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<th>TOPIC</th>
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CHAPTER – 1:

- EXECUTIVE SUMMARY
- INDUSTRY PROFILE
- COMPANY PROFILE
- NEED OF STUDIES
- OBJECTIVES OF STUDY
EXECUTIVE SUMMARY

Financial statements provide summarized view of the financial position and operation of the company. Therefore, now a day it is necessary to all companies to know as well as to show the financial soundness i.e. position and operation of Company to their stakeholders. It is also necessary to company to know their financial position and operation of
the company.

In this report I made an effort to know the financial position of Dharwad Milk Producers Union Limited, by using the Annual Reports & Financial Statements of the firm.

The Financial analysis of this report will show the Strength and weakness of the Dharwad Milk Producers Union Limited. Financial analysis will help the firm to take decision.

Thus, we can say that, Financial Analysis is a starting point for making plans before using any sophisticated forecasting and planning. “Study the FINANCIAL RATIO AND ANALYSIS” at Dharwad Milk Union Ltd, Dharwad.

INDUSTRIAL PROFILE
DHARWAD MILK UNION

- Name of the INDUSTRY: Karnataka Milk Federation (KMF)
- Year of establishment: 1976
- Type of Industry: UNION BASED INDUSTRY
- Corporate office: Bangalore
- Total Unions: 13
- Production: Milk products
- Turnover 2007-08: Rs. 2707.00 crores.
- Dairy Co-operatives 2007-08: 11063

ORGANISATION PROFILE:
Name of the Organization: Dharwad Milk Union (DMU)
- Karnataka Milk Federation (KMF)

Year of establishment: 1984
Type of Organization: Small Scale Industry
Total area: 15 acres
Sales 2008-09: 46,82,83,461.32
Labors Strength: 316
Production: Milk products

MISSION STATEMENT OF DMUL

“TO ENHANCE MILK PRODUCTION AND PROCURMENT AND MAXIMIZE RETURNS TO MILK PRODUCERS BY FINDING LUCRATIVE MARKET FOR MILK AND THEREBY TOWARDS VIABILITY OF MILK UNION”.

Need For Study:
The financial performance of the company is known by calculating financial statement and ratio.

To know the organizational activity.

To know the societies contribution to build the industry and also organization.

Objectives of Study:

- To study the organization activity of each department.
DHARWAD MILK UNION

- To find out the financial performance of the organization for last 5 years through ratio analysis.
- To know how the ratio analysis helps the organization to improve profits.
- To know the Utilization of financial resources.

Research Methodology:

Research:

Research is nothing but systematic investigation and study of sources & materials. It establishes facts and reach conclusions.
Methodology:

Methodology is nothing but a body of methods used in a particular activity.

- The methodology includes the personal interaction with the finance manager.
- Selection of data: From the Financial Statements of the firm for last five years; i.e. from

  - Financial Statements for the year 2004-05
  - Financial Statements for the year 2005-06
  - Financial Statements for the year 2006-07
  - Financial Statements for the year 2007-08
  - Financial Statements for the year 2008-09

Period: The Study covers a period of five years data from 2004-05, 2005-06, 2006-07, 2007-08 & 2008-09 mean an Accounting year of the company consisting of 365 working days.

FINDINGS

1. Firm is more dependent Internal funds Its Good sign.
2. The firm is not utilizing assets efficiently.

3. Profit of the firm is increasing but not satisfactory.

RECOMMENDATION

1. Have to concentrate on short term loans to improve liquidity position.

2. Management of manufacturing, administrative and selling expenses is necessary.

CONCLUSION

The profit of the Company is not in a good position for that company to take alternative actions such as increasing in procurement of milk, production, and control in fixed expenses like administrative, selling etc.

LIMITATION OF THE STUDY:
DHARWAD MILK UNION

- The accuracy of the ratios is subject to the validity of information provided through Balance sheet, Profit and Loss A/c and interactions with Management.

- The standard for the ratios are suitably modified to prudently reflect the financial position keeping in mind the peculiarities of the industry / company.
CHAPTER – 2:

- INTRUCTION TO THE STUDY
- INDUSTRI PROFILE

INTRUCTION TO THE STUDY

The study paper on the topic “a study financial Ratio Analysis at DMUL” is
partial fulfillment of requirement of MBA course in finance under the banner of IMS ILKAL.

It was an opportunity to learn practical aspects of industries. I have chosen this topic because “ratios are used to interpret the financial statements so that strengths and weaknesses of a firm as well as to know its historical performance and current financial condition can be determined.”

My study covers the calculation of ratios for DMUL and to know their financial performance.

RATIO ANALYSIS

When we observed the financial statements comprising the balance sheet and profit or loss account is that they do not give all the information related to financial operations of a firm, they can provide some extremely useful information to the extent that the balance sheet
shows the financial position on a particular date in terms of structure of assets, liabilities and owners equity and profit or loss account shows the results of operation during the year. Thus the financial statements will provide a summarized view of the firm. Therefore in order to learn about the firm the careful examination of invaluable reports and statements through financial analysis or ratios is required.

Meaning and Definition:-

Ratio analysis is one of the powerful techniques which is widely used for interpreting financial statements. This technique serves as a tool for assessing the financial soundness of the business.

The idea of ratio analysis was introduced by Alexander Wall for the first time in 1919. Ratios are quantitative relationship between two or more variables taken from financial statements.

Ratio analysis is defined as: “The systematic use of ratio to interpret the financial statement so that the strength and weakness of the firm as well as its historical performance and current financial condition can be determined. In the financial statements we can find many items are co-related with each other. For example current assets and current liabilities, capital and long term debt, gross profit and net profit, purchase and sales etc.

To take managerial decision the ratio of such items reveals the soundness of financial position. Such information will be useful for creditors, shareholders, management and all other people who deal with company.

Importance;

As a tool of financial management ratio are of crucial significance. The importance of ratio analysis lies in the fact that it presents facts on a comparative basis and
enables the drawing inferences regarding the performance of a firm. Ratio analysis is relevant in assessing the performance of a firm in respect of the following aspects:

- Liquidity position
- Long term solvency
- Operating efficiency
- Overall profitability
- Inter firm comparison
- Trend analysis.

**Liquidity Position**

With the help of ratio analysis, conclusions can be drawn regarding the liquidity position of a firm would be satisfactory if it is able to meet its current obligations when they become due. A firm can be said to have the ability to meet its short term liabilities if it has sufficient liquid funds to pay the interest on its short maturing debt usually within a year as well as to repay the principal. This ability is reflected in the liquidity ratios of a firm. The liquidity ratios are particularly useful in credit analysis by banks and other suppliers of short term loans.

**Long term solvency:**

Ratio analysis is equally useful for assessing the long term financial viability of a firm. This aspect of the financial position of a borrower is of concern to the long term
creditors, security analysts and the present and potential owners of a business. The long term solvency is measured by the leverage/capital structure and profitability ratios which focus on earning power and operating efficiency. Ratio analysis reveals the strengths and weakness of a firm in this respect. The leverage ratio for instance, will indicate whether a firm has reasonable proportion of various sources of finance or if it is heavily loaded with debt in which case its solvency is exposed to serious strain. Similarly the various profitability ratios would reveal whether or not the firm is able to offer adequate return to its owners consistent with the risk involved.

**Operating efficiency:**

Yet another dimension of the usefulness of the ratio analysis, relevant from the viewpoint of management, is that it throws light on the degree of efficiency in the management and utilization of its assets. The various activity ratios measure this kind of operational efficiency. In fact, the solvency of a firm is, in the ultimate analysis, dependent upon the sales revenues generated by the use of its assets total as well as its components.

**Overall profitability:**

Unlike the outside parties which are interested in one aspect of the financial position of a firm, the management is constantly concerned about the overall profitability of the enterprise. That is, they are concerned about the ability of the firm to meet its short term as well as long term obligations to its creditors, to ensure a reasonable return to its owners and secure optimum utilization of the assets of the firm. This is possible if an integrated view is taken and all the ratios are considered together.

