

Review of Financial Analysis: Shri Sant Tukaram Co-Operative Sugar Factory, Pune

Kalidas Kailas Sabale, Dr. Rajendra Jarad, Dr. Mahendra Yadav, Dr. Dhananjay Bhavsar

Prof. Nilambari Moholkar, Dr. Dhanvi Awate, Dr. Praveen Suryavanshi.

Department of MBA, Dr. D.Y. Patil Institute of Technology, Pimpri, Pune

Abstract

“This paper aims at making financial analysis of a sugar entity in terms of liquidity, solvency, operational efficiency and profitability. Management practices with professional approach tend to improve the financial performance of sugar factories by implementing some innovative practices to reduce the controllable cost and generating additional revenues. Shri Sant Tukaram Sahakari Sakhar Karkhana Ltd. is a sugar factory located in Kasarsai-Darumbre, a hilly and undeveloped area in Pune district. The factory was founded by Shri Viduraji Vithoba alias Nanasaheb Navale, who was inspired by the local culture and environment. The factory has 22361 members and 502 workers, including co-generation units that produce 15 MW of electricity. ”

Keywords: Financial statements, Analysis, Ratio analysis, Variance analysis

Introduction

The basis for financial analysis, planning and decision making reflects in scientific analytical financial statement which mainly consists of Balance Sheet and Profit & Loss account of a sugar factory. This summarized financial report provides the operating result and financial position of a sugar factory and detailed analytical information contained therein is useful for assessing the operational efficiency and financial soundness of a sugar factory.

The promoters are well experienced in relevant fields and have made thorough study of the overall project planning and implementation with prime objective towards development of the area and its economy. Molasses is a very important by-product of the sugar industry. The profits earned by conversion of molasses into alcohol are much higher than that of resale of molasses alone. Moreover, there is a good demand for alcohol in the country as production and consumption of alcohol in India are quite balanced. Also, there is a good export potential, out of the country, for the alcohol. Sugar factory under title of ‘Shri Sant Tukaram Sahakari Sakhar Karkhana Ltd.’ (SSTSSKL) was registered on 22.05.1990. First crushing season of sugar factory was undertaken in the year 1998-99 with crushing capacity 2500 TCD. The capacity was further expanded by 500 TCD in the year 2016. The 15 MW cogeneration plant commissioned in the year 2015-2016. 1st CTO for 3000 TCD sugar factory & 15 MW cogeneration plant was granted on 24.02.2016. The industry was operated with the same capacity upto year 2020. Now, the management of Shri Sant Tukaram Sahakari Sakhar Karkhana Ltd. has decided to establish 45 KLPD Molasses based Distillery unit at Gat No. 17, 25, 26, 28, 149, 152, A/p: Kasarsai-Darumbre, Tal.: Mulshi, Dist.: Pune, Maharashtra State. Please refer additional attachment for company registration certificate.

Significance of Analysis of Financial Statements

Financial analysis is useful and significant to different users in the following ways:

- **Finance Manager**: Financial analysis techniques enable the finance manager to make constant reviews of the actual financial operations of the sugar factory for analyzing the causes of major deviations, which may help in taking corrective action.

- **Top Management:** Financial analysis helps the Top Management in measuring the success of the company's operations, appraising the individual's performance and evaluating the system of internal control.
- **Trade Payables:** The traders are particularly interested in sugar factory's ability to meet their claims over a very short period of time, which evaluate factory's liquidity position.
- **Lenders:** Banks and Financial Institutions are concerned about the sugar factory's long term solvency and survival. They analyze the historical financial statements to assess its future solvency and profitability.
- **Investors:** Investors, who have invested their money in the sugar factory's shares, are interested in the sugar factory's earnings and present and future profitability to ascertain its effects on sugar factory's earning.
- **Others:** Economists, Researchers, Government etc., analyze the financial statements to study the economic conditions for price regulations, taxation and other similar purposes.

