

A Study On Financial Statement of Amul Dairy

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ABSTRACT:

Finance is concerned with money and the means in which it is used. The types of financing are debt, equity and the integration of both. Financial Statement analysis is an operation of analyzing the financial transactions in order to ascertain the performance and efficiency. Financial statements are official record of financial activities of the business and other entities which provides an overview of the business's financial position in both short and long term. They give precise picture of the company's position and operating results in a concise form. The financial statements are used by the company executives and investors as a management tool. Financial statements provide useful information to the investor and creditors to make credits. Analysis and interpretation of financial statements helps in ascertaining the company's profitability, liquidity position, long term and short term solvency of the firm. To analyze the financial statements, tools like liquidity ratios and solvency ratios are used. Ratio analysis proclaims whether the company is progressing well or declining in the previous years. Comparison of different aspects of a firm can effectively be done by ratios. The objective of the study is to analyze and evaluate various financial statements of Amul Dairy. Amul is an Indian cooperative dairy company with the headquarters situated in Anand, Gujarat. The products sold are Fast Moving Consumer Goods. The secondary data obtained from the financial statements, books and journals have been used for the study. This study is to find the company's financial performance for the period from 2014 to 2019 only.

KEYWORDS: Debt, Equity, Liquidity ratios, Solvency ratios

INTRODUCTION:

The term finance is defined as the management of money which involves activities like borrowing, lending, budgeting etc. Finance is the principle of business. Business finance can be defined as the provision of money which the business requires. Financial statements are written records which show the financial data's of the business. It is the prime concern for the finance department and the investor. The types of financial statements are Income statement, Balance sheet, Statement of cash flows and changes in equity.

India's largest food product marketing organization Amul Dairy, which produces milk and milk related products, is recognized as the best Fast Moving Consumer Goods (FMCG) Company in the food sector. Amul Dairy is an Indian cooperative Dairy company. The core businesses is focused on producing milk and milk related products and also provide remunerative returns to the farmers and sell quality products to the consumers at minimum price.

REVIEW OF LITERATURE:

Shrabanti pal (2012) in his paper "A Study on Financial Performance of Public Sector Steel Companies in India under Liberalized Era" for the period from 1992-1993 to 2010-2011. The objective was to examine the financial performance of the public steel sector companies namely Steel Authority of India Limited and Rastriya Ispat Nigam Limited. The tools used to analyse the financial soundness are ratio analysis and descriptive statistics. The study was based on secondary data CMIE database and published company's annual reports. They concluded that the overall performance for net profit was not satisfactory for the industry as a whole for the study period and suggested to improve the net profit margin the RINL.

Patel Dilipkumar Chunilal (2014) "Financial Performance of Co-operative Societies: A Comparative Study" This study is on analyzing the overall financial efficiency of the Pindaval Cooperative society And Karchond Cooperative Society in Valsad District in Gujrat. The study has been undertaken for the period of 6 years from 2008-9 to 2013-14. The tools used to analyze financial efficiency are Profitability, solvency, Activity ratios. The study was based on secondary data. They have finally concluded that the cooperative financial position was good to meet its current obligations and interpreted that ratios of the

cooperative are below the Cooperative Societies average and shows the financial position of the cooperative is not satisfactory to meet its short-term obligations.

OBJECTIVE OF THE STUDY:

- To study the financial performance and of Amul Dairy.
- To evaluate the financial performance of Amul Dairy.

RESEARCH METHODOLOGY:

In this only secondary data are used for analysing the financial statements. Following by which secondary data were collected.

- Published annual reports comprising the profit and loss account and balance sheet of Amul Dairy, from 2014-15 to 2018-19.

PERIOD OF STUDY:

This period considered for the purpose of the study for five years, i.e. from 2014-15 to 2018-19.

