Financial performance of Mark fed Vanaspati Oil and Allied Industries Khanna: A Ratio Analysis

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Abstract

Markfed is one of the largest marketing cooperative society in Asia. It was started 1956 with a very small capital and now it achieves the title of Asia's largest marketing cooperative society. Markfed plays a very important role in integrated development and growth of especially rural areas of Punjab. It started various programs like **Mera pind Mera Khet**, just to aware the farmers and to provide them with the various products offered by Markfed i.e, pesticides, fertilizers, seeds etc. In this way it helps in development and growth of farmers so as to benefit the growth of rural areas. This study was done to know the overall performance of the Markfed, Khanna and the study shows the positive results.

Keywords: Markfed, cooperative societies

Introduction

Markfed was started in September,1954, with a capital of rs.54000, contributed by 13 members. It was started with 3 employees and 1 bicycle as its asset. And now the Markfed has become Asia's largest cooperative. Today, about 3286 employees are working at markfed. Presently, it has Rs. 10671 Crores business turnover. And has 3069 member societies in 17 divisions with 100 markfed banches across Punjab. Now it has a wide network of manufacturing units, service centre and offices across Punjab benefitting about 1 million farmers with its products and services. And also it starts exporting the products like Cooking Media, Basmati Rice, Ready To Eat Canned And Bottled Products, Potato.

Markfed provides various services to the farmers like procurement, storage, processing and marketing of agricultural produce provides price support for food grains, oilseeds, and other farm produce, commercial trading of wheat, paddy and cotton etc. there are number of products offered by Markfed under different categories i.e,

- Sohna edible products: Vanaspati, Cottonseed refined oil, Groundnut refined oil, Sunflower refined oil, Mustard refined oil, Kachi ghani refined oil
- Sohna processed foods:Tomato ketchup, Mixed fruit jam, Honey, Gulab sharbat, Chatpat channa, Sarson ka saag, Alu palak, Alu wari, Mutter paneer
- Sohna basmati rice: Supreme basmati rice, Superior bsmati rice, Silver basmati rice, Broken basmati rice, Parmal basmati rice, Markfed fertilizers
- Pesticides formulations: Markon75WP, Vitavax75WP, Markchlor50%EC, Makkanil, Markphos.

Review of literature

Justin (1924) explained the concept of Scientific Ratio Analysis as a method of gathering industry data and calculating averages.

Horrigan (1968) describes the purpose of ratio analysis. He explains that ratio analysis is done just sue to 2 main reasons, namely credit and managerial purposes. Profitability is the main focus in managerial approach where as on the other hand, in credit approach the main focus is to find out the capacity of the organization to repay its debts.

Bliss (1923) defines that ratios are used to find out the relationship existing witthin the organization.

In 1931, Foulke, developed his own set of financial ratios known as prominent group of financial ratios.

Walter (1957), explains his own concept. He included all he items of cash flow statements in ratio analysis, and then prepared fund flow statement and concluded that ratios can be calculated from fund flow statements.

Objectives of study

- To analyze the financial position of company
- To analyze the profitability of the organization.
- To check the liquidity and solvency of the concern.