Tools of Analysis of Financial Statements

The most commonly used techniques of financial analysis are as follows:

A) Comparative Statements: The comparative Profit & Loss account gives an idea of the progress of business over a period of time. The changes in absolute money values and percentages can be determined to analyze the profitability of the business. This analysis is also known as 'horizontal analysis or Intra sugar factory analysis. Horizontal analysis compares each item with an item for a selected base year.

“One cannot be the finest without comparing with rest”

SUMMERISED COMPARATIVE PROFIT AND LOSS ACCOUNT FOR THE YEAR 2022-23 & 2023-24					
YEAR	CANE CRUSHING		PRODUCTION		
2022-23	674765.310	MT	894855 QTLS		
2023-24	731132.950	MT	967000 QTLS	Rs. Lakhs	
1) INCOME			2022-23	2023-24	Diff. (+/-) Change%
1.1) Sugar Realization			26109.58	27801.88	1692.30 6.48
1.2) Bagasse			279.15	542.60	263.45 94.37
1.3) Molasses			948.16	1312.77	364.61 38.46
1.4) Other Income			163.29	485.05	321.76 197.06
TOTAL (1)			27500.18	30142.30	2642.12 9.61
2) COST OF PRODUCTION					
2.1) Raw Material Cost			20677.80	24070.15	3392.35 16.41
2.2) Manufacturing Overheads			2921.23	1685.72	(1235.51) (42.29)
2.3) Salary & Wages			1393.13	1643.43	250.30 17.97
2.4) Administrative Exp.			444.12	525.19	81.07 18.26
TOTAL (2)			25436.28	27924.49	2488.21 9.78
GROSS PROFIT			2063.91	2217.81	153.91 7.46

3) Depreciation	269.91	309.51	39.60	14.67
4) Interest	1760.75	1848.54	87.79	4.99
5) TOTAL COST OF PRODUCTION (2+3+4)	27466.94	30082.54	2615.60	9.52
6) NET PROFIT (1-5)	33.24	59.76		

Interpretation

During the financial year 2023-24 the factory crushed 7.31 lac MT of sugar cane & produced 9.67 lakh quintals of sugar as per the Balance Sheet of March 2024, the factory has holding sugar stock of Rs. 321.74Cr., this was mainly because of lower market price during financial year 2022-23. The sugar prices have gone far below the FRP, therefore sugar factory was compelled to carry over stock in an anticipation of better price in future.

The above table gives idea about deviation in absolute figures in rupees as compared to year 2022-23. The financial statements indicated in above table, is prepared for successive periods 2022-23& 2023-24, where it shows the changes in percentages over a period of time.

B) Common Size Statements: The common size statements analysis compares each item with a base item of two different factories to realize where we actually stand as compared to other sugar factories and what the exact reasons of deviation are. This analysis is also known as ‘Vertical analysis or Inter sugar factory analysis’.

“The difference between running and ruining the business is high cost”

Name of The Company	Financial Year	Variable Cost Rs. PMT	Fixed Cost Rs. Lakh	Income Rs. PMT	Contribution PMT
1	2	3	4	5	6 =(5-3)
X Sugar Mill	2022-2023	3786.54	2397.90	4122.69	336.14
Y Sugar Mill	2023-2024	3546.00	2425.10	4242.91	696.91

C) Trend Analysis: Trend analysis studies the financial history, operational results & financial position of a sugar factory over a series of years using the historical data to observe the percentage changes in selected data.

“Costing is strange racing where falling considered wining”

Trend Analysis

SUMMARISED COMPARATIVE PROFIT AND LOSS ACCOUNT FOR THE YEAR 2022-2023 & 2023-2024

Rs. Lakhs				TREND%		
1) INCOME	2021-2022	2022-2023	2023-2024	2021-2022	2022-2023	2023-2024
1.1) Sugar Realization	21264.26	26109.58	27801.88	100.00	122.79	130.74

