

## Faces of Sugar Industries: A Review

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### Abstract

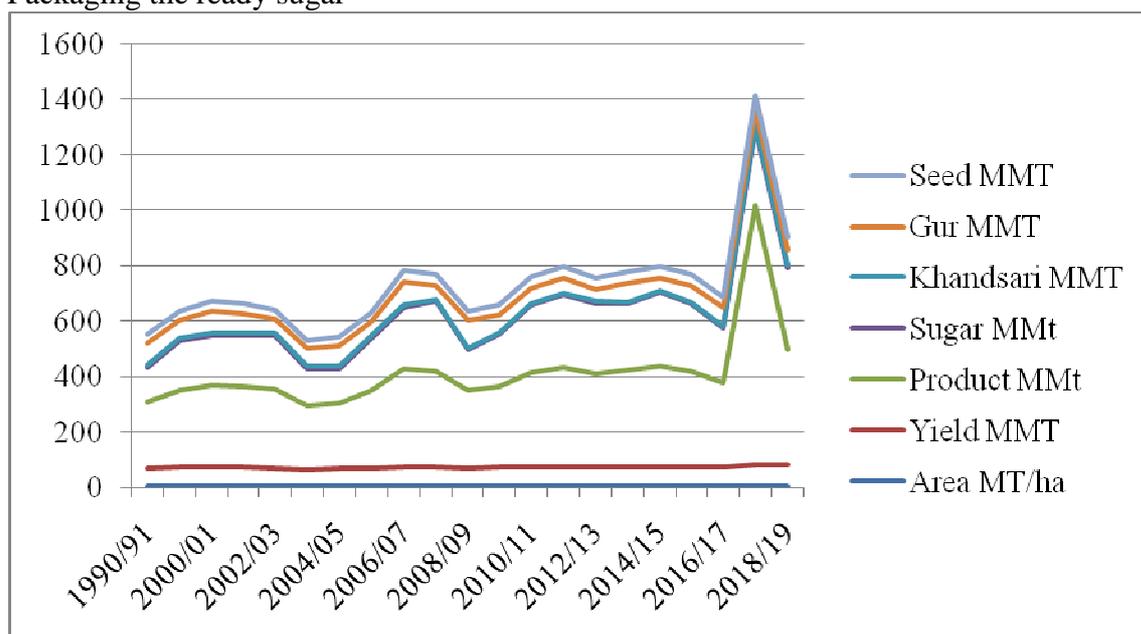
India is the world's largest producer of sugarcane and second largest producer of sugar after Cuba. But India becomes the largest producer if gur and khandsari are also included. This industry involves a total principal investment of Rs.1,250 crore and provides employment to 2.86 lakh workers. In addition, 2.50 crore sugarcane growers also get advantage from this industry. The sugar industry has been increasing at a decent rate over the years due to the growing sugarcane yield, rising exports, improving technological advancements. Other factors that are dynamic the sugar industry in India are the rising demand of Indian sugar along with better cyclicity administration.

**KEYWORDS:** Sugarcane Industry, Exports, Demand, Cyclicity management

### Types of Sugar Industries in India:

The sugar industry in India has two sectors including organized and unorganized sector. The sugar factories usually belong to the organized sector and those producers who produce traditional sweeteners.

- Extracting juice by pressing sugarcane
- Boiling the juice to obtain crystals
- Creating raw sugar by spinning crystals in extractors
- Taking raw sugar to a refinery for the process of filtering and washing to discard remaining non-sugar elements and hue
- Crystallizing and drying sugar
- Packaging the ready sugar



### INTRODUCTION TO FINANCIAL STATEMENT ANALYSIS

Financial performance in broader sense refers to the degree to which financial objectives or has been accomplished and is an important aspect of financial risk management. It is the process of measuring the results of a firm's policies and operations in monetary terms. It's used to measure firms overall financial health over a given period of the time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Financial analysis involves the use of financial statements. A financial statement is a collection of data that is organized according to logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business firm. It may show a position of a period of time, as in the case of an Income Statement. The term "Financial Statements" generally refers to two basic statements Balance Sheet and Income Statement.

Balance Sheet shows the financial position condition of the firm at a given point of time. Balance sheet is a summary of a firms financial position on a given date that shows Total Assets = Total Liabilities + Owners equity. Income Statement referred to in India as the profit and Loss statement reflects the performance of the firm over a period of time. Income Statement is a summary of a firms business are venues and expenses over a specified period, ending with net income or loss for the period".

#### **AREAS OF FINANCIAL PERFORMANCE ANALYSIS:**

Financial analysts often assess the firms production and productivity performance (Total business performance), Profitability Performance, Liquidity Performance, Working Capital Performance, Fixed Assets Performance, Fund Flow Performance and Social Performance. Various financial ratio analysis includes

1. Working Capital Analysis
2. Financial Structure Analysis
3. Activity Analysis
4. Profitability Analysis

#### **PROFITABILITY ANALYSIS:**

Profitability is the primary goal all business ventures. Without profitability the business will not survive in the long run. So measuring current and past profitability and projecting future profitability is very important.

Profitability is measured with income and expenses. Income is money generated from the activities of the business. Its measured with an "Income Statement". This is essentially a listing of income and expenses during a period of time for the entire business. An Income Statement is traditionally used to measure profitability of the business fir the past accounting period.

