## CONTENTS

<table>
<thead>
<tr>
<th>SL. NO.</th>
<th>TITLES</th>
<th>PAGE.NO.</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Chapter 1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Executive summary</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>• Methodology</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>• Introduction</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>• Industry Profile</td>
<td>10</td>
</tr>
<tr>
<td>II</td>
<td>Chapter 2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Organization Profile</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>• Measuring tools</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>• Objectives of the Study</td>
<td>32</td>
</tr>
<tr>
<td>III</td>
<td>Chapter 3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Analysis and interpretation</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>• Findings</td>
<td>67</td>
</tr>
<tr>
<td></td>
<td>• Suggestions</td>
<td>69</td>
</tr>
<tr>
<td></td>
<td>• Conclusion</td>
<td>70</td>
</tr>
<tr>
<td>IV</td>
<td>Chapter 4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Appendix</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Bibliography</td>
<td>71</td>
</tr>
</tbody>
</table>
Chapter 1
EXECUTIVE SUMMARY

Ratio Analysis is one of the techniques of financial analysis where ratios are used as a yardstick for evaluating the financial condition and performance of a firm. Analysis and interpretation of various accounting ratios gives a better understanding of financial condition and performance of the firm. It provides data for intra-firm comparison. They also reveal financially strong and weak such as overvalued and undervalued of firms. These ratios help to indicate a company’s efficiency in the past and likely performance in future. It should be noted that computing the ratios does not add any information in figures of profits and sales. Trend ratios involve a comparison of the ratios of a firm over a period, that is present ratios involve a comparison of the ratios of a firm. Trend ratios indicate the direction of change in the performance.

TITLE OF THE STUDY

A Study of “Ratio Analysis” at RSSKN in Timmapur.

Objectives of the Study:

- To study & analyze the short term solvency & liquidity position of the company.
- To evaluate the financial performance & operations with the help of financial ratios
- To know the impact of various assets & liabilities on financial performance of company.
- To know the liquidity, leverage, activity & profitability ratio of company
Methodology

Study Period

The period covered for the study is five year starting from financial year 2004-05 to 2008-09.

Method of data collection

The collection of the data of this report is segregated into:

a. Primary data
   It is collected through direct interaction with Account officer. This includes The organization chart, various department etc.

b. Secondary data
   Source like company annual report
INTRODUCTION

The RAYAFAR SAHAKARI SAKRE KARKHANE NYIYAMIT (R.S.S.K.N) is a large scale Agro-based sugar industry. It covers under Co-operative sector.

This factory was registered on 29th July 1982 itself and government has given licensee for 2,500 TCD (Tone Capacity per day). (But it plans to increase capacity 2,500 to 3500) In the same year government has given registration number is DSK/REG/182-83 dated: 27/07/1982. From that onwards it started issuing the shares to the public this issuing of shares comes to end in the year 1997. During these periods they purchased 200 acres of land at Timmapur (Mudhol Taluka) village at a cost of Rs.24 lakh. The 1st trial crushing was taken in the month of May from 19/05/1999 to 10/06/1999.
INDUSTRY PROFILE

The sugar industry is one of the important Agro-based industry of the country. India is the fourth major sugar production in the world. The first three is Russia, Brazil and Cuba. Sugar industry provides direct employment to nearly 3 lakh persons. This industry supports about 25 million agriculturists. It pays both to the central government and the state government about Rs. 350 crores by way of different taxes. The capital employed in the industry is of the order of Rs. 780 crores. There are about 414 mills producing sugar, which are spread all over the country.

<table>
<thead>
<tr>
<th>Sectors</th>
<th>No. of factories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private sector</td>
<td>127</td>
</tr>
<tr>
<td>Public sector</td>
<td>60</td>
</tr>
<tr>
<td>Co-operative sector</td>
<td>227</td>
</tr>
<tr>
<td>Total</td>
<td>414</td>
</tr>
</tbody>
</table>
Chapter 2
COMPANY PROFILE:

LOCATION: The RAYATAR SAHAKARI SAKKRE KARKHANE NYIYAMIT (R.S.S.K.N)
Factory: Timmapur Mudhol, Tq: Mudhol
District: Bagalkot

ESTABLISHED IN: 25/11/1999

REGISTERED NO: DSK/REG/182-83

WEEKLY HOLIDAY: SUNDAY

WORKING SHIFT: 4 am to 12 pm, 12 pm to 8 pm, 8 pm to 4 am

CHAIRMAN: R.S. Talewad

M.D: S.S. Pujari
FINANCIAL : The Karnataka State Co-operative sugar Factories Ltd, Bangalore

INSTITUTION :

OF THE COMPANY

BANKERS OF THE COMPANY :

IDBI - Bangalore

D.C.C Bank Timmapur,

D.C.C. Bank Mudhol

DCC Bank Bijapur

OBJECTIVES OF THE COMPANY

- To produce entire crystal sugar at international par quantity standards.
- Socio friendly environment, Pollution free condition.
- Power generation, Petroleum products and even distribution.
- To make available good working condition and opportunity development with proper training and high moral.
- Maintain continuous improvement programs in Technology.
- Help farmers to increase their yield through research & development.
- Establish an effective & reliable process control.

To produce good quality sugar at acceptable prices to meet the increasing demand
PRODUCTS OF SUGAR INDUSTRY (RSSK)

PRODUCTS : SUGAR

BY-PRODUCTS : There are two types of byproducts
- Molasses
- Bagasse

The 1st regular season starts in the year of 1999-2000, from 25\textsuperscript{th} NOV 1999 to 28\textsuperscript{th} June 2000 (217 days). The progress achieved during this season is as follows:

<table>
<thead>
<tr>
<th>Total Cane Crushed</th>
<th>4,07,989 MT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar produced</td>
<td>5,10,015 Qtls</td>
</tr>
<tr>
<td>Recovery</td>
<td>12.50%</td>
</tr>
<tr>
<td>Molasses produced</td>
<td>17,360 NT</td>
</tr>
</tbody>
</table>

The estimated project cost of R.S.S.K.N Sugar factory was Rs.47.25 crores as prepared by the Karnataka State Co-operative sugar Factories Ltd, Bangalore. And this report has been appraised by the IFCI, New Delhi.

<table>
<thead>
<tr>
<th>10%</th>
<th>Member shares</th>
<th>Rs.4,725 crores</th>
</tr>
</thead>
</table>

Babasabpatilfreepptmba.com
“Evaluation of Financial Performance based on RATIO ANALYSIS AT RSSKN TIMMAPUR”

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>Government</td>
<td>Rs.14,175 crores</td>
</tr>
<tr>
<td>60%</td>
<td>Term loan from Financial Institutions</td>
<td>Rs.28,350 crores</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>47,250 crores</strong></td>
</tr>
</tbody>
</table>

**Vision**

- To become one of the dignified company in the country.
- To give due importance for the development of society.

**Mission**

To support employee and farmers development for the fullest extent.

Improving our operation activities.

**D) Product and service profile:**

The product and service profile are very important topic for each and every organization. In the R.S.S.K.N they have totally three types of products are producing those are as follows-

- Sugar (Main product)
- Molasses (By product)
- Bagasses (By product)

In the sugar section that is the main production of the company in sugar they are produce these types of sugars are producing.

This unit is producing two grade of sugar S-30 and M-30. And they are covering 5 taluks to getting sugar cane and there payment is satisfaction to the formers.

**Chemicals used in producton:**
“Evaluation of Financial Performance based on RATIO ANALYSIS AT RSSKN TIMMAPUR”

- Washing soda-
- Common salt-
- Phosphoric Acid- Maintaining pH
- Ammonium biflouride formalin- Quality maintain and presser vative.
- Mill sanitation chemical Caustic soda- for cleaning purpose
- - to prevent generation of bacteria and germs

E) Area of operation:
The RAYATAR SAHAKARI SAKKRE KARKHANE NYIYAMIT Rannagar Timmapuri
The share section is one of the important section because more than half of the share capital is collected from the share holders.
The area of operation-- NATIONNALLY
- Andra Pradesh
- Uttar Pradesh
- Tamilnadu
- Maharashtra
- Bihr etc.

