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OVERVIEW ON PONNI SUGARS LIMITED, ERODE

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Abstract: *The financial analysis is the process of identifying the financial strength and weakness of the firm by establishing relationship between the items of balance sheet and the profit and loss account. The study throws light on various efficiency utilizing its aspects and the overall financial performance of the company. The objective of the study includes the liquidity, profitability and activity position of the company. Both primary and secondary sources of data were used is the study and for analysis mainly secondary data has been used. Based on the financial analysis suitable suggestions were given by the researcher far a better financial performance of the company.*

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INTRODUCTION OF THE COMPANY

Ponni Sugars (Erode) Ltd is an offspring of Ponni Sugars and Chemicals Ltd (PSCL) under a Demurer Scheme sanctioned by the Hon'ble High Court of Madras on 10th September 2001. In terms of the Scheme, the company took over the business of Erode Undertaking with concurrent transfer of major part of stakeholders' interest in PSCL to the company.

The Erode sugar mill was set up with 1250 TCD capacity in 1984 in a record time of 12 months. It achieved full capacity crushing during the very first year of its commercial operation that enabled declaration of a maiden dividend of 10% in that very first year, a record in the annals of sugar industry. It was a trendsetter in mobilizing surplus cane during its infancy stage from neighbouring sugar mills and extending crushing season to well above industry average. Its capacity was expanded to 2500 TCD in 1994.

The Erode sugar mill has successfully implemented an innovative Lift Irrigation Scheme by bringing in dry lands under cane cultivation, utilizing the effluent discharge of the neighboring paper mill. This has helped secure multitudinal benefits – providing a dependable and perennial source of irrigation to farmers in the neighborhood, increase of land value manifold in the region, transforming the livelihood of local rural population, resolving the raw material needs of sugar and paper mills and addressing ecological concerns in effluent discharge.

Right at its inception, Ponni was structured on the concept of total diversion of bagasse for paper. Accordingly it installed a coal fired boiler and later added a multi fuel boiler in place of conventional bagasse fired boilers. It has a bagasse tie up arrangement with Seshasayee Paper and Boards Ltd for a mutually beneficial and rewarding long term relationship.

Ponni is an efficient and quality producer of sugar, catering to both domestic and international markets. It is a venerable partner for villagers growing sugarcane in its neighborhoods. It enjoys cordial relationship with employees. It firmly believes in transparent and fair dealings with all its stakeholders by following sound corporate governance norms both in letter and spirit.

HISTORY OF WORLD SUGAR

Sugar was first made from sugarcane in India when the art of manufacture was carried to Arabia and later it was introduced by the moors into Spain. The Spanish colonists brought sugarcane to the West Indies, where it proved a plant of great value, and on 1751 it was introduced for culture in Louisiana. Other classes of sugar: A fine quality of sugar is made from the sugar maple, especially in New England, Ohio, West Virginia, New York, Pennsylvania, New Brunswick and Ontario. Large quantities of maple sugar rushed in making confections.

GROWTH OF THE WORLD SUGAR

The principal changes in sugar trade policy of recent years continue to be those commitments made in the Uruguay Round Agreements in regard to the reduction of domestic support and export subsides, as well as minimum market access for imports and tariff reduction. These changes are accounted for by the model, with no further changes in these commitment envisioned by 2010.

Global sugar production is projected to reach 165 million tones by 2010. The projected growth rate of two percent is in line with consumption growth projections and similar to the growth of the 1990s. The base Line period reflects the chronic surplus overhanging the world sugar market for most of past decade, several seasons of record output in major sugar production nations, and 14-years lows in world sugar prices. The projected world output would be affected b record production due to better than anticipated yields and efficiency gains in developing countries, particularly Brazil and India.

Developing countries are projected to account for virtually all of the global increase in sugar production, thus raising the share of world production from 67 percent in 1998-2000 to 72 percent by the year 2010. India and Brazil would account for 18 and 17 percent of total global production between 1998-2000 and 2010, respectively.

World sugar consumption is projected at slightly above 160 million tones, an expansion of nearly 32 million tones, between 1998-2000 and 2010. The implied annual growth rate of two percent, while slightly more than growth rate achieved over the past decade of food consumption through out the world by 2010 and beyond. Most of the projected growth in global sugar consumption is anticipated in the developing countries, with only marginal increases foreseen in the developed nations. Increasing per capita income levels, particularly in those developing countries with higher population growth rates, as well as shifting food consumption patterns, would support sugar consumption growth to 2010. Rising incomes would be the key driver of sugar consumption growth, particularly as the global population growth rate is anticipated to slow over the next decade.

Developing countries would account for nearly 32 million of the projected 33 million tones increase in consumption, raising the share of global sugar consumption in those countries to 71 per cent by 2010, from nearly 64 percent in the baseline period. Among the developing regions, particularly strong and annual growth of 3.4$ is projected for Asia, followed by Africa (2.9% per year), Latin America and the Caribbean (2.3%) and Oceania (1.6% per year). For the developing nations, the highest growth in sugar consumption is projected for Thailand (5.9% per year), followed by India (3.6% per year), Pakistan and the Philippines (3.5% per year).