Research methdology

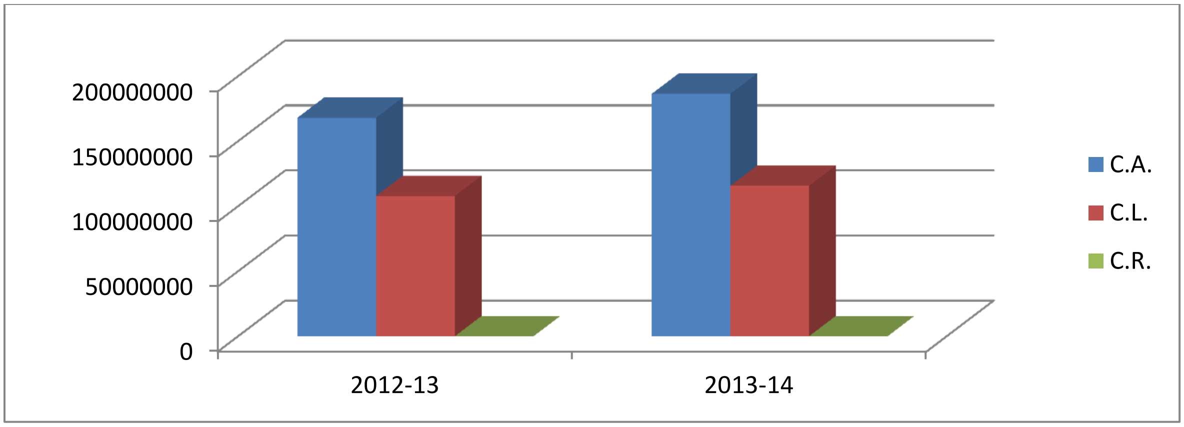
In this study, the data is collected from the secondary data, i.e, Balance Sheet and profit & loss account of Markfed Vanaspati Oil & Allied Industries.

ANALYSIS OF DATA AND INTERPRETATION

1) **Liquidity ratio**
- **Current ratio**

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

Year	Current Assets	Current liabilities	Current ratio
2012-13	167878603	107805926	1.557
2013-14	107805926	115625081	1.612



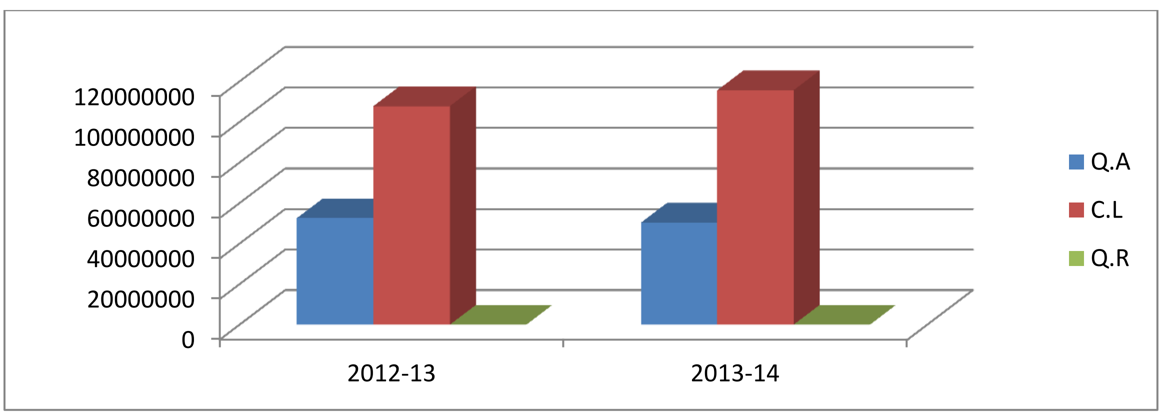
Significance-

According to accounting principles, a current ratio of 2:1 is supposed to be an ideal ratio. The current ratio for the year 2012-13 is 1.557 and is 1.612 in the year 2013-14, this shows that the current ratio is not according to the accounting principles.

• **Quick ratio**

$$\text{Quick ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

Year	Liquid assets	Current liabilities	Liquid ratio
2012-13	52585829	107805926	.488
2013-14	50324492	115625081	.435

