



A Study on Financial Performance of Selected Sugar Companies in Gujarat

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Abstract:

India accounts for 15 percentage of the world's output of sugar but because of its high population and higher domestic Consumption, its Share in the International Trade (Exports) is less than one percentage. India is also the world's second's largest producer after Brazil and Consumer of sugar. The Sugar industry in Gujarat has been influenced mostly by the decisions of the Union Government Expert the state Advisory Price prescribed by the state government. It is an important. Component of the industrial Scenario in Gujarat and Provides Forward Linkage to the Sugarcane Crops in the state and ensures better form income in the rural areas.

Keywords: *Sugar Industry, State Advisory Price, Financial Record, Financial Performance*

1. Introduction

In India, Agriculture is not an agri-business, but a way of life and sugarcane, an Industry Crop is an Important Integral Component of agriculture. Indian Sugar Industry the second Largest Agro- based Processing Industry after Cotton Textile Industry has the Lion's Shares in accelerating industrialization Process and Bringing Socio Economic Changes in Undeveloped rural areas . Thus Sugar Industry is the most advanced Processing Industry in the agricultural sector in India. Sugarcane is one of the most important Commercial Crops which occupy about 3 percent of the total cultivated area and it is one of the most important non- cash crops which contribute about 7.5 percent gross value to the agricultural production in the country.

2. Need and Scope of the Study

Sugar Industry is an agro-based Consumer goods Industry and it is playing a vital role in the economic development of the state , particularly in promoting the rural economy by providing large scale direct and indirect employment to more than 4.5 Crore farmer and agricultural Labors engaged in Cultivation of Sugarcane , It's harvesting , Transport and other Services. The Sugar Industry employees over 5 lac skilled and un-skilled workers, mostly from the rural area.

3. Statement of the Problem

Sugar Industry requires Support from three major sectors namely Sugarcane, Power and Transportation. The Industry consumes about 14 million tons of sugarcane and 7 million Units of Power. On an Average, Energy Occupies 40% of the cost of sugar. This Industry has been experiencing acute power Shortage, Poor quality of coal and inadequate Transport Facility. Based on the above issues, the following questions were proved by the researchers to take up this study.

- To what extent the sugar Industry Impacted by its Financial Poison?
- What are the factors influencing the financial performance of selected sugar Companies in Gujarat?

4. Objectives

The present study aims to analyses the financial performance of select Sugar Companies in Gujarat. Hence the following Objectives have been framed by the researchers.

- To Study the Financial Performance of select Private sector sugar Companies in India.
- To study the profitability of select Private Sector sugar Companies in Gujarat.

5. Hypotheses

The Study aims at examining the following hypotheses with the available data Techniques.

- The Financial efficiency ratio has no significant variation among the years.
- The Financial strength is the same for all the sugar Companies.
- The Profitability ratio has no significant variation among the companies and also among the years.

6. Sample Selection

For selecting the sugar companies, the researcher described valuable Criteria. That is a sugar company should complete a more than years, it should list in BSE Sensex, and it should have Positive shares values and not go for demerged. From the total 13 Private sector companies only 6 companies are satisfying the above mentioned criteria and these are listed in below table.

1. Shree Ukai Pradesh Sahakari Mandli ltd .
2. Shree Ganesh Khand Udyog Sahakari Mandli ltd.
3. Shree Kamrej Vibhag Sahakari Khand Udyog .
4. Shree Narmada Khand Udyog Sahakari Mandli ltd .
5. Shree Mandvi Vibhag Sahakari Khand Udyog .
6. Shree Damanganga Sahakari Khand Udyog Mandli ltd.

7. Methodology

7.1 Data source

The present study “A Study on Financial Performance of select private sector Sugar Companies in Gujarat” is mainly based on secondary data. The Secondary data were collected from the annual reports, Journals, Periodicals, Websites and Officials of the select Sugar Industry.

7.2 Period of the study

The Study period is confined to ten Years Started from the financial year 2005-06 to 2014- -15 and necessary data have been collected from the select companies of sugar Industry.

8. Tools Used

ANOVA,

Z- Score Analysis

8.1 ANOVA (*Analysis of Variance*)

Analysis of variance has been applied to find out whether the internal variables of profits differ significantly or not among the companies and years. The technique of analysis has also been applied for the analysis of profitability ration, Short term financial position, Long term Financial Position and assets Movement. The value ‘F’ is calculated and is compared with the table value.