TOOLS USED:

Ratio is used to find the efficiency and financial performance

- Liquidity ratio
- Solvency ratio

ANALYSIS AND INTERPRETATION:

A. Liquidity Ratio:

1. Current Ratio:

S.No	Year	Current Assets	Current Liabilities	Current Ratio
1	2014 - 15	72470.09	96655.90	0.74
2	2015 - 16	69684.37	107512.27	0.64
3	2016 - 17	91640.13	131622.37	0.69
4	2017 - 18	123221.87	170233.89	0.72
5	2018 - 19	122493.46	175802.10	0.69

Interpretation:

Current ratio is the short term liquidity of Amul dairy. From the above table it may be observed that the Amul dairy is not steadily maintaining the increasing level of short term liquidity position. It varies from 0.74 to 0.69 with an average of 0.69 during the study period. This puts the firm at risk of facing a situation where it will not be able to pay its short-term debt on time whereas the standard norm is 2:1.

2. Quick Ratio:

S.No	Year	Quick Assets	Current Liabilities	Quick Ratio
1	2014 - 15	28069.54	96655.90	0.29
2	2015 - 16	26199.75	107512.27	0.24
3	2016 - 17	34378.43	131622.37	0.26
4	2017 - 18	47303.27	170233.89	0.27
5	2018 - 19	44869.57	175802.10	0.26

Interpretation:

Quick ratio is the short term liquidity of Amul dairy. From the above table it may be observed that the Amul dairy is not steadily maintaining the increasing level of short term liquidity position. It varies from 0.29 to 0.26 with an average of 0.26 during the study period. This low ratio will be very risky whereas the standard norm is 1:1. It confirms that the liquidity position Amul dairy in terms of quick ratio is below the standard.

B. Solvency Ratio:

1. Debt-Equity Ratio:

S.No	Year	Long Term Debt	Shareholders Fund	Debt-Equity Ratio
1	2014 - 15	17435.48	2978.53	5.8
2	2015 - 16	23600.33	4111.38	0.5
3	2016 - 17	22757.91	6012.98	3.7
4	2017 - 18	28073.27	8057.05	3.4
5	2018 - 19	28342.23	8822.80	3.2

Interpretation:

The fact that the firm Amul dairy has been maintaining a very low financial leverage, it may be observed that the Debt-Equity Ratio has not been growing over the years of study from 2015 through 2019.

3. Total Assets to Debt Ratio:

S.No	Year	Long Assets	Long Term Debt	Total Assets to Debt Ratio
1	2014 - 15	53825.30	17435.48	3.0
2	2015 - 16	77694.42	23600.33	3.2
3	2016 - 17	84387.87	22757.91	3.7
4	2017 - 18	101886.45	28073.27	3.6
5	2018 - 19	113168.01	28342.23	3.9

Interpretation:

Though the total asset turnover ratio has had a dip in the year 2018 it has had an upward trend throughout the period of 2014-19. That indicates improvised asset utilization for the firm. This may be confirmed with the ever improving Return on Investment for the firm.

4. Proprietary Ratio:

S.No	Year	Equity	Total Assets	Proprietary Ratio
1	2014 - 15	2978.53	126295.39	2.3
2	2015 - 16	4111.38	147378.79	2.7
3	2016 - 17	6012.98	176028.00	3.4
4	2017 - 18	8057.05	225108.32	3.5
5	2018 - 19	8822.80	235661.47	3.7

Interpretation:

The funds financed by the proprietaries in the total assets are continually increased from the year 2014 to 2019.

CONCLUSION:

Liquidity ratios, both current ratio and quick ratio are showing ineffectiveness in liquidity as in all the years. Current ratio should be greater than the standard 2:1 and quick ratio should be greater than the standard 1:1 ratio. Total Asset to Debt ratio is showing an average increase in the long term solvency of the firm Amul dairy but that is not in the case of Debt-Equity ratio. The proprietary ratio is showing an average increase which means shareholders have contributed more funds to the total assets. From the above analysis of the Amul dairy's financial statements it is concluded that it has to increase its liquidity position for better performance.

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