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# Ratio Analysis at Bemul

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EXECUTIVE SUMMARY:-

India is agriculture based developing economy. Farmer is backbone of our economy because most of the GDP contributed by this sector only. More than 65% people dependent on agriculture and agriculture based occupational activities for their livelihood. Most of the Agriculture activities seen, in rural India. In India agriculture is developed not as compared with developed countries. So our farmers’ economic condition is very poor especially in rural areas. To improve the economic condition of rural farmers government has been taking major development projects.

In these major development activities “DISTRICT CO-OPERAIVE MILK UNION” is also one. It is one of the organizations established on the basis co-operative pattern with help of governments’ financial and technical assistance. Its major function is to procure the milk from surrounding farmers through “DIARY CO-OPERATIVES”. It pays to the farmers on the basis quality of milk they provided. Then collected milk processed into pasteurized milk and its products, it is released in the market for sales. It is also assisting the farmers in cattle breeding. By this way it is making efforts to raise economic conditions of the rural farmers and building a strong India.

The BEMUL is the manufacturing and trading organization. It produces milk and its products like lassi, ghee, peda ,kunda The manufacturing oriented undertakings require large amount of investment in fixed assets and current assets namely, inventories, receivables and cash. So there is need to analyze the financial performance of the organization. The organization has a large amount of accumulated loss. So I took “RATIO ANALYSIS” as topic for my project in BELGAUM MILK UNION LIMITED, BELGAUAM.

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 Belgaum Milk Producers Union Limited, by using the Annual Reports of the firm and what are the hardcore efforts put by the firm to raise economic conditions of a rural area.

The Financial analysis of this report will show the overall Strength and weakness of the Belgaum Milk Producers Union Limited. Financial analysis will help the firm to take decision improve its performance.
Objectives of the study:

1. To study profit & loss a/c and balance sheet through ratios
2. To calculate ratios
3. To evaluate and analysis of profit and loss a/c and balance sheet through ratios
4. To know overall position of company through ratios
5. To identify problems if any and suggest solution
RATIO ANALYSIS AT BEMUL

FINDINGS

1) The current ratio of the company is not satisfactory because the ratios of all 5 years do not meet the standards. The highest ratio is 1.09 recorded during 2005-06 and the lowest one is 0.93 recorded during 2006-07. So the current ratio is not satisfactory. The company in the last year current assets decreased by 20.2% but current liabilities increased by 19.50% so the company may improve its current ratio by increasing the current assets and controlling the current liabilities.

2) The quick ratio of the company is not satisfactory for all 5 years because the ratios not meet the standards. The ratios always below the one. The highest ratio is 0.77 in 2006-07 and lowest ratio is 0.65 in 2008-2009.

3) The debt equity ratio of the company is satisfactory because the long term debt decreased in last three years and increased the shareholders portion. Initially debt portion is higher i.e. 0.86 then it came to in last year is 0.17.

4) The proprietary ratio of the company is not satisfactory because during the first 4 years i.e. 2005 to 2008 the owners share are less than the outsiders share so this ratio is not satisfactory. The highest ratio is 0.65 recorded in the year 2009 & the lowest is 0.45 recorded in the year 2007. For 4 year it is below 0.50.

5) The interest coverage ratio of the company is satisfactory because there is sufficient amount is available during the year 2006 to 2009 to make payment of interest so this ratio is satisfactory. The highest ratio recorded is 2.5 in the year 2006 and lowest ratio recorded is -1.4 in the year 2005.

6) The inventory turnover ratio of the company is satisfactory because it is go on increasing year by year from year 2005 to 2009 it increased from 23.20 in the year 2004-05 to 46.37 in the year 2008-09 so this ratio is satisfactory.

7) The debtor turnover ratio is not satisfactory. It is more than standard. It was high for all years.

8) The debtor collection period is not satisfactory. It is below standard days.
9) The capital turnover ratio is satisfactory because there is increase in every year except 2005-06. 2.92 then onwards it increase to every year and reached 5.19 in the last year.

10) Fixed assets turnover ratio is satisfactory for the company because there is increase in every year in 2005 3.47, then it reached to 2009 with 4.59.

11) The gross profit ratio satisfactory for the company the highest ratio is 16.75 lowest 12.57. For all years it is more than 10%.

12) The net profit ratio is not satisfactory because the profit rate is very low and out of 5 years only two years have sufficient profit earned. The highest ratio is 1.46 in 2006 and lowest is -2.07 in 2005. It is struggling to earn net profit.

13) The operating expenses ratio is satisfactory out of 5 years only 3 years below the 100%. The last 2 years it below the 100. The lowest operating expenses ratio is 97.72 in 2006 and the highest ratio is 101.3 in 2005. In last 2 years it shows that company controlled the costs. But the margin between sales and operating cost very small.

14) The return on equity ratio is not satisfactory for the company because the out of 5 years only it had 2 times average returns on shareholders equity. The highest ratio is 9.27 in 2005-06 and lowest is -13.1 in 2004-05.

15) The return on investment ratio is satisfactory for company. Because out of 5 years 3 years had earn favorable return earned on investment. The highest ratio in 2007-08 is 12.73 and lowest is -4.2 in 2004-05.

16) The return on assets satisfactory for the company out of 5 years 3 years had favorable to company because it had earn average return for 3 years. The highest return on assets is 8.5 in 2007-08, and lowest is -4.3 in 2004-05.
SUGGESTIONS

1. To improve short term solvency of the company it needs to improve current ratio and quick ratio. To improve this it must increase current assets and control the current liabilities.

2. To improve the operating ratio company should try to control the operating costs.

3. To improve the net profit ratio company needs to concentrate on the operating costs. And try to increase the sales.

4. To improve its overall performance it should use its resources like capital & assets in an effective and efficient manner.
CONCLUSION:

When I analyzed overall performance through ratio analysis firms liquidity positions is not fully secured to meet its current obligations but in the respect of solvency of firm has a long term solvency position and with regard to profit it is struggling to earn operating profits due to high operating expenses and also the resources have not been properly utilized by the firm.
INTRODUCTION

Financial Ratios are used in the evaluation of the financial condition and profitability of a company. The ratios are calculated from the financial information provided in the balance sheet and income statements. While analyzing the financial statements you should keep in mind the principles/practices that accountants use in preparing statements to examine at the financial condition and preference of a company.

RATIO ANALYSIS

Ratio Analysis is one of the techniques of financial analysis where ratios are used as a yardstick for evaluating the financial condition and performance of a firm. Analysis and interpretation of various accounting ratios gives a skilled and experienced analyst a better understanding of the financial condition and performance of the firm.

MEANING AND DEFINITION:-

A ratio is a simple arithmetic expression of the relationship of one number to another. Ratio is relationships expressed in mathematical terms between figures which are connected with each other in some manner.

DEFINITION:-

Ratio analysis is defined as, “The systematic use of ratios to interpret the financial statements so that the strengths and weaknesses of the firm as well as its historical performance and current financial condition can be determined.

This relationship can be expressed as:

1) Percentages:- For example, Assuming that net profits of Rs 25,000 and Sales of Rs 1,00,000. Then the net profits are 25% of sales.

2) Fraction:- net profit is $\frac{1}{4}$ of sales.

3) Proportion:- the relationship between net profits and sales is 1:4.

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 OR SIGNIFICANCE OF RATIO ANALYSIS:

The ratio analysis is one of the most powerful tools of financial analysis. It is used as a device to analyze and interprets the financial health of enterprise. Just like a doctor examines his patient by recording his body temperature, blood pressure etc. before making his conclusion regarding the illness and before giving his treatment, a financial analyst analyses the financial statements with various tools of analysis before commenting upon the financial health or weaknesses of an enterprise. Following are the uses of ratio analysis:

1. Liquidity position
2. Long term solvency
3. Operating efficiency
4. Overall profitability
5. Inter firm comparison
6. Trend analysis.

Liquidity Position

With the help of ratio analysis conclusions can be drawn regarding the liquidity position of a firm. It 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 inter-firm 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.
LIMITATION OF RATIO ANALYSIS:-

Ratio analysis is a widely used tool of financial analysis. Though ratios are simple to calculate and easy to understand, they suffer from some serious limitations:

1. Limited use of Single Ratio:-
   
   A single ratio usually does not convey much of a sense. To make a better interpretation a number of ratios have to be calculated which is likely to confuse the analyst than help him in making any meaningful conclusion.

