

CHAPTER - VFinancial Administration :

Financial Administration play the central and pivotal role around which all the functions of the sugar factory organization rotate. Sounder the economy, Stronger the position of the factory. So financial interest should be always safeguarded: Unfortunately in the initial stages, there was no proper maintenance of accounts due to lack of qualified, trained and experienced hands. It was not only the same^{case} with the finance department but also with the manufacturing and cane development departments. This usually happens with the newly up coming institutions, and Bhadra is not an exceptional to this. But in due course of time Bhadra was able to appoint qualified and trained hands in the different departments.¹ Efforts are herein made in this chapter to acquaint with financial administration of the Bhadra Sugar Factory. At present there are two Accounts Sections 1) General Accounts Section and (2) Cane Accounts Section.

1) General Accounts Section :

It consists of a Accounts Officer, a Cost Accountant, Accounts Assistant, A Cashier, A Assistant Cashier, Six Clerks and two Attenders.

2) Cane Accounts Section :

Cane Accounts Section looks after the Sugar Cane Accounts supplied by the farmers.

It is headed by an Assistant Accounts Officer, Four Senior Clerks (Personnel), (Eight Seasonal Senior Clerks). It includes four Seasonal Transport and Harvesting Clerks, and a clerk permanent. The Badra Sugar Factory has been supersided for 6 times in a brief span of 12 years. Besides in the year 1985-86 an Expert Committee was also appointed to go through the various problems of the Badhara Sugar Factory which has brought out a very good assessment of the total functioning of the Sugar Factory. In this context the study has varified heavily on the recommendations made by the Committee.

Financial Aspects of Bhadra Co-operative Sugar Factory :

Originally the capital cost of the project was estimated at Rs. 712-00 Lakhs. The actual cost was almost same as that of the estimated one. To meet the project cost, the Society raised ordinary share capital from the State Government and from the Cane Growers. Total term loan of Rs. 457-00 Lakhs to meet out the major project cost was obtained from the Financial Institutions.

The estimated and actual cost of the Sugar Project and its actual financing are as below :

TABLE NO. 1

Sr. No.	Particulars	Estimated by Terms Institution (Rs. in Lakh)	Finalised Lending (Rs. in Lakh)	Actual Project Cost (Rs. in Lakh)
<u>Project Cost at a glance:</u>				
1.	Land and Site Development.	6.88	0.97	7.00 0.90
2.	Building and Civil work	69.44	9.75	62.13 8.74
3.	Plant and Machinery (including Machinery Foundation)	519.10	72.92	528.67 74.40
4.	Misc. Fixed Assets	18.35	2.58	20.96 2.95
5.	Other Expenses during period to be capitalised (including interest on term loan)	46.66	6.55	62.32 8.77
6.	Pre-Operative Expenses	7.23	1.01	6.52 0.92
7.	Machinery Stores and Spares	7.00	0.98	14.60 2.05
8.	Cane Development Expenses	-	-	- -
9.	Starting Expenses	3.00	0.42	- -
10.	Provision for Contingences	9.34	1.31	8.37 1.18
11.	Margin Money for working capital	25.00	3.51	- -
Total :-		712.00	100.00	710.57 100.00

Source : Report on Financial Improvements by Expert Committee p. 37, 4.1, 4.1.2 (Reproduced from the Original Reports).

TABLE NO. 2

Project Financing :

Share Capital :

i) Cane Growers Share Capital	53.00
ii) Government Share Capital	182.00
iii) Other Share Capital	20.00
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Sub Total :-	255-00

Loan Capital :

i) I.F.C.I.	115.00
ii) I.D.B.I.	188.00
iii) L.I.C.	77.00
iv) I.C.I.C.I.	77.00
v) Bank	-
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Sub Total :-	457-00

Total :- 712-00

Source : Report on Financial Improvements by Experts Committee.

The factory has been incurring losses since its inception as per the details given below :

T A B L E N O. 3

Year	Loss for the year	Accumulated Losses
1977-78	26,20,826	26,20,826
1978-79	1,57,84,140	1,84,04,966
1979-80	83,51,786	2,67,56,752
1980-81	63,51,950	3,31,08,702
1981-82	33,34,163	3,64,42,865
1982-83	70,40,547	4,34,83,412
1983-84	68,41,487	5,03,24,899
1984-85	32,40,632	5,35,65,531
1985-86	-	-

Source : Report on Financial Aspects by Expert Committee.
Bhadra Co-operative Sugar Factory p. 38, 4.2.

