

CHAPTER - V

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A CRITICAL STUDY AND PROBLEMS OF WORKING CAPITAL  
MANAGEMENT IN SAHYADRI SAHAKARI SAKHAR KARKHANA  
LIMITED, YESHWANT NAGAR, KARAD

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The management of the factory does not seem to have given adequate attention to calculating the requirements on scientific basis of working capital or some methods of calculation of working capital. The company faced difficulties in procurement of sugarcane and also in respect of roles on account of supply of levy sugar to the government. It might have helped to the company in managing the current assets and current liabilities efficiently. It should have tried to calculate, in advance, the yearly working capital requirements.

Just now in the year 1985-86 the company can take a permission from Government to sale a sugar as 50% on non levy basis and this opportunity is help to a company to keep its working capital position as good as possible.

The following points can be to take out with great care as working capital management of Sahyadri Sahakari Sakhar Karkhana Ltd; Yeshwant Nagar, Karad.

In a factory daily crushing capacity was 1250 M.T. upto the year 1979-80. But, from the year 1980-81 the company increased its crushing capacity of sugarcane in a factory from 1250 M.T. to 2,200 M.T. and for this expantional expenses occured is totally Rs.283.22 lakhs. This expenses basically the company made from his own funds and from the members deposit. The company has also taken a loan from Maharashtra State Co-operative Bank of Rs.150 lakhs for increasing the crushing capacity of the factory. So the economic burden on the factory is decreased.

The increased crushing capacity seventh season is started on 5-11-1980 and it stopped on 8-4-1981, means it worked total 154 days. In this period 2,49,154.540 M.T. sugarcane was crushed and 2,92,785 sugar bags are produced and average of sugar is 11.75%.

The company should have been in a position to decide the working capital requirements, number of days of factory working and the sugarcane crushed during these years. Following table shows the number of days factory worked actually and sugarcane crushed in M.T.

TABLE 5.1 : Showing crushing of Sugarcane.

Year	Number of days factory worked actually	Sugarcane crushed in metric ton
1979 - 80	138	1,66,814
1980 - 81	154	2,49,155
1981 - 82	213	4,68,800
1982 - 83	209	4,67,502
1983 - 84	134	2,78,917

SOURCE : Annual Reports of the Factory.

In the year 1981-82 the factory crushed a 4,68,800 M.T. sugarcane of which 1,18,490 M.T. is non-members and other is members sugarcane and for this purpose the factory worked as 213 days and in this year a season is started on 30-10-1981 to 30-5-1982.

But in the year 1979-80 the factory worked lowest days during the five years period (1979-80 to 1983-84).

In the year 1982-83 the crushing season is started on 1-11-1982 and ended on 28-5-1983. In this year the factory worked actually 209 days and in this period only 13% efficiency of machinery is used and in this season total 4,67,502 M.T. sugarcane is crushed and 5,46,164 sugarbags are produced.

In the year 1983-84, 10th crushing season is started on 6-11-1983 and ended on 19-3-1984 i.e. it worked as actually 134 days. In this season totally 2,78,917 M.T. sugarcane are crushed and produced 3,31,140 sugar bags. In this season the crushing of sugarcane is decreased halfly in respect of previous two seasons. So generally there is an economic burden on the factory in this year. Lack of rain sugarcane area and per acre production is decreased in this year.

From 12-9-1984 Maharashtra Government is fixed a working area of factory in whole Maharashtra for all factories. Due to legal protection there is a controlling on allocation of sugarcane in any other area.

Calculation of working capital needs on this basis, at least 209 to 213 working days were necessary. The company has not done the reasons for this. The company could have been avoided the wide fluctuations in investment in non-earning current assets like cash and bank balance.

When the company is know of 'most important part' working capital requirements, it may try to finance it by raising the funds. By issuing of equity/preference shares, debentures, etc.

