

## **A Study on Financial Performance Using Ratio Analysis at Sakthi Sugar Ltd Sivagangai Unit**

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### **Abstract**

The present study of the research entitled “A STUDY ON FINANCIAL PERFORMANCE USING THE RATIO ANALYSIS AT KALEESWARAR MILLS B UNIT OF NATIONAL TEXTILE CORPORATION LTD”. The study was based on secondary data from records, reports and profile of the organization. The validity of any research is based on the systematic method of data collection analysis. The Ratio analysis is the process of identifying the financial soundness and cost effectiveness of the firm by establishing relationship between the items of balance sheet and profit and loss a/c. The present study has thrown major concentration in ratio analysis, from the 5years balance sheet and profit and loss a/c. An objective of the study includes the profitability, cost of goods sold and other experience company overall financial performance of the company. Short term-long term position of the company. Based on the five years balance sheet and profit and loss a/c suitable suggestion were given by the researcher for a better soundness and cost effectiveness of the company.

### **I. INTRODUCTION**

Sakthi Sugars Limited was established in the year 1961, with *commercial production of Sugar* commencing in the year 1964 at its Sakthinagar Sugar plant. Today it has in its fold four Sugar plant three of them in Tamil Nadu located at Sakthinagar, Sivaganga and Modakurichi and one plant in Orissa at Dhenkanal. With the aggregate capacity of 19,000 Tonnes of cane Crush per Day (TCD), Sakthi Sugars Limited is one of the largest producers of Sugar in the country. Expanding its industrial presence, Sakthi Sugars Limited diversified into *manufacturing of Industrial Alcohol* in the year 1972 at Sakthinagar, Tamil Nadu and at Dhenkanal, Orissa in the year 1996. Sakthi Sugars Limited is one of the important members of the Sakthi Group contributing a large share of revenue to the group's turnover. In its pursuit for business excellence, the Sakthi Group, ever since its inception has been staunchly inclined towards fulfilling its social commitments.

### **Review of Literature Small Firm's Use of Financial Ratio Cohen, Susan, Cohan, Richard Oct 2000**

This research examines capital structure theory as it applies small, privately held firms. We hypothesized that, given the fine line between the firm and the firm owner in small firms, lenders should take both the characteristics of the firm and those of borrower into consideration. The owner educational level, however, was a positive predictor of external debt, suggesting that lenders may use education as a proxy for human capital.

### **Research Methodology**

The researcher adopted the analysis of data in a manner that to combine relevance to purpose with economy in procedure. The preparation of the design of the project is popularly known as research design. It was used in primary data was collected for the first time. The project data has been collected through discussion with accounts manager of the company. Secondary data that are already collected and analyzed by someone else such as annual reports. The study depends mainly in company's report, books and company's profile.

### **Objectives Of The Study**

- To analyze the ratio analysis of the SAKTHI SUGAR LTD SIVAGANGAI UNIT

**Ratio Analysis**

**Current Ratio**

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

**Table Showing Current Ratio**

| Year      | Current assets<br>(Rs in Lakhs) | Current liabilities<br>(Rs in Lakhs) | Ratio (%) |
|-----------|---------------------------------|--------------------------------------|-----------|
| 2008      | 101809.38                       | 60048.77                             | 1.69      |
| 2009      | 104816.31                       | 54611.07                             | 1.92      |
| 2010-2011 | 75887.98                        | 157105.73                            | 0.48      |
| 2011-2012 | 82617.01                        | 166365.94                            | 0.49      |

Source: ANNUAL REPORT

**Absolute Liquid/Cash Ratio**

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

**Table Showing Absolute Liquid Ratio**

| Year      | Absolute liquid asset<br>(Rs in Lakhs) | Current liabilities<br>(Rs in Lakhs) | Ratio (%) |
|-----------|--|--------------------------------------|-----------|
| 2008      | 6026.64                                | 60048.77                             | 0.10      |
| 2009      | 6108.75                                | 54611.07                             | 0.11      |
| 2010-2011 | 5978.82                                | 157105.73                            | 0.04      |
| 2011-2012 | 10548.89                               | 166365.94                            | 0.06      |

Source: ANNUAL REPORT

**Debtors Turnover Ratio**

$$\text{Debtor's turnover ratio} = \frac{\text{Total Sales}}{\text{Debtors}}$$

**Table Showing Debtors Turnover Ratio**

| Year      | Total Sales<br>(Rs in Lakhs) | Debtors<br>(Rs in Lakhs) | Times |
|-----------|------------------------------|--------------------------|-------|
| 2008      | 103847.83                    | 11872.88                 | 8.75  |
| 2009      | 140435.07                    | 16305.02                 | 8.61  |
| 2010-2011 | 216553.65                    | 24437.17                 | 8.86  |
| 2011-2012 | 112126.99                    | 23977.04                 | 4.68  |