In spite of recurring cash losses, the Society could keep the factory running only by bearing more and more interest by wages and means loans from the State Government throwing its financial structure out of gear.

Therefore, the Society landed into financial difficulties and has not been able to clear the term and other liabilities. As Reported by the Society and checked with the reports received from financial institutions the outstanding liabilities due but not paid as on 30.4.86, towards financial institutions and State Government accumulated to Rs. 668.00 Lakhs as detailed below :

Position as on 30.4.1986. (Rs. in Lakhs)

T A B L E N O. 4

Sr. No.	Lender	Loan Amount	Rate of interest	Loan Out-standing	Amount due but not paid		
					Loan	Inter-est	Total
1.	I.F.C.I.	115	12%/14%	96.16	96.16	0.64	102.80
2.	I.D.B.I.	118	11%/14%	174.98	174.98	33.92	208.90
3.	I.C.I.C.I.	77	11%/13%	62.34	43.14	7.83	50.97
4.	L.I.C.	77	14 %	77.00	77.00	17.75	94.75
5.	State Govt.	95	8 %	95.00	95.00		
6.	State Govt. (Bridge Loan)	20	12.8 %	20.00	20.00		
				525.48	506.28	161.94	668.22

Source : Report on Financial Aspects of Bhadra
Co-operative Sugar Factory, p. 39, 4.3.1.,
4.3.2.

The financial institutions are charging interest, compound interest, liquidated damages as well as penal interest on the loan and interest outstanding.

Bhadra Co-operative Sugar Factory, though in high recovery zone, yet the sugar recovery percentage is low ; as compared to the near by DAVANAGARE SUGAR COMPANY ; had always been less than Bhadra Co-operative Sugar Factory. This become evident from the table given below :

T A B L E N O. 5

Sr. Season	Pol% Cane Bhadra Co. Sugar Factory	Pol% Cane Davanagere Sugar Co.	Total Losses of Sugar		Sugar Recovery	
			Bhadra Co.Op. Sugar Factory	Davana- gere Sugar Co.	Bhadra Co.Op. Sugar Factory	Davana- gere Sugar Co.
1979-80	12.05	11.68	2.97	2.32	9.10	9.38
1980-81	12.26	12.18	2.42	2.34	9.86	9.86
1981-82	13.02	12.29	2.64	2.43	10.40	9.88
1982-83	12.78	12.73	2.56	2.32	10.24	10.48
1983-84	12.02	12.53	2.56	2.45	9.48	10.10
1984-85	12.34	13.05	2.33	2.17	10.03	10.90
1985-86	12.53	12.57	2.49	2.11	10.06	10.48

Source : Report on Financial Aspect of Bhadra
Co-operative Sugar Factory, p. 40.

The financial sickness of the Society which is also evident from production performance and financial results has been on account of the following reasons.

- 1) Instability in the top management post i.e. M.D.
- 2) Under utilisation of yearly installed production capacity due to lack of Cane Development Management which resulted in Scarcity of Sugar Cane; besides other factors; i.e. The Bank discouraging the farmers with loan facilities etc., for cane growing farmers. The loan facilities encourages the farmers by sanctioning loans to grow other crops rather than cane.

This is largely because of the sick Badhra, and a very bad financial condition of the factory.

As a result of higher losses of Sugar percent the factory has incurred heavy cash losses. Low rate of crushing even during the bumper sugar cane year i.e. 1981-82 and 1982-83.

Abnormal stoppage of machine in abnormal time, costs high losses of Sugar, Chemical consumption etc. The total stoppages since commissioning in 1977-78 till 1985-86 was varying between 24 to 52 times except in the year of commissioning.

Abnormal loss of Sugar in process during the beginning year 1977-78 crushing season.

Sudden rise in the cost of manufacturing materials and chemicals. Extra fuel due to low rate of average daily crushing and heavy general works and administrative overhead expenses in some years.

Heavy expenditure on repairs and maintainance of plant and machinery in some years.

Blocking of working capital in excess stores and spares inventory and receivable.

Lack of professionalisation and management system.

