PROFITABILITY MEASUREMENT OF BAKERY AND POHA INDUSTRIES AT RAJNANDGAON

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Abstract

Industrial sectors contributes considerable amount in the national income of the Indian economy and also provide in large number of employment opportunity in the country. At present the small scale industries sectors are providing employment to over 40 million peoples small scale sectors play a vibrant and dynamic sectors that contributes around 40% of the total industrial production and over 34% of the national export to the Indian economy. Small sectors play a very important role in the national G.D.P of Indian economy which is very helpful in all aspect .the efficient performance is the for most important and primary condition for the development of any industries .which can be boost up the industrial development in an economy. The development of an economy is not depending on the agriculture sectors but it also depends on the industrial sectors too. The labor intensive may be batter strategy of small scale industries sectors which help in increasing the employment in an over populated economy. The profitability of an SSI can show the many pictures of an industries and it help in judging the performance of an industries. In this paper I have selected industries which basically based on agro product (POHA AND BAKERY INDUSTRIES of RAJNANDGAON) of 6 years performance based on gross profit and net profit ratio and I make an analysis on the basis of average of six year of both the industries.

Keywords – Gross profit and net profit ratio, return on capital employed ,profitability analysis, bakery and poha industries rajnandgaon.

Introduction

The principal motivating force behind conducting business is profit .each and every business have an ultimate motive is to earn a higher profit .profit as on absolute figure along does not give an exact idea of the accuracy or there wise of increase or of change in efficiency as shown by the financial performance of an enterprises. Poha and bakery industries come under the agro based industries these types of industries are actually getting a special attention because the demand of this product is more as compare to other product and these industries are come under the small scale sectors. The small scale industries play a Vitol role in the Indian economy in term of employment and growth. A small scale industry is defining a unit having investment up to 5 corers in plant and machinery. In this paper researcher found out the profitability measures of poha and bakery industries. To find out the performance of this both industries we have a two ratio which help us to know about the profitability which is gross profit and net profit.

Review literature

Review of literature enables one to trace out the research gap in logical and sensible way. In this backdrop a brief review of literature pertaining to research area is presented below.

1) Agarwal (1978) in his study entitled "size, profitability and growth of some manufacturing industries" highlighted relationships between profitability measured as profit / net worth and net profit / net assets and size expressed as total sales for seven Indian manufacturing industries viz., cotton spinning industry, jute textiles, paper and pulp, sugar and aluminum for the period 1962-1972. The relationship between size and profitability was absorbed in cotton spinning industry, jute textiles industry, sugar and brewing industry and aluminum industry, while in case of cement and cotton spinning and ginning industry no such relationship was observed.

2) Bothwell Cooley and Hall (1982) in their research. " A New view of market structure - Performance debate" used a sample of 156 large U.S. manufacturing firms over a period

1960-67 for determining the relationship between profit rate and other variable like seller concentration, advertising intensity, economies of scale, absolute capital requirements, leverage, profit variability, firm growth, firm size and market share etc., positive correlation between seller concentration, market stock and growth of demand, business risk, advertisement expenses and profit rate was found. Profit rates were negatively related with the extent of economics and capital requirements

Objective of study

1) To study about the profitability condition of poha and bakery industries in rajnandgaon.

2) To study about the growth performance of poha and bakery industries of rajnadgaon.

3) To carry out an analysis of Profitability and productivity of both industries.

Hypothesis

Profitability based on gross profit and net profit and current ratio

1) Ho- There is no significant different between gross profit and net profit.
    H1- There is a significant different between gross profit and net profit.
2) Ho- profitability of poha industries is high as compare to bakery industries.
    H1 –profitability of poha industries is not high as compare to bakery industries.

Research methodology

The present study is based on secondary data. Data has been collected from the published records of DIC and ministry of corporation and MSMEs publications. In addition to this secondary data has been collected from daily business news papers, magazines, books and journals. Duration of study period is six years from 2011-12 to 2016-17, for the purpose of analysis, through gross profit and net profit& capital employed.