1.2) Bagasse	491.04	279.15	542.6	100.00	110.5
1.3) Molasses	1006.51	948.16	1312.77	100.00	130.43
1.4) Other Income	219.93	163.29	485.05	100.00	220.55
TOTAL (1)	22981.74	27500.18	30142.3	100.00	119.66 131.16
2) COST OF PRODUCTION					
2.1) Raw Material Cost	18138.73	20677.8	24070.15	100.00	132.7
2.2) Manufacturing Overheads	1226.14	2921.23	1685.72	100.00	137.48
2.3) Salary & Wages	1330.54	1393.13	1643.43	100.00	123.52
2.4) Administrative Exp.	263.7	444.12	525.19	100.00	199.16
TOTAL (2)	20959.11	25436.28	27924.49	100.00	133.23
GROSS PROFIT	2022.63	2063.91	2217.81	100.00	109.65
3) Depreciation	276.56	269.91	309.51	100.00	111.91
4) Interest	1727.26	1760.75	1848.54	100.00	101.94 107.02
COST OF PRODUCTION					
(2+3+4)	22962.93	27466.94	30082.54	100.00	130.95
NET PROFIT	18.81	33.24	59.76	100.00	176.91 316.51

The above table indicates financial trend is positive and the better financial management of the sugar factory year to year.

Ratio Analysis: It is a tool for comparison of the previous year's figures of the sugar unit, other entities, and the industry. It helps the management to take proper decision after analysis

“Ratios are like true friends. They tell us our shortcomings and strengths”

FINANCIAL RATIO STATEMENT AND VARIANCES					
S.no	Particulars	Concept	2022-2023	2023-2024	Variance
A	Liquidity Ratios				
A.1	Current Ratio	Current Assets/ Current Liabilities	1.10	1.18	0.08
A.2	Working Capital (Rs. Lakhs)	Current Assets Less Current Liabilities	2590.92	5541.34	2950.42
A.3	Cash Profit (Rs. Lakhs)	Net Profit +Depreciation	303.15	369.27	66.12
A.4	D.S.C.R	Net operating Income+Int. +Dep. /Total Debt service	1.38	1.91	0.53

DSCR WORKINGS :

Rs. Lakhs

PARTICULARS	2022-2023	2023-2024
CASH AVAILABLE FOR DEBT SERVICE :		
NET PROFIT	33.24	59.76
ADD:DEPRECIATION	269.91	309.51
INTEREST ON TERM LOAN	548.72	248.45
TOTAL CASH AVAILABLE FOR DEBT SERVICE	851.88	617.72
DEBTS TO BE SERVICED :		
REPAYMENT OF TERM LOAN	66.54	75.50
INTEREST ON TERM LOAN	548.72	248.45
TOTAL DEBT TO BE SERVICED	615.26	323.95
D.S.C.R.	1.38	1.91
AVERAGE D.S.C.R.		1.56

Interpretation

Above statement show that, significant improvement in major liquidity ratios. Current ratio has increased from 1.10 to 1.18 in the year **2023-24**. An ideal current ratio is 2:1

“Absolute figures unless converted into relative ones are meaningless.”

FINANCIAL RATIO STATEMENT AND VARIANCES					
S.no	Particulars	Concept	2022-2023	2023-2024	Variance
A	Solvency /Leverage Ratio				
A.1	Debt Equity Ratio	Total Debt/ Net Worth	2.56	1.40	-1.16
A.2	Solvency Ratio	Net worth/Total Assets	0.07	0.13	0.06
A.3	Fixed asset to Net worth Ratio	Net worth/Fixed Assets	0.72	0.82	0.10
A.4	Gross profit to Total Income Ratio (%)	Gross profit/Total Income	0.08	0.07	-0.01
A.5	Net profit to Total Income ratio (%)	Net Profit/Total Income	0.12	0.20	0.08
A.6	Gross Value added (Rs.Lakhs)	(Income - Rm- P&C- Pac)	6185.52	5516.14	-669.38