The net worth of the mills society has become negative to the extent of Rs. 244.55 lakhs (paid up Share Capital + (N.R.D.) Non Refundable Deposit accumulated loss) as against the paid up capital of Rs. 182 lakhs. As per the report of the working groups consulted by R.B.I. for study of sickness in Sugar Industry this factory comes under ' D ' category; both from networth and current ratio point of view as on 30.9.1985.

The financial pattern of the mill society has become highly geared as a result of pilling up of interest bearing ways and means loans without taking preventive measures at incipient state by implementing good management system and putting right person in the right job. The liquidity position has also become negative to the extent of Rs. 685.14 lakhs as on 1.5.1986 as under:

 Source : Report on Financial Aspects of Bhadra Co-operative Sugar Factory, p. 41, 4.42.

TABLE NO. 6

Sr. No.	Particulars	Rs. in Lakh	Rs. in Lakh
1.	<u>Liquid resources available</u>		
1.1	Net drawing power	0.36	-
1.2	Cash in hand and Bank	4.69	5.05
2.	<u>Current Liabilities</u>		
2.1	Salary and Wages etc.	3.61	
2.2	Sundry Creditors etc.	18.36	
2.3	Term Loan interest due but not paid	66.14	
2.4	Interest on Govt. Bridge Loan due but not paid	95.80	
2.5	Term Loan instalments due but not paid	391.28	
2.6	Govt's Bridge Loan due	<u>115.00</u>	<u>690.19</u>
3.	Surplus/Deficit (-)	(-)	68.14

Source : Report of Financial Aspects of Bhadra
Co-operative Sugar Factory, p. 42, 4.5.1.

It is expected that the factory society may stabilise progressively their annual crushing at a level of 1.75 lakhs of tonnes with a recovery of atleast 10.25 % and with maximum total loss of Sugar Cane at 2.3 %. It may not be out of place to

mention here that the price of levy sugar is based on a total stoppage of 8.5 including general cleaning and 100 % crushing of installed ton capacity per day per season day. Taking into consideration these parameters are free sale of sugar at Rs. 500/- per quintal on 50 : 50 levy and free sugar ration the projected production of profitability has been worked out for the net 10 years.

The summerized projected production profitability is given in Table No. 7.

T A B L E N O. 7

Sr. No.	Physical Parameters Particulars	Projected Production Performance Season			
		1986-87	1987-88	1988-89	1989-90 1990-91
1.	Estimated Season Days	111	142	155	155
2.	Estimated Net Duration (Days)	100	128	140	140
3.	Cane Crushing (In Lakh Tonnes)	1.10	1.50	1.75	1.75
4.	Sugar Production (In Qtls.)	104500	151500	179375	179375
5.	Sugar Recovery Percentage Cane	9.5	10.10	10.25	10.25
6.	Pol Percentage Cane (%)	12.05	12.55	12.55	12.55
7.	Total Losses of Sugar Percentage Cane	2.55	2.45	2.30	2.30
8.	Hours Lost Percentage Total Hours available (%)	8.33	8.33	8.33	8.33
9.	Cane Crushing per Season Day (M.T.)	1125	1125	1125	1125
10.	Crushing Efficiency per season Day	90 %	90 %	90 %	90 %
11.	Molasses Production (4 %) Ton.	4400	6000	7000	7000

Source : Report on Financial Aspects of Bhadra Co-operative Sugar Factory, p.43.

T A B L E N O. 8

Sr. No.	Particulars	Projected Production Performance Season			
		1991-92	1992-93	1993-94	1994-95 1995-96
1.	Estimated Season Days (Days)	115	115	155	155 155
2.	Estimated Net Duration (Days)	140	140	140	140 140
3.	Cane Crushing (Lakh Tonnes)	1.75	1.75	1.75	1.75 1.75
4.	Sugar Production (In Qtls.)	179375	179375	179375	179375 179375
5.	Sugar Recovery Percentage Cane	10.25	10.25	10.25	10.25 10.25
6.	Pol Percentage Cane	12.55	12.55	12.55	12.55 12.55
7.	Total Losses of Sugar Percentage Cane	2.30	2.30	2.30	2.30 2.30
8.	Hours Lost Percentage Total Hours available	8.33	8.33	8.33	8.33 8.33
9.	Cane Crushing Per Season Day (M.T.)	1125	1125	1125	1125 1125
10.	Crushing efficiency per season day (%)	90	90	90	90 90
11.	Moloshes production (0-45) tonne.	7000	7000	7000	7000 7000

TABLE NO. 9

Projected production profitability. Figures in Rs. Lacs.

