

Verka milk plant Mohali: A Financial Analysis

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Introduction

The company has been well known by its brand name "VERKA" especially In Punjab and Haryana. Chandigarh Milk Plant was set up in year 1961-1962 to meet the milk initially. But it was not able to fulfill the growing requirements of Chandigarh City. Due to this reason another plant set up in September 1980 at Mohali (Punjab), which is adjoining to Chandigarh. "The Ropar Distt. Co-op Producer Union". It is one of the "MILKFED" group located at S.A.S Nagar, Mohali (PUNJAB). It was registered on 05.07.1978 under Punjab Co-operative Societies Act, 1961. It started its operations on September, 1980.

Plant at a glance

Establishment 1980	:The Ropar District Co-operative Milk
Producers	:Union Milk Plant, Mohali.
Brand Name	:Verka
Installed Capacity	:1,00,000Litres of Milk Per Day
Status	:Co-operative Society
Head Office	:Milkfed, Punjab, Sector 34, Chandigarh
Plant	:The Ropar District Co-operative Milk
Producers	:Union Ltd. Milk Plant, S.A.S Nagar, Mohali

Objectives of the study

1. To know the financial position of the organization.
2. To study the periodic changes in the financial performance by preparing common size statement analysis of the year 2014-15.

Data analysis & interpretation.

Current Position of Verka Milk Plant, Mohali:

- A. **Details of number of members and societies enrolled under Verka Milk Plant Mohali:**

Financial Year	No. of Societies Enrolled	No. of Members Enrolled
2011-12	966	49237
2012-13	1010	50549
2013-14	1047	52596
2014-15	1051	57354
2015-16	1091	61950

B. Details of milk procurement by Milk Plant Mohali:

Financial Year	Milk Procurement Liters Per Kg/ LPKG	(%)age Increase
2011-12	217598 or 2.18 lakh	11%
2012-13	246895 or 2.47 lakh	13%
2013-14	274525 or 2.75 lakh	11%
2014-15	319504 or 3.19 lakh	16%
2015-16	296905 or 2.97 lakh	4%

C. Distribution of Cattle Feed and Processed Seeds to Society Members

Financial Year	Distribution of Cattle Feed in Quintals (Qtl.)	Distribution of Processed Seeds in Quintals (Qtl.)
2011-12	26743	879
2012-13	26485	991
2013-14	28718	1150
2014-15	29038	1507
2015-16	19313	2216

MILK PLANT MOHALI PROFIT AND LOSS GROWTH FOR THE FIVE YEARS



1. COMPARATIVE STATEMENTS:

The comparative financial statements are statements of the financial position of different period of time. The elements of financial position are shown in a comparative form so as to give an idea of financial position at two or more periods

From practical point of view, generally, two financial statements are prepared in comparative form for financial analysis purpose. These are balance sheet and income statement.

Comparative Balance Sheet:

The comparative balance sheet analysis is the study of the trend of the same items, and computed items in two or more balance sheets of the same business enterprise on different dates. The changes in periodic balance sheet items reflect the conduct of a business. The changes can be observed by comparison of balance sheet at the beginning and at the end of the period and these changes can help in forming an opinion about the progress of an enterprise.

$$\text{Percentage change} = \frac{\text{absolute change}}{\text{figures of the previous yr}} * 100$$

Comparative Balance Sheet As on 31-03-2014 & 31-03-2015

PARTICULARS	2014	2015	+/- Amt in Rs	% inc. or dec.
CURRENT ASSETS				
INVENTORIES	26527392.47	254148874.25	-1378518.2	5.19
SUNDRY DEBTORS	12842442.06	10407961.45	-2434480.61	18.95
LOANS & ADVANCES	80846671.42	84321187.49	3474516.07	4.29
CLOSING STOCK OF RAW MILK	9888867.14	17763810.54	7874943.4	79.63
CLOSING STOCK OF MILK PRODUCTS	279958249.92	291288560.69	11330310.77	4.04
Total	410063623.01	428930394.41	18866771.4	4.60
INVESTMENTS	17500100.00	17500100.00	0	0
CASH & BANK BALANCES :-				
CASH IN HAND	26752.63	32920	6167.37	23.05
BANKS AS PER SCHEDULE	131743378.99	118645929.43	-13097449.56	9.94
Total	131770131.62	118678849.43	-13091282.19	-9.9
FIXED ASSETS :-				
Total FIXED ASSETS :-	517437208.41	686409157.84	168971949.43	32.65
Liabilities				
AUTHORISED SHARE CAPITAL :-				
50000 SHARES OF RS. 1000 EACH	100000000.00	100000000.00	0	0%
ISSUED SUBSCRIBED & PAID UP CAPITAL :-				
SHARE CAPITAL TO SOC.	64849000.00	66128500	58720500	90.5
<u>SECURED LOANS :-</u>	159083332.00	262179292	103095960	64.8
RESERVES & SURPLUS :-	391358549.56	476592258.83	85206567.27	21.77
CURRENT LIABILITIES AND PROVISIONS :-				
Total of C.L	383682344.51	303685228.83		20.84
Grand Total	1076771063.04	1251518502.68	174747439.64	16

Interpretation Of Comparative Balancesheet

1. It reveals that during 2015 there has been increased in fixed assets by 168971949.43 i.e, by 32.6% while the share capital has increased to 58720500 i.e, by 90.5%
2. The current assets has increased by 18866771.4 and current liabilities has decreased by 79969973.68
3. Financial position is good.

b. Comparative Income Statement:

The comparative income statement gives the results of the operations of the business. The statement discloses the net profit or net loss resulting from the operation of the business. Such statements show the operating results for a number of accounting periods so that changes in absolute data from one period to another period may be stated in terms of absolute changes or in terms of percentages. This statement helps in deriving meaningful conclusion as it is very easy to ascertain the changes in sales volume, administrative expenses, selling and distribution expenses, cost of sales etc.

