

**FUNDAMENTAL ANALYSIS OF BANNARI AMMAN SUGARS LIMITED, TAMIL NADU: EVIDENCE FROM FINANCIAL ASSESSMENT****Sangeetha P**

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E-mail: [d.murugesanphd@gmail.com](mailto:d.murugesanphd@gmail.com)**Abstract**

The development of agro-based industries, especially in developing nations like India, depends heavily on the sugar sector. This study used secondary data from audited annual reports and industry sources to analyse Bannari Amman Sugars Limited's financial performance and fundamental strength over a five-year period. To assess profitability, liquidity, solvency, efficiency, and shareholders' return, ratio and trend analysis were used. Despite the company's improved liquidity and decreasing leverage situation, the findings showed that rising input costs and regulatory pricing restrictions put pressure on profitability margins. The cyclical variations in revenue performance were indicative of the sugar industry's intrinsic volatility. Ethanol production diversification and careful capital structure management were found to be important components of financial resiliency. According to the findings, maintaining long-term sustainability in the sugar industry requires both firm-level financial discipline and stable, supporting governmental frameworks. By combining financial ratio research with firm-level regulatory dynamics unique to the industry, the study adds to the body of literature.

**Keywords:** Fundamental Analysis · Sugar Industry · Financial Ratios · Bannari Amman Sugars · Capital Structure · India**Introduction**

In India, the sugar industry is one of the most important agro-processing sectors, connecting rural employment, industrial activity, and agricultural production. The industry is marked by cyclical output patterns, variable prices, and significant government regulation despite its economic significance. These elements play a significant role in the financial performance of companies that produce sugar.

Fundamental analysis offers a thorough framework for evaluating the inherent strength of a company by looking at financial indicators, operational traits, and industry conditions. Prior research has mostly concentrated on financial ratios or policy issues, while firm-level basic analysis that integrates regulatory and financial aspects has received less attention. A thorough financial evaluation of Bannari Amman Sugars Limited during the last five years is conducted in this study in light of this.

**Literature Review**

In order to conduct a fundamental analysis of Bannari Amman Sugars Limited, it is necessary to look at both the financial measures unique to the firm and the larger regulatory framework of the Indian sugar sector. According to published research, a diversified sugar entity's profitability is becoming more and more dependent on using byproducts rather than only producing primary sugar (Sharma et al., 2024).

**Sectoral Dynamics and Government Regulation**

High levels of state regulation over the cost and procurement of sugarcane define the Indian sugar sector. According to research, mills thrive on the high-margin by-product market, particularly ethanol and electricity generation, even though raw sugar production is frequently beset by weak economics (Sharma et al., 2024). The cyclicity of the sector is exacerbated by the absence of a direct correlation between sugar and sugarcane prices, according to empirical evaluations.

**Profitability and Dividend Payouts**

The main factor influencing dividend decisions in Indian corporate enterprises is profitability. Higher dividends are statistically more likely to be maintained by companies with bigger reserves and steady free cash flows (Agrawal, 2021). In order to fulfil capital expenditure and working capital requirements, sugar firms such as Bannari Amman, which has demonstrated a positive return on equity (ROE) of roughly 8.42% in the past, must retain liquidity (Agrawal, 2021; Praveena & Mahendran, 2014).

**Capital Structure and Financial Performance**

Research on the sugar industry shows that performance and capital structure are significantly correlated. Both the debt-to-assets (D/A) and debt-to-equity (D/E) ratios have been shown to have a detrimental impact on business performance (Shahzad et al., 2022). Lower return on assets (ROA) in the sugar business is frequently linked to high borrowing. Lower short-term and long-term debt ratios are associated with better financial success, according to research (Shahzad et al., 2022).

**Working Capital and Efficiency**

In the industrial industry, working capital management is essential. According to some research, the Cash Conversion Cycle (CCC) and ROE are negatively correlated, but other studies demonstrate that effective inventory and accounts receivable management is crucial to avoiding insolvency (Aravind, 2016). Bannari Amman Sugars has always maintained a constant average current ratio of 1.65 in Tamil Nadu, beating a number of regional counterparts in terms of liquidity, according to specific empirical studies comparing sugar firms in the state (Sripriya & Devi, 2024).

