

CHAPTER - V**ANALYSIS OF INVESTMENT AND BENEFITS**

- 5.1 INVESTMENT BY THE SHAREHOLDERS**
- 5.2 RETURNS TO SHAREHOLDERS**
 - 5.2.1 REPORTED PRICE FOR SUGARCANE**
 - 5.2.2 OTHER BENEFITS**
 - 5.2.3 ADJUSTED PRICE FOR SUGARCANE**
- 5.3 INVESTMENT OF THE FACTORY**
- 5.4 OPERATING PERFORMANCE OF THE FACTORY**

...oOo...

CHAPTER - 5INVESTMENT ANALYSIS

In this Chapter attempts have been made to analyse the " Investment made by the factory, shareholders and returns of the factory has been received and transferred to the shareholders." This analysis has been made in the following parts :-

5.1 INVESTMENT BY THE SHAREHOLDERS IN SHARESTABLE : 5.1TABLE SHOWING THE GROWTH RATE OF THE MEMBERSDURING (1980-81 to 1985-86)

YEAR	TOTAL NUMBER OF MEMBERSHIP	GROWTH RATE OF MEMBERS
1980-81	4,775	-
1981-82	4,735	-
1982-83	4,799	0.50 %
1983-84	4,925	3.14 %
1984-85	5,165	8.17 %
1985-86	5,428	13.68 %

Above table No.5.1 shows constant growth in the membership from 0.50 % to 13.68 % during the study period. This growth in membership is an indication of factories liberal policy of accepting more and more members and its participative efficiency i.e. efficiency of motivating farmers to participate in factories affairs which indicated farmers confidence in the

management of the factory and as a result, they become members of the organisation and so far taking sugarcane crop in their land. An organisation successful in this respect is always free from problems of shortage of owned capital and raw-material, supply in case of organisation under study sugar cane supply. Table Number 5.2 shows the capital supply on account of such increase in membership.

TABLE : 5.2

INCREASE IN NUMBER OF SHARES AND SHARE CAPITAL
DURING (1980-81 to 1985-86)

Year	No. of : shares : issued. :	Increase in : shares. :	Amount of : Share capital : (Rs. in lakhs.) :	Increase in : share : capital : Rs. in lakh
1980-81	21,064	-	203.56	-
1981-82	22,814	1,750	223.11	19.55
1982-83	22,814	-	225.35	2.24
1983-84	22,814	-	225.81	0.46
1984-85	22,814	-	252.26	26.45
1985-86	22,946	132	269.76	17.50

Above table Number 5.2 shows the number of shares, newly issued over the period covered under study. It is seen from the table that in the year 1981-82 the factory had made fresh issue of 1750 shares and in the year 1985-86, 132 shares. The table shows constant increase in the amount of share capital on account of the cash received against already issued shares. The maximum cash received against the shares issued

SHRI VITHAL SAHAKARI SAKAR KHARKEANA LTD., VENTNAGAR, GURJALE
TAL. PANDEHARTUR, DISTRICT SOLAPUR.

SHARE CAPITAL

300

270

240

210

180

150

120

90

60

30

0

1961-62

1962-63

1963-64

1964-65

1965-66

X

is observed, in the period 1982-to 1985 is Rs. 26,45,290. As a result, there is 32% total increase in the share capital is observed in the year 1985-86 as compared to the share capital in the year 1980-81. The present share capital (i.e. 1985) is Rs. 2,69,76,370 which is 15.22 % of the total capitalization. The described situation is presented in GRAPH No.2.

5.1.1 DEPOSITS FROM SUGARCANE FARMERS

Now-a-days one popular source of financing is tapped by almost all sugar factories in Maharashtra State i.e. 'Deposits from sugarcane farmers'. Such deposits are collected by way of deductions from sugarcane bills. The amount to be deducted from sugarcane supply bill per tone, is fixed by board of directors and interest @ 12 % is given on amount so collected. This source of finance is very convenient for the co-operative sugar factories as it provides sufficient capital of moderate rate of interest without offering any asset as security. During the study period, the organisation under study has collected deposits as stipulated above, is shown in the following table Number 5.3:

TABLE NO. 5.3TABLE SHOWING DEPOSITS COLLECTION

Year	Deposits (Rs. in Lakh)
1980-81	19.62
1981-82	51.64
1982-83	95.62
1983-84	114.43
1984-85	197.37
1985-86	215.47

5.2 RETURNS TO SHAREHOLDERS

Co-operative sugar factories are being produced by co-operative organisations their success depends upon how much price they offer for the sugarcane supplied. Therefore the price paid for sugarcane supplied is one of the criterion for measuring success of the co-operative sugar factory. Here, for the purpose of present study, it is assumed as one of the returns the member-farmers get on their investment in the factory.

Unlike corporate sector in co-operative sector returns to the shareholders of a co-operative organisation are not restricted to dividend but in other forms like high rate of interest for goods supplied, loan for buying land, credit facility for buying fertilizers and equipments free supply of seeds, 'Arrangement' for the training and schemes of regional

development under taken or financial assistance for such schemes undertaken by Government.

Thus returns received can be of two types :

(I) Directe Returns. (II) Indirect Returns.