2. Lack of Adequate Standards:-

   There are no well accepted standards or rules of thumb for all ratios which can be accepted as norms. It renders interpretation of the ratio difficult.

3. Change of Accounting Procedure:-

   Change in accounting procedure by a firm often makes ratio analysis misleading e.g. a change in the valuation of methods of inventories, from FIFO to LIFO increases the cost of sales and reduces considerably the value of closing stocks which makes stock turnover ratio to be lucrative and an unfavorable gross profit ratio.

4. Window Dressing:-

   Financial statements easily can be window dressed to present a better picture of its financial and profitability position to outsiders. Hence one has to be very careful in making a decision from ratios calculated from such financial statements. But it may be very difficult for an outsider to know about the window dressing made by a firm.

5. Personal Bias:-

   Ratio is only means of financial analysis and not an end in itself. Ratios have to be interpreted and different people may interpret the same ratio in different ways.
6. Incomparable:-

Not only industries differ in their nature but also the firms of the similar business widely differ in their size and accounting procedure etc.. It makes comparison of ratios difficult and misleading. Moreover, comparisons are made difficult due to differences in definitions of various financial terms used in the ratio analysis.

7. Absolute Figures Distortive:-

Ratios devoid of absolute figures may prove distortive as ratio analysis is primarily a quantitative analysis and not a qualitative analysis.

8. Price Level Changes:-

While making ratio analysis, no consideration is made to the changes in price levels and this makes the interpretation of ratios invalid.

9. Ratios No Substitutes:-

Ratio analysis is merely a tool of financial statements. Hence, ratios become useless if separated from the statements from which they are computed.
RATIO ANALYSIS AT BEMUL

CLASSIFICATION OF RATIOS:

1) LIQUIDITY RATIO
   ♦ Current Ratio
   ♦ Quick Acid Ratio

2) CAPITAL STRUCTURE RATIO
   ♦ Debt-equity Ratio
   ♦ Proprietary Ratio.
   ♦ Interest Coverage Ratio

3) ACTIVITY RATIO:
   ♦ Inventory Turnover Ratio
   ♦ Debtors Turnover Ratio
   ♦ Creditors Turnover Ratio
   ♦ Capital Turnover Ratio
   ♦ Working Capital Turnover Ratio
   ♦ Fixed Assets Turnover

4) PROFITABILITY RATIO:
   ♦ Gross Profit Ratio
   ♦ Net Profit Ratio
   ♦ Operating Profit Ratio
   ♦ Operating Expenses Ratio Or Operating Ratio
   ♦ Return on Investment Ratio
RATIO ANALYSIS AT BEMUL

Liquidity Ratios:

These ratios are also termed as ‘working capital’ or ‘short term solvency ratio’. 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.

Leverage/capital structure ratios:

The second category of financial ratios is leverage or capital structure ratios. These ratios explain how the capital structure of a firm is made up or the debt-equity mix adopted by the firm. 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:

Profitability is indication of the efficiency with which the operations of the business are carried on. Poor operational performance may indicate poor sales and hence poor profits. A lower profitability may arise due to the lack of control over the expenses. Bankers, financial institutions and other creditors look at the profitability ratios as an indicator whether or not the firm earns substantially more than it pays interest for the use of borrowed funds and whether ultimate repayment of their debt appears reasonably certain. 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?
HISTORY OF INDIAN DIARY:

Before independence, there was no great importance given to diary industry. In the year of 1886 British government established the diary farms for the supply of milk to the British in troops in Allahabad. After 1920 important steps were taken by Mr. William Smith, an expert in dairy farming to improve milk production. There was discrimination due to the Indians hence this led to the rise of the first milk union in India. In Luck now in 1937 caned the Luck now milk producer’s Cooperative union Ltd.

In 1946 AMUL (Anand Milk Udyog Ltd) was started in Gujarat to bring up the economic stability of villagers. With the help of sardar wallabha bhai patel. It was established on the basis of 3 levels co-operative structure. First it is established in samarkha village. And then it was developed whole kaira district. In kaira district AMUL diary plant established in Anand. Then it famously known as anand pattern.

When the farmer Prime Minister Lal Bahaddur shastri visited the functioning as it was rendering a social service to the society, which helped the villagers to come in the national economic stream.

The dairy and Animal Husbandry received serious attention after the independence. There was lot many of progressive steps taken by the government through five year plans. This led to the formation of National Dairy Development Board in 1965 & thus in 1970 he decided to bring a white Revolution through out the country. Initially 10 states were chosen were for this purpose excluding Karnataka. In Karnataka in 1974 an integrated project was launched to restructure and reorganize the dairy industry on Co-operative principle of AMUL and to lay foundation for new direction in dairy industry.
NATIONAL DARIY DEVELOPMENT BOARD:

HISTORY:

The NDDB was established in 1965. The board is registered under the Societies Registration Act and the public Trust Act, fulfilling the desire of the Prime Minister of India - the late Lai Bhahaddur Shastri to extend the success of the Kaira Co-operative Milk producers union (AMUL) to other parts of India. The success combined the wisdom & energy of farmers with professional management to successful capture liquid milk and milk product markets while supporting farmer's investment with inputs and services.

THE GROWTH:

NDDB began its operations with the mission of making dairying a vehicle to a better future for millions of gross roots milk producers. The mission archived helped to launch "Operation Flood", a program extending over 26 years and with the help of World Bank Loan India became the world's largest milk producing country. As per March 2001 India's 96000 Dairy Co-operative are integrated thorough a three Tire Co-operative structure.

The Anand pattern which is owned by more than 10 million formers procures an average of 1605 million liters of milk everyday. The milk is processed and marketed by 170 milk producers' co-operative unions which, in turn own 15 state co-operative milk marketing federation. Since its establishment the dairy development board has planned and spearheaded India's Dairy program by placing dairy development in the hands of milk producers and the professionals they employ to manage their co-operatives. In addition, NDDB also promotes other commodity based co-operative, allied industries and veterinary biologically on an intensive and nation wide basis.
OBJECTIVES OF NDDB:

1. To sponsor, promote, manage, acquire, construct or control any plant or work, which promote projects of general public utility relation to dairying.
2. To make information available on request to technical services to increase production of Milk.
3. To prepare initial feasibility studies of dairying and other dairy related projects and undertake subsequent designing planning and start up those projects.
4. To undertake research and development programs related to production and marketing of milk and milk products.

SERVICES RENDERED BY NDDB:

1. Planning dairy and rural development projects.
2. Organization of farmer co-operative societies.
3. Setting up of dairy and cattle feed plants.
4. Manpower planning and training.
5. Applied research and development.
KARNATAKA MILK FEDERATION

The first dairy in Karnataka was started at Kudige in Kodagu district in 1955. Further in June 1974: an integrated project was launched in Karnataka to restructure and reorganize the dairy industry on the co-operative principle and to lay foundation for a new direction in dairy development.

In 1975 the World Bank aided dairy development was initiated. The present Karnataka Milk Federation (KMF) came into existence in 1984-as a result of merging of Karnataka Dairy Development Co-operation, small co-operatives and Karnataka Milk Production Development and loose vendors.

At the end of the March 1998, the network of 8023 Dairy Co-operative Societies (DCS) have been established which are spread over 166 taluks of the total 175 taluks in all 27 districts of Karnataka. There are 13 Milk Unions and Dharwad Milk Union (DMU) is one among them. There are 35 Chilling centers, 3 Farm coolers, 15 Liquid milk plants and 2 Product dairies for chilling, processing, conservation and marketing of milk. To supply cattle feed there are 4 cattle feed plants. To ensure supply of quality germ plasma, Bull breeding farm and frozen semen bank are also available

KARNATAKA CO-OPERATIVE MILK PRODUCERS' FEDERATION LIMITED (KMF):

It is the apex Body in Karnataka representing Dairy Cooperatives. It is the third largest dairy co-operative amongst the dairy co-operatives in the country. To impart training, institutes at Bangalore and regional training institutes at Dharwad and Gulbarga are functioning. Three nitrogen plants are been set-up to supply nitrogen, which is used for Refrigeration purpose.
Three diagnostic centers have been set-up for monitoring diseases, three fodder farms at Rajkunte, Kuttanahalli and Kodagu have been set-up to supply good quality of fodder and seed production farm at Shahpur has been set-up. The federation giving details of the latest technology in dairy industry etc is published "Ksheer Sagar" magazine monthly.
KMF is a co-operative apex body in the state of Karnataka for representing dairy organizations and also implementing dairy development activities to achieve the following objectives.
1. Providing assured and remunerative market for all the milk produced by the farmer members.
2. Providing hygienic milk to urban consumers.
3. To build village level institutions in co-operative sector to manage the dairy activities.
4. To ensure provision of milk production inputs, processing facilities and dissemination of know how.
5. To facilitate rural development by providing opportunities for self-employment at village level, preventing migration to urban areas, etc.