**Inter firm comparison:**
Ratio analysis not only throws light on the financial position of a firm but also serves as a stepping stone to remedial measures. This is made possible due to inter firm comparison and comparison with industry averages. A single figure of a particular ratio is meaningless unless it is related to some standard or norm. One of the popular techniques is to compare the ratios of a firm with the industry average. It should be reasonably expected that the performance of a firm should be in broad conformity with that of the industry to which it belongs. An interfere comparison would demonstrate the firm’s position vis-à-vis its competitors. If the results are at variance either with the industry average or with those of the competitors, the firm can seek to identify the probable reasons and, in that light, take remedial measures.

Trend Analysis

Finally, ratio analysis enables a firm to take the time dimension into account. In other words, whether the financial position of a firm is improving or deteriorating over the years. This is made possible by the use of trend analysis. The significance of a trend analysis of ratios lies in the fact that the analysts can know the direction of movement, that is, whether the movement is favorable or unfavorable. For example, the ratio may be low as compared to the norm but the trend may be upward. On the other hand, though the present level may be satisfactory but the trend may be a declining one.

Limitations:
Ratio analysis is a widely used tool of financial analysis. Yet, it suffers from various limitations. The operational implication of this is that while using ratios, the conclusions should not be taken on their face value. Some of the limitations which characterise ratio analysis are

i) Difficulty in comparison

ii) Impact of inflation, and

iii) Conceptual diversity.

**Difficulty in comparison:**
One serious limitation of ratio analysis arises out of the difficulty associated with their comparisons are vitiated by different procedures adopted by various firms. The differences may relate to:

- Differences in the basis of inventory valuation (e.g. last in first out, first in first out, average cost and cost);
- Different depreciation methods (i.e. straight line vs. written down basis);
- Estimated working life of assets, particularly of plant and equipment;
- Amortization of intangible assets like good will, patents and so on;
- Amortization of deferred revenue expenditure such as preliminary expenditure and discount on issue of shares;
- Capitalization of lease;
- Treatment of extraordinary items of income and expenditure; and so on.

Secondly, apart from different accounting procedures, companies may have different accounting periods, implying differences in the composition of the assets, particularly current assets. For these reasons, the ratios of two firms may not be strictly comparable.

Another basis of comparison is the industry average. This presupposes the availability, on a comprehensive scale, of various ratios for each industry group over a period of time. If, however as is likely such information is not compiled and available, the utility of ratio analysis would be limited.

Impact of inflation:
The second major limitation of the ratio analysis as a tool of financial analysis is associated with price level changes. This, in fact, is a weakness of the traditional financial statements which are based on historical costs. An implication of this feature of the financial statements as regards ratio analysis is that assets acquired at different periods are, in effect, shown at different prices in the balance sheet, as they are not adjusted for changes in the price level. As a result, ratio analysis will not yield strictly comparable and, therefore, dependable results. To illustrate, there are two firms which have identical rates of returns on investments, say 15%. But one of these had acquired its fixed assets when prices were relatively low, while the other one had purchased them when prices were high. As a result, the book value of the fixed assets of the former type of firm would be lower, while that of the latter would be higher. From the point of view of profitability, the return on the investment of the firm with a lower book value would be overstated. Obviously, identical rates of returns on investment are not indicative of equal profitability of the two firms. This is a limitation of ratios.

Conceptual Diversity:
Yet another factor which influences the usefulness of ratios is that there is a difference of opinion regarding the various concepts used to compute the ratios. There is always room for diversity of opinion as to what constitutes shareholders equity, debt, assets, and profit and so on. Different firms may use these terms in different senses or the same firm may use them to mean different things at different times.

Reliance on a single ratio, for a particular purpose may not be a conclusive indicator. For instance, the current ratio alone is not a as adequate measure of short term financial strength; it should be supplemented by the acid test ratio, debtors turnover ratio and inventory turnover ratio to have real insight into the liquidity aspect.

Finally, ratios are only a post mortem analysis of what has happened between two balance sheet dates. For one thing, the position in the interim period is not revealed by ratio analysis. Moreover, they give no clue about the future.

In brief, ratio analysis suffers from some serious limitations. The analyst should not be carried away by its oversimplified nature, easy computation with a high degree of precision. The reliability and significance attached to ratios will largely depend upon the quality of data on which they are based. They are as good as the data itself. Nevertheless, they are an important tool of financial analysis.

Some ratio are helpful to know the financial condition of the organization, there are

1. Liquidity ratio:
   - Current ratio
   - Quick ratio

2. Long –term Solvency Ratio:
DHARWAD MILK UNINION

- Debt-equity ratio
- Proprietor Ratio
- Int.Coverage ratio

3. Activity/Efficiency or Current Assets Movement Ratio:

- Inventory turnover ratio
- Debtors turnover ratio
- Debtors collection period ratio
- Creditors turnover ratio

4. Profitability Ratios:

- Gross profit ratio
- Net profit ratio
- Operating expenses ratio

5. Earning Ratios – Overall Profitability Ratios:

  - Return on asset
  - Return on capital employed

Liquidity Ratios:
The importance of adequate liquidity in the sense of the ability of a firm to meet current/short term obligations when they become due for payment can hardly be overstressed. In fact, liquidity is a prerequisite for the very survival of a firm. The short term creditors of the firm are interested in the short term solvency or liquidity of a firm. But liquidity implies, from the viewpoint of utilization of the funds of the firm that funds are idle or they earn very little. A proper balance between the two contradictory requirements, that is, liquidity and profitability is required for efficient financial management. The liquidity ratios measure the ability of firm to meet its short term obligations and reflect the short term financial solvency of a firm.

**Long –term Solvency Ratio:**

The second category of financial ratios is leverage or capital structure ratios. The long term creditors would judge the soundness of a firm on the basis of the long term financial strength measured in terms of its ability to pay the interest regularly as well as repay the installment of the principal on due dates or in one lump sum at the time of maturity. The long term solvency ratio of a firm can be examined by using leverage or capital structure ratios. The leverage or capital structure ratios may be defined as financial ratios which throw light on the long term solvency of a firm as reflected in its ability to assure the long term creditors with regard to: (1) Periodic payment of interest During the period of the loan and (2) Repayment of principal on maturity or in pre determined installments at due dates.

**Activity Ratios:**
Activity ratios are concerned with measuring the efficiency in asset management. These ratios are also called efficiency ratios or assets utilization ratios. The efficiency with which the assets are used would be reflected in the speed and rapidity with which assets are converted into sales. The greater is the rate of turnover or conversion, the more efficient is the utilization/management, other things being equal. For this reason, such ratios are also designated as turnover ratios. Turnover is the primary mode for measuring the extent of efficient employment of assets by relating the assets to sales. An activity ratio may, therefore, be defined as a test of the relationship between sales and the various assets of a firm.

**Profitability Ratios:**

Apart from the creditors, both short-term and long-term, also interested in the financial soundness of a firm are the owners and management or the company itself. The Management of the firm is naturally eager to measure its operating efficiency of a firm and its ability to ensure adequate return to its shareholders depends ultimately on the profits earned by it. The profitability of a firm can be measured by its profitability ratios.

In other words, the profitability ratios are designed to provide answers to questions such as:

1. Is the profit earned by the firm adequate?
2. What rate of return does it represent?
3. What is the rate of profit for various divisions and segments of the firm?
4. What is the rate of return to equity holders?
DIARYING IN INDIA

The association of Indian with Animal Husbandry and Dairying is deep-rooted in history. Since time immemorial, milk and milk products have been accepted in the diet of people of India as items of choice. It is said in Indian mythology that lord ‘Krishna’ the god of righteousness grew up by drinking milk and eating butter and ghee. He was nicknamed as ‘butter Krishna’ as he used to steal the butter in his neighborhood. The sage hashish possessed a sacred cow, donated by Lord Brahma, the god of knowledge, which was named as Nandini says Indian mythology. The word Nandini is the family brand of the Karnataka Co-operative Milk Producers federation, in short, KMF, which is engaged in marketing of milk and milk products.

