



# An Analytical Study on Financial Performance of Sugar Mill Industries

**Dr. M.P.Prathiba**

Assistant professor

Department of commerce,

Hindusthan College of Arts & Science (Autonomous) Coimbatore-641028

## Abstract:

The sugar mill industry plays a crucial role in the economy of many countries, particularly in the agricultural and industrial sectors. This study aims to analyze the financial performance of sugar mill industries, focusing on key financial indicators such as profitability, liquidity, efficiency, and solvency. Using financial statements and ratios from various sugar mills, the study evaluates how effectively these industries manage their resources and generate profits. It also identifies challenges and trends in the industry, including fluctuating raw material costs, regulatory changes, and market demand. The study further explores the impact of economic factors, including global sugar prices, and their influence on the financial stability of sugar mills. Through this comprehensive analysis, the research provides valuable insights for investors, stakeholders, and policymakers to make informed decisions. The findings suggest that while the industry shows strong profitability potential, it faces significant risks from external factors that affect its long-term financial sustainability. Recommendations for improving financial performance and addressing industry-specific challenges are also provided.

**Key words: Sugar Mills, Financial Performance, Profitability**

## 1.1 Introduction

Industrial units are considered to be highly crucial for the financial performance that determines their sustainability and growth. Among various industries, the sugar industry is highly important in both national and local economies, especially in rural areas where the employment is given by sugar mills and adds to the agricultural supply chain. In this context, sugar mills are playing an important role in converting raw agricultural produce into valuable finished products, generating revenue while supporting the livelihoods of farmers and sustaining local communities. Growth, modernization, and sometimes challenges within the Indian sugar industry, owing to fluctuating sugar prices, government policies, and adverse climate conditions impacting crop yields, have characterized it over time.

This analytical study on the financial performance of Public Sugar Mill Unit-II, Kallakurichi, aims to give a detailed understanding of its financial health, operational effectiveness, and sustainability. This will be achieved by studying different financial metrics and by taking into account the wider economic, agricultural, and regulatory environment within which the mill operates. This research is, therefore, aimed at improving the financial management practices of the public sector sugar mills with recommendations to enhance their efficiency and competitiveness in the sugar industry.

## 1.2 STATEMENT OF THE PROBLEM

The problem this research will solve is the evaluation of the financial performance of Kallakurichi's Public Sugar Mill Unit-II, which is very important to the local economy but has several financial problems. Variable sugar prices, political regulations, and dependence on agricultural inputs such as sugarcane all affect the operation of the mill. Despite its importance, there is little research on how these factors affect the profitability, liquidity, and overall financial stability of the mill. In order to provide these insights and analyses, financial challenges concerning cost management and operational inefficiency have created inconsistencies in revenue generation within the mill's operations, with an overall consequence on the mill's sustainability over time. This research will highlight financial challenges confronting the mill with a keen analysis of financial health with key ratios of performance, and therefore aim to create ideas towards the possible improvement so that it becomes a contributor toward better economic production as well as for stakeholders.

## 1.3 OBJECTIVES OF THE STUDY

- To evaluate the operational efficiency, liquidity, Profitability, Solvency of Sugar mill
- To analyze the Profitability position of the Sugar mill
- To give suggestions and recommendation based of the study

## 1.4 SIGNIFICANCE OF THE STUDY

Sugar mill Industries lies in its ability to assess the financial health and sustainability of the sugar industry. This study helps in understanding profitability, liquidity, and solvency, which are crucial for stakeholders like investors, policymakers, and management. It provides insights into financial strengths and weaknesses, aiding in strategic decision-making. The study identifies trends, risks, and efficiency levels, helping in optimizing cost management and revenue generation. It also evaluates the impact of government policies, subsidies, and market fluctuations on financial performance. Additionally, it contributes to improving operational efficiency and competitiveness in the industry. Such analysis is essential for long-term sustainability and growth in a sector heavily influenced by seasonal and regulatory factors

## 1.5 SCOPE OF THE STUDY

In view of the above study related to the financial performance of Public Sugar Mill Unit-II of Kallakurichi, it has conducted deep study in respect to detailed financial health of a selected period. The paper studies are key financial parameters profitability and liquidity, solvency and operational efficiency with focus being placed on assessing its selected statements, that include Income statement, Balance sheet and statement of cash flow which points to the trend as well as the pattern.

