SMES IN FRUIT PROCESSING SECTOR – A STUDY OF FINANCIAL PERFORMANCE OF FRUIT PROCESSING INDUSTRY IN CHITTOOR DISTRICT OF ANDHRA PRADESH

Dr Kota. Sreenivasa Murthy
Professor, Department of Management Studies, Seshachala Institute of Management Studies, PUTTUR

ABSTRACT

This article made an attempt to review the role and financial performance of fruit processing industry in the small and medium sector and their significance role in Indian economy. Globalisation is a source of opportunities as well as a source of threats. Specific advantages derived from operating in a global market seem to be exploitable only by large organizations unless Small- and Medium-sized Enterprises (SMEs) can find an organizational solution allowing them to cope with global business opportunities without suffering from limited resources and without exposing themselves to the risk of direct investment. In the European experience, regional clusters of SMEs have turned into competitive advantage a peculiar - both at once competitive and co-operative relationship strongly based on geographical proximity and on cultural affinity.

The study found that the number of processing units has grown about 130 per cent from 1988-99 to 2007-08 in SME sector in fruit processing industry and there has been 100 per cent increase in installed capacity; remarkably increase in investment, employment, exports and domestic sales. Because of low capacity and poor capacity utilization, the processing activity has recorded at very low level. Following economic liberalization, foreign direct investment in the fruit processing industry, particularly in SME sector has been increasing. Chittoor district has the potential to become a leading exporter of processed fruit products in India. To achieve this, there is a need to remove the constraints facing the industry and need lot of encouragement from the Government of Andhra Pradesh.

Key Words: - Role of SMEs in India – opportunities for SMEs in industries – Food Processing Industry - Strengths and Weaknesses of Fruit Processing Industry, Financial performance of Fruit Processing Industry in SME sector in Chittoor District.
INTRODUCTION

Small and Medium Enterprises (SMEs) are a key factor in the economic development and innovation. The core of the political and economic transformation of any country is the creation of the private sector, the development of entrepreneurship and creation of SMEs. They are considered to be one of the principal driving forces in economic development. SMEs stimulate private ownership and entrepreneurial skills, they are flexible and can adapt quickly to changing market demand and supply situations, they generate employment, help diversify economic activity and make a significant contribution to exports and trade. SMEs also play an important role in innovation and the high-tech business, due to their flexibility and creativity many of them became large businesses. SMEs have been shown to contribute significantly to the country and regional economic growth, increased employment levels and locally relevant product and service innovation. Although the definition of what constitutes SMEs varies from country-to-country, the benefits of growth in the SME sector are significant.

GLOBAL COMPARISON

In the global scenario SMEs have always played a crucial role in their respective country's economy. International comparisons reveal that SMEs create the majority of jobs. In the USA, nearly half of the private workforce is employed in small firms, of which three–fifth have less than five employees. In Japan, 78 percent of jobs are generated by SMEs. The same sector in Korea accounts for 99 percent of all manufacturing enterprises and 69 percent of employment in this sector. Therefore, SMEs must play a central role in the country’s employment strategy. This will require modification of policies and programmes to level the playing field, improve availability of credit, increase productivity, raise quality consciousness and competitiveness, and enhance job quality.

Recent experiences of different countries in the context of globalisation also demonstrate that SMEs are better insulated from the pressures generated by the volatility of world trade and capital markets. They are more resistant to the stresses, and more responsive to the demands of the fast-changing technologies and entrepreneurial responses. Indeed, they are observed to be a
very important vehicle for new technology adoption and entrepreneurial development. Ensuring the competitiveness of the SMEs is important as it would help in overall growth of manufacturing sector as also the national economy.

