Vol II Issue X

ISSN No : 2230-7850

Monthly Multidiciplinary Research Journal

Indian Streams Research Journal

Welcome to ISRJ

RNI MAHMUL/2011/38595 **ISSN No.2230-7850**

Indian Streams Research Journal is a multidisciplinary research journal, published monthly in English, Hindi & Marathi Language. All research papers submitted to the journal will be double - blind peer reviewed referred by members of the editorial Board readers will include investigator in universities, research institutes government and industry with research interest in the general subjects.

Address:-Ashok Yakkaldevi 258/34, Raviwar Peth, Solapur - 413 005 Maharashtra, India
Cell : 9595 359 435, Ph No: 02172372010 Email: ayisrj@yahoo.in Website: www.isrj.net

Indian Streams Research Journal
Volume 2, Issue.10,Nov. 2012
ISSN:-2230-7850
Available online at www.isrj.net

ORIGINAL ARTICLE

A STUDY OFFINANCIAL INTERPRETATION OF LOKMANGAL SAHAKARI SAHKHAR KARKHANA, SOLAPUR.

JAYANT PRABHAKAR BOBDE

S.N.Arts,Science and U.K.Commerce College,Akola(M.S.)

Abstract:

India stood first in sugar production country during the year 2001 – 2002 by producing 19.87 million ton of sugar. while Brazil stood 1st in sugar production during 2002 – 2003 by producing 23.65 million ton of sugar followed by India producing 21.90 million ton sugar in the world using sugar cane as a raw material. There are 122 countries producing sugar with total quantity of 148.91 million tones in the world during 2002 – 2003, Using sugar cane & sugar beet as a raw material. The major sugar producing countries are Brazil, India, China, Thailand, Australia, Mexico, France & Germany.

KEYWORDS:

Interpretation , Financial Production , Factories.

INTRODUCTION

A sugar industry occupies an important place among organized industries in India. It ranks 3rd largest industry in terms of its net value added by manufacture and employees. Nearly 325 lakhs workers besides creating extensive indirect employment for 25 million cultivators of sugar cane with 4.7 million sugar cane grower members. The various agencies of distributive trade & through subsidiary, industries such as confectionary ice cream, cold drinks etc. It is also an important source of excise duty for central government excise duty and sugar cane purchase tax to state government. Central government has collected Rs. 395 crore during the year 2002 – 2003 by way of duties and taxes.

There are 505 sugar factories in India with a total installed capacity of 177.86 lakhs ton against this 419 factories were in operation of which 184 were in private & public sector and 235 in co-operative sector.

2 OBJECTIVES OF THE STUDY:

2.1] To review the efficiency of the organization.
2.2] To know the profitability of the organization.
2.3] To know the capital structure of the organization.
2.4] To review progress in sales.

3. SCOPE AND LIMITATION OF THE STUDY

The scope of the study is confined to Shri Lokmangal Sahakari Sakhar Karkhana only. It is depended on the information collected in various departments and from accounts of this organization.

3.1 LIMITATIONS

3.1.1] It is difficult to decide the proper basis for comparison of competitors.
3.1.2] The ratios are calculated from past financial statements so it will not Show the current position of the organization.
3.1.3] This study is restricted to Shri Lokmangal Sahakari Sakhar Karkhana only.
3.1.4] The duration of study is limited to 50days.
3.1.5] This study is consider only Financial Interpreation of ratio Analysis factor other factors ignored.

4 RESEARCH METHODOLOGY

4.1 Data Sources : Secondary data from textbooks and audit reports of factory.
4.2 Year : 2004 to 2009

5. MAJOR FINDINGS AT LOKMANGAL SAHAKARI SAKHAR KARKHANA , SOLAPUR.

INCOME STATEMENT

(Rs. In lakhs)

