



e-ISSN:2582-7219



# INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH IN SCIENCE, ENGINEERING AND TECHNOLOGY

Volume 5, Issue 9, September 2022



INTERNATIONAL  
STANDARD  
SERIAL  
NUMBER  
INDIA

Impact Factor: 7.54



6381 907 438



6381 907 438



ijmrset@gmail.com



www.ijmrset.com



# A Study on Ratio Analysis towards GRB Dairy Foods Private Limited Hosur

Mrs.G.RAMA.,MBA.,M.Phil,(Ph.D)., JAIKUMAR.T

Assistant Professor, MBA-Human Resource and Finance, Jayalakshmi Institute of Technology,

NH-7, Salem Main Road, Thoppur, Dharmapuri, India

MBA-Finance Marketting, Jayalakshmi Institute of Technology, NH-7, Salem Main Road, Thoppur,

Dharmapuri, India

**ABSTRACT:** To outset any business it is very important to have finance and success of the business entirely depends upon the proper management and applications of finance. It is essential to uphold prevalence between two activities which can be done with the help of calculating different types of ratios like current ratios, quick ratios and debt coverage ratios etc. Every manufacturing sector requires competent use of inventory and tools to expand its products. This study explains that ratio analysis will help the management in estimate the future performance of the company. The scope of writing this research paper is to spread the logical usage of ratio analysis for analysis the financial performance of GRB Dairy Foods Private Limited, Hosur In order to check the usefulness of operations and to resolve how well the manufacturing process is going to take place and use of ratio analysis to gauge its business transactions. The sources of data are from the annual reports of the company from the year 2016-17 to 2020-21. According to GRB Dairy Foods Private Limited, Hosur working capital management is good condition; the level of profit is increasing in nature. However to show the better business result, the management may concentrate on keeping the working capital more scientific method Proper analysis should be made in increases of sales, sales level before changing credit policy variable, credit policy helps to retained its old customer and create new customer by coming them away from competitors. Better co-ordination between the each department is very important, like sales, production, purchase) because it helps to avoid the credit risk and it decrease the debt collection days.

## I. INTRODUCTION

### Ratio Analysis

A ratio analysis is a quantitative analysis of information contained in a company's financial statements. Ratio analysis is based on line items in financial statements like the balance sheet, income statement and cash flow statement; the ratios of one item – or a combination of items - to another item or combination are then calculated. Ratio analysis is used to evaluate various aspects of a company's operating and financial performance such as its efficiency, liquidity, profitability and solvency. The trend of these ratios over time is studied to check whether they are improving or deteriorating. Ratios are also compared across different companies in the same sector to see how they stack up, and to get an idea of comparative valuations. Ratio analysis is a cornerstone of fundamental analysis.

Ratio analysis refers to the analysis and interpretation of the figures appearing in the financial statements (i.e., Profit and Loss Account, Balance Sheet and Fund Flow statement etc.). It is a process of comparison of one figure against another. It enables the users like shareholders, investors, creditors, Government, and analysts etc. to get better understanding of financial statements.



### Definition

Khan and Jain define the term ratio analysis as “the systematic use of ratios to interpret the financial statements so that the strengths and weaknesses of a firm as well as its historical performance and current financial conditions can be determined.”

Ratio analysis is a very powerful analytical tool useful for measuring performance of an organisation. Accounting ratios may just be used as symptom like blood pressure, pulse rate, body temperature etc. The physician analyses these information to know the causes of illness. Similarly, the financial analyst should also analyse the accounting ratios to diagnose the financial health of an enterprise.

### Generally, ratio analysis involves four steps:

- (i) Collection of relevant accounting data from financial statements.
- (ii) Constructing ratios of related accounting figures.
- (iii) Comparing the ratios thus constructed with the standard ratios which may be the corresponding past ratios of the firm or industry average ratios of the firm or ratios of competitors.
- (iv) Interpretation of ratios to arrive at valid conclusions.

### Advantages of Ratio Analysis:

Ratio analysis is widely used as a powerful tool of financial statement analysis. It establishes the numerical or quantitative relationship between two figures of a financial statement to ascertain strengths and weaknesses of a firm as well as its current financial position and historical performance. It helps various interested parties to make an evaluation of certain aspect of a firm’s performance.

## II. RESEARCH BACKGROUND

### DAIRY INDUSTRY

#### Dairy in India

Dairy plays a significant part in numerous aspects of Indian society, including cuisine, religion, culture, and the economy.