ROLE OF SME SECTOR AND THEIR REQUIREMENTS:

Small and Medium enterprises are the driven force in industrial development, comprise more than 90% all enterprises in the world and are on average providing 60% to 80% total employment. Anecdotal evidence suggests that despite the decline in the large sector growth rate world wide, SME sector has managed to grow; since they are relatively flexible and can adapt quickly to the changing market demand and supply situations. SME bring more diversity to economy, facilitate technology innovation, and provide significant opportunities for the development new ideas and skills. However, in most of countries, the avaibility of the technology and innovation is limited and not accessible to small entrepreneurs. Moreover, SMEs need more innovate solutions, latest technology, machinery equipments, testing laboratories, finance for technology up gradation and a platform to understand and acquire the require knowledge.

SMEs in major Industries

In spite of their limitations, the SME sector have made a significant contribution towards technological development and exports. They are established in almost all-major sectors in the Indian industry such as:

- Food processing
- Agricultural inputs
- Chemical and Pharmaceuticals
- Engineering, Electrical and Electronics
- Electro-medical equipment
- Textile and garments
- Leather and leather goods
- Bio-engineering
- Sport goods
- Plastic products
- Computer software etc.
Indian SME Sector:-

- 13 Million MSME Units
- Employ 30 Million people
- One Million jobs per annum
- Contribute 34% of export
- Contribute 40% of Industrial output
- Produce more than 8000 products
- Major role in industrial growth
- SSI growth rate 12.32%

OPPORTUNITIES FOR SMES IN INDIA

Major policy reforms aimed at substantially deregulating industrial sector and liberalizing foreign investment as well as technology imports, have been the most significant development in India since 1991. The post-liberalization era in the Indian economy has enhanced opportunities and challenges for the small industries sector. The following factors – strengths coupled with opportunities work in favour of Indian SMEs

- High contribution to domestic production
- Significant export earnings
- Low investment requirements
- Operational flexibility
- Location wise mobility
- Low intensive imports
- Capacities to develop appropriate indigenous technology
- Import substitution
- Contribution towards defense production
- Technology – oriented industries
- Competitiveness in domestic and export markets

Threats

- Dumping from developed countries.
- Distrust between SMEs and Financial Institutions.
- Poor incentive structures for entrepreneurs.
- Virtual absence of Enterprise Education.
Non tariff barriers from developed countries.

Slow improvement in quality to meet the international standards.

Outlook for SMEs

- SMEs contribution to national GDP is projected to go up to by a minimum of 5% and touch 22% share of India’s GDP by 2012, since over 55% of SMEs are aggressively upgrading themselves technologically to reduce their input costs and increase production and exports.
- The World Bank has approved 400 million dollar additional financing loan to the Small Industries Development Bank of India (SIDBI), which is aimed at improving access to finance for Small and Medium Enterprises (SMEs).
- SMEs continue to be the thrust area for Government policies.
- The growing economy and the tremendous market potential of the country augurs well for the sustained growth of SMEs in the country.
- Panacea for employment and decentralised industrial development.
- With the enactment of MSME Act, the sector is all set to emerge as the most significant player in national economy.
- SIDBI as the apex institution will continue to play its key role in facilitating timely and adequate credit besides meeting the developmental needs of the sector.

The methodology of the study: Apart from the analysis hither to make on the status and progress of fruit processing industry, the study purports to analyse the role of small and medium enterprises in SME’s, particularly in fruit processing units in Chittoor district. This is micro level study confined to Chittoor district. The study covers small and medium processing units because the size and conditions under which they operate varies from the unit to unit. The data is collected through canvassing questionnaires to the entrepreneurs of fruit processing units. This study is limited only to the financial efficiency and growth of the fruit processing industry in Chittoor District.

Source of the Data

The present study is mainly based on both primary as well as secondary data. The Primary data was collected from the sample units by way of field study. Schedules specially designed for the purpose were filled in through personnel interviews and information given by the respondents was also recorded, analyzed and drawn interferences. Secondary data for the study have been
collected from the annual reports of National Horticultural Board, AP Horticultural Department and District Industrial Centre. The other data have also been gathered from various annual reports, journals, and periodicals.

**Period of Study**

The present study has been selected for a period of six years commencing from 2004-05 to 2009-10. This period is quite satisfactory to evaluate the financial and operational efficiency for the existing SMEs of fruit processing units in Chittoor District.