Area of study- my area of study is rajnandgaon

Periods of study- The study period is from 2011-12 to 2016-17

INDUSTRIAL SCENERIO OF RAJNANDGAON

Rajnandgaon is industrially developed district. In Chhattisgarh state after from the separation from Madhya Pradesh(M.P) the growth of industries in rajnandgaon district is good .Many agro- based industries ,garments, wooden furniture ,minerals based ,metal based, service units, engineering repairing units are continuously contributing in industrial economy of the district.

INDUSTRY AT A GLANCE.

Table no.1

SL.NO	HEAD'S	UNITS
1	Registered industrial unit	3808
2	Total industrial unit	3808
3	Registered small unit	1269
4	Estimated avg.no.of daily worker employed in small scale industries	13434
5	Employment in small and medium Industries	1848
6	No. of industrial area	05
7	Turnover of small scale industries	In lakhs

Source –DIC Rajnandgaon 2016-17

Small scale industries in rajnandgaon district

(A) Before establishment of Chhattisgarh state.   Table no.2

YEARS'S	NO. OF REGISTRED UNIT	INVESTMENT	EMPLOYMENT
1984-85	881	116.00	6131
1985-86	285	33.03	1202
1986-87	125	53.74	834
1987-88	549	1457.23	3633
1988-89	103	170.00	983
1989-90	120	191.00	722
1990-1991	268	155.00	874
1991-92	413	231.00	1371
1992-93	211	205.00	1149
1993-94	431	368.00	924
1994-95	380	167.00	886
1995-96	389	52.00	810
1996-97	340	110.00	757
1997-98	356	75.00	771
1998-99	453	145.00	910
1999-2000	249	610.00	818
2000-01	299	459.00	748
Variable			
N	**17**	**17**	**17**
Mean	**344.2**	**270**	**1384**
Median	**340**	**167**	**886**
St.dev	**185**	**341**	**1400**
Coff. var	**53.98**	**126.36**	**101.36**
Minimum	**103**	**33**	**722**
Maximum	**881**	**1457**	**6131**

SOURCE-DISTRICT TRADE INDUSTRIE CENTRE 2016-17

In the above table we can see that total no. of year is 17from year 1984-85 to 2000-01 the average mean of registered unit is 344.2 average investment is 270 and employment to 1384 and the median is 340 for

registered unit and investment is 167 and employment is 886 standard deviation is 185.8 for units and 341.8 for investment in plant and 1400 foe employment coefficient of variable is 53.98 for registered unit &126.36 is for investment & 101.16 is for employment. The minimum registered unit is 103 and investment is33 and employment is 722.the maximum is 881 for unit and 1457 is for investment and 6131 is for employment.

(B) After establishment of Chhattisgarh state

Table no 3

YEAR'S	NO. OF REGISTRED UNIT	INVESTMENT	EMPLOYMENT
2001-02	52	31.34	159
2002-03	168	172.90	517
2003-04	31	157.13	361
2004-05	42	297.45	362
2005-06	47	497.45	396
2006-07	32	889.49	407
2007-08	42	133.92	466
2008-09	54	218.14	527
2009-10	45	1251.99	963
2010-11	60	1452.47	677
2011-12	150	256.24	606
2012-13	64	1281.38	471
2013-14	77	2758.08	468
2014-15	76	1770.02	300
2015-16	48	1528.08	289
2016-17	30	3126.79	230
Variable			
N	16	16	16
Mean	63.63	989	449
Median	50	693	436.5
St.dev	39.94	960	191.9
Coff. var	62.77	97.0	42.65
Minimum	30	31	159
Maximum	168	3127	963

SOURCE-DISTRICT TRADE INDUSTRIE CENTRE 2016-17

In the above table we can see that total no. of year is 16from year 2001-02 to 2016-17 the average mean of registered unit is 63.63 average investment is 989 and employment to 449 and the median is 50 for registered unit and investment is 693 and employment is 436.5 standard deviation is 39.94 for units and 960 for investment in plant and 191.9 foe employment coefficient of variable is 62.77 for registered unit &960 is for investment & 191.9is for employment. the minimum registered unit is 30 and investment is31 and employment is 159.the maximum is 168 for unit and 3127 is for investment and 963 is for employment.