Sr. No.	Particulars	86-87	87-88	88-89	89-90	90-91
1.	Income	458.70	665.01	787.37	787.37	787.37
2.	Expenditure (Without int. & Depreciation)	429.94	560.37	645.55	650.59	655.89
3.	Of which total material cost.	308.88	421.20	491.40	491.40	491.40
4.	Profit before depreciation & Interest	28.76	104.64	141.82	136.78	131.48
5.	Depreciation	31.39	28.08	28.30	24.92	22.07
6.	Profit after depre. -	2.63	76.56	113.52	111.86	109.41
7.	Financial Expenses (Int.)	113.93	124.77	132.68	135.24	138.15
8.	Add back depreciation	31.39	28.08	28.30	24.92	22.07
9.	Profit after tax. -	116.56	48.21	19.16	23.38	28.74
10.	Net Cash accruals -	85.17	20.13	9.14	1.54	6.67
11.	Accumulated Cash P/L -	85.17	-105.30	-96.16	-94.62	-101.29

Source : Report on Financial Aspects of Bhadra Co-operative Sugar Factory, Doddabathi, p. 44.

T A B L E N O. 9 (Contd.)

Sr. No.	Particulars	91-92	92-93	93-94	94-95	95-96
1.	Income	787.37	787.37	787.37	787.37	787.37
2.	Expenditure (w/o int. Depreciation)	661.54	667.56	671.85	676.35	681.08
3.	Of which total material cost.	491.40	491.40	491.40	491.40	491.40
4.	Profit before depreciation & Interest	125.83	119.81	115.52	111.02	106.29
5.	Depreciation	19.66	17.58	15.77	14.19	12.80
6.	Profit after depre.	106.17	102.23	99.75	96.83	93.49
7.	Financial Expenses (Int.)	141.42	145.10	149.11	153.66	158.81
8.	Profit after tax	- 32.25	42.87	- 49.36	- 56.83	- 65.32
9.	Add back depreciation	19.66	17.58	15.77	14.19	12.80
10.	Net cash accruals	- 15.59	- 25.29	- 33.59	- 42.64	- 52.52
11.	Accumulated Cash P & L	- 116.88	-142.17	-175.76	-218.40	-270.92

Source : Report on Financial Aspects of Bhadra Co-operative Sugar Factory Doddabathi, p. 44.

It may be observed from the projected profitability (See Table No. 8) study that the mill society even after increasing their annual crushing capacity at 1.75 lakhs tonnes and recovery of sugar percent can at 10.25 % will not be able to earn profit. This is due to greater imbalance in the financing structure of the society arising out of heavy interest bearing loan burden and throwing the factory financially out of gear. Thus the mill society will not be able to generate any surplus liquid resources to service the term liabilities i.e. paying of interest and loan instalments, of the term lending institutions and the government.

In order to make the sugar factory a viable proposition the following financial restructuring is proposed :

1) Full amount of interest due but not paid both on wages and means of loan and bridge loan should be converted into redeemable equity or ordinary share capital or funded free of interest to be repaid after completely servicing all loans including interest of term lending institutions.

The financial institutions should be approached :

- a) To write off the total penal interest due to the financial institutions.
- b) To write off compound interest raised by the financial institutions.

c) The State Government should provide the Society adequate liquid funds by way of subscribing additional fully paid redeemable equity/ordinary shares in cash amounting to Rs. 54 lakhs (excluding penal, compound interest, commitment charges) enabling the society to liquidate and pay off all the outstanding interest accrued due but not paid to financial institutions excluding penal, commitment charges and compound interest.

d) The Central Financial Institutions should reschedule outstanding term loan at documented (original) Rate of interest and waive off all penal, compound interest and commitment charges.

e) All future purchase tax payable should be deferred by the state government, till the repayment of total, outstanding loans with interest of the financial institutions.

f) The Bankers should provide cash credit facilities at reduced rate of interest on yearly rest basis. In this report the R. B. I. NABARD should be approached to issue instructions to the bankers of the society to charge cash credit interest at the concessional rate applicable to the Sick Sugar Factories i.e. at the rate of 14 %.

If the above suggestions are implemented, the projected financial position of the factory will improve, This is evident from the figures given in Table No. 10.

