International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

STUDY ON FINANCIAL EFFICIENCY OF SHREE RENUKA SUGARS

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ABSTRACT :

This research assesses the financial effectiveness of Shree Renuka Sugars for five years from 2020 to 2024. The study examines major financial metrics like liquidity, solvency, profitability, and operational performance through ratio analysis. Results show steady improvement in liquidity and operational performance but ongoing issues with debt reliance and irregular profitability. The research highlights the need for strategic financial management to ensure long-term growth and competitiveness in the sugar sector.

Keywords: Financial Efficiency, Ratio Analysis, Solvency, Profitability, Shree Renuka Sugars, Liquidity

INTRODUCTION

Financial management is a vital function in the current competitive and dynamic business landscape to ensure organizational sustainability and growth. Effective planning and management of financial resources are necessary to satisfy short-term commitments as well as long-term strategic objectives. Without proper financial practices, even successful companies can suffer from operational and liquidity issues.
Interpretation of financial performance using methods like ratio analysis assists stakeholders to evaluate a company's profitability, liquidity, solvency, and efficiency. Such information aids in informed decision-making, risk management, and performance benchmarking—crucial ingredients for business success, particularly in capital-intensive businesses like sugar production.

This research is centered on Shree Renuka Sugars Ltd, a forerunner in India's sugar and green energy industry. Since the industry is prone to market vagaries and regulatory challenges, this research assesses the financial performance of the company during the period 2020-2024 to examine strengths, weaknesses, and opportunities for strategic enhancement.

STATEMENT OF THE PROBLEM

India is a money-scarce country; the available resources can be utilized elsewhere and provide opportunities for further investment. Proper financial management and control is essential to all stakeholders in the industry, management, employees, and society due to the resources of the country. As money is the most sought-after resource of India, it has to be utilized as efficiently as possible.
The success of a company depends heavily on the carefully planned arrangement of its capital structure, investments, and distribution. Any company which does not employ effective capital structure principles such as cost, control, and flexibility, and a company which doesn't employ scientific instruments for investment and distribution in the management of funds will fail in the long run. Besides, the firm must take care to maximize wealth when making funding, investing, and distributional decisions. It is not possible to exaggerate the importance of a prompt assessment of the performance of the firm since finance is the backbone and intellect of a business enterprise. Also, it can be seen from a review of existing literature that there has been no study on performance appraisal of the SHREE RENUKA SUGARShas been conducted. The researcher was persuaded to carry out the present study due to it.

SCOPE OF THE STUDY

The extent of this research is to have an overall assessment of the financial performance of Shree Renuka Sugars Limited over five years from 2020 to 2024. The study will involve the analysis of the company's financial statements using important financial ratios in measuring its liquidity, solvency, profitability, and operational effectiveness. The objective of this research is to provide information regarding the company's financial strengths and weaknesses that can enable stakeholders to make well-informed financial decisions.

OBJECTIVES OF THE STUDY:

- To Present data clearly for easy understanding and comparison.
- To Support quick analysis and informed decision-making.
- To Ensure accuracy and consistency in the information provided.

1.5 RESEARCH METHODOLOGY:

Source of Data:

Data Collected for the study is audited report of Shree Renuka sugars

Period of Study:

The study covers a period of 5 years from 2020-2024.

Tools used:

The financial statement may be made simpler for any reader to understand the operating results and the financial health of the business,

Ratio Analysis

- Profitability ratios: Net Profit Ratio & Return On Capital Employed
- Activity ratio: Assets Turnover Ratio
- Liquidity ratio: Current Ratios, Quick Ratio & Absolute Liquid Ratio
- Solvency ratio: Debt-Equity Ratio & Total Debt to Total Asset Ratio

1.6 LIMITATIONS OF THE STUDY:

The following are the limitation of the study.

- The study is limited to a period of Five years only.
- The study covers only one firm (i.e.) SHREE RENUKA SUGARS

2.1 REVIEW OF LITERATURE

Anirban Ray, Swachchha Majumdar, Sourja Ghosh (2025) In recent years, the global sugarcane production has shoot up significantly to carter the demand of the rapidly increasing sugarcane industry worldwide. At present over hundred countries produce sugarcane amounting to an annual production of 1.9 billion tons with Brazil and India being the primary contributors. Almost 90% of the harvested sugarcanes are used by sugarcane industries that are equipped with both table-sugar manufacturing unit and ethanol distillery that produces bioethanol from waste molasses as a source of clean energy.

Ranjeet Rajput, Sri Vanamalla Venkataraman(2024) Government regulations of sugarcane and sugar prices have been some of the factors leading to distress among farmers and firms. Hence, government aid becomes an integral part of the sugar supply chain. Firms having private information about the production cost of sugar has been identified as the primary cause for failure of a successful contract.

M Manickavasagam, T Elango, L Selvarajan, K Elangovan,(2024) Indian sugar production generates a lot of biomass that can be used to create electricity.Modern sugar mills use bagasse with 50% moisture, which affects boiler efficiency since water evaporation requires energy. Steam and power production can be increased by drying bagasse.

4.1 SHORT TERM SOLVENCY RATIO:

Liquidity ratios determine how quickly a company can convert the assets and use them for meeting the dues that arise. The higher the ratio, the easier is the ability to clear the debts and avoid defaulting on payments.

4.1.1 CURRENT RATIO:

Current Ratio is a liquidity ratio that measures ability of the enterprise to pay its short – term financial obligations. The formula for calculating the ratio is

Current Ratio = Current Assets/Current Liabilities

The generally accepted standard of current ratio is 2:1 i.e. current asset should be twice the current liabilities. These Ratios are calculated for 5 consecutive years from 2019 to 2023.