DIRECT RETURNS

TABLE NO.: 5.4

TABLE SHOWING PRICE RECEIVED BY THE SUGARCANE SUPPLIERS DURING (1980-81 to 1985-86)

YEAR	PRICE FOR SUGARCANE SUPPLIED (Per ton) (in Rs.)
1980-81	252.50
1981-82	226.50
1982-83	210.50
1983-84	226.21
1984-85	313.50
1985-86	309.00

The above table shows the price paid for the sugarcane supplied over the years covered under study. It can be concluded from above table that the price paid shows fluctuating trend. In the latter part of the study the factory has paid more price i.e. above Rs. 300/-. The highest price was paid in the year 1984-85 i.e. Rs. 313.50 and lowest price was paid in the year 1982-83 i.e. Rs. 210.50.

TABLE NO. 5.5

TABLE SHOWING THE ADJUSTED PROFIT OF THE
FACTORY DURING (1980-81 to 1985-86)

Y e a r	Difference : in rate : (Price per : ton) in Rs. :	Total : crushing : (in tonn) : lakh).	Gross : Income : (Rs. in : lakh).	P/L : Rs. : (in lakhs)	Net : Income : Rs. in : lakhs)
1980-81	122.50	1.27	156.14	27.48	128.66
1981-82	96.50	2.67	258.07	23.19	281.27
1982-83	80.50	3.41	274.12	20.11	254.01
1983-84	91.21	1.79	163.20	14.59	177.79
1984-85	173.50	2.68	465.74	45.82	511.57
1985-86	144.00	3.05	439.19	22.43	416.76

From the above table, it can be concluded that though the annual reports portray net losses during the study period except the years 1981-82, 1983-84 and 1984-85 the factory has successfully paid more price per ton than the minimum price fixed by the Government. As the actual price paid is more than the minimum price fixed by Government the margin left over after paying to sugarcane farmers is negative except 1981-82, 1983-84 and 1984-85. As the factory is the producers co-operative organisation, the present policy adopted by the factory is sound and results into maximum payment for sugarcane supplied.

II) INDIRECT RETURNS

1) AREA DEVELOPMENT FUND

The factory tried continuously to achieve educational, cultural and social development in the area of operation. Factory collected Rs. 2 per tonne as area development fund from the bills of farmers for sugarcane supplied during the period.

The following table shows the total amount collected as development fund by the sugar factory. During the period 1980-81 to 1985-86.

TABLE NO.: 5.6

TABLE SHOWING THE AREA DEVELOPMENT FUND AND ITS
UTILIZATION BY THE FACTORY DURING (1980-86)

YEAR	TOTAL AMOUNT COLLECTED	TOTAL AMOUNT UTILIZATION (Rs.)
1980-81	5.33	0.82
1981-82	6.79	0.39
1982-83	3.57	0.87
1983-84	5.36	5.71
1984-85	3.04	1.41
	24.10	9.20

Table No.5.6 shows the amount collected by the factory on account of development funds and its utilisation. It is

observed that during the period 38 % of the total development fund have been expended on developmental activities like road ,construction etc.

2) SUPPLY OF PURE AND DEVELOPMENT CANE

Availability of sugarcane is a crucial aspect of sugar industry. It is observed that sincere efforts are being made to increase sugarcane cultivation in the area of operation for this purpose the S factory supplies advanced sugarcane cultivators. Which consists mainly co. 740, co. 7219, c and co.7125. obtained from Padegaon sugar centre and a Nursery located at Akluj, as shown in the following table.

TABLE NO: 5.7

TABLE SHOWING SUGARCANE SEEDS PROVIDED BY
FACTORY DURING (1980-81 to 1985-86)

PARTICULARS	Y E A R S					
	1980-81:	1981-82:	1982-83:	1983-84:	1984-85:	1985-86
1) Type of cane Seeds						
a)	740	740	740	740	740	740
b)	7219	7219	7219	7219	7219	7219
c)	7125	7125	7125	7125	7125	7125
2) No. of Members	172	155	249	167	277	256
3) Distribution of seeds (Tipari Kandi)	-	-	25,29,500	17,61000	30,13500	279750
4) Rate of Mah. Govt.	100	100	100	100	100	100
5) Subsidy given to members.	15%	15%	15%	15%	15%	15%

3) SOIL TESTING

The factory has also put sincere efforts for testing the soil covered under sugarcane cultivation in the area of operation. In this task constant co-operation has been extended by soil observation school, Solapur. The factory has been sending soil for testing to the above mentioned institution and on receipt of the "Soil Testing Report", necessary guidance is given to the member farmers by agricultural development of the factory regarding the crop taken and use of seeds suitable to the land according to the report. The factory also organises seminars on such issues and creates awareness among the farmers. The National Chemical and Fertilizers, Bombay has also helped in arranging Seminars for the benefiting farmers in respect of the use of fertilizers, soil conservation and about 500 farmers have been benefited by this activity.

4) SUPPLY OF CHEMICAL FERTILIZERS

The factory supplies chemical fertilizers on credit to members. This facility is also available at present into the contract with the factory for supply of sugarcane are given the fertilizer on credit. The following table shows the distribution of fertilizer during 1980-81 to 1985-86.

TABLE NO.: 5.8

TABLE SHOWING THE DISTRIBUTION OF THE
FERTILIZER DURING (1980-81 to 1985-86)

YEAR	SUGARCANE PRODUCER			DISTRIBUTION OF FERTILIZERS Rs.
	Member	Non Members	Total	
1980-81	47	61	108	1,52,994
Percentage	43.52	56.48	100	-
1985-86	215	66	281	4,12,394
Percentage	76.51	23.49	100	-

The above table No. 5.8 - It is concluded from the above factory could supply fertilizers to members as well as non-members. The cost of the supply of fertilizer aggregated to Rs. 1.53 lakhs in the year 1980-81 which increased upto 4.12 lakhs in the year 1985-86, This indicates an increase by 2.6 times in total fertilizer supply. In the year 1980-81, more fertilizer was supplied to non-members aggregating 56.48% to total fertilizer supply. Alongwith the total increase in total fertilizer ,supply the percentage of supply to members is also increase i.e. 76.51 % of total fertilizer supplied.