T A B L E N O. 10

Selling Price of Free Sugar per QTL. Rs. 500/-

Sr. No.	Particulars	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
	<u>Before Capital Restructuring</u>										
1.	Net Profit & Loss(-)	-116.56	- 48.21	- 19.16	- 23.38	- 28.74	- 35.25	- 42.87	- 49.36	- 56.89	- 65.32
2.	Cash Profit & Loss	- 25.17	- 20.13	- 9.14	1.54	- 6.67	- 15.59	- 25.29	- 33.59	- 42.64	- 52.52
	<u>After Capital Restructuring</u>										
	Add Back										
1.	Saving in Interest on Govt. Loans.	10.10	10.10	10.10	10.10	10.10	10.10	10.10	10.10	10.10	10.10
2.	Saving in Panel and Compound Interest of Financial Institutions	20.32	22.03	23.98	26.19	28.73	31.60	34.86	38.57	42.81	47.62
3.	Interest on CCA Accounts (Savings on reduced rates)	5.02	6.54	7.53	7.59	7.65	7.72	7.79	7.84	7.89	7.95
4.	Cash Profit and Loss	- 49.73	18.54	50.75	45.42	39.81	33.83	27.46	22.92	18.16	14.15
5.	Accumulated Cash Profit and Loss	- 49.73	- 31.19	19.56	69.98	104.72	138.62	166.08	189.00	207.16	221.31

Report of the Expert Committee on Financial Aspects of Bhadra Co-operative Sugar Factory,
P. 47., 4.6.3.

It is clear from the table that in the present crushing season i.e. 1986-87. The factory even after Capital restructuring will incur a cash loss of Rs. 49.73 lakh and the accumulated each losses will continue till the end of 1987-88. The total generated cash surplus at the end of 10th year will be Rs. 221.31 lakh which is not sufficient to repay the full interest and term loan of the financial institutions even during the next ten years period. This establishes that even after implementing the above proposed financial restructuring, this society will not become financially sound unit. It is, therefore, further suggested that in order to make the liquidity position ease the State Government should provide additional fully period redeemable share capital in cash or interest free loan amounting to Rs. 200 lakh to the Mill Society to be repatriated after the balance loan and full interest is paid to pay off immediately about 49 percent of the total loan of the financial institutions.

The projected financial results of the factory.

T A B L E N O. 11

Sr. No.	Particulars	1986-87	1987-88	1988-89	1989-90	1990-91
1.	Gross Profit and Loss (-) after depreciation, but before charging any interest.	- 2.63	76.56	113.52	111.86	109.41
2.	Interest on Term Loan (On Rs. 210.48 after immediate repayment of Rs. 200.00 lakh)	28.14	28.14	24.80	20.06	16.04
3.	Interest on Working Capital @ 15 % (at reduced rate)	25.80	33.62	38.73	39.04	39.45
4.	Profit and Loss after depreciation and interest.	- 56.57	14.80	49.99	52.76	53.92
5.	Add Back depreciation.	31.39	28.08	28.30	24.92	22.07
6.	Cash Profit and Loss.	- 25.18	42.88	78.29	77.68	75.99
7.	Interest on Term Loan.	28.14	28.14	24.80	20.06	16.04
8.	Cash available for debt service.	2.96	71.02	103.09	97.74	92.03
9.	<u>Debt to be serviced :</u>					
	a) Interest	28.14	28.14	24.80	20.06	16.04
	b) Instalment of Term Loan	-	25.00	35.48	30.00	30.00
	c) Total	28.14	53.14	60.28	50.06	46.04
	d) Debt service coverage rate	0.11	1.34	1.71	1.95	2.00

T A B L E N O. 12

Cost / Expenditure per Qtl. Sugar.

Sr. No.	Particulars	1986-87	1987-88	1988-89	1989-90	1990-91
1.	Cane Crushing (in lakh tonnes)	1.10	1.50	1.75	1.75	1.75
2.	Recovery (%)	9.5	10.10	10.25	10.25	10.25
3.	Production (Qtls.)	104500	151500	179375	179375	179375
4.	Material Cost	295.58	278.02	273.84	273.84	273.84
5.	Cash Conversion cost	115.85	91.86	86.05	88.86	91.81
6.	Cash Cost	411.43	369.88	359.89	362.70	365.65
7.	Depreciation	30.04	18.53	15.78	13.87	12.30
8.	Total Cost	441.47	388.41	375.67	376.59	379.95
9.	Interest on Term Loan and Working Capital	51.62	40.77	35.42	32.95	30.94
10.	Total Expenditure	493.09	429.18	411.09	409.54	408.89

Source : Report of Financial Aspects of Bhadra Co-operative Sugar Factory, p. 50, 4.7.2, 1984-85.