A.7	Net Value added (Rs.Lakhs)	Gross Value added- Depreciation	5915.60	5206.93	-708.67
A.8	Raw material to Value of output	(Raw material +Process & Chem.)/Value of output	76.04	80.65	4.61
A.9	Wages to Total Income (%)	Wages/Total Income	5.07	5.45	0.38
A.10	Interest to Value output (%)	Interest /Value output	6.4	6.13	-0.27
A.11	Net Profit to Equity (%)	Net profit/Equity	3.18	5.64	2.46
A.12	Capital employed Turnover ratio	Sales / Capital Employed	4.90	2.35	-2.55
A.13	Return on Capital Employed (%)	EBIT/Capital Employed	31.98	14.86	-17.12

Interpretation

1) The table shows that the total Debt Equity ratio has decreased in the year 2023-2024 from 2.56 to 1.40. During FY 2023-2024 factory has raised soft loan from banks to pay FRP as per Government norms this has resulted substantial increase in outside liabilities.

2) The above table shows the gross profit ratio of the table indicates that the ratio in the year 2023 was 0.08 and in the year 2024 it decreased to 0.07.

D) Cash Flow Analysis: It is the analysis of actual movement of cash inflow and outflow in an organization. The flow of cash into the sugar factory is called as cash inflow and the flow of cash out of the sugar factory is called as cash outflow. The difference between the inflow and outflow of cash is the net cash flow.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-2024

S.no	Particulars	Amount	Amount
A	CASH FLOW FROM OPERATING ACTIVITIES		
A.1	Net Profit before tax and transfer to general reserve	70.74	
A.2	Depreciation expense	309.51	
A.3	Interest on term Loan	248.45	
	Operating Profit before working capital changes		628.70
	<i>Adjustments for changes In Working Capital</i>		
A.4	(Increase)/Decrease in current assets	(15,338.01)	
A.5	(Increase)/Decrease in advances & receivables	8,023.80	

A.6	Increase/(Decrease) in working capital Loan	2,333.66	
A.7	Increase/(Decrease) in current liabilities & provisions	3,825.70	(1,154.85)
	NET CASH FROM OPERATING ACTIVITIES		(526.15)
B	CASH FLOW FROM INVESTING ACTIVITIES		
B.1	Sale of Investment	624.45	
B.2	Purchase of fixed assets	(876.50)	
B.3	Payment of long term debts	(75.49)	
	NET CASH FROM INVESTING ACTIVITIES		(327.54)
C	CASH FLOW FROM FINANCING ACTIVITIES		
C.1	Amount raised through share capital	12.53	
C.2	Proceeds from Long term debts	2,885.17	
C.3	Interest Expense on term Loan	(248.45)	
	NET CASH FLOW FROM FINANCING ACTIVITIES		2,649.25
D	NET(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		1,795.56
	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		106.81
E	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (D+E)		1,902.37

Cash Flow Interpretation

The cash flow statement depicts that sugar factory has raised funds by redemption its Investment and issue of share capital as well from long term loan to meet operational expenditure and capital expenditure.

E) Funds Flow Analysis: A Fund Flow Statement is a summarized statement of the movement of Funds from different activities of a sugar factory during an accounting period.

“Know what you own and what you owe”

SUMMERIZED COMPARATIVE BALANCE-SHEET AS ON 31ST MARCH 2023-2024

(Rs. Lakh)

Particulars	2022-23	2023-24	Diff. (+/-)
A) OWN CAPITAL			
Share Capital	1046.91	1059.44	12.53
Reserves & Surplus	1045.28	1056.27	10.99
Profit & Loss A/c(+/-)	93.39	153.15	59.76
TOTAL (A)	2185.58	2268.86	83.28

B) LONG TERM DEBTS

Term loan	2812.72	5151.52	2338.80
Soft Loan	295.81	220.32	(75.49)
Voluntary Deposits	2476.69	3023.07	546.38
TOTAL (B)	5585.22	8394.91	2809.69

C) CURRENT LIABILITIES

Working Capital Loan	12283.43	14617.09	2333.66
Current liabilities/provisions.	12953.11	16778.81	3825.70
TOTAL (C)	25236.54	31395.90	6159.36

TOTAL LIABILITIES (A+B+C)	33007.34	42059.67	9052.33
----------------------------------	-----------------	-----------------	----------------