Sugar is sold in all over county according to the customers requirements.
And they are collecting raw materials from the near by areas suc
F) Ownership pattern: CO-OPERATIVE SECTOR

The R.S.S.K.N Rann Nagar Timmapur is the cooperative sector company. This factory was registered on 29th July 1982 itself and government has given licensee for 2500 TCD (now 3600). In the same year government has given registration number is DSK/REG/182-83 dated 27-07-1982. From the onwards it started issuing the shares to the public this issuing of shares comes to end in the year 1997.

The share section is one of the important sections because more than half of the share capital is collected from the share holders.

G) Competitors information

The degree of competition for R.S.S.K.N is more, as other big organization like

- Niranis private limited
Sugar are also attracting the minds of the farmers towards them. The sugar produced in this factory is of good quality and competitive enough in the market. The overall management R.S.S.K.N is efficient. They make accurate buying from farmers for their sugar cane and the farmers are satisfied with this.

H) Infrastructure facilities

LOCATION

The Ryatar Sahakri Sakkare Karkhane Niyamit is one of the co-operative sectors in sugar production, which is located in Ranmanag, at Timmapur and is 16KM away from Mudhol. Which is a Taluka place and it is located near the Bank of Ghataprabha River, so the factory has obtained the permission for lifting water from this river for factory use.

Facilities from the company:

- Transportation facility
- Housing facility
- Guesthouse facility
- Canteen facility
- Restroom facility
- Safety facility
- Insurance facility
- Education facility
- Hospital facility, etc.

The main functional divisions of R.S.S.K.N are as follows.
Cane Development and procurement department
Production department
Account department
Administration department
share section
Purchase section
Time office section
Sales section
Stores section
Co-generation section.
Computer section
Security section
Civil section

CANE DEVELOPMENT AND PROCUREMENT DEPARTMENT
The structure of this department is as under-

Cane Manager

Cane Department Officer (CDO)  Cane Procurement Officer (CPO)

Cane Supervisors
The philosophy of the cane development and marketing is almost common for all the sugar units. While in following paragraphs, description is for Khatauli but applies generally to Deoband & Ramkola units as well.

**OBJECTIVES OF CANE DEVELOPMENT DEPARTMENT**

1) To develop the backward area.
2) To improve the variety of can.
3) To provide raw materials to the factory
4) To provide materials to the factory
5) To maintain the raw material (sugar cane) capacity. Which is required by the factory (i.e. 2500TCD)
6) To maintain registration of cane, gang and plantation.
7) To undertake seed distribution programme. The main function cane development department is to arrange for raw materials which is required in the factory. For these bases (i.e. growers that grow sugarcane first in his field) they also provide a loading gang with 8 to 10 members per village and also a bonded tractor for transportation. In season 150 tractors are engaged and 200 gangs are different villages in a day.
PRODUCTION DEPARTMENT

To utilize the installed capacity of 2500 TCD in proper manner the following personality the duty to manage the manufacturing department.

Production Department

- Laboratory Incharge
- Laboratory Chemist
- Laboratory Boys

- Deputy Chief Chemist
- Manufacturing Chemist
- Staff and Workers

Production department is the main department of the factory and is classified into two sections:

- Engineering section.
- Manufacturing section.

Engineering section:

This section maintains all the work connected with plant and machinery. This section area at enhancement of the feeding capacity of the factory. It is assisted by workshop. Work shop contains lathe machine, turning machine, welding etc., to repairs the spares and default machinery’s.
Manufacturing section:

This section is classified into three sub-sections

- Laboratory
- Manufacturing process
- Warehouse.

CHEMICAL USED IN THE PRODUCTION:

- Caustic soda- for cleaning purpose
- Washing soda-
- Common salt-
- Phosphoric Acid- Maintaining pH
- Ammonium biflouride formalin- Quality maintain and presser vative.

Mill sanitation chemical- to prevent generation of bacteria

- Hydros- colour
- Viscosity reducer-for reducing viscosity.
- Msopropile Alcohol
- Commercial HCL
- Bleaching powder- clearing prupose
- Led acitate- for lab uses.

And other chemical used are burnt lime, sulphur, othophosphoric acid.
ACCOUNT DEPARTMENT
Structure:

Account Officer
   ↓
Cane Accountant
   ↓
General Accountant
   ↓
Casher
   ↓
Clerk

Account department is divided into two main sections, they are:

- General account section
- Cane account section

1) General account section:

This section maintains all transactions. Income tax, sales tax and commercial tax procedure are done by this section. The verities of registers maintained by this section are:

- Bank registers
- Contractors registers
- Depositors registers
- Fixed assets registers
2) Cane account section:

The main function of this section is to maintain records of supplier’s name, which supplies sugar cane to the factory and maintains the register of payment.

The register maintained by this section is:

a) Self harvest payment register
b) Harvester bill

ADMINISTRATIVE DEPARTMENT:

Administrative department is classified into five sections share, sales, purchases, store, time office and security.

a. SHARE SECTION:

The share section is one of the important section because more than half of the share capital is collected from the share holders.

There are five classes of shares:

“A” Class- Grower members
“B” Class- Co-operative institution
“C” Class- State government
“D” Class- Non grower members
“E” Class- Outside are members.

The person who wants to become a member has to follow the procedure/rules. He has to fulfill appropriate application given by the share section authority. If the Directors approve the application, then only he is treated as shareholder of the factory. After the approval he has to pay the amount equivalent to face value of the share.
There is no transferability of share. If at all he wants to transfer his shares, he has to transfer to such a person who is the member of the factory. If he transfers to another person it is not valid and such shares get cancelled. For the identification of its members, the factory issues share certificates and identity cards to such shareholders.

This section gives identity card only. This section is also send notice to the concerned members on behalf of the factory. They maintain two types of books of accounts viz.

b. PURCHASE SECTION:

It is also an important section in administrative department in performing the activities of purchasing. In this section there are two employees, one is purchase manager and another one is purchase assistant. The purchase manager issues the purchase order from various section of the factory. He estimates the cost purchase and accordingly he go for direct purchases or purchases through purchase committee.

RSSKN, HAVE SOME SPECIFIC CONDITION I TO PURCHASE MATERIAL

The material received or any reason what so ever will be returned to the suppliers at their own cost.

The material should be recently packed if any breakage, leakage it is the responsibilities of the supplier.

All the disputes arising out of the transaction

Sales tax will have refunded if changed extra

The order will be treated as canceled if goods are not supplied then the specific period

If the goods are not supplied according to order specification there in the advance amount paid by the factory will carry 13 % interest
C. TIME OFFICE SECTION:

Function:
1) Distribution of salary according to the workers attendance.
2) Sanctioning of leaves to workers.
3) Maintaining working bell.

There are 581 workers working in this factory. As this is a new establishment of all working on daily wages. Within a few months the management is going to take workers as permanent at present only on leave in a month is sectioned to the workers.
The factory runs three shifts in a season-

<table>
<thead>
<tr>
<th>Shift</th>
<th>Starting time</th>
<th>Closing time</th>
</tr>
</thead>
<tbody>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt; Shift</td>
<td>4am</td>
<td>12pm</td>
</tr>
<tr>
<td>2&lt;sup&gt;nd&lt;/sup&gt; Shift</td>
<td>12pm</td>
<td>8pm</td>
</tr>
<tr>
<td>3&lt;sup&gt;rd&lt;/sup&gt; Shift</td>
<td>8pm</td>
<td>4am</td>
</tr>
</tbody>
</table>

One general shift 8.30am to 5.30pm for both season and off season.

**D. SALES SECTION**

This section will take care of all the sales transactions like sale of
- Sugar,
- Molasses,
- Bagasse.
- Scrap material.

**SKILL:**

The R.S.S.K.N Rannnagar Timmapur is maintaining the On the Job Training:
If the organization is to achieve its goals, it is necessary to have right people with right skills to accomplish it. Skill references to ability to perform certain task without any difficulty.

**At RANNA Sugars:** Ranna Sugar has right people with right skilled with reference to innovation new ideas, up grading the products with latest technology achieving the goal according to established standards.

Skill Implemented in Ranna Sugars has been divided into three levels, they are

1) Top lever
2) Middle levels
3) Lower levels

<table>
<thead>
<tr>
<th>Conceptual</th>
<th>Managerial</th>
<th>Technical</th>
</tr>
</thead>
</table>

- Top level requires more conceptual skills
- Middle level requires management skills
- Lower level requires more technical skills.