Source: ANNUAL REPORT

**Profitability Ratio**

**Net Profit Before Tax**

$$\text{NPBT} = \frac{\text{Net profit before tax}}{\text{Sales}} \times 100$$

**Table Showing Net Profit Before Tax Ratio**

| Year      | Net profit before tax<br>(Rs in Lakhs) | Sales<br>(Rs in Lakhs) | Ratio(%) |
|-----------|--|------------------------|----------|
| 2008      | (13318.31)                             | 103847.83              | (12.82)  |
| 2009      | 4076.32                                | 140435.07              | 2.90     |
| 2010-2011 | 11703.00                               | 216553.65              | 5.40     |
| 2011-2012 | 5189.16                                | 112126.99              | 4.63     |

Source: ANNUAL REPORT.

**Net Profit After Tax**

$$\text{NPAT} = \frac{\text{Net profit after tax}}{\text{Sales}} \times 100$$

**Table Showing Net Profit after Tax Ratio**

| Year      | Net profit after tax<br>(Rs in Lakhs) | Sales<br>(Rs in Lakhs) | Ratio(%) |
|-----------|---------------------------------------|------------------------|----------|
| 2008      | (12294.43)                            | 103847.83              | (11.83)  |
| 2009      | 2650.66                               | 140435.07              | 1.89     |
| 2010-2011 | 9380.30                               | 216553.65              | 4.33     |
| 2011-2012 | 5410.51                               | 112126.99              | 4.83     |

Source: ANNUAL REPORT

**Interpretation**

- The current ratio of the company is higher (1.92%) in 2009 and it is lower (0.48%) in 2010-2011
- The Absolute liquid ratio of the company is higher (0.11%) in 2009 and it is lower (0.04%) in 2010-2011
- The debtor's turnover ratio is higher in 2010-2011 (8.86times) and the ratio is lower in 2011-2012 (4.68times)
- The Net profit after tax is higher in 2011-2012 (4.83%) and the ratio is lower in 2008 (-11.83%)
- The net profit before tax is higher in 2010-2011 (5.40%) and the ratio is lower in 2008 (-12.82%)

**SUGGESTION:**

- The company should concentrate more on the working capital.
- The company maintains its debit in order to have profit maximizations.

**II. CONCLUSION**

The study conducted on ratio analysis at "sakthi sugar limited, sivagangai unit" gives a view of analysis evaluation of liquidity position of the company. Based on the tools used analysis and interpretation have been made giving way for useful and constructive suggestions. Thus the ratio analysis of the company is satisfactory. The company should enhance its performance for meeting challenges and exploiting opportunities in future. The project will guide to the management to interpret its weakness and problems this will certainly help the management to taking financial decision. However more efforts need to be taken to improve the financial position for the growth of the company.

**APPENDIX**  
**CONSOLIDATED BALANCE SHEET AS AT 31.12.2008 - 31.12.2009**

|   | As at 31.12.2009 | As at 31.12.2008 |
|---|------------------|------------------|
| <b>I.SOURCES OF FUNDS:</b>                      |                  |                  |
| (1)SHAREHOLDERS FUNDS:                          |                  |                  |
| (a)shares capital                               | 21,728.36        | 21,382.31        |
| (b)share application money                      | 1,566.00         | 1,566.00         |
| (c)reserves and surplus                         | 81,090.83        | 86,596.72        |
| (2)LOANS FUNDS:                                 |                  |                  |
| (a)secured loans                                |                  |                  |
| (b)unsecured loans                              |                  |                  |
| (c)foreign currency convertible bonds           |                  |                  |
|   | 104,385.19       | 109,545.03       |
|   | 158,037.60       | 144,038.08       |
|   | 22,336.05        | 25,412.89        |
| (4)DEFERRED TAX LIABILITY                       | 20,819.21        | 29,070.00        |
| TOTAL   |                  |                  |
| <b>II.APPLICATION OF FUNDS:</b>                 |                  |                  |
| (1)FIXED ASSEST:                                | 201,192.93       | 198,520.97       |
| Gross block                                     |                  |                  |
| Less: Depreciation                              | 1,092.10         | -                |
| Add:capital work in progress                    |                  |                  |
| Add:increase in vaule on Account of revaluation |                  |                  |
| Net block                                       | 306,978.18       | 308,327.34       |
| <b>INTANGIBLE ASSETS</b>                        |                  |                  |
| (2)INVESTMENTS                                  |                  |                  |
| (3)DEFERRED TAX ASSET                           | 205,689.84       | 163,568.68       |
| (4) (i)CURRENT ASSESTS,                         | 30,800.01        | 42,937.57        |
| <b>LOANS &amp; ADVANCES:</b>                    |                  |                  |
| (a) inventories                                 |                  |                  |
| (b) sundry debtors                              |                  |                  |
| (c) cash and bank balances                      |                  |                  |
| (d) other current assests                       | 174,889.83       | 120,631.11       |
| (e) loans and advances                          | 12,590.06        | 23,139.66        |
| Less:   | -                | 48,085.76        |
| (ii)CURRENT LIABILITIES AND PROVISIONS          |                  |                  |
| Net current assesta(i)-(ii)                     | 187,479.89       | 191,856.53       |
| (5)MISCELLANEOUS EXPENDITURE                    | 22,225.34        | 22,699.97        |