FUNCTIONS OF KMF:
1. Co-ordination of activities between the unions.
2. Developing the markets for the increasing in milk production.
   To make the brand ‘Nandini’ as a house hold name.
3. Excellence in quality is to be maintained to lay a solid foundation for wide spread acceptance of ‘Nandini’ products.
4. To increase the market share of “Nandini”.

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
DIARY CO-OPERATIVE SOCIETY (DCS):
It is basic organization unit, functioning at the village level, by training local people to organize and manage the activities village level institution building and development of local leadership is promoted.

FUNCTIONS:
1. It functions daily and acts as a marketing outset for the milk produced in the village.
2. Input facilities are also canalized to the dairy farmers through these societies and include Veterinary First Aid., Sale of Cattle Feed, Supply of Fodder Seeds Seedling and Provisions of Mobile Veterinary Health Care etc.
3. Payment for the milk is done through society.
KEY ELEMENTS OF BEMUL:

COMPANY PROFILE:

<table>
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<th>Name of the Company</th>
<th>Belgaum District Co-operative Milk Producers Societies Union Ltd. Belgaum.</th>
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<tbody>
<tr>
<td>Address of the Company</td>
<td>Belgaum Dist. Co-operative Milk Producers Societies Union Ltd. Belgaum Dairy premises Kanbargi Road, Belgaum- 590016. Tel Ph No:- 0831- 2455036, 2454107, 2453442.</td>
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<tr>
<td>Registration No</td>
<td>JRL/9072/DAY/1985-86. Date: 24th December 1985</td>
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<tr>
<td>Type of unit</td>
<td>Small Scale.</td>
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<tr>
<td>Organization set up</td>
<td>Land: 22 acres</td>
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<tr>
<td>Labours</td>
<td>Permanent: 125</td>
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<tr>
<td>Maximum capacity</td>
<td>60,000 liters to extendable up to 100000</td>
</tr>
<tr>
<td>Capital</td>
<td>5.86 Crs</td>
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INTRODUCTION OF BEMUL
Government Dairy, Belgaum, was established in the year 1971 with milk handling capacity of 10,000 LPD under Govt. Milk Scheme. The BEMUL is union member of KMF and registered on 24^th^ Dec 1985. It is a co-operative organization. The integrated, dairy development activated in Karnataka started on sound footing with Govt. of Karnataka initiating dairy development project in 1974 with the World Bank Assistance. The AMUL Model Co-Operative System was followed for Dairy Development activities in Karnataka. Initially Dairy Development was started in 8 districts of Southern Karnataka. Later in 1983 Integrated Dairy Development activities were started in Northern Districts of Karnataka from Oct 1984 under Operation Flood-II project of National Dairy Development Board which gave impetus for further development in Dairying. Belgaum Milk Union started functioning with effect from December 1985.

Belgaum district is North Western border district of Karnataka, 512 km away from Bangalore and it is on the border of Maharashtra and Goa States. The district is formerly known as land of sugar later turned into land of sugar and milk. New dairy plant was established in the year 1995 with milk handling capacity of 60,000 LPD expandable to 1,00,000 LPD to serve consumers with pasteurized milk and products such as Ghee, Peda, Curd, Sweet milk, Masala Butter Milk and Belgaum special sweet “Nandini Kunda”. There are 314 primary dairy co-operative societies functioning which are affiliated to the union. In all around 15,280 milk producers families supplying milk to the union through Primary Milk Producers Co-Op Societies. Around 64,867 families are depending on Dairy activities for their livelihood of which many are land less laborers and belong to weaker section. The major objectives of the union shall be to carry out activities conducive to the economic and socio-economic development of the milk producers by organizing effective promotion, processing and marketing of commodities.
PRINCIPLES OF THE BEMUL:

1. Honesty
2. Discipline and Time Management
3. Quality at all stages
4. Mutual Co-Operation and Respect
5. Transparency
6. Hard Work and Sincerity

OBJECTIVES OF THE BEMUL:

1. The main objective of BEMUL is to develop the members by procuring good quality milk.
2. To provide high quality milk to the continuous changing market and to increase the position of Union in introducing milk and milk products.
3. Honestly striving to become one of the best dairy in Karnataka State.
4. To achieve economies of scale to ensure max returns to milk producers
5. To facilitate middlemen & organized institutions to be removed & managed by milk producers themselves.

FUNCTIONS OF BEMUL:

1. The main function of is to procure milk from villagers and pay them the right price.
2. To educate the villagers about milk and its quality
3. To make ‘Nandini ’ as a part of daily life.
4. To provide good quality of cattle feed, fodder, veterinary properly and in an efficient manner.
5. To see that the DCS’s are carrying out their activities properly and in an efficient manner.
6. To see that the milk is brought from DCS’s to the chilling centers in the prescribed time.

7. To look the account of the DCS’s supervised the purchase process and market the milk and milk products.

MISSION:

Water utilization in dairy industry as per GM (QPM), NDDB and annual ratio from 1-10. Now there is a trust to reach the stage of 1-15. Presently BEMUL has reached a state of 1:2; we are planning to still reduce.

VISION:

BEMUL is committed to conserve energy and maintain in the areas of plants by educating all the connected staffs and there by gaining competitive edge by reducing operational cost control, increasing market shares of milk and milk products for prosperity of producers, consumers and employee’s for mutual help for the nation and organization.
Working of the organization

Co-operation as the name indicate it is joint operation of business i.e. a form of business organization curried out on joint labour. The objective of such kind of voluntary association is to help the weaker population and under take an economic activity on the principle of “All & For One and One For All”

The co-operative dairy has helped to improve the income of their members who are nothing but the farmers which in turn helped to increase or develop rural economy, it can be employed for credit, population, marketing, housing, educational etc.

The working of the dairy is a part of village economy, breeding of milk cattle and production of milk for the consummation of the milk for public at large. It creates rural employment. As a part of agriculture the government of India has given scope for dairy co-operative, and under that scheme BEMUL is working.

BEMUL is established on co-operative principles the importance is given to service rather than profit making.

A co-operative society has 2 main objectives

1) Service to the members.

2) Service to the community as a whole.

The co-operative sector helps in economics and social change by improving the economic status and social justice. Because of this government is showing more interest in the co-operative sectors. By the end of 31st march 2003 there is a network over 175 talukas in all the 27 districts in Karnataka. These societies have been grouped into 13 unions based on their capacity of production, procurement and distribution and these all unions are controlled by the chief authority, i.e. Karnataka milk federation of all the union and situated at Bangalore.
Products of BEMUL:

BEMUL is providing the best quality of Nandini milk and milk products to the consumers of urban area of Belgaum district, Goa etc. Its main motto is to serve the society at their best level & because of this they provide better quality goods by which consumer happily pays & are suited. Nandini milk is enriched with vitamin “A” & is produced & stared in most hygienic environment.

PRODUCTS OF BEMUL:

Karnataka's most favorite milk. Nandini Toned Fresh and Pure milk containing 3.0% fat and 8.5% SNF. Available in 500ml and 1ltr packs

Nandini Homogenized Milk is pure milk which is homogenized and pasteurized. Consistent right through, it gives you more cups of tea or coffee and is easily digestible
Full Cream milk. Containing 6% Fat and 9% SNF. A rich, creamier and tastier milk. Ideal for preparing home-made sweets & savories.

Nandini spiced Butter Milk is a refreshing health drink. It is made from quality curds and is blended with fresh green chilies, green coriander leaves, asafetida and fresh ginger. Nandini spiced butter promotes health and easy digestion.

Nandini Curd made from pure milk. It's thick and delicious. Giving you all the goodness of homemade curds
A taste of purity. Nandini Ghee, made from pure butter. It is fresh and pure with a delicious flavor. Hygienically manufactured and packed in a special pack to retain the goodness of pure ghee.

Great way to those soft and juicy jamoon treats at home! Nandini Gulab Jamoon Mix is made from Nandini skimmed milk powder, maida, soji and Nandini Special Grade Ghee.

