

FINANCIAL ANALYSIS OF SAHYADRI AGRO FARM- A CASE STUDY

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Abstract

In the developing countries agriculture is the mainstay of the economy. Worldwide India ranks second in farm output. The sector employs 60% of the total workforce. Although the share of agriculture in GDP has been declining, it is still an important economic sector and plays a significant role in the economic development of India. Agro based industries are those which depend upon the agricultural products for raw material. Sahyadri agro farm is leading agro based industry in Nashik District. Primary and secondary data has been used to analyse financial condition. Arc GIS 10.3 Software is used to create the maps. There is 7.40% increase in the gross profit in current year. There is decrease of 0.10% in net profit in the current year i.e. 2018 as well as there is decrease in return in capital employed in current year. Financial analysis of the same is resulted that the management of this farm is properly conducted.

Keywords- Revenue, Export, Finance Cost, Current Ratio, Quick Ratio, Profit.

INTRODUCTION-

There are two major industries in agriculture viz 1) Agro based industry 2) Agro Processing industry. An agro-industry is an enterprise that processes raw materials, including ground and tree crops as well as livestock. The degree of processing can vary tremendously, ranging from the cleaning and grading of apples to the milling of rice, to the cooking, mixing, and chemical alteration that create a texturized vegetable food. Agro industry can be roughly categorized according to the degree of the raw material is transformed. In general, capital investment, technological complexity, and managerial requirements increase in proportion with the degree of transformation.

Agro based industries are those which depend upon the agricultural products for raw material. For Example; Fruits and vegetables, which are among the perishable commodities are important ingredients in the human dietaries. Due to their high nutritive value they make significant nutritional contribution to human being. These preserved and packed fruits and vegetables have comparatively low cost and last for long duration. This can lead to throughout supply of packed foods available all over the year .It can fulfil the demand and also decrease the wastage of perishable commodities.

Agro-industry, i.e. the processing, preservation and preparation of agricultural production for intermediate and final consumption, performs a number of crucial functions that support development and poverty alleviation. Agriculture in connection with industry needs to be recognised by senior-level policy makers and industry leaders as a competitive, value-adding business sector that has a positive development impact and contributes to economic growth. Rather than focusing on agricultural productivity only, policy makers must consider the competitiveness of the entire agro-value chain. A comprehensive approach could include e.g. supporting small agro-producers and SMEs, enabling market access and developing a supportive institutional environment.

In the developing countries agriculture is the mainstay of the economy. The agriculturally based activities such as fruit and vegetables processing are some of the important agro based industries. Hence it is engaging the attention of the planners and policy makers as it can contribute to the economic development of rural population. Agriculture is an important sector in the Indian economy. Worldwide India ranks second in farm output. Agriculture and allied sectors like forestry and logging accounts for nearly 1/5th of the GDP. The sector employs 60% of the total workforce. Although the share of agriculture in GDP has been declining, it is still an important economic sector and plays a significant role in the economic development of India.