From the Table above it is clear that on the basis of the projected production performance, the society will attain cash break even production level from the Sugar season i.e. 1987-88 and also debt service production level from Sugar Season 1987-88 with negligible margin of safety. The factory may be able to save both the interest and loan instalment from 1987-88, provided they plan and exercise proper working capital and cash flow management and also over all management of projected cane development, production performance financial and expenditure management. In this connection it is necessary to implement scientific and intensive cane development; introduce an improved cane variety containing more sugar. Bringing of fresh cane to the factory. Daily crushing on full capacity with minimum stopages. Proper analysis of sugar in laboratory, control of abnormal loss of sugar in process etc., must be improved.

Reasons For Losses in Bhadra Co-operative Sugar Factory :

The Bhadra Co-operative Sugar Factory since its inception has been under loss due to the following reasons :

- 1) The significant factor for loss is due to decontrol of sugar during 1978, the price of sugar was less than the average cost of production for which the factory incurred heavy loss of Rs. 157.00 lakhs during 1978-79.

During the last several years the sugar industry in the country is in morass. It has been facing a greater crisis since sugar was decontrolled on 16th August 1978. It is a crisis of over production, under production and rising sugar prices or distress selling. The government has failed to maintain stability in sugar price. Due to faulty sugar price, defective cane price and haphazardous sugar planning.

2) The Bhadra Co-operative Sugar Factory borrowed a sum of Rs. 572.00 lakhs to meet the project cost for which interest payable works out to Rs. 60.00 lakhs per annum.

3) Depreciation allowed as per the income tax rules such amount works out to Rs. 40.00 lakhs per annum, and accumulated to Rs. 325.48 lakhs as on 30.9.1986.

4) Due to insufficient releases of sugar both under levy and free sugar, the factory availed the cash credit loans for working capital for which heavy interest has been paid i.e. Rs. 25.57 lakhs during 1981-82, Rs. 56.35 lakhs during 1982-83 and Rs. 50.63 lakhs during 1983-84 and Rs. 26.16 lakhs during 1984-85.

5) Due to bumper production during 1981-82, 1982-83 and 1983-84 seasons the average realisation of free sugar in open market was in downwards fluctuation.

6) Increase in payment of salaries and wages on account of V.D.A. and interium relief.

7) Low crushing and under utilisation of capacity of plant.

TABLE NO. 13

Table showing Yearwise Loan

(Rs. in Lakh)

Sr. No.	Years As on	Total loss during the year	Of which Depreciation		Other loss
1.	30-7-1978	26.21	0.45	(-)	25.76
2.	1978-79	157.84	49.98	(-)	107.86
3.	1979-80	83.52	49.34	(-)	38.18
4.	1980-81	63.52	44.75	(-)	18.77
5.	1981-82	33.34	41.53	(-)	8.19
6.	1982-83	70.41	38.79	(-)	31.62
7.	1983-84	66.41	35.59	(-)	32.82
8.	1984-85	50.63	32.35	(-)	18.28
9.	1985-86	124.15	32.70	(-)	91.45
Total :-		678.03	325.48		352.55

Suggestions to improve Financial Conditions of Bhadra Co-operative Sugar Factory :-

The main recommendations made by the Experts Committee which was appointed by The National Federation of Co-operative Sugar Mills Ltd., Delhi. The technical people of the expert team

studied the conditions of the plant and machineries, production, management including the finance, cost accounting system and control system. They had a detailed discussions with the key personnel in the factory. The sugar factory ran into financial difficulties on account of many reasons.

1) Accounting :

The system of financial accounting followed is old, outmoded, unscientific and not suited for an industrial manufacturing unit. It is suggested that the mill society should implement financial, costing, budgeting and management control system on the basis of the Accounts Manual of N.F.C.S.F. Ltd., and it is the first necessity.

