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7.1 INTRODUCTION

In the present study, some aspects of Financial Management like Working Capital Management, Fixed Assets Management, Analysis of Financial and Capital Structure and the Analysis of Efficiency and Profitability are covered and suggestions emanating from the conclusions are offered for ensuring a better financial performance in select sugar mills. The data used for the study for a period of ten years from 2001-02 to 2010-11 have been collected from the annual reports of two sugar mills, namely, Sri Venkateswara Co-operative Sugar Factory Limited and Sagar Sugars and Allied Products Limited in Chittoor District of Andhra Pradesh. While analyzing the financial performance, both statistical and financial tools like Co-efficient of Correlation, Linear Growth Rates, Compound Growth Rates, Trend Values with the help of least squares method, t-test and financial ratios etc., are used. The main findings of the study are presented in the following pages.

7.2 PERFORMANCE OF SUGAR INDUSTRY IN INDIA

Sugar Industry is one of the major agro-based industries in India, which has been instrumental in mobilization of resources, generation of employment opportunities, income generation and providing social infrastructure in rural areas. There are several opinions with respect to the beginning of sugar manufacturing of sugar in India. Sugarcane has been one of the major crops of India since times immemorial. The term sugarcane was stated in the “Atharva Veda”. There are several indications that sugarcane originated in India (most probably north India).

The first privately owned sugar factory in India was started in 1784 by a civilian. Next in the year 1791 Lt. John Patterson, started a sugar plant in Bihar and he obtained a loan of Rs.25,000. The modern process of sugar manufacturing was introduced in 1853 in western countries, but the same was adopted in 1903 in India. The industry was concentrated in the northern states like Uttar Pradesh, Bihar and it was also concentrated in the eastern coastal districts of Andhra Pradesh. The sugar industry spread to the south India after completion of irrigation projects like Nizam Sagar, Tungabhadra projects of Andhra Pradesh, Kaveri, Mettur, Periyar irrigation projects in Tamilnadu and Irwin canal in Mysore etc.
In India the sugar plants are being operated both in public sector and private sector. Sugar industry is directly providing an employment opportunity to 3.35 lakh workers, and indirect employment to 30 million of sugar growers. In India sugar is an essential item of mass consumption and cheapest source. The sugar industry occupies prominent role in India of energy, supplying around 10 per cent of the daily calories in take.

In the global context Indian sugar industry ranked 4th amongst the sugar producing countries in the world. Indian sugar industry is the second largest agro based processing industry after the textile industry in India. Sugar mills in co-operative, private and public sectors have been instrumental in initiating a number of enterpreneurial activities in rural India.

Sugar industry is one of the largest industries which contributes considerable proportion towards industrial production. The number of sugar factories in India increased from 29 in 1930 to 420 in 1998 and 461 during 2003-04, and further increased to 490 during 2009-10.

The progress of sugar industry in India during the five year plans period is evidence of its significance economy as lot of funds were sanctioned to sugar industry. During the first plan there are 138 sugar mills and their number went up to 490 during the tenth plan period. The actual production during the first five year plan stood at 19.34 lakh tonnes and it went up to (18.912 million tonnes) 189.12 lakh tonnes during 10th five year plan. Sugarcane yield per hectare stood at 71.30 during 1994-95 and it was slightly declined to 70.0 during 2009-10. The per capita consumption of sugar at the end of the 2nd five year plan is 4.8 kgs per year. The same went up to 17.5 kgs per year during 2010-11.

7.3 WORKING CAPITAL MANAGEMENT

The objective of working capital management is to avoid both excessive and inadequate investment in current assets and, there by, a trade off between liquidity and profitability. Excessive investment in current assets adversely affects profitability and inadequate investment in current assets adversely affects liquidity of the firm.
Therefore, both excessive and inadequate investment on current assets is not advisable to the firm. This chapter covers the size, structure and liquidity aspects of working capital in the select sugar mills to judge their efficiency in working capital management. Following are the major findings in the area of working capital.

The net working capital of Sri Venkateswara Co-operative Sugar Factory Limited during 2001-02 stood at Rs.2349.94 lakhs and it declined to Rs.1653.25 lakhs during 2010-11. In the case of Sagar Sugars and Allied Products Limited the net working capital during 2002-03 stood at Rs.669.88 lakhs and it increased to Rs.12898.73 lakhs during 2006-07 but declined to Rs.6619.13 lakhs during year 2010-11. It can be inferred that the networking capital of both the sugar factories was showing positive values, but the liquidity position of Sagar Sugars and Allied Products Limited is better than the liquidity position of Sri Venkateswara Co-operative Sugar Factory Limited.

