A STUDY ON FINANCIAL PERFORMANCE OF PONNI SUGAR LIMITED IN ERODE DISTRICT

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ABSTRACT

Finance is the study of funds and management. Its general areas are business finance, personal finance, and public finance. . Finance addresses the methods where in business entities used their financial resources on a certain period of time. . The outline includes the objectives of the business, the target sets, resulting costs, required investment, planned sales, growth, financing source, and financial result. Sugar industry is one of the most important agro-based industries in India and is highly responsible for creating significant impact on rural economy in particular and country's economy in general. The Ponni sugars ltd., is also one of the biggest firms in the sugar industry. Hence an analysis of financial performance of Ponni sugar ltd., has been made. This study has been made to show the fluctuations in the profits and also the financial implications of such variation in the profit. To trace the origin and study the growth of sugar industry.To analyze the financial performance of Ponni Sugars pvt ltd., Erode

KEYWORDS: Financial Ratios, Current Assets, Current Liability, Financial Performance, Financial Analysis, Comparative Statement.

INTRODUCTION

Sugar production in India has been cyclic in nature. An estimated 75 per cent of the population depends on the sector either directly or indirectly. Sugar industry is also expected to develop further, thereby offering more employment opportunities to a number of semi-skilled and skilled workers in the rural areas of the country thereby contributing towards their development. The sugar industry also supports diversified ancillary activities and skills that support the local economy. The dependent population creates substantial demand for local goods and services. The sector also has major social and economic impact on the nation as it is a green industry and is largely self-sufficient in energy needs through utilization of bagasse for generating electricity and steam. In fact, the sugar industry generates surplus exportable energy through cogeneration and contributes to reducing the energy deficit that India is currently facing. Sugar cane is grown in semi-tropical region and accounts for around twothird of world sugar production. Since sugar cane is used as the input for the manufacture of sugar, sugar industry is getting large production from sugar cane growing states in India namely Andhra Pradesh, Tamil Nadu, Gujarat, Karnataka, Maharashtra and Uttar Pradesh.

OBJECTIVES OF THE STUDY

- ✓ To analyze the financial performance of Ponni Sugars pvt ltd., Erode
- ✓ To analyze the growth of Ponni Sugar pvt ltd., Erode.
- ✓ To examine the liquidity position of Ponni Sugar Pvt ltd., Erode.

SCOPE OF THE STUDY

- The present study aims at descriptive the Profitability and liquidity Analysis of the Ponni sugars Pvt ltd., Erode.
- It also helps to identify the strength and weakness of the industry in financial aspects.

COMPANY PROFILE

Ponni Sugars (Erode) Ltd is an off spring of Ponni Sugars and Chemicals Ltd (PSCL) under a Demerger Scheme sanctioned by the High Court of Madras on 10th September 2001. In terms of the Scheme, the company took over the business of Erode Under taking with concurrent transfer of major part of stakeholders' interest in PSCL to the company.

The Erode sugar mill was set up with 1250 TCD capacity in 1984 in a record time of 12 months. It achieved full capacity crushing during the very first year of its commercial operation that enabled declaration of a maiden dividend of 10% in that very first year, a record in the annals of sugar industry. It was a trendsetter in mobilizing surplus cane during its infancy stage from neighboring sugar mills and extending crushing season to well above industry average. Its capacity was expanded to 2500 TCD In 1994.

METHODOLOGY

The present study is undertaken on the basis of the sources available from the computed annual report published. The data were also collected from various sources such as magazines, journals, newspapers ect. Research is often described as an active, diligent and systematic process of inquiry aimed at discovering, interpreting and revising facts. This intellectual investigation produces a greater understanding of events, behaviors or theories and makes practical applications through laws and theories.

PERIOD OF THE STUDY

This study is confined to a period of Five years i.e., from 2008-2009 to 2012-2013.

DATA COLLECTION

The study is based on secondary data obtained from the published annual reports of the Ponni Sugar, comprising of profit and loss account and balance sheet. Clarification were obtained from the company's officials whenever necessary. The secondary data collected for the study from magazines, journals, books etc.

TOOLS USED FOR DATA ANALYSIS

- ✓ Ratio analysis.
- ✓ Comparative statement.

LIMITATIONS OF THE STUDY

- The study is restricted to the facts and figures in annual reports.
- The study is restricted only to five years of the period of study.
- The study confines only ratio analysis & comparative statements other tools not employed.

ANALYSIS OF SHORT TERM FINANCIAL POSITION OR TEST OF LIQUDITY

It measures the ability of the firm to meet its short-term obligations that is capacity of the firm to pay its current liabilities as and when they fall due. Thus these ratios reflect the short-term financial solvency of a firm. A firm should ensure that it does not suffer from lack of liquidity. The failure to meet obligations on due time may result in bad credit image, loss of creditors confidence, and even in legal proceedings against the firm on the other hand very high degree of liquidity is also not desirable since it would imply that funds are idle and earn nothing.

LIQUIDITY RATIOS

The various ratios that explains about the liquidity of the firm are

a) Current Ratio
b) Acid Test Ratio / quick ratio
c) Absolute liquid ratio / cash ratio

CURRENT RATIO

The current ratio measures the short-term solvency of the firm. It establishes the relationship between current assets and current liabilities. It is calculated by dividing current assets by current liabilities.

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

Current assets include cash and bank balances, marketable securities, inventory, and debtors, excluding provisions for bad debts and doubtful debtors, bills receivables and prepaid expenses. Current liabilities includes sundry creditors, bills payable, short- term loans, income-tax liability, accrued expenses and dividends payable.

