CHAPTER-VII

FINDINGS, SUGGESTIONS AND CONCLUSION

A summary of the findings made from the analysis done on the study, recommended suggestions, a special note about the scope available for further research and conclusion are presented in this chapter respectively.

FINDINGS

ANAYISIS ON THE SHORT TERM SOLVENCY POSITION

PRIVATE SECTOR SUGARS

Current ratio of Bannari Amman Sugars shows that it was good and consistent during the study period, which means that the short term solvency of the company was also good while other sugar mills were inconsistent towards this ratio.

CO-OPERATIVE SECTOR SUGARS

Tiruppattur Sugars and Vellore Sugars have maintained consistency in current ratio where as other mills were inconsistent

LIQUID RATIO

PRIVATE SECTOR SUGARS

Consistent liquid ratio has been maintained by Bannari Amman Sugars only and all other private private sector sugar mills are of inconsistency during the study period.

CO-OPERATIVE SECTOR SUGARS

Dharmapuri Sugars has maintained consistency regarding liquid ratio. The remaining sugar mills have maintained inconsistency in the ratio.
LONG TERM FINANCIAL POSITION

PRIVATE SECTOR SUGARS

1. Dharani Sugars’ debt equity ratio was consistent and its long term solvency position was not so good.

2. Debt equity ratio of Rajshree Sugars was consistent and it was greater than 1:1 throughout the study period, the long term solvency position of the company was not so better.

3. Sakthi Sugars’ debt equity ratio was consistent and its long term solvency position was not so good during the study period.

   Regarding debt equity ratio, Dharani Sugars, Rajshree Sugars and Sakthi Sugars were inconsistent

CO-OPERATIVE SECTOR SUGARS

When compared to the co-operative sector sugars, the short term solvency position and long term solvency position of private sector sugars have been better during the study period.

Among the mills selected for the study both the short term and long term solvency position of Bannari Amman Sugars looked better than the other selected sugar mills.

DEBTORS’ TURNOVER RATIO

PRIVATE SECTOR SUGARS

When comparing with the private sugar industry, the debtors’ turnover ratio of Ponni Sugars was greater than the industry average while the other companies could not maintain the debtors’ turnover ratio at par with the private sugar industry.
CO-OPERATIVE SECTOR SUGARS

When comparing with the co-operative sector sugars, the debtors’ turnover ratio of Dharmapuri Sugars was greater than the industry average while the other companies could not maintain the debtors’ turnover ratio at par with the co-operative sector sugars.

STOCK OR INVENTORY TURNOVER RATIO

PRIVATE SECTOR SUGARS

From the analysis, it can be concluded that even though the stock turnover ratio of Sakthi Sugars was the highest of all private sector sugars, it is not considered as better since it indicates overstocking. Hence, the efficiency of management in controlling inventory was better in the case of Dharani Sugars when compared with other select private sugars.

CO-OPERATIVE SECTOR SUGARS

The efficiency of management in controlling inventory was better in the case of Amaravathi Sugars when compared with other select private sugars.

CREDITORS’ TURNOVER RATIO

PRIVATE SECTOR SUGARS

When comparing with the private sugar industry, the creditors’ turnover ratios of Dharani Sugars and Ponni Sugars were greater than the industry average while the other companies could not maintain the creditors’ turnover ratio at par with the private sugar industry.

CO-OPERATIVE SECTOR SUGARS

When comparing with the co-operative sector sugars, the creditors’ turnover ratio of Dharmapuri Sugars was greater than the industry average while the other
companies could not maintain the creditors’ turnover ratio at par with the co-operative sector sugars

**WORKING CAPITAL TURNOVER RATIO**

**PRIVATE SECTOR SUGARS**

From the analysis done on working capital turnover ratio, the efficiency of management in controlling working was better in the case of Ponni Sugars when compared with other select private sugars.

**CO-OPERATIVE SECTOR SUGARS**

In total, the efficiency of management in controlling inventory was better in the case of Amaravathi Sugars when compared with other select co-operative sector sugars.