Employees are trained through secular training programs. Many employees have participate in various work shops. Organised at technical association in sugar industry. A team three engineers and 2 chemists visited sugar refinery. Units in Thailand during 2003 Goods methods of operation and houses keeping have been adopted in the refinery.

**STYLE:**
The style which is portrayed to outside world, is derived from the styles and behaviors exhibited inside organization. The internal style of the organization effects how staff feels, thinks and do their jobs. Therefore an organization is reflection of its culture.

At Ranna Sugars: Staff in the company also goal oriented. They are enthusiastic in achieving the goals, staff are co-operative and completes the assigned jobs within given period of time.
- Diversify in income by sugar co-products.
- Operates the county’s largest sugar refinery make up European grade refinery sugars.

STRATEGY:

The way in which a business aims to improve its position in relation to its competition is embodied in its strategy.

At Ranna Sugars: Introduce the new technologies and products strategic importance in time with national objective to improve, quality, reliability of products thereby attaining the international standards.
Company advocating a strategies for government action.
- Additional promotion measures to doubles India’s exports.
- A buffer stock financed from the sugar development

SYSTEM:

All the formal and informal procedure that make an organization work are system. It uses to be successful.
At Ranna Sugars: Ranna Sugars has its own system in procuring the raw materials from formers and qualified vendors, producing output with qualified output with quality inspection of international standards offering the products to customer with fine packaging and spares and provide good after sales services.

Security System:

Plant security system is contract basis, round the clock security arrangements are provided for the plant and quarters security system is of plant is such that no person can enter the premises without an approved from management.

ACCOUNTING SYSTEM

➢ The company has system of accounting on accrual basis both income and expenditure.
➢ The company has a system of accounting sales of excise duty and other taxes.

STAFF:

Good hard working citizens play essential role in the development of nation the employee are responsible for. The success of failure of company.

At Ranna Sugars: Ranna Sugar has employees highly qualified and experienced professionals, its fully geared face new challenges. Employees are engineering, chemist, I.T.I. fitters, Electricians, skilled and unskilled workers the Ranna Sugar have young and motivated team has made large contribution to company success. Many of engineers and chemist have secured top ranks.

SHARED VALUE:

Employees share the same guiding values mission that is an excellently managed company has a deriving purpose philosophy that is known and practiced by everyone.

At Ranna Sugars: Ranna Sugar employees practices the same rakes and mission for the achievement of the goals.
Environmental policy

Ranna Sugar is committed to comply with the requirements of relevant environmental management system and continuously effectiveness. Employee should be rained on environmental aspects to minimize the pollution conserve natural resources.

QUALITY POLICY

Quality leading to customer satisfaction shall be top priority this shall be achieved by complying with the requirement of the quality management system and continuously improve its effectiveness.

Employee shall be trained and motivated to achieve the quality of their work competence skill. Other values

- Cost and time consciousness.
- Trust and team spirit
- Respect for others
- Integrity

SWOT ANALYSIS

STRENGTHS:

- It is located in a place where good infrastructure is available.
- The company's concentration towards the quality of the product.
- The technological standard of the company.
- Modern equipments.
- High production efficiency.
- Good sources of raw material.
- Power generation.
- Large supply of fertilizers and good quality seeds.
- Timely payment

WEAKNESS:

The company needs improvement and should concentrate on timely customer service.
“Evaluation of Financial Performance based on RATIO ANALYSIS AT RSSKN TIMMAPUR”

- Labours turnover.
- The promotion procedure in the organization is too rigid.
- The company not focus on all department.
- The number of sugar factories near by this factory.
- No schemes and offers.

OPPORTUNITIES:
- Expansion of projects likes paper unit, ethanol production, bio-fertilizers.
- All these above projects will give the company maximum profits.

THREATS:
- Stiff competition by brands like Godavari Sugars, Nirani Sugars and other brands.
- Government intervention.
- Over production by all companies.

Different Departments in the Organization. of R.S.S.K.N are as follows.
- Cane Development and procurement department
- Production department
- Account department
- Administration department
- Share section
- Purchase section
- Time office section
- Sales section
- Stores section
- Co-generation section.
- Computer section.
Security section
Civil section

Each Manager has separate Manager, Deputy Manager, Assistant officer and Supervisor.

It was really a one good experience working in the organization like R.S.S.K.N which is of great repute of sugar manufacturing in that area. Employees from every corner of the department helped me in getting the required information for the successful completion of this project.

They cooperated well when we had to disturb them with so many queries in our mind to be cleared from the concerned person during the visits to the respective departments in the organization.

Through all the departments I done my project successfully.

Objectives of the Study:

- To study & analyze the short term solvency & liquidity position of the company.
- To evaluate the financial performance & operations with the help of financial ratios
- To know the impact of various assets & liabilities on financial performance of company.
- To know the liquidity, leverage, activity & profitability ratio of company
Chapter 3

RATIO ANALYSIS OVERVIEW

Ratio analysis is a powerful tool of financial analysis, the easiest way to evaluate the performance of the firm.
The ratio defined as expression of quantities relationship between two numbers. In financial analysis a ratio is used as benchmark for evaluating financial position & performance.

INTRODUCTION
The project is carried out in Ranna sugar industry. The project studies “The Operational & Financial Health” through ratio analysis.

Ratio analysis is a technique of analysis the financial statement of business or industrial concerns especially to take output & credit decisions. This technique is quite sophisticated & being used by business firms in modern days. However ratio analysis is not an end itself. It is only the means of better understanding of financial strength & weakness of a firm. Just as blood pressure, pulse & temperature are measured of health of individual, so does the ratio analysis measures the economic & the financial health of concern.

Ratio analysis is one of the most powerful tools of financial analyses which helps to analysis & interpret in the health of enterprise. Ratio’s also measured work efficiency & proved to be basic instruments in the control process & they are backbone in schemes of business forecast.

Three are different parties interested in the ratio analysis for knowing the financial position of the firm fir different purposes. The supplier of goods on credit, bank, financial institutions, investors, shareholders & management all make use of ratio analysis as tool in evaluating the financial position & performance of a firm for granting credit, providing loans, making investment in the firm. With the help of ratio one can point out poor. The conclusions can also be drawn as to whether the performance of the company is improving or deteriorating. Thus ratios have wide application & are of immense use today

With the help of ratio one can determine

- The ability of the firm to meet its current obligations.
- The extent to which the firm has used its borrowed funds.
- The efficiency with which the firm is utilizing in generating sales revenues.
- The overall operating efficiency & performance of the company.

Significance of ratio analysis

- Ratio Analysis helps in decision making from the information provided in financial statement.
Ratio Analysis is of much help in financial forecasting & planning.

The financial strength & weakness of firm are communicated in a more easy & understandable manner by the user of ratios.

Ratio even helps in co-ordination, which is of utmost importance in effective business management.

Ratio Analysis even helps in working effective control of business.

Limitations of ratio Analysis:

Ratio should be used very carefully & decision should be taken only after done & deep consideration because they suffer from certain limitations which are given below.

The most important limitation of ratio analysis lies in the data adopted for calculating ratios, every time adopts its own accounting procedure & practices differ from to another. It is therefore cannot be compared with other firm.

Ratios are computed on the past data, such ratio may be reluctant for future forecasting because of changes in time & price levels.

Ratios are not universally applicable; they are not useful to well establish companies as they do not depend upon external sources of finance.

Classification of Ratios

Ratios can be classified into different categories depending upon the basis of classification.

1. TRADITIONAL CLASSIFICATION

Traditional Classification has been on the basis of financial statements, on which ratio may be classified as follows.