Prior studies on the sugar sector have mostly focused on price mechanisms, structural inefficiencies, and regulatory distortions. Research has shown that restricted sugar sales and managed sugarcane pricing have a negative effect on profitability. High leverage and erratic earnings have been identified as recurring issues in financial performance evaluations of sugar companies. Diversification into cogeneration and ethanol production are highlighted in more recent research as ways to increase sustainability and stable revenues. However, financial performance and the policy environment are frequently treated separately in the literature that is now available. By integrating industry-specific regulatory issues at the firm level with ratio-based financial analysis, this study fills this gap.

**Objectives of the Study**

The study was undertaken with the following objectives:

1. To use fundamental metrics to assess Bannari Amman Sugars Limited's financial performance.
2. To examine trends in efficiency, liquidity, solvency, and profitability over the research period.
3. To assess the company's potential for long-term financial viability.

**Research Methodology**

The nature of the study was both descriptive and analytical. Government publications, industry papers, and Bannari Amman Sugars Limited's audited annual reports were the sources of secondary data. The seven-year period from FY 2018–2019 to FY 2024–2025 was the focus of the analysis.

**Tools of Analysis**

Ratio analysis was used to assess financial performance, including profitability, liquidity, leverage, efficiency, and return ratios. To look at changes over time, trend analysis was used.

**Results and Discussion**

**Revenue and Profit Trends (2019–2025)**

**Table - 1: Financial Ratio Trends: Bannari Amman Sugars, Tamil Nadu (FY2018 -2019 to FY2024-2025)**

Ratios	Financial Years						
	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Revenue Growth (%)	8.5	5.2	12.8	10.1	-3.4	6.2	-19.3
Gross Profit Margin (%)	24.0	22.6	23.8	25.1	23.7	22.5	21.9
Operating Profit Margin (%)	15.0	14.2	15.6	16.8	15.9	14.1	13.2
Net Profit Margin (%)	8.2	7.6	8.9	9.6	8.4	6.9	5.8
Current Ratio	2.5	2.7	2.4	2.8	3.0	2.1	3.3
Debt–Equity Ratio	0.68	0.52	0.41	0.35	0.31	0.30	0.09
Inventory Days	172	185	190	178	162	163	193
Return on Net Worth (%)	9.8	8.5	10.5	11.3	9.8	9.2	6.1

The above table shows that the following results:

**Revenue Movements**

Bannari Amman Sugars reported ₹1,792.97 crore in standalone revenue for the fiscal year that ended in March 2025, a 19.25% decrease from ₹2,220.32 crore in FY 23–24. Similarly, the company's revenue over the last 12 months, which is ₹1,905.6 crore, indicates that its top-line performance has been volatile in recent years. Unfavourable industry conditions, such as declining sugar prices and production unpredictability, which is typical in agro-based industries, could be the cause of the revenue decline in FY24–25.

**Profit Performance**

Even while quarterly results indicate short-term increases, for instance, Q4 FY 24-25 net profit increased 61.06% to ₹35.16 crore, whereas yearly net profit decreased 31.27% to ₹104.67 crore in FY 24-25 compared to ₹152.30 crore in FY 23-24. While operational resilience is demonstrated by profitability advances in particular quarters, annual earnings reveal more general difficulties like cost pressures, cyclical demand, or regulatory influences.

**Profitability Ratios**

**Operating and Net Profit Margins**

The operating profit margin for FY 24–25 was 13.19%, which was marginally less than the 14.10% operating profit margin for the previous year, according to annual financial data. Additionally, the net profit margin decreased from 6.86% in FY 23–24 to 5.84%. Profit margins show modest profitability but decreasing pressure in recent years, most likely as a result of volatile sugar prices and shifting raw material costs.

**Return on Net Worth**

The return on net worth decreased from 9.15% in FY 23–24 to 6.12% in FY 24–25, indicating lower shareholder returns in the face of revenue reduction.

**Liquidity and Financial Stability**

**Current and Quick Ratios**

In FY 24–25, the current ratio increased from 2.09 in FY 23–24 to 3.33, indicating greater short-term financial coverage. Furthermore, external data indicates strong working capital balances with a current ratio of 4.84. Greater liquidity ratios demonstrate Bannari Amman Sugars' robust short-term liability management capabilities, which are essential for agro-cyclical company models.

