A STUDY ON FINANCIAL PERFORMANCE OF SAKTHI SUGARS LIMITED, COIMBATORE, FOR THE STUDY PERIOD 2002-2006

By

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for the award of the degree

Of

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KCT Business School
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Coimbatore – 641006

BONAFIDE CERTIFICATE

Certified that this project report titled " **A STUDY ON FINANIAL PERFORMANCE SAKTHI SUGARS LIMITED, COIMBATORE**" is the bonafide work of PRAVEEN KUMAR.S (Reg no:71206631042) who carried this research under my supervision. Certified further , that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

Ms.S.Sangeetha, Lecturer
Project Guide

Director

Evaluated and Viva Voce conducted on 29/10/07

INTERNAL EXAMINER

EXTERNAL EXAMINER

Sakthi Sugars Limited

GA-26/ 3... /2007

27.09.200

CERTIFICATE

This is to certify that Mr.S.Praveen Kumar, M.B.A. student of Kumaraguru College of Technoloyg, Coimbatore, has done Project Work on the topic *'A STUDY ON FINANCIAL PERFORMANCE OF SAKTHI SUGARS LIMITED, COIMBATORE'* in ***FINANCE*** Department of our organisation during the period from 19th June, 2007 to 31st July, 2007.

During the above period, his performance, conduct and character were found to be ***GOOD.***

We wish all success in his career.

For SAKTHI SUGARS LIMITED

P.MUTHUVELAPPAN
SR.GENERAL MANAGER-HRD

DECLARATION

I, hereby declare that this project report entitled " **A STUDY ON FINANIAL PERFORMANCE OF SAKTHI SUGARS LIMITED, COIMBATORE"** as has been undertaken for academic purpose submitted to Anna University in partial fulfillment of the requirements for the award of the degree of Master of Business Administration. The project report is the record of the original work done by me under the guidance of **Ms.S.Sangeetha, Lecturer** during the academic year 2006 – 2007.

I, also declare hereby, that the information given in this report is correct to best of my knowledge and belief.

Date:

Place: Coimbatore

PRAVEEN KUMAR .S

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I thank sincerely **Dr. Joseph. V. Thanikal**, Principal, Kumaraguru College of Technology for providing this opportunity to carry out this project.

I wish to express my deep sense of gratitude for permitting me to do the project to **Prof. S.V.Devanathan**, the **Director**, and KCT Business School.

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I owe my sincere thanks to **Mr. K. Ravi**, Senior Manager- Finance, Sakthi Sugars Limited, Coimbatore, and all the staff members for providing me necessary information for the successful completion of this project.

EXECUTIVE SUMMARY

The study aims to measure the growth of Sakthi Sugars Limited and to identify the financial position. The data used are taken from annual reports of the company. The financial performance of the company is assessed with various parameters such as sales, net profit, EPS and other standard financial ratios.

Working capital refers to the firm's investment in current asset. The large holding of current assets, especially cash, strengthens the firm's liquidity position and reduces risk, and also reduces the overall profitability. The firm has a greater degree of flexibility in managing current assets.

Ratio analysis is one of the popular tools of financial statement analysis Financial ratio is a relationship between two variables taken from financial statements of a concern. Ratio analysis helps management pinpoint specific areas that reflect improvement or deterioration, as well as detect any trouble spots that may prevent the attainment of objectives.

In financial analysis, the direction of changes over a period of years is of crucial importance. Time series or Trend analysis of ratios indicates the direction of change. By the method of least square, a straight line trend can be fitted to the given time series of data. We can find out the direction of long term series whether it is growing or declining by the measurement of trend. The reason for measurement of trend is to find out trend characteristics in the series. We can find out the growth factor.

The project has been undertaken to study the financial performance of Sakthi Sugars Limited, Coimbatore, for a period of forty days 19-06-2007 to 31-07-07.

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INTRODUCTION

CHAPTER 1

INTRODUCTION

1.1 BACKGROUND OF STUDY

The term financial analysis also know as analysis and interpretation of financial statements, refers to the process of determining financial strengths and weakness of the firm by establishing strategic relationship between the items of the balance sheets, profit and loss account and other operative data

Financial statement analysis is a process of evaluating the relationship between component parts of a financial statement to obtain a better understanding of a firm`s position and performance.

Broadly speaking there are three steps involved in the analysis of financial statement these are selection, classification and interpretation.

The study enables the stakeholders of the company to understand well about the company`s past performance and thereby enables to estimate the future performance.

1.2 REVIEW OF LITERATURE

Jill Collis, Robin Jarvis (2002)

The study is to examine the use of financial information in the small companies, as financial management is critical to their success and survival. The purpose of study is to identify the sources and utility of financial information used and the results show that the majority of small companies adopt practices that include formal methods of planning and control. There is a strong emphasis on controlling cash and monitoring performance in the context of maintaining relationships with the bank. The most widely used and most useful sources of financial information are the monthly/quarterly management accounts and cash flow information in various forms. Multivariate analysis reveals that the utility of the periodic management accounts is contingent upon the size of the business and the receipt of management advice from the auditor/accountant.

Ali Al-Attar & Simon Hussain (2004)

This study examines the ability of current accounting data to explain future cash flows for UK firms, as disclosed under FRSI (1991). Rather than examining price data-from which cash flow implications have to be inferred follow the more direct approach used in several recent US studies, in which actual cash flow data are examined. Specifically, our methodology is a development of the OLS regression framework employed by Barthtal (2001). We provide a replication of their main OLS analysis, and then extend this to deal with fixed effects and time trends in the levels of cash flow data. Study finds that the disaggregation of earnings into cash flows and accruals generates superior explanatory power with regard to future cash flows.

Charles E. Wasley & Joanna Shuang Wu (2006)

This study is a relative recent change in voluntary disclosure practices by the management, namely, the issuance of cash flow forecasts. They predict and find that management issues cash flow forecasts to signal good news in cash flow, to meet investor demand for cash flow information, and to precommit to a certain composition of earnings in terms of cash flow versus accruals, thus reducing the degree of freedom in earnings management. The results also suggest that management discloses good news in cash flow to mitigate the negative impact of bad news in earnings, to lend credibility to good news in earnings, and to signal economic viability when the firm is young. They find that management cash flow forecasts primarily convey good news is in contrast to the generally negative nature of management earnings guidance and suggests that different incentives drive firm`s disclosure of different financial information.

The review provides the researcher in identifying some potential research investigations. The observed review helps to gain insight knowledge about various predicting financial decisions. The studies by various researchers provide some potential information in ascertaining the difference exists between the variables for the present study. The previous studies provide some reliable financial practices that were followed traditionally and tactical decisions followed by firms. Those studies reviewed help the present study by learning valuable criticisms and suggestions by authors.

1.3 OBJECTIVES OF STUDY

Primary Objective:

* To study the financial performance of Sakthi Sugars Limited. for the study period 2002-2006.

Secondary Objective:

* To understand the liquidity and profitability position of the firm
* To determine the projections for net working capital, sales, current assets, current liabilities and expenses.
* To pinpoint specific areas that reflects improvement or deterioration.

1.4 SCOPE OF STUDY

The scope of study is to determine the Financial Performance of Sakthi Sugars Limited. The study will be useful for improvement in the performance of the firm. The study covers a period of 5 years from 2002-2003 to 2005-2006. In Financial analysis the direction of changes over a period of years is of crucial importance. Time Series or Trend Analysis of ratios indicates the direction of change. This kind of analysis is particularly applicable to the items of Profit & Loss account.

1.5 METHODOLOGY

Primary data and secondary data are used for the study. Primary data was collected by direct contact with officers and managers. Sources of secondary data were Annual Reports of Sakthi Sugars for the year ended 2002 March to 2006 March. Ratio analysis and Trend analysis are used to analysis the financial performance of the sakthi sugars.

RESEARCH DESIGN

As the study aims at narration of facts regarding the financial position of the company, the research design adopted in the study has been descriptive in nature.

PERIOD OF STUDY

The period of study has been taken for five years from the year 2002-2003 to 2006-2007.

SOURCES OF DATA

Data used for the study are secondary in nature. The information was collected from the published annual reports and accounting records constitutes the secondary data.

Tools used:

- Ratio analysis.
- Trend analysis.

1.6 LIMITATION

- The period of study is limited to 5 years from 2002 to 2006.
- Project duration was also a constraint.
- The reliability of the secondary data collected based on the published details and the annual reports are subjected to window dressing.

CHAPTER 2

ORGANIZATIONAL PROFILE

CHAPTER 2

ORGANIZATIONAL PROFILE

2.1 HISTORY OF THE ORGANIZATION

The Sakthi Group is today one of the largest producers of sugar in the country. Together, with the new projects in the state of Orissa, its member companies account for a capacity, of over 16,000 tonnes of cane crush per day. Sugar also accounts for a large share of the Group's turnover. The member companies are:

SAKTHI SUGARS LIMITED - SAKTHI NAGAR SUGAR UNIT

Sakthi Sugars Limited's first unit, set up in 1964 by the riverside of Bhavani, has out beaten many records in performance like the 17 lakh tonnes of cane crush in 2001-02. The Unit also bagged the most prestigious National Efficiency Awards consecutively for several years. The capacity of the unit is 7000 tonnes of sugarcane crushed daily.

It has several most outstanding performances i.e. achieving the lowest sugar losses. highest standards of technical efficiency and the highest mill efficiency. This Unit is the only sugar factory in India which could produce superfine grade of sugar corresponding to international standard measured at grade 35 and below by International Commission for Uniform Method of Sugar Analysis (ICUMSA). This has been possible
Through constant R & D efforts. excellent rapport with the farming community. adoption of appropriate technology in cane cultivation and processing techniques. The registered area under sugarcane progressively increased from 3500 hectares to over 15.000 hectares and the per hectare productivity increased from 70 to 100 tonnes.

Other Units of Sakthi Sugars are

Sivaganga Sugar Unit, Baramba Sugar Unit. Dhenkanal Sugar Unit, Sri Chamundeswari Sugars, Distillery Unit At Sri Chamundeshwari Sugars, Distillery & Pollution Control Division At Sakthinagar, Cogeneration At Sakthi Nagar. Distillery Unit At Dhenkanal.

ABOUT THE COMPANY

Sakthi Sugars Limited is one of the largest producers of white crystal sugar in the country accounting for a capacity of 13,500 tonnes of cane crush per day.

Growth in terms of Crushing Performance

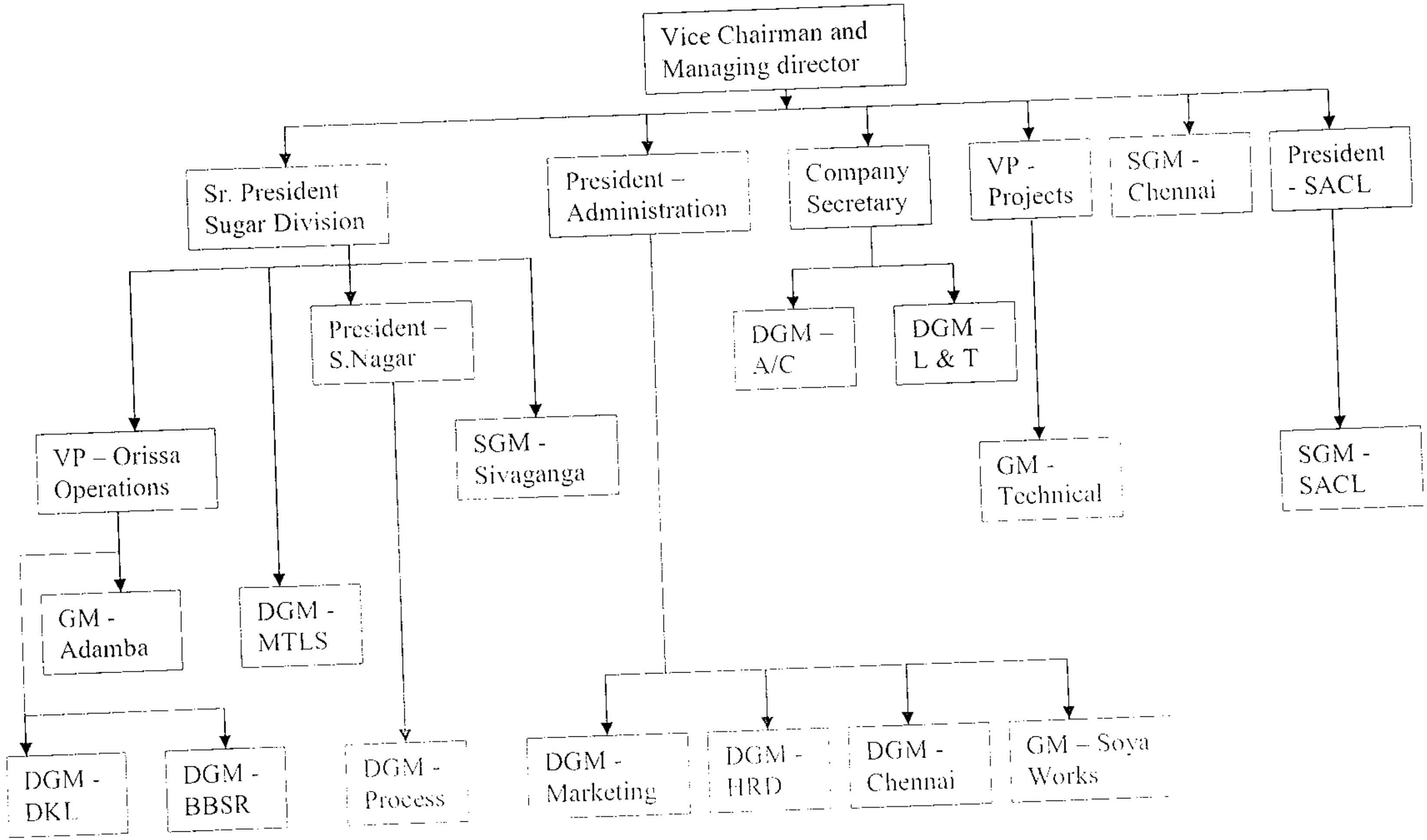
- Mills equipped with Auto Setting facilities.
- Best export quality of Sugar produced.
- Scientific farming.
- Continuous R&D in sugar rich, pest resistant and high yielding sugarcane varieties.
- Mechanization of cane harvesting.
- Efficient Sugar manufacturing method used thereby reducing the sugar loss.
- Factory sites are maintained neat and clean - Hygiene at its best.