## 1.6 RESEARCH METHODOLOGY

The research methodology describes the approach as well as the methods by which the study was done to determine the financial performance of Public Sugar Mill Unit-II at Kallakurichi. It details out the tools and techniques, in terms of data-gathering and analysis, whereby the research is systematic as well as reliable. Here, it explains the source of data, including sources of financial reports, industrial records, and interviews related to the performance of the mill analyzed with specific methods. It further gives out the study period and scope for which the analysis has been undertaken. It therefore leads toward a comprehensive and very distinct roadmap for conducting research towards generating valid and meaningful results.

### 1.6.1 Research Design

The present study is an analytical study and mainly dependent on secondary sources of data. The study set to test the hypothesis that, Liquidity position, Solvency position, Profitability position and the profitability and operational efficiency of sugar industries for the analysis of data. The financial performance of the sugar mills has been studied for a period of 5 years from 2019-2020 to 2023-2024. The secondary data has been include the mill's annual financial statements, such as balance sheets, income statements, and cash flow statements, for a period of 5 years. This historical data is essential for analyzing the mill's profitability, liquidity, and solvency position.

### 1.6.2 Sample Size

❖ The study covers period of Five years from the financial year 2019-2020 to 2023-2024.

A finite sample size of five Sugar Industry was selected for the purpose of study: **EID PARRY ( INDIA) LIMITED, BALRAMPUR CHINI MILLS LIMITED, DALMIA BHARAT SUGAR AND INDUSTRIES LIMITED, DHAMPUR SUGAR MILLS LTD, BANNARI AMMAN GROUP.**

### 1.6.3 Source of Data

The research is mainly based on the secondary data. Secondary data has been taken from Annual report of respected Sugar mills Industry under the study.

### 1.6.4 Tools and Techniques use

The following tools and technology of financial analysis are used as a measure of judging the degree of Efficiency of Financial performance analysis of the sugar mills.

- ❖ Ratio Analysis
- ❖ Trend Analysis

## 1.7 LIMITATIONS OF THE STUDY

- ✓ The outcome of this study is strictly dependent on the availability and accuracy of the financial data that the Public Sugar Mill Unit-II avails. Poor or incomplete financial records would limit the overall analysis of its financial performance.
- ✓ The findings based on this research might hold specifically to the Public Sugar Mill Unit-II at Kallakurichi but could not apply to the various other public or privately-owned sugar mills across varied geographies and with different operational and administrative systems.
- ✓ The study majorly focuses on the key financial ratios and performance indicators; however, other variables influencing the mill's performance might not be covered. Managerial decisions and employee satisfaction are other influences not discussed in the given study.

## II. Review of Literature

**Kerubo Okenyuru Colletah, et al. (2024):**

This study highlights the importance of accounting management in improving the financial health of sugar companies. It shows that cost accounting methods, like standard and activity-based costing, are crucial for cost allocation, resource use, and profitability. The research confirms that strong cost management leads to better financial performance, especially in the sugar industry, which faces high costs and price volatility. The study concludes that cost accounting practices significantly impact the financial performance of sugar companies in the Lake Region Economic Block.

**Mr. Sivadhasan J & Mr. Santhosh Kumar (2024):**

This study focuses on the financial performance of sugar companies, specifically ROE. It emphasizes the need to break down ROE using DuPont analysis to understand the factors driving profitability. Path analysis is used to explore how financial factors influence ROE. The study suggests that market volatility, rural resource use, and energy generation are key to assessing financial performance in the sugar industry, contributing new insights into profitability drivers in the sector.