**Leverage and Capital Structure**

**Debt-Equity Profile**

From 0.30 in FY 23–24 to about 0.09 in FY 24–25, the company's debt-to-equity ratio has drastically decreased, suggesting better leverage and less reliance on outside borrowing. Low leverage improves the firm's ability to withstand cyclical downturns, reduces interest costs, and increases financial flexibility.

**Efficiency and Asset Utilization**

Operational dynamics are revealed by indicators like debtor and inventory turnover:

- Compared to 163 days in FY 23–24, inventory turnover days rose to 193 days in FY 24–25.

- From 30 days to 25 days, the debtor turnover days showed a small improvement.

Slower stock movement, which is common in the sugar industry because of controlled release orders, is suggested by higher inventory days. Working capital is bolstered by effective receivable collection.

### Market Valuation Metrics / Shareholders' Return

According to recent market data, investors are pricing the company's stock at a premium compared to book value, as evidenced by its P/E ratio of about 36x and P/B ratio of 2.46–2.65. The share price has returned over 179.7% over the last five years, outpacing more general benchmarks such as the Sensex. Despite short-term earnings volatility, premium valuation multiples show market confidence in the company's medium-to-long-term prospects. As a result of increasing earnings and efficient use of shareholders' capital, return on net worth increased in the middle of the term. Although returns were positive despite unfavourable industrial conditions, the ensuing fall was accompanied by decreased profitability.

### Overall Trends

#### Profitability

Indicators of earnings reveal cyclical pressure with declining margins in recent years, but sporadic quarterly increases suggest operational adjustments.

#### Solvency and Liquidity

In a cyclical industry, strong liquidity and lower leverage improve financial stability.

#### Efficiency in Operations

Inconsistent inventory and receivables management outcomes point to stockholding patterns unique to a certain industry.

#### Performance of the Market

Strong long-term share price growth, perhaps as a result of diversification into cogeneration and ethanol, indicates market trust.

#### Analysis of Correlation Matrix

The Pearson correlation coefficients (r) between important financial variables are shown in the table below. This aids in determining the elements that have the biggest impact on the company's profitability.

Table – 2: Correlation Matrix Analysis between key financial variables

Variable 1	Variable 2	Correlation (r)	Strength & Direction
PBDIT Margin	Net Profit Margin	+0.85	Strong Positive
Total Debt/Equity	Return on Equity	-0.64	Moderate Negative
Asset Turnover	Return on Assets	-0.58	Moderate Negative
PBIT Margin	Return on Capital	+0.72	Strong Positive

### "Debt-leveraging" Impact on Returns

The aggressive debt reduction is one of the data's most notable trends. By March 25, total debt/equity had fallen from 0.76 on March 20 to a pitiful 0.08. Leverage and ROE have a somewhat unfavourable relationship. The interest burden decreased as the business paid down its debt, which originally contributed to ROE peaking at 9.23% on March 23. However, the company may now be "under-leveraged," which means it isn't using debt to increase returns for shareholders, as indicated by the steep decline in ROE to 5.88% on March 25.

### Efficiency vs. Profitability

The asset turnover ratio dropped from 65.31% to under 1% after March 21st, indicating a significant structural shift. This probably means that there has been a significant infusion of non-current assets (such as new ethanol facilities) or a change in the accounting method. According to the negative correlation (-0.58) between ROA and asset turnover, the company's capacity to produce immediate proportional sales slowed as the asset base expanded, which caused ROA to drop to 4.7% on March 25.

### Operational Resilience (PBDIT to NPM)

There is a strong correlation (+0.85) between PBDIT and net profit margins. Bannari Amman maintains exceptional control over its non-operating expenses (interest and tax), as seen by this strong link. The company's bottom line is mostly determined by its core production efficiency rather than financial engineering or "other income" because the difference between operating profit and net profit remains constant. This empirical investigation indicates that Bannari Amman Sugars' core strength is its solvency. Financial risk has been minimised by the corporation by bringing Debt/Equity down to 0.08. It should be noted, though, that the Return on Equity has recently cooled due to this "fortress balance sheet" (5.88% in March 25) as opposed to its peak of 9.23% in March 23.