2.2 BOARD OF DIRECTORS

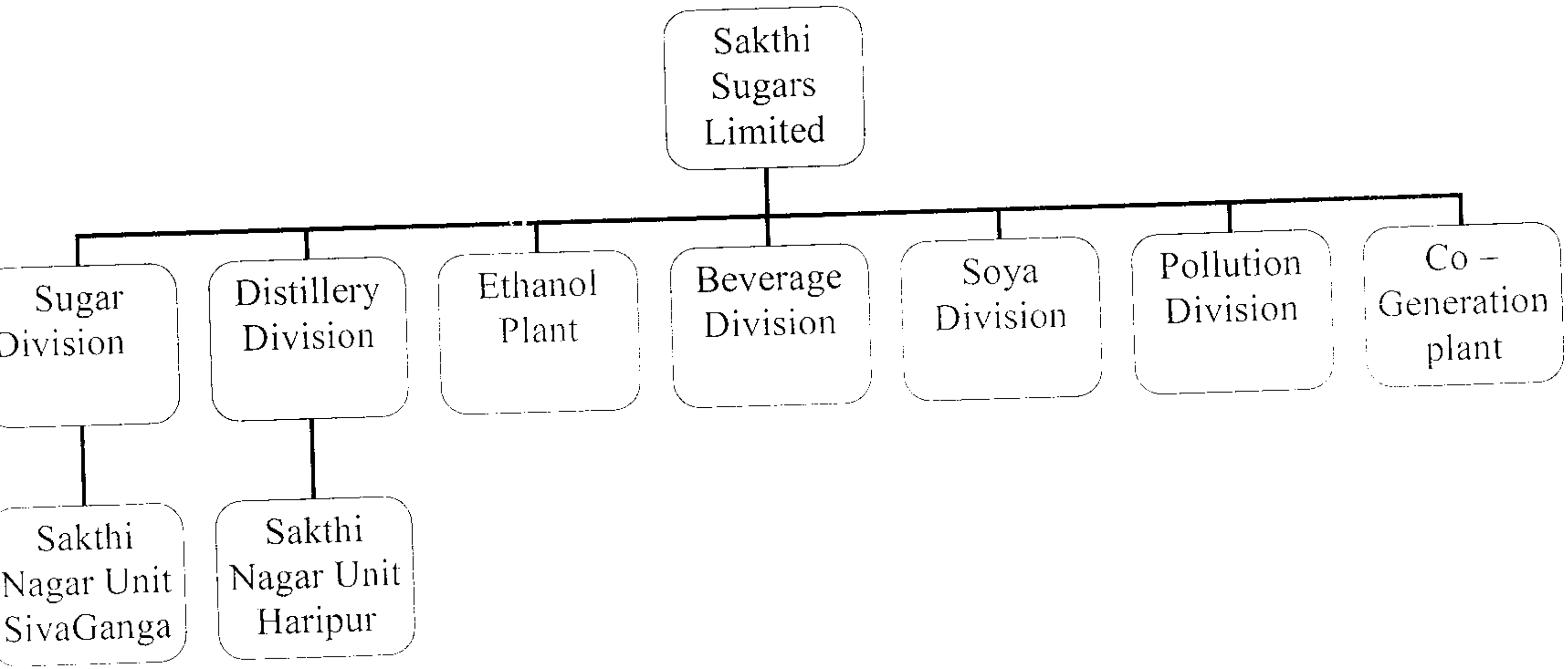
- Dr N MAHALINGAM - Chairman
- Sri M MANICKAM - Vice Chairman & Managing Director
- Sri V K SWAMINATHAN - Executive Director

2.3 ORGANIZATIONAL CHART

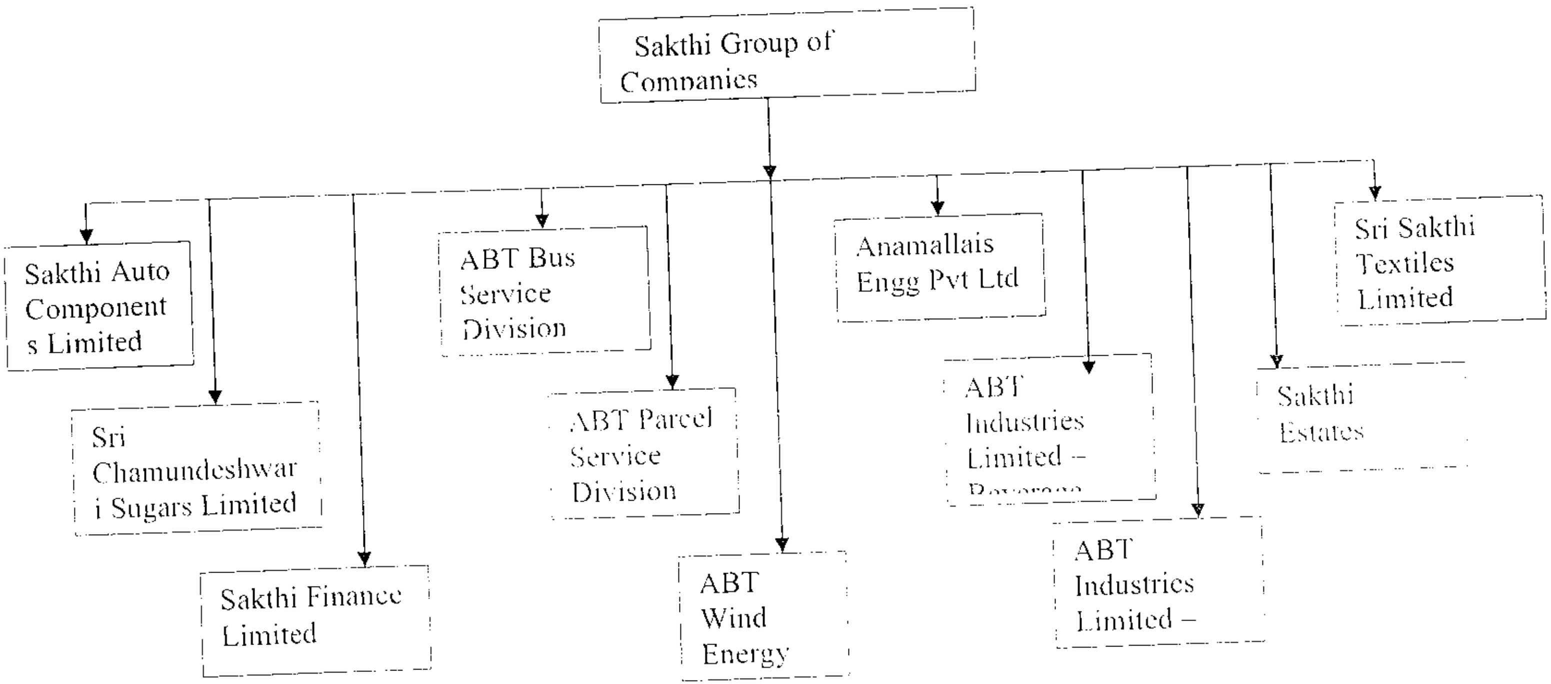
SAKTHI SUGARS LIMITEDCOMPANY AS A WHOLE



STRUCTURE OF SAKTHI SUGARS



STRUCTURE OF SAKTHI GROUP



2.4 PRODUCT PROFILE

WHITE CRYSTAL SUGAR

GRADE – S 30

M 30

L 30

BY PRODUCTS:

- Baggasse.
- Molasses.
- Bio - Compost.

Sugar manufactured is of international standard of ICUMSA 35 units maximum and exported overseas.

2.5 FUTURE PLANS

The directors are pleased to mention that crushing capacity of sugarcane is being enhanced by 5000 TCD. This is being done by expanding the existing 7500 TCD plant at Sakthinagar to 9000 TCD and by setting up a new plant at Erode District with the capacity of 3500 TCD.

Three new co-generation plants with an aggregate capacity of 85 MW PH is under implementation at Sakthinagar, Sivaganga and at the new sugar plant premises. These projects are funded by issue of FCCB and from internal accruals/borrowings.

With the commissioning of the co-generation projects under implementation, the company will be de-risking to a great extent the adverse cyclical effects that are prevalent in the sugar industry. The future of sakthi sugars are expected to be bright.

2.6 DESCRIPTION OF VARIOUS FUNCTIONAL AREAS

Secretarial department:

The Secretarial division is the main store house of activity. The company secretary heads the Secretarial department. The department does all secretarial functions and also all the legal matters connected to the day-to-day administration of the company.

Functions:

- Issue of shares and share certificates.
- Transfer and transmission of share.
- Conducting of meeting.
- Maintenance of book and registers.
- Filing of returns.
- Legal transactions.

Finance department:

Financial Department is concerned with procurement and use of funds: its main aim is to do business funds in such a way that the earnings are maximized. The General Manager – Finance heads the Finance department.

Functions:

- To asses the funds requirements.
- To plan the source of funds.
- To make-up timely arrangements of funds.
- To monitor utilization of funds.
- To prepare the tax planning and computation of tax.
- To submit financial statement and report to member of stock exchange and other board members.
- To finalize the financial performance and provide necessary information.
- To make stock valuation.
- To make periodic project analysis for all divisions.

Accounts department:

The Accounts Department is responsible for written statement of financial position. They do internal auditing in an exhaustive manner as well as assist themselves to the external auditor. It is headed by The General Manager Finance and handled by Deputy General Manager.

Functions:

- Overseeing the accounting functions and periodical compilation of unit wise, division wise and Head office accounts.
- Preparation of profit & loss and balance sheet.
- Preparation of capital revenue budget of the company.
- Preparation of financial budget for individual units and corporate office.

Personnel and administration department:

Personnel department of the company is administering all employees in the organization and it covers the relationship between the employees and employers. This department precedes the procedures and practices through which HR is managed towards the attainment of individual social and organizational goals.

Functions:

- Man power planning.
- Recruitment, selection and induction.
- Performance appraisal and human resource system
- Training and development.
- Compensation and salary administration.
- Compliance of statutory obligation and returns relating to shops and establishments act, factories act, minimum wages act, etc.

Administration department:

The administration department is mainly concerned with maintenance of organization and the service rendered staff, transport facilities for senior executives, maintenance of the guesthouse for visitors from abroad and provide them with required

Functions:

- To make the plan and administer the organizational program.
- To prepare the records for the wage and salary administration.
- To calculate receipts and payment of the department.
- To prepare budgets for the programs by the department.

Purchase department:

The purchase department plans to supply raw materials, required machinery and spares time to stores department of every division and its units. It is headed by GM and handled by Assistant GM (material) and GM (purchase).

Functions:

- To minimize the lead times in purchase.
- To introduce vendor rating.
- To identify new vendors.
- To minimize inventory.
- To minimize purchase cost.
- To supply raw material based on timely placement of purchase requisition.
- To purchase quality materials at minimum cost for genuine vendors.

Stores department:

The investments in materials constitute a major portion of current assets so there is a separate stores department to exercise stores control. The store keeper store manager is in charge of stores department and is responsible for stores control.

CHAPTER 3
MACRO-MICRO ANALYSIS

3.1) MACRO ANALYSIS OF SUGARCANE INDUSTRIES

India is reported to be the country of origin of sugarcane: references to "Sweet Grass" - Sugarcane- exist in ancient epics of India dating 3000 BC. North eastern India was regarded as the center of origin. from where sugarcane seems to have been carried to China and other places by early traveler and nomads, sometime between 1800 and 1700 BC. Later, it spread to Philippines, Jawa and other places including Caribbean islands by explorers. The same established growth of sugarcane in many countries. Production of sweetening materials like sugar from sugarcane is the greatest contribution that India and China have given to the world. Sugar is referred to as Sharkara in Sanskrit. an ancient primary Aryan Language in India: Chini is another word for sugar derived from China in which country the manufacture of sugar in different food forms. was originally practiced.

India. the mother country of sugarcane. occupies even today a very pride place in the world. India is the foremost among the sugarcane producing countries in the world, it produces annually about 200 million tones of cane. This is utilized for production of different sweetening agents including crystal sugar. which alone forms the base for world's sugar statistics. From the stage of production of less than 0.1 million tones of crystal sugar in early 1930's, India has become the foremost of crystal sugar producing country in the world. with 18.4 millions tones of production in 2002 - 2003.

The commendable achievement to Indian sugar industry over the last 5 decades is due to careful planning and development by the Central and State Governments and by all concerned with sugar industry. This chapter resents an account of the historical development of the Indian sugar industry.

GEOGRAPHICAL FEATURES FOR SUGARCANE CULTIVATION

The sub-continent, India being situated in tropical and sub-tropical areas is ideally suited for sugarcane cultivation. Nearly $1/3^{rd}$ of the soil in the gangetic plains in the North is alluvial. with vast stretches of red soils in the peninsular India. black cotton soils in

The sub-tropical region

experiences monsoon in June to September and also in the winter months, January and February. The tropical region has rains both by the south-west and south-east monsoons in May-September and in October - December. The mighty rivers, the Ganga and Yamuna in the northern India, and the Godavari, Krishna and Cauvery in the South, provide adequate irrigation facilities. Irrigation is also supplemented from tanks and wells. The total irrigated area in India is about 40 million hectares, as against 175 million hectares of cropped area. Sugarcane occupies about 2.5% of the total cropped area in India: Sugarcane is grown in almost all parts of India except in the colder regions of the extreme North like Jammu and Kashmir, Himachal Pradesh, etc.

Per Capita consumption of sugar in some Major countries of the World For the Year 2005

Country	Per capita consumption (Kilograms)
Afghanistan	4.7
Australia	55.3
Austria	4.3
Bangladesh	1.9
Barbados	57.3
Brazil	50.2
Bulgaria	47.7
Burma	1.8
Canada	47.5

State – wise Yield of Sugarcane in India

(Tonnes / hectare)

S.No.	State	2000-2001	2001 - 2002	2002 – 2003
1.	Andhra Pradesh	75.9	83.3	74.2
2.	Andaman & Nicobar Islands	3.0	3.0	3.0
3.	Assam	35.8	43.6	42.0
4.	Bihar	28.2	33.8	33.0
5.	Delhi	1.5	1.0	1.0
6.	Gujarat	59.2	59.6	70.3
7.	Haryana	40.5	39.7	37.4
8.	Himachal Pradesh	15.7	14.4	9.3
9.	Jammu & Kashmir	37.1	28.5	27.6
10.	Karnataka	79.4	81.5	79.9
11.	Kerala	59.3	59.9	59.4
12.	Madhya Pradesh	27.4	28.4	28.4
13.	Maharashtra	92.3	96.9	96.3
14.	Manipur	33.0	33.9	35.3
15.	Meghalaya	46.5	45.	45.0
16.	Mizoram	4.6	4.6	4.6
17.	Nagaland	29.9	31.8	45.0
18.	Orissa	63.0	64.4	61.9
19.	Punjab	55.2	57.7	61.0
20.	Pondicherry	76.5	83.5	86.9
21.	Goa, Daman & Diu	48.4	49.8	49.8
22.	Rajasthan	39.5	38.7	37.6
23.	Tamil Nadu	101.5	100.4	88.9
24.	Tripura	38.2	39.6	39.6
25.	Uttar Pradesh	47.1	46.3	45.6
26.	West Bengal	60.7	61.3	51.4
	ALL INDIA	57.8	55.4	56.2

3.2) MICRO ANALYSIS OF SUGARCANE INDUSTRIES

Sugar Cane in Tamil Nadu

1. Sugarcane is an important commercial crop and is classified as an essential commodity utilized for the production of another essential commodity, Sugar, which is the main source of energy to human being.

