

Production & Growth of Sugar Industry in Uttar Pradesh

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ABSTRACT:

Sugar industry constitutes one of the most important agro-based industries in India. Although this industry has a long tradition in this country, it started growing in an organized way during the 1930s after introduction of the sugar industry protection act in 1932. But the industry achieved a spectacle growth under the plant periods. While the number of sugar mills has gone up from 139 to 453. The corresponding sugar production has increased from 1.4 million tones to 20.1 million tones. The Indian sugar industry has not only achieved the singular distraction of being one of largest produces of white plantation crystal sugar in the world but has also turned out to be a massive enterprise of gigantic dimensions. It plays a major role in rural development and its importance for Indian structures for beyond the role of a sweetener supplier. The sugar factories nuclei for development of rural areas by mobilizing rural resources and generating employment, transport and communication facilities. Once 45 million farmers, their dependents and a large mass of agricultural labor are involved in sugar cane cultivation, harvesting and ancillary activities constituting 75% of the rural population. The sugar industry employees over 0.5 million skilled and unskilled workmen, mostly from the rural area.

Key words: sugar industry, farmers, workmen

INTRODUCTION:

India has been known as the original home of sugar and sugar cane. The Chinese Emperor, Tsai-Hang sent a mission to Bihar in about 600 A.D. to ascertain and study the are of sugar manufacture. From India, the knowledge of sugar making went over to Persia. However, for al practical purposes, the process of modern sugar manufacturing may be said to have started with the adoption of a policy of discriminating protection by the Government of India in the year 1932. Around the year 1925 to a number of sugar mills sprang up in U.P. and Bihar. From a scanty 32 working units in 1931-32, and the volume of sugar out put during the period increased from 1.62 lac tones to 9.47 lac tones. By the end of 1938-39, the sugar production in the country had increased to 12.77 lac tones. During the next twelve years a reverse trend manifested it self and the production of sugar cane to 10 lac tones, due to central rationing and fixation of unremunorative statutory cane and sugar prices by the Government.

REVIEW OF LITERATURE:

Appuhami B.A.R. (2010) investigated the impact of firm's capital expenditure on their working capital management. He used the data collected from listed companies in the Thailand Stock Exchange. The empirical research found that firm's capital expenditure has a significant impact on working capital management. The study also found that the firm's operating cash flow, which was recognized as a control variable, has a significant relationship with working capital management.

Jasmine Kaur (2011) made a Two-dimensional study which examines the policy and practices of cash management, evaluate the principles, procedures and techniques of Investment Management, Receivable and Payable Management deals with analyzing the trend of working capital management and also to suggest an audit

program to facilitate proper working capital management in Indian Tyre Industry. The study covers a production of 8 year viz, 1999-2007. For the purpose of investigation both primary and secondary data is used. The collected data is analyzed by applying research tool, which includes accounting tools like Analysis, Cash Flow Analysis, Common Size and Trend Analysis. They reveal that there is a stand off between liquidity and profitability and the selected corporate has been achieving a trade off between risk and return. Efficient management of working Capital and its components have a direct effect on the profitability levels of tyre industry.

Padachi, Narasimhan, Durbarry and Howorth (2014) examined the structural differences in working capital and the financing pattern of 58 small manufacturing firms, operating in five industry groups for the period 1998-2003. They found the working capital position of the sample firms reveal disproportionate increase in current assets investment in relation to sales , resulting in a sharp decline in the working capital turnover. The mean value was three times, indicating a lower operating efficiency. The study also shows an increasing trend in the short term component of working capital financing. While the short term funds, in particular trade credit and other payables, have financed the major part of the working capital, the percentage of long term funds used to finance the working capital has declined consistently during the same period.

Siddiquee and Khan (2014) indicate that the inefficient management of working capital not only reduces profitability but ultimately may also lead a concern to financial crisis. Thus every organization, irrespective of its profit orientation, size and nature of business, needs requisite amount of working capital.