1. Profit & Loss account ratios.
   E.g. Gross Profit Ratio, Net Profit Ratio, Operating Ratio etc

   E.g. Current Ratio, Debt Equity Ratio, Working Capital Ratio etc

3. Composite/Mixed ratio.
E.g. Stock Turnover Ratio, Debtors Turnover Ratios, Fixed Assets Turnover Ratio etc

II. FUNCTIONAL CLASSIFICATION OF RATIOS

Functional ratios

1. Liquidity ratios
   a. Current Ratio
   b. Quick Ratio
   c. Absolute Liquid Ratio
   d. Net Working Capital Ratio

2. Leverage Ratios
   e. Total Debt Ratio
   f. Debt-equity Ratio
   g. Capital Employed Ratio
   h. Fixed Asset to Net worth Ratio
   i. Current Asset to Proprietor’s fund Ratio

III. PROBABILITY RATIOS

   a. Gross profit Ratio
   b. Net profit Ratio
   c. Operating Ratio
   d. Operating profit Ratio
   e. Expenses Ratio:
      i. Cost of goods sold
      ii. Administration, selling and others
   f. Return on investment
   g. Return on Equality
   h. ESP (Earning per share)

IV. ACTIVITY RATIO
“Evaluation of Financial Performance based on RATIO ANALYSIS AT RSSKN TIMMAPUR”

i. Inventory Turnover Ratio
ii. Debtors turnover Ratio
   a. ACP
iii. Asset Turnover Ratio:
   a. Net Asset Turnover Ratio
   b. Fixed Asset Turnover Ratio
   c. Current Asset Turnover Ratio

INTRODUCTION TO SUGAR INDUSTRY

The Indian sugar industry is a key driver of rural development, supporting India's economic growth. The industry is inherently inclusive supporting over 50 million farmers and their families, along with workers and entrepreneurs of almost 500 mills, apart from a host of wholesalers and distributors spread across the country.

The industry is at a cross roads today, where it can leverage opportunities created by global shifts in sugar trade as well as the emergence of sugarcane as a source of renewable energy, through ethanol and cogeneration. While some of these opportunities have been well researched in the past, there was a need to assess the potential for India and to develop a comprehensive and actionable roadmap that could enable the Indian industry to take its rightful place as a food and energy producer for one of the world's leading economies.

The sugar industry occupies a prominent place among the organized industries in India. Sugar industry holds second rank next to cotton textiles industry in importance.

It provides employment to nearly 5 lakh people directly. Sugar is essential product in India. Considerable quantity of sugar is produced since old days. India produces white sugar, Khandasari, and Jaggery. There are about 506 industries working through out the country. Among them 120 are in private sector 235 in cooperative sector and 95 are in public sector. In Karnataka state there are about 40 sugar industries established. Out of 40, 20 are in private sector, 18 are in co-operative sector, and remaining 2 are in public sector. The sugar industries are located in rural areas and have an intrinsic symbiotic relationship with rural masses. Some units are also in position to supply surplus power to the grid thru Bagass based co-generation system.
India is second largest producer of sugarcane next to Brazil. As per last year data, about 4 million hectares of land is under sugarcane with an average yield of 70 tones per hectare. India is largest producer of sugar including traditional sugar sweetener, Khandasari and Gur equivalent to 26 million tones raw value followed by Brazil in the second place at 18.5 million tones. Even in respect of white crystal sugar, India has ranked No position 7 out of last 10 years.

<table>
<thead>
<tr>
<th>Type of Sectors</th>
<th>In India</th>
<th>In Karnataka</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperative sector</td>
<td>282</td>
<td>18</td>
</tr>
<tr>
<td>Private sector</td>
<td>157</td>
<td>19</td>
</tr>
<tr>
<td>Public sector</td>
<td>67</td>
<td>02</td>
</tr>
<tr>
<td>Joint Venture</td>
<td></td>
<td>01</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>506</strong></td>
<td><strong>40</strong></td>
</tr>
</tbody>
</table>

The sugar industry contributed to the revenue of central and state govt. a sum of rupees 350 crores in the form of taxes.

**GROWTH OF SUGAR INDUSTRY**

On 1st July 1990, the government of India issued new guidelines for licensing new sugar factories and for the expansion of the existing sugar factories.

Under this guideline the licensing policy has been made very liberal so as to boost the production of sugar.

India is the original home of sugarcane and has a flourishing sugar industry in the ancient time. But the modern sugar manufacturing industries were established in Bihar. But the real development of the industry took place only after 1932 when protection was given to this industry against foreign competition within a short period 2 or 3 years. The number of sugar mills increased from only 32 in 1931-32, 137 in 1935-36 and the production also increased during the same period.
Government enacted the Sugar Development Fund Act & Rules, which provides for levy of per quintal of sugar known as Sugar Development Fund (SDF). The SDF is utilized for granting term loans to sugar mills modernization and grants for research projects in the sugar besides creation of buffer stocks as and when required to ensuring price stability. Government de-licensed sugar sector in August 1998. It is now open to entrepreneurs to set up mills without license but at distance of 15kms away from the existing factory. Sugar units free to expand their capacity and also put up higher capacity new units. This should help to consolidate and expand their capacities wherever cane potential exists.

**NET POSITION**

**Indian Sugar Industry at glance**

<table>
<thead>
<tr>
<th>No of sugar factories established</th>
<th>506</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total capital employed</td>
<td>Rs. 50,000 crores</td>
</tr>
<tr>
<td>Total annual turnover</td>
<td>Rs. 25,000 crores</td>
</tr>
<tr>
<td>Total payment to cane growers</td>
<td>Rs. 18,000 crores</td>
</tr>
<tr>
<td>Contribution to central &amp; state exchequers</td>
<td>Rs. 1700crores+800crores</td>
</tr>
<tr>
<td>Direct employment : rural educated</td>
<td>Rs. 5.00Lakhs</td>
</tr>
<tr>
<td>Farmers/families involved in sugar cane (7.5% of rural population)</td>
<td>Rs. 45 million</td>
</tr>
</tbody>
</table>

In global economy, the Indian sugar industry has achieved a number of milestones

- Largest Sugar Producer in 7 out of 10 years
- Second Largest Area under Cane/Cane production
- Amongst the cost effective industries with its field cost (Sugar cane) being the second lowest, despite small land-holding and low productivity
- Fourth efficient processor of sugar despite low capacity of its sugar plants as compared very large-size plants in other parts of the world
GOVERNMENT POLICY

The present policy of decontrol 10% of production by each unit is supplied for public distribution system as levy sugar at Govt. notified prices admittedly below 20% of the actual cost of production. The levy sugar is sold to the public irrespective of their economic status. The balance 90% is sold in the free market against monthly issued by the Government. This policy has been continuing since 1967-68 except for brief periods of decontrol during the years of surplus production and accumulated sugar stocks. Government announces the Statutory Minimum price (SMP) for sugarcane every year based on recommendations of the Commission for Agricultural Cost & Prices (CACP).

THE PROBLEMS FACED BY THE SUGAR INDUSTRY

Sugar industries are considered as an agro-based industry, so these sugar industries mainly depend upon monsoon. The problems faced by sugar industries are as follows.

- Shift in location problem
- Problem of high price of sugar
- Need for keen development
COMPANY PROFILE

LOCATION: The Rayatar Sahakari Sakkre Karkhaneniyamit (R.S.S.K.N)
FACTORY: Timmapur Mudhol, Tq: Mudhol District: Bagalkot
ESTABLISHED IN: 25/11/1999
REGISTERED NO: DSK/REG/182-83
WEEKLY HOLIDAY: SUNDAY
WORKING SHIFT: 4 am to 12 pm, 12 pm to 8 pm, 8 pm to 4 am
CHAIRMAN: Shri. R.S. Talewad
M.D: Shri. S S Pujari
FINANCIAL: The Karnataka State Co-operative sugar Factories
INSTITUTION: Ltd, Bangalore
HISTORY OF RANNA SUGARS

The co-operative society got its registration on 29-7-82 as Ryatar sahakari sakkare karkhane niyamit i.e. farmers co-operative sugar industry. Ranna a name of famous kannada poet who was born in Mudhol. The ranna sugar industry lagged behind due to lack of funds, lack of mutual understanding and need of still more co-operation, lack of share capital, so the society was in slow growth.

The society decided for the expansion of production of sugar and to start electricity production in the year 1998-99. With the help of the farmers, government loans, grants & financial assistance & also by the effective management made the industry to grow.

As the society planned to start the electricity producing unit in the year 1999 the amount for establishment of this unit was Rs 74 Crore. The government of India was also given permission to set up the co-generation electricity production. The 30% of the amount was collected from co-operative shares and 70% of the amount was collected from loans. Today this industry is producing 2500 metric ton of sugar and 7.50 MW electricity. It is directed towards rendering service to its members and also to earn profit.