2. Sugar Industry is the second largest Agro based Industry, next to textiles both in the Nation and Tamil Nadu. About 30 million farmers are engaged in the cultivation of sugarcane. They are supplying cane to the sugar mills for a worth of Rs.14, 000/- crores per annum on an average. Govt. of India fetches around Rs.1550/- Crores as excise duty and State Govt. also get around Rs.120/- Crores as Purchase tax, per year. The Sugar mills in Tamil Nadu are paying about Rs.1, 450/- Crores as cane price to their farmers, every year, on an average.

3. The per capita consumption of sugar and other sweetening agents like Gur, Khandasari etc. is steadily increasing it has increased from 20.0 kgs in 1960 – 61 to 30.0 kgs in 2002-2003. It is likely to be at 4.00 kgs. In 2025 it is estimated that the population in 2025 would be around 169 Crores and the total requirement of sweetening agents would be around 525 lakhs tones.

4. The area under sugarcane was 36.86 lakhs Hectares in India during 1990- 1991 with a total sugarcane production of 254 million tones of cane at average yield of 66.1 tonnes per hectare. The total sugar production was 120.46 lakh tones with an average recovery of 9.85%. The area has increased to 43.0 lakh hectares in 1999-2000 with a cane production of 299 million tones and average yield of 70.8 tonnes per hectare. The total sugar production was 182 lakhs tones with an average recovery of 10.2%

5. In Tamil Nadu, the area under sugarcane was 2.33 lakhs hectares only during 1990-91 and the total cane production was 234 lakh tones with an average yield of 100.8 tonnes per hectare. The total sugar production was 11.83 lakh tones with an average recover of 9.09%. The area has increased to 3.17 lakh hectares in 2002-2003 with a total sugarcane production of 336 lakh tones at an average yield of 105 tonnes per hectare. The total sugar production expected is 18.4 lakh with an average recovery of 9.71%. Thus production of sugarcane and sugar in the country has increased considerably in the last 10 years.

6. In general, the sugarcane yields and sugar recoveries are more in the regions where the winters are not very cool and the summers are not very hot coupled with required number of irrigations. The coastal areas of Tamil Nadu however faced the problem of low recovery of sugar as the humid and warm climate obtained in these areas are conduction to vegetative growth of the crop and not for the accumulation of sugar. However, in the recent years, due to adoption of high yielding and high sugar varieties, even the sugar factories in this belt are able to improve there recover levels substantially.

7. The average area under cultivation of sugarcane in Tamil Nadu is 2.75 lakhs hectares that is 2% of the total cultivated area in the State. The average production of sugarcane is about 270 lakhs tones per year, of which about 70% of the sugarcane is drawn and crushed by sugar mills in the State and the balance quantity of sugarcane is utilized for jaggery manufacture, seed and chewing purposed. The sugar mills register normally 2.10 lakhs hectares of cane. To enthuse the ryots for sugarcane cultivation, ryots are provided with following facilities by the sugar mills:

i) Incentive for nursery development

ii) Supply of Bio-fertilizer at subsidized rate

iii) Transport subsidy for the distance beyond 10 kms. From field to sugar mills.

iv) Organizing seminars and educational tours to cane growers

v) Sanction of crop cultivation loan from banks.

vi) Implementation of the Scheme namely 'Sustainable Development of Sugarcane based cropping System' sponsored by Govt. of India for which Govt. of Tamil Nadu is granting 25% of the fund required for the scheme.

8. With a view to improve the transport facility for sugarcane; the Sugar Mills have been continuously taking up formation and improvement of link roads connecting various villages to the factories besides maintenance of existing roads in sugar mill areas. The funds for the Sugarcane Road Development Scheme are generated by the State Government at Rs.5/- per tonne on the cane purchased by the sugar mills outside its local area A separate sugarcane Road Development wing is functioning at Chennai headed by a Chief Engineer for forming new roads and maintaining the existing roads in the area of operation of sugar mills in Tamil Nadu. 10% of the excess amount is also utilized for Research and Development purposed. Govt. of Tamil Nadu has sanctioned a sum of Rs.2.75 Crores to

Tamil Nadu Agricultural University for the "Evolution of varieties resistant to red-rot disease with- high yield and quality".

9. Several sugar mills are running in loss due to varied reasons. To avoid further loss to them, it is necessary to ensure availability of cane sufficient to achieve 100% capacity utilization and to improve the average recovery. The current level of cane available for crushing to sugar mills should be increased by 300% to meet the requirement of the population in 2025. It is equally important to increase the income of the cane growers even without further increase in the cane price, in the ensuing years by raising the yield. The cane growers have been requesting the Government to fix a higher cane price for sugarcane in the form of State Advised price, on the plea that they have to get a remunerative price. But sugar mills are unable to pay higher price due to heavy accumulation of sugar stock and lower selling priced for sugar molasses and bagasse. However, it is possible to0 increase the income of cane growers, by improving the average cane yield per acre. The ryots can get an additional income of around Rs.7000/- per acre even at the current level of cane price, by increasing the cane yield by nine tones per acre.

10. The sugarcane yield and quality is varying from mill to mill. When one mill is recording 50 tones per acre, another mill is recording only 23 tones per acre. The constraints in achieving maximum yield and recovery should be properly identified by the mills with the help of sugarcane Breeding Institute and Sugarcane Research Stations and rectified. Special efforts must be taken in the Delta areas for the development of cane. Early cane planting is a constraint in these areas and suitable strategy must be identified and implemented to improve early cane planting. Varieties must be evolved to suit early drought and late water logged conditions and at the same time which will be maturing early.

11. Irrigation sources is also a major constraint for sugarcane cultivation since it requires water at least for 24 months to raise one plant and one ratoon crop. The Sugar Development Fund should be made use for augmenting the irrigation source to ensure water availability for sugarcane cultivation. Several districts were sugar mills are located are facing water stress condition. Of course this is only for a limited period of few months and during such adverse conditions proper management practices should be educated to the ryots and the implementation should be ensured. To contain the ill effects. In case of failure

of crop the ryots should be compensated with the expenditure incurred by implementing Crop Insurance Schemes. These will enthusise the ryots for continued cane cultivation.

12. The Sugar mills also have to improve their income by diversified activities like export of power, production of alcohol and ethanol for their viability. Adopting suitable strategies should reduce the cost of production of sugar. The quality of sugar should be improved to compete in the export market.

13. With a view to enthuse the ryots for continued cane cultivation and also to improve the viability of sugar mills. Government of Tamil Nadu have called for Action plan form Department of Sugar to increase the cane yield to 40 tones per acre from the current level of 31 Tones and to increase the recovery from the current level of 9.35% to 10.0% in 2004-2005 season and the same is under analysis by Government.

CHAPTER 4

DATA ANALYSIS

RATIO ANALYSIS:

1) CURRENT RATIO:

Current ratio may be defined as the relationship between current asset and current liabilities. This ratio is known as working capital ratio and is a measure of general liquidity. Desirable current ratio is 2:1. Current ratio of a firm represents the assets, which can be converted into cash within a short period of time, not exceeding one year. Current Liabilities include liabilities and provisions, which are short-term maturing obligations to be net within a year. The higher the current ratio, the more the firms ability to meet current obligations and greater the safety of funds of short-term creditors.

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

Table No: 4.1

Table showing the current ratio of Sakthi Sugars Ltd for the study period 2002-2006

Years	Current Assets	Current Liabilities	Ratio
2002-2003	38440.19	10899.65	3.526
2003-2004	35085.08	13392.97	2.619
2004-2005	38750.33	17588.83	2.203
2005-2006	48121.84	17794.82	2.704
2006-2007	82972.58	16994.54	4.882

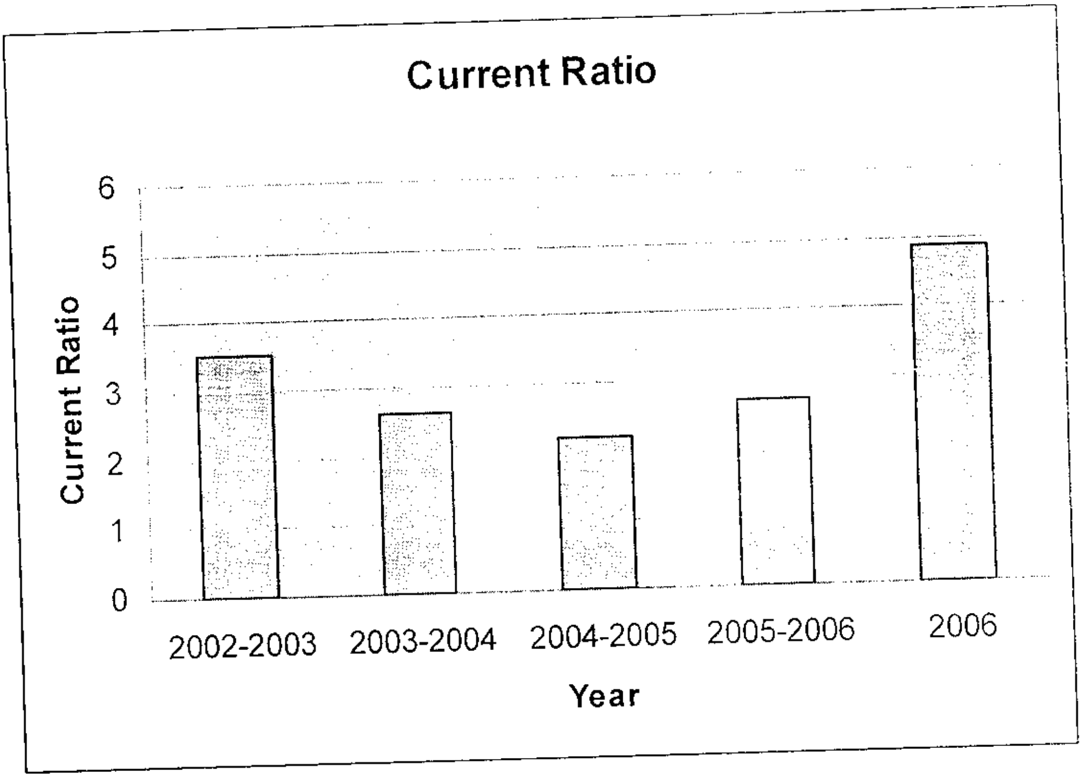
Source secondary data

INTERPRETATION:

The current ratio in the year 2002-03 is 3.526 times but for the year 2003-04 it has decreased to 2.619 times. Later from the year 2005-06 it has increased to 2.704. The current ratio in the year 2006 has doubled in comparison with previous year. The company always maintains current ratio near to ideal ratio, this shows company is maintaining excess current asset. It has more idle cash, which increase the opportunity cost.

Chart: 4.1

Chart showing the current ratio of Sakthi Sugars Ltd for the study period 2002-2006



2) QUICK RATIO:

Quick ratio can be defined as the relationship between quick assets and current liabilities. Quick assets are cash like assets representing all current assets other than inventory. It is also called Acid test ratio. It is more severe and stringent test of a firm's ability to meet current obligations assessing how liquid the firm would be if the business operations come to an abrupt halt. A quick ratio of 1:1 is considered as a fair indication of the good financial condition of a business concern.

$$\text{Quick Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

Table No: 4.2

Table showing the quick ratio of Sakthi Sugars Ltd for the study period 2002-2006

Years	Quick Assets	Current Liabilities	Ratio
2002-2003	26405.65	10899.65	2.422
2003-2004	26325.38	13392.97	1.965
2004-2005	31303.31	17588.83	1.779
2005-2006	36771.56	17794.82	2.066
2006-2007	74415.59	16994.54	4.378

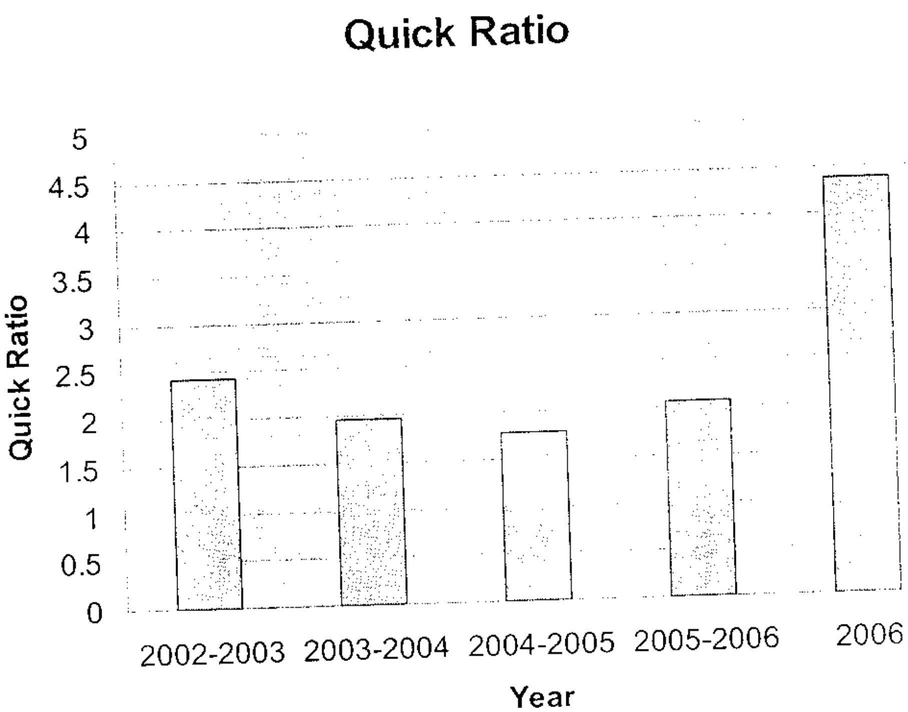
Source secondary data

INTERPRETATION:

The Quick ratio for the year 2002-2003 to 2005-2006 has an average trend but for the year 2006 it has been increased to 4.378 times. It had a declining till 2004-2005. but increased after that. This shows that company maintains excess quick assets.