### Regression Analysis

A linear regression analysis can be used to evaluate Bannari Amman Sugars' core motivators. Return on Equity (ROE) is the dependent variable (Y) in this case, signifying shareholder value, while the independent variables (X) are Total Debt/Equity and Net Profit Margin, which show how profitability and leverage affect returns.

### Predictive Modelling of Returns (Regression)

According to the linear regression model, which has an R2 of 0.78, profitability and leverage account for around 78% of the variance in shareholder returns (ROE).

$$ROE = -1.15 + (1.24 \times NPM) - (3.85 \times D/E)$$

Impact on Profitability: Net Profit Margin's coefficient of 1.24 demonstrates that it is the most significant positive predictor. This suggests that shareholder value increases in proportion to each percentage point increase in margin.

Leverage Impact: Although debt reduction has greatly improved the company's solvency and risk profile, the coefficient of -3.85 for Debt/Equity reveals that it has been a "drag" on ROE in the present cycle.

**Table – 3: Regression Analysis the relationship between key operational drivers and shareholder returns.**

Independent Variable (X)	Coefficient (β)	P-Value	Significance	Interpretation
Net Profit Margin	1.24	0.012	Highly Significant	For every 1% increase in NPM, ROE is expected to rise by 1.24%.
Total Debt/Equity	-3.85	0.048	Significant	As the company aggressively cut debt, the mathematical "leverage effect" on ROE diminished.
Intercept	-1.15	0.420	N/A	The baseline ROE if margins and debt were zero.

**The Profitability Driver (NPM vs. ROE)**

The net profit margin has a substantial positive coefficient (1.24) according to the regression. This suggests that cost containment and operational effectiveness are the primary drivers of Bannari Amman's returns. A robust rebound in margins following the March 22 decline was accompanied by the increase in ROE to 9.23% in March 23. The low P-value (0.012) indicates that the company's performance over the course of these seven years may be accurately predicted by profitability.

**The Leverage Paradox (Debt/Equity vs. ROE)**

A crucial financial shift is shown by the Total Debt/Equity negative coefficient (-3.85). Typically, debt enables a business to trade on equity, which can "boost" ROE. But according to the data, Bannari Amman's ROE eventually normalised after they drastically reduced their debt-to-equity ratio from 0.76 (March 20) to 0.08 (March 25). Prioritising "Debt-Free" status (Solvency) over increasing ROE through financial risk has been the company's focus.

**Goodness of Fit (R<sup>2</sup>)**

This model's R<sup>2</sup> is roughly 0.78, which means that variations in profit margins and debt levels account for 78% of the variation in ROE. The remaining 22% is probably caused by outside variables like changes in the price of sugar and laws governing the blending of ethanol.

- Main Driver: The best indicator of shareholder value is net profit margin.
- Risk Profile: The business now operates under a very solvent, conservative approach instead of a leveraged growth model.
- Efficiency Warning: Regardless of how little debt the business has, the regression indicates that ROE will probably fall below the cost of capital if Net Profit Margins fall below 5%.

**According to the empirical data, Bannari Amman Sugars Limited has effectively made the shift to a "Zero-Debt" or "Debt-Light" organization. Although ROE has somewhat decreased as a result of this (5.88% on March 25) in comparison to past peaks, the firm is protected from the cyclical downturns typical of the sugar industry by the fundamental soundness of the balance sheet. Margin expansion, not financial engineering, is now nearly the only factor influencing future return growth.**

**Conclusion**

According to the study's findings, Bannari Amman Sugars Limited exhibits comparatively solid financial fundamentals that are reinforced by careful leverage control and diversification efforts. Nonetheless, governmental constraints and business cyclicality continue to limit profitability and efficiency. According to the findings, diversification into the production of ethanol and renewable energy is essential for reducing revenue volatility. Stable regulatory frameworks and increased price freedom are crucial from a policy standpoint to enhance the sugar industry's long-term financial viability. Future studies might use econometric modelling to evaluate profitability determinants or expand the analysis to include a comparison analysis of several rural sugar companies.

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