No matter what you are celebrating! Made from pure milk, Nandini Peda is a delicious treat for the family.
Sterilized flavored milk, a nutritious and healthy drink and an all-season wholesome drink available in five different flavors - pineapple, rose, badam, pista and natural orange. Apart from refreshing energy.
COMPETITORS:

1. ADITYAA
2. AROKYA
3. KRISHNA
4. SAHYADRI
5. ABHAY
6. MAHALAXMI
7. MAYUR
ORGANISATION STRUCTURE BEMUL:

Board of Management

Managing Director

Procurement & Input

Manager

Deputy Manager P & I
Assistant P & I
Extension Officer
Grade I, II, III

Deputy Manager F & F
Assistant Manager

Deputy Manager Veterinary
Assistant Manager
Veterinary Assistant

Supreintendent Administration

Security Officer

Canteen

Supreintendent Admin

Deputy Manager

Finance

Purchase

Security Guards

Assistant Security Officer

Cooks

Account Officer

Assistant Manager

Assistant

Account Assistant

Grade I, II, III

Clerks Computer

Assistant

Manager

Assistant

Manager

Veterinary Assistant

Veterinary Assistant

Veterinary Assistant

Veterinary Assistant
DEPARTMENTS OF BEMUL:-

In BEMUL, there are various sections or Departments which constitutes the operation of union. The various departments are:

1. Procurement and Input
2. Production or Plant Department
3. Marketing Department
4. Administrative Department
5. Finance or Accounts Department
6. Stores and Purchase Department
7. Management information system
PROCUREMENT AND INPUT DEPARTMENT:

P&I is an important Dept in the Organization. It deals with procurement of milk and takes it as input for final production.

Now a day due to increase in the population, the demands for milk and milk products has been increasing. So to meet this demand of market only procurement of milk through societies is not sufficient. So the Union has adopted various other sources of procurement life:

1. Milk procured from societies 90%.
2. Milk procured from other dairy 10%.

PROCUREMENT PROCESS:

The farmers milk the cattle and take the milk to DCS i.e. Dairy Co-Operative Societies and then the milk is tested for FAT for both cow and buffalo.

The milk collected at DCS centers are picked up by milk vans and taken to the main dairy. Then it is weighted there and FAT & SNF are again tested and then send for pasteurization. The money paid by main dairy to the societies based on the FAT and SNF content of milk.
RATIO ANALYSIS AT BEMUL

Calculation of SNF:-

SNF (Solid Not Fat) = CLR / 4 + 0.25 * FAT + 0.35.

THE TABLE SHOWING TOTAL PROCUREMENT PER DAY:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TOTAL PROCUREMENT (in liter)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>44,954</td>
</tr>
<tr>
<td>2002-03</td>
<td>47305</td>
</tr>
<tr>
<td>2003-04</td>
<td>46,968</td>
</tr>
<tr>
<td>2004-05</td>
<td>53,154</td>
</tr>
<tr>
<td>2005-06</td>
<td>56,838</td>
</tr>
<tr>
<td>2006-07</td>
<td>52,994</td>
</tr>
<tr>
<td>2007-08</td>
<td>56,361</td>
</tr>
</tbody>
</table>

For more milk procurement and milk production, balanced cattle feed is essential. For that reason BEMUL is supplying balanced food i.e., cattle feed and mineral mixture at reasonable prices in the village itself at their DCS.
Mineral Mixture Powder:-

<table>
<thead>
<tr>
<th>Composition</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calcium</td>
<td>19.80</td>
</tr>
<tr>
<td>Phosphorous</td>
<td>9.00</td>
</tr>
<tr>
<td>Zink</td>
<td>1.62</td>
</tr>
<tr>
<td>Copper</td>
<td>0.25</td>
</tr>
</tbody>
</table>

Functions of Procurement and Input department:

- Opening of new dairy Co-Operative Societies.
- To procure good milk at dairy Co-Operative Societies.
- To check the records maintained at dairy Societies.
- To attend complaints.
- Provide mineral mixture
- Conducting meetings about in DCS.
- To conduct free cattle health camps.
- To provide the artificial insemination facility
- Providing free cattle’s to the members and poor people in government schemes.
PRODUCTION DEPARTMENT:

Production department is the main department wherein the raw material is converted into finished into products. At BEMUL production department is well planned & adequately equipped manufacturing set up where all the necessary infrastructure is available. The quality of the product is also dependant on the production procedure.

In BEMUL the raw milk is processed to form the good quality of milk. During the processing the milk is differentiated depending on the contract of FAT & SNF (Solids Not Fat).

The production procedure at BEMUL is done under different stages. The stages are as follows:

1. COLLECTION OF MILK :-
   In this stage the milk is bought from the various district co-operative societies (DSC) to the main dairy in a can of 40 litters capacity in tempo’s or in any other vehicles. The cans marked with two different colors to differentiate between the cow & the buffalo milk. One the milk is bought to the main dairy it undergoes into following process.

2. UNLOADING
   The cans were unloaded is called as dock station. The cans are unloaded from the vans manually.

3. ORGANOLEPTIC TEST
   This test is carried out by a person manually without using any machines but using his sense organs like nose & hence it is called as organoleptic test. This test is conducted before the cans are weighed. In this test various sub-tests are conducted like:
   - SMELLING (ODOUR) TEST:-
     A man at dock station or platform checks the acidic nature of milk by smelling or tasting the raw milk. If the tasted milk has bad odors then the dairy will pay lower rate to such society members than the normal rate.
   - EXTRANEOUS-MATTER APPERANCES:-
     In this test the raw milk is undergone into the test, which is conducted by the chemist. The chemist checks for two aspects mainly whether the milk is contaminated or not & the milk is in liquid form or curd form. He also checks for any extraneous matters like dust, flies etc. which lead to spoilage of milk.
   - AICDIC TEST
As the payment to the suppliers or DSC depends mainly on FAT & SNF content in the raw milk. The supplier may add sugar to the milk so as to increase the FAT & SNF content. Hence to avoid this adulteration sugar test is done.

Its procedure is 10ml of milk is shaken in a test tube & 1ml of hydrochloric acid. Few crystals of resorcinol are mixed to it. The solution is shaken well & heated for five minutes. If solution turns organ color it is demanded that sugar is mixed to it.

- **STORAGE OF CHILLED MILK:**
  Once all the tests are over, the milk is allowed to store in the SILOS (Storage tank). So as to maintain its cold level of 4 * C. The unions having 7 storage tanks, 3 tanks are vertical with 30000 litters’ capacity each and the remaining 4 are horizontal among which 2 are having the capacity of 10000 litters each and other 2 of 15000 litters each. After chilling the milk is passed through pasteurizer for pasteurization.

- **PESTEURIZATION:**
  This step of production includes heating every partical of milk at 72 *C in 15 seconds and it cold in less then 4* C. When it is passing through pasteurization the cream is removed depending on the quality of the milk required (standardization).

- **PACKING:**
  Once the pasteurization closed is conducted the next step is to pack the milk. The packing is done by the machine of fluid goods and were as it is done manually in case of solid goods like peda. The machine packs the raw milk in two size that is 500ml and 1000ml pouches. These machines are automatic with a capacity of packing 10000 to 14000 pouches per hour. The speed can be even altered according to suitability. These machines are used to pack all different types of milk in plastic bags. These plastics are polythene bags required for packing milk is bought from Bangalore.

- **STORAGE:**
  The last but not the process is the whole of production process is storage. The milk packed in 500ml and 1000ml pouches are arranged in the crates. Each cater contain 10 litters of milk. This cathers are stored in cold room which has a temperature of about 5 degree Celsius or below.

Production process has the following workflow model.
RATIO ANALYSIS AT BEMUL

GHEE MAKING

- BUTTER STORAGE
  - BUTTER MELTING
  - GHEE BOILER
    - GHEE SETTLING
      - GHEE PACKING
        - DESPATCH

PEDA & KUNDA

- Milk -> Peda Vat
  - Packing
    - FGS
      - Distribution

'PRODUCTION DEPARTMENT CHART:-
ENGINEERING DEPARTMENT:-

Engineering dept is the heart of dairy production and other unit. Its major contribution is towards the production unit.

DEPARTMENTS OF ENGINEERING:-

- Electricity Department
- Boiler Section
- Air Compressor and Work shop
- Refrigeration
- Processing Plant
- ETP (Efflon Treatment Plant)

FUNCTIONS OF ENGINEERING DEPT:-

- To supply hot water to production dept and wash cans and utensils.
- To supply cold by ammonia treatment so as to maintain the 4 degree Celsius temperature of milk.
- Maintenance and repairs of motors.
- To supply electricity through D.G (Diesel Generator) sets in case of power failure.
- It will clear the water after passing out from the production dept and reused for plants and to wash the floor. (ETP).
MARKETING DEPARTMENT:-

“Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals.”