FARMERS SUGAR CO-OPERATIVE SOCIETY

As a co-operative society is based on the concept of self-help and mutual-help. It is the association of members who have joined together to be economically strong and to get better living. The members of the co-operative society has made the equal contribution to the share capital of the society. Shares in this society are grouped as:

A class shares: the shareholders are cane cultivators or Cane agriculturist.
B class shares: the shareholders are not cane cultivators but agriculturist.
C class shares: are the government shares.
D class shares: are out of factory allotted area shares.
E class shares: are society shares.

Shares once purchased cannot be transferred but they can be surrendered to the society. Under the co-operative societies act the rate of dividend paid to the members/shareholders is registered.
The ranna sugar industry has democratic management; the managing committee is elected by member in annual general meeting on the basis of ‘one member-one vote’ in irrespective of number of shares held by any member. There is no limit on maximum members & the liabilities of the members is very limited. Chairman is superior; for every activity permission by him is taken as grant for further function.

MISSION

➢ To remain a leading producer in sugar and electricity.
➢ To provide employment opportunities and to maximize regional development.
➢ To provide their customers, dealers with high quality products & also build good market.
➢ To run their society on the values or ethics.
➢ To make best use of cane cultivation & to encourage the farmers.

VISION

➢ To set up the distilleries.
➢ To expand the co-operative business in field of paper manufacturing.
➢ To increase the electricity production from 7.50 to 8 MW to 16.5 to 17 MW to increase the turnover.
➢ To increase the cane cultivation, the industry is providing free cane seeds to farmers.
➢ To provide the infrastructure facilities.
➢ To provide social, economical, moral support to farmers.
LOCATION /SITE:
The industry has 250 acres of land.
- Ranna co-operative sugar industry.
  Rannanagar, Timmapur
  Tq: Mudhol, Dist: Bagalkot
  Karnataka

BANKERS
: IDBI – Bangalore, C.C Bank Timmapur,
  D.C.C.Bank Mudhol, DCC Bank Bijapur

PRODUCTS
: SUGAR

BY-PRODUCTS
: There are two types of byproducts
  • Molasses
  • Bagasse

ANALYSIS & INTERPRETATION
I. Liquidity Ratio

   Liquidity ratio measures the ability of the firm to meet its current obligation (liabilities). In fact analysis of liquidity needs the preparation of cash budget and cash and fund flow statement but liquidity ratio, by establishing a relationship between cash and other current asset to current obligation, to provide a quick measure of liquidity. A firm should ensure that it doesn’t suffer lack of liquidity and also that it does not have excess liquidity.

   The common liquidity ratios are:-
1. Current Ratio

Current ratio may be defined as the relationship between quick or liquid asset and current liabilities. This is a measure of general liquidity & is most widely used to make analysis of short-turn financial position or liquidity of firm. It is calculated by dividing the total current assets by total current liabilities.

\[
\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}
\]

<table>
<thead>
<tr>
<th>Year</th>
<th>Current Assets Amt in Rs.</th>
<th>Current Liabilities Amt in Rs</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>430076093.00</td>
<td>141205546.00</td>
<td>3.04</td>
</tr>
<tr>
<td>2005-06</td>
<td>343665293.00</td>
<td>224758035.00</td>
<td>1.5</td>
</tr>
<tr>
<td>2006-07</td>
<td>336389326.00</td>
<td>802862101.00</td>
<td>0.42</td>
</tr>
<tr>
<td>2007-08</td>
<td>417811267.00</td>
<td>868538140.00</td>
<td>0.48</td>
</tr>
<tr>
<td>2008-09</td>
<td>349345761.00</td>
<td>774530918.00</td>
<td>0.45</td>
</tr>
</tbody>
</table>
INTERPRETATION

Table 1.1 An arbitrary standard of current ratio is 2:1 indicates that for every one rupee of current liability two rupee of current assets is available. In the year 2004-05 ratio was 3.04 in the year 2005-06 ratio was decreases 1.5 in the year 2006-07 decreases0.42 and 2007-08 increases0.48 in the year 2008-09 0.45. this shows that there is no short term solvency of the company.

2. Quick Ratio/Acid Test Ratio

Quick ratio establishes relat ionship between quick or liquid assets & current liabilities. It is also known as acid test ratio. An asset is said to be liquid if it can be converted into case within short period of time without loss of value. The prepaid expenses and stock were excluded.

\[
\text{Quick ratio} = \frac{\text{Quick assets}}{\text{Current liabilities}}
\]

TABLE-1.2 Quick Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Quick Assets Amt.in Rs</th>
<th>Current Liabilities Amt.in Rs</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>2842892837.00</td>
<td>141205546.00</td>
<td>2.01</td>
</tr>
<tr>
<td>2005-06</td>
<td>177992977.00</td>
<td>224758035.00</td>
<td>0.79</td>
</tr>
<tr>
<td>2006-07</td>
<td>138313276.00</td>
<td>802862101.00</td>
<td>0.17</td>
</tr>
<tr>
<td>2007-08</td>
<td>127813793.00</td>
<td>868538140.00</td>
<td>0.15</td>
</tr>
<tr>
<td>2008-09</td>
<td>170711841.00</td>
<td>774530918.00</td>
<td>0.22</td>
</tr>
</tbody>
</table>
INTERPRETATION

Table 1.2 reveals that quick ratio of the company is not higher than standard 1:1. This shows that the firm’s liquidity position is not so good. In the year 2004-05 ratio was 2.01 and 2005-06 decreases 0.79 in the year 2006-07 decreases to 0.17 in the year 2007-08 decreases 0.15 and 2008-09 increases 0.22.

3. Absolute Quick Ratio/cash Ratio

Cash ratio is the strongest measurement of liquidity. Since cash is the most liquid assets, a financial analyst may examine cash ratio & its equivalent to current liabilities. Trade investments or marketable securities are equivalent of cash therefore they may be included in computation of cash ratio.

To calculate absolute quick ratio we consider cash in hand, cash at bank & marketable securities.

\[
\text{Cash Ratio} = \frac{\text{Cash} + \text{Marketable securities}}{\text{Current Liabilities}}
\]
TABLE-1.3 Absolute Quick Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Quick Assets Amt. In Rs</th>
<th>Current Liabilities Amt. In Rs</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>2576932.00</td>
<td>141205546.00</td>
<td>0.01</td>
</tr>
<tr>
<td>2005-06</td>
<td>4896521.00</td>
<td>224758035.00</td>
<td>0.02</td>
</tr>
<tr>
<td>2006-07</td>
<td>128313276.00</td>
<td>802862101.00</td>
<td>0.17</td>
</tr>
<tr>
<td>2007-08</td>
<td>127813793.00</td>
<td>868538140.00</td>
<td>0.15</td>
</tr>
<tr>
<td>2008-09</td>
<td>170711841.00</td>
<td>774530918.00</td>
<td>0.22</td>
</tr>
</tbody>
</table>

**INTERPRETATION**

Table 1.3 reveals that absolute quick ratio is below the standard ratio i.e. 0.5:1 indicates that 50 paisa worth of absolute liquidity assets are to be maintained to meet one rupee worth of current liabilities. In the years 2004-05 ratio was 0.01 in the year 2005-06 ratio was 0.02 and 2006-07 increases 0.17 and 2007-08 decreases 0.15 in tge year 2008-09 ratio was 0.22 it indicates that there is no sufficient liquidity in a firm.

4. **Net Working capital ratio**

Net Working capital ratio is the relationship between net working capital to its net assets. The different between current asset & current liabilities excluding short term borrowing is called net working capital (NWC) or net current assets.


**TABLE-1.4 Net Working Capital Ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>NWC Amt. In Rs</th>
<th>Net Asset Amt. In Rs</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>96946913.00</td>
<td>154465865.00</td>
<td>0.09</td>
</tr>
<tr>
<td>2005-06</td>
<td>47535001.00</td>
<td>948118650.00</td>
<td>0.05</td>
</tr>
<tr>
<td>2006-07</td>
<td>15245938.00</td>
<td>568828076.00</td>
<td>0.07</td>
</tr>
<tr>
<td>2007-08</td>
<td>51045769.00</td>
<td>570188858.00</td>
<td>0.11</td>
</tr>
<tr>
<td>2008-09</td>
<td>914230.00</td>
<td>571266078.00</td>
<td>0.16</td>
</tr>
</tbody>
</table>

**INTERPRETATION**

Table 1.4 reveals that ratio is decreasing from 2004-05 to 2005-06. 0.09 to 0.05 and in the year 2006-07 ratio was increased to 0.07 in the year 2007-08 increased to 0.11 and 2008-09 ratio is 0.16. Generally a high ratio is considered to be good.