**III. Data Analysis**

Data Analysis is the process of collecting, organizing, and examining data to extract meaningful insights and support decision-making. It involves various techniques such as statistical analysis, trend analysis, and data visualization to identify patterns and relationships within the data. Data Interpretation follows analysis and involves explaining the findings in a meaningful way.

**3.1.1 LIQUIDITY RATIO****CURRENT RATIO**

It measures a company's ability to meet short term obligations with its short term assets.

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

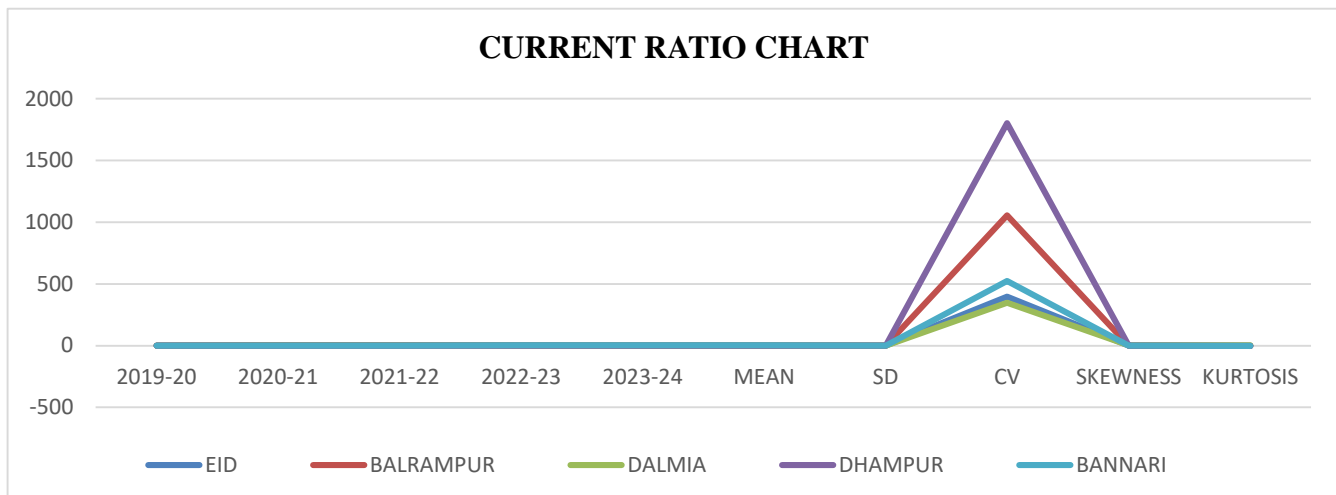
**TABLE: 1.1**

YEAR	EID	BALRAMPUR	DALMIA	DHAMPUR	BANNARI
2019-20	0.82	1.46	1.39	1.08	1.46
2020-21	1.13	1.63	1.56	1.19	1.49
2021-22	1.3	1.6	1.86	1.12	1.46
2022-23	1.68	1.31	2.73	1.24	2.04
2023-24	1.37	1.37	1.63	1.2	2.09
MEAN	1.26	1.47	1.83	1.17	1.71
SD	0.32	0.14	0.53	0.06	0.33
CV	398.15	1054.74	347.01	1803.48	522.96
SKEWNESS	-0.16	0.04	1.70	-0.42	0.62
KURTOSIS	0.60	-2.48	3.07	-1.50	-3.25

**Interpretation**

The highest current ratio was recorded by Dalmia in 2022-23 (2.73), indicating strong liquidity. EID's current ratio fluctuated, reaching its peak in 2022-23 (1.68) before declining in 2023-24. Balrampur and Dhampur maintained relatively stable ratios. Bannari showed a rising trend, peaking at 2.09 in 2023-24. The coefficient of variation (CV) is highest for Dhampur (1803.48), indicating the highest inconsistency. Dalmia's ratio is positively skewed (1.70), indicating occasional high values. Overall, Dalmia and Bannari have better liquidity, while Dhampur's consistency is low.