**Objective of the Study**

The purpose of the present study is to identify the financial and operational efficiency and role of fruit processing industry in SME sector and development of fruit processing industry in Chittoor district of Andhra Pradesh. The present study is mainly based on the primary data collected from the district industrial centre by way of field study. As the study is localized and confined only to the chittoor district. The main objective of the present study is

1. To examine the role and opportunities of SME sector in industrial development, particularly in Food Processing Sector.
2. To study the significance of fruit processing industry in SME Sector in Chittoor district.
3. To identify the financial and operational performance of fruit processing industry in Chittoor district

**Food Processing Industry in India**

The Indian food processing industry was valued at Euro 90 billion in 2008, a growth of 10% over the previous year. The food processing industry consists of segments like processed fruits and vegetables, cereal based products, dairy products, meat, poultry processing industry is becoming an attractive FDI destination, at attracted around Euro 0.8 billion FDI during 1991-2008 which is 5.3% of total FDI inflow in India. The food Processing Industry sector in India is one of the largest in terms of production, consumption, export and growth prospects. The government has accorded it a high priority, with a number of fiscal relief’s and incentives, to encourage commercialization and value addition to agricultural produce, for minimizing pre/post harvest wastage, generating employment and export growth. India grows a variety of temperate to tropical fruits and vegetables. Processing plays an important role in the conservation and effective utilization of fruits and vegetables. The processing also helps in generating rural employment, besides, processed fruits and vegetables are a source of earning foreign exchange.
India has favorable climate conditions and vast potential for growing fruits and vegetables. However, slightly over one present in the units covered under the Fruits Production Order (FPO). This is because of a number or problems faced by the industry such as high cost of production, high cost of processing, high cost of packing and transportation. The new industrial policy has however placed the processed fruits and vegetables in the list of high priority areas and various incentives have been provided in this sector.

**Strengths and Weaknesses of the Fruit Processing Industry in India**

The Following are the strengths and weaknesses of the Fruit and Vegetable Processing Industry in India.

- The second largest producer of fruit and vegetables in the World.
- Accounts for 9% fruit and 12% vegetables production in the whole World.
- World’s largest producer of Mango, Banana, Sapota, Acid lime, Spices and Cashew kernels.
- The highest productivity of grape.
- Wide diversity in agro-climate conditions permitting the production of wide range of fruits and vegetables.
- High export intensity of the processed products-about 35% of the gross processed products as compared to 0.37% export of gross fresh produce.
- Extended harvesting season for the export oriented fruits like Mango, Grape and others.

**Weaknesses of the Fruit Processing Industry in India**

- Less than 2% of the fruits and vegetables are processed.
- Post-harvest loss of 30-40%.
- Share of less than 1% in World trade in agricultural products.
- High Cost of production.
- Low value addition- about 7%
- Low realization at the producers level (20-30% as compared to 40-50% in the developed countries)
- Low productivity and high raw material price for processing industry.
- Poor quality.
- Inadequate infrastructural facilities.
Recent Development

The Government has accorded the status of priority sector for the food processing industry vis-à-vis bank credit in the budget for the financial year 2008-2009. The government has also proposed to fully exempt condensed milk, fruit pulp, ice creams, preparation of meat, fish and poultry, pectin, pasta and yeast from excise duty. The reduction in the excise duty on ready-to-eat packaged food and instant food mixed to 8 per cent from 16 per cent has also been suggested. In addition, a reduction in custom duty on packaging machinery from 15 per cent to 5 per cent has been proposed. Ministry of Food Processing Industries has proposed to set up a ‘National Institute of Food Technology/Entrepreneurship and Management (NIFTEM)’ is aimed at developing world-class food technologists, entrepreneurs and managers in the food industry; providing business incubator services, undertaking frontier research for development food products; providing food testing referral services; being an apex information resource centre for food industry and exporters; and assisting government in policy formulation.