The proportion of current assets to total assets in Sri Venkateswara Co-operative Sugar Factory Limited is very high i.e., 71.64% during the study period. Such as high proportion implies that the funds are locked up in current assets indicating high opportunity cost. In the case of Sagar Sugars and Allied Products Limited such proportion is below 50% which reveals that most of the funds generated were invested in fixed assets.

The liquidity adequacy and efficiency of working capital position of the select sugar mills is measured based on various indicators like current ratio, quick ratio, inventory turnover ratio, debtors turnover ratio, working capital turnover ratio and operating cycle.

a) The average current ratio of Sri Venkateswara Co-operative Sugar Factory Limited stood at 1.75:1, which is below the standard norm. That indicates that the firm’s liquidity position is poor. In other words the firm’s capacity towards payment of current liabilities is not satisfactory. The average of current ratio of Sagar Sugars and Allied Products Limited stood at 2.94:1, which is more than the standard norm of 2:1. Therefore the firm’s overall liquidity position is satisfactory.
b) The liquid ratio of Sri Venkateswara Co-operative Sugar Factory Limited is less than the standard norm of 1:1 throughout the study period. It indicates that a huge proportion of working capital is locked in stock. Therefore, investment in inventory is the major component of working capital. In the case of Sagar Sugars and Allied Products Limited the ratio stood at 2.05:1. Therefore the short term liquidity position of Sagar Sugars and Allied Products Limited to meet its short term obligations is satisfactory.

The t-test is employed to test the significant difference between two sugar mills with respect to the structure of working capital. As the calculated 't' values are greater than table values at 1% level, hence the formulated Hypothesis that there is no significant difference between two sample sugar mills with respect to the structure of working capital is rejected.

c) The inventory turn over ratio of Sri Venkateswara Co-operative Sugar Factory Limited and Sagar Sugars and Allied Products Limited is calculated to measure the efficiency of the management in terms of conversion of inventory into sales. It was low in both sugar mills, indicating poor inventory management. The inventory holding period of Sri Venkateswara Co-operative Sugar Factory Limited is around 392 days and in the case of Sagar Sugars and Allied Products Limited the same stood at 141 days. High inventory holding period indicates firms inefficiency in conversion of inventory in to sales.

d) The debtors turn over ratio in the case of Sri Venkateswara Co-operative Sugar Factory Limited is not satisfactory. The average collection period stood at 39 days which indicates that the company follows stringent credit policies to the customers. The debtors turn over ratio in the case of Sagar Sugars and Allied Products Limited is also not satisfactory and, at the same time, average collection period is 141 days, indicating the company's inefficiency with respect to collection of debts from customers.

e) The working capital turn over ratio of Sri Venkateswara Co-operative Sugar Factory Limited and Sagar Sugars and Allied Products Limited is not satisfactory. That indicates that the company fails to accelerate the sales volume by using the working capital. In other words excess of working capital or over investment in current assets is an important factor which reduces working capital turn over.
f) The average of operating cycle of Sri Venkateswara Co-operative Sugar Factory Limited for the study period stood at 371 days. A lengthy operating cycle period has greater impact on the turnover and leads to low liquidity.

The operating cycle of Sagar Sugars and Allied Products Limited also shows a high operating cycle period. That indicates a slow turnover. The consequent liquidity problem and delayed payment to the suppliers are harmful to the company in terms of credit worthiness. Both the companies operating cycle period is very lengthy and damages the companies reputation and reduces credit worthiness of the companies.

The percentage of net working capital to the current assets varies between 4.7 percent and 60.89 per cent and the average is 28 per cent. This is an indication of aggressive working capital financing policy causing poor short term solvency. In the case of Sagar Sugars and Allied Products Limited it varies between 31 per cent and 82 per cent and the average net working capital to the total current assets stood at 56.46 per cent. It means that the current assets are financed not only with the short term liabilities but also with long term sources during the study period.

7.4 FIXED ASSETS MANAGEMENT

Fixed assets are long term assets and assets of relatively permanent nature used in the operation of a business to produce goods and services. They are obviously of crucial significance as the earnings of the firm are basically determined by them. The fixed assets and current assets are closely related as the earning power of the enterprise mainly depends on their proportion in the assets structure. Therefore, determining an optimum mixture of current and fixed assets into a profitable combination is a challenging problem to the management.

