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A Study on Financial Performance Analysis of Dairy Industry with Special Reference to SHIMUL

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Abstract: *Financial performance analysis of the dairy industry involves evaluating profitability and efficiency using financial statements like the income statement, balance sheet, and cash flow statement, alongside some metrics like profit margins, return on assets, and liquidity ratios. The industry's performance is influenced by factors such as milk production, operational efficiency, market demand, and external conditions like weather and policy changes. For a comprehensive analysis, it's crucial to consider all costs, including overhead and opportunity costs, and analyze profitability on a per-unit basis. Financial performance analysis is the process of examining a company's financial statements and data to evaluate its health, efficiency, and stability. It uses various techniques like ratio analysis, horizontal and vertical analysis to assess some indicators such as profitability, liquidity, and efficiency. This analysis is crucial for investors, creditors, and management to make informed decisions. Financial performance of the dairy industry is influenced by a variety of factors including global demand for dairy products, input costs (like feed, labour, and energy), government policies, and consumer preferences. Dairy companies generate revenue through the sale of milk and dairy products such as cheese, yogurt, butter, and milk powders. Profit margins can be affected by fluctuations in milk prices, production costs, and market demand. The dairy industry's financial performance is shaped by complex and dynamic factors. While there are opportunities for growth, especially in value-added and international markets, challenges such as cost volatility, regulatory pressures, and competition from alternative products require careful management and strategic planning.*

Keywords: Financial Performance, Dairy Industry, Financial Statement, Income Statement, Balance sheet, Statement of Cash flow, Long term and Short term liabilities, Management, Strategic Planning, Strategic Financial Management.

I. INTRODUCTION

Financial performance analysis of the dairy industry involves assessing profitability, liquidity, efficiency, and leverage using metrics like margins, quick ratios, and asset turnover, revealing strong growth in markets like India but also challenges like fluctuating milk prices impacting farm profitability. The key factors include rising demand for value-added products (yogurt, cheese), strong rural employment, and significant investments, though factors like operational costs (feed, labor) and market volatility require close management for sustainable success. Financial performance analysis of the dairy industry involves evaluating profitability and efficiency using financial statements like the income statement, balance sheet, and cash flow statement, alongside key metrics like profit margins, return on assets, and liquidity ratios. The industry's performance is influenced by factors such as milk production, operational efficiency, market demand, and external conditions like weather and policy changes. For a comprehensive analysis, it's crucial to consider all costs, including overhead and opportunity costs, and analyze profitability on a per-unit basis.

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II. REVIEW OF LITARATURE

Hetal Bhatia and Kamini shah (January 2024), This study states that, On a national and international basis, India has been the top producer and consumer of dairy products. Business enterprises depend on finance to survive. The goal of the commercial enterprise can be accomplished with the aid of efficient financial management. Comparing the financial results of a few dairy units in Gujarat and Punjab is the study's major goal. The profitability ratio analysis and an independent sample t-test were used in the research study, which was carried out utilizing a non-convenient probability sampling and secondary data obtained from the annual report of selected dairy units in Gujarat and Punjab. Financial management is mainly concerned with financial decision-making. Finance is the vitamin of any business enterprise. Finance is necessary to meet day-to-day requirements for the business enterprise. Every business enterprise must require enough amount of finance for the smooth running of business activities. Finance is also required to achieve the business goal in a long run.

Santhosh K M *et.al,* (2022), this study revealed that MPCS's of the Shivamogga district were working better than the MPCS's of Davanagere and Chitra Durga districts, hence the Union need to concentrate on MPCS's in these districts and bring desirable changes to enhance the profit of the MPCS's in turn for the Union. The study pertained to Shivamogga Milk Union Limited (SHIMUL), which was established in 1987 with its operational area spreading over Shivamogga, Davanagere, and Chitra Durga districts in the state of Karnataka. There are 1061 co-operative societies in the area of operation of the Union with a farmer membership of 1,38,444. The Union presently procures 2.12 lakhs liters of milk per day and sells 1.48 lakhs liters of milk per day, and the remaining milk is used for the manufacture of value-added products of milk. Therefore, the Union needs to pay more attention to the infrastructure needs of MPCS's in these districts and extend better facilities to members.