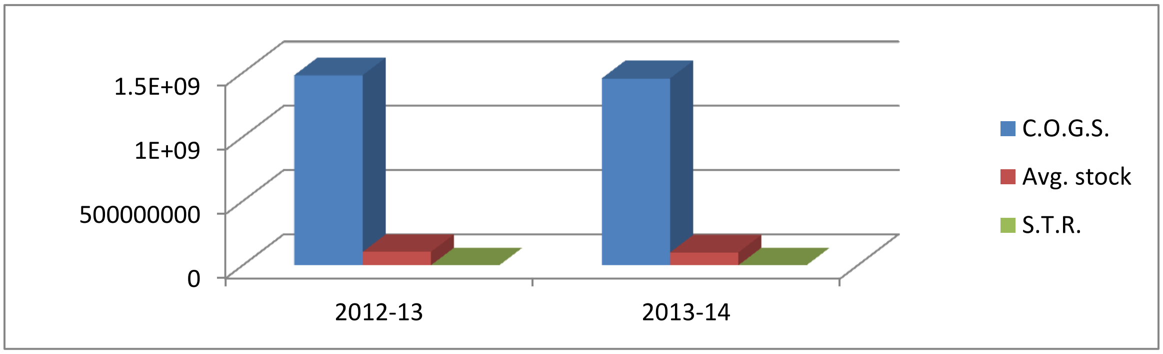


Significance

An ideal quick ratio is said to be 1:1. If it is more, it is better. The quick ratio for both the years is less than 1:1. So it is not better for the company.

• **Stock Turnover Ratio**

Years	Avg. stock	C.O.G.S.	S. T. R.
2012-13	103973074	1479268145	14.22
2013-14	1000043175	1455262449	14.55



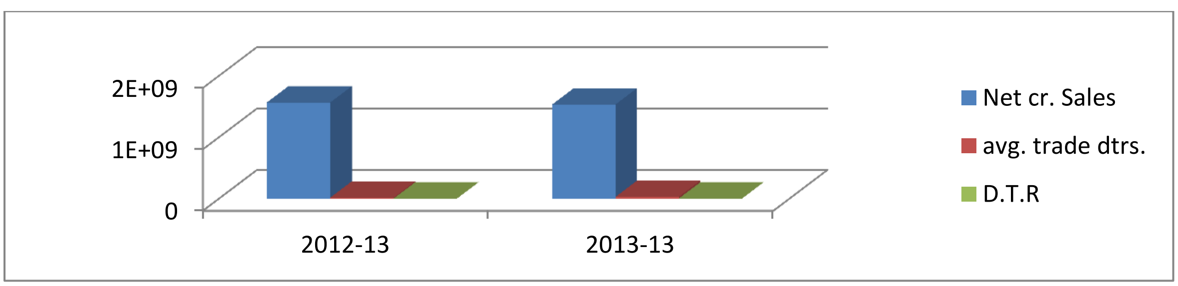
Significance

The stock turnover ratio of the markfed for the year 2012-13 is 14.22. and for the year 2013-14 is 14.55. This shows that the stock is selling quickly in the year 2013-14 because the ratio is more than previous year.

- **Debtor turnover ratio**

DEBTOR TURNOVER RATIO= $\dfrac{\text{NET CREDIT SALE}}{\text{AVERAGE TRADE DEBTOR}}$

Years	Net credit sales	Avg. dtrs	D.T.R
2012-13	1562163505	27556787	56.69
2013-14	1530303609	25951845	58.97



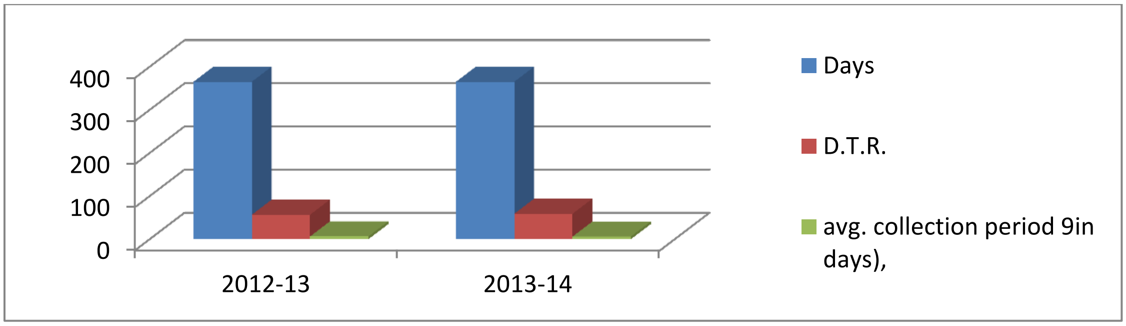
Significance

The debtor turnover ratio of the markfed for the year 2012-13 is 56.69 and for the year 2013-14 is 58.97. This shows that the amount from debtors is being collected more quickly in the year 2013-14 because in this year the ratio is more than the previous year.