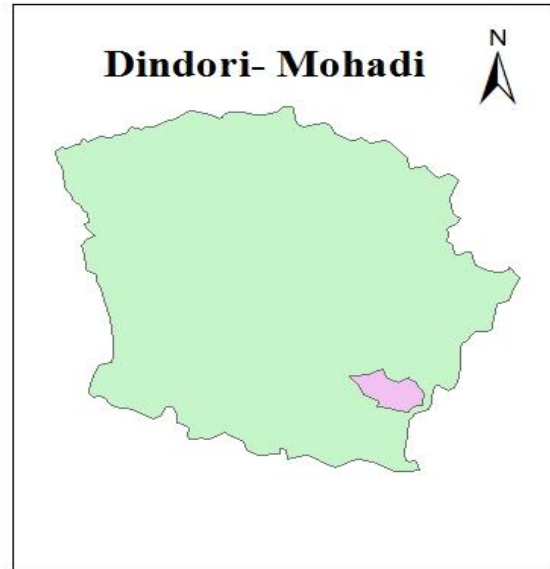
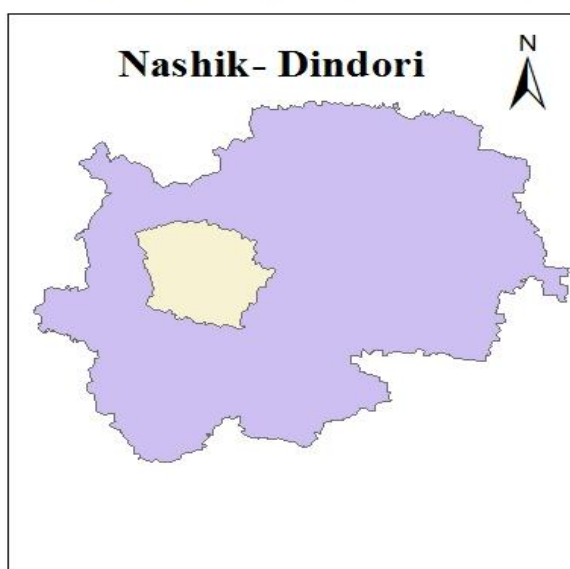
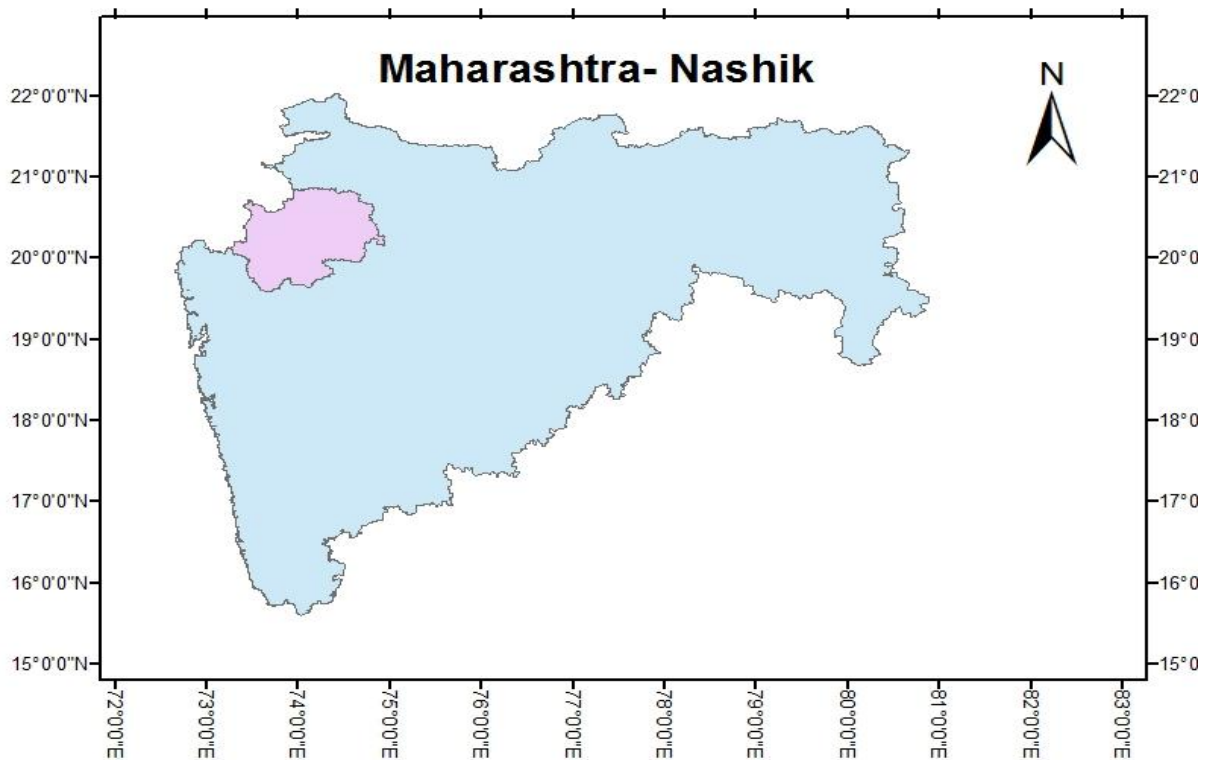
Agriculture is one of the major raw material providing sector in India. But without processing no one can't preserved that goods. Agro-based industries can play an important role in food processing packaging and exporting. These industries plays vital role in economic development of India. In Nashik district number of food process agro-based industry was found in scattered form. That play major role in processing sector. The important of agro-based industry increases after canal irrigation.