|               |            |            |
|---------------|------------|------------|
| TOTAL(1 TO 5) | 45,641.53  | 50,026.80  |
|               | -          | 225.75     |
|               | 34,510.42  | 21,855.38  |
|               | 16,305.02  | 11,872.88  |
|               | 6,108.75   | 6,026.64   |
|               | 16,048.28  | 6,937.40   |
|               | 31,843.84  | 55,117.08  |
|               | 104,816.31 | 101,809.31 |
|               | 54,611.07  | 60,048.77  |
|               | 50,205.24  | 41,760.61  |
| 1,426.18      | 1,757.68   |            |
| 306,978.18    | 308,327.34 |            |

**Consolidated Balance Sheet As At 31.03.2011-31.03.2012**

|                                 | As at 31.03.2012 | As at 31.03.2011 |
|---------------------------------|------------------|------------------|
| <b>I.EQUITY AND LIABILITIES</b> |                  |                  |
| (1)SHAREHOLDERS FUNDS:          |                  |                  |
| (a)shares capital               | 21,925.73        | 21,925.73        |
| (b)reserves and surplus         | 84,424.31        | 72,336.97        |
| (2)NON-CURRENT LIABILITIES      |                  |                  |
| (a)long term borrowings         |                  |                  |
| (b)deferred tax liabilities     | 106,350.04       | 94,262.70        |
| (c)other long term liabilities  |                  |                  |
| (d)long term provisions         |                  |                  |
|                                 | 105,623.35       | 103,518.28       |
|                                 | 480.98           | 198.44           |
| (2)CURRENT LIABILITIES          | 692.63           | 704.04           |
| (a)short term borrowings        | 2,038.08         | 1,679.24         |
| (b)trade payables               |                  |                  |
| (c)other current liabilities    |                  |                  |
| (d)short term provisions        |                  |                  |
| TOTAL(1 TO 4)                   |                  |                  |
| <b>II.ASSESTS</b>               |                  |                  |
| (1)NON-CURRENT ASSESTS          | 108,835.04       | 106,100.00       |
| (a)Fixed Assests                |                  |                  |
| (i)Tangible assests             | 38,549.20        | 27,067.51        |
| (ii)Intangible assests          | 37,459.75        | 36,287.70        |
| (iii)Capital work-in-progress   | 82,272.30        | 85,760.42        |
| (b)Non-current investments      | 8,084.69         | 7,990.10         |
| (c)Long term loans and Advances |                  |                  |
| (d)Other non-current assests    |                  |                  |
| (2)CURRENT ASSESTS              | 166,365.94       | 157,105.73       |
| (a)inventories                  |                  |                  |

|                           |            |            |
|---------------------------|------------|------------|
| (b)sundry debtors         |            |            |
| (c)cash and bank balances | 382,003.67 | 357,841.94 |
| (d)other current assests  |            |            |
| (e)loans and advances     |            |            |
| TOTAL (1 AND 2)           |            |            |
|                           | 196,341.62 | 171,741.84 |
|                           | 2,806.54   | 27,361.02  |
|                           | 14,062.57  | 14,746.46  |
|                           | 46,615.24  | 43,405.86  |
|                           | 8,661.86   | 12,816.21  |
|                           | 9,868.83   | 11,882.03  |
|                           | 299,386.66 | 281,953.96 |
|                           | 35,383.07  | 32,211.35  |
|                           | 23,977.04  | 24,437.17  |
|                           | 10,548.89  | 5,978.82   |
|                           | 3,469.48   | 3,955.08   |
|                           | 9,238.53   | 9,305.56   |
|                           | 82,617.01  | 75,887.98  |
|                           | 382,003.67 | 357,841.94 |

#### **BIBLIOGRAPHY**

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#### **WEBSITES**

[www.sakthigroup.com](http://www.sakthigroup.com)