**II. Leverage Ratios**
Leverage ratios are also known as capital structure ratio. These ratios indicate the mix of funds provided by owners & lenders. As a general rule these should be an appropriate mix of debt & owners equity in financing the firm’s assets.

Leverage ratios are calculated to judge the long-term financial position of the company. Some of the popular leverage ratios are:

### a. Total Debt Ratio

Debt ratio may be used to analyze the debt ratio by dividing Total debt (T.D) by dividing Capital employed (C.E) or net assets (N.A).

The total debt include short and long term borrowing from financial institutions, debentures, bonds, deferred payments, arrangements for buying capital equipment’s, bank borrowings, public deposits etc.

\[
\text{Debt Ratio} = \frac{\text{Total Debt}}{\text{Capital Employed}}
\]

**TABLE-2.1 Total Debt Ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Debt Amt. In Rs</th>
<th>Capital Employed Amt. In Rs</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>554110249.00</td>
<td>6783463.00</td>
<td>0.82%</td>
</tr>
<tr>
<td>2005-06</td>
<td>499246293.00</td>
<td>623250062.00</td>
<td>0.80%</td>
</tr>
<tr>
<td>2006-07</td>
<td>547168647.00</td>
<td>217530000.00</td>
<td>2.61%</td>
</tr>
<tr>
<td>2007-08</td>
<td>565092767.00</td>
<td>218018495.00</td>
<td>2.59%</td>
</tr>
<tr>
<td>2008-09</td>
<td>627951467.00</td>
<td>223983274.00</td>
<td>2.80%</td>
</tr>
</tbody>
</table>
“Evaluation of Financial Performance based on RATIO ANALYSIS AT RSSKN TIMMAPUR”

INTERPRETATION

Table 2.1 Debt ratio is in the year 2004-05 is 0.82 in the year 2005-06 decreased 0.80 in the year 2006-07 increased 2.61 in the year 2.59 and 2008-09 reached at 2.80

b. Debt-Equity Ratio

Debt-Equity ratio shows the relative contribution of creditors and owners. Debt-Equity also known as External-Internal equity ratio. It is calculated to measure the relative claims of outsiders against firm assets.

\[
\text{Debt-Equity Ratio} = \frac{\text{Total Debt}}{\text{Net Worth}}
\]

TABLE-2.2 Debt Equity Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Debt Amt. In Rs</th>
<th>Net Worth Amt. In Rs</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>554110249.00</td>
<td>43052429.00</td>
<td>0.61</td>
</tr>
<tr>
<td>2005-06</td>
<td>499246293.00</td>
<td>63171947.00</td>
<td>0.62</td>
</tr>
<tr>
<td>2006-07</td>
<td>547168647.00</td>
<td>568828076.00</td>
<td>0.52</td>
</tr>
<tr>
<td>2007-08</td>
<td>565092766.00</td>
<td>570188858.00</td>
<td>0.82</td>
</tr>
<tr>
<td>2008-09</td>
<td>627397167.00</td>
<td>571266087.00</td>
<td>0.93</td>
</tr>
</tbody>
</table>
INTRODUCTION

Table 2.2 reveals that in the company the lenders contribution is increasing year by year. In the year 2004-05 0.61 and 2005-06 0.62 in the year 2006-07 decreased 0.52 in the year 2007-08 ratio is 0.82 in the year 2008-09 increases 0.93. Year 2006-07 0.52 Ratio shows the relationship describing the lenders contribution for each rupee of owner’s contribution.

c. Fixed Assets to Net Worth

This ratio establishes the relationship between fixed assets & Shareholders fund i.e. Share Capital plus reserves & Surplus & retained earnings. The ratio can be calculated as follows.

**Fixed Assets to Net worth Ratio =** \( \frac{\text{Fixed Assets (After Depreciation)}}{\text{Shareholder’s fund}} \) \( \times 100 \)

This ratio indicates the extent to which share holders funds are into sunk into fixed assets. There is no rule thumb to interpret this ratio but 60% to 65% is considered to be satisfactory.
“Evaluation of Financial Performance based on RATIO ANALYSIS AT RSSKN TIMMAPUR”

TABLE-2.3 fixed Assets to net worth Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Fixed Assets Amt. In Rs</th>
<th>Shareholder Fund Amt. In Rs</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>563374006.00</td>
<td>217335000.00</td>
<td>2.59</td>
</tr>
<tr>
<td>2005-06</td>
<td>564147519.00</td>
<td>217400000.00</td>
<td>2.59</td>
</tr>
<tr>
<td>2006-07</td>
<td>568828076.00</td>
<td>27530000.00</td>
<td>2.61</td>
</tr>
<tr>
<td>2007-08</td>
<td>570188850.00</td>
<td>218018495.00</td>
<td>2.62</td>
</tr>
<tr>
<td>2008-09</td>
<td>571266087.00</td>
<td>223983574.00</td>
<td>2.55</td>
</tr>
</tbody>
</table>

INTREPRETATION

Table 2.3 reveals that percentage of fixed assets value contributed by its owners is increasing year by year, in the year 2004-05 and 2005-06 ratio is 2.59 in the year 2006-07 increases 2.61 in the year 2007-08 increases 2.62 in the year 2008-09 decreases 2.55
implies that funds are not sufficient to finance the fixed assets & the firm has to depend upon outside to finance fixed assets.

d. Current Assets to Proprietor’s funds ratio

This ratio is calculated by dividing total current assets by shareholders funds. It indicates the extent to which proprietor funds are invested in current assets. There is no rule of thumb for this ratio & depending upon the nature of the business there may be different ratios for different firms.

\[
\text{CA to PF ratio} = \frac{\text{Current Assets}}{\text{Proprietors Fund}}
\]

<table>
<thead>
<tr>
<th>Year</th>
<th>Current Assets Amt. In Rs</th>
<th>Proprietors Fund Amt. In Rs</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>430076093.00</td>
<td>217335000.00</td>
<td>1.97</td>
</tr>
<tr>
<td>2005-06</td>
<td>343665293.00</td>
<td>217400000.00</td>
<td>1.58</td>
</tr>
<tr>
<td>2006-07</td>
<td>336389326.00</td>
<td>217530000.00</td>
<td>1.55</td>
</tr>
<tr>
<td>2007-08</td>
<td>417811264.00</td>
<td>21801849.00</td>
<td>1.92</td>
</tr>
<tr>
<td>2008-09</td>
<td>349345761.00</td>
<td>223983274.00</td>
<td>1.56</td>
</tr>
</tbody>
</table>
INTREPRETATION

reveals that proprietors fund & investments are increasing & Current assets are decreasing .in the year 2004-05 ratio was 1.97 in the Year 2005-06 has decreased to 1.58 & next year again decreased to 1.55 and in the year 2007-08 ratio 1.92 and the year 2008-09 decreases 1.56.

II. Profitable Ratios

The primary objective of a business undertaking is to earn profits. Profit is the difference between revenue & expenses over a period of time. Profit is output of a company & company will have no further if it fails to make sufficient profit. Profits are thus a useful measure of overall efficiency of a firm.

These ratios are calculated to measure the operating efficiency of the company. Beside management, creditors, owners are also interested in the profitability of the company. Generally, profitability ratios are calculated either in relation to sales or in relation to investment. The various profitable ratios are:

In Relation to Sales

Gross Profit Ratio
G.P.Ratio measures the relationship between gross profits & sales; it is usually represented in percentage. Thus Gross profit margin highlights the production efficiency at a concern

\[
\text{G.P.Ratio} = \frac{\text{Gross Profit}}{\text{Sales}} \times 100
\]

G.P.Ratio indicate the extent to which selling price of goods per unit may decline without resulting in losses on operations of firm. It reflect efficiency with which firm produces the product.