Policy Initiatives:

Several policy initiatives have been taken from time to time to promote growth of the processed food sector in the country. Some of these are:

- Most of the processed food items have been exempted from the purview of licensing under the Industries (Development & Regulation) Act, 1951, except items reserved for small-scale sector and alcoholic beverages.
- Food processing industries were included in the list of priority sector for bank lending in 1999.
- Automatic approval for foreign equity upto 100% is available for most of the processed food items excepting alcohol and beer and those reserved for small scale sector subject to certain conditions.
- Excise duty on processed fruits and vegetables has been brought down from 16% to zero level in the Budget 2001-02.
- In the Budget of 2004-05 Income Tax holiday and other concessions were announced for certain categories of food processing industries.
- Preparations of meat, fish and poultry, pectins, pasta and yeast. Excise Duty on ready to eat packaged foods and instant food mixes, like dosa and idli mixes have been reduced.
Fruit and vegetable processing units are already exempted from payment of Excise Duty.

- To ensure easy availability of credit, Government has included food processing industries in the list of priority sector for bank lending. NABARD has created a Refinancing window with a corpus of Rupees one thousand crore for agro processing
- Infrastructure and market development.
- In Budget 2007-08 Excise Duty has been waived on all kinds of food mixes including instant mixes, soya bari (food supplement) and ready to eat packaged foods and on biscuits.
- Excise Duty on reefer vans (refrigerated motor vehicles) has been reduced from 16% to 8%. Exemption limit of Excise Duty for small scale industry has been raised from Rs.1.00 crore to 1.50 crores.
- Customs Duty on refrigerated motor vehicles has been waived while Customs Duty on food processing machinery reduced from 7.5% to 5%. Customs Duty on sunflower oil (crude) reduced from 65% to 50% and on sunflower oil (refined)
- Special additional duty of 4% has been waived in the case of refined edible oil.
- Central Dales Tax reduced from 4% to 3%.

FOOD PROCESSING INDUSTRY IN ANDHRA PRADESH

Andhra Pradesh is a key state that contributes significantly to the food and food processing sector in India. The state ranks first in the country in area and production of mango, oil palm, chillies and turmeric, second in citrus and coriander, third in cashew, fourth in flowers and fifth in grapes, banana, ginger and guava based on area and production. It accounts for a sizeable share of country’s aggregate production of rice. It also contributes 25-30 per cent to the total seafood exports of the country.

The food processing industry contributes 19.36 per cent to total industrial production in the state. It ranks second in the production of value-added products and beverages with a 10 per cent contribution to the exports of the country. The state is also well endowed with human resources with the right skill sets. It is estimated that the agro based industry in the state employs 65 per cent of its total population.

Strengths:

- The state abundant sub soil water reserves.
There exists a good network of nurseries / seed agencies

The farming community is fairly educated and enterprising.

There has been a spread and prevalence of new high-tech technologies.

The horticulture sector has been treated as ‘focus area’ by the State Government.

Weaknesses

- There is inadequate power supply in many parts of the state.
- There is lack of proper regulation in plant material supply.
- There are inadequate programmes for waste land utilization.
- The number of Leaf Analysis Laboratories is not found to be adequate.
- There is lack of focus on post harvest management and facilities like cold storage, pre-cooling and waxing centers, processing units etc.
- The marketing channels are not well developed.
- This is no focus on farmer training programmes for horticulture.

Opportunities

- Large tracts of dry lands / rain fed areas / wastelands can be utilized for promotion of horticulture.
- There is an opportunity to set up processing industries for horticultural crop on the back of improved post harvest practices.
- There are export opportunities which can be tapped flowers to EU, Mango to Far East, and Banana to Middle East.

Threats

- The increase in the soil and water salinity levels would limit the productivity of horticultural crops.
- There are wide fluctuations in the market prices and the price discovery mechanism is not transparent.