In this chapter, the size and structure of fixed assets, relation between fixed assets and total assets, fixed assets and long term funds, fixed assets and funded debts, ratio of sales to fixed assets, adequacy of depreciation etc., in Sri Venkateswara Cooperative Sugar Factory Limited and Sagar Sugars and Allied Products Limited are discussed. The analysis has led to the following observations.

a) It has been noticed that the size of fixed assets in Sri Venkateswara Cooperative Sugar Factory Limited registered very low growth. Therefore the income generating capacity of the organization is very low. In other words the company is investing huge amount on facilitating assets (current assets) than revenue generating assets (fixed assets).
The proportion of fixed assets in the total assets is not satisfactory in the case of Sagar Sugars and Allied Products Limited but it shows better proportion than the other sample sugar mill. The overall profitability of both the selected sugar mills is not satisfactory throughout the study period.

b) Plant and Machinery is the major component of fixed asset in Sri Venkatesawara Co-operative Sugar Factory Limited as well as in Sagar Sugars and Allied Products Limited. There is no capital work-in-progress in Sri Venkatesawara Co-operative Sugar Factory Limited. That indicates the company does not undertake any expansion activities. Sagar Sugars and Allied Products Limited is having capital work-in-progress, implies it undertook expansion activities.

c) To assess the utilisation of fixed assets, fixed assets turn over is calculated in both the sugar mills. The fixed assets turn over ratio of Sri Venkateswara Co-operative Sugar Factory Limited stood at 2.15 times on an average. That indicates the fixed assets are not used satisfactorily. In the case of Sagar Sugars and Allied Products Limited the same stood at one time on an average. It is clear that the efficiency of the company's management in terms of utilisation of fixed assets is not satisfactorily. Both the companies' fixed assets turn over ratio is less than the standard norm, pointing to the inefficiency of the management in terms of utilisation of fixed assets.

d) Ratio of sales to plant and machinery indicates usage of plant and machinery in the case of Sri Venkateswara Co-operative Sugar Factory Limited is satisfactory during the study period. The same was not satisfactory in the case of Sagar Sugars and Allied Products Limited.

e) The Investment policy in fixed assets in the case of Sri Venkateswara Co-operative Sugar Factory Limited is sound during the study period because investment in fixed assets is less than the long term funds. It implies the fixed assets are acquired out of the long term funds only.

In the case of Sagar Sugars and Allied Products Limited the investment policy in fixed assets is not sound, because the investment in fixed assets exceeds the long term funds. It implies that funds generated through the short term sources were diverted towards acquisition of fixed assets rather than being invested in working capital.
f) The average fixed assets turn over ratio of Sri Venkateswara Co-operative Sugar Factory Limited is 2.15 times and Sagar Sugars and Allied Products Limited is 1.04 times. It is evident that the efficiency of the management in terms of utilisation of fixed assets is not satisfactory. In both the sugar mills the fixed assets turn over ratio is below the standard norm.

g) The ratio of sales to plant and machinery in Sri Venkateswara Co-operative Sugar Factory Limited is satisfactory (264.01), whereas the same was not satisfactory in Sagar Sugars and Allied Products Limited (129.89).

h) The gross block of fixed assets and depreciation provision are showing increasing trend in both the sugar mills for the entire study period. It can be inferred that in both the sugar mills provision for depreciation is sufficient.

7.5 ANALYSIS OF FINANCIAL AND CAPITAL STRUCTURE

The financial strength of a business enterprise should be judged from the long term point of view rather than from short term point of view. Because a corporation which is financially sound in the short run may eventually lose its strength in the long run when it suffers prolonged losses. This chapter evaluates the financial strengths and weaknesses of the select sugar mills and their long term solvency by analyzing their financial and capital structure.

The liabilities side of the balance sheet is represented by networth, long term and short term debt. The composition / proportion of these is referred to as the financial structure of the firm. It shows the way how the firm’s total assets are financed. Capital structure, on the other hand, refers to the permanent financing of the company represented by long-term debt and share holder’s funds.