BACKGROUND:
Towards the end of 1950’s a development in the Kaira district of Gujarat state, paved the way for co-operative dairy in India. The milk producers of this district decided to come together and form a Co-operative as a protection against the exploitation by the private dairy owners and middlemen in the form of unremunerative prices. Sardar Vallabhai Patel, a great Indian freedom fighter and the first Deputy Prime Minister of independent India, provided main impetus to the farmers. He heard the former’s tale of woe and was touched to the quick. The man of action took no time to find a solution; Co-operative the dairy. Thus, came the era of co-operative dairying in Indian dairying. A meeting called on January 4, 1946 in Samarkha village decided to set up a milk producers Co-operative it culminated in the establishment of the Kaira district Co-operative producers union limited and the establishment of worldwide renowned Amul dairy plant at Anand. Later on, the Kaira District union was identified as Anand Milk Union Limited.

The Anand pattern is a three-tier structure consisting of the producers societies at the village level, which collect the milk from producers daily and pay them; the district level producers unions (a representative body of the village societies) which provide the inputs required by the farmers including artificial insemination, veterinary services and the supply of feeds; and a federation of the unions of the state level, which manages the dairy with the help of elected representatives of the district unions. On behalf of the unions, the federation undertakes the collecting marketing of milk and milk products attending to quality control. The role of the government is to supervise, guide and encourage the co-operatives. The Anand pattern, their establishes a direct link between the producers and consumers. To achieve this objective of replicating the Anand or Amul pattern dairy co-operative society, the national dairy development board was set up under the chairmanship of Dr. V. Kurien in the year 1965. The NDDB was asked to draw up plans and policies to realize the objective of percolating the Anand pattern in rural India.

Dharwad milk producer union limited has been established in 1986 and started function in 1988. It procure milk from many villages on daily bases.

**INDUSTRIAL PROFILE**
Karnataka Cooperative Milk Producers' Federation Limited (KMF) is the Apex
DHARWAD MILK UNION

Body in Karnataka representing Dairy Farmers' Co-operatives. It is the third largest dairy cooperative amongst the dairy cooperatives in the country. In South India it stands first in terms of procurement as well as sales. One of the core functions of the Federation is marketing of Milk and Milk Products. The Brand ‘Nandini’ is the household name for Pure and Fresh milk and milk products.

KMF has 13 Milk Unions throughout the State which procure milk from Primary Dairy Cooperative Societies (DCS) and distribute milk to the consumers in various Towns/Cities/Rural markets in Karnataka.

KMF has the following Units functioning directly under its control:

- Mother Dairy, Yelahanka, Bangalore.
- Nandini Milk Products, KMF Complex, Bangalore.
- Cattle Feed Plants at Rajanukunte/Gubbi/Dharwad/Hassan
- Nandini Sperm Station (formerly known as Bull Breeding Farm & Frozen Semen Bank) at Hessaraghatta
- Pouch Film Plant at Munnekolalu, Marathalli
- Central Training Institute at KMF Complex, Bangalore.
- Quality Control Lab at KMF Complex, Bangalore.
LIST OF CO-OPERATIVE MILK PRODUCERS' SOCIETIES UNIONS:

- Bangalore Milk Union
- Belgaum Milk Union
- Bellary Milk Union
- Bijapur Milk Union
- D K Milk Union
- Dharwar Milk Union
- Gulbarga Milk Union
- Hassan Milk Union
- Kolar Milk Union
- Mandya Milk Union
- Mysore Milk Union
- Shimoga Milk Union
- Tumkur Milk Union

District Boundary

- Dairies
- Product Plants
- Union Offices
- Pouch Film Plant

Cattle Feed Plants
- Central Training Institute
- Nandini Sperm Station
- Liquid Nitrogen Distribution Centre
- Mega Dairy
Coordination of activities among the Unions and developing market for Milk and Milk products is the responsibility of KMF. Marketing Milk in the respective jurisdiction is organized by the respective Milk Unions. Surplus/deficit of liquid milk among the member Milk Unions is monitored by the Federation. While the marketing of all the Milk Products is organized by KMF, both within and outside the State, all the Milk and Milk products are sold under a common brand name NANDINI.

The growth over the years and activities undertaken by KMF is summarized briefly hereunder:

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<th>2007-2008</th>
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<td>Dairy Co-operatives Nos</td>
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<td></td>
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<tr>
<td>Membership Nos</td>
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<td></td>
</tr>
<tr>
<td>Milk Procurement Kgs/day</td>
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<td></td>
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<tr>
<td>Milk Sales Lts/day</td>
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<td></td>
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<tr>
<td>Cattle Feed Consumed Kgs/DCS</td>
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<td>Daily Payment to Farmers Rs.Lakhs</td>
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<td></td>
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<tr>
<td>Turnover Rs.Crores</td>
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The Corporate Office of the Karnataka Milk Federation is located on Dr.M.H.Marigowda Road in Bangalore. The Federation has a Board consisting representatives of Milk Producers and the Government nominees. The day to day functions of the Federation is managed by a group of professional managers headed by the Managing Director.
CHAPTER – 3:

- ORGANIZATION PROFILE

ORGANISATION PROFILE:
Name of the Organization : Dharwad Milk Union (DMU) - Karnataka Milk Federation (KMF)
Year of establishment : 1984
Type of Organization : Small Scale Industry
Total area : 15 acres
Sales 2008-09 : 46,82,83,461.32
Labors Strength : 316
Production : Milk products

MISSION STATEMENT OF DMUL

“TO ENHANCE MILK PRODUCTION AND PROCURMENT AND MAXIMIZE RETURNS TO MILK PRODUCERS BY FINDING LUCRATIVE MARKET FOR MILK AND THEREBY TOWARDS VIABILITY OF MILK UNION”.

Dharwad Milk Union
Establishment

The Dharwad Milk union is co-operative society among the 13 establishment; under KMF the Dharwad Milk Union (DMU) is one of the most modern plants in Karnataka. it is located in specious 15 acres of land, located in lakamanahalli industrial area, adjacent to the national highway -4 it is patterned after AMUL Milk dairy Anand Gujarat.

HISTORY

A group of experienced offices appointed by the Karnataka Milk Federation surveyed the whole of Dharwad districts in before 1984 dairy was run by Karnataka government in 1984 it was being handed over to Karnataka milk federation and in 1988 the unit is handed over to cooperative society called as Dharwad milk union operated by co-operative societies of four north Karnataka Districts, Dharwad, Gadag, Haveri, Uttar Kannada.

The production capacity of DMU is 1.5 lakh liters of milk per day and also has the capacity to produce 12 tons of milk powder 10 tones of butter and 6 tones of Ghee per day. DMU collecting 80-85 thousand liters of milk per day from its societies and sells above 65 thousand liters per day and the remaining milk is used for produce milk products.
DHARWAD MILK UNION

STATUS:

A Co-operative Society registered under the Co-operative act 1959

NATURE OF BUSINESS:

Procuring and marketing of milk production and sale of milk products

SHARE CAPITAL

3 Crores approximately

MILK CHILLING CENTER AND CAPACITY

Gadag 20000 LPD, Haveri 20000 LPD, Hirekerur 20000 LPD, Naragunda 8000 LPD, Ron 10000 LPD, Sirsi 20000 LPD.

COMPETITORS
The Nandini milk is facing lot of competition in the milk market the prime

Competitors are private players like,

1. Bharat
2. Siddhi Vinayak
3. Mayour
4. Gopal
5. Aditya
6. Datta
7. Loose venders etc.

WELFARE FACILITIES:
I. Statutory Facilities

- canteen facilities
- payment to provident fund contribution
- Provision of toilets, Restroom sittings.
- Leave facilities.
  
  i. casual leave 15days
  
  ii. sick leave 10days
  
  iii. Earned leaves 30days
- Uniforms are provided.
- Provision of wash basins.
- Medical benefits

II. Non Statutory Facilities.
DHARWAD MILK UNION

- Factory arranges cultural programs at the time of Ganesh chaturthi, workers day and deepavali.

- Factory often conducts demonstration through social workers in respect of family planning, AIDS awareness, etc.

- Staff member’s children will be provided with gift for scoring in SSLC, PUC.