### 3.1.2 TREND ANALYSIS

Trend Analysis is a financial and statistical technique used to examine historical data and identify patterns or trends over time. It helps businesses and investors predict future performance based on past data. This analysis is commonly used in financial statements, stock market movements, and economic indicators to assess growth, stability, or decline.

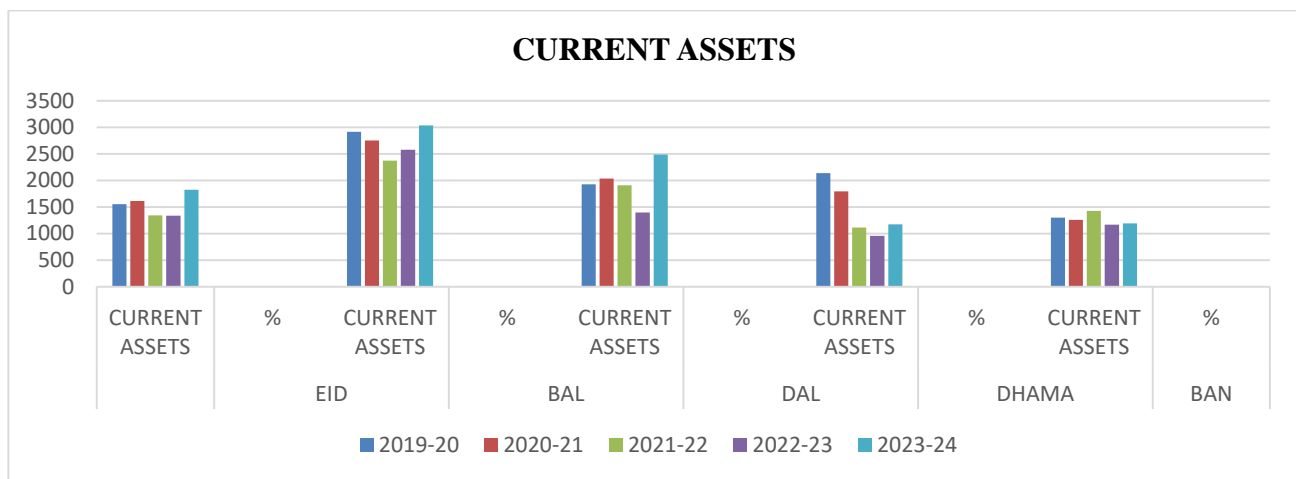
$$\text{Trend Percentage} = (\text{Current Year Value} / \text{Base Year Value}) \times 100$$

#### 3.2.1 CURRENT ASSETS

	EID PARRY		BALRAMPUR		DALMIA	
YEAR	CA	%	CA	%	CA	%
2019-20	1551.54	100%	2916.37	100%	1930.35	100%
2020-21	1613.21	104%	2754.38	94%	2035.49	105%
2021-22	1341.86	86%	2376.52	81%	1908.24	99%
2022-23	1335.3	86%	2577.74	88%	1400.1	73%
2023-24	1822.41	117%	3034.91	104%	2487.75	129%

	DHAMPUR		BANNARI	
YEAR	CA	%	CA	%
2019-20	2141.28	100%	1301.76	100%
2020-21	1796.39	84%	1260.05	97%
2021-22	1113.02	52%	1428.51	110%
2022-23	957.13	45%	1167.06	90%
2023-24	1175.39	55%	1192.72	92%