Agro-based industry is large economic activity, after the agriculture. The important role of this industry is to support to the farmers, solving the problem of rural unemployment reduced the economic inequality. That's why the Sahyadri farm ltd, at. Post- Mohadi Tehsil-Dindori District -Nashik state Maharashtra is selected for the financial analysis of Agro-based industry.

Sahyadri Agro Farm is well known agro based industry in Nashik District. Nashik district is leading in the agricultural produce in Maharashtra. Nashik district have 12 top agro based industries. Sahyadri agro farm is located at Mohadi in Dindori tahsil. This farm is selected purposively for the study because it produces and exports the agro products. It also has huge capital investment in Nashik District.

LOCATION

MAP-



0 15 30 Kilometers

METHODOLOGY:

Field Work:

Primary Data

Field work is nothing but how researcher has collected the information. He had visited to farm for thrice and interviewed with the supervisor for getting information.

When he has visited to Sahyadri agro farm, he met the manager. He allotted the guide who guided about the processing of agro production and its financial situation. He collected the quantitative information from guide.

LIBRARY WORK:

Secondary Data

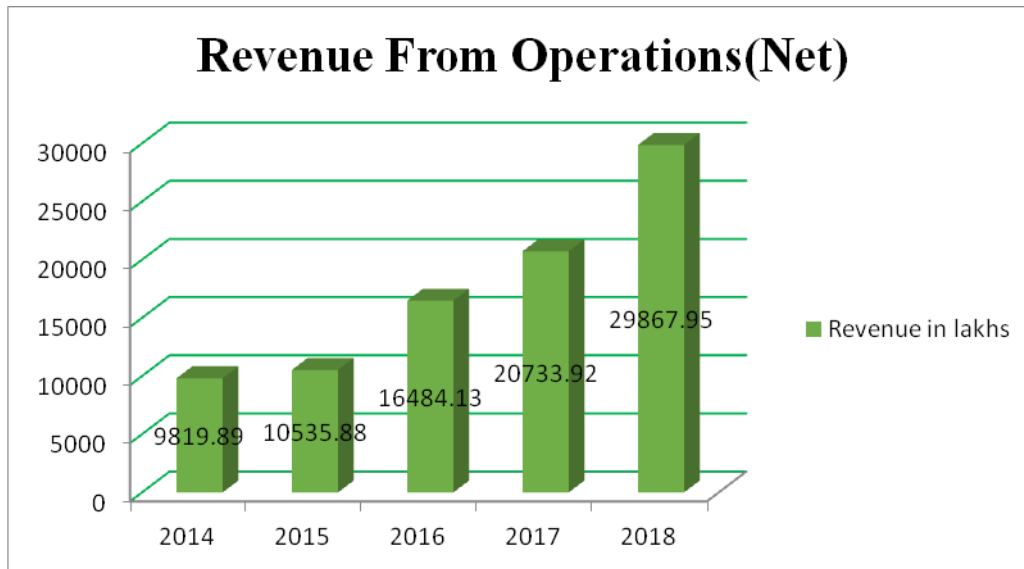
Author has rereferred the books on Industrial Geography, Economic Geography and Advanced accounting, which helped him in analysis. He has also used the internet references to get more information about Sahyadri farms. He also refers the annual reports of Sahyadri agro farm from financial year 2013 to 2018.