- Milk subsidy for

  i. 10 months ¼ ltr free (Jan-Oct)

  ii. 2 months ½ ltr free (Nov-Dec)

- 15% discount on purchase of 1kh Ghee (Only Staff)

- Yearly 1kg Ghee free for festivals i.e. Deepavali and Ganesh Chaturthi.

III. Financial Scheme
DHARWAD MILK UNION

- Employee gratuity scheme.
- Employee’s group savings linked insurance scheme.
- Employee’s death cum gratuity scheme.
- Employees provided fund and pension scheme.

ORGANISATION CHART
DHARWAD MILK UNION

PRESIDENT

DIRECTOR (ELECTED - 8)

MANAGING DIRECTOR

DIRECTOR (EX – OFFICER - 5)

(DIRECTOR (NOMINATED - 3)

P & I

PRODUCTN

FINANCE

ADMITN

SECURITY

MKTING

Dy.Mngr

Dy.Mngr

Dy.Mngr

Dy.Mngr

Dy.Mngr

Extension Officer

Q.C Officer

A/C’s Assistant

Assistant

Jn.Supry

Assistant

MEMBERS OF WORKING BOARD

Babasabpatilfreepptmba.com
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shri. Basavaraj N Arabgonda</td>
<td>chairman</td>
</tr>
<tr>
<td>Shri. N N Asuti</td>
<td>Director</td>
</tr>
<tr>
<td>Shri. G M Morbad</td>
<td>Director</td>
</tr>
<tr>
<td>Shri. H G Hiregoudar</td>
<td>Director</td>
</tr>
<tr>
<td>Shri. S M Hadagli</td>
<td>Director</td>
</tr>
<tr>
<td>Shri. R N Davagi</td>
<td>Director</td>
</tr>
<tr>
<td>Shri. U M Hegade</td>
<td>Director</td>
</tr>
<tr>
<td>Shri. B G Hegade</td>
<td>Director</td>
</tr>
<tr>
<td>Shri. M N Venkattaao</td>
<td>Director</td>
</tr>
</tbody>
</table>
PRODUCTION DEPARTMENT:

It is one of the major departments in DMUL. Production is basic operating function of every industrial enterprises around which other activities of an organization such as financial, marketing, storing personnel, research and development involve production department deal with decision making resulting in production of goods of specification.

The structure of production department:

```
  production
    ↓
  dy.manager
    ↓
  q.cofficer
    ↓
  assistant
    ↓
  finance department
```
The main activity of the finance department is to keep all the account of the financial transactions. It is responsible for maintaining up to date account. The various activities are collected to different sections.

The structure of finance department:

FINANCE DEPTMNT

DY.MANAGER

A/C OFFICER

ASSISTANT - HELPER

PURCHASE DEPARTMENT:
There is a separate department for purchasing of products in DMUL.

Factors to be considered during purchase decision:

1. Tenders
2. Enquiries
3. Performance analysis.

The structure of the purchase department

PURCHASE DEPARTMENT:

DY.MANAGER

EXTENTION OFFICER

HELPER

QUALITY CONTROL DEPARTMENT:
A qualified q.c officer is in charge of this section which works in all the three shifts. The main of this department is to see and check the quality of milk and milk products produced in the plant. The activities of this section in brief are as listed below:

1. Tanker milk - Fat, Snf, Temperature, acidity, cob, and
2. Adulterants
3. Can milk: - organoleptic, fat & snf of society samples
4. and cob Of doubtful cases
5. Raw milk silo - stock check at beginning and end of shift.
6. Temperature, fat, snf, clr, and acidity
7. pasteurized milk silo- fat , snf, mbrit, phosphates, temperature and
8. Keeping quality
9. Butter---- fat, curd, moisture, salt, yeast & mould, coli
10. Form count.
11. ghee moisture and free fatty acid
12. peda moisture and total solids
13. powder snf, moisture, burnt particles etc
14. Material testing chemicals and packing materials.
15. Water- hardness, ph, alkalinity, total dissolved solids
16. Of raw, soft and boiler blow down water.

There are various tests conducted by the officer in charge as well as the assistants to meet this requirement. If any product does not pass through the quality standard then the product is rejected. Even before dispatching the

Products undergo testing and it is only after the approval of the quality department that the goods are dispatched.

Test conducted at DMU:
When the milk arrives at DMU, at the reception center a panel of well-qualified persons in a laboratory tests the quality and quantity of milk. There are number of tests carried, some of them are as follows:

- Clot on boiling (COB) test
- Alcohol test
- Taste
- Flavor
- Acidity
- Corrected lactometer reading (CLR)
- Gerber method for fat test.
- Milk-tested method
- Moisture test
- Solid not fat (SNF) test.

**Test for SNF:**

SNF is tested using lactometer at 27oc because at this temperature the SNF and fat contact will be equally distributed in the milk.
TESTS FOR FAT:

Gerber method:

This is the most accurate scientific method of checking the fat content in the milk. In this method 10% of H2SO4 (90% dilute) + 10.75ml of milk is taken in a test tube with appropriate marketing. To this 1ml of Amyl alcohol is added. Shake well and centrifuge it at 1200 RPM (revolutions per minute) for 3 minutes. This gives the amount of fat content in the milk.

Out of these some tests are carried out for milk products such as moisture test etc and the remaining are carried for milk.

Other tests conducted in laboratory:

Phosphates test:

This test is carried out to see that whether the milk is pasteurized or not. If the test shows yellow color it is raw milk and if it shows white color it is pasteurized milk. For this test 5ml of Disodium-4 para nitro phenyl di-sodium salt =1 of milk. Keep it in water incubator at 37o

Methelene Blue Reduction Test (MBRT):

This test is carried to test the life of the Pasteurized milk. For this test 10ml pasteurized of milk +1ml of MBR solution. This mixture is kept for one hour and if the color is reduced to blue in color in 1 hour, it extends the life of the milk to 3hours.
Alcoholic Test:

This test is done to check the acidity of the milk. For this test 65% of alcohol is mixed with equal volume of milk. If any precipitate in the test tube then it shows that it is positive meaning it contains alcohol which gives higher acidity.

Acidity Test:

This test is also carried out to check the acidity of the milk. For this test 10ml of milk +10ml of distilled water +1 or 2 drops of phenolphthalein is added as an indicator. This mixture is titrated till the color changes from, white to light pink in color. This shows the percentage of lactic acid content in the milk.

The other tests like taste, flavor etc., are conducted at the reception center by the person in charge. These all tests are conducted to ensure that right quality of milk and milk products are produced.
## PRODUCTS PROFILE:

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Picture of Products</th>
<th>About Products</th>
</tr>
</thead>
</table>
| 1.    | ![Homogenised toned milk](image1) | **Homogenized Toned MILK:**
It is a pure milk which is homogenized & pasteurized consistent right through, it gives you more cups of tea or coffee & easily digestible. |
| 2.    | ![Full cream milk](image2) | **Full Cream MILK:**
Containing 6% fat & % SNF. A rich, creamier & tastier milk. Ideal for preparing home made sweets & savories. |
| 3.    | ![Cow’s Pure milk](image3) | **Cow’s Pure milk:**
Cow’s Pure milk Homogenized, double toned UHT processed milk bacteria free in temper proof tetra fine pack which keep the milk fresh for 60 days without a refrigeration un till opened. |
| 4.    | ![Nandini curd](image4) | **Nandini curd:**
It is made from pure milk .its thick & delicious. Giving you all the goodness of home made curds. |
<p>| 5. | Ghee | Nandini Ghee: A taste of purity. Nandini ghee made from pure butter. It is fresh &amp; pure with a delicious flavor. |
| 6. | Mysore pak | Mysore Pak: Fresh &amp; tasty, it is made from quality Bengal gram, Nandini ghee &amp; sugar. It's delicious way to relish a sweet movement. |
| 7. | Gulab jamon mix | Gulab Jamon: Great way to those soft &amp; juicy jamon treats at home! It is made from Nandini skimmed milk powder, maida, and soji and Nandini special grade ghee. |
| 8. | Peda | Peda: No matter what you are celebrating! Made from pure milk, Nandini peda is a delicious treat for family. |</p>
<table>
<thead>
<tr>
<th></th>
<th>Types of Milk</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Paneer</td>
<td>Pure &amp; tasty dishes with Nandini paneer! A fresh, nutritive product made by coagulating pure milk, it is an excellent source of milk protein.</td>
</tr>
<tr>
<td>10</td>
<td>Ice cream</td>
<td>Nutritious delicious creamy ice cream is manufactured at ISO 9002/HACCP certified Mother dairy modern plant. The range includes vanilla, strobarry, pinapal, mango, chocalte, Butter scotch, kaser pista, and orange &amp; mango candies.</td>
</tr>
</tbody>
</table>
### DHARWAD MILK UNION