5) SUGARCANE DEVELOPMENT GRANT SCHEME FOR BACKWARD CLASSES

In order to participate in sugarcane Production,

Government of Maharashtra sanctioned 'Landless Backward Class Cane Development Scheme' for schedule Caste and Nov Boudh Landless farmers cultivating sugarcane. In the factory, this scheme was introduced in the year 1980-81. The following table shows the benefits received by the concerned, under this scheme.

TABLE No.: 5.9

TABLE SHOWING THE SUGARCANE DEVELOPMENT GRANT
TO BACKWARD CLASS FARMERS DURING (1980-81 to 1985-86)

PARTICULARS :1980-81:1981-82: 1982-83: 1983-84:1984-85:1985-86						
A) No.of Backward class Members.	39	49	72	56	42	18
B) Total grant received from Government-Rs.	60,650	64,524	1,04,462	57,887	38,662	11,625
C) Total Area (Acre)	33	44	62	48	38	15

Table No.5.9 above shows the factory has motivated backward class farmers to undertake sugarcane cultivation. It is observed that in the year 1982-83, 72 backward class farmers were benefited by this scheme and in the area 62 acres sugarcane was cultivated. But in the later part of the study

numbers of farmers benefited by this scheme shows a declining trend.

6) WATER SUPPLY AND IRRIGATION SCHEME

Irrigation facility is most urgent requirement to sugarcane cultivation. The factory has got some schemes already sanctioned and some are under consideration of the Government. Sinchan Development Corporation has sanctioned an advance of Rs. 1,67,000 for undertaking different irrigation schemes. There are many problems in this respect like land acquisition for lift irrigation scheme etc. which are being solved through convincing the concerned land owners.

7) ROAD FACILITY

The factory also takes care of roads construction and their repairing. In this task, Government of Maharashtra also gives financial help. In the year 1985-86 Government has sanctioned a grant of Rs. 1,40,900 for repairs and construction of roads in the following villages coming under area of operation of the factory:-

1. Pandharpur to Old Akluj road, near the village Prachi Kuroli.
2. Penur to Yewati approach road.
3. Repairing of Wakhari to Gadegaon road.
4. Repairing of Suste to Chouremala road.

The factory gets involved in road construction only because the transportation of sugarcane is facilitated to great

extent, resulting into minimum transportation cost.

8) DISTRIBUTION OF AGRICULTURAL INSTRUMENTS TO FARMERS

In order to increase the productivity and minimise the cost, factory assists farmers in purchasing agricultural instruments and equipments. The following table shows amount spent on this activity in the study period.

TABLE NO: 5.10

TABLE SHOWING AMOUNT SPENT ON SUPPLY OF
AGRICULTURAL EQUIPMENTS DURING 1980-81 to 1985-86

.....	
YEAR	: TOTAL AMOUNT OF INSTRUMENT (In Rs.)
.....	
1980-81	57,000
1981-82	70,000
1982-83	1,04,000
1983-84	81,000
1984-85	3,18,000
1985-86	4,28,000
.....	

.....



B) INDIRECT BENEFITS RECEIVED BY WORKER**1) LABOUR COLONY**

The factory has provided housing facility to the limited permanent workers on the factory site. At present 210 workers are benefited by this facility. In the colony electricity and water is provided at subsidised rates. Besides the factory provides education facility to the children of the workers for this purpose the factory has opened a Primary & Secondary School on factory campus.

2) MEDICAL FACILITIES

One Health Centre is run on the campus of the Karkhana for taking health care of the workers. A qualified medical officer provided with requisite staff and facilities is the incharge of this centre. This unit of the factory provides health care at subsidised rates and actively participate in arranging One blood donation camps on factory site. A record of blood group of all workers has been kept in the health centre as well as in time office. In this activity, factory gets necessary co-operation from Red Cross Society, Solapur and Civil Hospital, Solapur.

3) LIBRARY FACILITIES

Library equipped with good number of books of good authors is made available for the workers and their members of family residing on factory campus. Good number of newspapers magazines etc. are also made available for workers.

4) DISTRIBUTION OF TWO WHEELER VEHICLES

Most of the factory workers come from distant places to attend their work. At present the Bank of India, Pandharpur Branch has financed for 40 motor cycles, 30 Bajaj M-80, and as many as 90 bicycles, which have been allotted to the employees. The repayment of the loan sanctioned for purchase of above vehicles is made salary bill.

5) BONUS

The factory has been paying bonus to the workers to make them content and to minimise the problems regarding industrial unrest following statement shows the bonus paid during the period covered under study.

TABLE NO: 5.11

TABLE SHOWING THE BONUS GIVEN BY KARKHANA

DURING (1980-81 to 1985-86)

YEAR	PERCENTAGE OF BONUS	TOTAL AMOUNT OF BONUS (in Rs.)
1980-81	8.33 %	1.26
1981-82	10.00 %	2.10
1982-83	16.66 %	6.53
1983-84	20.00 %	6.10
1984-85	20.00 %	8.72
1985-86	20.00 %	10.68

6) EMPLOYMENT GENERATION

Presently employment generation in the rural area is the need of the nation. Shri Vithal Sahakari Sakhar Karkhana has successfully contributed to this aspect and has generated direct and indirect employment in the area of operation which has promoted trade and commerce, and contributed to overall regional development and economic upliftment of the people. Following table shows direct employment generated by the factory from the period 1980-81 to 1985-86.