Percentage change = absolute change/figures of the previous yr*100

COMPARATIVE INCOME STATEMENT as on 31.3.2014 and 31.3.2015

PARTICULARS	2014	2015	+/- Amt in Rs	% inc or decr
SALE OF MILK PROD	1071585741.35	1097092207.81	25506466.46	2.38
Sale of Milk	4515726495.37	5277987953.92	762261458.55	16.88
Others sale	383048224.02	350372468.39	-32675755.63	-8.53
Total	5970360460.74	6725452630.12	755092169.38	12.64
Less: cost of goods sold	5653373037.3	6366316825.21	712943787.91	12.61
Gross profit	316987423.45	359135804.91	42148381.45	13.29
Add Misc. Income	18157533.89	24336340.68	6178806.79	34.02
Total profit	335144957.35	383472145.59	48327188.24	14.41
Less: Indirect Expenses				
Store/pur/Enng.Exp	38171438.23	39125837.80	954399.57	2.50
Admn/Accts.Exp	74964395.46	92703896.10	17739500.64	23.66
Distt.Exp.Milk/pro	56586233.47	68734002.05	12147768.58	21.4
Financial Expenses	44303530.00	37182697	-7120833	-16.07
Depreciation	36502799.23	58397030.59	21894231.36	59.97

Total	250528396.39	296143463.54	45615067.15	18.20
Net Profit	84616560.96	87328682.05	2712121.09	3.20

Interpretation Of Comparative Income Statement

1. Total sales of the company increased by 12.64% as compare to 2014. And gross profit of the company also increased by 13.29%.. and net profit of the company also increased by 3.20%.
2. The current financial position of Verka Milk Plant is good.

2) COMMON SIZE STATEMENT:

Common size financial statements are those in which figures reported are converted to some common base. Items in the financial statements are presented as percentage or ratios to total of the items and a common base for comparison is provided. Hence vertical analysis becomes possible. Each percentage shows the relation of the individual item to its respective total. Common size statements may be used for balance sheet as well as income statement.

a Common Size Income Statement:

In such a statement, sales figure is assumed to be equal to 100 and all other figures of cost or expenses are expressed as percentage of sales. The increase in sales will certainly increase the selling expenses and administrative or financial expenses. In case the volume of sales is increases to a certain extent, administrative and financial expenses may go up. So, a relationship between sales and other items in income statements.

COMMON SIZE INCOME STATEMENT as on 31.3.2014 and 31.3.2015

Items	2014	2015	%age of net sales 2014	%age of net sales 2015
A.Net sales	5970360460.74	6725452630.12	100	100
B. COGS	5653373037.3	6366316825.21	94.69	94.66
C. Gross profit (A-B)	316987423.46	359135804.91	5.30	5.33
D. (less) operating expenses	250528396.39	296143463.54	4.19	4.40
E. operating profit (C-D)	66459027.07	62992341.37	1.11	0.93
F.(Add)other	18157533.89	24336340.68	0.304	0.36

incomes				
Net profit before tax	84616560.96	87328682.05	1.41	1.29
G.(Less)income tax	25000000	22707797	0.41	0.33
Net income after tax	59616560.96	64620885.05	0.99	0.96

b. Common Size Balance Sheet:

In a common size balance sheet, total assets or total liabilities are taken as 100 and all figures are expressed as percentage of total, comparative common size balance sheet for different periods helps to highlight the trend in different items. If it is prepared for different firms in an industry, it facilitates to judge the relative soundness and helps in understand their financial

Common Size Balance Sheet as on 31.3.2014 and 31.3.2015

Assets	2014	2015	%age change in 2014	%age change in 2015
Fixed assets	51743208.41	686409157.84	54.75	60.59
Investments	17500100	17500100	1.85	1.54
Current assets	410063623.01	428930394.41	43.39	37.86
Total	945000931.42	1132839652.25	100	100
Liabilities				
Share capital	64849000	66128500	6.49	5.96
Reserves and surplus	391385691.56	476592258.83	39.17	42.99
Secured loans	159083332	262179292	15.92	23.64
Current liabilities	383655202.51	303685228.83	38.40	27.39
Total	998973226.07	1108585279.66	100	100

Conclusion:-

1. Most of the current assests of the company have increased in 2015 as compare to 2014.
2. In comparative balance sheet analysis of the verka milk plant, the current liabilities increased by 16% and current assets increased by 4.60%
3. Verka milk plant sales is increasing day by day from last few years.
4. In the year 2015 the gross profit and net profit of the company has increased .

Bibliography

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