**TABLE-3.1 Gross Profit Ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Profit Amt. In Rs</th>
<th>Sales Amt. In Rs</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>32048846.00</td>
<td>269842495.00</td>
<td>0.11</td>
</tr>
<tr>
<td>2005-06</td>
<td>119992232.00</td>
<td>622678642.00</td>
<td>0.19</td>
</tr>
<tr>
<td>2006-07</td>
<td>81751169.00</td>
<td>592532689.00</td>
<td>13.8</td>
</tr>
<tr>
<td>2007-08</td>
<td>98156497.00</td>
<td>453435133.00</td>
<td>21.65</td>
</tr>
<tr>
<td>2008-09</td>
<td>79531898.00</td>
<td>736296987.00</td>
<td>10.8</td>
</tr>
</tbody>
</table>

**INTERPRETATION**

Table 3.1 reveals that gross profit of the company has increasing in year by year gross profit was in the year 2004-05 ratio was -0.11, it increases to 0.19 and in but further gross profit was increased in 2006-07 ratio was 13.8 in the year 2007-08 increases ratio is 21.65 and in the year 2008-09 decreases 10.8 The efficiency of firm is not satisfactory
b. Net profit ratio

Net profit ratio establishes the relationship between net profit & sales & indicates efficiency of management in manufacturing. Selling, administrative & other activities of the firm. This ratio is used as a measure of overall profitability & it helps in determining the efficiency of the firm to carry on its business.

\[
\text{Net Profit Ratio} = \frac{\text{Net Profit after tax} \times 100}{\text{Sales}}
\]

**TABLE-3.2 Net Profit Ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Profit Amt. In Rs</th>
<th>Sales Amt. In Rs</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>43052429.00</td>
<td>269842495.00</td>
<td>15.95</td>
</tr>
<tr>
<td>2005-06</td>
<td>63171947.00</td>
<td>622678437.00</td>
<td>10.14</td>
</tr>
<tr>
<td>2006-07</td>
<td>15245938.00</td>
<td>542352689.00</td>
<td>2.57</td>
</tr>
<tr>
<td>2007-08</td>
<td>51045764.00</td>
<td>53435123.00</td>
<td>11.26</td>
</tr>
<tr>
<td>2008-09</td>
<td>91423.00</td>
<td>736206987.00</td>
<td>0.01242</td>
</tr>
</tbody>
</table>

**INRTEPRETATION**

Table 3.2 This ratio indicates firms capacity to face the economic conditions, higher the ratio better the profitability. From the table it is clear that in 2004-05, 2005-06, 2006-07 continuously decrease ratio is 15.95, 10.14, 2.57, year by year and in 2007-08 is
increased. 2008-09 is decreased 0.01242. so the company is under the loss but profit was decrease year by year.

c. Operating Ratio

It is the relation between cost of goods sold & operating expenses on one hand & the sales on the other hand. It measures the cost of operations per rupee of sales.

\[
\text{Operating Ratio} = \frac{\text{Operating Cost}}{\text{Sales}} \times 100
\]

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Cost Amt. In Rs</th>
<th>Sales Amt. In Rs</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>179620260.00</td>
<td>269842495.00</td>
<td>66.56</td>
</tr>
<tr>
<td>2005-06</td>
<td>498590333.00</td>
<td>622678642.00</td>
<td>80.07</td>
</tr>
<tr>
<td>2006-07</td>
<td>592997583.00</td>
<td>592532689.00</td>
<td>100.8</td>
</tr>
<tr>
<td>2007-08</td>
<td>447200049.00</td>
<td>45474323.00</td>
<td>98.62</td>
</tr>
<tr>
<td>2008-09</td>
<td>545311535.00</td>
<td>736206987.00</td>
<td>74.04</td>
</tr>
</tbody>
</table>

INTREPRETATION

Table 3.3 reveals that the operating ratio in the year 2004-05 ratio is 66.56 in the year 2005-06 increased by 80.07 and in the year 2006-07 100.00 means there is an decrease in profit of company. In the year 2007-08 decreased by 98.62 and in the year
ratio 74.04 it is showing an decrease trend this shows that company is slowly increase the profit
d. Expenses Ratio

It indicates the relationship of various expenses to net sales. Expenses ratio are calculated by dividing each item of expenses or group of expenses with net sales to analyze the causes for variation in operating ratio.

**Administration, office, selling & other Expense Ratio:**

This ratio indicates the relationship at administrative, selling & other Expenses to the sales of the company. Here normally lower the expenses higher the profitability.

\[
\text{Administration, office, selling & other Expenses} = \frac{\text{Expenses}}{\text{Sales}} \times 100
\]

**TABLE - 3.4 Administration, selling & other expenses Ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenses Amt. In Rs</th>
<th>Sales Amt. In Rs</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>83744275.00</td>
<td>269842495.00</td>
<td>31.03%</td>
</tr>
<tr>
<td>2005-06</td>
<td>58700650.00</td>
<td>622678642.00</td>
<td>9.42%</td>
</tr>
<tr>
<td>2006-07</td>
<td>68321455.00</td>
<td>592521689.00</td>
<td>11.53%</td>
</tr>
<tr>
<td>2007-08</td>
<td>92474395.00</td>
<td>753435123.00</td>
<td>20.39%</td>
</tr>
<tr>
<td>2008-09</td>
<td>108276722.00</td>
<td>736206987.00</td>
<td>14.71%</td>
</tr>
</tbody>
</table>

**OPERATING RATIO**

**INTREPRETATION**
Table 3.4 There is no role of thumb for this ratio, as it may differ from firm to firm depending upon nature of business. In the year 2004-05 ratio is 31.03%, in the year 2005-06 ratio is decreased 9.42% in the year 2006-07 ratio increased 11.53% in the year 2007-08 ratio is 20.39% and in the year 2008-09 ratio is decreased by 14.71%

2. Profitability in relation to Investment
   a. Return on shareholders Investment:

Return on shareholders investments, popularly known as ROI. It is the relationship between net profit after tax & shareholders funds. Thus this ratio is considered as affective indicator of the company’s profitability because it reflects the success of management in the efficient utilization of the owner’s investment.

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Profit Amt. In Rs</th>
<th>Shareholder Fund Amt. In Rs</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>43052429.00</td>
<td>217335000.00</td>
<td>20%</td>
</tr>
<tr>
<td>2005-06</td>
<td>63171947.00</td>
<td>174000000.00</td>
<td>29%</td>
</tr>
</tbody>
</table>
INTREPRETATION

Table 3.5 reveals how were the resources of a firm were being used. So higher the ratio better will be the result in the year 2004-05 20% in the year 2005-06 ratio is 29% in the year 2006-07 ratio is decreased .01% in the year 2007-08 ratio is 23.41% and it decreased by 0.04%

IV. Activity Ratios:

Funds are invested in various assets in business to make sales & earn profit. The efficiency with which assets are managed directly affects the volume of sales. The better the management of assets, the larger is the amount of sales & the profit. Activity ratio measures the efficiency or effectiveness with which a firm manages its resources or
assets. These ratios are also called turnover ratio because they indicate the speed with which assets are converted or turned over into sales.

The various activity ratios are:

a. Inventory Turnover Ratio:

Inventory turnover ratio indicates the number of times stock has been turned over during the period & evaluates efficiency with which a firm is able manage inventory.