Sagars Sugars and Allied Products Limited is relying on debt capital, whereas Sri Venkateswara Co-operatives Sugar Factory Limited is relying on equity funds. Both the sugar mills are contrary in utilisation of debt capital. In Sagar Sugars and Allied Products Limited, on an average, 53 per cent of the entire capital structure is secured from debt capital. The same stood at 38 per cent in the case of Sri Venkateswara Co-operative Sugar Factory Limited. To test the significant difference between two sample sugar mills in the case of components of capital structure, ‘t’-test is applied.
The formulated Hypothesis is rejected in the case of components of capital structure like equity capital, total networth, term loans and total long term funds because the calculated t-values are significant at 1% level. But in the case of reserves and surplus and cash credit the hypothesis is accepted because the calculated t-values are not significant.

While planning for Capital Structure, the firm must bear in mind the impact of various sources of capital on the cost of capital and the value of the firm and the long term financial soundness. Every firm should aim at judicious mixture of debt and equity that minimizes the cost of capital and maximizes the value of the firm.

The long term solvency of the sugar mills is measured with the help of solvency ratios like Debt-Equity Ratio, Interest Coverage Ratio, etc. These ratios mainly reveal the extent of margin of safety available to long term creditors, the ability of firm to make use of debt to improve Return on Equity (ROE) and the extent of owners and creditors stake in the firm’s assets. The major findings are:

a) The proportion of share capital (contribution of members of the society) was just around one percent of the total liabilities in the case of Sri Venkateswara Co-operative Sugar Factory Limited. The government contribution as a capital is an important element of capital structure, it contributes around 20 percent to the total liabilities. Reserves and surplus also contributed reasonable proportion to the total liabilities, but it shows fluctuating trend during the study period. The networth of Sri Venkateswara Co-operative Sugar Factory Limited was on an average around 38 per cent of the total funds. The proportion of long term funds is around 40 per cent in the total funds. The proportion of share capital in the contribution of networth is more than the contribution of the term loans. The proportion of current liabilities is around 20 per cent of the total funds during the study period. This reveals sound financial structure of the firm.

The share holders funds in the case of Sagar Sugars and Allied Products Limited stood at around 20 per cent for the study period. The Reserves and Surplus are contributing a negligible proportion to the total liabilities. The shareholders funds / networth (including share application money and allotment due) is contributing around 30 per cent to the total liabilities. On the other hand, the long term funds (including Defferred tax liability) are contributing around
50 per cent to the total liabilities. The contribution of current liabilities is very meagre. However, the financial structure of Sagar Sugars and Allied Products Limited is sound and satisfactory. Both the sugar mills have a sound capital structure. That indicates that the capital structure position is positive during the study period.

b) In Sri Venkateswara Co-operative Sugar Factory Limited, out of total long term funds, owners equity (or) net worth is dominating the other sources of funds. On an average, owner’s equity stood at 49 per cent, whereas the term loans stood at 38.48 per cent and the balance relates to cash credit pledge. (see Table 5.3). High proportion of funds was used from internal sources i.e., net worth. That is an indication of sound financial structure.

The debt-equity proportion in Sagar Sugars and Allied Products Limited stood at 53 per cent and 39 per cent for the study period. Both the sugar mills are contrary in utilisation of debt capital. It reveals that Sagar Sugars and Allied Products Limited relying on debt capital, whereas Sri Venkateswara Co-operative Sugar Factory Limited depends on equity funds. Therefore, the financial structure of Sri Venkateswara Co-operative Sugar Factory Limited is strong compared to Sagar Sugars and Allied Products Limited.

c) To study the relationship between Equity Capital and Debt Capital, Debt Equity Ratio is calculated for both the select mills. The generally accepted standard norm of this ratio is 1:1. The debt equity ratio of Sri Venkateswara Co-operative Sugar Factory Limited is less than the standard norm. That indicates the financial solvency position is not satisfactory.

Debt Equity Ratio of Sagar Sugars and Allied Products Limited is more than the standard norm throughout the study period. It indicates that the company is relying more on external debt than internal debt. Hence, the financial position of Sagar Sugars and Allied Products Limited is satisfactory.

d) The Interest Coverage Ratio of Sri Venkateswara Co-operative Sugar Factory Limited is negative throughout the study period i.e., the sugar mill is not able to earn sufficient profits to cover its interest charges. In the case of Sagar Sugars and Allied Products Limited this ratio is very low. It indicates that in the Sagar sugar mill profits are not sufficient to meet its interest charges. Therefore, The
Interest Coverage ratio of both the select sugar mills is not satisfactory. That implies that the operating profits are not sufficient to meet the interest charges.

e) The Capital Gearing ratio is calculated to study the relationship between fixed income bearing securities and equity share capital. Capital gearing ratio of Sri Venkateswara Co-operative Sugar Factory Limited is below the generally accepted norm of 1:1. It indicates that the company is relying heavily on equity capital than fixed income bearing securities.