Chart: 4.2

Chart showing the quick ratio of Sakthi Sugars Ltd for the study period 2002-2006



3) CURRENT ASSET TURN OVER RATIO:

It is defined as the relation between sales and current assets of the company. It indicates the number of times current asset turned over in the business to generate sales volume and also for analyzing the efficiency with which the current asset of the company are used in the business. High ratio indicates efficient use of inventories and receivables to increase sales volume.

$$\text{Current assets turnover ratio} = \frac{\text{Sales}}{\text{Current assets}}$$

Table No: 4.3

Table showing the Current assets turnover ratio of Sakthi Sugars Ltd for the study period 2002-2006

Years	Current Assets	Sales	Ratio
2002-2003	38440.19	45022.47	0.853
2003-2004	35085.08	39908.12	0.879
2004-2005	38750.33	40398.82	0.959
2005-2006	48121.84	76674.26	0.627
2006-2007	82972.58	104369.31	0.794

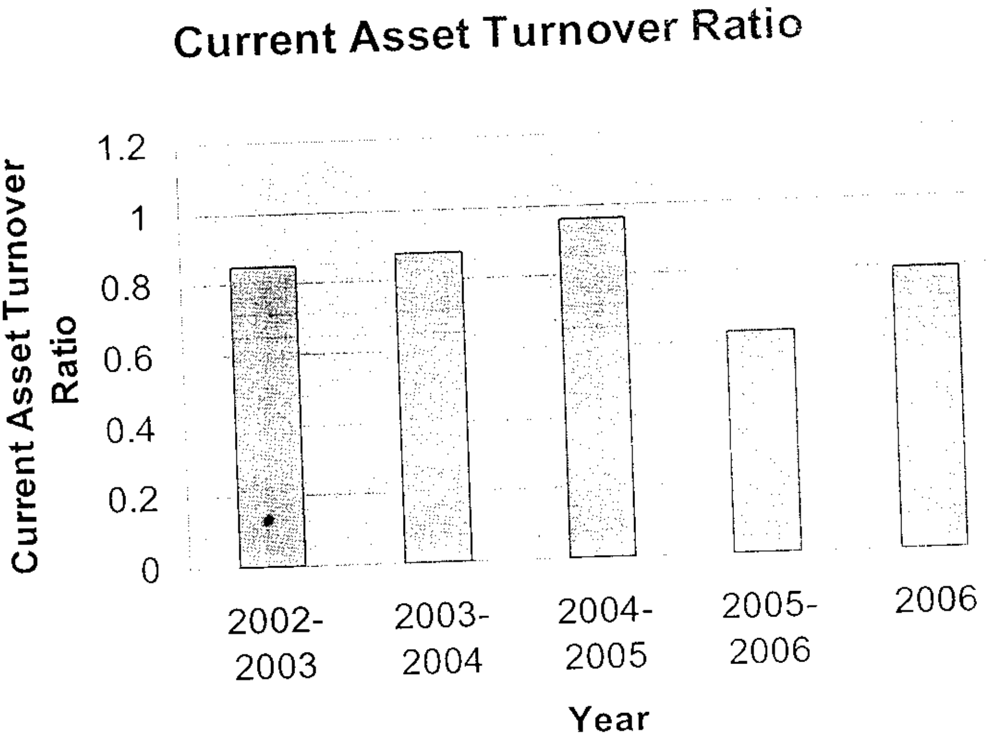
Source secondary data

INTERPRETATION:

During the year 2005-2006 the ratio was 0.627, which the lowest among all the years. From the year 2002-2003 the ratio increased and during 2004-2005 it was 0.959.It shows that current assets turn over ratio seems to be increasing year by year up to 2004-2005 and fluctuating from there after.

Chart: 4.3

Chart showing the Current assets turnover ratio of Sakthi Sugars Ltd for the study period 2002-2006



4) CURRENT ASSET TO TOTAL ASSET RATIO:

Current asset to total asset ratio is defined as the relationship between current assets and total assets indicating the number of times the current assets utilized from total assets. The effect of the level of current assets on profitability-risk tradeoff can be shown using this ratio. An increase in the ratio indicates decline in profitability because current assets are assumed to be less profitable than fixed assets and risk of technical insolvency would be reduced. Increase in profitability is due to the corresponding increase in the total assets, which are likely to generate more returns.

$$\text{Current assets to total assets ratio} = \frac{\text{Current assets}}{\text{Total assets}}$$

Table No: 4.4

Table showing the Current assets to total assets ratio of Sakthi Sugars Ltd for the study period 2002-2006

Years	Current Assets	Total Assets	Ratio
2002-2003	38440.19	75547.56	0.51
2003-2004	35085.08	106064.55	0.33
2004-2005	38750.33	108252.58	0.36
2005-2006	48121.84	116503.06	0.41
2006-2007	82972.58	154286.69	0.53

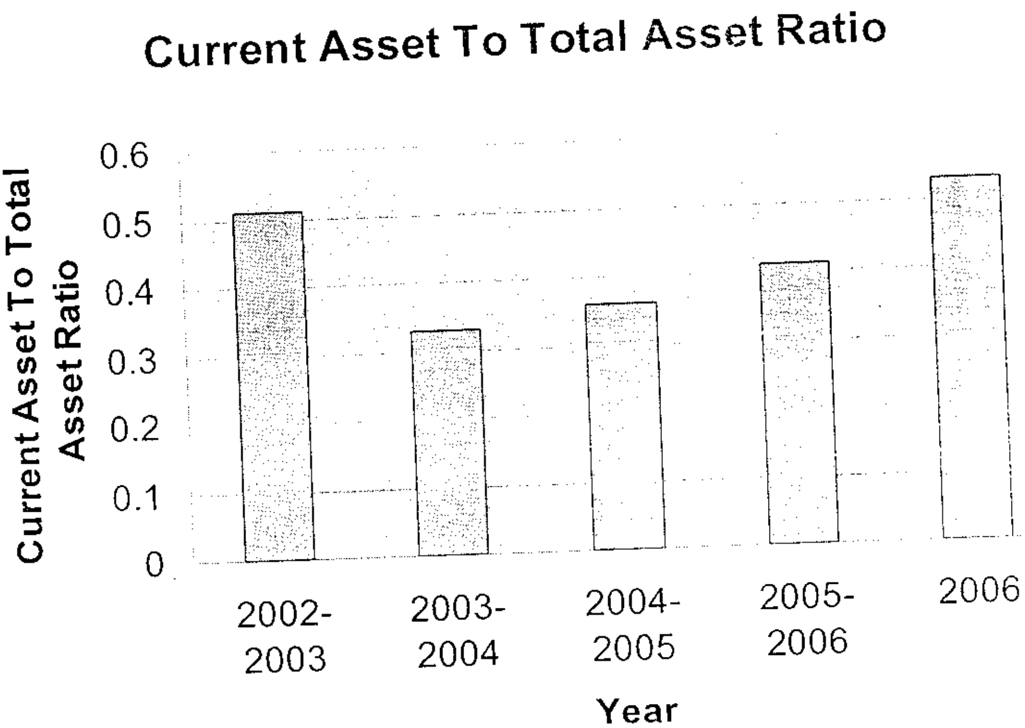
Source secondary data

INTERPRETATION:

The current assets to total assets ratio of Sakthi Sugars shows a linear increase in the table from 2003-2004 to 2006.This shows that increase in current assets over the period parallel to increase in total assets.

Chart: 4.4

Chart showing the Current assets to total assets ratio of Sakthi Sugars Ltd for the study period 2002-2006



5) WORKING CAPITAL TURN OVER RATIO:

Working Capital Turnover ratio is calculated in order to analyze how working capital has been effectively utilized in making sales. The higher the ratio the lower the investment in working capital and greater the profit.

$$\text{Working Capital Turnover Ratio} = \frac{\text{Cost of Sales}}{\text{Net Working Capital}}$$

Table no: 4.5

Table showing the Working Capital Turnover Ratio of Sakthi Sugars Ltd for the study period 2002-2006

Years	Net sales	Net working capital	Ratio
2002-2003	45022.47	27540.54	1.634
2003-2004	39908.12	21692.11	1.839
2004-2005	40398.82	21161.50	1.909
2005-2006	76674.26	30327.02	2.528
2006-2007	104369.31	67978.04	1.581

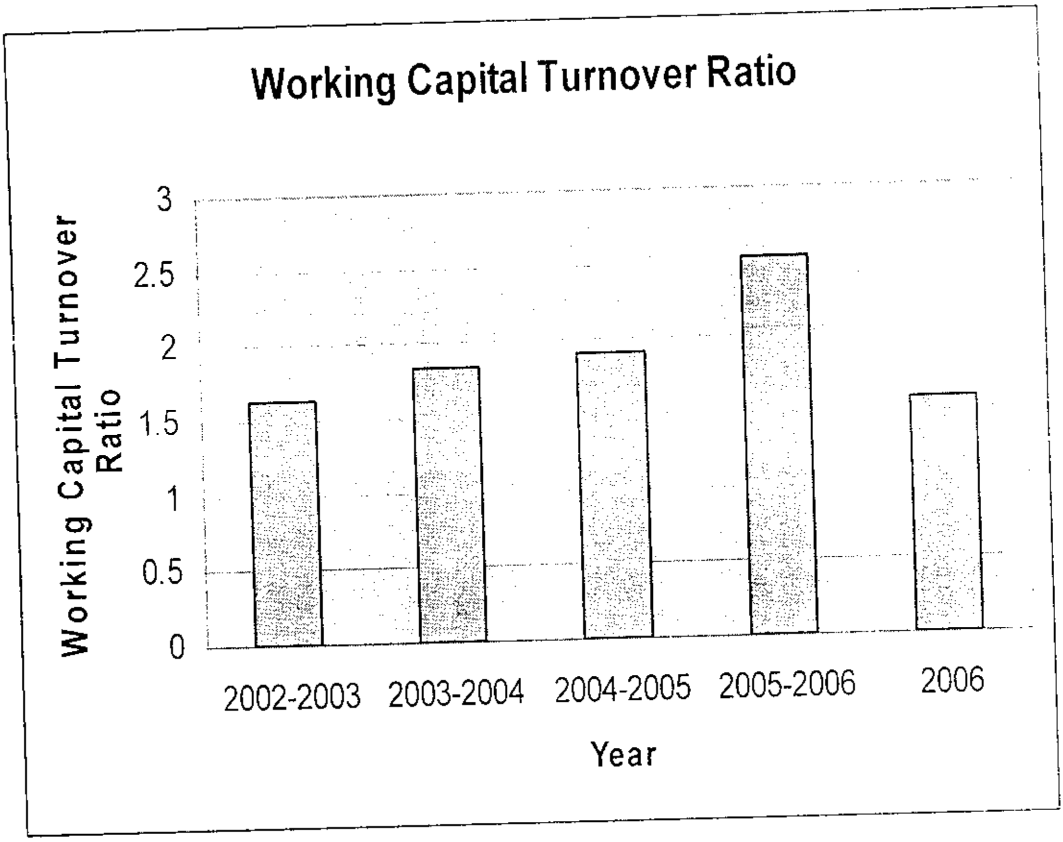
Source secondary data

INTERPRETATION:

The working capital turnover ratio deals with the performance of recording the utiiization of working capital. From the 2002-03 till 2005-2006, the ratio increased, but in the year 2006 it has been decreased to 1.581 times. This shows that working capital has been utilized effectively, but during 2006 it slightly decreased.

Chart: 4.5

Chart showing the Working Capital Turnover Ratio of Sakthi Sugars Ltd for the study period 2002-2006



6) NET WORKING CAPITAL TO CAPITAL EMPLOYED RATIO:

Net working capital-to-capital employed ratio is the relationship between net working capital and capital employed. Net working capital is the difference between current assets and current liabilities. Capital employed includes share capital reserves and surplus and share application money. This ratio shows movement of working capital in relation to capital employed.

$$\text{Net working capital to capital employed ratio} = \frac{\text{Net working capital}}{\text{Capital employed}}$$

Table No: 4.6

Table showing the Net working capital to capital employed ratio of Sakthi Sugars Ltd for the study period 2002-2006

Years	Net Working Capital	Capital Employed	Ratio
2002-2003	27540.54	16312.48	1.68
2003-2004	21692.11	38208.54	0.56
2004-2005	21161.50	35900.95	0.58
2005-2006	30327.02	40019.85	0.75
2006=2007	67978.04	46164.06	1.47

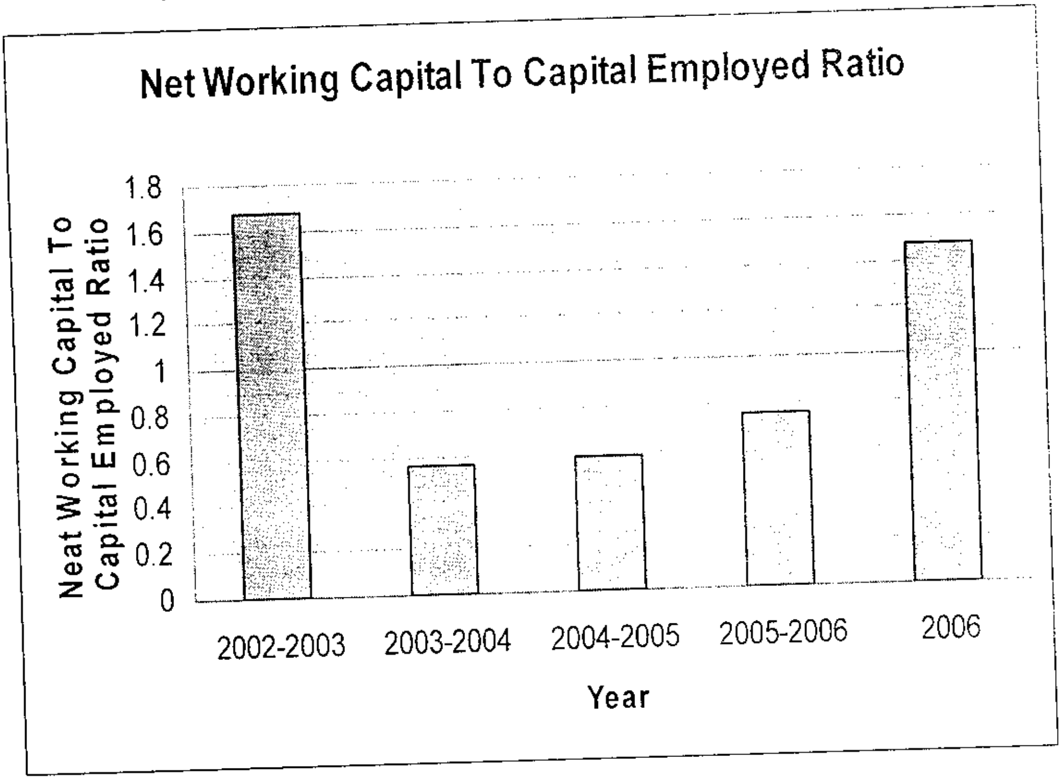
Source secondary data

INTERPRETATION:

The net working capital to capital employed ratio during the year 2002-2003 is 1.68. The table shows an increasing trend in the following years. It is because the net working capital has been increasing with respect to capital employed during the years.