The ratio is calculated by dividing the net sales divided by average inventory at cost.

\[ \text{ITR} = \frac{\text{Net Sales}}{\text{Average Inventory at Cost}} \]
“Evaluation of Financial Performance based on RATIO ANALYSIS AT RSSKN TIMMAPUR”

Average inventory should be taken for calculating stock turnover ratio. Adding the stock in the beginning & at the end of period & dividing it by 2 to calculate average inventory

**TABLE-4.1 Inventory turnover ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales Amt. In Rs</th>
<th>Average Inventory Amt. In Rs</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>269842495.00</td>
<td>149040556.00</td>
<td>1.81</td>
</tr>
<tr>
<td>2005-06</td>
<td>622678642.00</td>
<td>114404573.00</td>
<td>2.44</td>
</tr>
<tr>
<td>2006-07</td>
<td>592532689.00</td>
<td>312640080.00</td>
<td>1.9</td>
</tr>
<tr>
<td>2007-08</td>
<td>453435123.00</td>
<td>484623044.00</td>
<td>0.94</td>
</tr>
<tr>
<td>2008-09</td>
<td>736206987.00</td>
<td>379314434.00</td>
<td>1.94</td>
</tr>
</tbody>
</table>

**INVENTORY TURNOVER RATIO**

**INTERPRETATION:**
Table 4.1 Inventory Turnover ratio has increased from 1.81 to 2.44 in the year 2004-05 to 2005-06 & decreased in the year 2006-07 ratio is 1.9 in the year 2007-08 0.94 and in the year 2008-09 1.94. increased it shows a fall that which signifies the firms efficiency in producing and selling is improving

**b. Assets Turnover Ratio:**
“Evaluation of Financial Performance based on RATIO ANALYSIS AT RSSKN TIMMAPUR”

Assets are used to generate sales. Therefore a firm should manage its assets efficiency to maximum sales. Assets turnover ratio shows relationship between sales & assets. The various assets turnover ratio are:

Net Assets Turnover Ratio = Sales / Net assets

**TABLE 4.2 Net Asset Turnover Ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Amt. In Rs</th>
<th>Net Assets Amt. In Rs</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>560320147.00</td>
<td>1306020841.00</td>
<td>0.42</td>
</tr>
<tr>
<td>2005-06</td>
<td>548538351.00</td>
<td>1003003055.00</td>
<td>0.55</td>
</tr>
<tr>
<td>2006-07</td>
<td>269842495.00</td>
<td>1054465865.00</td>
<td>0.26</td>
</tr>
<tr>
<td>2007-08</td>
<td>622678642.00</td>
<td>948118650.00</td>
<td>0.66</td>
</tr>
<tr>
<td>2008-09</td>
<td>592532689.00</td>
<td>1175611916.00</td>
<td>0.504</td>
</tr>
</tbody>
</table>

**INTREPRETATION**
“Evaluation of Financial Performance based on RATIO ANALYSIS AT RSSKN TIMMAPUR”

Table 4.2 In the year 2004-05 to 2005-06 ratio was 0.47, 0.55 respectively which means firm is able to produce large volume of sales for given amount of net assets. But in the year 2006-07 it is decreased 0.26 due to less volume at sales to the given net assets. in the year 2007-08 increased 0.66, in the year 2008-09 ratio is 0.504.

ii. Fixed Assets Turnover Ratio = \[ \frac{Sales}{Fixed\ Assets} \]

TABLE 4.3 Fixed Assets Turnover Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Amt. In Rs</th>
<th>Net Fixed Assets Amt. In Rs</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>269842495.00</td>
<td>523585135.00</td>
<td>0.51</td>
</tr>
<tr>
<td>2005-06</td>
<td>622678642.00</td>
<td>532690595.00</td>
<td>1.16</td>
</tr>
<tr>
<td>2006-07</td>
<td>592532689.00</td>
<td>568828676.00</td>
<td>1.04</td>
</tr>
<tr>
<td>2007-08</td>
<td>453435123.00</td>
<td>570188858.00</td>
<td>0.80</td>
</tr>
<tr>
<td>2008-09</td>
<td>736206987.00</td>
<td>571266087.00</td>
<td>1.29</td>
</tr>
</tbody>
</table>
INTREPRETATION
Table 4.4 reveals in the year 2004-05 0.51 ,2005-06 ratio is 1.16 decreased in the year 2006-07 ratio is 0.80 and again increased in the year 2008-09 1.29 up to the year 2005-06, which indicates higher degree of efficiency in assets utilization. It is lower in the year 2006-07, and again it is showing an decreased trend in the year 2007-08 & 2008-09 increased to 1.29.

iii. Current Assets Turnover Ratio = \( \frac{Sales}{Current \, Assets} \)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Amt. In Rs</th>
<th>Current Assets Amt. In Rs</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>269842495.00</td>
<td>28028093.00</td>
<td>0.62</td>
</tr>
<tr>
<td>2005-06</td>
<td>622678642.00</td>
<td>343665293.00</td>
<td>1.81</td>
</tr>
<tr>
<td>2006-07</td>
<td>592532689.00</td>
<td>336389326.00</td>
<td>1.76</td>
</tr>
<tr>
<td>2007-08</td>
<td>453435123.00</td>
<td>417811264.00</td>
<td>1.09</td>
</tr>
<tr>
<td>2008-09</td>
<td>736206987.00</td>
<td>349345761.00</td>
<td>2.11</td>
</tr>
</tbody>
</table>
“Evaluation of Financial Performance based on RATIO ANALYSIS AT RSSKN TIMMAPUR”

INTREPRETATION

Table 4.5 reveals that the current assets turnover ratio of the company has improved its utilization current assets but it was reduced in the year 2004-05 ratio is 0.62 due to inefficient utilization of current assets. And in the year 2005-06 increased 1.81, 2006-07 decreased to 1.76, and again decreased to 1.09, and 2008-09 trend up 2.11.

d. Working Capital turnover Ratio:

A firm may also related net current assets to sales. Working capital turnover ratio indicates the velocity of the utilization of net working capital.

\[
\text{Working Capital Turnover Ratio} = \frac{\text{Sales}}{\text{Net Current Assets}}
\]

**TABLE 4.6 Working Capital Turnover Ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Amt. in Rs</th>
<th>Net Current Asset Amt. In Rs</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>269842495.00</td>
<td>4586424515.00</td>
<td>1.22</td>
</tr>
<tr>
<td>2005-06</td>
<td>622678642.00</td>
<td>1625293064.00</td>
<td>3.37</td>
</tr>
<tr>
<td>2006-07</td>
<td>592532689.00</td>
<td>2288870547.00</td>
<td>0.12</td>
</tr>
<tr>
<td>2007-8</td>
<td>453435123.00</td>
<td>1189072585.00</td>
<td>5.23</td>
</tr>
<tr>
<td>2008-09</td>
<td>736206987.00</td>
<td>726908534.00</td>
<td>8.15</td>
</tr>
</tbody>
</table>
INTREPRETATION

Table 4.6 reveals that working capital turnover ratio in the year 2002-03 was 1.22, in the year 2003-04 it increased to 3.37, in the year 2004-05 it decreased to 0.12, in the year 2005-06 again increased to 5.23, in the year 2006-07 increased to 8.15 indicate the efficient utilization of working capital. But in the year 2004-05 it was reduced due to the inefficiency in utilization of working capital.

FINDINGS:

1) In the year 2004-05 current ratio was 3.04 in the subsequent years it doesn’t reach the standard ratio, so it is unfavorable of the company.

2) Quick ratio has been continuously decreasing year by year, it shows that company’s liquidity position is weak.
“Evaluation of Financial Performance based on RATIO ANALYSIS AT RSSKN TIMMAPUR”

3) Absolute quick ratio has increased year by year but still below the standard of 1:1 company position is still weak.

4) Debt Equity Ratio in the year 2004-05, 0.61 subsequent year increased year by year company position is good.

5) Gross profit in the year 2004-05 ratio 0.11% and in the year 2008-09 ratio is trend up 10.8% company position is favorable.

6) Net profit Ratio in the 2004-05 was 15.95% but in the 2008-09 decreased 0.01% it shows unfavorable of the company.

Suggestions

1) The current ratio and Quick ratio of the company doesn’t reach standard ratio so company need to concentrate on increasing the current ratio by increasing in current asset and Quick Assets.

2) Debt ratio of the company has been increased year to year. High debt ratio is unfavorable of the company.

3) Net profit ratio weak try to increase sales and the investment on fixed asset should be reduced.

4) The company needs to maintain good inventory turnover ratio by increasing the sales.

5) The company needs to increases the working capital turnover ratio for efficiency utilization of working capital.
CONCLUSION

Study of the ratio analysis of Ranna Sugars reveals the performance of the company in terms of financial aspects. It is found that there is an increase in sales, net profit, gross profit during 2008-09 the cash balance is also increased for the above said year. It is also observed that the current ratio is not satisfactory. Quick ratio is decreased year by year. As observed absolute liquid ratio is found there is increasing year by year. Net working capital ratio is also increasing year by year.

Further the company performance and efficiency can be improved by above mentioned points in the suggestion.
“Evaluation of Financial Performance based on RATIO ANALYSIS AT RSSKN TIMMAPUR”

APENDIX
“Evaluation of Financial Performance based on RATIO ANALYSIS AT RSSKN TIMMAPUR”

BIBLIOGRAPHY