2) Post of Chief Accountant :

The post of Chief Accountant should be filled in by a qualified cost or chartered Accountant having Senior Level experience in finance of manufacturing industry. All accounts personnels are to be given the job training. Due to improper and lack of accounting and proper documentary proof of escalations paid to the machinery, the factory lost incentive to the tune of Rs. 35.00 to Rs. 40.00 lakhs approximately. No management can function and managerial control can be exercised without proper financial and cost accounting system.

3) Budgeting and Budgetary Control System :

Budgeting and Budgetary control system, inventory control system, Management Information System etc., should be introduced. There should be a budget committee headed by the Chief Executive, with all Departmental Heads as members. The Chief Accountant has to act as the Convenor. This committee should meet at least once in a month to review, and suggest remedial measures to achieve the targets and norms. This report may be sent to the Registrar within three weeks of the end of each month.

4) State Level Monitoring Committee :

There should be a State Level Monitoring Committee headed by a Senior State Government Officer, with representatives of Bank and Financial Institutions and N.C.D.C. This committee should meet once in a quarter. The Chief Executive of the factory has to submit a report covering all aspects of the factory in Physical and Financial terms, against the targeted norms and the result and the achievement against the target and also action taken in the past. Availability of adequate quantity of sugar cane is the life blood and oxygen for the revival of this factory. Top most attention should be given to this aspect.

5) Human Behavioural :

Human behavioural aspects also plays a crucial role, in the successful functioning of the factory. The leader of the factory i.e. Chief Executive and all Departmental Heads, should create good human relations with employees, to boost their moral and create a sense of belongingness amongst them. So that they can identify themselves with the corporate goal of the organization and contribute their best.

Suggestions : Finance and Accounting :

State Government will convert all interest outstanding and due but not paid on State Government loan and all outstanding State Government loan into redeemable Ordinary Shares or interest free loan to be repatriated after servicing full debts of financial institutions.

Besides, State Government will further provide Rs. 317.00 lakhs in cash by way of taking redeemable Preference shares or interest free loan for paying Rs. 54.00 lakhs. Outstanding interest of financial institutions without penal and compound interest, Rs. 200.00 lakhs out of total outstanding term loans and balance for sundry creditors and cane development. If penal interest and Compound interest are not waived off by financial institutions then total amount required from State Government will be Rs. 329.00 lakhs.

Industrial Financing Corporation of India, Industrial Development Bank of India etc., will waive off all outstanding penal interest and compound interest and reschedule balance Rs. 210.48 lakhs at documented rate of interest. State Government will defer all further future purchase task and payment of financial institutions loans are fully paid.

The Bankers should provide working capital at a reduced rate of interest as per guidelines of Reserve Bank of India.

The Bhadra Co-operative Sugar Factory since commissioning remained far from satisfactory except for few years. This is clear from Table No. 14.

T A B L E N O. 14

Sr. No.	Season Year	Working Days	Cane Crushed lakh tonnes	Sugar Recovery Percentage	Super Production	Crushing per season day Gross	Capacity utilization
1.	1978-79	79	1.34	8.72	11688	748	60
2.	1979-80	90	0.46	9.10	4195	470	37
3.	1980-81	94	0.57	9.86	5639	608	48
4.	1981-82	144	1.42	10.40	14742	984	78
5.	1982-83	163	1.74	10.24	17856	1070	85
6.	1983-84	163	1.51	9.48	14313	931	74
7.	1984-85	95	0.85	10.03	8548	896	71
8.	1985-86*	86	0.69	9.88	6809	802	54

* Figures for 1985-86 are upto 30th September, 1986.

It may be observed that even in bumper season i.e. in 1981-82 and 1982-83 daily crushing efficiency and installed annual sugar production capacity utilization remained very low and could not attain break even production level. Since commissioning in 1978-79 only in 1981-82 the factory earned a normal cash profit of Rs. 8.15 lakhs.

On account of poor capacity utilization and production efficiency, it has been incurring heavy cash losses except one year 1981-82. The total accumulated net losses has been Rs. 535.66 lakhs which croded the net worth of the society. Consequently the factory was not bale to clear the loan instalment of the Central Financing Institutions. The factory had also taken the project loan of Rs. 105.00 lakhs from the State Government. The interest of the same has also not been paid by the factory.

Source : Report on Financial Aspects of Bhadra Co-operative Sugar Factory. p. 40.

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