India has the world's largest dairy herd with over 300 million bovines, producing over 187 million tonnes of milk. India is first among all countries in both production and consumption of milk. Most of the milk is domestically consumed, though a small fraction is also exported. Indian cuisine, in particular North Indian cuisine, features a number of dairy products like paneer. Milk and dairy products play a part in Hindu religious practice and legend.

Dairy production in the Indian subcontinent has historical roots that go back 8,000 years to the domestication of zebu cattle. Dairy products, especially milk, were consumed on the subcontinent at least from the Vedic period. In the mid- to late 20th century, Operation Flood transformed the Indian dairy industry into the world's largest. Previously, milk production in India occurred mainly on household farms.

#### Growth and performance of dairy sector in India

India has been the leading producer and customer of dairy products worldwide since 1998 with a sustained growth in the availability of milk and milk products. Dairy activities form an essential part of the rural Indian economy, serving as an important source of employment and income. However, the milk production per animal is significantly low as compared to the other major dairy producers.

Moreover, nearly all of the dairy produce in India is consumed domestically, with the majority of it being sold as fluid milk. On account of this, the Indian dairy industry holds tremendous potential for value-addition and overall development. According to the latest report by IMARC Group, titled Dairy Industry in India 2020 Edition: Market Size, Growth, Prices, Segments, Cooperatives, Private Dairies, Procurement and Distribution, the dairy market in India reached a value of Rs 10,527 billion in 2019.



"India's dairy industry is worth Rs 5.4 trillion by value, having grown at 15 per cent CAGR during 2010-16. Going ahead, the dairy industry is expected to maintain 15 per cent CAGR over 2016-20, and attain value of Rs 9.4 trillion on rising customerism," Edelweiss said in a report. India has progressed from being deficient in milk production at 20 million MT in 1970 to becoming the world's largest milk producer at 160 million MT, accounting for 18.5 per cent of global milk production. Further, India is expected to emerge as the largest dairy producer by 2020, the report said.

A dairy is a business enterprise established for the harvesting of animal milk - mostly from cows or goats, but also from buffalo, sheep, horses or camels for human consumption. A dairy is typically located on a dedicated dairy farm or section of a multi-purpose farm that is concerned with the harvesting of milk.

### **Importance of dairy sector in India**

Dairy farming is an important way for farmers to increase their earnings and access to more nutritious food for their families. While subsistence dairy farming provides not only fresh milk and a source of basic income, value-added products, such as yogurt and cheese provide a higher source of revenue. Dairying is an important source of subsidiary income to small/marginal farmers and agricultural labourers. The manure from animals provides a good source of organic matter for improving soil fertility and crop yields. Dairy farming is now taken up as a main occupation around big urban centres where the demand for milk is high.

### **Products in dairy sector**

Milk, Flavoured Milk, UHT Milk, Goat Milk, Camel Milk, A2 Milk, Organic Milk, Curd, Probiotic Products, Flavoured & Frozen Yoghurt, Buttermilk, Lassi, Ghee, Butter, Cheese, Paneer, Cream, Khoya, Dairy Whiteners, Skimmed Milk Powder, Ice Cream, Sweet Condensed Milk, Dairy Sweets and Whey are the different products in the dairy sector.

For years, the dairy industry was focussed only on cow and buffalo milk and milk-based products. Rising Internet penetration and increasing customer awareness have, however, upended this long-standing norm. Today, customers are increasingly inclined towards better, healthier alternatives such as camel milk, goat milk or donkey milk. For instance, it has become common knowledge that camel milk does not contain A1 casein and beta-lactoglobulin, which makes it fit to be consumed by those suffering from milk allergies and people who are lactose-intolerant. Camel milk is also gaining popularity since it aids digestion, improves gut health, may prevent high blood pressure and may even help ease the symptoms of autism in children. Further, goat and donkey milk are also gaining favour among health enthusiasts as they are light on the stomach and packed with essential nutrients.

### **Economic**

The Indian dairy industry has grown consistently ever since the White Revolution of the 1970s, making India, the world's largest producer of milk with 17% global share. With an annual production of 146 million tonne of milk India generates approximately US\$70 billion of revenue. As of 2018, India is the leading milk producing country in the world, accounting for ~19% of the global market share. The milk processing industry in India is expected to expand at a compound annual growth rate (CAGR) of ~14.8% between FY 2018 and FY 2023, and will reach Rs 2,458.7 bn in FY 2023. Being one of the primary dairy consumables in India, the increased demand for milk in the country is owed to the increasing population. As of FY 2018, ~81.1% of the Indian dairy and milk processing market was part of the unorganised sector, which produces milk in unhygienic environments. This reduces the overall quality and nutrition levels of the milk produced.

