 which means that current was higher that current liability.
- In case of working capital turnover ratio we will be analyzing about sales and working capital ratio. In the year 2010-2011 the working capital increased than the past years and it was very low in 07-08.
- The average inventory was huge in the year 2009-10 and it was reduced a lot by the company in last financial year it came down from 14.88 to 6.09.
- The company has maintained an average ratio in the past five years.it came from 6.71 to 5.13 and there is a less deviation in the debtors also.
- The number of creditors was high in the year 2007, 2008 and it was low in the year 2006-07.In case of creditor ratio there was an average float around 10.50.
- The debt equity was low in the year 2010-2011 which means the debt was higher when compared to other financial years.
- The company has paid more interest to it debtors in the year 2009-2010.And The Company has paid a lower interest in the year 2006-2007.

The company maintained the Operating margin at 0.13.When we calculate it for five years. And it was low at 0.11 in the year 2009-2011.

- The gross profit was very low in the year 2009-2010 and it was high in the year 2007-2008.
- The net profit was very low in the year 2009-2010 and it was high in the year 2010-2011
- The net sales of future trend analysis show that the net sales will be high in the fourth coming period of next five years. And it goes by an average high every year.
- The current ratio will be high in the fourth coming period of next five years. And it goes by an average high every

year. And the current ratio will go by a high of 0.403 in the year 2017.

- The trend analysis shows that the EBIT will maintain the same in the fourth coming period of next five years.
- The net profit will maintain the same in the fourth coming period of next five years of what is been prevailing now in the company and the net profit can go by a high up to 627.59 Lakhs in future.
- According to the comparative balance sheet analysis the sales turnover was high at 99.33% in the year 2008 and there was an average growth in the net sales of the company.
- The consumption of raw materials was high in the year 2011and was low at 63.52% in the year 2010 which shows that the consumption of raw material was low and the sales was high in the year 2011 which made a high profit to the company.
- The cost of raw materials has been increased in the year 2011 which shows the impact in the profit of the company.
- There was a huge volatility in power and fuel cost which may lead to a slower growth of the company.
- The employee cost was increasing year to year but the profit does not match to the profit of the company. So it may lead to further loss of the company.
- In the last financial year the cost of sales increased a lot but the expenses also increased more than the cost which lead t a lesser profit for the company.

Suggestions

According to our analysis the current ratio was high in the year 2010 -2011 which shows that the current liability is been reduced when compared to other years. If the company maintains the same for the next fourth coming years then the profit can be multiplied.

According to the inventory turnover ratio the inventory storage was high in the year 2011 which shows that it may reduce the profit and may increase the cost of capital. So the companies can follow just in time concept for reducing the inventory storage of the company.

The creditor`s turnover ratio is been volatile During the five years. So the company can try to reduce the average creditors so that the profit of the company can be increased.

When compared to other five years the lost financial year had the highest number of debts which was near to the equity of the company which shows that if the company maintains the same then the company`s equity can be reduced when compared to debts. So the company needs to concentrate more on this.

According to the trend analysis the net profit of the company remains the same in next five years with small variations. If the company reduces the debtors of the company then the interest can be reduced which leads to further profit for the company in future years.

Conclusion

The study is about analyzing the balance sheet of sakthi sugar using financial analysis. The study analyzed the balance sheet with the tools ratio analysis, comparative balance sheet, trend analysis and cost sheet analysis.

The conclusion is that the project can be used as a supporting factor to analyze about the performance of the company and the net profit of the company is been dropping if the company reduces the inventory cost and no of debtors then the net profit can be increased in the future.

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