

## GROWTH AND PERFORMANCE OF SRI VENKATESWARA CO-OPERATIVE SUGAR LTD.: A STUDY IN CHITTOOR DISTRICT

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**Abstract:** Sugarcane is an important commercial crop cultivated in about 120 countries in the world. Sugarcane is cultivated in an area of 42.40 million hectares in the world. Sugar industry is the second largest in India and first being the textile. This study is mainly based on financial indicators. The secondary data was collected from 2009-10 to 2013-14. The performance of sugar industry was examined by the financial indicators through financial analysis. The results revealed that, the increase in share capital contributed by members was quite negligible because sugar factory was unable to maximize the profits. For a rupee of capital employed in fixed assets and current assets by the company, the sales revenue generated by the company was highly fluctuating. The factory was incurring losses over the study period and the operating expenses of the company were also kept on the higher side. Factory may follow the strategies on par with private factories in procurement of sugarcane, payment method to sugar farmers and marketing of sugar and it would increase the profits.

**Keywords:** Sugar factory, Financial indicators, Financial analysis

### INTRODUCTION

Sugarcane is an important commercial crop cultivated in about 120 countries in the world. Sugar industry is the second largest in India and first being the textile.

Sugarcane is cultivated in an area of 42.40 million hectares in the world. The total area under sugarcane cultivation is highest in Brazil (6.20 million hectares) followed by India (5.01 million hectare). Brazil is the biggest producer of sugar accounting for 41.4 per cent of the world sugarcane production followed by India (17.7 %). Other major producers of sugarcane are China (6.6 %), Thailand (4.5 %), Pakistan (3.0 %) and Mexico (2.9 %). Over 3/4th of the total sugar produced is consumed domestically in which it is produced and the rest is traded around the globe which is often termed as "world sugar". For this purpose liability, total assets, sales and annual losses of the sugar factory were examined.

#### Objective of the study

To evaluate the growth and performance of sugar factory in terms of financial indicators.

### METHODOLOGY

Secondary data was used for analysis in the present study. The data on current liabilities and total assets of sugar industry were collected from Sri Venkateswara co-operative sugar Ltd., Gajulamandyam village, Renigunta town, Chittoor district of Andhra Pradesh for the period from 2009-10 to 2013-14. Financial analysis was employed for analysing the financial indicators viz., share capital, reserves, loans, deposits and borrowing, cash credit pledge, current liabilities, fixed assets and current assets.

### RESULTS AND DISCUSSION

The findings of this study are presented under following financial indicators. Table 1 represents the liabilities of the sugar factory in Sri Venkateswara co-operative sugar Ltd. Data pertained to various financial indicators was collected from financial statements maintained by the factory and analysis of the same was carried out for a period of five years i.e. from 2009-10 to 2013-14. The liabilities of the factory include the share capital, reserves, loans, current liabilities and central subsidy. The share capital of the factory contributed by government and institutions remained constant from 2009-10 and 2013-14 i.e. Rs.26,27,04,949 and Rs.1,05,000 respectively. The share capital contributed by members for the year 2009-10 was Rs.82,95,800 and 2010-11, 2011-12 it was Rs. 83,12,400 and for 2012-13, 2013-14 it was Rs.83,32,800 and Rs. 83,46,600 respectively. The increase in share capital contributed by member was quite negligible during the study period. The reserves of the factory in the year 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 was Rs.13,07,23,464, Rs.13,11,96,178,13, Rs.15,60,081, Rs.13,18,49,044 and Rs.13,20,83,500 respectively. This implies there was negligible increase in the reserves over a period of five years (increased by 0.017 %). The loans in the form of deposits and borrowing availed by the factory for the year 2009-10, 2010-11, 2011-12, 2012-13, and 2013-14 it was Rs.18, 91, 08, 204, Rs.15, 63, 34, 674, Rs.29,15,78, 867, Rs.22,89,61,701, and Rs.33, 63,22,849 respectively. The borrowing of the factory has been increasing since 2009. From the cash credit pledge availed by the factory for the year 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 it was Rs,

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13,76,00,070, Rs.26,08,24,589, Rs.26,04,02,306, Rs.20,89,21,544 and Rs.24,46,91,319 respectively. The cash credit pledge availed by the factory was recorded highest for the year 2010-11 and then the figures reflect decreasing trend.

