ABSTRACT

India is treated as the original home of sugar and sugarcane. Indians knew the art of making sugar since the fourth century. World Sugar Production and Consumption India had been is considered top second position in production of sugar and top position in consumption of sugar.

Sugarcane is important cash crop grown in India. More than 50 million farmers and their families are dependent on sugarcane for their livelihood. The sugar industry is a green industry and is largely self sufficient in energy needs through utilization of biogases for generating electricity and steam. In fact, the sugar industry generates surplus exportable energy through co-generation and contributes in reducing the energy deficit that India is currently facing.

The sugar industry is experiencing the low profitability and lower rate of return on capital employed due to non-professionalized working capital management.

Prior research has found that sugar companies, operating in India are severely affected by the acute problems like ‘shortage of working capital’, ‘poor liquidity’ and ‘poor profitability’. Profitability is positively related with liquidity, efficiency of management and financial structure of the company. The present study deals with analyzing the impact of working capital management on profitability of sugar industry in Andhra Pradesh and Telangana, to analyze and find out that there is any impact of difference in working capital components in Andhra Pradesh and Telangana.

In this study computation and comparison of different financial ratios is carried out. Along with it significant difference in level of various working capital components (Current Ratio, Quick asset, Gearing, debtor to current assets, stock to current assets, current assets to total assets, current liabilities to total assets, current assets turnover, firm size, inventory in days, receivables in days, payables in days, cash conversion days) and profitability measures (profitability margin) among the selected sugar industries and between Andhra Pradesh and Telangana.

The study determined Correlation between working capital components(Inventory in Days, Receivables in Days, Payables in Days and Cash Conversion Cycle) with Profitability (ROTA). The Means of key working capital components are significantly different among the select units of Andhra Pradesh and
Telangana. The study revealed Overall, working capital components like inventory period, accounts receivables period, accounts payables period and cash conversion cycle are correlated with Profitability(ROTA) of select units in Andhra Pradesh and Telangana states.