Fruit Processing Industry (SMEs) in Chittoor District

Chittoor district is one of the few major mangos growing district in the entire State. Mango is grown on 53,401 acres producing around 2.14 lakh tonnes per year. Production of major crops – Mango (3, 58,617 MT), Cashew nut (161.5 MT), Tomato (4, 00,000 MT), Papaya (6,000 MT), tamarind (15,000 MT). Chittoor district is basically an agricultural district with added potentialities and having good agriculture, horticultural, dairy and mineral resources.
There are 53 Fruit Processing Industries in Small and Medium scale sector. There are 40 processing units in Chittor region, 10 units in Tirupati region and 3 Units in Madanapalli region manufacturing fruit pulp with a total capacity of 10,000 M. Tonnes per Annum. There is a scope for more units with asceptic packing which is export oriented. The mango processing units produce large amount of mango peels and mango kernels, which largely remained unutilized. There exists potential in setting up units for extraction of oil from mango kernel, which can be used in varnishes, soaps etc. Similarly mango peels can be dried and converted into protein additive for cattle feed. This is an innovative process not in use in the district, hence the appropriate technology for the same needs to be developed. The development of Fruit Processing Industry in the district has generally stimulated the production of horticultural products particularly mangos.

90% of the Mango Pulp produced in the District is being exported mainly to the Gulf countries like Kuwait, Saudi, Dubai and also to the European Countries. For the first time in 18 years, Indian mangoes will be available in US super market. India produces about 13 million tonnes of mangoes every year, over half the world’s total mango supply. However, barely 1% of its produce is exported. It accounts for only 19 % of global mango. The American green light for import of Indian mangos will give growers of the fruit in India access to the US mango market, which is pegged at 2,50,000 tonnes per year. The US is the world’s larger importer of mangoes and so far it has been Mexico, which produces only 5% of the world’s mangoes, that has dominated the US market. India will now look to edge out the Mexicans. Japan for instance, opened its doors to Indian mangoes after the American green light. Australia and New Zealand are likely to follow suit soon.

**Status of Fruit Processing Industry in Chittoor District**

The Chittoor Fruit Processing cluster is the largest of its kind in the country. 53 processing units are presently operating in the district. Nearly 83 % of the units are located with a radius of about 35 kms from chittoor town, the district headquarters. Out of 53 units, 48 units are small scale units and 5 are medium scale units they are categorized based on investment range. The growth dimensions of the Fruit Processing clusters in Chittoor district across the years as revealed by some lead indicators are presented in the table1
Table 1 shows that the trend of the fruit processing industry in Chittoor District in about 10 years. The fruit processing firms increased by 130 per cent from 1988-99 to 2007-08 along with this there has been 100 per cent increase in installed capacity, remarkably increase in investment, employment, exports and domestic sales.

**Mango Processing Industry in Chittoor district:**

- 53 processing units are established as SMEs in the district
- 7 units are with Aseptic processing
- 46 units are with canning system
- 4.02 lakh MTs of Mango production
1.90 lakh MTs of raw mangoes are processed.

1.26 lakh Mrs of mango pulp were produced.

90% of totapuri fruit, 50% of Alphonso fruit is utilized for pulp processing and remaining is being used for table purpose.

**Performance of Sample Unit:**

**Poorna Processed Foods (Medium Scale)**

Poorna Processed Foods was established in 1998, with setting up a fruit processing plant to produce international quality fruit pulps, juice concentrates. Its plant – is one of the largest and most modern in South India. And plant is the strategically located in the heart of the fruit growing belt in the district. This ensures a continuous supply of the best quality of tropical fruits-fruits obtained directly from farmers and agencies that strictly conform to the company’s norms in the use of fertilizers, pesticides and post-harvest management. Poorna has two modern processing lines, capable of handling 80 tonnes of fruit per day, one of the lines is devoted solely to closed system i.e Tubes in Tube pasteurizer, where the processing line is fully automatised and controlled for critical parameters such as temperature and flow rate. No Preservatives are used in the Processing the final product is fully natural, and retain with all its original flavour and aroma. This unit has a wide range of products ranging from Mango Pulp, Guava Pulp, Papaya Pulp, Banana etc. It is reckoned as one of the leading Producers of Food Products in South India.