Opportunities, though limited, arising from sugar policy changes to increase market access in recent years, as well as the continued deregulation and privatization of sugar industries throughout the world, may have provided a new impetus to international trade in sugar. India would emerge as a new exporting nation, with exports projected at more than 6, 00,000 tones in 2010.

HISTORY OF INDIAN SUGAR

Sugar is one of the oldest commodities in the world and it traces its origin in 4th century AD in India. In those days sugar was manufactured only from sugarcane. India lost their initiatives to the European, American and oceanic countries, as the sugar from sugar beet. India is presently a dominant player in the global sugar industry along with Brazil in terms of production. Indian sugar industry is highly fragment with organized and unorganized players. The unorganized players mainly product Gur and Khandar, the less refined forms of sugar. The government had a controlling grip over the industries, which has slowly yet steadily given way to liberalization.

GROWTH OF INDIAN SUGAR

The production of Sugarcane is cyclical in nature. The status of Indian sugar industry had been compared with the rest of the world in term of raw material availability, crushing period, size of the sugar mill, production cost and prices. Dual pricing system is adopted in the Indian sugar industries, which includes sugar price in public Distribution System and the free sugar price. An analysis has been provided on the industries. It is fragmented; even leading players do not control more than 4 percent market in India.

Some of the leading players and financial of sugar industry in India are:

- Balrampur Chini Mills Ltd.,

- Bajaj Hindustan Ltd.,
- Andhra Sugars Ltd.,
- Thiru Arooran Sugar Ltd, and
- Dhampur Sugars Ltd.,

The situation is changing and players of flate are striving to increase their market share either by acquiring smallest mills or by going for green field capacity additions. Another notable trend is the shift from Gur and Khandsari to sugar in the rural area. This should further increase the per capital consumption of sugar in India. The Indian urban market is slowly moving towards branded sugars. The potential in this segment seems to be very high.

The sugar industries have to pay price of sugar as fixed by the government while the quality of sugarcane is not often as good as desired by the sugar industries. It is reported that the quality of sugarcane in Northern India is not good. Per hector productivity of India sugarcane is very low and its sucrose content is also less than 9 or 9.5%, this content is 10 or 10.5% in the sugarcane produced in Southern India. Per hector productivity of sugar cane in India is 65 tonnes while in Brazil it is 148 tonnes.

In North India, plants of many sugar industries are more than 40 years old which are to be replaced by modern plants and equipments. At present the plants of 50 percent sugar industries are more than 30 years old. On recommendations of a high level committee, the government passed two Bills in 1982 namely Sugar Development Fund Act and Sugar Cess Act under which a Cess of Rs. 16 per tones has been levied on sugar produced in these industries, with this collection a Sugar Development Fund (SDF) am mount of Rs. 620 crore has been set up for modernization of sugar industries.

Now, the complete plant has been prepared in India. There are 8 such manufacturing companies which can prepare 21 complete sugar plants in a year. In addition there are 16 others plants and parts. There is not need of import of any machine for sugar industries. For modernization, sugar industries is also getting loan from IDBI and other financial institutions under Soft Loan Scheme.

Due to increase in price of sugarcane, salaries of laborers, allowances, bonus and increase in taxes levied by the government there has been substantial increase in sugar prices. In addition, state government has levied many taxes on this industry which increase the cost of production.

The inefficiency and uneconomic nature of production in sugar mills, low yield and short crushing season, the high price of sugarcane and heavy excise duties levied by the government etc., are responsible for high cost of production of sugar in India. The price of Indian sugar is considerably higher than the world price of sugar. Apart from the manipulations of stocks by sugar factories, hoarding, speculation and black marketing of sugar by wholesale dealers are rampant in India.

In fact, orders for the same were actually placed. On the other hand, when the country decided to export sugar, world sugar price fall. So India loses on both counts. In the domestic market, the current wholesale prices of sugar range around Rs. 13.10 –Rs.13.60 per kg for the M-30* variety, while the price for the S-30* variety range between Rs. 12.70 – Rs.12.70-Rs.13 per kg. Compare these prices to the levy sugar prices; it is evident that there is a 30% difference (current price of levy sugar ranges around Rs. 9.55 per Kg.

Top five states producing sugar in India.

- I - Maharashtra
- II - Uttarpradesh
- III - Tamil Nadu & Pondy
- IV - Karnataka
- V - Gujarat

SUGAR INDUSTRY IN INDIA

- ❖ Andhra Pradesh Sugar Industry
- ❖ Bihar Sugar Industry
- ❖ Gujarat Sugar Industry
- ❖ Haryana Sugar Industry
- ❖ Himachal Pradesh Sugar Industry
- ❖ Karnataka Sugar Industry
- ❖ Madhya Pradesh Sugar Industry
- ❖ Maharashtra Sugar Industry
- ❖ Chhattisgarh Sugar Industry
- ❖ Manipur Sugar Industry
- ❖ Orissa Sugar Industry
- ❖ Punjab Sugar Industry

- Tamilnadu Sugar Industry
- Uttaranchal Sugar Industry
- Uttar Pradesh Sugar Industry
- West Bengal Sugar Industry
- Jobs In Sugar Industry

CONCLUSION

The study enabled me to arrive at a certain conclusion regarding the financial health and the workflow of **Ponney sugers.** Simple and understandable procedure can be made for the settlement processing. The Company's over all financial performance is good even though the company's liquidity position wants some improvement.

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