SMALL SCALE INDUSTRIES SELECTED FOR STUDY.

1) POHA (RICE FLAKER) – In Chhattisgarh rajnandgaon is the one of the leading supplier of poha to other or within the district or sate. In rajnandgaon district there is 90 poha unite is registered (Including, medium, small) these industries provide employment to many of the local peoples which indirectly support the economy condition of villagers. Poha may be precisely described as one of the world first ever "FAST FOOD"

2) Bakery industry – In rajnandgaon district there is 37 units of bakery industry are situated. The one of the famous industry is Ganga bakery which is also called manav mandir bakery Growing popularity of the bakery products have led to the growth of market in India. "The market has grown faster in the last five years as competition and new products have an impact on awareness and consumption of the masses. A hospitality student is in much demand after his completion of education and having specialized training in the bakery field. Multinational Companies like raw material manufacturers, equipment developers, food courts in malls, franchise fast-food chains and bakery brands growing in different cities, are all offering challenging positions and strong salaries." Growing market has led to the standardization of the society. The living standard of the people has increased in our society

Profitability measurement of selected small scale industries

Profitability Measurement

One of the most frequently used tools of financial ratio analysis is profitability ratios which are used to determine the company's bottom line. Profitability measures are important to company managers and owners alike. The profitability is measured by Gross Profit ratio / Net Profit ratio & return on capital employed.

Gross Profit Ratio

Gross profit ratio is the ratio of Gross Profit to Net Sales expressed as a percentage. It expresses the relationship between Gross Profit and sales.

Formula = Gross profit /Net sales *100

Industrial Category wise Net Profit Ratio   Table no 4

SL NO.	Year's	Categories	Gross profit(Rs.)	Net sales (Rs.)	Gross profit Ratio
1	2013		2600051	25033583	10.38%
	2014		2673070	25873072	10.33%
	2015	Poha industries	2482588	22330627	11.12%
	2016		27162231	22500129	12.1%
	2017		2929740	27140614	10.79%
		AVERAGE	**7569536**	**24575605**	**10.94%**
2	2013		1168873	3437803	34%
	2014		1388742	3592761	38.6%
	2015	**Bakery industries**	1419397	4695272	30.2%
	2016		1038695	3899610	27%
	2017		1307622	6876157	19.01%
		AVERAGE	**1264665**	**4500320**	**30%**
	Variable N		**5**	**5**	
	Mean		**7101536**	**24575605**	
	Median		**2673070**	**25033583**	

	Standard dev.		11264849	2110685	
	Coefficient vab.		158.63	8.59	
	Minimum		260051	22330627	
	Maximum		27162231	27140614	
	Correlation		-0.535		
	Significant		0.353		
	Result		Rejected		

(0.05% level of Significant)

In the above table no 5 it reflect that gross profit ratio during the study periods from 2013-17 present study has profitability analysis based on (gross profit and net profit). Correlation of gross profit and net sales is 0.535,which is reject ted because level of significant is 0.353 is greater than 0.05 level of significant .it prove that significant different between G/P AND NET SALE and the efficiency indicator is lesser than SSI ,hence gross profit and net sale are better managed by SSI

In above table as we see that gross profit of poha industries is 10.38 % in 2013 and it goes little decrease in 2014 and there is again increment in next two year and in 2017 it again down by 2% so we can say that there is not always increasing rate of gross profit there is a flexible rate of gross profit of poha industries and the average gross profit of poha industries is 10.94%

In above table we have a gross profit of bakery industries in 2013 the g/p is 34% and in 2014 38% which is 4% more than previous year and in 2015 the g/p is 30% which is 4% less than previous year and there is continuous decreasing in gross profit the average gross profit is 30%

As researcher is comparing both the industries that is (poha /bakery) the gross profit of bakery industries is quite good as compare to poha industries. As we can see in the table no 4 the average gross profit of bakery industries is 30% which is more than the poha industries so the researcher can proof the better condition of bakery industries as compare to poha industries.