Marketing Section in BEMUL is divided into three different internal sections: via

- Office Work
- Marketing and Production Co-Ordination
- Field Work

Office Work:- The Office work deals with all daily transactions. They include checking the daily indents, collecting the cash from salesman and depositing the same into the bank. Delegating the work to all assistants and helpers. They also arrange vehicles for distribution of milk on contract basis.

Marketing and Production Co-Ordination:- Marketing and Production are not two different aspects. They are two faces of same coin. The indents collected by the agents, which helps meet production and packing of the products. They prepare chart of requirement for the next day and sent to the production department which helps in taking decisions for the production.

Field Work: - The Marketing Officers will go to the fields to study the market and then they will plan for the strategy. They will plan about Marketing Mix i.e. Product, Price, Promotion and Place or Distribution. There are around 15 sales persons in the field work.

DISTRIBUTION PROCESS:-
MILK DISTRIBUTION ROUTES OF BEMUL:-

<table>
<thead>
<tr>
<th>DISTRICT</th>
<th>TADEKA</th>
<th>OUTSIDER</th>
</tr>
</thead>
<tbody>
<tr>
<td>BELGAUM I</td>
<td>GOKAR</td>
<td>SAWANTWADI</td>
</tr>
<tr>
<td>BELGAUM II</td>
<td>DAILHONGAL</td>
<td>GOA I</td>
</tr>
<tr>
<td>BELGAUM III</td>
<td>T.S. HALLI</td>
<td>GOA IA</td>
</tr>
<tr>
<td>BELGAUM IV</td>
<td>RAMNAGAR</td>
<td>GOA KUNDAIM</td>
</tr>
<tr>
<td>BELGAUM V</td>
<td>RAIBAG</td>
<td>GOA II</td>
</tr>
<tr>
<td>SULEBHAVI</td>
<td>CASTLE ROCK</td>
<td>GOA III</td>
</tr>
<tr>
<td>AUTO (M1)</td>
<td>ITAGI MPCS</td>
<td>GOA IV</td>
</tr>
<tr>
<td>AUTO (M2)</td>
<td>BAILUR ROUTE</td>
<td>GOA NAVY</td>
</tr>
<tr>
<td>AUTO (M3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PARLOUR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EVE.SALES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EVE.SALES II</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MIL.DAIRY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ADHOK SALES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distributors (216)</td>
<td>(116)</td>
<td>(100)</td>
</tr>
</tbody>
</table>
MARKET SEGMENT: There are 3 varieties of milk in BEMUL. Via

1) Toned Milk  2) Standardized Milk  3) Full Cream Milk

<table>
<thead>
<tr>
<th>TYPE OF MILK</th>
<th>FAT (%)</th>
<th>SNF (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toned Milk</td>
<td>3</td>
<td>8.5</td>
</tr>
<tr>
<td>Standardized Milk</td>
<td>4.5</td>
<td>8.5</td>
</tr>
<tr>
<td>Full Cream Milk</td>
<td>6</td>
<td>9</td>
</tr>
</tbody>
</table>
ADMINISTRATION DEPARTMENT: -

It is main dept in the BEMUL. There are totally 3 employees are working in the dept. One of them is a Supervisor and the other two are helpers or subordinates. This dept is act as a HRD and take care that whether all the employees are satisfied with present work or not.

Functions of Administration Department:-

1. It will recruit the candidates and select the suitable candidate for the job.
2. It will conduct the training to the new employees as well as to the existing employees.
3. To maintain shifts timing. Etc...

The whole Administration dept has one sub dept by name MIS i.e. Management Information System. The BEMUL seems in 3 shifts daily which includes general shift also. The timings of these shifts are shown below:

<table>
<thead>
<tr>
<th>Shift</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Shift</td>
<td>6-00 A.M. To 2-00 P.M.</td>
</tr>
<tr>
<td>II Shift</td>
<td>2-00 P.M. To 10-00 P.M.</td>
</tr>
<tr>
<td>III Shift</td>
<td>10-00 P.M. To 6-00 A.M.</td>
</tr>
<tr>
<td>General Shift</td>
<td>9-30 A.M To 5-30 P.M.</td>
</tr>
</tbody>
</table>

WELFARE FACILITIES:-

I. Statutory Facilities

a. canteen facilities
b. payment to provident fund contribution

c. Provision of toilets, Restroom sittings.

d. Leave facilities:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Casual Leave</td>
<td>15 days</td>
</tr>
<tr>
<td>Sick Leave</td>
<td>10 days</td>
</tr>
<tr>
<td>Earned Leave</td>
<td>30 days</td>
</tr>
</tbody>
</table>

e. Uniforms are provided.

f. Provision of wash basins.

g. Medical benefits

Non Statutory Facilities.

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

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

Financial Scheme:-

a. Employee gratuity scheme.

b. Employee group savings linked insurance scheme.

c. Employees death cum gratuity scheme.

d. Employees provided fund and pension scheme.

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:

FUNCTIONS:

1) Maintaining proper accounts for milk purchased and sold every day.
3) Maintenance profit and loss account.
4) Maintenance of taxes and insurance related books accounts
5) Conducting the auditing in organization.
6) Preparation of final accounts.
7) Advising the management in financial matters
8) Submitting to the KMF special reports.
MIS DEPARTMENT:

MIS is a Management Information System. MIS is a Computer based information system. MIS at BEMUL is divided into two types. Viz.

- Daily Information Report: The information is recorded daily regarding the depts., like Procurement, Water Consumption, Ice Consumption etc..

- Monthly Report: Monthly records are available here like monthly stock report, monthly progress report on milk procurement, monthly sales etc..

STRUCTURE OF MIS DEPARTMENT:

- Managing Director
- MIS Officer
- MIS Assistance

FUNCTIONS OF MIS:

- To maintain daily reports
- To maintain information regarding input and output
- Maintains town wise sales report
- Reports regarding procurement and input
- Maintaining accounts of daily purchase of ice and water.
SECURITY DEPARTMENT

The department includes security officer and security guards. The guards are working on contract basis. They must have a watch on each and every person who is going inside and going outside the dairy. They must also keep an eye on the vehicles going in and out of the premises. The visitors should take the permission of the security to over look the dairy or else to meet the officer for their personal matters relating to the work of the dairy.

The visitors have to enter the following details like their name, purpose, time, etc. into visitor’s book kept.
PURCHASE DEPARTMENT

Purchase department is most essential in every organization to perform its all purchase activities. It purchases all materials required by the company. Its main function is to purchase good quality milk at competitive rates. First they search for good supplier,

Functions of Purchase Department:

- Proper selection of supplier
- Placing order for purchase
- Obtaining material at the best price
- Follow with supplier for delivery dates
- Conducting market research for purchase
STORES DEPARTMENT

It is a department where all the raw materials, semi finished and finished products are stored. Apart from these stationary and other good are also stored.

In BEMUL the stores department has a capacity of storing goods worth of rs.60 to 90 laks. Various goods which are required daily are stored. The goods include books accounts, packing materials, raw materials, skimmed milk powder, ghee tins and stationary, testing milk tubes, etc. every department is in touch with the stores section. It is maintained by stores officers.

In bema 3 go downs are there for storing the materials all facilities were provided to them like ventilation facilities etc, for safety of materials.

Functions of Store Department:

- Proper classification of material
- Checking all the materials before storing in the go down.
- Maintaining all the records of goods.
- Valuation of closing stock in the year end.
DATA ANALYSIS AND INTERPRETATION PART:

1) CURRENT RATIO:

This ratio is an indicator of firm’s commitment to meet its short-term liabilities. Higher ratio, better the coverage. 2:1 ratio is treated as standard ratio. This ratio is also called as solvency / working capital ratio. The current ratio is the ratio of the current assets and current liabilities. It is calculated by dividing current assets by current liabilities.

\[
\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}
\]

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>2490886</td>
<td>30111939</td>
<td>37483232</td>
<td>38755930</td>
<td>32215364</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>24345362</td>
<td>27449633</td>
<td>40127935</td>
<td>39102379</td>
<td>32788916</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>1.02</td>
<td>1.09</td>
<td>0.98</td>
<td>0.98</td>
<td>0.99</td>
</tr>
</tbody>
</table>
**RATIO ANALYSIS AT BEMUL**

**CURRENT RATIO**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>1.02</td>
</tr>
<tr>
<td>2005-06</td>
<td>1.09</td>
</tr>
<tr>
<td>2006-07</td>
<td>0.93</td>
</tr>
<tr>
<td>2007-08</td>
<td>0.98</td>
</tr>
<tr>
<td>2008-09</td>
<td>0.99</td>
</tr>
</tbody>
</table>

**Interpretation:** The above table shows that BEMUL does not have the sufficient current assets to meet the current liabilities. The ratio decreased from 1.09 to 0.93 from 2005-06 to 2006-07. Then it has been increasing slowly year by year.