### **State-wise segment insights**

Uttar Pradesh, Rajasthan and Gujarat have been the major milk producing states in India. Uttar Pradesh is the largest dairy and milk-producing state because it is home to the highest buffalo population and the second-highest cattle population in the country. The majority of rural population in the state is engaged in livestock rearing and dairying. Gujarat has numerous cooperative dairy milk unions, private dairy plants, and primary milk cooperative societies, which play crucial role in the production of milk in the state.



### **Value-added product-wise segment insights**

Apart from milk, the revenue of the Indian dairy and milk processing industry is generated from several value-added products such as butter, curd, paneer, ghee, whey, flavoured milk, ultra-high temperature (UHT) milk, cheese, and yogurt. During the period FY 2016 to FY 2020, the market size of butter is expected to grow by 14.5%, curd by 14.4%, paneer by 14.1% and ghee by 14.1%, among others.

### **Export-import**

From India, the export of dairy products has increased to countries like Bhutan, Afghanistan, Canada, Egypt and the United Arab Emirates. India has also imported a significant amount of dairy products from countries like France, New Zealand, Ireland, Ukraine and Italy.

### **Key growth drivers of the market**

India's livestock sector is regarded as one of the largest in the world with a bovine population of 299.9 mn, which comprises of cattle, buffalo and yak. The growth of the Indian dairy and milk processing market is ensured by the steady supply of milk which is the primary raw material for this industry.

### **Key deterrents to the growth of the market**

Despite having a significant livestock base of milch animals, India lacks in terms of availability of cold storages which results in wastage of dairy output. Thus, the lack of sufficient storage facilities and inefficient distribution are hampering the growth of the Indian dairy and milk processing industry.

Recurring droughts and floods affect the production of fodder in India. Sufficient quantities of feed and fodder are required for proper animal rearing and milk production. Lack of proper feed and fodder for milch animals, due to high usage of agricultural crop residues by producers of fibreboard, paper and liquid fuels, affect its availability for dairy production and milk processing.

## **III. DATA ANALYSIS AND INTERPRETAION**

The process of evaluating data using analytical and logical reasoning to examine each component of the data provided. This form of analysis is just one of the many steps that must be completed when conducting a research experiment. Data from various sources is gathered, reviewed, and then analyzed to form some sort of finding or conclusion. There are a variety of specific data analysis method, some of which include data mining, text analytics, business intelligence, and data visualizations.

### **RATIO ANALYSIS:**

Analysis and interpretation of financial statements with the help of 'Ratios' is termed as "Ratio Analysis". It is the process of identifying the financial strengths and weaknesses of the firm. This may be accomplished either through a trend analysis of the firm's ratios over a period of time or through a comparison of the firm's ratios with its nearest competitors and with the industry averages. The four most important dimensions, which a firm would like to analyses, are: Liquidity, Leverage, Activity and Profitability.

A ratio is a mathematical relationship between two items expressed in a quantitative form. Ratios can be defined as "Relationship expressed in quantitative forms, between figures which have cause and effect relationships or which are connected with each other in some manner or the other". Ratio

Source: Annual report

analysis is an age old technique of financial analysis. The information provided by the financial statements in absolute form is historical and static, conveying very little meaning to the users.



**WORKING CAPITAL RATIO**

The working capital ratio, also called the current ratio, is a liquidity ratio that measures ability to pay off its current liabilities with current assets. The working capital ratio is important to creditors because it shows the liquidity of the company.

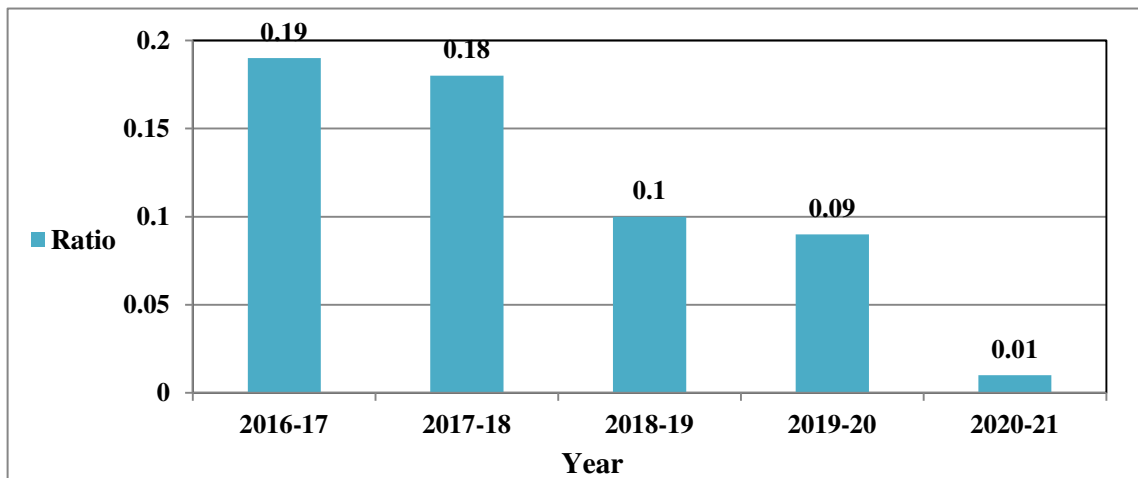
$$\text{Working capital ratio} = \frac{\text{Net working capital}}{\text{Net assets}}$$