<table>
<thead>
<tr>
<th>Milk Type</th>
<th>FAT (in %)</th>
<th>SNF (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toned milk</td>
<td>3.0</td>
<td>8.5</td>
</tr>
<tr>
<td>Standard milk</td>
<td>4.5</td>
<td>8.5</td>
</tr>
<tr>
<td>Full cream milk</td>
<td>6.0</td>
<td>9.0</td>
</tr>
</tbody>
</table>
DHARWAD MILK UNION

SWOT ANALYSES:

STRENGTH

- Many products are marked
- Major market share 70%
- Market leader in milk products
- Competitive price
- The best quality products
- Excellent distribution channels
- Excellent brand image
- Consistency in demand for products throughout the year
- Wide distribution network leads regular and timely supply
- Reduce the transportation cost

WEAKNESS

- More manpower
- All the products are perishable products
- Poor retail serving and consumer grievance handling
- Recurring quality problem
- Lowest paying brand i.e. commission given by the company is less compared to other brands
- Inadequate sales promotional activity. Due to bad smell that persists low sale
OPPORTUNITIES:

There is scope for developing in new area
Availability of buffalo milk improves market milk quality

- Predominant of loose milk segment – divide appropriate strategies
- Phenomenal scope for innovation in product development packaging and presentation.
- Step should be taken to introduce value added products like srikhands ice-cream

THREATS:

- No entry barriers for private players
- Low level of consumer awareness
- Persuade benefits of competing brand
- Increase in tax and service rate
- Increase of competitors
CHAPTER – 4

- RESEARCH METHODOLOGY
Research Methodology:

Research:

Research is nothing but systematic investigation and study of sources & materials. It establishes facts and reaches conclusions.

Methodology:

Methodology is nothing but a body of methods used in a particular activity.

- The methodology includes the personal interaction with the finance manager.
- Selection of data: From the Financial Statements of the firm for last five years; i.e. from
  - Financial Statements for the year 2004-05
  - Financial Statements for the year 2005-06
  - Financial Statements for the year 2006-07
  - Financial Statements for the year 2007-08
  - Financial Statements for the year 2008-09

Period: The Study covers a period of five years data from 2004-05, 2005-06, 2006-07, 2007-08 & 2008-09 mean an Accounting year of the company consisting of 365 working days.
MEASUREMENT TECHNIQUE / STATISTICAL TOOLS:

- Accounting Ratios.
- Financial Statements of the Company.

ANALYTICAL TECHNIQUE:

Statistical technique used for calculation of ratios is in terms of percentages.

DATA COLLECTION METHOD:
1. PRIMARY DATA:

- The financial information is collected from the personal interaction with the financial managers of DMU.
- About the organization information is collected from all departments of DMU by the help of HR department.

2. SECONDARY DATA:

- This is collected through DMUL ANNUAL.
- About Financial information by collecting 5 years financial statements of DMU.
- Other information collects from records from concern department of DMU.
- And other information related to the organization that is collected from industries/organization website, like http://www.kmfnandini.coop/html/contactus.htm

FINANCIAL STATEMENT
A financial statement is an organized collection of data according to logical and consistent accounting procedures. Its purpose is to convey understanding of some financial aspects of a business firm. It may show a position at a moment in time as in the case of a balance sheet or may reveal a series of activities over a given period of time as in the case of an income statement.

Financial statements are prepared for the management to deal with,


b. Results achieved during a given period under review a financial statement generally refers to the following:

1. Income Statement: The income statement, also termed as the profit or loss account, is generally considered to be the most useful of all financial statements. It explains what has happened to a business as a result of operations between two balance sheet dates. It discloses the revenue realized from the sale of goods and the costs incurred in the process of producing the scheme. It tells the story of Progress or decline over a given period and why and how an indicated result was achieved.

2. Balance Sheet: It is a statement of financial position of a business at a particular moment of time and the claims of the owners and outside against those assets at that time.

3. Statement of Retained Earnings: The term retained earnings means the accumulated excess of earnings over losses and dividends. The balance shown in the income statement is transferred to the balance through this statement. After making necessary appropriations, it is thus a connecting link between the B/s and income statement. This statement is also termed as the profit and loss appropriation account in case of companies.
Statement of Changes in Financial Position: the balance sheet shows the financial condition of the business at a particular moment of time while the income statement discloses the result of operations of business over a period of time. However for a better understanding of the affairs of the business, it is essential to identify the movement of working capital or cash in and out of the business. This information is available in the statement of changes in financial position of the business.
CHAPTER – 5:

- DATA ANALYSIS AND INTERPRETATION

Analysis and Interpretation of Ratio
1) Current ratio:

This ratio indicates the rupees of current assets available for each rupee of current Liability.

By this ratio we can see the stability of the firm or short term financial position of the firm.

The ratio is calculated as follows;

\[
\text{Current ratio} = \frac{\text{current assets}}{\text{current liabilities}}
\]

TABLE – 1 Current ratio

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Year</th>
<th>Current Assets</th>
<th>Current Liabilities</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2004-05</td>
<td>60717987.34</td>
<td>32656240.05</td>
<td>1.86</td>
</tr>
<tr>
<td>2</td>
<td>2005-06</td>
<td>71181058.76</td>
<td>43576691.74</td>
<td>1.63</td>
</tr>
<tr>
<td>3</td>
<td>2006-07</td>
<td>63658413.39</td>
<td>35978861.25</td>
<td>1.77</td>
</tr>
<tr>
<td>4</td>
<td>2007-08</td>
<td>86244063.79</td>
<td>53736056.45</td>
<td>1.60</td>
</tr>
<tr>
<td>5</td>
<td>2008-09</td>
<td>72128952.41</td>
<td>50741016.54</td>
<td>1.42</td>
</tr>
</tbody>
</table>
Interpretation:

According to the standards the Current Ratio of the firm should be 2:1, but the ratios of the company are less than 1. It tells the business can not pay debts due within one year from assets which it expects to turn into cash within the year. In 2004-05 it was 1.86. but in the year 2005-06 it is decreased ,&it has gradually increased, it indicates improvements in the year 2006-07 financial poison of the company; again it has decreased in 2007-08&2008-09.

So this ratio indicates DMU has ratio of all five years they interpreted as insufficiently liquidity. It provides an indication of strength of working capital.
2) Quick /Liquid/Acid Test Ratio:

It shows the relationship between quick assets & quick liabilities. It shows the business solvency or strength of liquidity.

That are calculated as follows:

\[
\text{Quick ratio} = \frac{\text{Quick assets}}{\text{Current liabilities}}
\]

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Year</th>
<th>Quick Assets</th>
<th>Current Liabilities</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2004-05</td>
<td>30921237.16</td>
<td>32656240.05</td>
<td>0.95</td>
</tr>
<tr>
<td>2</td>
<td>2005-06</td>
<td>49441660.56</td>
<td>43576691.74</td>
<td>1.13</td>
</tr>
<tr>
<td>3</td>
<td>2006-07</td>
<td>39499292.65</td>
<td>35978861.25</td>
<td>1.10</td>
</tr>
<tr>
<td>4</td>
<td>2007-08</td>
<td>56085341.26</td>
<td>53736056.45</td>
<td>1.04</td>
</tr>
<tr>
<td>5</td>
<td>2008-09</td>
<td>48710020.15</td>
<td>50741016.54</td>
<td>0.96</td>
</tr>
</tbody>
</table>
Interpretation:

The ideal ratio of the firm should be 1:1, but the ratios of the company are less than 1 in 2004-05. It tells the business cannot pay debts due within one year from assets that it expects to turn into cash within the year. But in 2005-06 it raised up to 1.13, but in 2006-07, 2007-08 & 2008-09 it is going on reducing, it is a bad sign for Organization.
3) DEBT-EQUITY RATIO:

It measures the relation between debt and equity in the capital structure of the firm. In other words, this ratio shows the relationship between the borrowed capital and owner’s capital, this ratio shows relative claim of the creditors and shareholders against the assets of the company.