The standard current ratio is 2:1 but the company’s current ratio is not satisfactory because in the last 5 years the highest current ratio is 1.09 that is in the year 2005-06 & the lowest one is .93 that is in the year 2006-07. The company in the last year current assets decreased by 20.2% but current liabilities increased by 19.50% so the company may improve its current ratio by increasing the current assets and controlling the current liabilities.
2) **QUICK / ACID TEST / LIQUID RATIO:**

Liquid ratio is indication of availability of quick assets to honor its immediate claims. Higher the ratio better the coverage. And the standard ratio is 1:1. An asset is liquid if it can be converted into cash immediately without loss of value. Hence cash is most liquid assets after assets which are considered to be relatively liquid are; Debtor’s balance, marketable securities etc; inventories considered to be less liquid therefore they require some time form relishing into cash and their value also has tendency to fluctuate.

The ratio is calculated as follows: Quick Assets / Quick Liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Quick Assets</td>
<td>174150</td>
<td>21141068</td>
<td>29110751</td>
<td>28691528</td>
<td>21375138</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>24345362</td>
<td>27449633</td>
<td>40127935</td>
<td>39102379</td>
<td>32788916</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>0.71</td>
<td>0.77</td>
<td>0.73</td>
<td>0.74</td>
<td>0.65</td>
</tr>
</tbody>
</table>
Interpretation:

The above table shows that in 2004-2005 the ratio is 0.71 then it increased to 0.77 then it decreased from that point in every next respective year 0.73, 0.74, 0.65.

The standard quick ratio is 1:1 but the quick ratio for the Be BEMUL is not satisfactory because for all years it is below the standard ratio. From the initial it is increased by .77 in the year 2005-06. Then it is decreased next years. In last it comes down to .65. In this year the current assets decreased by 25% but the current liabilities decreased by only 17% because of this it is decreased this lowest position. So the company improves this ratio by increasing the quick assets only.
LEVERAGE RATIO
LEVERAGE RATIO is also called as capital structure ratio. It relates to the study of various types of capital structure of firm. The long-term solvency of a company can be examined by using leverages or capital structure ratios. These ratios are for long-term creditors to judge the long-term financial strength of the company.

THE DIFFERENT LEVERAGE RATIOS ARE:
1. Debt Equity Ratio
2. Proprietary Ratio
3. Interest coverage Ratio

1) 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.

It is expressed as:
\[
\text{Long term debt / Shareholders Funds.}
\]

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Long term debt</td>
<td>42854716</td>
<td>37994701</td>
<td>31033789</td>
<td>23968062</td>
<td>15132030</td>
</tr>
<tr>
<td>Shareholders fund</td>
<td>49567462</td>
<td>53366935</td>
<td>57871175</td>
<td>681291133</td>
<td>87944517</td>
</tr>
<tr>
<td>Debt Equity Ratio</td>
<td>0.86</td>
<td>0.71</td>
<td>0.53</td>
<td>0.35</td>
<td>0.17</td>
</tr>
</tbody>
</table>
INTERPRETATION:

The debt equity ratio is in the year 2004-2005 highest i.e. 0.86 then it is goes decreased in the next year i.e. in 2006 a and then it is decreasing year by year 0.71, 0.53, 0.35 and then it came to 0.17.

The debt equity ratio is satisfactory because out of five years in the 3 years during the year 2008 to 2009 it has the more share of owners than the debt so this ratio is satisfactory. On the other side long term debt is decreased in these years.
2) PROPRIETORY RATIO:

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

It may be expressed as:

Proprietary Ratio = \frac{Shareholder’s Funds}{Total Assets}

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Shareholder’s Fund</td>
<td>49567462</td>
<td>53366935</td>
<td>57831175</td>
<td>681291133</td>
<td>87944517</td>
</tr>
<tr>
<td>Total assets</td>
<td>105038274</td>
<td>114366349</td>
<td>128547427</td>
<td>138178436</td>
<td>133590048</td>
</tr>
<tr>
<td>Proprietary Ratio</td>
<td>0.47</td>
<td>0.46</td>
<td>0.45</td>
<td>0.49</td>
<td>0.65</td>
</tr>
</tbody>
</table>
INTERPRETATION:

The proprietary ratio was decreased from the initial year for next two year 0.47 to 0.46, 0.45, respectively. Then it increased by 0.49 and 0.65 for the next years.

For the first four years the proprietary ratio was not satisfactory because owners’ contribution less than the outsiders in the total assets. In the last year the ratio is satisfactory because shareholders have the more contribution in the total assets. Because it increased by 0.49 to 0.65 in 2008-2009.
3) INTEREST COVERAGE RATIO OR (DEBT SERVICE 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:

\[
\text{Interest Coverage Ratio} = \frac{\text{Profit before Interest and Tax (EBIT)}}{\text{Interest}}
\]

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<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT</td>
<td>-358728</td>
<td>8268686</td>
<td>3708661</td>
<td>11786235</td>
<td>9573899</td>
</tr>
<tr>
<td>Interest</td>
<td>2472885</td>
<td>3201329</td>
<td>3305199</td>
<td>10911576</td>
<td>392075</td>
</tr>
<tr>
<td>Interest coverage ratio</td>
<td>-1.4</td>
<td>2.5</td>
<td>1.12</td>
<td>1.081</td>
<td>2.44</td>
</tr>
</tbody>
</table>
INTERPRETATION:

In initial year it was negative with -1.4 then it increased to 2.5 in 2005-2006 then it decreased in the next two years by 1.12, 1.081. Then it increased to 2.44 in the last year.

The interest coverage ratio satisfactory because there is sufficient amount available to pay out from operating profit to make payment of interest. so this ratio is satisfactory.
TURNOVER / ACTIVITY RATIOS OF THE COMPANY

Introduction:

Activity ratios are employed to evaluate the efficiently with which the firm manages and utilizes its assets. These ratios are also called as turnover ratio. Therefore they indicate the speed with which assets are being converted / turned over in to sales.

Thus an activity ratio involves relationship between sales and assets. A proper balance between sales and assets generally reflects that assets are managed well.

In other words, turnover ratio indicates the efficiency with which the capital employed is rotated in the business.

Higher the ratio of rotation, the greater will be the profitability

DIFFERENT TURNOVER RATIOS:

1) Inventory stock turnover Ratio
2) Debtors (Accounts Receivable) Turnover Ratios.
3) Creditors (Account Payable) Turnover Ratios
4) Fixed Assets turnover Ratio
5) Current Assets turnover Ratio
6) Working capital turnover Ratio
7) Total Assets turnover Ratio
8) Net Assets turnover Ratio
1) INVENTORY / STOCK TURNOVER RATIO (ITR/STR).

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:

<table>
<thead>
<tr>
<th>Cost of Goods Sold</th>
<th>OR</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg. Inventory</td>
<td></td>
<td>Closing Stock</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>COGS</td>
<td>272587247</td>
<td>282001375</td>
<td>340238668</td>
<td>395176077</td>
<td>484743628</td>
</tr>
<tr>
<td>Avg Inventory</td>
<td>11750772</td>
<td>8248804</td>
<td>8671631</td>
<td>9218442</td>
<td>10452314</td>
</tr>
<tr>
<td>I.T.R</td>
<td>23.20</td>
<td>34.19</td>
<td>39.24</td>
<td>42.87</td>
<td>46.37</td>
</tr>
</tbody>
</table>
INTERPRETATION:

The inventory turnover ratio is increased by year by year. In initial year it was 23.2 then it reached to 46.37 in the year 2008-2009.