D) CAPITAL INVESTMENT

Gross Fixed Assets	7922.61	12510.96	4588.35
Less: Accum. Depn.	4903.79	5213.30	309.51
Less: Revaluation Reserve	0.00	3711.85	3711.85
Net Fixed Assets	3018.82	3585.81	566.99
INVESTMENT	2161.07	1536.62	(624.45)
TOTAL (D)	5179.89	5122.43	(57.46)

E) CURRENT ASSETS

Current Assets	16836.37	32174.39	15338.01
Advances & Receivables	10884.28	2860.48	(8023.80)
Cash and Bank Balances	106.81	1902.37	1795.56
TOTAL (E)	27827.46	36937.24	9109.78

TOTAL ASSET (D+E)	33007.35	42059.67	9052.33
---------------------------	-----------------	-----------------	----------------

NET WORKING CAPITAL(E-C)	2590.92	5541.34	2950.42
---------------------------------	----------------	----------------	----------------

NET WORTH(A)	2185.58	2268.86	83.28
---------------------	----------------	----------------	--------------

Current Ratio ($E \div C$)	1.10	1.18	
------------------------------	-------------	-------------	--

Capital Employed (Net F.Asset + Net W.C.)	5609.74	9127.15	
---	----------------	----------------	--

Debt Equity Ratio ($B \div A$)	2.56	3.70	
----------------------------------	-------------	-------------	--

“Finance is lifeblood of business only when it flows in the right direction”

FUNDS FLOW STATEMENT

AS ON 31ST MARCH 2023-2024

2023-24

I) SOURCES OF FUNDS :	Rs. Lakh
A) Long Term Sources	
Depreciation	309.51
Share Capital	12.53
Reserves & Surplus	10.99
Profit & Loss A/c(+/-)	59.76
Term loan	2338.80
Voluntary Deposits	546.38
Decrease in Investment	624.45
Total Long Term Sources	3902.42

B) Short Term Sources	
Working Capital Loan	2333.66
Current liabilities/provisions.	3825.70
Decrease In Advances & Receivables	8023.80
Total Short Term Sources	14183.16
C) TOTAL SOURCES(A+B)	18085.58
II) APPLICATIONS OF FUNDS :	
A) Long Term Uses	
Capital Expenditure(Excl. Reval. Asset)	876.50
Decrease in Soft Loan	75.50
Total Long Term Uses	952.00
B) Short Term Uses	
Increase in Current Assets	17133.58
Total Short Term Uses	17133.58
TOTAL APPLICATIONS (A+B)	18085.58

Interpretation

From the funds flow statement sugar factory has generated Rs. 18085.58 Lakh funds during the Financial Year 2023-24, out of which long term sources is Rs.3902.42 lakh and short term sources is 14183.16 lakh. The use of long term funds is Rs.952 lakh and use of short term funds is Rs. 17133.57 lakh.

Conclusion

Financial ratio analysis and common-size analysis help to gauge the financial performance and condition of a sugar factory through an examination of relationships among these many financial items. A thorough financial analysis of a sugar factory requires examining its efficiency in putting its assets to work, its liquidity position, its solvency, and its profitability. We can use the tools of common-size analysis and financial ratio analysis, to help understand where a company has been. We then use relationships among financial statement accounts in pro forma analysis, forecasting the sugar factory's income statements and balance sheets for future periods, to see how the sugar factory's performance is likely to evolve. The above various types of financial analysis indicate the positive performance of sugar factory which is now a day's essential to turnaround the financial position of the sick units.

References

- Pre-Feasibility Report Of Shri Sant Tukaram sugar Factory.
- Analysis of financial statements in the sugar industry Report By Dilip Patil.
- Financial Report For 2023-2024 Of shri Sant Tukaram Sugar Factory.
- Financial Report For 2022-2024 Of shri Sant Tukaram Sugar Factory.
- Research Methodology by C. M. Kothari.
- [Analysis of financial statements in the sugar industry](#)
- <https://shrisanttukaramssk.com/index.php/our-history>