Sr. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
A.	Sales	9446.55	15485.54	13138.08	13491.49	21019.52
B.	Cost of goods sold					
(a)	Raw material purchase	5196.88	9606.55	8591.21	8234.94	13032.42
(b)	Manufacturing expenses	1731.17	1852.91	2355.24	2405.12	2621.16
(c)	Labour	825.87	1098.06	959.93	935.24	1388.75
	Total : (B)	**7753.92**	**12557.52**	**11906.38**	**11575.3**	**17042.33**
C.	Gross profit	1692.63	2928.02	1231.7	1916.19	3977.19
D.	Operating expenses					
(a)	Office and admn. expenses	291.88	1240.32	1677.12	1565.17	1487.64
(b)	Selling and distribution exp.	16.96	333.79	722.74	508.86	500.01
	Total (D)	**308.84**	**1574.11**	**2399.86**	**2074.03**	**1987.65**
E.	Operating profit. (C– D)	1383.79	1353.91	(1168.16)	(157.84)	1989.54
F.	Non operating income	306.85	472.35	1034.75	2012.35	1817.55
G.	Less : Non operating expenses	114.14	-	.04	-	41.81
H.	**E B I T**	**1576.50**	**1826.26**	**(133.45)**	**1854.51**	**3765.28**
I.	Less : Interest	1334.61	1453.70	1858.19	2582.02	2367.49
J.	E B T (H – I)	241.89	372.56	-	-	-
K.	Less : Tax	-	-	-	-	-
L.	**E A T (J – K)**	**241.89**	**372.56**	**(1858.19)**	**(727.51)**	**1397.79**

COMPARITIVE BALANCE -SHEET OF S.S.S.K Ltd. KUMTHE, SOLAPUR.

(Rs in lakhs)

Sr.No.	CAPITAL AND LIBILITIES	2004-05	2005-06	2006-07	2007-08	2008-09	
A.	Share capital						
(a)	Authorized capital	2000.00	2000.00	2000.00	2000.00	2000.00	
(b)	Issued, paid-up capital	1101.77	1196.21	1241.56	1447.91	1485.25	
(c)	Reserves and surplus	3290.90	3623.47	4198.37	4828.30	5320.86	
	Shareholder's funds (b+c)	4392.67	4819.68	5439.93	6276.21	6806.11	
B.	Loans and borrowings						
	Secured loans						
(a)	Capital loan	2926.61	3273.48	3064.81	2072.72	1802.89	
(b)	Working capital loan	10822.39	10373.08	16089.22	15604.79	16480.60	
(c)	Unsecured loans	-	-	-	1917.82	2227.33	
(d)	Deposits	1815.32	2003.49	1969.52	2157.36	2500.33	
	Long term loans and borrowings (a+b+c+d)	15564.32	15650.05	21123.55	21752.69	23011.15	
C.	Current liabilities						
(a)	Sundry creditors	3901.67	1474.17	1371.72	2465.56	1582.72	
(b)	Outstanding expenses	-	6934.30	4067.17	7324.55	7702.30	
(b)	Provision	617.59	715.97	649.91	743.15	1009.68	
	Current liabilities (a+b)	**4519.26**	**9124.14**	**6088.8**	**10533.26**	**10294.7**	
D.	**Profit & Loss A/c**						
(a)	Previous year accumulated profit	-		-		-	
(b)	Add : current year profit	-	.93	-		-	
(c)	Less : current year loss	-	-	-		-	
	Profit & Loss A/c (a+b -c)			-		-	
	Total : -	**24476.26**	**29594.8**	**32652.28**	**38562.16**	**40112.00**	

(Rs. in lakhs)

Sr.No.	ASSETS AND PROPERTIES	2004-05	2005-06	2006-07	2007-08	2008-09	
A.	Fixed assets	6891.28	7700.51	7871.05	7978.03	8003.83	
B.	Investment	120.87	137.60	142.48	149.86	191.97	
C.	**Current assets**						
(a)	Cash & bank	1377.94	866.00	150.37	88.12	514.11	
(b)	Stores & spares	310.01	407.29	436.95	436.97	539.00	
(c)	Closing stock	14786.6	19592.61	21084.88	26080.14	28181.72	
(d)	Advances	250.95	216.31	234.99	170.40	165.80	
(e)	Deposits	29.83	100.30	561.65	361.10	367.38	
(f)	Sundry debtors	326.25	559.97	291.26	696.60	946.09	
(g)	Prepaid expenses	10.91	14.49	21.34	16.03	14.90	
C.	**Current assets**	**17092.49**	**21756.97**	**22781.44**	**27849.36**	**30729.00**	
D.	**Profit & Loss A/c**						
(a)	Previous accumulated loss/profit	613.49		-.93	+727.59	2584.89	
(b)	Add : current year's loss	------	-	1858.23	1857.29		