Current liabilities of the factory are in two forms. They are payables and sundry creditor. Payables for the year 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 was Rs.12,4148,469, Rs.27,48,09,534, Rs.5,22,36,171, Rs. 23,64,01,729 and Rs. 27,92,77,309 respectively. Sundry creditors for the year 2009-10, 2010-11, 2011-12, 2012-13, 2013-14 was Rs. 96,62,779, Rs.2,36,26,532, Rs.3, 55, 58,149, Rs.2,85,08,496 and Rs.4,04,93,461 respectively. Central subsidies of the factory contributed by the financial institutions had remained unchanged at the value of Rs.15,00,000 from 2009-10 to 2013-14.

The total assets of the factory include fixed assets and current assets. Table 2 indicates assets of the sugar factory from 2009-10 to 2013-14. Results revealed that the fixed assets of the factory remained same from 2009-10 to 2011-12 (Rs.11,52,26,249). They found to be Rs. 11,52,27,521 and Rs. 11,52,29,126 in 2012-13 and 2013-14. Thus the fixed assets of the factory increased by a negligible amount from 2009-10 to 2013-14. Other than Stock, it is inferred that the current assets of the factory other than stock for the year 2009-10 was Rs.43,34,33,655, for 2010-11 it was Rs.47,28,44,862 (increased by 9 %) for 2011-12 it was Rs. 53,96,25,667 (increased by 14 %) for 2012-13 it was Rs. 49,50,99,627 (decreased by 8.26 %) and for 2013-14 it was Rs.49,27,08,753 (decreased by 0.48 %). The current assets of the factory other than stock increased till 2011-12 and then noticed a short fall. It is inferred that the stock available with the factory was in three forms viz levy sugar, free sugar and molasses. The levy sugar of the factory for the year 2009-10 was Rs.1,19,26,043, for 2010-11 it was Rs. 2, 85, 81,911 (increased by 139 %) for 2011-12 it was Rs.1,72,63,900 (decreased by 39.5 %) for 2012-13 it was Rs.2,54,94,662 (increased by 47.6 %) and there was no levy sugar in the year of 2013-14. The free sugar of the factory for the year 2009-10 was Rs.

13,11,12,432 for 2010-11 it was Rs. 29, 24, 45,400 (increased by 123 %) for 2011-12 it was Rs.30,98,67,400 (increased by 5.9 %) for 2012-13 it was Rs.28,57,31,600 (decreased by 7.78 %) and for 2013-14 it was Rs.33,30,89,736 (increased by 16.5%). The molasses of the factory for the year 2009-10 was -Rs. 1,63,09,332 for 2010-11 it was Rs.1,60,80,493 (decreased by 1.40 %) for 2011-12 it was Rs.97,90,021 (decreased by 39.1 %) for 2012-13 it was Rs.1,27,36,095 (increased by 30.0 %) and for 2013-14 it was Rs.1,70,43,252 (increased by 33.8 %). The year 2010-11 has noticed highest percentage increase of levy sugar (13.9%) and free sugar (12.3%).

The data pertaining to these sales and annual loss was collected and discussed below. The sale of the factory was done in three forms viz: Levy sugar, free sugar and molasses. From the Table 3, it is inferred that the levy sugar for the year 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 was Rs. 2,46,10,460, Rs. 1,70,37,674, Rs.4,28,50,855, Rs. 2,27,07,868 and 21,685,000 respectively. The free sugar for the year 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 was Rs. 49,61,79,829, Rs. 19,02,63,080, Rs.36,21,80,664, Rs.47,45,01,715 and Rs.29, 52, 05,195 respectively. The molasses for the year 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 was Rs. 2,97,09,500, Rs.1,62,16,643, Rs. 1,93,65,656, Rs.1, 89,26,446 and Rs.3,32,62,000 respectively. The total sales of the factory for the year 2009-10 was Rs.550,499,789 for 2010-11 it was Rs. 223, 517, 397 (decreased by 59.3 %) for 2011-12 it was Rs.1,72,63,900 (increased by 89.8 %) for 2012-13 it was Rs.516,136,029 (increased by 21.6 %) and 2013-14 it was Rs.328,488,880 (decreased by 36.3%) respectively.

It is inferred that the annual loss of the factory for the years 2009-10, 2010-11, 2011-12, 2012-13, 2013-14 was Rs.44,63,01,260, Rs.53,13,42,742 (increased by 0.19%), Rs.58,91,04,288 (increased by 10.8%), Rs.52,69,55,495 (increased by 0.10 %), Rs. 69,75,87,105 (increased by 32.3%). The sugar factory was facing losses over the study period and losses were recorded maximum for the year 2013-14 (losses increased 32.3%).