TOOLS OF ANALYSIS-

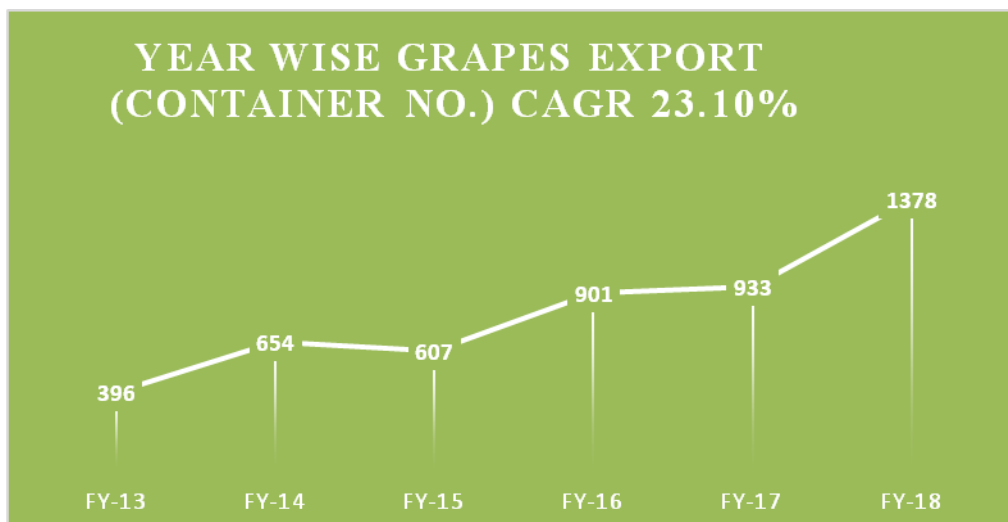
- 1) Current Ratio
- 2) Quick ratio
- 3) Gross profit margin
- 4) Net profit margin
- 5) Return on Capital employed

RESULTS AND DISCUSSION:

Researcher referred annual report of 2017-18 of Sahyadri agro farm and analyse the same.

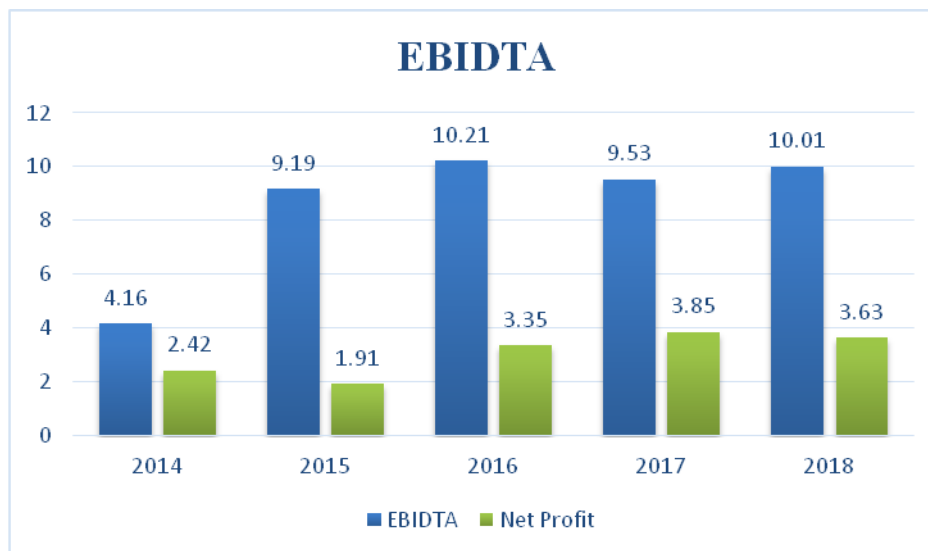


This graph shows revenue from operation in lakh from 2014 to 2018. Revenue from operation in 2014 is 9819.89 (11.23%) In this graph next year revenue is increase to 10535.88 (12.04%). In 2016 revenue is increase to 16484.13 (18.85%) In 2017 also there is rise of revenue to 20733.92 (23.71) and in the last year (2018) revenue increases for 29867.95 (34.15). i.e. graph indicates revenue is consistently increased.