Sugar Industry in Uttar Pradesh

Sugar industry is the largest organized sector industry in U.P. and play very vital role in U.P. economy. The economy in general and rural economy in particular, depends heavily on the progress of sugar industry. More than 27 lakh cultivators and their families are dependent on this industry. It gives employment to over one lakh people. In addition, a large no of persons are engaged directly or indirectly on this industry.

The Uttar Pradesh sugar industry has a bright future as one of the prospective players in the global sugar market. The demand for sugar across the world has been growing exponentially. The Uttar Pradesh sugar industry with its capacity can cater to this international demand. The advantages of the Uttar Pradesh sugar industry are that the cost of production is quite low and the climatic conditions and the conditions of the soil are favorable to the sugarcane production. The region of India where the state of Uttar Pradesh lies is one of the most fertile lands in India called the 'doab'. This is an extremely fertile belt of lands between the rivers Ganges and Jamuna. To boost the production of the Uttar Pradesh sugar industry, the government of Uttar Pradesh is likely to set up a research and development unit which would develop better quality sugarcane plants to have better yield and diseases-resistant crops to ensure that the industry has a sustainable growth. The geographical position of the state of Uttar Pradesh is one of the key advantages as it is very easy to access. With all these developments the Uttar Pradesh sugar industry can meet the increasing domestic demands in India, which due to the improvements in the economic conditions and the rise in the general income level. The production of sugarcane and sugar in Uttar Pradesh is shown in table-1.

Table-1
Production of Sugarcane and Sugar in Uttar Pradesh

| Year | Area of Sugarcane (In Lakh Hect) | Production of sugarcane (In Lakh Tonnes) | Production of sugar (In Lakh Tonnes) |
|-------------|---|---|---|
| 2003-04 | 20.74 | 1217.36 | 37.29 |
| 2004-05 | 21.40 | 1232.40 | 45.56 |
| 2005-06 | 20.54 | 1117.38 | 43.94 |
| 2006-07 | 21.52 | 1244.91 | 52.60 |
| 2007-08 | 24.04 | 1345.29 | 56.51 |
| 2008-09 | 23.04 | 1266.51 | 45.51 |
| 2009-10 | 20.45 | 1240.21 | 50.37 |
| 2010-11 | 23.09 | 1346.81 | 57.84 |
| 2011-12 | 26.62 | 1586.22 | 84.75 |
| 2012-13 | 28.5 | 1608.59 | 73.19 |
| 2013-14 | 21.40 | 1107.82 | 40.64 |

The sector wise number of total sugar mills in Uttar Pradesh is given in table 2.

Table-2
Sugar Mills in Uttar Pradesh

| Sector | Total | Working | Closed |
|-------------------------------|--------------|----------------|---------------|
| U.P.State Chini Nigam, | 23 | 1 | 22 |
| Indian Government Sugar Mills | 3 | - | 3 |
| U.P. Co-operative Sugar Mills | 28 | 23 | 5 |
| Private Sector Sugar Mills | 93 | 92 | 1 |
| Total | 147 | 116 | 31 |

Bagpat Sugar Mill

The Bagpat Co-Operative Sugar mills Limited, Bagpat (District Bagpat) is the IInd Sugar Factory in the Cooperative sector of the state of Uttar Pradesh.

The Factory was registered under the U.P. Cooperative Societies Act, 1912 on the 12th of September, 1956 vide No. 53/cc-56-57. The Government of India issued an industrial Licence No. L/8/79/55/1-25/69 dt. 6th of October, 1955 for the establishment of a Sugar Factory with an installed capacity of 1250 TCD. The main sugar plant was supplied by Messers five lille CAIL of Paris (France). The Factory started its First Crushing season on 29th of November, 1960 and since then it is in service of the Nation.