**Interpretation**

The above table 4.1 indicates that the Working capital ratio is 0.19 in the year of 2016-17. It has decreased to 0.18 in the year of 2017-18. It has decreased to 0.10 in the year of 2018-19. It has further decreased to 0.09 and 0.01 in the year of 2019-20 and 2020-21 respectively.

TABLE NO: .1			
WORKING CAPITAL RATIO			
Year	Net working capital	Net assets	Ratio
2016-2017	22.91	117.92	0.19
2017-2018	22.72	127.80	0.18
2018-2019	11.92	124.38	0.10
2019-2020	12.46	133.73	0.09
2020-2021	1.83	132.51	0.01

**WORKING CAPITAL RATIO**



**INVENTORY TURNOVER RATIO**

This ratio indicates the efficiency of the firm in producing and selling its product. This ratio indicates the number of times inventory is replaced during the year. It measures how quickly inventory is sold. The inventory turnover reflects the efficiency of the firm in producing and selling its products. This ratio indicates the velocity or the movement of goods during the year. It is calculated as follows.



$$\text{Inventory turnover ratio} = \frac{\text{Cost of goods sold}}{\text{Average inventory}}$$

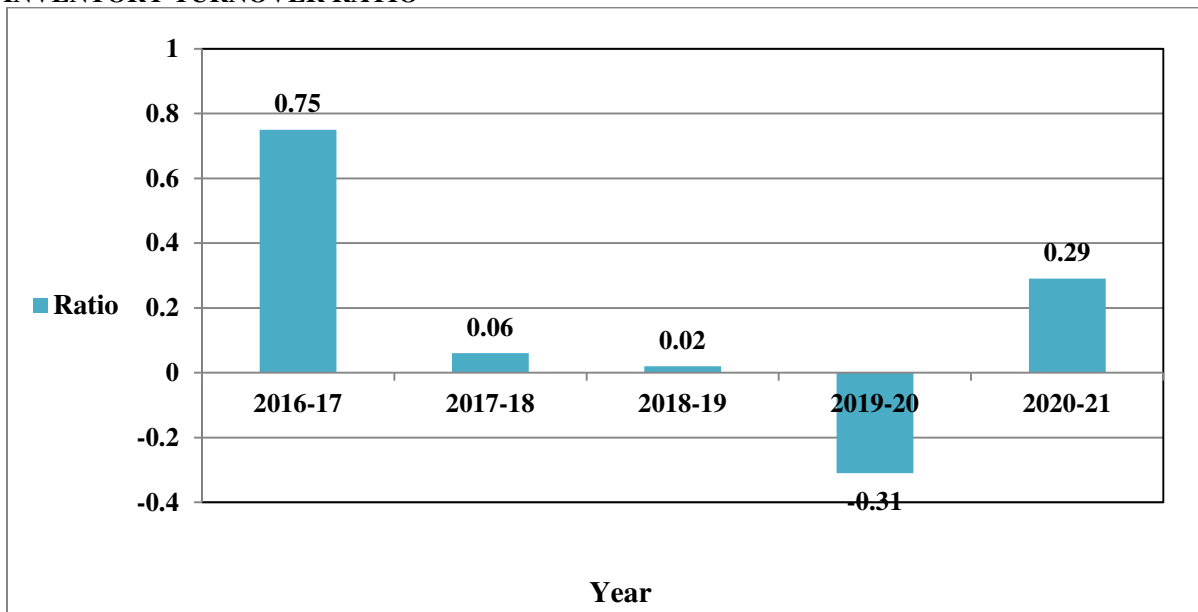
TABLE NO: .2			
INVENTORY TURNOVER RATIO			
Year	Cost of goods sold	Average inventory	Ratio
2016-2017	213.30	283.54	0.75
2017-2018	3.42	56.69	0.06
2018-2019	1.09	52.72	0.02
2019-2020	-19.01	61.14	-0.31
2020-2021	20.10	70.10	0.29