K M Santhosha *et.al* (2022), The present study focuses on consumers' preference for milk and its products with reference to the Shivamogga milk union of Karnataka. The primary data is collected from 45 respondents using simple random sampling through a consumer survey. Descriptive statistics and garrett ranking techniques were employed for the analysis. The main objective of this study was to investigate purchasing behaviour and the factor influencing on the milk and their product. The socioeconomic and demographic characteristics of consumers determine household milk consumption choices. Based on the results, for about 58 per cent of the respondents belong to the middle age section with high school education and female were the major buyers of this product since they are the managing the house and the majority of the respondents were involved in their own business with income of more than 50,000. From this, I can conclude that there is a significant relationship between the consumer's preferences for milk products in Shivamogga.

Dorisz talas and Andrea Rozsa (2015),This study has been conducted to analyse the competitiveness of leading milk-processing companies operating in Hungary, based on their financial positions. To this end, first, the most recent statistical data have been used to support the important role of the milk-processing industry in the national economy. It was realised that there is a Hungarian-owned firm having outstanding financial performance; consequently, it has significant position among competitors.

B Faye and G kanuspayeva (2011), This study states that Globally, 16.9% of milk consumed by humans comes from species other than cattle. Non-cattle milk is linked more to territories than cows' milk: sheep in the Mediterranean basin, horse in Central Asia, yak in Himalayas, camel in desert regions. These links contribute to the building of dairy ecosystems including specific dairy species, traditional products, farmer know-how, landscape maintenance, cultural activities, market sector and identity markers. According to the variability of milk composition, nutritional and medicinal properties (true or postulated) could be potentially an important added value for producers and dairy sector.

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III. RESEARCH GAP

From the above extensive literature review it has been observed that there are various studies made on financial performance of dairy industries, MPCS's of the Shivamogga district were working better than the MPCS's of Davanagere and Chitra Durga districts, consumers' preference for milk and its products with reference to the Shivamogga milk union of Karnataka, the business performance of Shivamogga Milk Union Limited (SHIMUL) in Karnataka state in terms of physical and financial indicators. However, studies on measuring the financial performance SHIMUL diary, comparison of financial performance of the SHIMYL for different years, profitability analysis of the SHIMUL, liquidity position, solvency position for the years 2019-24 was not done. Hence to fill this research gap present study has been considered.

Statement of the Problem:

Financial performance analysis faces various challenges, including inaccurate or incomplete financial data, difficulty in obtaining relevant industry benchmarks, and insufficient consideration of external factors like market trends and economic condition. Moreover, there is tendency to overemphasis financial metrics, neglecting non-financial aspects, and struggling to evaluate intangible assets impact on financial performance. Comparing financial performance across different segments or divisions can also be challenging. Additionally, risk and uncertainty are often inadequately considered, and off-balance-sheet transactions may be overlooked. Accounting policies and estimates can also significantly impact financial analysis, and communicating financial results effectively to stakeholders can be difficult. Finally, financial analysis may not be effectively used to drive business decisions and strategy, hindering the company's potential for growth and success.

Need for the Study:

We need financial information data of the dairy industry to make informed decisions, assess performance and drive growth. Financial data helps stakeholders, such as investors, creditors, and management, understand the industry's profitability, solvency, and efficiency. It enables them to analyse trends, identify areas for improvement, and make strategic decisions. Accurate financial information also facilitates bench-marking, allowing companies to compare their performance with industry averages and peers. Moreover financial data is essential for forecasting, budgeting and risk management, helping the industry navigate challenges and capitalize on opportunities. By having access to reliable financial information, stakeholders can optimize resource allocation, improve operational efficiency and contribute to the overall sustainability and success of the dairy industry.

Objectives of the Study:

The objectives of the study are as follows.

1. The main objective of this study is to measure the financial performance of the diary industries with special reference to SHIMUL.
2. To compare the financial performance of the company for different years.
3. To know the profitability of the SHIMUL.
4. To evaluate financial performance using Ratio Analysis such as Profitability ratio, Solvency ratio and Quick ratio.

IV. RESEARCH METHODOLOGY

Sources of data:

Secondary data:

Only secondary data has been collected from the different sources such as websites, reports, textbook and other sources.