The Capital Gearing ratio of Sagar Sugars and Allied Products Limited is more than the generally accepted norm of 1:1. It indicates that the company is relying more on fixed income bearing securities than the equity share capital.

f) The Proprietary ratio of Sri Venkateswara Co-operative Sugar Factory Limited is more than the generally acceptable norm of 33.33 per cent for the entire study period, which indicates that the company has a healthy financial structure. But in the case of Sagar Sugars and Allied Products Limited this ratio is below the standard norm, indicating that the company financial structure is not healthy and not satisfactory.

7.6 ANALYSIS OF EFFICIENCY AND PROFITABILITY

The efficiency of the sugar mills is measured with the help of two financial ratios like Total Assets Turnover Ratio and Capital Employed Turnover Ratio. Following are the important findings of this analysis.

a) To assess the efficiency of the management in terms of effective utilisation of total assets, total assets turnover ratio is calculated for both the select sugar mills. It is below the ideal norm of 2 times throughout the study period in the case of Sri Venkateswara Co-operative Sugar Factory Limited. Therefore, the company showed inefficiency in promoting sales with the investment on total assets. Similarly, the total assets turn over ratio of Sagar Sugars and Allied Products Limited is also below the standard norm. It implies that the mill fails to utilize the total assets for conversion into sales. Therefore in both the sugar mills the efficiency of the management in terms of conversion of assets into sales is not satisfactory.
b) Capital Turnover Ratio is used to measure the firm's efficiency in terms of employing capital to generate sales. Capital turnover ratio of Sri Venkateswara Co-operative Sugar Factory Limited reveals that it was very low throughout the study period. That implies inefficiency of the firm in terms of utilisation of capital employed or excessive capital invested on assets. Similar trend is observed in Sagar Sugars and Allied Products Limited also. It infers that the managements of two sugar mills are showing their inability (or) inefficiency in converting the capital employed in to sales.

To analyse the profitability of the organization, Gross Profit Ratio, Net Profit Ratio are calculated and comparison of Gross Profit Margin and Net Profit Margin is also made. In addition to that Operating Ratio, Expenses Ratio, Return on Total Assets, Return on Capital Employed, Return on Equity are computed for assessing the profitability.

a) The Gross Profit Margin of Sri Venkateswara Co-operative Sugar Factory Limited is very very low throughout the study period and the company could improve its efficiency of trading. The Gross profit Ratio of Sagar Sugars and Allied Products Limited is satisfactory to cover the fixed expenses throughout the study period. That implies the trading efficiency of the management was satisfactory and efficiency in controlling cost of goods and other expenses is not satisfactory.

b) The Net Profit Ratio of Sri Venkateswara Co-operative Sugar Factory Limited and Sagar Sugars and Allied Products Limited is negative. That implies the operational efficiency of the two sugar mills is very poor in terms of controlling administrative, selling and distribution expenses and financial charges. It implies that the managements have to focus on improvement of operational efficiency and reducing the cost of production.

The comparison of Gross Profit Margin and Net Profit Margin reveals the firm's (sugar mills) inefficiency in terms of controlling of operating expenses as well as financial charges.

c) Operating Ratio is calculated to know the relationship between operating cost and sales. In the case of Sri Venkateswara Co-operative Sugar Factory Limited the operating ratio is more than 100 per cent throughout the study period which is higher than generally accepted
norm of 70 per cent to 80 per cent which implies that the mill may face lot of problems in future unless it focused on controlling operating expenses. Similar situation exists in the case of Sagar Sugars and Allied Products Limited. Therefore, both the sugar mills should be aware of increase of prices of material, labour and other overheads. It is also clear that the production policies of two sugar mills are not effective.

d) Return on investment is calculated to study the overall profitability of the two sugar mills.

i) Return on total assets is very low and negative in the case of Sri Venkateshwara Co-operative Sugar Factory Limited. That indicates managerial failure in the utilisation of assets. In the case of Sagar Sugars and Allied Products Limited, the average return on total assets is very low implying inefficiency of the management in terms of effective utilisation of assets throughout the study period.