Chart: 4.6

Chart showing the Net working capital to capital employed ratio of Sakthi Sugars Ltd for the study period 2002-2006



7) CASH RATIO:

The cash ratio is the relation between cash in hand and at bank and short term marketable securities and current liabilities. This ratio is also called absolute liquidity ratio. The ratio 1:2 is considered as satisfactory. If the ratio increases the liquidity level also increases.

$$\text{Cash ratio} = \frac{\text{Cash in hand and bank}}{\text{Current Liabilities}}$$

Table No: 4.7

Table showing the Cash ratio of Sakthi Sugars Ltd for the study period 2002-2006

Years	Cash in hand & at bank	Current Liabilities	Ratio
2002-2003	962.54	10899.65	0.088
2003-2004	908.55	13392.97	0.067
2004-2005	1279.84	17588.83	0.072
2005-2006	2042.70	17794.82	0.114
2006-2007	28526.50	16994.54	1.678

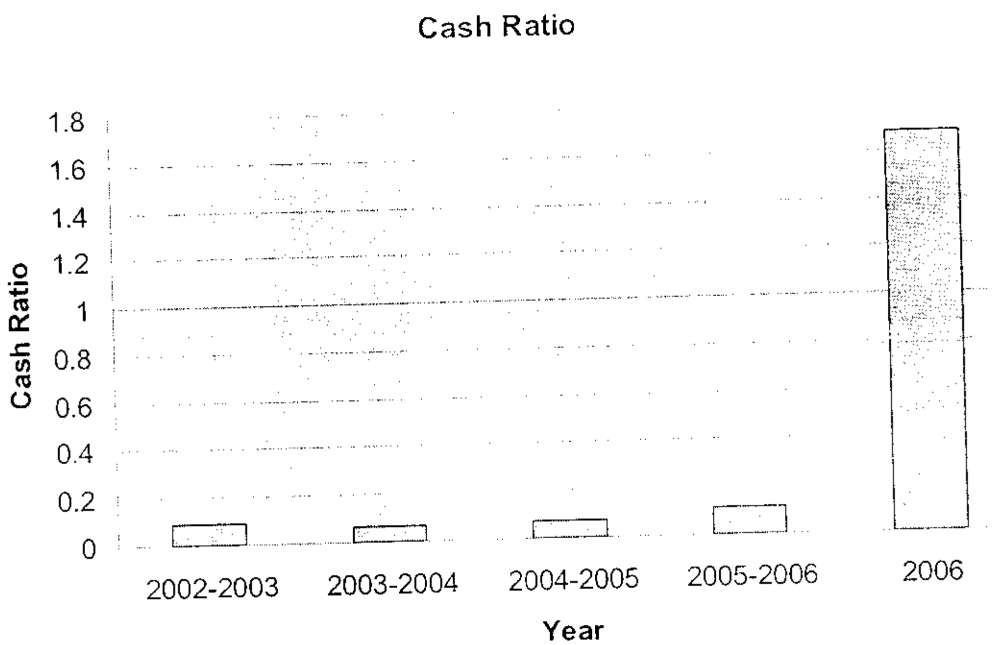
Source secondary data

INTERPRETATION:

The cash ratio of the company shows that during the year 2002-2003 it was 0.088. In 2003-2005 it decreased to .068 and it is in increased phase from there to 1.678 during year 2006. This shows that the liquidity level has increased. But not up to standard ratio. It shall be improved in further years.

Chart: 4.7

Chart showing the Cash ratio of Sakthi Sugars Ltd for the study period 2002-2006



8) CASH FLOW COVERAGE RATIO:

Cash flow coverage ratio is the relationship between sum of earnings before interest, tax and depreciation and interest. It measures the relationship between what is normally available from operations of the firm and claims of the outsiders. The liquidity position of a firm to serve the outsiders is reflected in the ratio. The higher the ratio, better the ability.

$$\text{Cash flow coverage ratio} = \frac{\text{EBDIT}}{\text{Interest}}$$

Table No: 4.8

Table showing the Cash flow coverage ratio of Sakthi Sugars Ltd for the study period 2002-2006

Years	EBDIT	Interest	Ratio
2002-2003	9772.49	7943.79	1.23
2003-2004	2861.67	6640.24	0.43
2004-2005	3089.39	6419.09	0.48
2005-2006	11120.73	6671.16	1.66
2006-2007	21613.4	9911.84	2.18

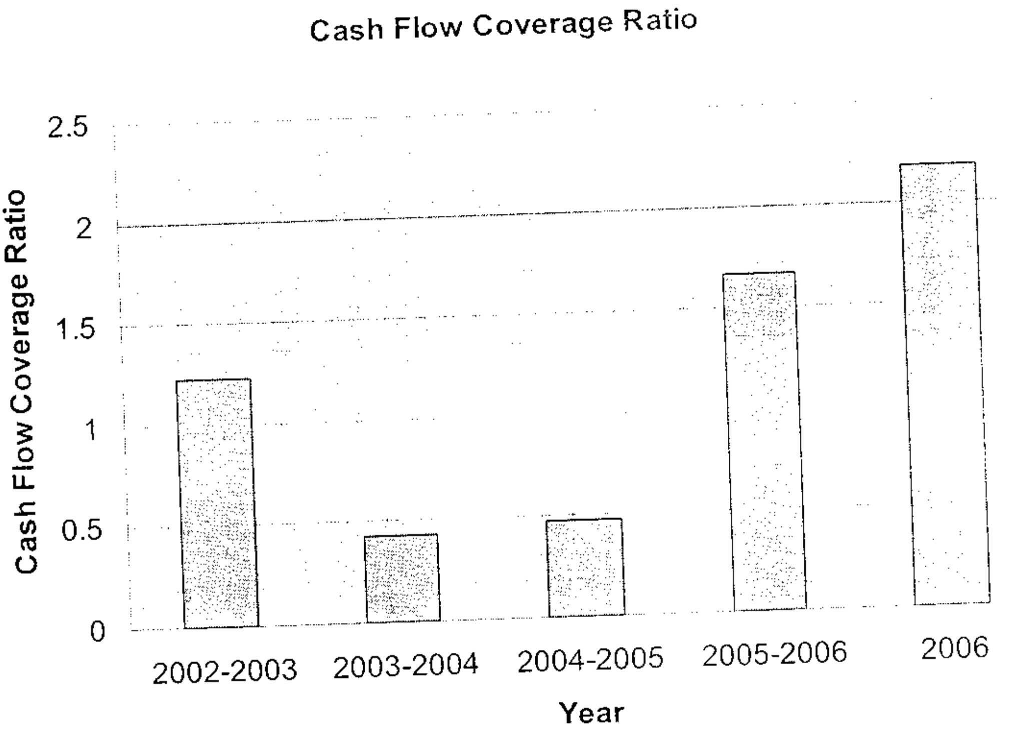
Source secondary data

INTERPRETATION:

The cash flow coverage ratio was satisfactory during the years 2002-2003. In 2003 to 2005 it was less than one. The ratio increased during the year 2005-2006. This reveals a satisfactory position, showing better ability to service outside liabilities due to an increasing trend in cash flow coverage ratio.

Chart: 4.8

Chart showing the Cash flow coverage ratio of Sakthi Sugars Ltd for the study period 2002-2006



9) DEBTORS TURN OVER RATIO:

Debtor's turnover ratio is the relationship between net credit sales and average debtors. This ratio shows how quickly receivables or debtors are converted to cash. It is also called accounts receivable. Sound credit and collection period results in efficient receivables management. Net credit sales include sale of products, recoveries, excise duty adjustment and products consumed internally. The higher the ratio, the better debts are being collected more promptly.

$$\text{Debtors turn over ratio} = \frac{\text{Net Credit Sales}}{\text{Avg. Debtors}}$$

Table No: 4.9

Table showing the Debtors turn over ratio of Sakthi Sugars Ltd for the study period 2002-2006

Years	Net Credit Sales	Avg. Debtors	Ratio
2002-2003	45022.47	2934.10	15.34
2003-2004	39908.12	3713.66	10.74
2004-2005	40398.82	3178.59	12.70
2005-2006	76674.26	5716.64	13.41
2006-2007	104369.31	10509.16	9.93

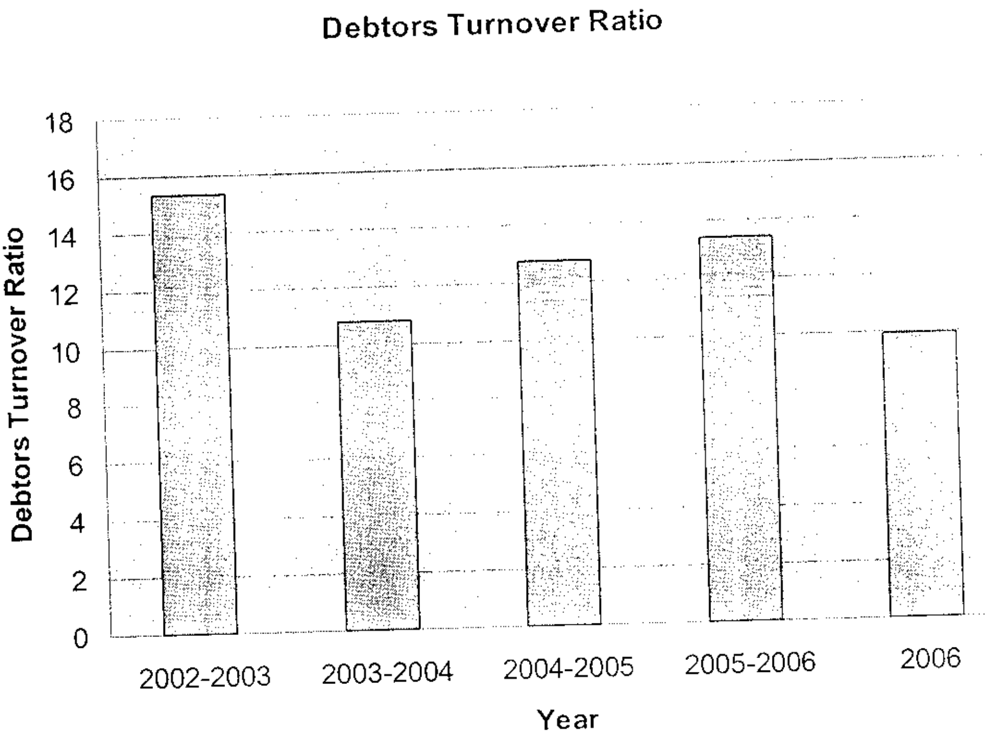
Source secondary data

INTERPRETATION:

The debtor's turnover ratio of Sakthi Sugars during 2002-03 was 15.34 and reduced to 9.93 in 2006. The ratio shows a declining trend. This was due to delay in collection of debts. This credit management of the company was not in satisfactory position. It is found that there is a fluctuating during the years, which can be improved.

Chart: 4.9

Chart showing the Debtors turn over ratio of Sakthi Sugars Ltd for the study period 2002-2006



10) AVERAGE COLLECTION PERIOD:

Average collection period measures the liquidity of the firm and it is the time taken for collection of debts. It is calculated by dividing days in a year by debtor's turnover ratio. Shorter collection of debts and quick payments by debtors increase the liquidity of the firm. The longer collection period shows delayed payment by debtors and hence declining liquidity position.

$$\text{Average collection period} = \frac{\text{No. of Days in a Year}}{\text{Debtors Turnover Ratio}}$$

Table No: 4.10

Table showing the Average collection period of Sakthi Sugars Ltd for the study period 2002-2006

Years	No. of Days In a Year	Debtors Turnover Ratio	Days
2002-2003	360	15.34	23
2003-2004	360	10.74	34
2004-2005	360	12.70	28
2005-2006	360	13.41	27
2006-2007	360	9.93	36

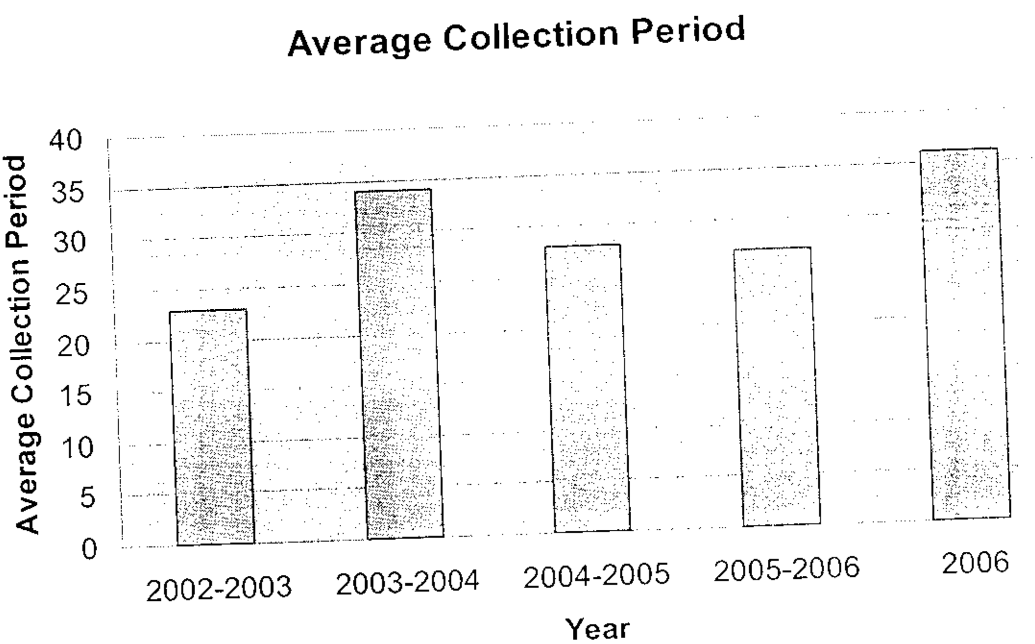
Source secondary data

INTERPRETATION:

Average collection period of Sakthi Sugars during 2002-03 was 23 days; it has increased to 34 days in 2003-04 again to 28 and 27 in 2004-05 and 2005-06 and finally increased to 36 days. This increase was due to the inefficiency in managing debtors by company.