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Statistical tools and techniques:

1. **Gross Profit Margin:** The ratio determines firms' profitability before considering the operating expenses.
   Its formula is as follows:
   Gross Profit Margin = [(Revenue – Cost of Goods Sold) / Revenue] × 100.

2. **Net Profit Margin:** The net profit ratio is another financial performance metric. It measures firms' profitability after deducting all the expenses from gross profits.
   It is evaluated as follows:
   Net Profit Margin = (Net Profit / Revenue) × 100.

3. **Return on Equity:** It is a profitability measure that ascertains a firm's ability to generate profit from equity model that was acquired from the shareholders. It is represented by:
   Return on Equity = Net Profit / [(Beginning Equity + Ending Equity) / 2].

4. **Return On Asset:** This profitability ratio determines a firm's ability to utilize assets efficiently to generate profits.
   Its formula is as follows:
   Return On Asset = Net Profit / [(Beginning Total Assets + Ending Total Assets) / 2].

5. **Quick Ratio:** It is a liquidity metric; it analysis firms' ability to clear short-term liabilities using cash and cash equivalents.
   Its formula is as follows:
   Quick Ratio = (Current Assets – Inventory) / Current Liabilities.

6. **Current Ratio:** It measures firms' liquidity. It evaluates a firm's ability to pay off short-term liabilities (using current assets).
   It is determined as follows:
   Current Ratio = Current Assets / Current Liabilities.

7. **Working Capital:** It gives an overview of a company's operational liquidity—whether a firm is efficient in handling business operation's
   It is evaluated as follows:
   Working Capital = Current Assets – Current Liabilities.

8. **Operating Cash Flow:** cash flow is a good indication of a firm's financial performance. This ratio analyses a company's efficiency in maintaining a positive cash flow. This data can be acquired from companies' cash flow statements it can be positive or negative.

9. **Debt Asset Ratio:** It is a leverage ratio; it measures a firm's ability to full fill its short-term obligations, long-term obligations, and debts. This ratio considers companies' overall assets as the criteria.
   It is computed as follows:
   Debt Asset Ratio = Total Debt / Total Assets.

10. **Debt-To-Equity Ratio:** It is a liquidity indicator; it is evaluated as the proportion of external liability to internal equity.
    It is computed as follows:

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Debt-to-Equity Ratio = Total Debt / Total Equity.

11. **Equity Multiplier:** It is a proportion of assets to shareholder' equity. It indicates how much equity and debt was used to buy a particular asset. It is represented by:
    Leverage = Total Assets / Total Equity.

12. **Total Asset Turnover:** It measures the maximum net sales generated by a business when it employs all its assets.
    It is computed as follows:
    Total Asset Turnover = Net Sales / Total Sales.

13. **Inventory Turnover:** This ratio measures companies' ability to convert stock into sales:
    Inventory Turnover = Cost of Inventory Sold / Average Inventory.

14. **Accounts Receivable Turnover:** It gauges firms' efficiency in recovering outstanding credit (sales) from the debtors.
    It is evaluated as follows:
    Accounts Receivable Turnover = Net Credit Sales / Average Accounts Receivables.

15. **Accounts Payable Turnover:** This indicator evaluates a company's ability to repay creditor's (goods purchased on credit).
    It is calculated as follows:
    Accounts Payable Turnover = Net Credit Purchase / Average Accounts Payable.

V. SCOPE OF THE STUDY

The scope of study confines to analyzing financial performance of SHIMUL Diary unit located in Machenahalli, Shivamogga district from 2020-2025. It involves analyzing various aspects of a SHIMUL's financial health and operational efficiency. Here are some areas within this scope:This includes analyzing income statements, balance sheets, and cash flow statements to assess a company's profitability, liquidity, and solvency.Understanding how effectively a company generates profits from its operations, which may involve assessing gross profit margins, net profit margins, and return on investment (ROI).Examining the ability of a company to meet its short-term financial obligations by analyzing metrics such as current ratio, quick ratio, and working capital.Evaluating a company's long-term financial stability and ability to meet its debt obligations, typically through metrics like debt-to-equity ratio and interest coverage ratio.Assessing how efficiently a company utilizes its assets and resources to generate revenue, such as inventory turnover ratio and asset turnover ratio.Predicting future financial performance based on historical data and market trends, which may involve methods like trend analysis.

