

CHAPTER – V

Findings , Conclusions And Suggestions

Chapter - 5

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Findings

1. The Gross working capital of Gokul Dudh Sangh has increased from Rs. 70.56 crore in 2002-03 to Rs. 92.53 crore in 2006-07. The percentage of total current Assets (Gross working Capital) to the total assets has increased from 56 percent in the year 2002-03 to 66 percent in 2006-07.
2. The composition of Gross working capital shows that cash and Bank balance accounted for 36 percent in 2002-03. However, they have reduced to 29 percent in 2006-07. The proportion of Bills Receivable has reduced from 12 percent to 10 percent during the same period. The proportion of other current assets has increased from 52 percent to 61 percent during the same period.
3. The total current liabilities have increased from Rs. 32.36 crore in 2002-03 to Rs. 57.16 crore in 2006-07.
4. Net working capital has reduced from Rs. 38.20 crore in 2002-03 to Rs. 35.37 crore in 2006-07.
5. The current ratio was above the standard of 2:1 in the first two years of the study. However, it has come down in the next three years and was 1.62:1 in 2006-07. This indicates that the short - term solvency of Gokul Dudh Sangh is not satisfactory. The current assets are not adequate to meet current liabilities as required by the standard norm.

6. The Quick ratio is also below the standard of 1:1 in the last two year of the study. This means that the liquidity position has been deteriorated in the years 2005-06 and 2006-07.
7. Gross profit ratio has lingered around 7 to 8 percent. The low gross profit ratio means the higher cost of operations .The net profit ratio also has reduced from 1 percent in 2002-03 to 0.89 percent in 2006-07. The poor net profit ratio is not justifiable.
8. The inventory turn over ratio was nearly 26 percent in the year 2004-06 but there after it has reduced to 15 percent by the year 2006-07. This means that inventory turn over period has increased and the efficiency of inventory management has been affected adversely.
9. The current assets turn over ratio is about 6 times which means that sales were effected at 6 times of the current assets.
10. Debtors turn over ratio is good. The proportion of credit sales to total sales is around 2 percent and the average collection period is 7 days.

1.1 Suggestions

1. The extent of current liabilities needs to be reduced so as to increase the amount of net working capital.
2. The extent of current assets should be increased in order to bring the current ratio to the standard norm.
3. The quick ratio is below the standard of 1:1 and hence either the quick assets should be increased or current liabilities should be decreased.
4. Both the profitability ratios – Gross profit ratio and Net profit ratio are not satisfactory. Efforts should be made to reduce the cost of operation and thus increase the Gross profit and Net Profit ratio. At present the Gross profit ratio is between 7 to 8 percent, this should be increased to 2 digits. Net profit Ratio is less than 1 percent, this should be increased by 4 to 5 times.
5. The investment in inventory should be reduced. Various techniques of inventory management should be used to improve the efficiency.
6. The present policy of sales should be continued and the extent of credit sales be kept at lower level.
7. Current assets should be utilized in a better manner so that, they generate more sales.

8. The processing cost has increased from Rs. 1.64 per litter in the year 2002-03 to Rs. 2.05 per litter in the year 2006-07. There is an increase of 26 percent in the cost over the period of five years. This needs to be controlled and curtailed to Rs. 1.50 per litter so that the net profit will increase substantially.
9. Kolhapur Zilla Sahakari Dudh Utpadak Sangh Ltd., Kolhapur should control its operating expenses.
10. Kolhapur Zilla Sahakari Dudh Utpadak Sangh Ltd., Kolhapur should prepare a plan and budget to manage the working capital effectively. It should be prepared by the respective levels of the management on short-term as well as long term basis.