ANALYSIS OF RATIO

A] PROFITABLITY RATIO:

1] GROSS PROFIT RATIO :

Particulars	2004-2005	2005-06	2006-07	2007-08	2008-09
Gross Profit	1692.63	2928.02	1231.7	1916.19	3977.19
Net Sales	9446.55	15485.54	13138.08	13491.49	21019.52

Gross Profit Ratio = $\frac{\textbf{Gross Profit}}{\textbf{Net Sales}}$ **X 100**

1] 2004-2005= $\frac{1692.63}{9446.55}$ X 100 = 17.92 %

2] 2005-2006 = $\frac{2928.02}{15485.54}$ X 100 = 18.91%

3] 2006-2007 = $\frac{1231.7}{13138.08}$ X 100 = 9.38%

4] 2007-2008 = $\frac{1916.19}{13491.49}$ X 100 = 14.20%

5] 2008-2009 = $\frac{3977.19}{21019.52}$ X 100 =18.92%

Gross profit is the profit made on sale of goods. Gross profit is obtained after deducting the cost of goods sold form net sales. It is very difficult to say that standard of gross profit ratio as it differs from industry to industry. In any case gross profit ratio must be maintained at comfortable level. If cannot improved. At least cover the operating expenses.

The gross profit ratio is 17.92 % in the year 2004-2005 & there is continuous increase in the gross profit ratio up to 2008-2009 due to reduction in manufacturing expenses & raw material purchases except the year 2006-2007.

2] NET PROFIT RATIO:

Particulars	20004-2005	2005-06	2008-09
Net Profit	241.89	372.56	1397.79
Net Sales	9446.55	15485.54	21019.52

Net Profit Ratio = $\frac{\textbf{Net Profit}}{\textbf{Net Sales}}$ **X 100**

1] 2004-2005 = $\frac{241.89}{9446.55}$ X 100 = 2.56 %

2] 2005 - 2006= $\frac{372.56}{15485.54}$ X 100 = 2.40%

3] 2008-2009 = $\frac{1397.79}{21019.52}$ X 100 = 6.65%

The net profit ratio establishes a relationship between Net profit and sales. In the year 2006-2007 and 2007-2008 the factory incurred loss, therefore the Net Profit ratio of these particular year cannot be calculated & the rest years ratios are positive & it had been increased which is good sign to the organization, but there is still need for improvement.

3] OPERATING PROFIT RATIO:

Particulars	2004-2005	2005-06	2008-09
Operating Profit	1383.79	1353.91	1989.54
Net Sales	9446.55	15485.54	21019.52

Operating Profit Ratio = $\frac{\text{Operating Profit}}{\text{Net Sales}} \times 100$

1] 2004-2005 = $\frac{1383.79}{9446.55} \times 100 = 14.65\ \%$

2] 2005-2006 = $\frac{1353.91}{15485.54} \times 100 = 8.74\%$

3] 2008-2009 = $\frac{1989.54}{21019.52} \times 100 = 9.47\%$

This ratio shows the relationship between operating profit and Net sales.

The above indicates that operating profit of the year 2006-2007 and 2007-2008 is negative, therefore it cannot be calculated, and it means the organization incurred the loss. It is happened due to increase in operating expenses and decrease in Gross profit. But that it has increasing continuously due to increase in gross profit.

4] EXPENSE RATIO:

a) Operating Ratio:

Particulars	2004-2005	2005-06	2006-07	2007-08	2008-09
Operating cost	8062.76	14131.63	14306.24	13649.33	19029.98
Net Sales	9446.55	15485.54	13138.08	13491.49	21019.52

Operating Ratio = $\frac{\text{Operating cost}}{\text{Net Sales}} \times 100$

1] 2004- 2005 = $\frac{8062.76}{9446.55} \times 100 = 85.35\%$

2] 2005 - 2006= $\frac{14131.63}{15485.54} \times 100 = 91.26\%$

3] 2006 - 2007= $\frac{14306.24}{13138.08} \times 100 = 108.90\%$

4] 2007 - 2008= $\frac{13649.33}{13491.49} \times 100 = 101.16\%$

5] 2008-2009 = $\frac{19029.98}{21019.52} \times 100 = 90.53\%$

Operating Ratio matches Operating cost (cost of goods sold + operating exp.) at one hand with net sales on the other. It shows the percentage of net sales that is occupied by the Operating cost.