Chart: 4.10

Chart showing the Average collection period of Sakthi Sugars Ltd for the study period 2002-2006



11) DEBT EQUITY RATIO:

It is the relationship between long-term debts to net worth. Long-term debt is an outside liability inclusive of loan fund. Loan fund involves secured loans and unsecured loan. Net worth is shareholders equity inclusive of share capital, reserves and surplus. This ratio indicates the relative proportion of debt and equity in the financial assets of the firm. A higher ratio increases risk to the creditors, inflexibility in operations of the firm and encounter serious difficulties in rising funds in future, lesser margin of safety and larger claim against assets of the firm.

$$\text{Debt equity ratio} = \frac{\text{Long Term Debt}}{\text{Share Holders Equity}}$$

Table No: 4.11

Table showing the Debt equity ratio of Sakthi Sugars Ltd for the study period 2002-2006

Years	Long Term Debt	Share Holders Equity	Ratio
2002-2003	49681.71	16312.48	3.045
2003-2004	56839.18	38208.54	1.487
2004-2005	59508.65	35900.95	1.657
2005-2006	71271.86	40019.85	1.780
2006-2007	46164.15	102910.42	0.448

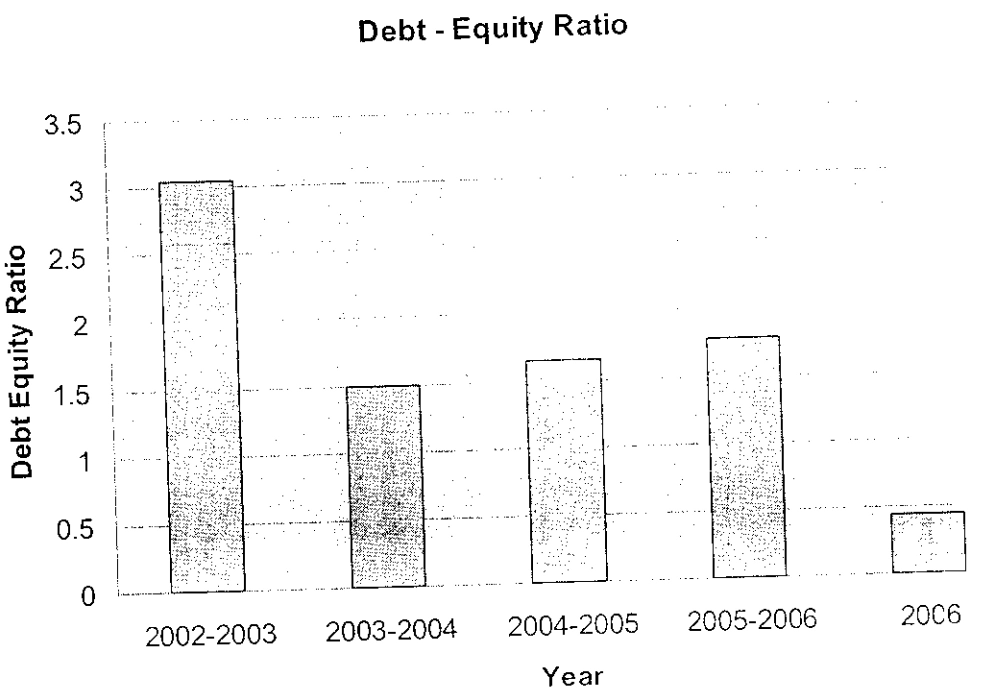
Source secondary data

INTERPRETATION:

During 2002-2003 the ratio is 3.045 and it decreased to 1.487 in 2003-2004, and increased to 1.657 and 1.750 during the years 2004-2005 and 2005-2006 respectively. Which again decreased to .448 in 2006?

Chart: 4.11

Chart showing the Debt equity ratio of Sakthi Sugars Ltd for the study period 2002-2006



12) INVENTORY TURN OVER RATIO:

Inventory turnover ratio is the number of times the inventory is turned over in the business during a particular period and it measures the relationship between sales and average inventory. This ratio measures how quickly inventory is sold and indicates whether investment in inventory is within proper limits or not. signifying the liquidity of the inventory. Higher the ratio more the sales and minimum level of inventory is held and hence possessing good inventory management.

$$\text{Inventory turn over ratio} = \frac{\text{Sales}}{\text{Average Inventory}}$$

Table No: 4.12

Table showing the Inventory turn over ratio of Sakthi Sugars Ltd for the study period 2002-2006

Years	Sales	Avg. Inventory	Ratio
2002-2003	45022.47	11480.09	3.921
2003-2004	39908.12	8759.70	4.555
2004-2005	40398.82	7447.02	5.424
2005-2006	76674.26	11350.28	6.755
2006-2007	104369.31	8556.99	12.196

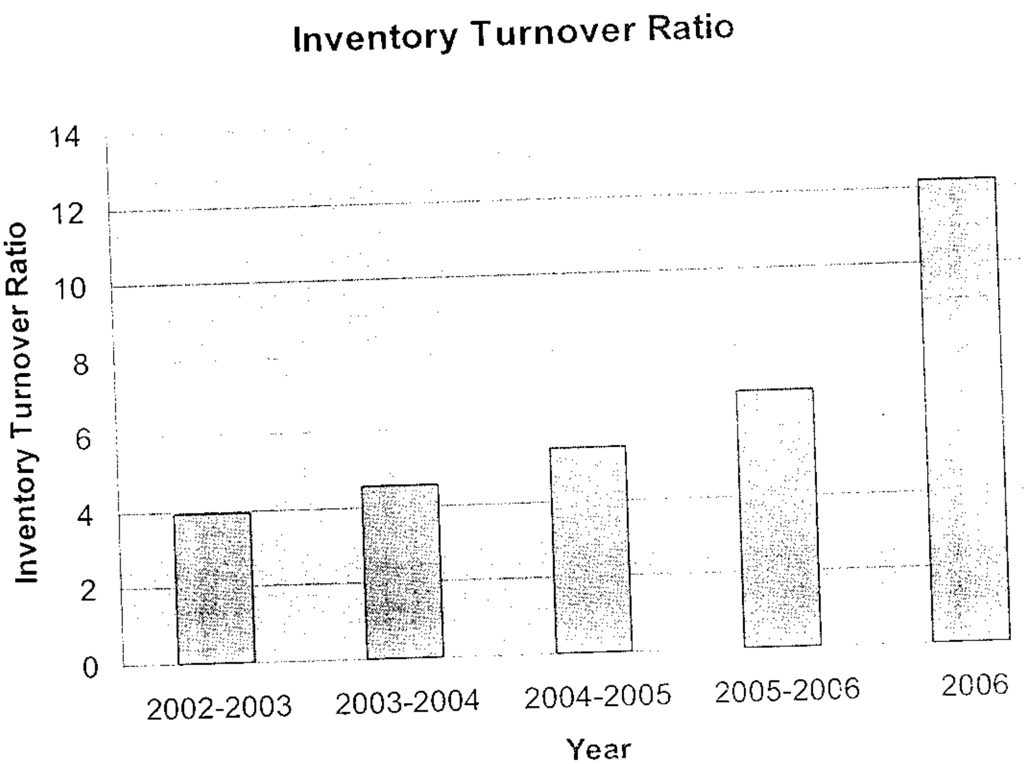
Source secondary data

INTERPRETATION:

During the year 2002-03 the inventory turnover ratio was 3.921. It shows an increasing trend there after. The lowest ratio was during 2002 and was 3.921 because of decrease in sales and maximum level of inventory held on stock. In 2006 it was doubled it shows the improved situation.

Chart: 4.12

Chart showing the Inventory turn over ratio of Sakthi Sugars Ltd for the study period 2002-2006



13) ACCOUNTS RECEIVABLE TO CURRENT ASSETS RATIO:

Accounts receivable to current asset ratio is defined as the relationship between Sundry Debtors and Current Assets. This ratio reveals that the percentage of Accounts Receivables that occupies the total of Current Assets. Higher ratio means higher debts are collected and included in Current Assets in order to increase liquidity of the firm.

$$\text{Accounts receivable to current assets ratio} = \frac{\text{Accounts Receivables}}{\text{Current Assets}}$$

Table No: 4.13

Table showing the Accounts receivable to current assets ratio of Sakthi Sugars Ltd for the study period 2002-2006

Years	Accounts Receivables	Current Assets	Ratio
2002-2003	2934.10	38440.19	0.076
2003-2004	3713.66	35085.08	0.105
2004-2005	3178.59	38750.33	0.082
2005-2006	5716.64	48121.84	0.118
2006-2007	10509.16	82972.58	0.126

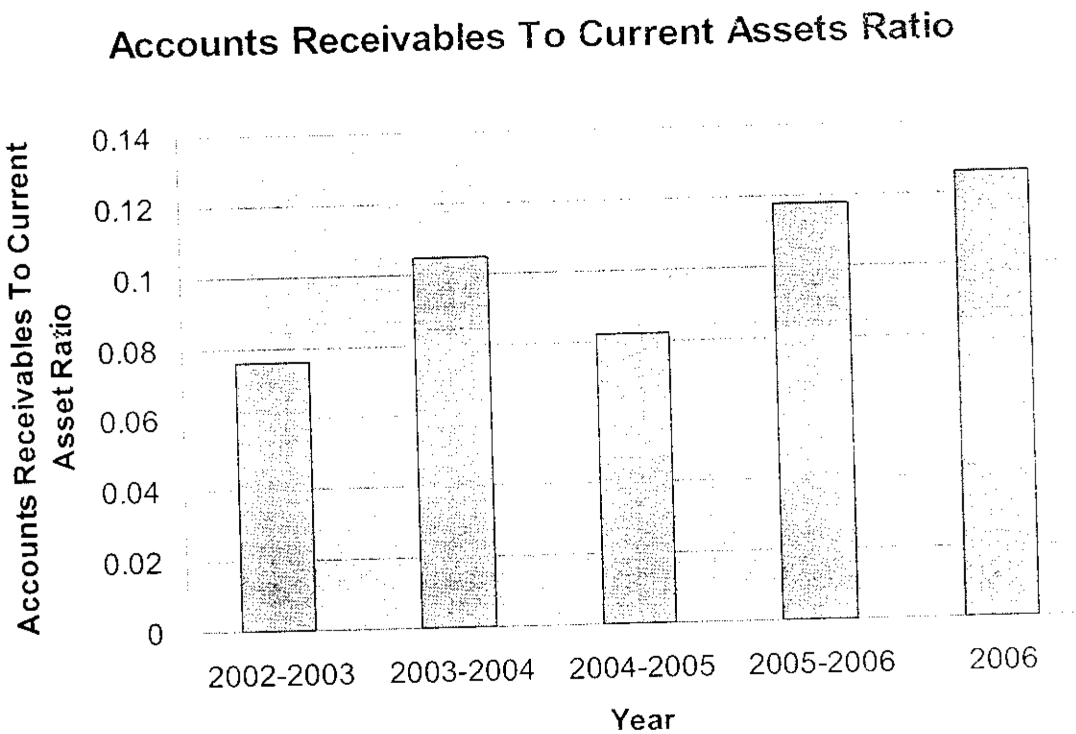
Source secondary data

INTERPRETATION:

The highest ratio was during the years 2003-2004, 2005-2006 & 2006 and there was a decrease in ratio during 2002-2003 & 2004-2005. which reveals difficulty in collecting debts, and reduces receivable, which are included in the Current Assets, which decreases the liquidity of the firm.

Chart: 4.13

Chart showing the Accounts receivable to current assets ratio of Sakthi Sugars Ltd for the study period 2002-2006



14) CURRENT LIABILITIES TO TOTAL ASSETS RATIO:

Current Liability to Total Assets ratio is defined as the relationship between Current Liabilities and Total Assets. An increase in this ratio would increase the profitability, risk and decline in cost because of use of more short-term sources of finance, which are less expensive.

$$\text{Current liabilities to total assets ratio} = \frac{\text{Current Liabilities}}{\text{Total Assets}}$$

Table No: 4.14

Table showing the Current liabilities to total assets ratio of Sakthi Sugars Ltd for the study period 2002-2006

Years	Current Liabilities	Total Assets	Ratio
2002-2003	10899.65	75547.56	0.14
2003-2004	13392.97	106064.55	0.12
2004-2005	17588.83	108252.58	0.16
2005-2006	17794.82	116503.06	0.15
2006-2007	16994.54	154286.69	0.11

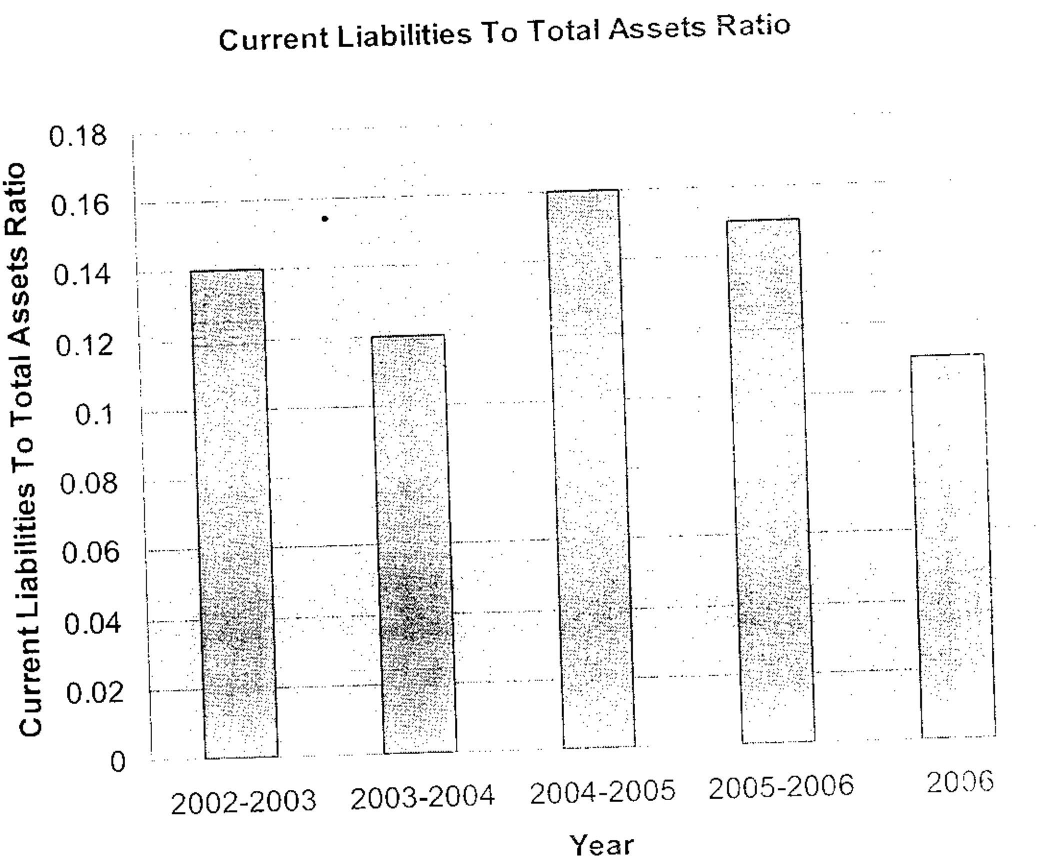
Source secondary data

INTERPRETATION:

During the year 2002-2003 the ratio was 0.14 and it decreased to 0.11 in 2006. There is a constant increase in the current liabilities to total assets ratio during 2002 to 2005 which is an indication of satisfactory position of the company.

