ABSTRACT

The importance of Sugar Industry in our national economy can not be over-emphasised. This is the second largest agro-based industry after cotton textiles. It has been contributing significantly in the socio-economic development of the country. Moreover, as the mills are located mainly in the rural areas they serve as a focal point for the economic upliftment of the rural masses. There has been remarkable improvement in the sugar scenario of the country, especially after independence, as is evident from the fact that the sugar production in India went up from 11.10 lakh tonnes in 1950-51 to 120 lakhs tonnes in 1990-91. Notwithstanding this over all improvement in the performance of sugar industry in the country, there has been considerable decline in the growth of this sector in the state of Uttar Pradesh. This is clear from the fact that the share of Uttar Pradesh in the
total sugar production in the country had declined from 52% in 1950-51 to 25% in 1990-91. However, southern states, specially Maharashtra, has improved its performance significantly i.e. from 10% in 1950-51 to nearly 34% in 1990-91. In the light of these facts the present work entitled "A study of Financial Structure of Sugar Mills under the U.P. Sugar Corporation" seeks to identify the factors which affect the functioning of the mills under the Uttar Pradesh State Sugar Corporation, Specially the way financing of the Corporation is conducted. Occasionaly, ways & means are suggested for improving the current financial structure of the sugar mills under the corporation.

The work embodied in this thesis, thus deals with the financial structure of sugar mills under the Uttar Pradesh Sugar Corporation. In order to bring into focus the problems faced by the Corporation, the thesis has been divided into 5 chapters.
Chapter I gives an appraisal of the overall growth pattern of sugar industry on an all India basis. Such an appraisal has been considered necessary in order to have an idea about the exact status of this industry in the country and its Corporation position in Uttar Pradesh.

While there is tremendous growth of sugar industry on all India basis, the performance of sugar industry in U.P. has been unexpectedly very poor. Such a paradoxical situation has not been solved even after the creation of Uttar Pradesh Sugar Corporation and takeover of the functioning of scheduled sugar mills by the corporation. In order to analyse the factors that might have contributed to this pessimistic situation, it is considered worth while to take stock of the situation of Uttar Pradesh State Sugar Corporation. Chapter II of the thesis deals with the conceptual framework of the study. It has highlighted the importance of the work. The objectives and purpose
underlying this study have also been defined and a tentative hypothesis has been framed. Thorough and critical scanning of the work previously available on the subject, has also been made in this chapter.

Historically at one time Uttar Pradesh was the front-line state in sugar production, but, over the years its share in the total production of the country has been decreasing very rapidly. While the other states have caught momentum and some of them are doing fairly well. Obviously, the Uttar Pradesh Government is greatly disturbed with such a state of affairs and is, therefore, highly concerned to improve the situation. Chapter III is devoted to highlight the pattern of growth and development of sugar industry in the State of U.P. The circumstances and reasons for taking-over of a number of sugar mills under the pretext of their expansion and modernisation have also been examined and analysed. The Uttar Pradesh Sugar Corporation was entrusted with the task of bringing the
acquired scheduled sugar mills to the level of optimum production. Apparently, the corporation formulated intensive schemes for the rehabilitation and modernisation of these mills. Although, these measures have resulted in increased production of sugar but this increase has not been steady as there has been wide fluctuations in the production of sugar in the state. Even otherwise, the cost involved in this encouraging trend has been much higher and further scope of increasing productivity and profitability remains unexplored and untouched. In order to achieve profitability, the cost of operation production needs to be reduced.

Therefore, the financial structure of the corporation must be viable, healthy and objective. Has the Corporation taken care of its financial structure in most careful and optimal manner? To find an answer to this question, an indepth study of the financial structure of the mills under the Corporation has been made in chapter IV. The financing structure of the
Corporation has been examined along with a multitude of different parameters, namely, pattern of liabilities and assets, pattern of financing the investment of the corporation by the financial institutions and commercial banks, pattern of various liquidity and operational ratios and the cost structure have also been discussed at length. The analysis of the financial statements of the Corporation reveals that the take over of scheduled sick sugar mills by the corporation did not bring about any remarkable improvement, in that, the problem of growing sickness of sugar mills continues to persist. Majority of sugar mills are operating below the break-even point and are not able to repay the loans. As a result the burden of interest is mounting, nor are they in a position to meet their cost and depreciation. Further, the liquidity position of the Corporation has remained weak as the current ratio occasionally touches the standard norm of 2:1, as has been the case with quick ratio. Inspite of the mounting interest burden, the
Corporation is heavily dependent upon the barrowings. An indepth analysis of the financial statements of the Corporation leads to the inference that the main reason for the huge losses is the heavy burden of interest on the loans availed, which adversely affects the functioning of the Corporation. From time to time, the state Government and other financial Institutions have been providing increasing quantum of finance to the Corporations. Seemingly, however, the efforts made so far have not changed the deplorable situation and the Corporation continues to be crisis-ridden. The capacity situation remains low and mismanagement persists. Therefore, urgent and drastic measures should be undertaken without any further procrastination in order to tackle the onerous proportion of problems faced by the Uttar Pradesh Sugar Corporation as suggested in Chapter V which contains the main aim of this chapter is to sum up the main findings and conclusion of the present work. The sickness of the mills under the Corporation may be attributed to a
number of factors. These factors in brief are instability in production of sugar cane, low yield, shorter crushing season, unsatisfactory location of sugar mills, limited transportation facilities, rising cane prices and cost of sugar and consequent control of prices by the Government.

The need of the hour is to provide the required infrastructural facilities, like adequate irrigation, drainage system, fertilizers, pesticides, and timely inputs of treated seeds of better and improved varieties to the growers of sugar cane. These steps shall go a long way in maximising the yield per hectare and getting optimum returns and substantially increasing the supply of sugar cane to factories for the production of sugar. It is also suggested that the Government should pursue a realistic and dedicated sugar policy within an appropriate time frame in order to deal with the modernisation and rehabilitation of sick sugar mills. Another major constraint in the way of the development of sugar industry is the inadequacy
of financial input i.e. low equity base of the Corporation. As a result of this, the Corporation is unable to pay to the cane growers regularly or to provide finances to their modernisation and rehabilitation programmes. The financial constraint affects the functioning of the Corporation adversely. Therefore, it is imperative that the financial structure of the Corporation should be restructured by converting a part of the borrowed funds into equity capital. Obviously, this shall ease up the burden of interest payment and enable the Corporation to raise adequate funds through internal sources in order to finance its expansion and modernisation programmes. Hence, in nut-shell, there is a dire need of making a concerted and dedicated efforts by all concerned in order to solve the crisis faced by this important rural based industry of Uttar Pradesh.