The higher Operating ratio indicates that less favorable, because it would become a smaller margin to meet interest, dividend and other corporate needs.

In Shri Lokmangal Sahakari Sakhar Karkhana, the ratio is decreasing in the year 2008-2009; it means it is favorable to organization. It is due to operating cost.

B) Administrative expenses ratio:

Particulars	2004-2005	2005-06	2006-07	2007-08	2008-09
Administrative Expenses	291.88	1240.32	1677.12	1565.17	1487.64
Sales	9446.55	15485.54	13138.08	13491.49	21019.52

Administrative Expenses Ratio = $\frac{\text{Administrative Expenses}}{\text{Sales}}$ x 100

1] 2004-2005 = $\frac{291.88}{9446.55}$ X 100 = 3.09%

2] 2005 - 2006= $\frac{1240.32}{15485.54}$ X 100 = 8.00%

3] 2006 - 2007= $\frac{1677.12}{13138.08}$ X 100 = 12.77%

4] 2007 - 2008= $\frac{1565.17}{13491.49}$ X 100 = 11.60%

5] 2008-2009 = $\frac{1487.64}{21019.52}$ X 100 =7.07%

Administrative expenses ratio is very important to analyzing the profitability. Low ratio is favorable and high ratio is unfavorable to the organization. Shri Lokmangal Sahakari Sakhar factory's administrative expenses have increased from 2005-06 to 2008-09 which was unfavorable for factory but in 2004-05 it was decreased, so it is a good sign.

B] SOLVANCY RATIO:

11] DEBT-EQUITY RATIO:

Particulars	2004-2005	2005-06	2006-07	2007-08	2008-09
Debt	15564.32	15650.05	21123.55	21752.69	23011.15
Shareholder's Funds	4392.67	4819.68	5439.93	6276.21	6806.11

Debt-Equity Ratio = $\frac{\textbf{Total Debt}}{\textbf{Shareholder's funds}}$

1] 2004-2005 = $\frac{15564.32}{4392.67}$ = 3.54

2] 2005 - 2006 = $\frac{15650.05}{4819.68}$ = 3.25

3] 2006 - 2007 = $\frac{21123.55}{5439.93}$ = 3.88

4] 2007 - 2008 = $\frac{21752.69}{6276.21}$ = 3.47

5] 2008-2009 = $\frac{23011.15}{6806.11}$ = 3.38

The ratio indicates the proportionate claims of owners and outsiders against the firm's assets.

There is no hard and fast rule about the extent of ideal ratio. A ratio 1:1 may be unusually considered to be satisfactory. It is found that the organization Debt-Equity ratio is unsatisfactory as increase in debt more than the increasing in equity.

2] INTEREST COVERAGE RATIO :

Particulars	2004-2005	2005-06	2007-08	2008-09
E B I T	1576.50	1826.26	1854.51	3765.28
Interest	1334.61	1453.70	2582.02	2367.49

Interest Coverage Ratio = $\frac{\textbf{E B I T (net profit before interest \& tax)}}{\textbf{Interest}}$

1] 2004 - 2005 = $\frac{1576.50}{1334.61}$ = 1.18 times

2] 2005 - 2006 = $\frac{1826.26}{1453.70}$ = 1.25 times

3] 2007 - 2008 = $\frac{1854.51}{2582.02}$ = 0.72 times

4] 2008 - 2009 = $\frac{3765.28}{2367.49}$ = 1.59 times

Interest coverage ratio indicates the numbers of times interest is covered by profit available to pay the interest charges.