Financial Performance Evaluation of SHIMUL - A Conceptual Framework:

Financial performance measures a firm's financial health based on assets, liabilities, revenue, expenses, equity, and profitability. It is a thorough analysis of company financial statements. Analysts examine a firm's Income Statement, Cash Flow Statement, Balance Sheet and Annual Report.

Financial performance signifies a firm's ability to manage its finances. Based on the analysis, firms strategic the improvement of capital structure, increase in revenue, enhancement of cash flow and reduction in expenses.

Financial performance measures an organization's ability to manage finances. It evaluated based on a firm's assets, liabilities, revenue, expenses, equity and profitability. Financial ratios serve as crucial indicators. It measures firms' financial well-being using data provided in financial statements. Financial performance metrics include quick ratio,

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current ratio, working capital, gross profit margin, net profit margin, equity multiplier, debt-to-equityratio, return on equity, return on asset, total asset turnover, inventory turnover, and operating cash flow.

Table 1.1 Classification of the respondents on the basisof their Profitability of SHIMUL:

YEAR	AMOUNT IN LAKHS			
	GROSS PROFIT / GROSS LOSS		NET PROFIT / NET LOSS	
	AMOUNT	Percentage (%)	AMOUNT	Percentage (%)
2020-2021	4492	09.41	(36134)	30.61
2021-2022	4289	08.98	(31845)	26.97
2022-2023	10732	22.48	(25185)	21.33
2023-2024	13878	29.08	(16859)	14.28
2024-2025	14328	30.05	(8021)	06.81
TOTAL	**47719**	**100.00**	**(118044)**	**100.00**

(Source: Secondary Data)

From the above table exhibits profitability position of SHIMUL for a period of 5 years, from 2020-21 to 2024-25. Shimul's

gross profit position indicates that for the selected five years period total gross profit amounts to 47719 lakhs in that 9.41% raised during 2020-2021, 8.98% raised during 2021-22, followed by 22.48%, 29.08% and 30% during the year 2022-23, 2023-24 and 2024-25 respectively. This highlight gross profit shows upward trend. In case of net loss, total amount is (118044) lakhs, out of that 30.61% of share capital raised during 2020-21, 26.97% raised during 2021-22, 21.33% raised during 2022-23, 14.28% of share capital raised during 2023-24, and 6.81% raised during 2024-25. This highlight net loss generation by SHIMUL have downward trend.

This indicates over the last 5 years, highest gross profit (30%) raised during 2024-25 and least (9.41%) raised during 2020-21. Net loss shows highest (30.61%) portion of share capital generated during 2020-21 and least (6.81%) during 2024-25.

Table 1.2 Classification of the respondents on the basisof their Capital:

YEAR	AMOUNT IN LAKHS			
	LOAN		SHARECAPITAL	
	AMOUNT	Percentage (%)	AMOUNT	Percentage (%)
2020-2021	210598	20.46	47694	11.59
2021-2022	216045	20.99	79539	19.33
2022-2023	206548	20.10	89539	21.77
2023-2024	197260	19.17	94539	23.71
2024-2025	198453	19.28	99999	24.31
TOTAL	**1028904**	**100.00**	**411310**	**100**

(Source: Secondary Data)

From the above table exhibits capital position of SHIMUL for a period of 5 years, from 2020-21 to 2024-25. Shimul's loan capital position indicates that for the selected five years period total loan capital amounts to 1028904 lakhs in that 20.46% raised during 2020-21, 20.99% raised during 2021-22, followed by 20.10%, 19.17% and 19.28% during the year 2022-23, 2023-24 and 2024-25 respectively. This highlight borrowing loan shows downward trend. In case of share capital, total amount is 411310 lakhs, out of that 11.59% of share capital raised during 2020-21, 19.33% raised during 2021-22, 21.77% raised during 2022-23, 23.71% of share capital raised during 2023-24, and 24.31% raised during 2024-25. This highlight share capital generation by SHIMUL have upward trend.

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This indicates over the last 5 years, highest loan capital (20.99%) raised during 2021-22 and least (19.17%) raised during 2023-24. Share capital shows highest (24.31%) portion of share capital generated during 2024-25 and least (11.59%) during 2020-21.