**Table 2**

**Profitability of Poorna Processed Foods**

(Rs. in Lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Profit Value</th>
<th>Gross Profit Ratio</th>
<th>Operating Profit Value</th>
<th>Operating Profit Ratio</th>
<th>Net Profit Value</th>
<th>Net Profit Ratio</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>28.07</td>
<td>8.68</td>
<td>0.95</td>
<td>0.30</td>
<td>0.68</td>
<td>0.21</td>
<td>323.47</td>
</tr>
<tr>
<td>2005-06</td>
<td>35.08</td>
<td>12.21</td>
<td>2.63</td>
<td>0.92</td>
<td>0.75</td>
<td>0.26</td>
<td>287.32</td>
</tr>
<tr>
<td>2006-07</td>
<td>57.36</td>
<td>9.37</td>
<td>1.44</td>
<td>0.24</td>
<td>1.16</td>
<td>0.20</td>
<td>612.15</td>
</tr>
<tr>
<td>2007-08</td>
<td>71.42</td>
<td>11.52</td>
<td>4.42</td>
<td>0.72</td>
<td>1.09</td>
<td>0.18</td>
<td>620.13</td>
</tr>
<tr>
<td>2008-09</td>
<td>5.35</td>
<td>0.50</td>
<td>3.58</td>
<td>0.33</td>
<td>0.94</td>
<td>0.10</td>
<td>1085.85</td>
</tr>
<tr>
<td>2009-10</td>
<td>5.00</td>
<td>0.45</td>
<td>1.25</td>
<td>0.12</td>
<td>1.08</td>
<td>0.10</td>
<td>1118.00</td>
</tr>
</tbody>
</table>

**Source:** Financial Statements
A perusal of Table 2 reveals that the ratio of gross profit of Poorna Foods showed a fluctuating trend from 2004-05 to 2009-10. There was a little increase in the ratio of operating and net profit of the industry. This indicates that the industry did not maintain the profitability according to sales. It is necessary to control the costs of manufacturing, operating, selling and distribution, etc. to improve the profitability.

Table 3

Working Capital Position of Poorna Processed Foods

(Rs. in Lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Current Assts</th>
<th>Current Liability</th>
<th>Ratio</th>
<th>Working Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>23.46</td>
<td>43.65</td>
<td>0.54</td>
<td>-20.19</td>
</tr>
<tr>
<td>2005-06</td>
<td>99.67</td>
<td>93.17</td>
<td>1.07</td>
<td>6.50</td>
</tr>
<tr>
<td>2006-07</td>
<td>137.49</td>
<td>125.41</td>
<td>1.09</td>
<td>12.08</td>
</tr>
<tr>
<td>2007-08</td>
<td>318.37</td>
<td>346.36</td>
<td>0.92</td>
<td>-27.99</td>
</tr>
<tr>
<td>2008-09</td>
<td>298.54</td>
<td>354.05</td>
<td>0.84</td>
<td>-55.51</td>
</tr>
<tr>
<td>2009-10</td>
<td>448.97</td>
<td>363.11</td>
<td>1.24</td>
<td>85.56</td>
</tr>
</tbody>
</table>

Source: Financial Statements
Table 3 reveals that the current assets of Poorna Foods are less than its current liabilities and that it has not maintained properly the standard of current ratio i.e. 2:1 for all the years. Its current assets are not sufficient to satisfy its current liabilities. Its short-term financial position is not satisfactory for all the years.

**Parrot Processed Foods (Small Scale)**

The Paroot Processed Foods unit is situated in Puttur Mandal in Chittoor District in a small village called Cherlopalli. It has been functioning for the last 10 years and its main objective is exporting Mango Pulp after producing it. It started with pulp production of 200 tonnes and reached production of 10,000 tonnes during the year 2008-09. Its only resource of mangos is Puttur market yard. Since the unit does not have a self exporting unit it depends on Mumbai market for export.