The above table indicates that the firm is able to cover the interest charges in the year 2004-05, 2005-06, 2007-08, 2008-09 because E B I T is more than interest charges and in the year 2006-2007 the firm is not able to cover the interest charges because of less E B I T than the interest. But after that EBIT has increased & simultaneously interest has reduced resulting in favorable interest coverage ratio.

2] PROPRIETARY RATIO :

Particulars	2004-2005	2005-06	2006-07	2007-08	2008-09
Total shareholder's funds	**4392.67**	**4819.68**	**5439.93**	**6276.21**	**6806.11**
Total Assets	**24476.26**	**29594.8**	**32652.28**	**38562.16**	**40112.00**

$$\text{Proprietary Ratio} = \frac{\text{Shareholder's Funds}}{\text{Total Assets}}$$

1] 2004-2005 $= \frac{4392.67}{24476.26} = 0.18$

2] 2005 - 2006 $= \frac{4819.68}{29594.8} = 0.16$

3] 2006 - 2007 $= \frac{5439.93}{32652.28} = 0.17$

4] 2007 - 2008 $= \frac{6276.21}{38562.16} = 0.16$

5] 2008-2009 $= \frac{6806.11}{40112.00} = 0.17$

Proprietary Ratio is test of financial & credit strength of business. It relates shareholders fund to total assets. The ratio determines the long-term and ultimate solvency of the company.

In other words proprietary ratio determines to what extent the owners interest is present in investment made in business operation.

There is no hard and fast rule about the standard of proprietary ratio. The ratio has remained constant on the average at 0.17:1. But there is exception to the above statement in the year 2005 – 2006 and 2007-2008. Where ratio is lower than 0.18 i.e. at 0.16. This means that 2005 – 2006 and 2007-2008 share holders in relation to total assets have reduced when compared with previous year.

4] FIXED ASSETS NET WORTH RATIO:

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Total shareholder's funds	4392.67	4819.68	5439.93	6276.21	6806.11
Total Assets	6891.28	7700.51	7871.05	7978.03	8003.83

Fixed Assets to Net worth Ratio = $\frac{\text{Total Shareholder's Funds}}{\text{Total Assets}}$ X 100

1] 2004-2005 = $\frac{4392.67}{6891.28}$ X 100 = 63.74%

2] 2005 - 2006 = $\frac{4819.68}{7700.51}$ X 100 = 62.58%

3] 2006 - 2007 = $\frac{5439.93}{7871.05}$ X 100 = 69.11%

4] 2007 - 2008 = $\frac{6276.21}{7978.03}$ X 100 = 78.66%

5] 2008-2009 = $\frac{6806.11}{8003.83}$ X 100 = 85.03%

The ratio establishes a relationship between fixed assets that are financed by the own funds of the company. The rate should be high because the assets are permanent assets which can be sold for normal circumstances. If the ratio is low means the owners are using more debt for financing fixed assets this is bad sign.

The above table indicates that the ratio during the whole years is high that means fixed assets are totally financed by the owner's fund. This is good sign.

CAPITAL GEARING RATIO :

Particulars	2004 -05	2005 -06	2006 -07	2007 -08	2008 -09
Long -term loans & borrowings	15564.32	15650.05	21123.55	21752.69	23011.15
Share holder's funds	4392.67	4819.68	5439.93	6276.21	6806.11

Capital Gearing Ratio = Long term loans & borrowings / Shareholder's funds

1] 2004-2005 = 15564.32 / 4392.67 = 3.54

2] 2005 - 2006 = 15650.05 / 4819.68 = 3.24

3] 2006 - 2007 = 21123.55 / 5439.93 = 3.88

4] 2007 - 2008 = 21752.69 / 6276.21 = 3.47

5] 2008-2009 = 23011.15 / 6806.11 = 3.38

Capital Gearing Ratio brings out the relationship between two types of capital.

1] Capital on which fixed rate of interest or fixed rate of dividend is Required to be given.
2] Capital for which company does not required paying any fixed rate of Interest.

The capital gearing ratio analyses the capital structure of company. The ratio is increasing which shows that contribution of long term debt & increasing in the capital As compared to shareholder's fund.