This ratio is calculated as follows,

\[
\text{Debt equity ratio} = \frac{\text{long term debt}}{\text{share holders equity}}
\]

Generally higher the ratio greater is the possibility of increasing the ROR to equity & vice versa. A high debt equity ratio may be adopted to take advantage of cheaper debt capital. The ratio indicates the extent to which the firm depends upon outside for its existence. The ratio provides margin of safety to the creditors. It tells owners the extent to which they can gain benefits of maintaining control with a limit investment.

**TABLE - 3 Debt equity ratio**

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Year</th>
<th>Long term debt</th>
<th>Share holders equity</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2004-05</td>
<td>112719511.00</td>
<td>83507980.03</td>
<td>1.35</td>
</tr>
<tr>
<td>2</td>
<td>2005-06</td>
<td>106042793.00</td>
<td>86473535.94</td>
<td>1.23</td>
</tr>
<tr>
<td>3</td>
<td>2006-07</td>
<td>97383678.00</td>
<td>100072068.45</td>
<td>0.97</td>
</tr>
<tr>
<td>4</td>
<td>2007-08</td>
<td>88459946.00</td>
<td>102364616.29</td>
<td>0.86</td>
</tr>
<tr>
<td>5</td>
<td>2008-09</td>
<td>82363231.00</td>
<td>86063160.54</td>
<td>0.96</td>
</tr>
</tbody>
</table>
4) PROPRITORY RATIO:

Interpretation:

General Standard of Debt Equity ratio is 2:1. Since the company is using more borrowings. But compare to 2006-07 to 2007-08 it has decreased little more it good sign. Even though it has to improve. High ratios unfavorable to the firm & High debt company is called leveraged or geared & low debt equity ratio indicates grater claim of owners than creditors.
DHARWAD MILK UNION

It establishes relationship between the propitiator or shareholders funds & total tangible assets.

It may be expressed as:

\[
\text{Proprietary ratio} = \frac{\text{proprietary funds}}{\text{total assets}} \times 100
\]

The ratio indicates properties stake in total assets. Higher the ratio lowers the risk and lower the ratio higher the risk. Debt–equity ratio & current ratio affects the proprietary ratio.

**TABLE – 4 Proprietary Ratios.**

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Year</th>
<th>Proprietary Funds</th>
<th>Total assets</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2004-05</td>
<td>83507980.03</td>
<td>158600052.76</td>
<td>52.65</td>
</tr>
<tr>
<td>2</td>
<td>2005-06</td>
<td>86473535.94</td>
<td>164460270.78</td>
<td>52.58</td>
</tr>
<tr>
<td>3</td>
<td>2006-07</td>
<td>100072068.45</td>
<td>163314054.86</td>
<td>60.68</td>
</tr>
<tr>
<td>4</td>
<td>2007-08</td>
<td>102364616.29</td>
<td>194820880.91</td>
<td>52.05</td>
</tr>
<tr>
<td>5</td>
<td>2008-09</td>
<td>86063160.54</td>
<td>195465307.64</td>
<td>43.54</td>
</tr>
</tbody>
</table>
Interpretation:

Since company property Ratio is high in 2004-05 at 52.65, but later it goes on reduced in 2005-06 was 52.58 & in 2006-07 was 60.68 & in 2007-08 it was 52.05. & 2008-09 was 43.54. It shows the little dangers to creditors & above 50% is Satisfactory.
5) INTEREST COVERAGE RATIO:

This is a measure of the protection available to creditors for payment of interest charges by the company. The ratio shows whether the company has sufficient income to cover its interest requirements by a wide margin. The interest coverage ratio is computed by dividing profit before interest and tax by the interest expenses. A high ratio implies adequate safety for payment of interest even if there were to be a drop in the company’s earnings.

The interest coverage ratio is as follows:

\[
\text{Interest coverage ratio} = \frac{\text{EBIT}}{\text{interest}}
\]

NOTE:-

Hear no need of calculation of Earning Per Share. Because the organization is recovering loss since from 2003-05 menace from 6 years. We can see in the Financial Statements of DMU.

6) INVENTORY / STOCK TURNOVER RATIO (ITR/STR).
DHARWAD MILK UNION

It indicates the efficiency of firm in producing and selling its products. High Ratio is good from the view point of liquidity and vice versa.

A low ratio would signify that inventory does not sell fast and stably in the warehouse for a longtime.

It is calculated as follows:

\[
\text{Inventory turn ratio} = \frac{\text{cost of goods sold}}{\text{average inventory}}
\]

Hence \textbf{Avg. Inventory} = \text{Opening Stock + Closing Stock}/2

Avg. Inventory is calculated by taking stock levels of raw materials, working process and finished goods at the beginning of year & at the end of the year & that is divided by 2

\textbf{TABLE - 5}  
\textbf{Inventory/Stock Turnover Ratio:}

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Year</th>
<th>Cost of goods sold</th>
<th>Average inventory</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2004-05</td>
<td>346684069.60</td>
<td>28794258.73</td>
<td>12.04</td>
</tr>
<tr>
<td>2</td>
<td>2005-06</td>
<td>446321775.02</td>
<td>25768074.19</td>
<td>17.32</td>
</tr>
<tr>
<td>3</td>
<td>2006-07</td>
<td>397561561.55</td>
<td>22949259.47</td>
<td>17.32</td>
</tr>
<tr>
<td>4</td>
<td>2007-08</td>
<td>439826074.98</td>
<td>27158921.63</td>
<td>16.19</td>
</tr>
<tr>
<td>5</td>
<td>2008-09</td>
<td>495708694.15</td>
<td>26788827.39</td>
<td>18.50</td>
</tr>
</tbody>
</table>
Interpretation:

In 2004-05, 2005-06 & 2006-07 there is development shows management of inventory is high but in 2007-08 in this period reduce and again in 2008-09 it increased. It shows efficient management of inventory. Higher ratio says efficient business activities.

7) DEBTORS TURNOVER RATIO:
DHARWAD MILK UNION

Debtors constitute an important constituent of current assets and therefore the quality of debtors to great extent determines that firm’s liquidity. There are two ratios. They are:

1. Debtors turnover Ratio
2. Debtors collection period Ratio

Debtors turnover can be calculated by dividing total sales by balance of debtors.

\[ \text{Debtors turnover ratio} = \frac{\text{sales}}{\text{average debtors}} \]

Higher the ratio is better, since it indicate that debts are being collected more promptly.

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Year</th>
<th>Sales</th>
<th>Average debtors</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2004-05</td>
<td>390565567.88</td>
<td>11152086.00</td>
<td>35.03</td>
</tr>
<tr>
<td>2</td>
<td>2005-06</td>
<td>489014707.98</td>
<td>15577528.55</td>
<td>31.39</td>
</tr>
<tr>
<td>3</td>
<td>2006-07</td>
<td>468283461.32</td>
<td>14783343.38</td>
<td>31.68</td>
</tr>
<tr>
<td>4</td>
<td>2007-08</td>
<td>511817606.31</td>
<td>14105823.74</td>
<td>36.28</td>
</tr>
<tr>
<td>5</td>
<td>2008-09</td>
<td>573720167.78</td>
<td>19426089.69</td>
<td>29.53</td>
</tr>
</tbody>
</table>
Interpretation:

It shows number of times the receivables rotate in a year in times of sales. It shows how quickly debtors are converted into cash.
8) DEBTORS COLLECTION PERIOD

This ratio indicates the extent to which the debts have been collected in time. It gives the average debt collection period. The higher is the turnover ratio and shorter is the average collection period the better is the trade credit management and the better is the liquidity of debtors, as short collection period and high turnover ratio imply prompt payment on the part of debtors. On the other hand, low turnover ratio and long collection period reflects that payments by debtors are delayed.