**Table 4**

**Profitability of Parrot Processed Foods**

(Rs. in Lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Profit</th>
<th>Operating Profit</th>
<th>Net Profit</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value</td>
<td>Ratio</td>
<td>Value</td>
<td>Ratio</td>
</tr>
<tr>
<td>2004-05</td>
<td>4.83</td>
<td>48.06</td>
<td>2.67</td>
<td>26.57</td>
</tr>
<tr>
<td>2005-06</td>
<td>2.80</td>
<td>50.36</td>
<td>2.36</td>
<td>42.45</td>
</tr>
</tbody>
</table>
Table 4 reveals that the gross profit of Parrot Foods was 48.06 percent in 2004-2005 and it increased to 80.23 percent in 2006-07, but decreased in the remaining years. The operating profit also increased in proportion to sales from 2004-05 to 2009-2010. There was a good control on operation expenses in the industry. The net profit ratio shows that there was an upward and upward and downward movement in all the years.

Table 5

Working Capital Position of Parrot Processed Foods

(Rs. in Lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Current Assts</th>
<th>Current Liability</th>
<th>Ratio</th>
<th>Working Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>1.63</td>
<td>12.02</td>
<td>0.14</td>
<td>-10.39</td>
</tr>
<tr>
<td>2005-06</td>
<td>2.40</td>
<td>44.28</td>
<td>0.05</td>
<td>-41.88</td>
</tr>
<tr>
<td>2006-07</td>
<td>2.47</td>
<td>43.95</td>
<td>0.06</td>
<td>-41.48</td>
</tr>
<tr>
<td>2007-08</td>
<td>2.83</td>
<td>16.10</td>
<td>0.18</td>
<td>-13.27</td>
</tr>
<tr>
<td>2008-09</td>
<td>1.62</td>
<td>14.99</td>
<td>0.11</td>
<td>-13.37</td>
</tr>
<tr>
<td>2009-10</td>
<td>1.70</td>
<td>15.20</td>
<td>0.12</td>
<td>-13.50</td>
</tr>
</tbody>
</table>
Source: Financial Statements

Table 5 presents clearly that the industry Parrot Processed Foods faces working capital difficulties in almost all the years, because the firm has not maintained the standard of current ratio for all the years. It shows that the current assets of the industry have not been sufficient to meet their short-term requirements.

CONCLUSION

The performance of Small and medium fruit processing industry in the district during the last six years is satisfactory. There are 53 fruit processing units in operation in Chittoor district. These units have been classified as per investment criteria of MSMEs Act, 2006. According to this criterion, there exist 40 units in Small Scale, 08 in Medium Scale and 05 in Large Scale. The exports from the Chittoor district are estimated at 60,000 tons of cans and 15,000 tons of Aspetic per year.

With the present 70 per cent operational capacity utilization, the total pulp production from the existing units would be of the order of 7,000 M. Tonnes using 10,000 M. Tonnes of mango fruits. The surplus fruits available in the district are locally consumed and export to other districts, states and countries. The export of mangoes to other states and countries is facing serious competition from increasing production of mangoes throughout India. Further, due to

![Working Capital Position of Parrot Processed Foods](image-url)
drought conditions, more and more new orchards are coming up in the district with an enormous scope for more supply of fruits in future. Therefore, it is necessary for the development of production capacity of Existing units in the district by providing fixed and working capital requirements sufficiently. Good government policies and honest and efficient administration are essential prerequisites for proper and efficient functioning of Small and Medium Enterprises in any economic system.

REFERENCES

1. Annual report of Food Processing Industry2008-09, Ministry of food processing, Government of India.
3. District Industrial Centre, Chittoor
7. Fruit processors cluster Association and District Industrial centre, Chittoor district.
10. Overview of food Processing in India – Indo Italian chambers of Commerce.

Web Sites:

1. www.apeda.gov.in
2. www.mofpi.nic.in
3. www.apshm.ap.nic.in