The inventory turnover ratio is satisfactory turnover ratio because the ratio goes on increasing year by year. In initial year it was 23.2 then it reached to 46.37 in the year 2008-2009. It shows that inventory is turning into sales very quickly.
3) DEBTORS TURNOVER RATIO:

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

Debtor’s turnover can be calculated by dividing total sales by balance of debtors.

\[
\text{Debtors turnover} = \frac{\text{Cr . Sales}}{\text{Debtors}}
\]

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

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</tr>
</thead>
<tbody>
<tr>
<td>Credit Sales</td>
<td>314380576</td>
<td>338736605</td>
<td>395019507</td>
<td>454061224</td>
<td>554453995</td>
</tr>
<tr>
<td>Average debtors</td>
<td>5963946</td>
<td>7159456</td>
<td>6868667</td>
<td>4424055</td>
<td>4265697</td>
</tr>
<tr>
<td>D.T.R</td>
<td>52.71</td>
<td>47.31</td>
<td>67.31</td>
<td>102.63</td>
<td>129.97</td>
</tr>
</tbody>
</table>
INTERPRETATION:

In the initial year it was 52.71 then it is decreased to 47.31 from that point it increased to year by year and reached to 129.97.

The debtor’s turnover ratio is not satisfactory for all years because it was more than standard 30 days i.e. 2004-2005 52.71, then from that point it increased to 129.97. It is high for all years.
3) DEBTOR 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.

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<tr>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>No of Days in a year</td>
<td>365</td>
<td>365</td>
<td>365</td>
<td>365</td>
<td>365</td>
</tr>
<tr>
<td>DTR</td>
<td>52.71</td>
<td>47.31</td>
<td>67.31</td>
<td>102.63</td>
<td>129.97</td>
</tr>
<tr>
<td>Days</td>
<td>6.92</td>
<td>7.77</td>
<td>5.4</td>
<td>3.58</td>
<td>2.82</td>
</tr>
</tbody>
</table>
INTERPRETATION:

The debtors’ collection period in 2004-2005 was 6.92 days, increased to 7.77 and then it decreased year by year and reached 2.82 in last year.

The collection period of BEMUL is not satisfactory. It goes on decreasing every year. From 7.77 in 2005-2006 decreased to 2.82 in 2008-2009.
4) CAPITAL TURNOVER RATIO:

It is the relationship between cost of goods sold and capital employed. This ratio is calculated to measure the efficiency or effectiveness with which a firm utilizes its resources or the capital employed. As capital is invested in a business to make sales and earn profits, this ratio is a good indicator of overall profitability of a concern.

It can be calculated as follows:

\[
\text{C.T.R} = \frac{\text{Cost of goods sold}}{\text{Capital Employed}}
\]

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<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>COGS</td>
<td>272587247</td>
<td>282001375</td>
<td>340238668</td>
<td>395176077</td>
<td>484743628</td>
</tr>
<tr>
<td>Capital Employed</td>
<td>85916048</td>
<td>96312584</td>
<td>89186063</td>
<td>92553144</td>
<td>93398512</td>
</tr>
<tr>
<td>C.T.R</td>
<td>3.17</td>
<td>2.92</td>
<td>3.8</td>
<td>4.26</td>
<td>5.19</td>
</tr>
</tbody>
</table>
INTERPRETATION:

In the initial year it was low with 3.17 and then it decreased to low 2.92 and then it reached to with ratio 5.19.

In the initial two years it was low then it goes on increasing and reached to with highest ratio 5.19. This ratio shows that BEMUL is utilizing it resources effectively.
5) FIXED ASSETS TURNOVER RATIO:

An increase in this ratio shows that efficiency of work performance and decrease in this unwise and improper utilization of investment in fixed assets. It can be calculated as follows:

\[
\text{Fixed Assets Turnover} = \frac{\text{Cost of goods sold}}{\text{Total fixed assets}}
\]

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
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<td>272587247</td>
<td>282001375</td>
<td>340238668</td>
<td>395176077</td>
<td>484743628</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>78661681</td>
<td>78819921</td>
<td>84067574</td>
<td>96485905</td>
<td>105694062</td>
</tr>
<tr>
<td>Fixed Assets Turnover</td>
<td>3.47</td>
<td>3.58</td>
<td>4.05</td>
<td>4.10</td>
<td>4.59</td>
</tr>
</tbody>
</table>
**Fixed Assets Turnover**

<table>
<thead>
<tr>
<th>Years</th>
<th>2004-</th>
<th>2005-</th>
<th>2006-</th>
<th>2007-</th>
<th>2008-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>3.47</td>
<td>3.58</td>
<td>4.05</td>
<td>4.10</td>
<td>4.59</td>
</tr>
</tbody>
</table>

**INTERPRETATION:**

From the initial years it was 3.47 in 2004-2005 then it goes on increasing with every next year 3.58, 4.05, 4.10 and then it reached to 4.59, in the year 2008-09.

This ratio shows that the fixed assets are properly used from the initial year. It is increasing every year. It is satisfactory all years.
RATIO ANALYSIS AT BEMUL

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.

INTERESTED PARTIES IN PROFITABILITY RATIOS:
1. MANAGEMENT
2. CREDITORS
3. OWNERS

Generally two major types of profitability ratios are calculated:
1 Profitability in relation to sales
2 Profitability in relation to investment

PROFITABILITY RATIOS:
1. GROSS PROFIT RATIO
2. NET PROFIT RATIO
3. OPERATING EXPENSES RATIO
4. OPERATING PROFIT RATIO
5. RETURN ON INVESTMENT / OVERALL PROFITABILITY RATIO
6. RETURN ON EQUITY
7. RETURN ON TOTAL ASSETS
RATIO ANALYSIS AT BEMUL

PROFIT RATIO RELATED TO SALES:
1) GROSS PROFIT MARGIN RATIO:-

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

It is calculated as follows:

\[
\text{Gross profit ratio} = \frac{\text{Sales} - \text{Cost of Goods Sold}}{\text{Net Sales}} \times 100
\]

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<thead>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Profit</td>
<td>41793247</td>
<td>56735230</td>
<td>54780859</td>
<td>58885147</td>
<td>69710367</td>
</tr>
<tr>
<td>Net Sales</td>
<td>314380576</td>
<td>338736605</td>
<td>395019507</td>
<td>454061224</td>
<td>554453995</td>
</tr>
<tr>
<td>Gp ratio(%)</td>
<td>13.29</td>
<td>16.75</td>
<td>13.87</td>
<td>12.97</td>
<td>12.57</td>
</tr>
</tbody>
</table>
INTERPRETATION:

In the initial the ratio was 13.29% then it increased by then it by 26% in 2006-07 i.e highest 16.75% then it decreased to year by year. But in last two years it remained at around 13%.

The ratio is satisfactory for BEMUL. The ratio was high for all the years averaging above 12%.
2) NET PROFIT 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

\[
\text{Net Profit Ratio} = \frac{\text{Profit (loss) after tax}}{\text{Net Sales}} \times 100
\]

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 condition 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.

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</thead>
<tbody>
<tr>
<td>Net Profit</td>
<td>-6503124</td>
<td>4950948</td>
<td>281099</td>
<td>455949</td>
<td>5553315</td>
</tr>
<tr>
<td>Net Sales</td>
<td>314380576</td>
<td>338736605</td>
<td>395019507</td>
<td>454061224</td>
<td>554453995</td>
</tr>
<tr>
<td>Net Profit Ratio</td>
<td>-2.07</td>
<td>1.46</td>
<td>0.07</td>
<td>0.10</td>
<td>1.00</td>
</tr>
</tbody>
</table>
INTERPRETATION:

In 2004-2005 the net profit ratio -2.07 then and it increased to 2006 1.46 in 2006 then onwards it decrease for next two year then in last year it reached to 1.00 in 2008-09.

This ratio is not satisfactory to BEMUL. Out of five year the initial year is in loss i.e. -2.07. Then next year it has increased 1.46 then it decreased for next two years and in last it reached to 1.00. So the company is in adverse condition.
1) OPERATING EXPENSE RATIO : (Operating Ratio)

It explains the changes in the profit margin ratio. This ratio is computed by dividing opening Cost Viz. cost of goods sold plus Operating expenses (excluding Interest) by sales.

Operating Expenses Ratio = Operating Cost

_____________________
Net Sales

A higher operating expenses ratio is unfavorable, since it will have a small amount of operating income to meet interest, dividends etc. and on the other hand lower operating expenses ratio is favorable.