Chart: 4.14

Chart showing the Current liabilities to total assets ratio of Sakthi Sugars Ltd for the study period 2002-2006



15) FIXED ASSET TURN OVER RATIO:

Fixed asset turnover ratio is the relationship between fixed assets and sales. The increase in fixed asset may cause increase in the financial position of the company. An increase in this ratio will lead to increase in sales and the management of fixed assets will be easier.

$$\text{Fixed asset turn over ratio} = \frac{\text{Fixed Assets}}{\text{Sales}}$$

Table No: 4.15

Table showing the Fixed asset turn over ratio of Sakthi Sugars Ltd for the study period 2002-2006

Years	Fixed Assets	Sales	Ratio
2002-2003	37107.37	45022.47	0.824
2003-2004	40933.76	39908.12	1.025
2004-2005	69502.25	40398.82	1.720
2005-2006	68381.22	76674.26	0.891
2006-2007	71314.11	104369.31	0.683

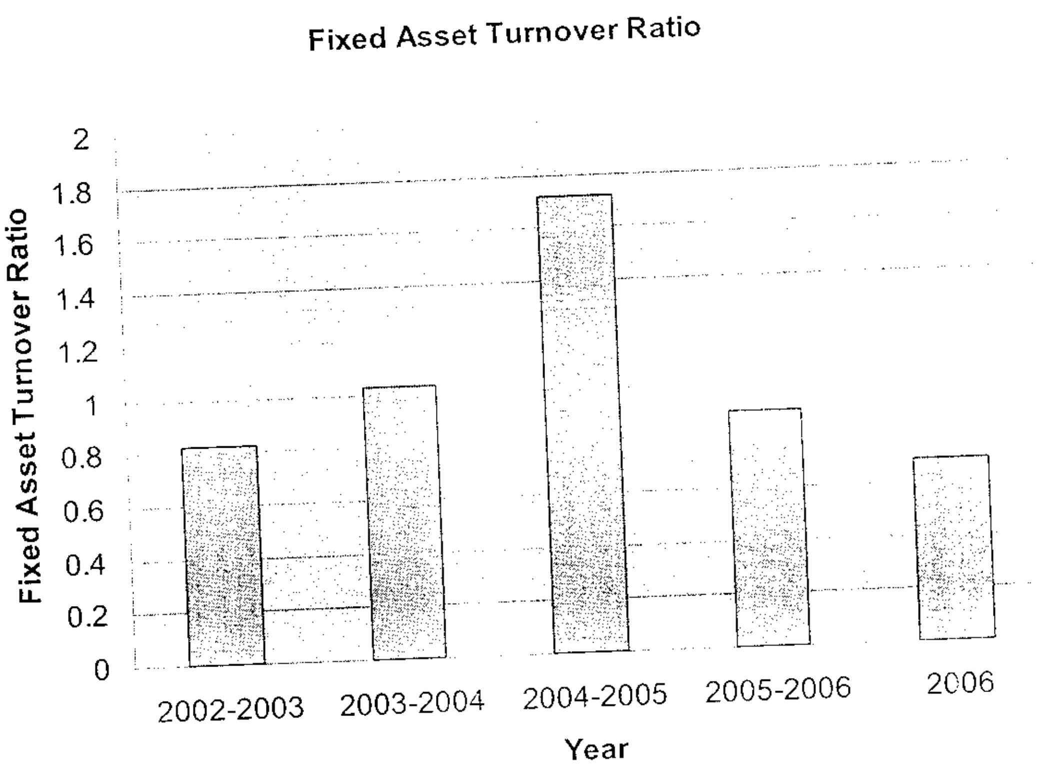
Source secondary data

INTERPRETATION:

The table shows there is an increase in the fixed asset turnover ratio during 2003-2004 and 2004-2005. In 2005-2006 and 2006 the ratio decreased to 0.891 and 0.683.

Chart: 4.15

Chart showing the Fixed asset turn over ratio of Sakthi Sugars Ltd for the study period 2002-2006



16) INVENTORY TO WORKING CAPITAL RATIO:

Inventory to working capital ratio is the relationship between the stock in hand or inventory and the net working capital. The net working capital is the difference between current assets and current liabilities. Higher ratio indicates the efficient use of the working capital and continuous supply of inventory.

$$\text{Inventory to working capital ratio} = \frac{\text{Inventory}}{\text{Working Capital}}$$

Table No: 4.16

Table showing the Inventory to working capital ratio of Sakthi Sugars Ltd for the study period 2002-2006

Years	Inventory	Working Capital	Ratio
2002-2003	11480.09	27540.54	0.416
2003-2004	8759.70	21692.11	0.403
2004-2005	7447.02	21161.50	0.351
2005-2006	11350.28	0327.02	0.374
2006-2007	8556.99	67978.04	0.125

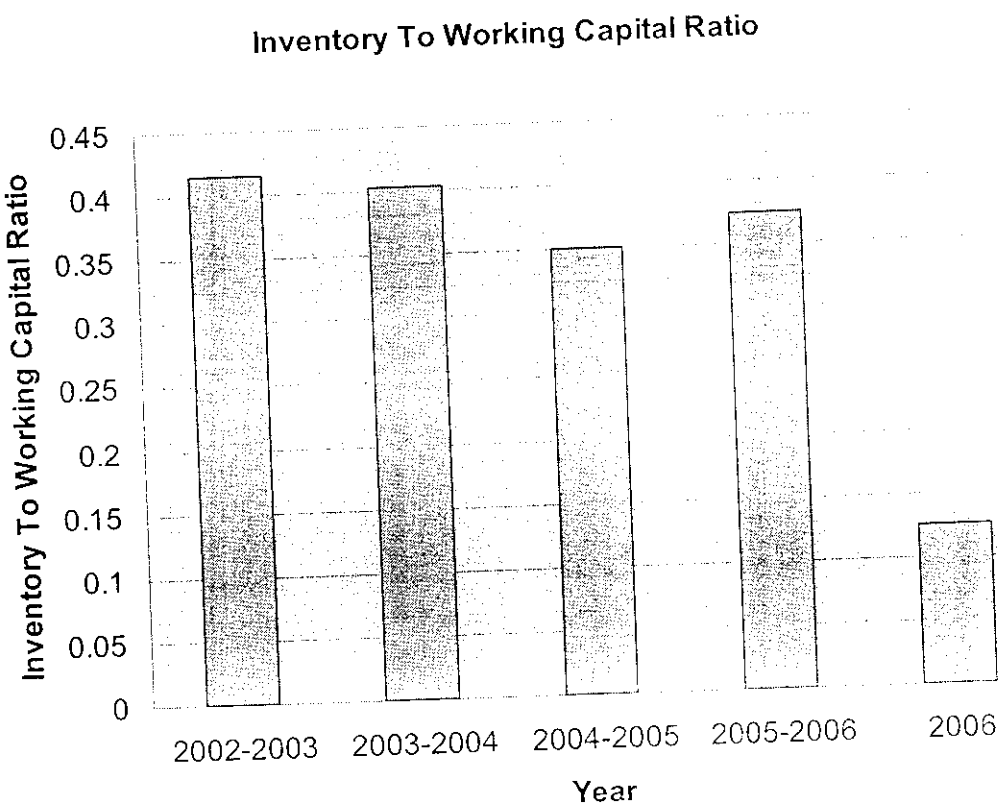
Source secondary data

INTERPRETATION:

During the year 2002-2003 the ratio was 0.416 and it decreased to 0.403 in 2003-2004, again decreased to 0.351 in 2004-2005, increased to 0.374 in 2005-2006 and decreased to 0.125 during 2006.

Chart: 4.16

Chart showing the Inventory to working capital ratio of Sakthi Sugars Ltd for the study period 2002-2006



17) TRADE RECEIVABLES TO WORKING CAPITAL RATIO:

Trade receivables to working capital ratio are the relationship between sundry debtors and working capital. It is calculated by dividing trade receivables by working capital. This ratio indicates how many times during a given period, the average working capital has been utilized to enable the company in collecting its debts. The higher ratio, higher investment in working capital so the position of the company will be weak. The lower the ratio the position of the company will be satisfactory.

$$\text{Trade receivables to working capital ratio} = \frac{\text{Trade receivables}}{\text{Working Capital}}$$

Table No: 4.17

Table showing the Trade receivables to working capital ratio of Sakthi Sugars Ltd for the study period 2002-2006

Years	Trade Receivables	Working Capital	Ratio
2002-2003	2934.10	27540.54	0.106
2003-2004	3713.66	21692.11	0.171
2004-2005	3178.59	21161.50	0.150
2005-2006	5716.64	30327.02	0.188
2006-2007	10509.16	67978.04	0.154

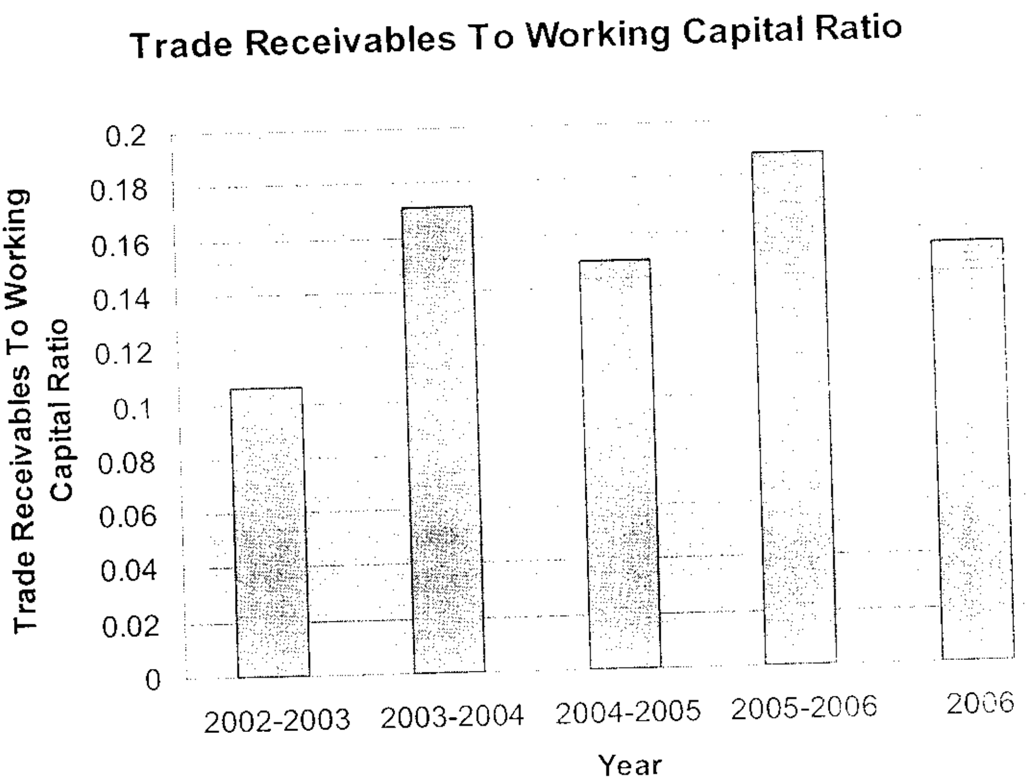
Source secondary data

INTERPRETATION:

The Trade receivable to working capital ratio was 0.106 in 2002-2003, increased 0.171 in 2003-2004, decreased to 0.150 in 2004-2005, again increased to 0.188 in 2005-2006 and decreased in 2006 as 0.154.it was fluctuating during the years.

Charts: 4.17

Chart showing the Trade receivables to working capital ratio of Sakthi Sugars Ltd for the study period 2002-2006



TREND ANALYSIS

A trend means a basic tendency of a series to grow or decline over a period of time. The concept of trend doesn't include short range oscillation, but rather a steady movement over a long time. The tendency of a particular data to grow over a period of time is known as growth factor. On the other hand the tendency of economic data to fall over a period of time is declining factor. The trend has either growth factor or declining factor. It may have either upward or downward movement.

In Financial analysis the direction of changes over a period of years is of crucial importance. Time Series or Trend Analysis of ratios indicates the direction of change. This kind of analysis is particularly applicable to the items of Profit & Loss account. It might be found in practice that a number of firms would show a persistent growth over a period of years.

PROJECTIONS FOR THE YEARS 2007 AND 2008

The Method of Least Squares has been used for making projections for net working capital, sales, current assets, current liabilities and expenses. By the method of least squares a straight-line trend can be fitted to a given time series of data. It is mathematical as well as analytical data. The trend line is called the line of best fit.

Formula Used

$Y = A + BX$

$\sum Y = Na + B\sum X$

$\sum XY = A\sum X + B\sum X^2$

1) NET WORKING CAPITAL:

Table No: 4.18

Table showing the Net Working Capital of Sakthi Sugars Ltd for the study period 2002-2006

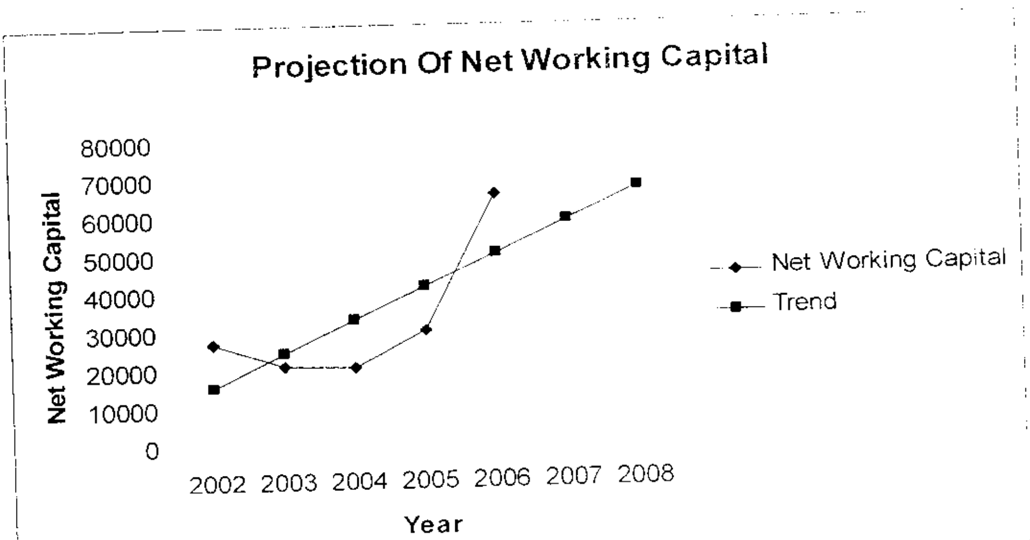
Year	Net working capital (y)	Deviation (x)	x^2	xy	Trend Rs
2002	27540.54	-2	4	-55081.08	16237.86
2003	21692.11	-1	1	-21692.11	24788.85
2004	21161.50	0	0	0	33339.84
2005	30327.02	1	1	30327.02	41890.83
2006	65978.04	2	4	131956.08	50441.82
2007					58992.81
2008					67543.80

INTERPRETATION:

The trend analysis shows the increasing trend of net working capital from 2002 to 2008, i.e from Rs.16237.86 to Rs.67543.80.

