

CHAPTER NO V

SUMMARY CONCLUSIONS AND SUGGESTIONS

In the previous chapters, we have analysed, interpreted and represented the collected data, in the form of various tables. The present chapter contains summary, conclusions and suggestions, it is based ^{on} collected data presented in the form of table as well on the facts which impressed the researcher while collecting the data. It is presented as below-

A) Summary and Conclusions;

B) Suggestions.

A) SUMMARY AND CONCLUSIONS -

1. The Pioneer Dairy project established at Anand in Kaira District of Gujarat state, has attracted the attention of many states in India and other countries as an ideal model for developing dairying in rural areas. On this line in rural area, the Warana Dairy Project was established on 20th July 1968.

2. Government of India constituted the " National Dairy Development Board" (N.D.D.B) in september, 1965 at Anand in Gujarat which plays an important role in the field of dairying, animal husbandry, food, agriculture, fisheries and cold storage. N.D.D.B, Offers consultancy services on dairy and allied fields wherever necessary, by research within and outside organisations. It serves as an international liason to other National Dairy Boards and International Agencies. The Ingegrated Dairy Development

programme formed in 1969 by N.D.D.B is popularly known as " Operation Flood " .

3. The Warana Dairy Project was established with the view to uplift the economic status of the people residing within its area of operation by providing them employment opportunities, and by creating milking business as a supplementary source of income in addition to agriculture.

4. The Warana Dairy project is regarded as an industry which is different from Dairy Farming. It performs mechanical processes over milk and converts it into various types of milk and milk products. It comes under the category of " Food Industry",

5. Since its establishment, The Warana Dairy project has applied several times, to the Government of Maharashtra for extending its area of operation. But so far the Warana Dairy project has not get affiliation to " Operation flood" which is to be implemented at national level.

The researcher had found from the above information that the Government of Maharashtra has not sanctioned extension for the area of operation of the Dairy project. It resulted into inadequate milk procurement. The Dairy project has to procure milk from the boundaries of Karanatak state in order to fulfill its milk procurement requirement.

6. The researcher found that in the initial years of establishment of the Warana Dairy project Government of Maharashtra has neither contributed share capital nor stood as guarantor to the project loan of the Warana Dairy project.

It clearly reveals that the Warana Dairy project has made its progress through financial difficulties. without the assistance of state and central government.

7. Till December, 1980, the Warana Dairy Project had to depend upon the bank funds instead of other sources. For its Working Capital requirement.

The Researcher found from the above information that the Warana Dairy Project faced severe financial difficulties till 1980, It also reveals that the Dairy project is unable to meet working capital need from its own operation.

8. The Warana Dairy project, since 1st August 1980, started its own sales organisation till 1980 the cost of manufactured milk products was higher as compared with other dairy projects in the country. Therefore, the Warana Dairy project is unable to compete with other dairy projects as far as cost of milk products is concerned.

It reveals that the Warana Dairy project has paid higher rate of interest on loan. It has no aid from state Government and it has no participation of the state Government.

9. The Warana Dairy Project is not self-sufficient in procurement of milk right from its establishment till 1988-89.

It is due to limited area of operation consisting of sixty six villages for milk procurement. It has to depend upon boundary of the Karanatak state i.e. Out of its area of operation.

10. The Warana Dairy project distributes final bill to the 'A' Class milk producers instead of dividend at the end of each financial year. Final Bill is being distributed both to 'A' class buffalo and cow milk suppliers.

Researcher found that the highest rate per litter was declared in the year 1986-87 by the Warana Dairy project and it was 34^{paise} and in the year 1985-86 it was 8 paise per litter only.

In the year 1983-84 and 1985-86 three primary co-operative societies at village level out of area of operation were covered for the payment of final bill. These three societies covered were from the Maharashtra State and not from its area of operation.