**FIXED ASSETS TURNOVER RATIO**

**PRIVATE SECTOR SUGARS**

Overall analysis made on the fixed assets turnover ratio of all the private sugar industries, the fixed assets turnover ratio of Ponni Sugars was greater than the industry average while the other companies could not maintain the ratio at par with the select private sugar industry.

**CO-OPERATIVE SECTOR SUGARS**

Among the co-operative sugar mills select for the study, the fixed assets turnover ratios of Dharmapuri Sugars and Tirupattur Sugars were greater than the industry average while the other companies could not maintain the fixed assets turnover ratio at par with the co-operative sector sugars during the study period.
NET PROFIT RATIOS OF PRIVATE SECTOR SUGARS

PROFITABILITY RATIOS OF BANNARI AMMAN SUGARS

In case of profitability ratios, Bannari Amman Sugars has improved in its net profit ratio during the first half of the study period; nevertheless, it has witnessed a downward trend during the second half of the study period. The ratio of return on fixed assets of Bannari Amman Sugars reveals that the company has efficiently used the fixed assets in earning the net profit throughout the study period except in the year 2010-11 when the ratio was at the lowest of 7.43 percent. There was a greater efficiency on the part of the management in utilizing the working capital to maximize its profit earning capacity.

PROFITABILITY RATIOS OF DHARANI SUGARS

During the first half of the study period, the net profit ratio of Dharani Sugars has improved and it shows a downward trend during the second half of the study period. The company has efficiently used its fixed assets to earn the net profit throughout the study period except in the year 2002-03. It shows that the company has greater efficiency on the part of the management to utilise the working capital to maximize its profits.

PROFITABILITY RATIOS OF PONNI SUGARS

Ponni Sugars has improved its net profit ratio during the first half of the study period; nevertheless, it has witnessed a downward trend during the second half of the study period. According to the ratio of return on fixed assets, the company has efficiently used its fixed assets for earning the net profit throughout the study period except during the accounting year 2007-08. There was a greater efficiency on the part of the management in utilizing the working capital to maximize its profit earning capacity during the study period.
PROFITABILITY RATIOS OF RAJSHREE SUGARS

The highest net profit ratio of 5.69 percent was placed on record during the year 2005-06. However, the net profit ratio has gone down to −0.06 percent towards the end of the study period. It denotes that Rajshree Sugars has failed to improve its net profit ratio during the study period. The ratio of return on fixed assets of Rajshree Sugars reveals that the company has not efficiently used the fixed assets in earning the net profit throughout the study period. There was no greater efficiency on the part of the management in utilizing the working capital to maximize its profit earning capacity during the study period.

PROFITABILITY RATIOS OF SAKTHI SUGARS

Sakthi Sugars has failed improved its net profit ratio during study period. The ratio of return on fixed assets of Sakthi Sugars reveals that the company has not efficiently used the fixed assets in earning the net profit throughout the study period. There was no efficiency on the part of the management in utilizing the working capital to maximize its profit earning capacity.

NET PROFIT RATIO OF PRIVATE SECTOR SUGARS-ANOVA

It is understood that the average net profit ratio of Bannari Amman Sugars (10.28 percent) was the highest among the net profit ratios of private sector sugars. It denotes that Bannari Amman Sugars has proved its efficiency in earning more net profits than any other private sector sugars under study.

RETURN ON FIXED ASSETS RATIO OF PRIVATE SECTOR SUGARS-ANOVA

It is understood that the average return on fixed assets of Bannari Amman Sugars (16.79 percent) was the highest among the return on fixed assets of private
sector sugars. It denotes that Bannari Amman Sugars has proved its efficiency in earning more net profits than any other private sector sugars under study.

RETURN ON WORKING CAPITAL RATIO OF PRIVATE SECTOR SUGARS-ANOVA

The average return on working capital of Ponni Sugars (60.04 percent) was the highest among the return on working capital of private sector sugars. It denotes that Ponni Sugars has proved its efficiency in earning more return on working capital than any other private sector sugars during the study period.

RETURN ON NETWORTH RATIO OF PRIVATE SECTOR SUGARS-ANOVA

It is realized that the average return on networth of Ponni Sugars (43.70 percent) was the highest among the return on networth of private sector sugars. It denotes that Ponni Sugars has proved its efficiency in earning more net profits than any other private sector sugars under study.