THE TABLE SHOWING THE CURRENT RATIO OF SHREE RENUKA SUGARS

YEARS	CURRENT ASSETS (Figures in Rs. Lakhs)	CURRENT LIABILITIES (Figures in Rs. Lakhs)	CURRENT RATIO

2019-2020	42,733.94	92,215.70	0.46
2020-2021	51,443.37	91,002.70	0.57
2021-2022	56,469.83	77,805.34	0.73
2022-2023	54,699.45	73,849.79	0.74
2023-2024	50,160.72	65,019.39	0.77

INTERPRETATION:

The company's current ratio shows a steady improvement from 0.46 in 2019-2020 to 0.77 in 2023-2024, indicating enhanced liquidity management. While this upward trend is positive, the ratio remains below the ideal benchmark of 1.0, suggesting that current assets are still insufficient to fully cover short-term liabilities. This poses potential cash flow risks, and the company should focus on further strengthening its liquidity by increasing current assets or reducing liabilities to achieve a healthier financial position.

4.2 LONG TERM SOLVENCY RATIO

The long-term solvency ratio is a measure of how well a company can handle its long-term debts. It shows the proportion of long-term debt compared to the total capital of the company. A higher ratio suggests the company relies less on debt financing, which can be a sign of financial stability, while a lower ratio may indicate higher financial risk.

4.2.1 DEBT TO EQUITY RATIO

The Debt-to-Equity ratio calculates the weight of total debt and financial liabilities against total shareholders' equity. It helps to know the relationship between the long-term debt and the shareholders' funds.

FORMULA

Debt to equity ratio = Total Debt / Shareholders Equity

THE TABLE SHOWING DEBT TO EQUITY RATIO OF SHREE RENUKA SUGARS

YEARS	TOTAL DEBT (Figures in Rs. lakhs)	SHAREHOLDERS EQUITY (Figures in Rs. lakhs)	DEBT TO EQUITY RATIO
2019-2020	45,592.37	4,263.71	10.69
2020-2021	57,313.39	955.32	59.99
2021-2022	79,170.18	7,625.94	10.38
2022-2023	84,374.12	9,596.33	8.79
2023-2024	4,126.49	43,062.62	10.44

INTERPRETATION

The company's debt-to-equity ratio shows significant fluctuation over the years. It peaked at **59.99** in 20202021, indicating extremely high financial risk due to heavy reliance on debt. While it improved in subsequent years, dropping to **8.79** in 2022-2023, the ratio remains relatively high, suggesting continued dependence on debt financing. In 2023-2024, despite a substantial reduction in total debt, the ratio increased slightly to **10.44** due to a sharp rise in shareholder equity. While the improved equity base is positive, the company should maintain control over its debt levels to ensure long-term financial stability.

4.3 PROFITABILITY RATIO

Profitability ratios are a type of accounting ratio that helps in determining the financial performance of business at the end of an accounting period. Profitability ratios show how well a company is able to make profits from its operations.

4.3.1 NET PROFIT RATIO

Net profit ratio, also known as net profit, measures a company's financial performance or profitability after taxes. It helps measures the company's profit to the total amount of money invested in the business.

FORMULA

Net Profit Ratio = NPAT/ Revenue from operation*100

THE TABLE SHOWING THE NET PROFIT RATIO OF SHREE RENUKA SUGARS

YEARS	NET PROFIT (Figures in Rs. lakhs)	REVENUE FROM OPERATIONS (Figures in Rs. lakhs)	NET PROFIT RATIO
2019-2020	-5,512.03	45,182.08	−12.2%
2020-2021	556.43	55,297.80	1.01%
2021-2022	1,130.65	61,643.61	1.83%
2022-2023	-1,357.30	86,861.73	−1.56%
2023-2024	-5,595.09	108,980.80	−5.13%

INTERPRETATION

The **Net Profit Ratio** indicates how much profit a company makes for each rupee of revenue. A positive ratio means profitability, while a negative ratio shows losses. From the data, in **20192020**, the company experienced a loss (-12.2%), but by **2020-2021**, it returned to a small profit (1.01%), which improved further to **1.83%** in **2021-2022**. However, in **2022-2023** and **20232024**, the company incurred losses again (-1.56% and -5.13%, respectively). These fluctuations suggest that while revenue grew, the company struggled with managing costs and profitability.

4.1 FINDINGS

- **Current Ratio:** While the company's liquidity improved steadily over five years (from 0.46 to 0.77), it remains below the ideal 2:1 ratio, indicating potential cash flow risks.
- **Debt to Equity Ratio:** The ratio showed extreme fluctuation, peaking at 59.99 in 20202021, revealing high financial risk. Although it improved, the company still relies heavily on debt.
- **Net Profit Ratio:** Although revenue grew consistently, net profit remained inconsistent with periods of significant losses.

4.2 SUGGESTIONS

- **Liquidity Improvement:** The company should focus on increasing current assets or reducing liabilities to enhance its current ratio. Improving inventory turnover and accounts receivable management may help.
- **Debt Management:** To reduce financial risk, the company should prioritize debt reduction strategies, such as refinancing high-interest debt or restructuring liabilities.
- **Strengthen Equity Base:** Raising additional equity or retaining profits for reinvestment can improve financial stability.
- **Operational Efficiency:** The company must implement cost-control measures and streamline production processes to improve operating profit margins.
- **Profitability Enhancement:** By focusing on increasing sales volume and improving profit margins, the company can enhance net profits and sustain long-term growth**.**

4.3 CONCLUSION:

The company's financial performance indicates improvement in some areas but persistent vulnerabilities in liquidity, debt management, and profitability. While revenue growth is promising, consistent losses and high reliance on debt pose significant risks. Strategic improvements in asset management, debt reduction, and cost control are essential to ensure long term financial stability and growth.

5.1 REFERENCE

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