The above line graph represents the graph of export of financial year 2013-18 respectively. It showing compound annual growth rate of the respective financial year in 2013. There is 396 container has been exported. In financial year 2014 these is increase in the export of containers and 654 containers were export in this year

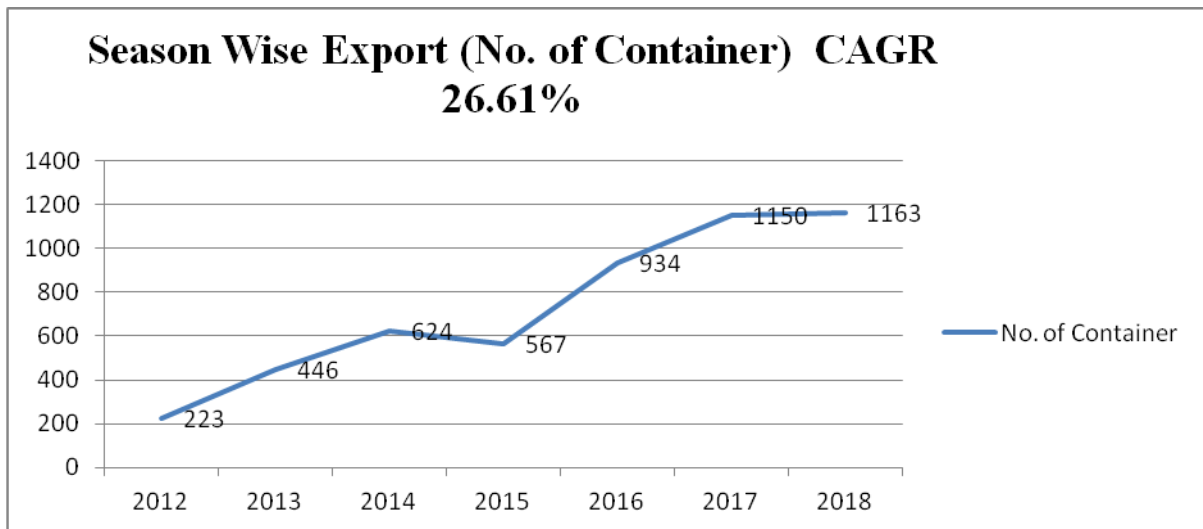
In financial year 2015 these was slight decline in the export of containers and graph get decline in this year. After financial year 2015-16 a sudden increase has been seen in year 2016. In this year 901 containers were exported. In the financial year 2018 there is drastic increase upto 1378.It is 3.5 times more than 2013.



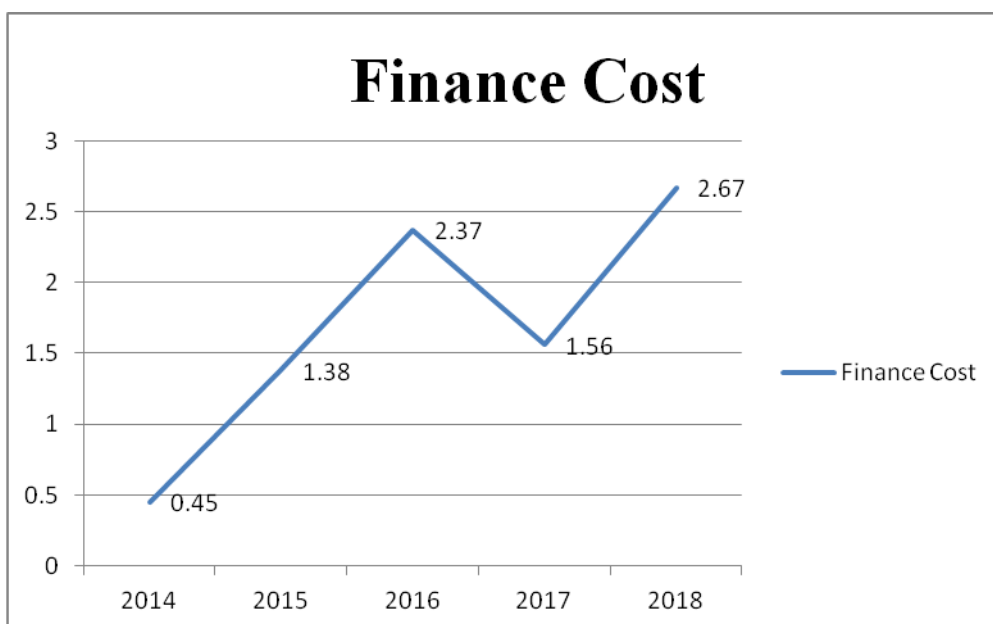
EBITA- Earning before interest taxes depreciation and amortization.