NET PROFIT RATIOS OF CO-OPERATIVE SUGAR MILLS

PROFITABILITY RATIOS OF AMARAVATHI SUGARS

Amaravathi Sugars has improved its net profit ratio to a little extent during the study period. The ratio of return on fixed assets of Amaravathi Sugars reveals that the company has not efficiently used the fixed assets in earning the net profit throughout the study period. There was no greater efficiency on the part of the management in utilizing the working capital to maximize its profits.

PROFITABILITY RATIOS OF DHARMAPURI SUGARS

Dharmapuri Sugars has failed to improve its net profit ratio during the first half of the study period. The ratio of return on fixed assets of Dharmapuri Sugars reveals that the company has not efficiently used the fixed assets in earning the net
profit throughout the study period. There was no greater efficiency on the part of the management in utilizing the working capital to maximize its profits.

**PROFITABILITY RATIOS OF SALEM SUGARS**

Salem Sugars has not improved its net profit ratio during the study period. The ratio of return on fixed assets of Salem Sugars reveals that the company has efficiently used the fixed assets in earning the net profit through the study period except in the year 2007-08 when the ratio was at the lowest percent. There was a greater efficiency on the part of the management in utilizing the working capital to maximize its profits.

**PROFITABILITY RATIOS OF TIRUPATTUR SUGARS**

During the study period Tirupattur Sugars has failed to improve its net profit ratio. The ratio of return on fixed assets of Tirupattur Sugars reveals that the company has not efficiently used the fixed assets to earn the net profit throughout the study period. It shows the inability of the management in utilizing the working capital to maximize its profits.

**PROFITABILITY RATIOS OF VELLORE SUGARS**

Vellore Sugars has failed improved its net profit ratio during study period. The ratio of return on fixed assets of Vellore Sugars reveals that the company has not efficiently used the fixed assets in earning the net profit throughout the study period. There was no efficiency on the part of the management in utilizing the working capital to maximize its profits.

**NET PROFIT RATIO OF CO-OPERATIVE SECTOR SUGARS -ANOVA**

It is understood that the average net profit ratio of Dharmapuri Sugars was the highest among the net profit ratios of private sector sugars. It denotes that Dharmapuri
Sugars has proved its efficiency in earning more net profits than any other private sector sugars under study.

**RETURN ON FIXED ASSETS OF CO-OPERATIVE SECTOR SUGARS - ANOVA**

The average return on fixed assets of Dharmapuri Sugars was the highest among the return on fixed assets of co-operative sector sugars. It denotes that Dharmapuri Sugars has proved its efficiency in earning more net profits than any other co-operative sector sugars under study.

**RETURN ON WORKING CAPITAL OF CO-OPERATIVE SECTOR SUGARS - ANOVA**

The average return on working capital of Salem Sugars was the highest among the return on working capital of co-operative sector sugars. It denotes that Ponni Sugars has proved its efficiency in earning more return on working capital than any other co-operative sector sugars under study.

**RETURN ON NETWORTH OF CO-OPERATIVE SECTOR SUGARS - ANOVA**

The average return on net worth of Salem Sugars was the highest among the return on net worth of co-operative sector sugars. It denotes that Ponni Sugars has proved its efficiency in earning more net profits than any other co-operative sector sugars under study.
SUGGESTIONS

Following are the suggestions made by the researcher.

1. As co-operative sugar mills have borrowed more outstanding loans from Government, they are restricted to avail additional loans from any other external sources for their survival. As in the case of waiving done on some of the loans provided by the Government to the farmers, the concerned ministry of the Government has to waive the loans of co-operative sugar sectors to save them to get rid of such restriction in borrowing additional loans.

2. If the Government is not willing to waive the loans, it can convert them into shares. By becoming the shareholder of co-operative sugar mills, it can make the later to come out of such critical position.

3. Amount of interest on loan payable for the loans is also not to be borne by the co-operative sugar mills as it already suffers from shortage of funds. So rate of interest on loan to be reduced, as they manufacture the necessary commodity for the people.