**Table 1.** Liabilities of the sugar factory from 2009-10 to 2013-14.

Sl. No.	Parameters	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Share capital					
a.	Government	26,27,04,949	26,27,04,949	26,27,04,949	26,27,04,949	26,27,04,949
b.	Member	82,95,800	(0)	(0)	83,32,800	83,46,600
c.	Institutions	1,05,000	83,12,400	83,12,400	(0.2)	(0.16)
			(0.2)	(0)	1,05,000	1,05,000
			1,05,000	1,05,000	(0)	(0)
			(0)	(0)	27,11,42,749	27,11,56,549
	Total:	27,11,05,749	27,11,22,349	27,11,22,349	(0.007)	(0.005)
			(0.06)	(0)		

2.	Reserves	13,072,346.4	13,11,96,178 (0.36)	13,15,60,081 (0.27)	13,18,49,044 (0.21)	13,20,83,500 (0.017)
3.	Loan:					
	a. Deposits and borrowing	18,91,08,204	15,63,34,674 (-17.3)	29,15,78,867 (86.5)	22,89,61,701 (-21.4)	33,63,22,849 (46.8)
	b. Cash credit pledge	13,76,00,070	26,08,24,589 (89.5)	26,04,02,306 (0.16)	20,89,21,544 (-19.7)	24,46,91,319 (17.1)
4	Current liabilities:					
	a. Payables	12,41,48,469	27,48,09,534 (121)	25,22,36,171 (8.2)	23,64,01,729 (-6.27)	27,92,77,309 (18.1)
	b.undry Creditors	96,62,779	2,36,26,532 (144)	3,55,58,149 (50)	2,85,08,496 (-19.8)	4,04,93,461 (42.0)
5.	Central Subsidy	15,00,000	15,00,000	15,00,000	15,00,000	15,00,000

**Table 2.** Total assets of the sugar factory from 2009-10 to 2013-14

Sl. No.	Parameter	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Fixed assets:	11,52,26,249	11,52,26,249 (0)	11,52,26,249 (0)	11,52,27,521 (0.001)	11,52,29,126 (0.001)
2.	Current assets:					
	a. Other than stock:	43,34,33,655	47,28,44,862 (9.0)	53,96,25,667 (14.1)	49,50,99,627 (-90.8)	49,27,08,753 (-0.48)
3.	Stock:	55,04,99,789	22,35,17,397 (-59.3)	42,43,97,175 (89.8)	51,61,36,029 (21.6)	32,84,88,880 (-36.3)
	a. Levy sugar	1,19,26,043	2,85,81,911 (13.9)	1,72,63,900 (-39.5)	2,54,94,662 (47.6)	
	b. Free sugar	13,11,12,432	29,24,45,400 (12.3)	30,98,67,400 (5.9)	28,57,31,600 (-7.78)	33,30,89,736 (16.5)
	c. Molasses	1,63,09,332	1,60,80,493 (-1.40)	97,90,021 (-39.1)	1,27,36,095 (30.0)	1,70,43,252 (33.8)

**Table.3** Sales and annual losses of the sugar factory from 2009-10 to 2013-14

Sl.No.	PARAMETER	2009-10	2010-11	2011-12	2012-13	2013-14
1.	<b>Sales:</b>					
	1. Levy Sugar	2,46,10,460	1,70,37,674	4,28,50,855	2,27,07,868	21,685,000
	2. Free sugar	49,61,79,829	19,02,63,080	36,21,80,664	47,45,01,715	29,52,05,195
	3. Molasses	2,97,09,500	1,62,16,643	1,93,65,656	1,89,26,446	3,32,62,000
	Total Sales:	550,499,789	223,517,397 (-59.3)	424,397,175 (89.8)	516,136,029 (21.6)	328,488,880 (-36.3)

2.	<b>Annual loss</b>	44,63,01,260	53,13,42,742 (0.19)	58,91,04,288 (10.8)	52,69,55,495 (-0.10)	69,75,87,105 (32.3)
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## CONCLUSION

The increase in share capital contributed by member was quite negligible because sugar factory was unable to maximize the profits. There was negligible increase in the reserves over a period of five years (increased by 0.017 %). The sugar factory was facing losses over the study period. The sale of the sugar factory was decreased (-36%) and losses were increased (32.3%). For a rupee of capital employed in fixed assets and current assets by the company, the sales revenue generated by the company was highly fluctuating. Factory was selling the sugar with lower price when compared to market price. This was the reason to incurred losses of sugar factory. The factory was incurring losses over the study period and the operating expenses of the company were also kept on the higher side. Andhra Pradesh co-operative bank giving fund as a grant to the sugar factory but still it is in loss. So, to maximize the profit, factory may follow the strategies on par with private factories in procurement of sugarcane, payment

method to sugar farmers and marketing of sugar and it would increase the profits.

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