That is calculated as follows:

\[
\text{Debtors collection period} = \frac{\text{no of days in a year}}{\text{debtors turnover ratio}}
\]

It is helpful to

- The creditors and lenders of the firm to know the firm’s collecting within a reasonable time.

**TABLE – 7  Debtor’s collection period**

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Year</th>
<th>No of days</th>
<th>Drs turnover ratio</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2004-05</td>
<td>365</td>
<td>35.03</td>
<td>10.42</td>
</tr>
<tr>
<td>2</td>
<td>2005-06</td>
<td>365</td>
<td>31.39</td>
<td>11.63</td>
</tr>
<tr>
<td>3</td>
<td>2006-07</td>
<td>365</td>
<td>31.68</td>
<td>11.52</td>
</tr>
<tr>
<td>4</td>
<td>2007-08</td>
<td>365</td>
<td>36.28</td>
<td>10.06</td>
</tr>
<tr>
<td>5</td>
<td>2008-09</td>
<td>365</td>
<td>29.53</td>
<td>12.36</td>
</tr>
</tbody>
</table>
Interpretation:

The ratios indicate the debtors collection. In 2004-05 10.42, 2005-06 it was 11.63 & but in the year 2006-07 11.52, & 2007-08 10.06 its decreasing the debtors collection days but again increases to 12.36 in the year 2008-09. Collection period of WCPM is improving i.e. days are decreasing, i.e. from 11 days to only 10 days. It shows the payments of debtors are very prompt. but last financial year it meets at 12 days.
9) CREDITOR’S TURNOVER RATIO:

It indicates the speed with which the payment for credit purchases is made to creditors. This ratio is calculated as follows:

\[
\text{Creditors turn over ratio} = \frac{\text{Total purchases}}{\text{Average creditors}}
\]

\[\text{TABLE - 8. Creditors turn over ratio}\]

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Year</th>
<th>Total purchases</th>
<th>Average creditors</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2004-05</td>
<td>303770822.77</td>
<td>10363756.00</td>
<td>29.31</td>
</tr>
<tr>
<td>2</td>
<td>2005-06</td>
<td>371288996.58</td>
<td>10219771.08</td>
<td>36.33</td>
</tr>
<tr>
<td>3</td>
<td>2006-07</td>
<td>340907385.66</td>
<td>12199222.60</td>
<td>27.95</td>
</tr>
<tr>
<td>4</td>
<td>2007-08</td>
<td>383026045.84</td>
<td>10177882.56</td>
<td>37.63</td>
</tr>
<tr>
<td>5</td>
<td>2008-09</td>
<td>422383354.32</td>
<td>6784716.21</td>
<td>62.25</td>
</tr>
</tbody>
</table>
Interpretation:

The ratios are increasing. In 2004-05 29.31 times and now it increase to in 2008 35.77 times. The creditor’s payment period is decreasing i.e. in 2005-06 27.95 times; it is continuously and in 2008-09 become days. It signifies the creditors are being paid promptly. It shows company is having credit worthiness.

PROFITABILITY RATIO:

INTRODUCTION:
A company should earn profit to survive and grow over a long period of time. Profit is the ultimate output of company and company will have no future if it fails to make sufficient profits. Therefore company should continuously evaluate the efficiency of the company in terms of profits.

**OBJECTIVES:**

Profitability ratios are calculated to measures the operating efficiency of the company. Poor operational performance may indicate poor sales and hence poor profits. Lower profitability may arise due to lack of control over the expenses etc.

**INTRESTED PARTIES IN PROFITABILITY RATIOS:**

- MANAGEMENT
- CREDITORS
- OWNERS

Generally two major types of profitability ratios are calculated:

- Profitability in relation to sales
- Profitability in relation to investment

**PROFITABILITY RATIOS INVOLVE:**
• GROSS PROFIT RATIO
• NET PROFIT RATIO
• OPERATING EXPENSES RATIO
• OPERATING PROFIT RATIO
• RETURN ON INVESTMENT / OVERALL PROFITABILITY RATIO
• RETURN ON EQUITY
• RETURN ON TOTAL ASSETS.

10) GROSS PROFIT MARGIN RATIO:-
DHARWAD MILK UNION

Gross profit is the difference between sales and the manufacturing cost of goods sold. And gross profit is compared with the sales. Gross profit margin ratio reflects the efficiency with which management produces each unit of product. This ratio indicates the average spread between the cost of goods sold and sales revenue. A high gross profit ratio is a sign of goods management and implies that the firm is able to produce at relatively lower cost. A low gross profit margin reflects higher cost of goods sold due to:

- Reduction in selling price
- Inefficient utilization of plant and machinery etc.

It is calculated as follows:

\[
\text{Gross profit ratio} = \frac{\text{Gross profit}}{\text{Net sales}} \times 100
\]

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Year</th>
<th>Gross profits</th>
<th>Net sales</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2004-05</td>
<td>43881498.28</td>
<td>390565567.88</td>
<td>11.24</td>
</tr>
<tr>
<td>2</td>
<td>2005-06</td>
<td>42692932.96</td>
<td>489014707.98</td>
<td>8.73</td>
</tr>
<tr>
<td>3</td>
<td>2006-07</td>
<td>70721889.77</td>
<td>468283461.32</td>
<td>15.10</td>
</tr>
<tr>
<td>4</td>
<td>2007-08</td>
<td>71991531.33</td>
<td>511817606.31</td>
<td>14.07</td>
</tr>
<tr>
<td>5</td>
<td>2008-09</td>
<td>78011473.63</td>
<td>573720167.78</td>
<td>13.59</td>
</tr>
</tbody>
</table>
Interpretation:

The gross profit ratio is not satisfactory its fluctuating in 2004-05 11.24, 2005-06 8.73,
2006 – 07 15.1, 2007-08 14.07 & 2008-09 13.59 its not good because the expenses are more.

11) NET PROFIT MARGIN RATIO
This ratio is also known as net margin. This measures the relationship between net profit and sales of a firm. Depending on the concept of net profit employed, it is calculated as follows:

\[
\text{Net profit ratio} = \frac{\text{Net Profit}}{\text{net sales}} \times 100
\]

This ratio indicates company’s capacity to withstand adverse economic conditions. A company with high net margin ratio would ensure adequate return to the owners as well as enable a firm to withstand adverse economic conditions when selling price is declining, cost of production is rising and demand for the product is falling. It would really be difficult for a low net margin ratio company to withstand these advantageous.

**TABLE - 10 NET PROFIT MARGIN RATIO:**

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Year</th>
<th>Net Profit</th>
<th>Net sales</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2004-05</td>
<td>7624062.22</td>
<td>390565567.88</td>
<td>1.95</td>
</tr>
<tr>
<td>2</td>
<td>2005-06</td>
<td>-1353071.58</td>
<td>489014707.98</td>
<td>-1.52</td>
</tr>
<tr>
<td>3</td>
<td>2006-07</td>
<td>1512197.06</td>
<td>468283461.32</td>
<td>1.59</td>
</tr>
<tr>
<td>4</td>
<td>2007-08</td>
<td>20380815.01</td>
<td>511817606.31</td>
<td>3.98</td>
</tr>
<tr>
<td>5</td>
<td>2008-09</td>
<td>7014282.39</td>
<td>573720167.78</td>
<td>1.22</td>
</tr>
</tbody>
</table>
Interpretation: since the net profit ratio of company in 2005-06 came negative because increasing in expenses and later it has recover the profit ratio in the year 2006-07 again in 2007-08 it increases, but in the last financial year its reduced in 2008-09 1.22 but it will show the organizations financial efficiency.