11. As sale of milk and milk products is concerned the Warana Dairy project produces 19 milk products and in addition to this buffalo and cow milk in the State of Maharashtra, Karnatak Goa and Andhra Pradesh. In the year 1987-88 the Warana Dairy project introduced three milk products viz, Warana Spray (Baby food), Mangoji and slimex under the research work of Dr. Rege from Bombay.

The researcher has found that the milk products of the Warana Dairy project are higher in numbers as compared with that of other Dairy projects in Kolhapur District irrespective of size of capital. It clearly reveals the discretion policy of management and its excellent performance in manufacturing of milk, products.

12. Financial management, in general is concerned with

four financial decisions viz.

- 1) Financing Decision,
- 2) Current Asset Management Decision,
- 3) Capital Budgeting decision, and
- 4) Dividend decision.

But financial management of the Warana Dairy project is concerned with the above four decisions, directly or indirectly.

The researcher has found that the A class milk producers are distributed final bill instead of dividend in proportion of the milk supplied by them to the Dairy project. In short dividend decision is indirectly related with the Warana Dairy project.

The Warana Dairy project is invariably concerned with financing, production and marketing of milk and milk products 13. The researcher observed that the financial management of the Warana Dairy project and financial management of businesses which are established with a view to maximise the profit are different from each other as far as the following points of differences are concerned.

1. Area of operation,
2. Main objectives,
3. Issue of shares and recovering its value.
4. Statute applicable
5. Listing of shares,
6. Voting right and
7. Dividend distribution.

14. The researcher found that the Debt equity ratio, of the Warana Dairy project is far below than the ideal ratio. The standard or ideal debt equity ratio is 2:1 i.e. the project must raise long term loan twice it's equity. The debt equity ratio of the Warana Dairy project varies between 0.16 to 0.49:1 It clearly reveals that the warana dairy project has yet greater opportunity to raise long term loan to finance it's developmental activities.

15. The net profit as disclosed by profit and loss account of the Warana Dairy project under study apprenently reveals to be inadequate or too lower as compared with its annual turnover.

The researcher found that return on total shareholders equity seems to be lower still it is better because the figures of net profit as shown by Profit and Loss Account are arrived at after deducting the amount transferred to various reserve funds. The Warana Dairy project has appreciating tendency to plough back its net profit in the form of various reserve funds instead of distributing entire profit. Due to number of reserves funds created out of net profit financial position of the Warana Dairy Project is sound.

16. The annual turnover of the Warana Dairy Project ranges between Rs. 10,38,31,889 to Rs. 31,63,53,380. years under study. It is computed by taking into account total sales income plus any other income from other sources less depreciation on productive assets.

The researcher has come to the conclusion that the

Warana Dairy project has been making progress and still it has better prospect in the coming years.

17. The fixed assets turnover ratio measures the efficiency with which the firm is utilising its investment in fixed assets, such as land and buildings, plant and machinery, furniture etc. It also indicates adequacy or inadequacy of sales in relation to the fixed assets.

The researcher has found that the fixed asset turnover ratio of the Warana Dairy Project shows almost constant turnover of fixed assets in relations to the sale of milk and milk products. In the year 1985-86, this ratio is 8:1 is highest as compared with the years under study. It shows that sale of milk and milk products are eight fold when one rupee is invested in fixed assets. This ratio judges the efficiency of fixed assets.

18. Tangible Net worth of the Warana Dairy Project is calculated by deducting total liabilities other than share capital, reserves and surplus from total assets other than intangible assets.

The researcher observed that the net worth of shareholders in the Warana Dairy project is almost constant. Therefore, in the years under reference it varies between 1 % to 9%. Therefore, investment value of shareholders also varies between 1% to 9% which shows satisfactory trend.

Tangible net worth of shareholders in the Warana Dairy project is useful to following parties-

- 1) The creditors;

- ii) The investors and,
- iii) The management.

19) In the initial years of its establishment, the Warana Dairy project was affected by meagre profit or having no profit at all. But situation was recovered during the subsequent years. And since 1980 onwards the Warana Dairy project generated satisfactory return on shareholders fund. The Warana Dairy project refunded its entire project loan in the year 1985-86 which is the sign of sound financial position and regular income generating capacity.