8.2 The Z- Score Model

The Z-Score model by employing multiple discriminate analyses is generally used to predict whether or not company is likely to go bankrupt in the future, using various financial ratios were used. If the Compound ‘Z-Score’ is less than 1-81 (Including negative amount) then it can be Concluded that the firm went bankrupt, Where ‘Z- Score’s more than 2.99 represented healthy firms.

9. Limitations of the Study

- The Study is restricted to the period of ten years from 2005- 06 to 2014 – 15 only.
- The data published by the Industries are Combined in total is not based on unit wise.
- The evaluation of financial performance is mainly based on the financial data obtained from the financial statement.

Hypothesis 1

There is no significant difference between years and companies on current ratio.

Table – 1 Analysis of Variance for Current Ratio

Source of Variation	Sum of Squares	DF	Mean Square	F	Significance
Between Years	18 : 850	9	2.094	1.129	No Sign.
Between Companies	41.053	5	8.211	4.428	1 % sign.
Residual	83.446	45	1.854		
Total	143.349	59			

Analysis of variance is computed in table-1 and the results indicate that F ratio is 1.129 for between year and 4.428 for between companies. There is no significant different for between years at 5 Percent level of significance as the calculated value is less than table value (2.04) and for between companies. Hence, the hypothesis is accepted for between years and rejected for between companies .

Hypothesis 2

There is no significant different between year and companies on quick ratio.

Table -2 Analyses of Variance for Quick Ratio

Source of Variation	Sum of Squares	DF	Mean Square	F	Significance
Between Years	26.50	9	2.944	1.030	No Sign.
Between Companies	46.05	5	9.210	3.242	5 % sign.
Residual	127.83	45	2.841		
Total	200.38	59			

Analysis of variance is computed in Table-2 and the results indicate that F ratio is 1.036 for between years and 3.242 for between companies. Hence, the hypothesis is accepted for between years and rejected for between Companies.

Hypothesis 3

There is no significant difference between years and companies on debtors Turnover Ratio.

Table-3 Analysis of Variance for Debtors Turnover Ratio

Source of Variation	Sum of Squares	DF	Mean Square	F	Significance
Between Years	1432.55	9	159.173	0.626	No Sign.
Between Companies	7770.92	5	1554.184	6.017	1 % sign.
Residual	11624.220	45	258.316		
Total	20827.700	59			

Analysis of Variance is computed in Table 3 and the results indicate that F ratio is 0.616 for between years and 6.017 for between companies. hence, The Hypothesis is accepted for between years and rejected for between Companies .

Hypothesis 4

There is no significant difference between years and companies on working capital turnover ratio.

Table –4 Analysis of Variance for Working Capital Turnover Ratio

Source of Variation	Sum of Squares	DF	Mean Square	F	Significance
Between Years	9802.26	9	1089.14	0.672	No Sign.
Between Companies	1432.10	5	286.42	0.276	No sign.
Residual	73093.42	45	1624.29		
Total	84327.79	59			

Analysis of variance is computed in Table -4 and the results indicate that F-Ratio is 0.672 for between years and 0.176 for between companies. Hence, The hypothesis is accepted for both between years and between companies.

Hypothesis 5

There is no significant difference between years and companies on debt- equity ratio.

Table-5 Analysis of variance for debt – equity ratio.

Source of Variation	Sum of Squares	DF	Mean Square	F	Significance
Between Years	4.734	9	0.526	0.72	No Sign.
Between Companies	120.00	5	24.04	32.99	2 % sign.
Residual	32.79	45	0.729		
Total	157.75	59			

Analysis of variance is computed in table-5 and the results indicate that F- Ratio is 0.722 for between years and 32.990 for between companies. Hence the hypothesis is accepted for between years and is rejected for between companies.

10. Conclusion

The enlistment of Indian economy can't be done with assessment of sugar industry based on its financial performance. A study of financial performance analysis is very much essential in the present globalised economic environment. Appropriate analysis of financial performance helps the firm to increase their earning capacity and changes the retained earning process by modifying various revenue ratio.

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