ii) Return on Capital Employed is calculated to measure the profitability of the enterprise and managerial efficiency. In the case of Sri Venkateshwara Co-operative Sugar Factory Limited, the return on capital employed is negative that implies. That the management failed to utilize the long term capital moderately. It means the company diverted long term funds to invest in working capital requirements than investing in fixed assets. Return on capital employed in Sagar Sugars and Allied Products Limited is just 3.57 per cent. So the Sagar Sugars and Allied Products Limited also fails to utilize the capital employed and long term funds are diverted for the purpose of meeting working capital requirements.

iii) Return on equity is also calculated to assess the efficiency of the company. The return on equity in Sri Venkateshwara Co-operative Sugar Factory Limited and Sagar Sugars and Allied Products Limited during the study period is negative. The management of two sugar factories failed to earn fair returns on equity capital.
7.7 SUGGESTIONS

Based on the above calculations and analyses, the following suggestions are made for improving the financial performance of sugar mills under study.

a) A comparison of the levels of working capital of two sugar mills found that the average networking capital during the study period was very high in Sagar Sugars and Allied Products Limited compared to Sri Venkateswara Co-operative Sugar Factory Limited. Therefore, the Sri Venkateswara Co-operative Sugar Factory Limited should improve the level of working capital by seeking finance from long term sources.

b) The average current ratio of Sri Venkateswara Co-operative Sugar Factory Limited is below the standard norm of 1.75:1. In order to maintain optimum liquidity, the sugar mill was to increase the level of current assets (or) decrease the current liabilities.

c) The average quick ratio of Sagar Sugars and Allied Products Limited is more than the standard norm of 1:1. Hence, it is better to adopt sufficient cash management techniques to achieve optimum utilisation of liquid assets.

d) The average inventory turnover ratio of two sugar mills was below the standard norm of 5 times, reflecting ineffective utilisation of inventory by these sugar mills. Since profitability is determined based on the rate of utilisation of inventory, the sugar mills, whose average inventory turnover ratio is less than standard norm, should pay attention to improving this ratio.

e) The average working capital turnover ratio is also less than 5 times in the two sugar factories. High working capital turnover ratio confirms the excellent performance of a mill and has a positive influence on operational profitability. Therefore, the two sugar mills should achieve more working capital turnover by strengthening the sales and maintaining adequate amounts of current assets and current liabilities.

f) The proportion of term loans to total long term funds in the case of Sri Venkateswara Co-operative Sugar Factory Limited stood at 38.4 %, which means the sugar mill has utilized less debt capital. This indicates that the sugar mill is not an interest rate sensitive. However the cost of debt financing is cheaper than the equity finance. Thus, in order to increase the shareholders' wealth, the sugar mill has to raise debt capital.
The average debt-equity ratio of Sri Venkateswara Co-operative Sugar Factory Limited for the entire study period is 0.79:1, which is less than the standard norm of 1:1. The sugar mill can raise debt funds through the External Commercial Borrowing (ECB) rate (or) from domestic financial institutions at concessional interest rates. Hence, to maximize the market value of equity, the sugar mill has to go for debt capital issue.

The following are several other suggestions which touch the fringes of financial aspects of select sugar mills in the Chittoor district of Andhra Pradesh.

- Modernization and Renovation plans should be executed with the help of soft loans. The government could grant interest free, sales tax loans or consider giving a 5 year tax holiday for new sugar mills.
- Exempting customs duty on imported equipment could substantially reduce the capital cost. The government could also provide tax incentives in the form of various admissible deductions for the purpose of direct tax calculation.
- The survival of the Indian sugar industry depends on research and development and upgradation of technology. Adequate attention should be paid to the environmental requirements. Both the central and state governments have to recognize the importance of research and development in the sugar industry and provide more funds and tax concessions.
- The government of India has to provide export incentives to sugar factories and allow Special Economic Zones (SEZs).

To conclude, the profitability of the Indian sugar industry cannot be improved unless interlinked problems such as modernization, cost reduction and payment of heavy taxes are solved. Since sugar mills are playing an important role in the Indian economic development, the government of India should extend complete financial support to the sugar industry and adopt appropriate policy measures for its development.

7.8 SCOPE FOR FURTHER RESEARCH

On the basis of present study the topics like Inventory management practices, management of receivables, cash management practices, application of investment appraisal techniques, leverage analysis are found relevant for further research in this field.