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</tr>
</thead>
<tbody>
<tr>
<td>Operating Cost</td>
<td>318469817</td>
<td>331604110</td>
<td>395032594</td>
<td>444276780</td>
<td>544649740</td>
</tr>
<tr>
<td>Net Sales</td>
<td>314380576</td>
<td>338736605</td>
<td>395025071</td>
<td>454061224</td>
<td>554453995</td>
</tr>
<tr>
<td>Operating Ratio (%)</td>
<td>100.3</td>
<td>97.72</td>
<td>100</td>
<td>97.85</td>
<td>98.23</td>
</tr>
</tbody>
</table>
INTERPRETATION:

The operating cost ratio is in the initial year 100.3 and then it decreased to 97.72 in 2005-06. Then it increased in 2007-08 100.4 then again it decreased to 97.85, 98.23, in last two years.

The operating ratio is satisfactory for three years i.e. in 2006 97.72, 2008 97.85 and in 2009 98.23. This ratio shows company trying to control the operating costs.
PROFITABILITY RATIOS RELATED TO INVESTMENTS:

1) RETURN ON EQUITY (ROE) / NET WORTH:
Return on Equity is calculated to see the profitability of owner’s investment.

\[
\text{Return on Equity} = \frac{\text{Net Profit after Interest and Tax}}{\text{Shareholder’s Equity or Net worth}} \times 100
\]

Return on Equity indicates how well the firm has used the resources of owners. This ratio reflects the extent to which this objective has been accomplished. This ratio is of great interest to the present as well as the prospective shareholders and also of great concern to management, which has the responsibility of maximizing the owner’s welfare.

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</thead>
<tbody>
<tr>
<td>NP after I &amp; T</td>
<td>-6503124</td>
<td>4950948</td>
<td>281099</td>
<td>455949</td>
<td>5553315</td>
</tr>
<tr>
<td>Equity</td>
<td>49567462</td>
<td>53366935</td>
<td>57811175</td>
<td>68129133</td>
<td>87944517</td>
</tr>
<tr>
<td>ROE (%)</td>
<td>-13.1</td>
<td>9.27</td>
<td>0.48</td>
<td>0.66</td>
<td>7.09</td>
</tr>
</tbody>
</table>
RATIO ANALYSIS AT BEMUL

INTERPRETATION:

This above table shows that return on equity in the initial year it is negative -13.1 then it increased to 9.27 in the year 2006-07 then it is decreased.

For two next two years. Then it reached to 7.09 in the last year.

This ratio is not satisfactory for BEMUL. Out five years only it had two times average return on shareholders equity i.e. in 2005-06 9.27 and 2008-2009 7.09. So it should take steps to increase the return.
2) RETURN ON INVESTMENT (ROI):
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:

\[
\text{ROI} = \frac{\text{Operating Profit}}{\text{Capital employed}} \times 100 \quad \text{OR} \quad \frac{\text{PBIT}}{\text{Capital employed}} \times 100
\]

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<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>EBIT</td>
<td>-358728</td>
<td>82686869</td>
<td>3708661</td>
<td>11786235</td>
<td>9573899</td>
</tr>
<tr>
<td>Capital Employed</td>
<td>85916048</td>
<td>96312584</td>
<td>89116063</td>
<td>92553144</td>
<td>93398512</td>
</tr>
<tr>
<td>Ratio (%)</td>
<td>-4.12</td>
<td>8.59</td>
<td>4.16</td>
<td>12.73</td>
<td>10.25</td>
</tr>
</tbody>
</table>
INTERPRETATION:

The return on investment in the initial year it is negative -4.12 then it increased to 8.59 then it decreased then 4.16 in 2006-07 then it raised to 12.73 in 2007-08 then again decreased to 10.25 in last year.

The return on investment is ratio is satisfactory for the company. Out of five years three years had favorable to BEMUL. Because it earned average return on investments in 2006 8.59, 2008 12.73, and 2009 10.25. It showed that investment used properly.
3) 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

1. \( \text{ROTA} = \frac{\text{EBIT}}{\text{Total Assets}} \times 100 \)

<table>
<thead>
<tr>
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<td>114366349</td>
<td>128547427</td>
<td>138178436</td>
<td>133590049</td>
</tr>
<tr>
<td>Ratio (%)</td>
<td>-4.3</td>
<td>7.1</td>
<td>0.29</td>
<td>8.5</td>
<td>7.16</td>
</tr>
</tbody>
</table>
INTERPRETATION:

The return on assets in the initial year it is negative -4.03 then it increased to 7.1 in 2006 then it decreased to 0.29 in 2006-07 then it raised to 8.5 in 2007-08 then again decreased to 7.16 in last year.

The return on assets is ratio is satisfactory for the company. Out of five years three years had favorable to BEMUL. Because it earned average return on assets 2006 7.1, 2008 8.5, and 2009 7.16.
FINDINGS

1) The current ratio of the company is not satisfactory because the ratios of all 5 years not meet the standards. The highest ratio is 1.09 recorded during 2005-06 and the lowest one is 0.93 recorded during 2006-07. So the current ratio is not satisfactory. The company in the last year current assets decreased by 20.2% but current liabilities increased by 19.50% so the company may improve its current ratio by increasing the current assets and controlling the current liabilities.

2) The quick ratio of the company is not satisfactory for all 5 years because the ratios not meet the standards. The ratios always below the one. The highest ratio is 0.77 in 2006-07 and lowest ratio is 0.65 in 2008-2009

3) The debt equity ratio of the company is satisfactory because the long term debt decreased in last three years and increased the shareholders portion. Initially debt portion is higher i.e. 0.86 then it came to in last year is 0.17.

4) The proprietary ratio of the company is not satisfactory because during the first 4 years i.e. 2005 to 2008 the owners share are less than the outsiders share so this ratio is not satisfactory. The highest ratio is 0.65 recorded in the year 2009 & the lowest is 0.45 recorded in the year 2007. For 4 year it is below 0.50.

5) The interest coverage ratio of the company is satisfactory because there is sufficient amount is available during the year 2006 to 2009 to make payment of interest so this ratio is satisfactory. The highest ratio recorded is 2.5 in the year 2006 and lowest atio recorded is -1.4 in the year 2005.

6) The inventory turn over ratio of the company is satisfactory because it is go on increasing year by year from year 2005 to 2009 it increased from 23.20 in the year 2004-05 to 46.37 in the year 2008-09 so this ratio is satisfactory.

7) The debtor turnover ratio is not satisfactory. It is more than standard. it was high for all years.

8) The debtor collection period is not satisfactory. It is below standard days.
9) The capital turnover ratio is satisfactory because there is increase in every year except 2005-06 2.92 then onwards it increase to every year and reached 5.19 in the last year.

10) Fixed assets turnover ratio is satisfactory for the company because there is increase in every year in 2005 3.47, then it reached to 2009 with 4.59

11) The gross profit ratio satisfactory for the company the highest ratio is 16.75 lowest 12.57. For all years it is more than 10%.

12) The net profit ratio is not satisfactory because the profit rate is very low and out of 5 year only two year have sufficient profit earn. The highest ratio is 1.46 in 2006 and lowest is -2.07 in 2005.

13) The operating expenses ratio is satisfactory out of 5 years only 3 years below the 100%. The last 2 years it below the 100. The lowest operating expenses ratio is 97.72 in 2006 and the highest ratio is 101.3 in 2005. In last 2 years it shows that company controlled the costs.

14) The return on equity ratio is not satisfactory for the company because the out of 5 years only it had 2 times average returns on share holders equity. The highest ratio is 9.27 in 2005-06 and lowest is -13.1 in 2004-05.

15) The return on investment ratio is satisfactory for company. Because out of 5 years 3years had earn favorable return earned on investment. The highest ratio in 2007-08 is 12.73 and lowest is -4.2 in 2004-05.

16) The return on assets satisfactory for the company out of 5 years 3 years had favorable to company because it had earn average return for 3 years. The highest return on assets is 8.5 in 2007-08 and lowest is -4.3 in 2004-05.
SUGGESTIONS

1. To improve short term solvency of the company it needs to improve current ratio and quick ratio. To improve this it must increase current assets and control the current liabilities.

2. To improve the operating ratio company should try to control the operating costs.

3. To improve the net profit ratio company needs to concentrate on the operating costs. And try to increase the sales.
CONCLUSION
When I analyzed overall performance through ratio analysis firms liquidity positions is not fully secured to meet its current obligations but in the respect of solvency of firm has a long tem solvency position and with regard to profit it is struggling to earn operating profits due to high operating expenses and also the resources have not been properly utilized by the firm.
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ANNEXURE