## CHART



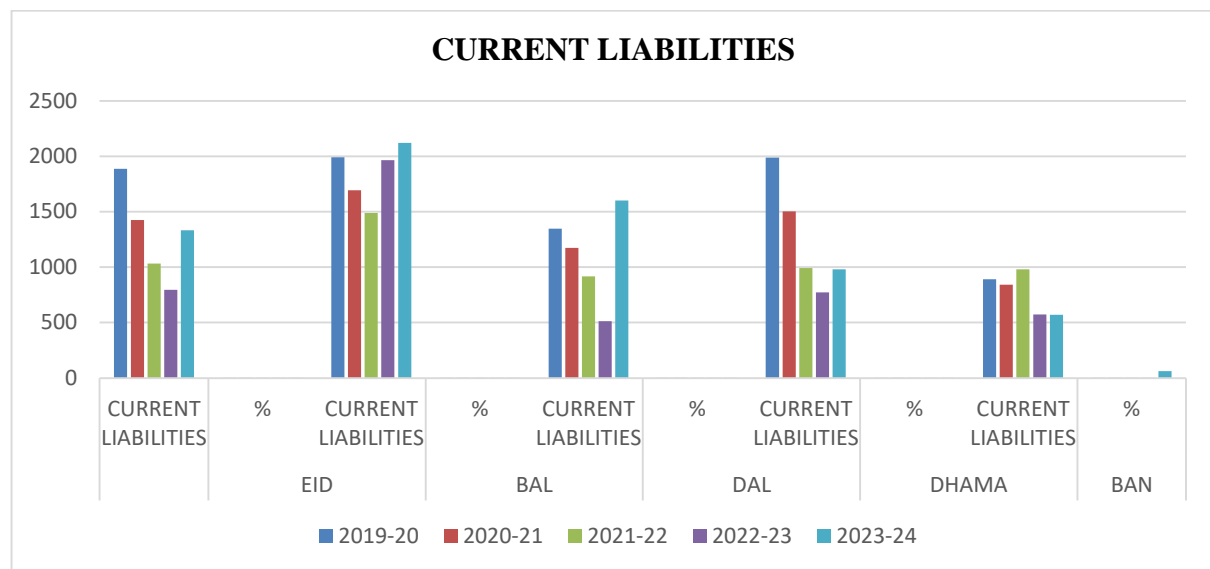
## Interpretation

Bannari (1301.76 to 1192.72) shows a slight decrease in current assets over time, indicating a minor decline in liquidity. Dhampur (2141.28 to 1175.39) experiences a sharp decline in current assets, suggesting possible liquidity issues and potential financial stress. EID Parry (1551.54 to 1822.41) has fluctuations but shows an overall increase in current assets, indicating some improvement in liquidity. **Overall**, Balrampur and Dalmia demonstrate stable and increasing current assets, while Dhampur faces a significant decline.

## 3.1.2. CURRENT LIABILITIES

	EID PARRY		BALRAMPUR		DALMIA	
YEAR	CL	%	CL	%	CL	%
2019-20	1885.89	100%	1991.66	100%	1347.82	100%
2020-21	1425.77	76%	1692.12	85%	1174.96	87%
2021-22	1031.41	55%	1489.80	75%	918.38	68%
2022-23	794.57	42%	1964.43	99%	513.38	38%
2023-24	1334.05	71%	2120.03	106%	1600.23	119%

	DHAMPUR		BANNARI	
YEAR	CL	%	CL	%
2019-20	1989.15	100%	891.77	100%
2020-21	1503.32	76%	843.36	95%
2021-22	991.87	50%	979.59	110%
2022-23	772.42	39%	573.27	64%
2023-24	980.77	49%	571.27	6406%



### Interpretation

Bannari (891.77 to 571.27) shows a decline in liabilities, indicating improved financial stability. Dhampur (1989.15 to 980.77) has a sharp reduction in liabilities, reflecting potential repayment or lower short-term obligations. EID Parry (1885.89 to 1334.05) shows fluctuating liabilities with an overall decrease, indicating better financial management. Balrampur (1991.66 to 2120.03) exhibits an increasing trend in liabilities, which may indicate expansion or higher financial obligations. Dalmia (1347.82 to 1600.23) shows a rising trend, which could be due to higher borrowings or increased payables.

### Conclusion

The financial performance analysis of Bannari Amman Sugars Ltd. highlights its stable profitability and efficient financial management. The company has demonstrated improvements in liquidity and profitability over time but needs to enhance inventory turnover and working capital efficiency. Maintaining a balanced approach to debt financing while optimizing operational costs will help sustain long-term growth. With strategic improvements in cost management, liquidity enhancement, and market expansion, Bannari can continue to strengthen its financial position in the competitive sugar industry.

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