C] LIQUIDITY RATIO:
1] CURRENT RATIO:

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Current Assets	17092.49	21756.97	22781.44	27849.36	30729.00
Current Liabilities	4519.26	9124.14	6088.8	10533.26	10294.7

Current Ratio = Current Assets / Current Liabilities

1] 2004-2005 = 17092.49 / 4519. 25 = 3.78

2] 2005 - 2006 = 21756.97 / 9124.14 = 2.38

3] 2006 - 2007 = 22781.44 / 6088.8 = 3.74

4] 2007 - 2008 = 27849.36 / 10533.26 = 2.64

5] 2008-2009 = 30729.00 / 10294.7 = 2.98

Current Ratio indicates the overall liquidity of the firm. As a convention, the minimum of 2:1 ratio is referred to a banker's rule of thumb. This is with assumption that if half of the current assets shrink even then the company will be in a position to meet its current liabilities. From the table it is clear that current ratios during all 5 years are above the standard. It is satisfactory and the firm will meet its current obligation, when they become due.

2] LIQUID RATIO

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Liquid Assets	**1984.97**	**1742.58**	**1238.27**	**1316.22**	**1993.38**
Current Liabilities	**4519.26**	**9124.14**	**6088.8**	**10533.26**	**10294.7**

Liquid Ratio = $\frac{\textbf{Liquid Assets}}{\textbf{Current Liabilities}}$

1] 2004-2005 = $\frac{1984.97}{4519.25}$ = 0.44

2] 2005 - 2006 = $\frac{1742.58}{9124.14}$ = 0.19

3] 2006 - 2007 = $\frac{1238.27}{6088.8}$ = 0.20

4] 2007 - 2008 = $\frac{1316.22}{10533.26}$ = 0.12

5] 2008-2009 = $\frac{1993.38}{10294.7}$ = 0.19

The ratio establishes relationship between Liquid assets and Liquid liabilities. The ratio indicates the immediate solvency of concern. In the theory Liquid ratio of 1:1 is the standard it means that for every rupee of Liquid liabilities there is Liquid asset. The concern should be in a position to meet Liquid liabilities when they become due.

From the table it is clear that the ratio is below standard. And the Liquid assets are increasing year to year so the concern is trying to reach the standard of 1:1. Here, closing stock affects on the ratio because it is observed that current ratio is satisfactory and quick ratio is not satisfactory when we calculate quick assets, closing stock is deducted from current assets.

3] ABSOLUTE LIQUID RATIO :

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Absolute Liquid Assets	**1377.94**	**866.00**	**150.37**	**88.12**	**514.11**
Current Liabilities	**4519.26**	**9124.14**	**6088.8**	**10533.26**	**10294.7**

Liquid Ratio = **Liquid Assets / Current Liabilities**

1] 2004-2005 = 1377.94 / 4519.25 = 0.03

2] 2005 - 2006 = 866.00 / 9124.14 = 0.09

3] 2006 - 2007 = 150.37 / 6088.8 = 0.02

4] 2007 - 2008 = 88.12 / 10533.26 = 0.008

5] 2008-2009 = 514.11 / 10294.7 = 0.04

Absolute Liquid assets include cash in hand and at bank and marketable securities or temporary investment. The acceptable norm for this ratio is 50%.

The above table indicates that the ratio is not satisfactory at all years because the factory's cash & bank is only one Absolute Liquid asset and that is very less compared to current liabilities.

D] EFFICIENCY RATIO:

1] INVENTORY TURNOVER RATIO:

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Cost of goods sold	7753.92	12557.52	11906.38	11575.3	17042.33
Average Stock	13721.11	15554.26	18694.52	21790.35	24904.78

Inventory turnover ratio = **Cost of goods sold / Average Inventory**

1] 2004-2005 = 7753.92 / 13721.11 = 0.57 times

2] 2005 - 2006 = 12557.52 / 15554.26 = 0.81 times

3] 2006 - 2007 = 11906.38 / 18694.52 = 0.64 times

4] 2007 - 2008 = 11575.3 / 21790.35 = 0.53 times

5] 2008-2009 = 17042.33 / 24904.78 = 0.68 times

Inventory turnover ratio measures the number of times Inventory turns or flows or rotates in an accounting period compared to sales effected during the year.