- **Average collection period**

$$A.C.R = \frac{365/12/52}{D.T.R.}$$

Years	days	D.T.R.	Avg. Collection Period(in days)
2012-13	365	56.67	6.44
2013-14	365	58.97	6.18

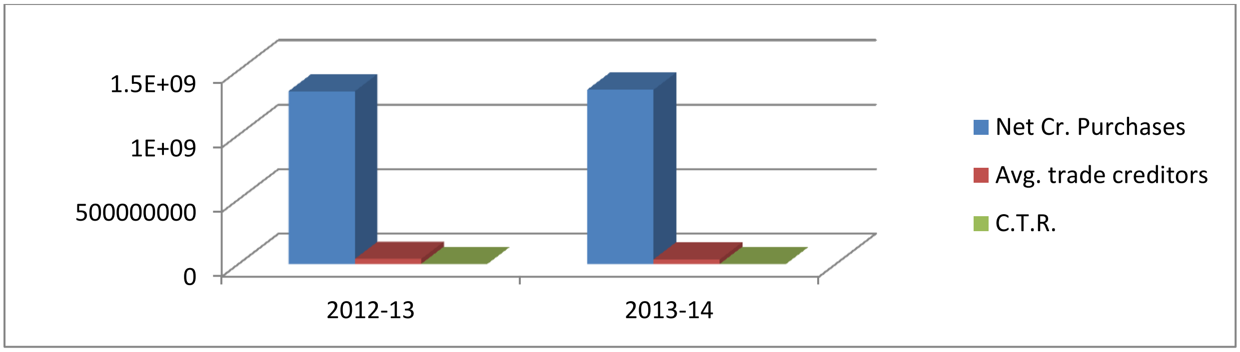


Significance

This ratio indicates the time in which the customers are paying for credit sales. The higher period of debt collection the inefficiency and negligency on the part of the management. On the other hand, if there is decrease in this period, it indicates prompt payment by debtors which reduces the chance of bad debts. The A.C.R. of markfed for the year 2012-13 is 6.44 days and that of in 2013-14 is 6.15 days. This indicates that there are less chances of bad debts.

- **Creditors turnover ratio**

Years	Net cr. purch.	Avg. trade crs	C.T.R
2012-13	1336781762	38374003	34.83
2013-14	1347957447	193430460.5	38.74



Significance

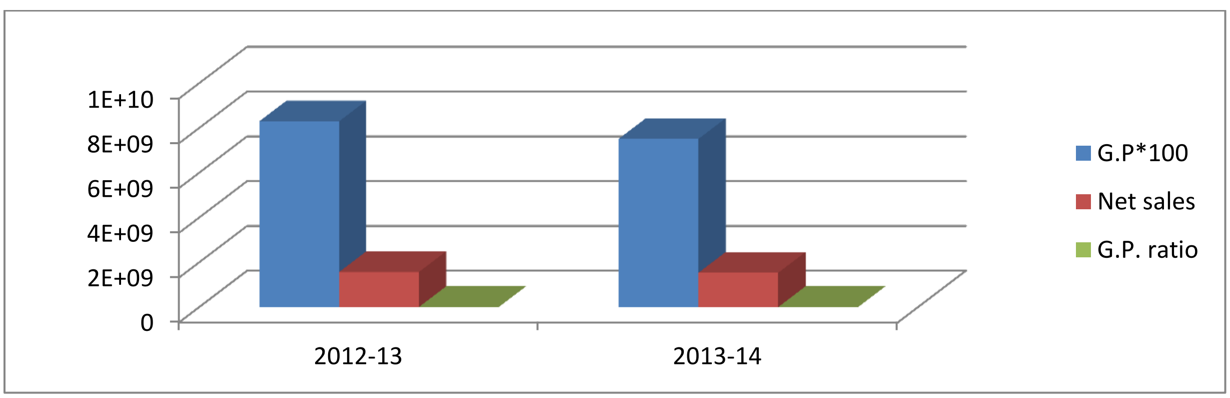
This ratio indicates the speed with which the amount is being paid to the creditors.
The C.T.R. of marked in 2012-13 is 34.83 and that of 38.74 in 2013-14. This shows that the creditors are paid more quickly.