TABLE NO: 5.12

TABLE SHOWING DIRECT EMPLOYMENT GENERATION
BY THE FACTORY DURING (1980 to 1986)

.....			
YEAR	: PERMANENT WORKERS	: SEASONAL WORKERS	: TOTAL WORKERS
.....			
1980-81	129	345	474
1981-82	165	424	589
1982-83	181	496	677
1983-84	180	497	677
1984-85	185	474	659
1985-86	182	461	643
.....			

Source : Factory record.

Providing employment in rural area is also a great contribution of the co-operative sugar factories in Maharashtra. Above table No. 4.12 shows that the factory

under study has provided employment to 474 persons in the year 1980-81 and the same figure is increased upto 643 by the end of 1985-86 and paid 2.14 crores during the period of study by way of salary bill which has directly or indirectly stimulated the trade and commerce in the area of operation. On an average from each village, 7 persons have been provided with employment by the factory. The break up of this employees in the various departments of the organisation of the factory during the year 1980-81 to 1985-86 are shown in the following table number 5.13.

TABLE : 5.13

TABLES SHOWING THE DEPARTMENTWISE CLASSIFICATION OF THE EMPLOYEES OF THE KARKHANA DURING (1980-81 to 1985-86)

Sr. No.	PARTICULARS											
	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86						
	P	S	P	S	P	S	P	S	P	S	P	S
1) General Office-	7	13	8	21	7	13	8	12	8	12	8	13
2) Accounts Office	21	11	22	13	22	18	21	19	20	19	17	22
3) Agricultural Deptt.	47	48	18	36	20	43	18	52	18	36	22	45
4) CaneYard Deptt.	-	49	1	49	2	52	1	52	2	51	2	49
5) Watch & Ward-	1	32	8	29	8	41	8	40	7	40	7	28
6) Store Office-	3	11	4	12	4	14	4	13	24	13	3	12
7) Medical Department-	-	1	1	1	2	1	3	1	3	1	3	1
8) Time Office-	2	3	2	4	3	5	3	5	3	5	3	5
9) Civil Office-	7	4	7	3	7	4	7	4	6	4	6	4
10) Engineering Office-	52	126	61	123	67	142	68	137	71	134	71	133
11) Manufacturing Office-	19	47	28	144	32	163	30	162	35	159	34	149
12) Vehicle Department-	-	-	5	-	7	-	9	-	8	-	6	-
TOTAL :-	129	345	165	424	181	496	180	497	185	474	182	361

P = Permanent worker , S = Seasonal worker.

7) SALARY EXPENSES

Total amount spent by the Karkhana on salary during the period 1980-81 to 1985-86 is shown in the following table:

TABLE NO: 5.14TABLE SHOWING THE TOTAL AMOUNT OF SALARY DURING(1980-81 to 1985-86)

<u>(Rs. in Lakhs)</u>			
<u>YEAR</u>	<u>TOTAL EXPENSES</u>	<u>SALARY EXPENSES</u>	<u>% TO TOTAL EXP.</u>
	<u>Rs.</u>	<u>Rs.</u>	
1980-81	541.51	17.90	3.31
1981-82	809.04	21.04	2.60
1982-83	951.48	33.10	3.48
1983-84	1355.68	37.58	2.77
1984-85	1440.01	46.62	3.24
1985-86	1578.51	58.63	3.71
	<u>6685.23</u>	<u>214.87</u>	<u>3.22</u>

Salary expenses the crucial aspect of cost management. Above table shows the organisation has successfully maintained the salary expense below 4 %. Without affecting on employees moral at the same time, it is observed that though the number of employees increased in the later period of the study, it has not affected on percentage of salary expense to total expenses indicating increase in employees on account of increase in turnover which is an indication of sound labour policy of the organisation.

5.3 INVESTMENT BY FACTORY

In this part of the study, an attempt has been made to analyse investment made by the Factory in Fixed Assets, Current Assets etc. and so on.

5.3.1 INVESTMENT OF THE FACTORY

During the period of study, the factory has made total investment of Rs. 1926.52 lakhs for different purposes. Some part of the above mentioned investment was utilised for re-payment of loans. Following table shows the total investment during the study period i.e. 1980-81 to 1985-86.

TABLE NO: 5.15

TABLE SHOWING TOTAL INVESTMENT DURING (1980-81 to 1985-86)

		(Rs. in lakhs)									
Sr. No.	PARTICULARS	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86				
1.	Repayment of Secured loan	-	-	-	319.65	75.54	4.80				
	% to total Applications	-	-	-	74.01	20.52	1.60				
2.	Repayment of Unsecured loan.	-	-	108.92	31.08	45.00	30.00				
	% to total applications	-	-	24.23	7.20	12.22	10.02				
3.	Purchase Investment	-	0.15	1.77	0.11	1.19	-				
	% to total applications	-	0.06	0.40	0.03	0.32	-				
4.	Purchase of Fixed Assets	104.54	105.63	142.63	81.06	246.44	264.53				
	% to total applications	74.69	44.45	31.73	18.76	66.94	88.38				
5.	Increase in working capital	35.43	131.88	196.17	-	-	-				
	% to total applications	25.31	55.49	43.64	-	-	-				
TOTAL :-		139.97	237.66	449.49	431.90	368.17	299.33				
Total % :-		100	100	100	100	100	100				

5.3.2 INVESTMENT IN FIXED ASSETS

It is seen from the table No. 5.15 that except in the year 1983-84; during the period of study major part of the investment is made in acquiring fixed assets and as working capital. The investment made in fixed assets shows a fluctuate trend and the average growth rate of the fixed assets is around 10 % which is supported by the following table.