TABLE NO: 1
CURRENT RATIO

YEAR	CURRENT ASSETS (Rs. In Cr)	CURRENT LIABILITIES (Rs. In Cr)	RATIO
2008-2009	55.03	36.98	1.4881
2009-2010	103.88	45.37	2.2896
2010-2011	71.82	47.20	1.5216
2011-2012	59.48	56.76	1.0479
2012-2013	92.13	43.98	2.0948

Sources: Annual Reports

The above table No. 1 shows that, current ratio of ponni sugar ltd from 2008-2009 to 2012-2013. The idle ratio is 2:1 the ratio is more than standard norm during the study period 2009-2010 (2.2896), 2012-2013 (2.0948). The highest ratio is in the year 2009-2010 (2.2896) and lowest ratio is recorded in the year 2011-2012 (1.0479). The average ratio was 1.6884 percent. It indicates the short term solvency position of Ponni Sugar is not satisfactory.

DEBT EQUITY RATIO

The ratio is ascertained to determine long-term solvency position of a company .Debt equity ratio is also called external, internal equity ratio. The term external equity refers to total ratio outsides liabilities

$$\text{Debt equity Ratio} = \frac{\text{Total Long-Term Debt}}{\text{Shareholder's Funds}}$$

It is also known as External-Internal Equity Ratio. Debt-Equity ratio is determined to ascertain soundness of the long-term financial policies of the company. The ratio relates all external liabilities to owner's recorded claims. Debt equity ratio is calculated.

Total Debt = Long-term Debt + Short-term Debt

TABLE NO: 2
DEBT EQUITY RATIO

YEAR	LONG-TERM DEBT (Rs. In Cr)	SHAREHOLDER'S FUND (Rs. In Cr)	RATIO
2008-2009	-3.4	46.8	-0.0726
2009-2010	-11.07	79.65	-0.1389
2010-2011	-30.75	96.25	-0.3194
2011-2012	-8.48	111.54	-0.0760
2012-2013	36.33	129.14	0.2813

Sources: Annual Reports

The above table No: 2 find the debt equity ratio for the period of 2008-2009 to 2012-2013. The debt equity ratio is high in the year 2012-2013 (0.2813) and also lowest debt equity ratio in the year 2008-2009 (-0.07264). The idle ratio is 2:1 therefore from the above table it can be noted that the actual debt equity ratio below than the standard level in all the years. The average ratio was 0.065 percent. The low debt equity ratio implies a greater claim of owners than creditors.

COMPARATIVE STATEMENT

The preparation of comparative financial is an important device of horizontal financial analysis. Generally, Balance sheet and Income statement which alone are prepared in a comparative from because they are the most important statement of financial position. These statements render comparison between two period of time and exhibit the magnitude and direction of historical changes in the operating results and financial status of a business. The statement also provides for columns to indicate the changes from one year to another in absolute terms and also in percentage form.

TABLE NO: 3
COMPARATIVE BALANCESHEET FOR YEAR ENDED 2011-2012 AND 2012-2013

PARTICULARS	2011-2012 (Rs in Cr)	2012-2013 (Rs in Cr)	CHANGES (Rs in Cr)	%
SOURCES OF FUNDS				
Equity Share Capital	8.60	8.60	0	0
Reserves	102.94	120.54	17.6	17.09
Secured Loans	48.28	80.31	32.03	66.34
Unsecured Loans	0	0	0	0
Total Liabilities	159.82	209.45	49.63	31.05
APPLICATION OF FUND				
Gross Block	73.05	172.78	99.73	136.52
Less: Depreciation	28.88	39.69	10.81	37.43
Net Block				
Capital Work in Progress	44.17	133.09	88.92	20.13
Investments	84.17	0.27	-83.9	-99.67
Inventories	20.79	20.79	0	0
Sundry Debtors	46.94	73.83	26.89	57.28
Cash and Bank Balance	11.85	16.89	5.04	42.53
Loans and Advances	0.69	1.41	0.72	104.34
Fixed Deposits	19.62	16.47	-3.15	-16.05
Total CA, Loans & Advances- A	0.00	0.00	0	0
Current Liabilities				
Provisions				
Total CL & Provisions – B				
Net Current Assets A-B				
Total Assets	79.10	108.60	29.5	37.29
	56.76	43.98	-12.78	-22.51
	11.65	9.32	-2.33	-20.0
	68.41	53.30	-15.11	-22.08
	10.69	55.30	44.61	417.30
	159.82	209.45	49.63	31.05

Sources: Annual Reports

Reserves were increase to 17.6% i.e., rupees 17.09crores, secured loans increase to 32.03% i.e., rupees 66.34crores, net block increasing to 88.92% i.e., rupees 20.13crores, inventories increase to 26.89% i.e., rupees 57.28crores, sundry debtors were increasing 5.04% i.e., rupees -42.53crores, current liabilities were decrease to -12.78% i.e., rupees -22.51crores, provisions were decrease to -2.33% i.e., rupees -20.0crores. The overall financial position was satisfactory.

CONCLUSION

Ponni sugar limited has grown over wide and breath. Its profitability, turnover, assets are found to be impressive in the last five years (i.e.,) 2008-2009 to 2012-2013. However the company has to concentrate on certain aspects like working capital management, cash management, capital turnover, dept collection period. It is expected that the performance of Ponni sugar limited will be improved if the company implement the suggestion.

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