20. Earnings per share (E.P.S.) measures the profit available to the 'A' class milk producers in the Warana Dairy project, on a per share basis. It is calculated by dividing net profits available to shareholders by the number of the outstanding common shares.

Researcher has found that in the Warana Dairy project 'A' class milk producers are being distributed Ghee, Shrikhand at Deepawali, Dadasara and Gauri Ganapati Festivals. These milk products are distributed to its members at concessional rates. Therefore, these benefits in kind also added to the net profit in order to arrive at correct $\frac{E}{N}$ E.P.S. If one observes E.P.S. Table No. 4.6 one will find that E.P.S. of the Warana Dairy Project having face value of Rs. 1000/- ranges between 16% to 32% The E.P.S. in the years 1983-84 to 1985-86 shows 18%, 16% and 16% respectively, which is lower as compared with years 1986-87 and 1987-88.

21. Maximising market value of shares is one of the objectives of financial management. There are three methods of

valuation of shares viz.

- 1) Net Assets Basis/ or Intrinsic value.
- 2) Yield basis or market value and
- 3) Value based on earnings of a company.

The researcher found that the Warana Dairy project does not distribute dividend to its members. Therefore first method of calculating market value of shares is suitable.

The market value of share in the Warana Dairy Project shows constantly rising trend under the years of study. The market value of share having face value Rs. 1000/- varies between the range Rs. 2080 to 5444. It fulfils the financial objectives though the Warana Dairy project is established on the Cooperative basis.

22. The Warana Dairy project requires sufficient amount of working capital for purchasing of milk payment of transport expenses on carrying of milk from milk producers place to the place of Dairy. Working capital is also required for meeting future exigencies, to maintain the stock of milk and milk products for the purpose of distributing the same to the customers. In Bombay and different parts of Maharashtra Karnatak and Goa.

The researcher has found the Warana Dairy project meets its working capital requirement through co-operative co-operative and scheduled bank in part. And in part requirement of working capital is met out of its daily sales activity. Working capital of the Warana Dairy project during years under reference varies between Rs, 6,96,741 to Rs. 72,27,441. These figures show wide fluctuations in working capital amount. It fluctuates due to fluctuation either in current assets or in current liabilities. Working

capital amount is highest in year 1984-85 i.e. Rs. 72,27,441
Whereas in the year 1986-87 it was lowest i.e. Rs. 6,96,741.

B) SUGGESTIONS -

~~After~~

On the basis of conclusions the researcher would like to suggest the following things to the state government, Central Government, and the Warana Dairy Project. The researcher hopes that all the parties concerned above will give due response to the researcher's suggestions which will help to make still more progress of the Warana Dairy project in the coming years.

1. The researcher would like to suggest that the Government of India to allow affiliation of the Warana Dairy project to the " Operation flood" which is implemented at national level.
2. The researcher would like to suggest that the Government of Maharashtra must sanction the proposal of extension for the area of operation to the existing sixty six villages.
3. State Government must give helping hand to the Warana Dairy project by contributing share capital, standing as a guarantor for the loan of the Warana Dairy project. State Government must give financial aid to the Warana Dairy project like other Dairy projects in the District.
4. The researcher would like to suggest the Warana Dairy project about the distribution of final bill to 'A' class milk producers. That net amount of final bill payable to 'A' class milk producers' After deducting the amount from gross final bill must be increased at higher rate per litre.

5. The researcher would like to suggest that the Warana Dairy Project must advance loans against the security of ten years fixed deposit at reasonable rate of interest. This loan facility at reasonable rate of interest should be made available to the needy 'A' class milk producers."

6. The researcher would like to suggest that the Warana Dairy project has greater opportunities to raise long term debt to finance its developmental activities.

The ratio is far lower than the standard ratio. In the year 1987-88, it was 0.49 : 1 It means, for one rupee of equity 0.49 is the long term debt raised by the Warana Dairy Project.