Profit Margin - Net Margin, Net Profit Margin or Net Profit Ratio all refer to a measure of profitability. The two basic components of the Net profit ratio are the Net Profit and sales. The Net Profits are obtained after deducting income tax and, generally, non-operating expenses and incomes are excluded from the Net Profits for calculating this ratio. The Net Profit ratio of the SSIs

Formula = Net profit/Net sales*100

Industrial Category wise Net Profit Ratio   Table no 5

SL NO.	Year's		Net profit (Rs.)	Net sales (Rs.)	Net profit Ratio
1	2013	Poha industries	599541	25033583	2.39
	2014		592530	25873072	2.3
	2015		510458	22330627	2.29

	2016		521215	22500129	2.32
	2017		640575	27140614	2.36
		AVERAGE	572864.618	24575605.2	2.33
2	**2013**		288987	3437803	8.40
	2014		293919	3592761	8.18
	2015	**Bakery industries**	376158	4695272	8.01
	2016		1687	3899610	0.04
	2017		247560	6876157	3.76
		AVERAGE	241662.764	4500320.72	5.68
	Variable **N**		5	5	
	Mean		1264666	4500321	
	Median		1307622	3899610	
	Standard dev.		159233	1413866	
	Coefficient vab.		12.59	31.42	
	Minimum		1038695	3437803	
	Maximum		1419397	6876158	
	Correlation		**0.286**		
	Significant		**0.641**		
	Result		**Rejected**		

(0.05% level of Significant)

The above table no reflect the net profit ratio during the study period from 2013-17. Present study has profitability analysis based on gross profit and net profit .correlation of gross profit and net sales is 0.286 which is rejected because computed level of significant is 0.641 is greater than 0.05 level of significant .it prove that significant different between net profit and net sales on the efficiency indicator is lesser than is SSI, hence net profit and net sales are better managed by SSI.

The above Table no 5 show the result of net profit of poha industries and bakery industries year wise (5yera) there is also a little increasing or decreasing rate are showing of net profit the average rate of net profit is 2.33% and the average rate of bakery industries is 5.68% which is more than poha industries by 3.35% . So, we can say that overall performance of bakery industries is good as compare to poha industries.

Return on capital employed - These ration established a relationship between profit and capital employed. In fact it is the primary ratio and it is the most widely used to measure the overall profitability and efficiency of the business. Obviously a higher ratio is more favorable. Because the higher the profitability.

 Formula   Return on capital employed = Net profit before interest and tax/Total assets*100

Industrial Category wise Return on capital employed

Table no 6

SL NO.	Year's	Categories	Profit before int./tax(Rs.)	Capital employed (Rs.)	Return on capital employed
1	2013		1029152	9214628	11.16867659
	2014		1023576	10371026	9.869573174
	2015	Poha industries	1292466	10951762	11.80144346
	2016		1397889	11786892	11.85969126
	2017		1526039	13629782	11.19635663
		AVERAGE	6269122	55954090	11.17
2	2013		418431	6868572	6.091964967
	2014		428383	7201061	5.948887254
	2015	Bakery industries	303147	7422131	4.084366067
	2016		553899	11226749	4.933743508
	2017		295691	4745085	6.231521669
		AVERAGE	1999551	37463598	5.45

In the above table no 06 it can seen that the average return on capital employed is 11.17% of poha industries and 5.45% is of bakery industries so, the return of poha industries is more by 5.72% by bakery industries so we can say that the profitability of poha industries is better than of bakery industries.

Conclusion: The above analysis indicate that the performance of bakery industries is quite good and in poha industries must have to look after the performance of the gross profit and net profit ration because it have a increasing or decreasing rate of gross profit or net profit they must have to look after the sales and also in profit making operation which boom the profit of poha industries they try to decrease the operating expenses of industries which help in increases the profit of firm.

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