TABLE NO: 5.16

TABLE SHOWING INVESTMENT IN FIXED ASSETS

DURING (1980-81 to 1985-86)

(Rs. in lakhs)				
YEAR	Fixed Assets	$P_2 - P_1 / t$	$P_2 + P_1 / 2$	Amount Growth Rate
1979-80	565.56	-	-	-
1980-81	611.12	45.56	588.34	7.74 %
1981-82	660.42	49.30	635.77	7.75 %
1982-83	722.83	62.41	691.63	9.02 %
1983-84	733.94	11.11	728.38	1.52 %
1984-85	917.75	183.81	825.84	22.26 %
1985-86	1083.29	165.54	1000.52	16.55 %
				64.84 %

Where :- P_1 = Previous years figures.
 P_2 = Next years figures.
 t = Gap between the previous year & next year.

5.3.3 INVESTMENT IN CURRENT ASSETS

Secondly high amount has been invested in Current assets constituting Stock, Debtors, Cash and Bank balance & other current assets. As the turnover of the factory has been increasing the utilisation of current assets has increased over the years covered under study. Following table shows the increase in Investment in current assets.

TABLE No: 5.17

TABLE SHOWING ANNUAL GROWTH RATE OF INVESTMENT
IN CURRENT ASSETS DURING 1980-81 to 1985-86)

(Rs. in Lakhs)				
YEAR	Current Assets.	% to total Assets.	Increase.	Growth Rate
1980-81	130.02	13.61	-	-
1981-82	352.98	29.40	222.96	171.47
1982-83	693.09	42.21	563.07	433.06
1983-84	277.18	20.82	147.15	113.17
1984-85	271.58	17.32	141.53	108.85
1985-86	349.27	19.70	219.24	168.62

The above table shows, constant increase in the investment in current assets has registered a fluctuating trend. The average percentage of increase in current assets is 199% which is in conformity with the increase in turnover.

5.3.4 INVESTMENT IN SHARES

This being a co-operative organisation, Co-operative law and environment in which the organisation is operating compels the factory to invest in different co-operative organisation by way of buying their shares. The factory has made investment in the shares of following organisations-

- (a) Maharashtra State Co-operative Bank;
- (b) Maharashtra State Industrial Development Society, Bombay;
- (c) District Central Co-operative Bank
- (d) Maharashtra State Land Development Bank and many other Co-operative institutions.

Following table No. 5.17 shows such investment in Shares over the years under study.

TABLE NO: 5.18

TABLE SHOWING INVESTMENT IN SHARES DURING
DURING (1980-81 to 1985-86)

(Rs.in Lakhs)			
YEAR	Investment	Net Increment	% to total Assets.
	in shares.		
1980-81	2.26	-	0.24
1981-82	2.41	0.15	0.20
1982-83	4.18	1.92	0.25
1983-84	4.29	2.03	0.32
1984-85	5.48	3.22	0.35
1985-86	3.79	1.83	0.21

The investment shown in the above table is less than 1 % of the total assets of the factory.

5.3.5 STATEMENT OF TOTAL ASSETS**TABLE NO: 5.19****TABLE SHOWING TOTAL ASSETS OF THE FACTORY****DURING (1980-81 to 1985-86)****(Rs. in Lakhs)**

YEAR	<u>FIXED ASSETS</u>		<u>CURRENT ASSETS</u>		TOTAL ASSETS
	Rs.	% to total asset	Rs.	% to total asset.	
	:	:	:	:	:
1980-81	613.38	76.55	187.86	23.45	801.24
1981-82	662.83	61.96	407.01	38.04	1069.84
1982-83	727.01	48.76	763.91	51.24	1490.92
1983-84	738.23	61.77	456.94	38.23	1195.17
1984-85	923.23	62.56	552.41	37.44	1475.64
1985-86	1087.08	65.49	572.81	34.51	1659.89

The table No.5.19 shown above shows an increasing trend of investment in fixed assets, since 1982-83 and decreasing trend for the same period for investment in current assets.

5.3.6 SOURCES OF INVESTMENT

The organisation under study has been investing the funds in the business undertaken from following different sources :

- (a) Issue of share capital.
- (b) Loans.
- (c) Funds from operation.