Table-3
Financial Statistics of Bagpat Sugar Mill
(Rs 00,000s)

| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|---------------------|----------|----------|------------|------------|----------|
| C. Assets | 6922.43 | 5808.59 | 5503.76 | 7472.73 | 8347.72 |
| C. Liabilities | 5869.61 | 4380.41 | 5743.58 | 7828.05 | 7588.56 |
| N.W. Capital | 1052.82 | 1428.18 | (-)239.82 | (-)355.32 | 759.16 |
| Liquid Assets | 895.21 | 901.31 | 1107.73 | 1214.3 | 1495.56 |
| Inventory | 6027.22 | 4907.28 | 4396.03 | 6258.43 | 6852.16 |
| Cash | 156.98 | 53.74 | 96.37 | 52.17 | 85.35 |
| Debtors | 43.93 | 28.98 | 33.49 | 66.41 | 134.32 |
| L& Advance | 694.3 | 818.59 | 977.87 | 1095.72 | 1275.89 |
| S.T. Borrowing | 4037.75 | 2936.28 | 3365.45 | 4195.45 | 4515.04 |
| Cane due to Members | 312.57 | 106.28 | 986.08 | 1891.09 | 1470.96 |
| Other Liability | 1519.29 | 1337.85 | 1392.05 | 1741.51 | 1602.56 |
| Net Profit | 411.99 | (-)90.97 | (-)1898.28 | (-)1933.96 | 35.89 |
| G. Fixed Assets | 2973.72 | 3050.72 | 3121.10 | 3181.37 | 3216.01 |
| N. Fixed Assets | 387.00 | 407.50 | 418.22 | 408.91 | 337.10 |
| Sales (Net) | 8990.41 | 7560.88 | 5294.50 | 4244.46 | 6773.30 |
| Cost of goods sold | 5590.82 | 5131.63 | 5991.86 | 6457.23 | 5720.70 |
| C. stock | 6940.16 | 5564.30 | 4568.01 | 4037.53 | 5776.35 |
| C. stock | 5564.30 | 4568.01 | 4037.53 | 5776.35 | 6443.02 |
| C. stock | 6252.23 | 5066.16 | 4302.77 | 4906.94 | 6109.69 |
| Average | 14997.15 | 13978.52 | 15589.56 | 19451.58 | 20269.55 |
| Total Assets | | | | | |

Mawana Sugar Mill

Shriram Industrial Enterprises Ltd. (Siel Ltd.) formerly known as Shriram Refrigeration Industries Ltd. and was incorporated on 27th March, 1961. As per the Scheme of Amalgamation approved by Hon'ble High Court of Delhi vide its Order dated 10th April, 1992, with transfer date being 1st April, 1990, Shriram Industrial Enterprises Ltd. had taken over the business of some of the units of erstwhile DCM Ltd. Shriram Industrial Enterprises Ltd. was then engaged in the manufacture and sale of Vanaspati, Refined Oil, Sugar, Caustic Soda, Soap, Hermetic Compressors, Water Coolers, etc.

Pursuant to the Hon'ble Supreme Court Order in November, 1996 for relocation of plants from Delhi, Siel's financial problem started and incurred heavy losses which resulted into large debt burden. This forced the Company to restructure its business.

Pursuant to the Scheme of Arrangement (Scheme) under section 391 and 394 of the Companies Act, 1956 of undivided Siel Limited, approved by the High Court of Delhi vide its Order dated August 26, 2003 which became effective on September 5, 2003 on filing of the certified copy of the Order of the High Court of Delhi with the Registrar of Companies, Delhi and Haryana, the sugar business of Siel Ltd. consisting of the undertakings of undivided Siel Limited comprising of Mawana Sugar Works (MSW) and Titawi Sugar Complex (TSC), together with all properties, assets both movable and immovable and liabilities including contingent liabilities have been transferred to and vested in the Company with effect from the appointed date i.e. October 1, 2002.

CONCLUSION:

To conclude the paper, it may be said that the adoption of above measures will undoubtedly help the selected sugar mills to improve their overall performances in the management of the working capital. The industry will be able to generate funds increasingly from internal sources, thus breaking the vicious circle of financial stringencies. It is common knowledge that the function of fixed assets is to create capacity and that of current assets to make the utilization of capacities possible. The problem of under utilization of capacities of the industry will be solved to a large extent with the improvement in the management of the working capital.

Thus, the dreams of our planners to accelerate the economic growth in the country by effecting increased sugar production at reasonable costs are still possible to be translated in to reality.

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