4. While purchasing the machineries and tools, due to misappropriation of funds by the officials, perfection is not practiced in installation. Machineries of co-operative sector sugars are often getting breakdown due to obsolescence. As such, co-operative sugar mills are unable to attain 100% production. Such situation exists, because of the absence of inefficient system practiced on machineries by the co-operative sugar mills but such inefficiency is not there in private sector sugars. The concerned officials with the assistance of Government have to take steps to frame a proper system of plan to install updated machines to improve productivity of co-operative sugar mills. For this, number of quotations
may be received from suppliers and they are to be scrutinised well and after that only the order is to be placed to buy machineries.

5. Due to the unattractive remuneration system, the employees work with dissatisfaction. An amount of Rs.1800 is paid as pension to the retired employees of co-operative sugar mills. When such situation exists, no organization can have competence in its operation. Hence, the higher officials have to modify the existing remuneration package system to create morale in the minds of employees.

6. Government officials are bribed to get job in co-operative sugar mills, by the new entrants. As such co-operative sugar mills may not get the right candidates for work. An effective selection system is to be created and to be implemented to have effective human resource in co-operative sugar mills.

7. Sugar mills should be given full freedom, in the selection of area from where they wish to purchase sugarcane. There shouldn’t be any limits.

8. In order to please a major group of voters, State Government forces sugar mills to pay more amounts to farmers than the normal. Indirectly it may increase sugarcane cultivation, and thereby sugar production too, which leads fall in sugar price. Due to this, sugar mills make delay in settling the accounts to farmers. To maintain their income level, farmers may change their crop into another in future. It will lead to scarcity and more prices. Concerned officials should conduct a meeting with the representatives of the Government to deal with such problem.

9. Sugar mills should not be forced to sell levy sugar to Government for supply to ration shops and instead, Government has to buy it from open market.

10. Production of sugar gets reduced due to the lesser supply of sugarcane from the farmers during off-season because of poor rain. To deal with such problem,
Government can provide drip irrigation systems to the farmers through loan arrangements under the guidance of Cane Development Officer, to avoid shortage of water problems during less rainy season.

11. Co-operative sugar mills suffer due to the inefficient system in maintaining machineries and plant also. It also affects the productivity of workers. Adequate system for maintenance is to be framed and implemented in all the co-operative sugar mills.

12. There are two types of prices being followed to pay the sugarcane cultivators. They are,

a) Statutory Minimum Price (SMP) implemented by Central Government mentioning an amount of Rs2150 is to be paid to farmers for buying every 1000 kilogram of sugarcane.

b) State Advisory Price (SAP) implemented by Tamil Nadu State Government, mentioning an amount of Rs. 500 in addition to SMP, is to be paid to the farmers from whom the purchase is made. SAP is not at all followed by private sector sugars, but co-operative sugar mills have to do so. This additional burden also affects the profit earning capacity of the co-operative sugar mills. Hence, SMP is to be continued so that the financial position of co-operative sugar mills will be improved. Higher officials of sugar industry, have to hold a meeting with the representatives of Government to deal with this problem.

13. Another reason for the poor financial performance of sugar mills is that the non availability of co-generation and ethanol plants. Because of this, molasses and bagasse are sold to outsiders for lesser amount, Otherwise they can be
reprocessed by installing ethanol and co-generation plants to earn more profit by co-operative sugar mills.

SCOPE AVAILABLE FOR FURTHER RESEARCH

To know the financial performance of the sugar mills, ratios such as solvency ratios, turnover ratios and profitability ratios have been calculated and analysed in this study accurately. However, scope exists for further research in other sugar mills functioning in Tamil Nadu. More results can be derived if cash flow and funds flow statements of the sugar mills are analysed additionally.

CONCLUSION

Sugar industries are one among the industries producing the necessity commodities to the general public. Sugar industries suffer due to shortage of funds to function well. If adequate attention is given, sugar industries also can shine in market like any other industries. Government has to allocate the required funds from the budget to sugar industries for its improved performance to enable more exports.

Financial management of any organisation if functions effectively, problems of any type can be solved. Success of any organisation entirely is in the hands of financial management of the same. Management of sugar industries has to make required changes in the existing operations, so that the difficulties faced by sugar industries currently can be solved and their performance will go up into a great level.