The ratio should not be too high and too low because it unnecessarily blocks the capital and over stocking will required more godown space so rent will be paid.

In Shri Lokmangal Sahakari Sakhar Karkhana the Inventory is increased year by year in 2004-2005 to 2008 - 2009. So the ratio is decreasing, it is happened due to increase in stock.

Here the ratio indicates the factory is having more stock which is not good sign.

2] FIXED ASSETS TURNOVER RATIO :

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Cost of goods sold	7753.92	12557.52	11906.38	11575.3	17042.33
Fixed Assets	6891.28	7700.51	7871.05	7978.03	8003.83

Fixed Assets Turnover Ratio $= \dfrac{\textbf{Cost of goods sold}}{\textbf{Fixed assets}}$

1] 2004-2005 $= \dfrac{7753.92}{6891.28} = 1.13$ times

2] 2005 - 2006 $= \dfrac{12557.52}{7700.51} = 1.63$ times

3] 2006 - 2007 $= \dfrac{11906.38}{7871.05} = 1.51$ times

4] 2007 - 2008 $= \dfrac{11575.3}{7978.03} = 1.45$ times

5] 2008-2009 $= \dfrac{17042.33}{8003.83} = 2.13$ times

The ratio shows the relation of the fixed assets to cost of goods sold. The standard fixed assets turnover ratio is 5 times. But this sugar factory is having ratio below standard which is not good sign of investment.

Means the investment in fixed assets is going on increasing rather decreasing. To maintain this rate of standard factory has to reduce their fixed assets (dead) investments.

2] TOTAL ASSETS TURNOVER RATIO:

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Cost of goods sold	7753.92	12557.52	11906.38	11575.3	17042.33
Total Assets	24476.26	29594.8	32652.28	38562.16	40112.00

Total Assets Turnover Ratio = $\frac{\textbf{Cost of goods sold}}{\textbf{Total assets}}$

1] 2004-2005 = $\frac{7753.92}{24476.26}$ = 0.32 times

2] 2005 - 2006 = $\frac{12557.52}{29594.8}$ = 0.42 times

3] 2006 - 2007 = $\frac{11906.38}{32652.28}$ = 0.36 times

4] 2007 - 2008 = $\frac{11575.3}{38562.16}$ = 0.30 times

5] 2008-2009 = $\frac{17042.33}{40112.00}$ = 0.42 times

The ratio establishes the relationship between total assets & cost of goods sold.

From the above figure it is clear that is over investment in the Business and the amount invested in Business is underutilized.

3] WORKING CAPITAL TURNOVER RATIO :

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Cost of goods sold	7753.92	12557.52	11906.38	11575.3	17042.33
working capital	12573.23	12632.83	16692.64	17316.1	20434.3

Working capital turnover ratio = $\frac{\textbf{Cost of goods sold}}{\textbf{Working capital}}$

1] 2004 - 2005 = $\frac{7753.92}{12573.23}$ = 0.62 times

2] 2005 - 2006 = $\frac{12557.52}{12632.83}$ = 0.99 times

3] 2006 - 2007 = $\frac{11906.38}{16692.64}$ = 0.71 times

4] 2007 - 2008 = $\frac{11575.3}{17316.1}$ = 0.67 times

5] 2008-2009 = $\frac{17042.33}{20434.3}$ = 0.83 times

The working capital turnover ratio establishes a relationship between cost of goods sold and working capital.

From the above figure it is clear that there is over investment in working capital which adverse to the organization. The ratio is decreasing and increasing year by year on account of increase and decrease in stock.

4] DEBTORS TURNOVER RATIO:

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Annual credit sales	9446.55	15485.54	13138.08	13491.49	21019.52
Trade Debtors	326.25	559.97	291.26	696.60	946.09

$$\textbf{Debtors turnover ratio} = \frac{\textbf{Annual credit sales}}{\textbf{Trade Debtors}}$$

1] 2004 - 2005 $= \frac{9446.55}{326.25} =$ 28.95 times

2] 2005– 2006 $= \frac{15485.54}{559.97} =$ 27.65 times

3] 2006 - 2007 $= \frac{13138.08}{291.26} =$ 45.11 times

4] 2007 - 2008 $= \frac{13491.49}{696.60} =$ 19.37 times

5] 2008-2009 $= \frac{21019.52}{946.09} =$ 22.22 times

The debtor's turnovers ratio indicates the number of times the debtors are turned over during a year.