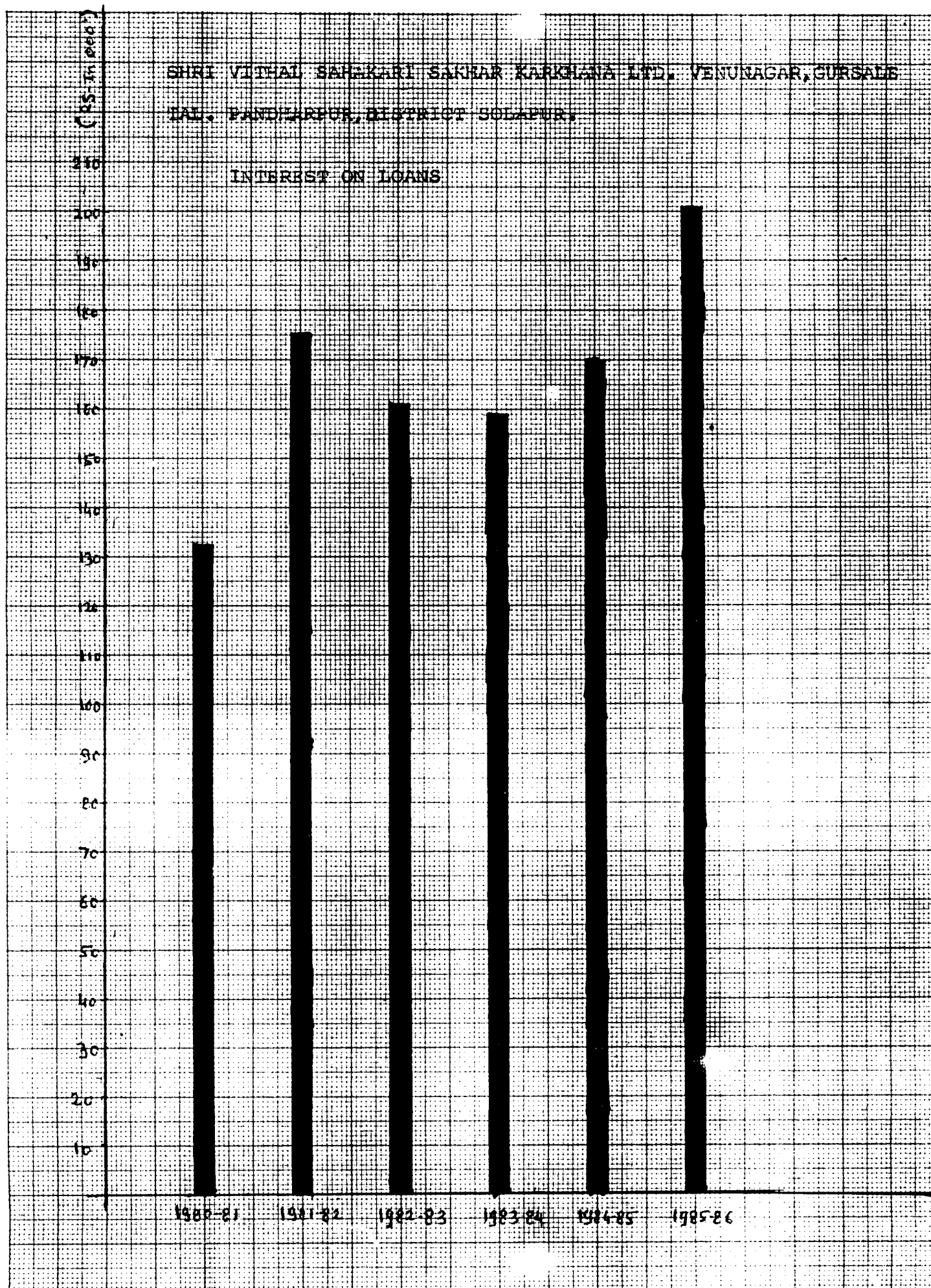
The following table shows different sources of funds of the factory.

TABLE NO: 5.20

TABLE SHOWING SOURCES OF FUNDS

(Rs. in lakhs)

PARTICULARS	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
A) SOURCES OF FUNDS						
1) Funds from Operation	97.94	144.54	152.42	159.68	183.92	241.39
% to total sources	69.97	60.82	33.91	36.97	49.96	80.64
2) Issue of share capital	0.81	19.55	2.24	0.46	36.22	7.89
% to total sources	0.58	8.23	0.50	0.01	9.84	2.64
3) Loans	20.00	41.55	250.85	-	-	-
% to total sources	14.29	17.48	55.81	-	-	-
4) Deposits	18.23	32.02	43.98	18.81	82.94	18.10
% to total sources	13.02	13.47	9.78	4.36	22.53	6.05
5) Decrease in working capital	-	-	-	252.95	65.09	30.26
% to total sources	-	-	-	58.56	17.67	-
6) Sale of investment	2.99	-	-	-	-	1.69
% to total sources	2.14	-	-	-	-	0.57
TOTAL (A) :-	139.97	237.66	449.49	431.90	368.17	299.33



1 c.m. = 10,000

The table No.5.20 shows that at present the organisation is financed from cash profits of the organisation. The percentage of the internal financing to the total financing varies from 34 % to 81 %.

Secondly the organisation is being financed to issue through issue of shares, therefore a statement of funds shows constant increase in the amount of share capital. But the operation of funds raising through issue of shares is not much impressive. Relatively financing through deposits, is much impressive. Such deposits are the amounts deducted from the bills of sugarcane supplied by the farmers. Following table shows such deductions over the years under study.

TABLE NO: 5.21

TABLE SHOWING DEDUCTION FROM SUGARCANE BILLS

OF THE FARMERS

(Rs. in lakhs)

Year	Amount (Rs.)	% to total financing.
1980-81	18.23	13.02
1981-82	32.02	13.47
1982-83	43.98	9.78
1983-84	18.81	4.36
1984-85	82.94	22.53
1985-86	18.10	6.05

It is concluded from the above table that deductions from the bills of sugarcane supplied by the farmers remained to be a regular source of financing. The funds obtained from this

source varies from 4 % to 22 % on such deductions factory pays 12.5 % interest to the sugarcane farmers regularly. A fluctuating trend has been registered by such deposits for the period under study.