12) RETURN ON TOTAL ASSETS (ROTA)
This ratio is compared to know the ‘Productivity of the total assets’. There are two methods of computing Return on Total Assets

\[
\text{Return on asset} = \frac{\text{net profit}}{\text{total asset}} \times 100
\]

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Year</th>
<th>Net profit</th>
<th>Total assets</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2004-05</td>
<td>762,406,222</td>
<td>1,586,005,276</td>
<td>4.81</td>
</tr>
<tr>
<td>2</td>
<td>2005-06</td>
<td>-1,353,071.58</td>
<td>1,644,602,70.78</td>
<td>-0.822</td>
</tr>
<tr>
<td>3</td>
<td>2006-07</td>
<td>1,512,197.06</td>
<td>1,633,140,54.86</td>
<td>0.93</td>
</tr>
<tr>
<td>4</td>
<td>2007-08</td>
<td>2,038,081.50</td>
<td>1,948,208,80.91</td>
<td>10.46</td>
</tr>
<tr>
<td>5</td>
<td>2008-09</td>
<td>701,428.39</td>
<td>1,954,653,07.64</td>
<td>3.59</td>
</tr>
</tbody>
</table>
Interpretation:

In period 2005-06 there is net loss no return in 2006 – 07. again in 2007-08 it is recovered & in 2008-09 it reduce comparing last year 2007-08 so there is fluctuation in return on total asset ratio. There is no proper utilization of total assets in the company.

14) RETURN ON INVESTMENT (ROI) :

![Return on assets chart](image)
It is also called as overall profitability ratio or Return on capital employed (ROCE) Ratio. This ratio is the broadest measure of the overall performance of business firm. It indicates the percentage of return on the total capital employed in the business. The higher ratio, the more efficient use of the capital employed. It is calculated on the bases of the following:

\[
\text{Return on Investment} = \frac{\text{Net Profit}}{\text{total capital employed}} \times 100
\]

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Year</th>
<th>Net Profit/loss</th>
<th>Total capital employed</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2004-05</td>
<td>7624062.22</td>
<td>196227491.03</td>
<td>3.89</td>
</tr>
<tr>
<td>2</td>
<td>2005-06</td>
<td>-1353071.58</td>
<td>192516328.94</td>
<td>-0.70</td>
</tr>
<tr>
<td>3</td>
<td>2006-07</td>
<td>1512197.06</td>
<td>197455746.45</td>
<td>0.76</td>
</tr>
<tr>
<td>4</td>
<td>2007-08</td>
<td>20380815.01</td>
<td>190824562.29</td>
<td>10.68</td>
</tr>
<tr>
<td>5</td>
<td>2008-09</td>
<td>7014282.39</td>
<td>168426391.54</td>
<td>4.16</td>
</tr>
</tbody>
</table>
Interpretation:

In 2004-05 or 100 Rs. of investment the company is getting only **3.39** Rs. Profits, but in later years it has reduced to Rs. **-0.70** paise & in 2006-07 **0.76** paise respectively. After in 2007-08 Rs. **10.68** & in 2008-09 Rs. **4.16**. But also, it is not favorable because operating expenses are more.

15) Fixed Asset – Turnover Ratio:
DHARWAD MILK UNION

This ratio measures the efficiency and profit earning capacity of the organization. Higher ratio indicates intensive utilization of fixed asset. Lower ratio indicates under utilization of assets.

Fixed Asset – Turnover Ratio: Cost Of sales/Fixed asset

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Year</th>
<th>Cost of sales</th>
<th>Fixed asset</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2004-05</td>
<td>346684069.6</td>
<td>90571545.42</td>
<td>3.82</td>
</tr>
<tr>
<td>2</td>
<td>2005-06</td>
<td>446321775.02</td>
<td>88854612.02</td>
<td>5.02</td>
</tr>
<tr>
<td>3</td>
<td>2006-07</td>
<td>397561561.55</td>
<td>95147041.47</td>
<td>4.18</td>
</tr>
<tr>
<td>4</td>
<td>2007-08</td>
<td>439826074.98</td>
<td>104041217.21</td>
<td>4.23</td>
</tr>
<tr>
<td>5</td>
<td>2008-09</td>
<td>495708694.15</td>
<td>101278755.23</td>
<td>4.89</td>
</tr>
</tbody>
</table>
Interpretation:
16) Fixed Asset to Proprietor’s Ratio

It indicates the percentage of owners fund invested in fixed asset. If ratio is greater than 1, it means that creditors obligation have been used to acquire a part of the fixed assets.

**Fixed Asset to Proprietor’s Ratio = Fixed asset / Shareholders funds**

### TABLE 15 Fixed Asset to Proprietor’s Ratio

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Year</th>
<th>Fixed asset</th>
<th>Shareholder Funds</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2004-05</td>
<td>90571545.42</td>
<td>83507980.03</td>
<td>1.08</td>
</tr>
<tr>
<td>2</td>
<td>2005-06</td>
<td>88854612.02</td>
<td>86473535.94</td>
<td>1.03</td>
</tr>
<tr>
<td>3</td>
<td>2006-07</td>
<td>95147041.47</td>
<td>100072068.45</td>
<td>0.95</td>
</tr>
<tr>
<td>4</td>
<td>2007-08</td>
<td>104041217.21</td>
<td>102364616.29</td>
<td>1.01</td>
</tr>
<tr>
<td>5</td>
<td>2008-09</td>
<td>101278755.23</td>
<td>86063160.54</td>
<td>1.18</td>
</tr>
</tbody>
</table>
### Fixed asseta to Properietor ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>1.08</td>
</tr>
<tr>
<td>2005-06</td>
<td>1.03</td>
</tr>
<tr>
<td>2006-07</td>
<td>0.95</td>
</tr>
<tr>
<td>2007-08</td>
<td>1.01</td>
</tr>
<tr>
<td>2008-09</td>
<td>1.18</td>
</tr>
</tbody>
</table>

**Interpretation:**

CHAPTER – 6

- FINDINGS, SUGGESTIONS AND CONCLUSION

- BIBLIOGRAPHY

- FINANCIAL STATEMENTS.
FINDINGS:

1. The Current ratio is below the standard ratio and it is not good from company’s point of view. It shows that it is not good position to meet the short term liabilities.

2. The liquidity ratio is according to standard ratio (1:1) and it is good from company’s point of view. It shows the company is able to meet its liabilities is short period.

3. The Debt equity ratio is showing decreasing trend in year by years. It indicates that the company is depending more on internal sources, a more internal funds means the shareholders fund, it shows that the company is financially strong (i.e., a low debt company).

4. The debtor turnover ratio is good. It shows the collection of debtors is very prompt.

5. The return on total assets is also fluctuating. It indicates that, the assets had not been utilized properly by the firm.

6. The firm is slowly recovering loss from past five financial years. For that reason the firm unable to pay the returns to the share holders.
Suggestions:

1. The profit of the company is not in a good position for that company has to take alternative actions such as
   i. Increasing in procurement of milk,
   ii. Production, and control in fixed expenses like administrative, selling etc.

2. The organization should increase its current assets to meet the current obligations through making credit sales, and also improve the liquidity position through increasing cash in hand and at Bank.

3. The organization can think to increase the debt equity which is profitable to the company, its helps in expansion of business or investing in some mutual funds and other market securities. Investment is again subject to market risk, hence a special fund managers can be appointed or a broker who will take care of such aspects.

4. The existing capacity of DMU is 2,00,000 lts of milk per day. Presently only 85,000 ltrs of milk is procured by DMU, which is not even 50% of the capacity. Hence it has to increase milk procurement routes by encourage village people to increase the cooperative milk societies (Presently 560) and add to their existing list of suppliers to DMU.

5. The organization should make sum rules and regulation, which is should apply the all the department employee – worker to effort to meet the stated organization goals & objects.

6. Proper training should give to all employees – workers to take use of available resource in organization. It may monitory or otherless.
CONCLUSION

“FINANCE IS THE LIFE BLOOD OF EVERY INDUSTRI – ORGANIZATION – COMPANY AND AS WELL AS ECONOMIC ACTIVES”

"PROFIT IT IS A CONDITION OF SURVIVAL IT IS COST OF SURVIVAL IT IS THE COST OF STAYING IN BUSINESS ".

When we analyze its financial performance through ratios there the DMU is recovering from loss whatever they faced from 6 years. it is an one of the milk production industry which is established in Karnataka in the year of 1984. There is an increment in its financial performance but it is not enough, because the firm has 25 years experience. And it has great potential to increase its profit. By calculating Financial Ratio we see the financial performance of DMU is recovering.
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