The Indian Sugar industry is the country's second largest agro-processing industry with 490 sugar factories in operation and an annual turnover of 700 billion. The horizontal growth orientated trend of the industry has led to its stagnation.

In this study, an attempt has been made to analyze the financial and business performance of selected sugar companies and to highlight the major policy implications & growth of the Indian sugar industry. The study is based on the secondary source of data. The growth of sugar industry is full of tales of adventure and conquest. It received the attention of builders of different Empires from time to time.

The second development was the signing of the International Sugar Agreement by the government, of India in may 1937. Under this agreement, India was banned from exporting sugar by sea to any country expect Burma for a period of 5 years. At the same time, India was made a 'free market' where other countries could

export sugar without any restriction. This “Anamoloy’s” Agreement provides an interesting commentary on the anxiety of the British Government to help our struggling industries. The ban prevented India from exporting sugar at a time when there was a growing world shortage.

#### **Objective of the study:**

The main objective of the present study is to determine the growth and development of sugar industry in India. To study trend analysis of the company and suggest the ways and improve the financial position of the company.

#### **Size of the Industry:**

Today India has 703 Sugar Companies 335 Private Limited Companies 325 Co-operative Societies and Public Limited Companies 43.

#### **Geographical Distribution:**

Uttar Pradesh, Maharashtra, Karnataka, Gujarat, Tamil Nadu, and Andhra Pradesh

#### **Output per annum:**

India is the largest consumer of sugar and consumes around 16 million tonnes of sugar per annum.

#### **STATE – WISE SUGAR PRODUCTION**

For SS17-18, UP & Maharashtra produced 10+ million tons of sugar each, out of the total 30 million tons of domestic sugar production, accounting for 2/3<sup>rd</sup> of Indian Sugar Production. State-wise sugar production historically has been as following:

#### **Sugar Production: (mn tons)**

STATE	2013-14	2014-15	2015-16	2016-17	2017-18E
UP	6.6	7.1	6.8	8.8	12.0
Maharashtra	7.7	10.5	8.5	4.2	10.7
Karnataka	4.2	5.0	4.1	2.1	3.6
Gujarat	1.4	1.3	1.4	1.0	NA
Andhra Pradesh	1.2	1.1	1.1	0.9	NA
Others**	2.3	2.5	2.4	2.8	NA
<b>Total</b>	<b>24.4</b>	<b>28.4</b>	<b>25.1</b>	<b>20.3</b>	<b>32.0</b>

\*Includes Telangana

\*\*Mainly Haryana, Punjab, Bihar, Uttarakhand and Madhya Pradesh

#### **State – wise installed capacity is as follows**

State	No of Mills	Capacity (in MWh)	State	No of Mills	Capacity (in MWh)
<b>Uttar Pradesh</b>	60	1050	Maharashtra	66	1000
<b>Karnataka</b>	54	1000	Tamil Nadu	30	563
<b>Andhra / Telangana</b>	21	259	Gujarat	-	-
<b>Bihar</b>	7	89	Punjab	8	154

#### **Market Capitalization:**

Total turnover of Rs.500 billion per annum. ISMA has lowered India’s 2018-2019 sugar production estimate by 11.26%.

Sugar production during the current 2018-2019 SS is being reported to be lower than what was expected about 3-4 months back. The crop in the three main sugarcane growing States, namely, Uttar Pradesh, Maharashtra and Karnataka which contribute for around 80% of country's sugar, have all been adversely impacted due to various reasons.

The sugarcane area in U.P for this season is seen to be slightly higher than the area under sugarcane in 2017—18 SS. The area under the high yielding variety Co 0238 is also higher and, therefore, it was expected that sugarcane and sugar production in 2018-2019 sugar season, as compared to last year, would be around 10-15 lakh tons more.

Several areas in U.P have had untimely rainfall in September 2018 which has adversely affected the growth of the sugarcane at this very important maturity period. Further, some areas have reported water-logging and in some parts of Western U.P, there has been sugarcane lodging also.

Due to the above reasons, the sugarcane yields will be significantly lower than what was estimated about 3-4 months back and also lower than what was achieved in the previous sugar season. At the same time, the sugar recovery will also get adversely impacted.

Accordingly ISMA has revised its sugar production estimates for U.P. from 130-135 lakh tons made in July 2018 to 121 lakh. This is almost similar to 120.45 lakh tons produced by U.P. sugar mills in the sugar season.

The area under sugarcane in Maharashtra as per the satellite images taken in June 2018 were around 25% more than the acreage in 2017-18 SS. Accordingly, ISMA has estimated a sugar production of around 110-115 lakh in 2018-19 SS, slightly higher to the actual sugar production of 107.23 lakh tons last season. The yields which were around 108 tons/ha in the last year were expected to drop to around 90 tons/ha because of larger proportion of ratoon crop in the overall mix.

#### **CONCLUSION:**

Sugar industry is regarded second after the textile industry in India as per agro processing industry in the country. Indian sugar industry has always been a focal point for socio economic development in the rural areas. Nearly 50 million farmers and labourers involved in sugarcane cultivation, contributing to 7.5% of the rural population. Despite the impressive advanced made by the industry in the post-Independence period, it continued to be characterized by great instability as represented by large and recurring imbalances between the demand for and supply of sugar.

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