5.3.7 BORROWED FUNDS

TABLE No.: 5.22

TABLE SHOWING BORROWED FUNDS AND ITS % TO
TOTAL LIABILITY

(Rs. in lakhs)

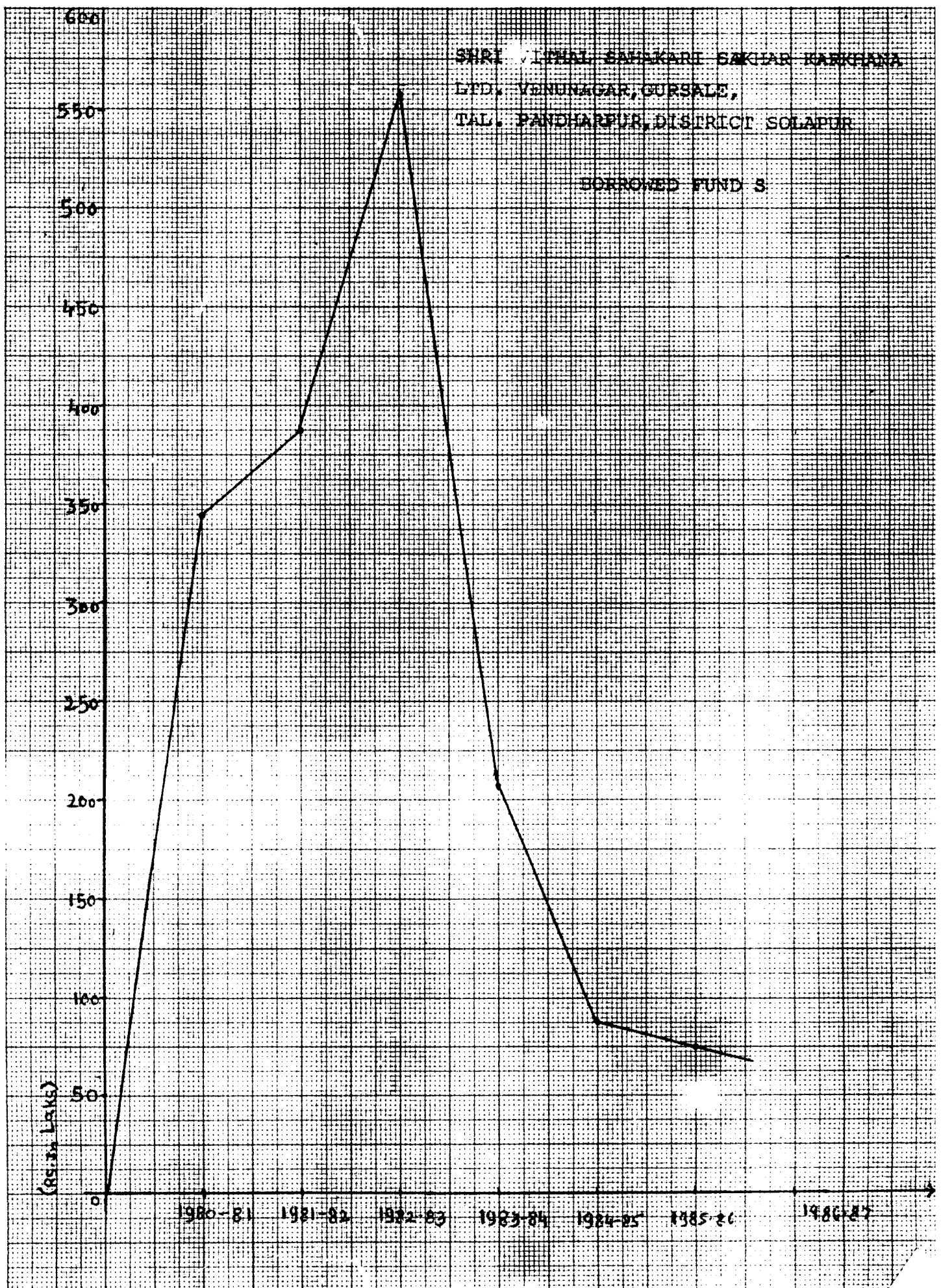
.....		
YEAR	TOTAL BORROWED FUNDS	% TO TOTAL LIABILITY
.....		
1980-81	344.98	36.11
1981-82	386.53	32.19
1982-83	558.46	34.01
1983-84	207.73	15.60
1984-85	87.19	5.56
1985-86	52.39	2.95
.....		

Above table showsthat the use of borrowed funds has registered a declining trend in the period covered under study which is presented in graph No.4.

C O N C L U S I O N

In the conclusion we can state that now a days, co-operative sugar factories are going for deposits collected through deductions from the bills of sugarcane supplied and tends to reduce bank borrowings as this practice minimises

Y



1 c.m. = 50 Lakhs

expenses on account of interest to the paid to financial institutions.

In the later period of the study, the factory has stopped going for bank borrowings which has minimised its interest liability.

5.3.8 DEPRECIATION ALLOWANCE

The depreciation allowance of the factory are shown in the following table No.5.23.

TABLE NO.5.23

TABLE SHOWING DEPRECIATION ALLOWANCE

(Rs. in lakhs)

Year	Productive Assets	Non-productive assets	Total depre.
1980-81	54.69	4.29	58.98
1981-82	52.63	3.70	56.33
1982-83	75.35	4.87	80.22
1983-84	64.50	5.45	69.95
1984-85	57.75	4.88	62.63
1985-86	90.99	8.00	98.99
1986- TOTAL:-	395.91	31.19	427.10

It is clear from the above table No.5.23 the total amount of depreciation is less in the year 1981-82. And the highest amount is charged as depreciation in the year 1985-86, due to increase in depreciation of productive assets. Though

the investment in depreciation shows a fluctuating trend, the average amount of depreciation is Rs. 71.18 lakhs, which is less than the amount of depreciation during the last period of the study i.e. 1985-86.