The above graph is a compound base graph which shows the net profit and EBITA margin. of Sahyadri farms the financial year 2014-2018

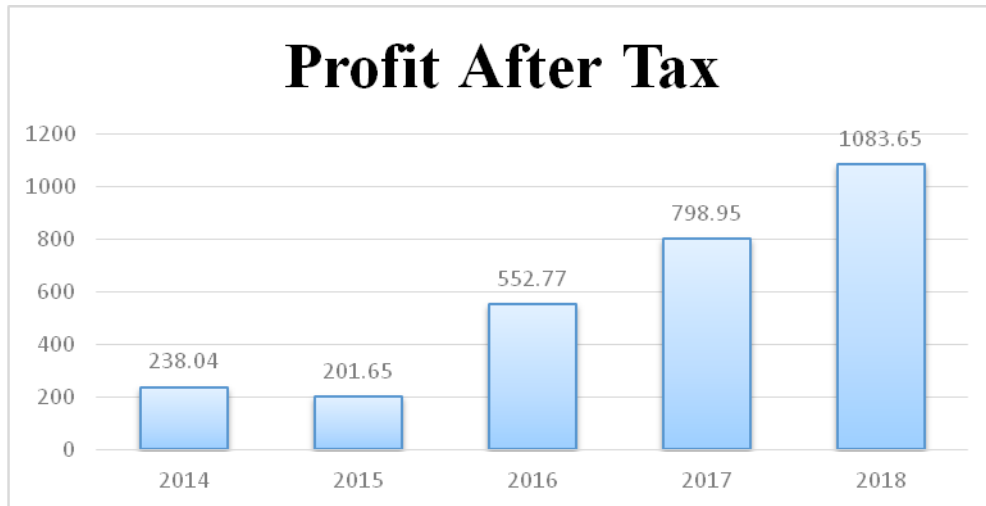
- 1) In financial year 2014 the EBITA is 4.16 and the net profit is 2.42 i.e. EBITA is higher than net profit.
- 2) In financial year 2015 the EBITA is 9.19 and net profit of 1.97 i.e. EBITA of this year is much higher than the net profit.
- 3) The EBITA of 2016 is 10.21 and net profit is 3.35 in this year the EBITA is higher than 2015 and net profit is also higher than previous financial year.



The above graph is a line graph, which represent season wise export of grapes exported from the Sahyadri farms. In this graph we can see the number of containers exported from financial year 2012 to 2018. In 2012 there is 223 containers are export which is 624 containers in a year 2015. There was sudden decrease in the export of containers which was fall down from 567 to 624 containers. In 2017 there is again drastic increase in the export of containers. But in 2018 there is slowdown of export of containers.



There is sudden change in finance cost from 2014 to 2016. After that it decreases in 2016. Again it rises and take sudden increase in finance cost.



The above graph is a simple bar graph which represent Profit after Tax of Sahyadri farm. From year 2014 to 2018 bar graph indicate the profit after tax of Sahyadri farm is consistently increasing except in 2015. In 2015 it was decreases up to 201.65. . In 2016, 2017 and 2018 sudden increase in profit after tax is observed which is 552.77, 798.95 and 1083.65 respectively.

TOOLS OF ANALYSIS- LIQUIDITY RATIO

1) Current Ratio-

This Ratio indicates the solvency of the business i.e. ability to meet the liabilities of the business as and when they fall due. This ratio also indicates how much current assets are there as against each rupee of current Liabilities. It represent the working capital being the excess of the current assets over current liabilities.

$$\text{Current Ratio (2016-17)} = \text{Current Asset/ Current Liabilities}$$

$$= 1297678000/1363411000$$

$$= 0.9517 \text{ which is not favourable.}$$

$$\text{Current Ratio (2017-18)} = \text{Current Asset/ Current Liabilities}$$

$$= 1684411000/1685296000$$

= 0.999 which is also not favourable.