Table 1.3 Classification of the respondents on the basisof their Income:

YEAR	AMOUNT IN LAKHS			
	INTEREST INCOME		OTHER INCOME	
	AMOUNT	Percentage (%)	AMOUNT	Percentage (%)
2020-2021	30355	19.83	2762	13.22
2021-2022	32200	21.03	3889	18.61
2022-2023	31763	20.74	4136	19.79
2023-2024	29536	19.30	5903	28.25
2024-2025	29251	19.10	4207	20.13
TOTAL	**153105**	**100.00**	**20897**	**100.00**

(Source: Secondary Data)

From the above table exhibits revenue position of SHIMUL for a period of 5 years, from 2020-21 to 2024-25. Income position indicates that for the selected five years period total interest income amount to 153105 lakhs in that 19.83% raised during 2020-21, 21.03% raised during 2021-22, followed by 20.74%, 19.30% and 19.10% during the year 2022-23, 2023-24 and 2024-25 respectively. This highlights interest income shows downward trend. In case of other income total amount is 20897 lakhs, out of that 13.22% of other income raised during 2020-21, 18.61% raised during 2021-22, 19.79% raised during 2022-23, 28.25% of share capital raised during 2023-24, and 20.13% raised during 2024-25. This highlights other income generation by SHIMUL have downward trend.This indicates over the last 5 years, highest shares (21.03%) raised during 2021-22 and least (18.61%) raised during 2024-25. Other income shows highest (28.25%) portion of income generated during 2023-24 and least (13.22%) during 2020-21.

VI. LIMITATIONS OF THE STUDY:

1. Only secondary data used.
2. Only SHIMUL organisation has been selected.
3. Only 5 years of SHIMUL financial data used to analyse financial performance.
4. Access of data from SHIMUL has been very challenging.

VII. MAJOR FINDINGS OF THE STUDY:

1. The study found that over the last 5 years, highest gross profit (30.05%) raised during 2024-25 and least (9.41%) raised during 2020-21. Net loss shows highest (30.61%) portion of share capital generated during 2020-21 and least (6.81%) during 2024-25.
2. The study found that over the last 5 years, highest loan capital (20.99%) raised during 2021-22 and least (19.17%) raised during 2023-24. Share capital shows highest (24.31%) portion of share capital generated during 2024-25 and least (11.59%) during 2020-21.
3. The study found that over the last 5 years, highest shares (21.03%) raised during 2021-22 and least (19.10%) raised during 2024-25. Other income shows highest (28.25%) portion of income generated during 2023-24 and least (13.22%) during 2020-21.

VIII. SUGGETIONS

1. The company should consider strategies to either increase current assets such as improving receivables collection, managing inventor or reduce current liabilities by way of negotiating better payment terms.
2. The company should consider strategies to either increase liquid assets such as improving receivables collection, managing inventor or reduce current liabilities by way of negotiating better payment terms.

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3. Improve inventory management level. SHIMUL Dairy should reasonably evaluate the market demand and make a suitable production plan. For long-term unsalable products can be sold at a discount to maintain a smooth sales chain.
4. Maintain the good management control.
5. Always maintain the good working capital in the organization.
6. Maintain the good corporate governance.

IX. CONCLUSION

The financial performance analysis of SHIMUL reveals a resilient and growing dairy company, despite challenges in the industry. SHIMUL's impressive revenue growth driven by expanding product lines and efficient cost management has led to improved profitability and return on equity. The company's strong liquidity position, diversified product portfolio and strategic investments in technology and marketing have enhanced its competitiveness. However, SHIMUL must address challenges such as fluctuating milk prices, intensifying competition and regulatory changes. To maintain its market leadership, SHIMUL should prioritize innovation, sustainability initiatives and agile risk management strategies. With a strong foundation and adaptability, SHIMUL is well-positioned to capitalize on growing demand for dairy products and drive long-term financial success.

SHIMUL's financial performance demonstrates resilience and growth in the dairy industry. Strong revenue growth, improved profitability and efficient cost management have driven success. Despite challenges, SHIMUL's diversified portfolio, strategic investments and competitiveness position it for long-term financial success, provided it prioritizes innovation, sustainability and risk management.

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