5.3.9 EXCISE DUTY.

Excise duty paid by Karkhana during the study period is shown in the following table No.5.24.

TABLE NO: 5.24

TABLE SHOWING EXCISE DUTY PAID DURING

(1980-81 to 1985-86)

(Rs. in lakhs)

YEAR	EXCISE DUTY (Rs.)
1980-81	64.01
1981-82	90.74
1982-83	131.80
1983-84	175.09
1984-85	174.03
1985-86	168.86
TOTAL :- 804.53	

From the above table No.5.24, it is observed that in the year 1983-84 factory paid Rs. 175.09 lakhs to the Government as against the Excise Duty. But in the later part of the study, factory paid the amount as against excise duty shows a declining trend.

5.4

RETURNS AT FACTORY LEVEL

In this sub Chapter an attempt has been made to study the profitability of the factory, exhibited exhibited through profitability ratios. The profit figures considered for this purpose are the "Adjusted Profits".

The concept of 'Adjusted Profit' is explained below:-

ADJUSTED PROFIT =

Difference between Govt. and actual Rate	XX
X Sugarcane supplied in tones	XX

GROSS INCOME :	XX
(+) Profit/loss as per P & L A/c.	XX
(-)	-----
ADJUSTED NET PROFIT :	XX

The rational for the above calculation is, had it been a private organisation, it would have paid minimum price fixed by the Government and this would have inflated the profit figures of the organisation as cost of sugarcane supplied would have been minimum. It is assumed that the factory has paid more price than the minimum fixed price and some kinds of welfare expenditure has been incurred only because it is sugarcane farmers, co-operative society.

For the purpose of profitability analysis of expenditure which could not be incurred by Private Organisation is added in reported profit which is referred herein after as "Adjusted Profits". This adjustment is made only because though farmers

are getting number of benefits from the factory and they are happy with factory's working, the financial statements report 'losses', indicating low operating efficiency.

5.4.1 PROFITABILITY RATIOS

Profitability ratios highlights the earning capacity of the organisation. Analysis of adjusted profit of the factory is done with the help of following ratios:

- a) Gross Profit ratio.
- b) Net Profit ratio.
- c) Return on investment ratio.
- d) Return on Proprietors fund.Ratio.
- e) Return on equity capital ratio.

TABLE NO: 5.25

TABLE SHOWING PROFITABILITY RATIOS OF THE
FACTORY DURING (1980-81 to 1985-86)

YEAR	G.P.Ratio (%)	N.P.Ratio (%)	R.O.I.Ratio (%)	R.O.P.F (%)	R.O.E.C. (%)
1980-81	42.07	24.64	16.06	37.97	63.20
1981-82	43.45	33.85	26.29	62.38	120.66
1982-83	40.34	27.14	17.04	48.35	112.72
1983-84	19.95	13.04	14.88	28.63	78.74
1984-85	38.19	34.70	34.67	69.71	195.23
1985-86	33.13	26.48	25.11	47.14	154.40

It can be concluded from the table Number 5.25 the adjusted profit analysis indicates following:

(a) GROSS PROFIT RATIO

In the initial period Gross profit ratio of the organisation under study found to be impressive indicating lower cost of goods sold which left good margin for meeting the operating expenses i.e. Administrative expenses, selling expenses, Distribution expenses etc. but in the later part of the study, Gross profit ratio has come down indicating high prices given to sugarcane cultivators for the sugarcane supplied;

(b) NET PROFIT RATIO

Net profit ratio has registered fluctuating trend except in the year 1983-84. The organisation could earn more than 25% Net profit which is tempted the organisation to undertake number of welfare schemes and motivated for expansion.

(c) RETURN ON INVESTMENT RATIO

This ratio shows the earning capacity of the assets employed in the business, that means it shows return on investment. From the above table No.5.25, it is clear that the factory has achieved a high rate of return on investment during the period 1984-85 as compared to the beginning part of the study.

(d) RETURN ON PROPRIETORS' FUND RATIO

From the above table Number 5.25, it is concluded that return on proprietary fund ratio, shows a high rate of

return than the Return On Investment Ratio during the entire period of the study. In the year 1984-85, Return On Proprietary Fund Ratio shows higher rate of return indicating a sound position of the factory.

(e) RETURN ON EQUITY CAPITAL RATIO

Table Number 5.25 reveals that the Return on Equity Capital Ratio shows a fluctuating trend during the study period. During the year 1984-85 Return on Equity Capital ratio shows a high rate of return on capital (i.e. 195.23 %).

5.4.2 DEBT EQUITY RATIO

Debt equity ratio of the factory during the study period are shown in the following table.

TABLE NO: 5.26

TABLE SHOWING THE DEBT EQUITY RATIO DURING
(1980-81 to 1985-86)

.....	
YEAR	DEBT EQUITY RATIO
.....	
1980-81	1.02 : 1
1981-82	1.21 : 1
1982-83	1.06 : 1
1983-84	0.33 : 1
1984-85	0.12 : 1
1985-86	0.06 : 1
.....	

It is concluded from the table Number 5.26 that the total debt of the factory is more than the equity of the factory upto the year 1982-83. And in the year, later part of the study, total debt of the factory is less than the equity amount. This indicates that factory could maintain its financial position sound in the later part of the study.

Based on the data analysis made in the present Chapter, observations are made in the next Chapter No.6.

...ooo...