Current asset should be at least twice the current liabilities and therefore this ratio is known as 2: 1 ratio.

2) Quick ratio

An ideal liquid ratio is considered as 1:1 it signifies a very short term liquidity of a business concern. If it is desired to apply a still stiffer and rigorous test of solvency, the application of acid-test ratio is suitable. The acid-test ratio assumes that stock may not be realised immediately

Quick ratio (2016-17) = Quick Asset/ Quick liabilities

$$= 933198000/1269554000$$

$$= 0.735$$

Quick ratio (2017-18) = Quick Asset/ Quick liabilities

$$= 1284488000/1649238000$$

$$= 0.778$$

Profitability Ratio

3) Gross profit margin

The gross Profit Ratio represents the gross margin. It expresses the relationship of gross profit on sales to net sales in terms of percentage. It indicate the degree to which selling prices of goods per unit may decline without resulting in losses on operations for the firm.

Gross profit margin (2016-17) = Gross Profit/ Sales

$$= 596204000/2173533000$$

$$= 0.2743 \times 100$$

$$= 27.43\%$$

$$\begin{aligned}
 \text{Gross profit margin (2017-18)} &= \text{Gross Profit/ Sales} \\
 &= 87589000/ 2996666000 \\
 &= 0.2922 \times 100 \\
 &= 29.22\%
 \end{aligned}$$

There is 7.40% increase in the gross profit in current year. A high gross profit ratio as compared with that of the other firm in the same industry implies that the firm in question produces its products at lower cost. It is a sign of good management.

4) Net profit

This ratio shows the balance of profit left to proprietors, after all expenses are met with. This ratio normally ranges between 5% and 10% higher will be the ratio, higher will be the profit left to shareholders. This ratio assists the management in controlling costs and in increasing the turnover.

$$\begin{aligned}
 \text{Net profit (2016-17)} &= \text{Net Profit/ Sales} \\
 &= 81694000/2173533000 \\
 &= 0.037 \times 100 \\
 &= 3.75\%
 \end{aligned}$$

$$\begin{aligned}
 \text{Net profit (2017-18)} &= \text{Net Profit/ Sales} \\
 &= 109598000/ 2996666000 \\
 &= 0.036 \times 100 \\
 &= 3.65 \%
 \end{aligned}$$

There is decrease of 0.10% in net profit in the current year.

5) Return on Capital employed

Determination of minimum rate of profit on capital investment. This is the minimum return expected on capital employed and in order to attract capital to a particular business, a fair return has to be paid. Return on capital employed is the measure which can be said

to show satisfactory, the overall performance of an undertaking from the stand point of profitability. It enables the management to show whether the funds entrusted to it have been properly used or not.

$$\begin{aligned}\text{Return on Capital employed (2016-17)} &= \text{Profit before interest and tax/ Capital Employed} \\ &= 86381000/939533000 \\ &= 0.091 \times 100 \\ &= 9.19\end{aligned}$$

$$\begin{aligned}\text{Return on Capital employed (2016-17)} &= \text{Profit before interest and tax/ Capital Employed} \\ &= 80300000/1185751000 \\ &= 0.67 \times 100 \\ &= 6.77\end{aligned}$$

There is decrease in return in capital employed in current year.

LIMITATIONS-

Sahyadri farm is well recognised agro based industry. But still it has some limitations.

- 1) The membership of farmers is limited. It has to increase.
- 2) If there is any agricultural and marketing hazard in future, they have no plan to face the same

CONCLUSION-

Study reveals that, Sahyadri agro farm is leading agro based industry in Nashik District. There is 7.40% increase in the gross profit in current year. There is decrease of 0.10% in net profit in the current year i.e. 2018 as well as there is decrease in return in capital employed in current year. Financial analysis of the same is resulted that the management of this farm is properly conducted which is good sign of financial management and future of agro based industry. But still there are some limitations and challenges to Sahyadri farm on which it has to work.

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