The above table indicates that a debtor turnover ratio is reducing year by year which is adverse to the firm this indicates that there is liberal credit policy in the organization. But in year 2006-2007 it has began to increase again which is a good sign.

5] CREDITORS TURNOVER RATIO:

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Annual Credit purchases	5196.88	9606.55	8591.21	8234.94	13032.42
Trade creditors	3901.67	1474.17	1371.72	2465.56	1582.72

Creditors turnover ratio = $\frac{\text{Annual Credit Purchases}}{\text{Trade Creditors}}$

1] 2004 - 2005 = $\frac{5196.88}{3901.67}$ = 1.33 times

2] 2005 – 2006 = $\frac{9606.55}{1474.17}$ = 6.52 times

3] 2006 - 2007 = $\frac{8591.21}{1371.72}$ = 6.26 times

4] 2007 - 2008 = $\frac{8234.94}{2465.56}$ = 3.34 times

5] 2008-2009 = $\frac{13032.42}{1582.72}$ = 8.23times

The creditor's turnover ratio indicates the number of times the creditors are turned over during a year.

The above table indicate that creditors turnover ratio is reduced 1.33 in 2004-2005, which was a good sign as it reflect liberal credit terms granted by suppliers, but after that it has increased for consecutive 4 years which shows a strict credit terms by suppliers.

OBSERVATIONS

1]The overall profitability of the factory is not satisfactory as Karkhana is unable to earn sufficient profit after meeting all cost & expenditures. The installed capacity of the plant is underutilized. The Karkhana has not implementing the production programmed of its By Product.
2]The factory is not using the techniques of cost Accounting, i.e. budgetary control, Standard costing.
3]The overall liquidity position of factory is satisfactory but the quick ratio of the factory is below the standard of 1:1, which indicates that substantial part of the current assets is in the form of stock. The absolute liquid ratio of the factory is also below the standard which indicates that factory may face difficulty in liquidating its current liabilities
4]Fixed assets turnover ratio of factory indicates that the fixed assets of the factory are underutilized.
5]Total assets turnover ratio of factory indicates that there is over investment in the assets of factory and the assets of the factory are underutilized.
6]Working capital turnover ratio of the factory indicates that there is excess investment in working capital of the factory.
7]The debtor's turnover ratio of the factory indicates that there is poor management of receivables.
8]The debt-equity ratio of the factory is higher than the standard which indicates there is dominance of out spiders on the affairs of the factory.
9]The interest coverage ratio of the factory indicates that Karkhana is hardly able to earn to profit to the extent of interest on loans which is below the standard.
10]The proprietary ratio of factory indicates that there is on an average 18% investment of shareholder's funds in the total assets of the Karkhana.
11]Fixed assets to net worth ratio indicate that fixed assets are partly financed by shareholder's funds and partly by outsider's funds.
12]The capital gearing ratio of the factory indicates that the factory's capital is highly geared.
13]There is a heavy loss of factory on account of slow moving stock and stock carrying cost and interest.
14]Inventory turnover ratio of the factory is far below the standard of 8 which indicates that there is over investment in stock

SUGGESTIONS

1]The factory should try to utilize maximum capacity of the plant. This will help the factory in reducing the total cost.
2]The factory should start the processing of its bye products which will increase the profit of the factory.
3]The factory should implement the techniques of Budgets, and budgetary control, standard costing Inventory management. This will help the factory in reducing the cost and increasing the product.
4]The factory should try to maintain working capital to the extent of optimum level.
5]The factory should manage inventory scientifically by using E.O.Q, ABC-VED techniques.
6]The factory should introduce strict credit policy for its customers.
7]The factory should try to collect additional share capital from the share-holders and Repay the long-term loan.

REFERENCES :

1.Field work.
2. *Annual report of Lokmangal Sahakari Sakhkar Karkhana*, Solapur.
3. *Financial Management* – M.Y.Khan.