Source: Annual report

**Interpretation**

The above table 2 indicates that the inventory turnover ratio is 0.75 in the year of 2016-17. It has decreased to 0.06 in the year of 2017-18. It has further decreased to 0.02 and -0.31 in the year of 2018-19 and 2019-20 respectively. It has increased to 0.29 in the year of 2020-21.

**INVENTORY TURNOVER RATIO**



**DEBTORS TURNOVER RATIO:**

Ratio of net credit sales to average trade debtors is called **debtors turnover ratio**. It is also known as **receivables turnover ratio**. This ratio is expressed in times. It can be calculated as

$$\text{Debtors turnover ratio} = \frac{\text{Sales}}{\text{Debtors}}$$

Source: Annual report  
Interpretation

TABLE NO: 3			
DEBTORS TURNOVER RATIO			
Year	Sales	Debtors	Ratio
2016-2017	208.95	31.44	6.65
2017-2018	205.42	33.58	6.12
2018-2019	242.33	27.00	8.98
2019-2020	255.96	27.98	9.15
2020-2021	217.49	20.46	10.63

The above table 4.3 indicates that the debtor's turnover ratio is 6.65 in the year of 2016-17. It has decreased to 6.12 in the year of 2017-18 .It has increased to 8.98 in the year of 2018-19. It has further increased to 9.15 and 10.63 in the year of 2019-20 and 2020-21 respectively.

**IV. CONCLUSION**

Ratio analysis is important for the company to analyze its financial position, liquidity, profitability, risk, solvency, efficiency, operations effectiveness, and proper utilization of funds which also indicates the trend or comparison of financial results that can be helpful for decision making for investment by shareholders of the company. According to GRB Dairy Foods Private Limited, Hosur working capital management is good condition; the level of profit is increasing in nature. However to show the better business result, the management may concentrate on keeping the working capital more scientific method Proper analysis should be made in increases of sales, sales level before changing credit policy variable, credit policy helps to retained its old customer and create new customer by coming them away from competitors. Bettor co-ordination between the each department is very important, like sales, production, purchase) because it helps to avoid the credit risk and it decrease the debt collection days.





## REFERENCES

### BOOKS

- Prassannachandra, Financial Management – Theory and practice, Tata McGraw Hill publishing company Limited, New Delhi, third edition, 1994.
- Dr.Maheshwari S.N, Financial Management – principles and practice, Sultan chand and sons, New Delhi, third revised and enlarged edition, 1993.
- Pillai.R.S.N, statistics, S.chand and company Ltd., New Delhi, first edition, 1999.
- Khan M.Y& Jain P.K,Financial Management, Tata McGraw Hill publishing company Limited, New Delhi,Second edition, 1992.
- Shashi K.Gupta & Sharma R.K, Financial management – Theory and practice, Kalyani publishers, New Delhi, Third revised and enlarged edition, 2000.
- Kulkarni.P & Satya Prasad B.G, Financial management, Himalaya house, Mumbai,19th revised edition,1999.
- Kothari.C.R, Research Methodology, Wishwa prakash Publishers, New Delhi, second edition, 1999.

### JOURNALS

- Journal of International Money and Finance.
- Journal of Business Finance & Accounting.
- Journal of International Financial Management and Accounting.
- Journal of Finance.
- Journal of Accounting and Economics.
- The Review of Financial Studies.
- Journal of Financial Economics.

### WEBSITES

- [www.grb.com](http://www.grb.com)
- [www.wikipedia.org](http://www.wikipedia.org)
- [www.industrytrends.com](http://www.industrytrends.com)
- [www.ibef.org](http://www.ibef.org)
- [www.ukessays.org](http://www.ukessays.org)



**INNO SPACE**  
SJIF Scientific Journal Impact Factor  
Impact Factor  
7.54

**ISSN**

INTERNATIONAL  
STANDARD  
SERIAL  
NUMBER  
INDIA



# INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH IN SCIENCE, ENGINEERING AND TECHNOLOGY

| Mobile No: +91-6381907438 | Whatsapp: +91-6381907438 | [ijmrset@gmail.com](mailto:ijmrset@gmail.com) |

[www.ijmrset.com](http://www.ijmrset.com)