- **Gross profit ratio**

Gross profit ratio= Gross profit * 100 / Net sales

(Net sales= sales- sales return)

Year	Gross profit *100	Net sales	Gross profit ratio (in %)
2012-13	82895360	1562163505	5.31
2013-14	75041160	1530303609	4.90



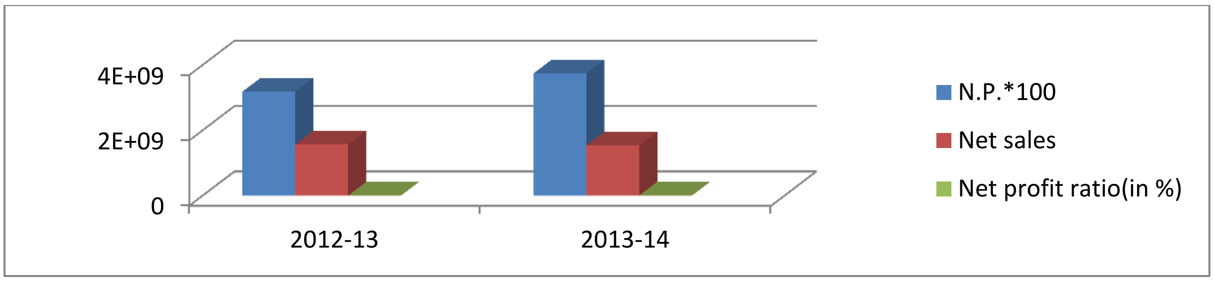
Significance

This ratio measures the margin of the profit available on sales. The higher this ratio, the better it is.. The G.P. ratio for the year 2012-13 is 5.31% and is 4.90% in 2013-14. This indicates that there are more profit margin available in the previous year as compared to the current year.

- **Net profit ratio**

$$\text{Net profit ratio} = \frac{\text{Net profit*100}}{\text{Net sales}}$$

Year	Net profit	Net sales	Net profit ratio (in %)
2012-13	31780631	1562163505	2.03
2013-14	37328143	1530303609	2.44



Significance

This ratio measures the rate of net profit earned on sales. It helps in determining the overall efficiency of the business operations. The net profit ratio for the year 2012-13 is 2.03% and is 2.44% in 2013-14. This shows that the rate of net profit earned on sales is more in the current year because the net profit ratio is more in this year.

Findings of the study

A. In analysis of ratio, I found that

• The current ratio was not satisfactory as against the standard norms of 2:1. This was mainly due to the peculiar nature of food grain activity. Being seasonal in nature it effects the level of current asset and current liability.

• Quick ratio is satisfactory because a low quick ratio accompanied by fast moving inventories shows a satisfactory liquidity position.

• Stock turnover ratio and fixed assets turnover ratio shows the satisfactory results as there is a increase in both the ratios in the current year as compared to the previous year. It indicates the efficiency in the management of assets.

• Debtors turnover ratio is also in the favour of the company, because it increases in the current year showing that debtors are being collected more quickly in the year 2013-14.

• Creditor turnover ratio is satisfactory because it is according to the accounting norms which indicates, the higher the ratio, the better it is. And the ratio is increased in the current year.

B. The G.P. Ratio is not satisfactory because it is not according to the accounting norms, i.e. the higher the ratio, the better it is. As the ratio is decreased to 4.9% in the current year from 5.31% in the year 2012-13.

C. Net profit ratio shoes that the net profit earned on the sales are more in the current years as compared to the profits earned in the previous year.

D. Expenses ratio are satisfactory because some expenses are increasing as compared to last year and also some are decreasing.