Charts: 4.18

Chart showing the Net Working Capital of Sakthi Sugars Ltd for the study period 2002-2006



2) SALES:

Table No: 4.19

Table showing the Sales of Sakthi Sugars Ltd for the study period 2002-2006

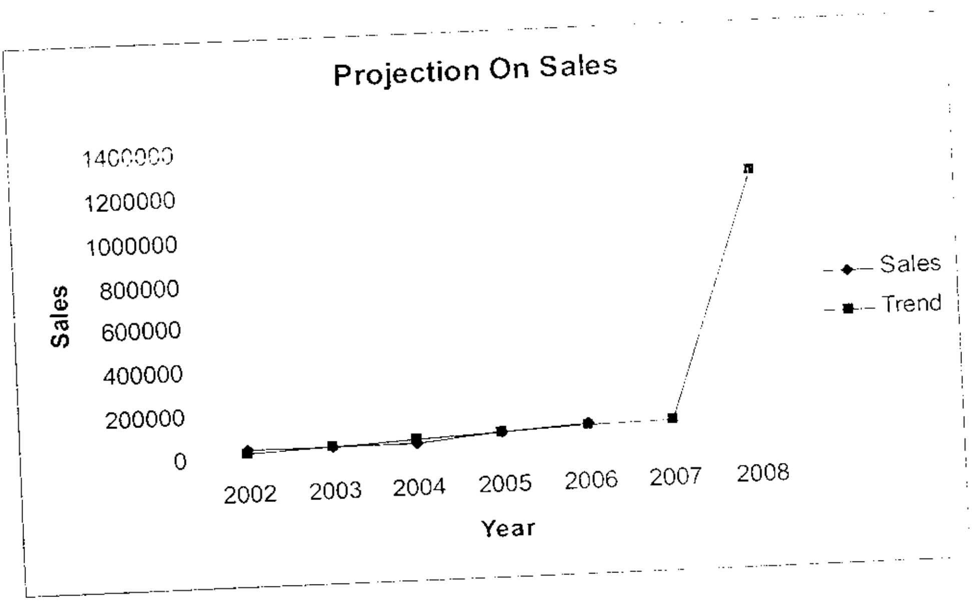
Year	Sales (y)	Deviation (x)	x^2	xy	Trend Rs
2002	45022.47	-2	4	-90044.94	30182.80
2003	39908.12	-1	1	-39908.12	45728.70
2004	40398.82	0	0	0	61274.60
2005	76674.26	1	1	76674.26	76820.50
2006	104369.31	2	4	208738.62	92366.40
2007		3			107912.30
2008		4			1234582.20

INTERPRETATION:

The trend analysis shows the increasing trend of sales from 2002 to 2008, i.e. from Rs.30182.80 to Rs.1234582.20.

Charts: 4.19

Chart showing the Sales of Sakthi Sugars Ltd for the study period 2002-2006



3) CURRENT ASSETS:

Table No: 4.20

Table showing the Current Assets of Sakthi Sugars Ltd for the study period 2002-2006

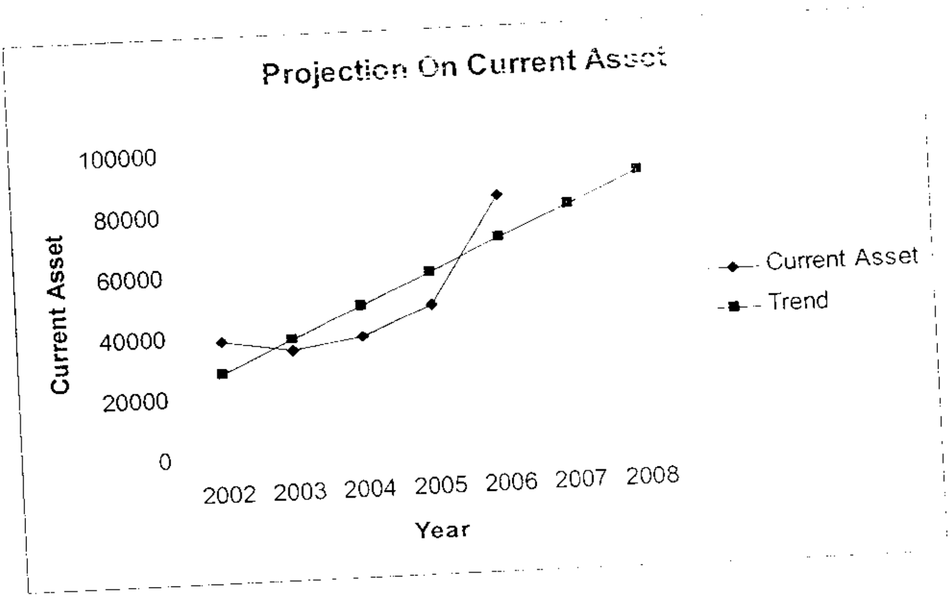
Year	Current Assets (y)	Deviation (x)	x^2	xy	Trend Rs
2002	38440.19	-2	4	-76880.38	28253.70
2003	35085.08	-1	1	-35085.08	38463.85
2004	38750.33	0	0	0	48674.00
2005	48121.84	1	1	48121.84	58884.15
2006	82972.58	2	4	165945.16	69094.30
2007		3			79304.45
2008		4			89514.60

INTERPRETATION:

The trend analysis shows the increasing trend of current assets from 2002 to 2008. i.e. from Rs.28253.70 to Rs.89514.60.

Charts: 4.20

Chart showing the Current Assets of Sakthi Sugars Ltd for the study period 2002-2006



4) CURRENT LIABILITIES:

Table No: 4.21

Table showing the Current Liabilities of Sakthi Sugars Ltd for the study period 2002-2006

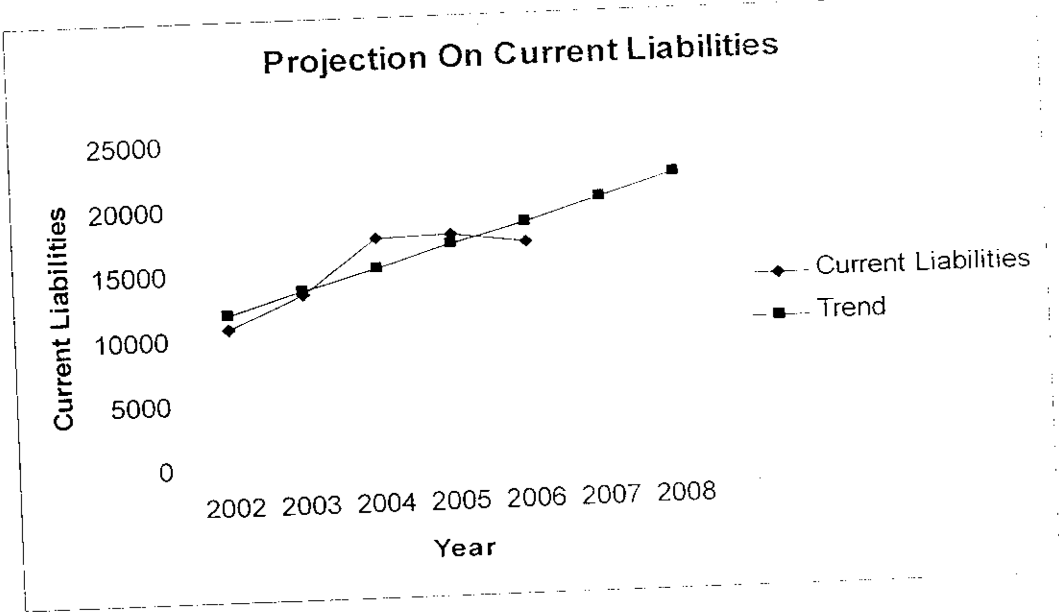
Year	Current Liabilities (y)	Deviation (x)	x^2	xy	Trend Rs
2002	10899.65	-2	4	-21799.3	12015.84
2003	13392.97	-1	1	-13392.97	13675.00
2004	17588.83	0	0	0	15334.16
2005	17794.82	1	1	17794.82	16993.32
2006	16994.54	2	4	33989.08	18652.48
2007		3			20311.64
2008		4			21970.8

INTERPRETATION:

The trend analysis shows the increasing trend of current liabilities from 2002 to 2008, i.e from Rs.12015.84 to Rs.21970.8.

Charts: 4.21

Chart showing the Current Liabilities of Sakthi Sugars Ltd for the study period 2002-2006



5) EXPENSES:

Table No: 4.22

Table showing the Expenses of Sakthi Sugars Ltd for the study period 2002-2006

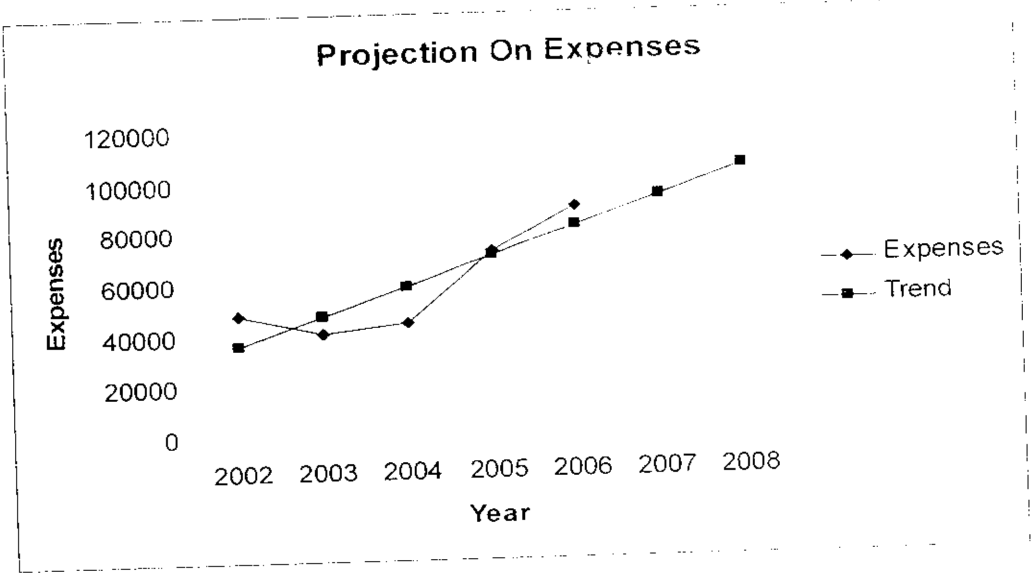
Year	Expenses (y)	Deviation (x)	x^2	xy	Trend Rs
2002	48601.60	-2	4	-97203.2	36651.15
2003	41304.27	-1	1	-41304.27	48074.76
2004	44922.65	0	0	0	59498.37
2005	72583.10	1	1	72583.10	70921.98
2006	90080.23	2	4	180160.46	82345.59
2007		3			93769.20
2008		4			105192.81

INTERPRETATION:

The trend analysis shows the increasing trend in expenses from 2002 to 2008, i.e from Rs.36651.15 to Rs.105192.81.

Charts: 4.22

Chart showing the Expenses of Sakthi Sugars Ltd for the study period 2002-2006



FINANCIAL POSITON OF COMPANY FOR THE YEAR 2006-2007

Type of ratios	Ratios
Current Ratio	4.882
Quick Ratio	4.378
Current Asset Turnover Ratio	0.794
Current Asset to Total Asset Ratio	0.53
Working Capital Turnover Ratio	1.581
Net Working Capital to Capital Employed Ratio	1.47
Cash Ratio	1.678
Cash Flow Coverage Ratio	2.18
Debtors Turnover Ratio	9.93
Average Collection Period	36
Debt Equity Ratio	0.448
Inventory Turnover Ratio	12.196
Accounts Receivables to Current Asset Ratio	0.126
Current Liabilities to Total Assets Ratio	0.11
Fixed Asset Turnover Ratio	0.683
Inventory to Working Capital Ratio	0.125
Trade Receivables to Working Capital Ratio	0.154

CHAPTER 5

FINDINGS, SUGGESTIONS & CONCLUSION

FINDINGS:

- The company is maintaining the excess current asset, which is double the times of ideal ratio in year 2006-2007, it maintained nearly ideal ratio in pervious years.
- Comparing with quick ratio of the company with its ideal ratio it more, i.e. it maintains four times excess.
- The company maintained more current assets in the year 2004-2005.
- The working capital is utilized efficiently over the period of 2002-2006.
- During the years 2004-2005 they maintained the high current assets turn over ratio.
- The current assets proportion has been in increasing trend from 2003-2004 to 2005-2006.
- The net working capital has been increasing with respect to capital employed during the years.
- The cash ratio also shows increasing trend from 2003-2004 to 2005-2006, which was high in 2005-2006.
- The debtors' turn over ratio is in decreasing trend, which is not good for the company.
- Average collection period is of the company fluctuating during the years.
- Debt-equity ratio was not coinciding with standard ratio, which is fluctuating.
- Inventory turn over ratio shows that it improved year after year and is high in 2006-2007.
- Accounts receivable management is in satisfactory position.
- Efficient inventory management was revealed through the inventory turnover ratio.
- The debt equity ratio reveals a good signal to the company.
- The cash flow coverage ratio shows a satisfactory position, showing better ability to service outside liabilities due to an increasing trend.
- The trend analysis shows that net working capital, sales, current assets, current liabilities, expenses are in increased trend.

SUGGESTIONS

- High current ratio though shows a positive trend, it is sign that the company is maintaining excess cash to meet its short term obligations, which may end up with opportunity cost. The company should take steps in bringing down the ratio to ideal ratio i.e., 2:1 by reducing the level of cash in hand.
- The debtor's turnover ratio shows a declining in trend which means that the company has relaxed its credit policy. If this continues there are more chance for bad debts, as well the funds would get lock in debtors.
- The average collection period remains to be 36 days in the current year which may add extra cost to the organization.
- The increasingly expenses of the concern have to be controlled by implementing proper controlling measures.
- As the company aims to become zero debt company, it is reducing the debt level, but the company may have to forego the benefits of cheapest source of funds.

CONCLUSIONS:

The financial performance of the Sakthi Sugars Limited is in a good and acceptable position. The company maintains excess liquidity which can be channeled to short-term securities to get a better yield. Debt equity ratio should be taken care to avoid risk.

The up gradation of technology in production has increased the output. The investment in R&D helps to obtain varieties in sugarcane. This makes the company to invest further on expansion.

The performance of the company in recent years is good. The study reveals that the firm`s sale is increasing, which is resulting in increased profitability. The overall performance shows that the company is having a good growth trend. Thus the company ensures the shareholders wealth maximization, which is the major objective of the company.

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