TABLE 5.2 : Showing share capital of the company.  
(Rs.in lakhs)

Year	Authorised Capital	Issued Capital	Subscribed Capital	Called up and paid up capital
1979-80	230.00	220.00	195.97	176.34
1980-81	230.00	220.00	208.00	184.42
1981-82	355.00	255.00	225.78	196.01
1982-83	355.00	255.00	225.78	203.07
1983-84	355.00	255.00	225.78	207.97

SOURCE : Annual Reports of the Factory.

In the year 1979-80 and 1980-81 authorised capital is same but in the year 1981 to 1984 it is increased by 125 lakhs. In the period the company issued capital and subscribed capital is same but collect-up and paid up capital is increased year by year i.e. in 1982 Rs.196.01 lakhs, in 1983, it is increased by 7.6 lakhs and in 1984 it is also increased by Rs.4.90 lakhs.

By taking long-term loans from financial institutions. This helps the company to reduce interest burden. But firm has taken

long-term loans Rs.596 crores from IDBI, IICC & LIC.

Eventhough the firm has actually increased its owned capital in non-refundable deposits from grower members i.e. in 1980-81 is Rs.88.36 lakhs and in the year 1981-82 it is Rs.123.17 lakhs and in the year 1982-83 it is Rs.150.39 lakhs and in the year 1983-84 it is Rs.171.15 lakhs.

The following interpretation and the tables given there under would give an idea as to how the current assets increased or decreased disproportionately with the increase or decrease in the operational level of the company.

TABLE 5.3 : Showing the change in the current assets of the Company during period 1980 to 1984.

Year	Current Assets Employed (Rs.in lakh)	Absolute change in current assets over previous year (Rs.in lakh)	Percentage change over the previous year
1979-80	653.32	-	-
1980-81	334.66	(-) 319.66	51.22
1981-82	903.16	(+) 568.50	269.87
1982-83	1298.67	(+) 395.49	143.78
1983-84	785.84	(-) 512.83	60.51

SOURCE : Annual reports of the Factory.

In 1980-81 the current assets are decreased by 51.22% over the previous year, because in this year the total debtors and inventories are decreased. But in the year 1981-82 the current assets are increased over previous year due to increase in closing stock. In the year 1982-83 the current assets are increased over previous year in inventory (i.e. closing stock). But in the year 1983-84 the current assets are decreased over previous year at 60.51% due to decrease in closing stock.

TABLE 5.4 : Operational Position of the Company.

Year	No. of days factory worked (Net)	Sugarcane crushed lakhs in (M.T.)	Average sugarcane crushed per day (M.T.)	Percentage charges over the previous year	
				Total crushing (M.T.)	Average crushing (M.T.)
1979-80	138	1.67	1,293	-	-
1980-81	154	2.49	1,805	- 0.82	+ 1.40
1981-82	213	4.69	2,276	+ 2.20	+ 1.29
1982-83	209	4.68	2,303	- 0.10	+ 0.07
1983-84	134	2.79	2,214	- 1.89	- 0.24

SOURCE : Annual Reports of the Factory.

If we compare the figures of changes in the total as well as average crushing and change in the employment of current assets by

the company. One will immediately agree with the statement made that the increase or decrease in current assets was disproportionate with the increase in the sugarcane crushed during the above period under study. That is investment in current asset was not according to the change in the production operation.

TABLE 5.5 : Showing working capital (Net) yearwise.

Year	Net working capital (Rs. in lakhs)
1979-80	(+) 198.17
1980-81	(-) 74.79
1981-82	(+) 97.68
1982-83	(-) 31.37
1983-84	(-) 46.47

SOURCE : Annual Reports of the Factory.

In the above table shows the net working capital minus figures and only in the year of 1979-80 & 1981-82 figure is plus in the period of 1979-80 to 1984. The minus figures clearly indicates that the current liabilities are more than the current assets during this particular year of the study, and the plus (+) figure clearly indicates that the current assets are more than the current liability of that particular study year. Minus figure is more than plus figure so the company is not in a sound working capital position, but it is partially sound working capital. This can not be called completely financial discipline. In short we can say that the company has not paid full adequate attention towards the working capital position.