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FINANCIAL ANALYSIS OF KASARAGOD DISTRICT CO-OPERATIVE RUBBER MARKETING SOCIETY

By

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PROJECT REPORT

Submitted in partial fulfillment of the
requirement for the degree of



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Faculty of Agriculture

COLLEGE OF CO-OPERATION, BANKING & MANAGEMENT
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VELLANIKKARA, THRISSUR – 680656
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2006


Declaration

DECLARATION

I here by declare that this project report entitled “**FINANCIAL ANALYSIS OF KASARAGOD DISTRICT CO-OPERATIVE RUBBER MARKETING SOCIETY**” is a bonafide record of research work done by me during the course of project work and that it has not previously formed the basis for the award to me for any degree/diploma, associate ship, fellowship or other similar title of any other University or Society.

Vellanikkara

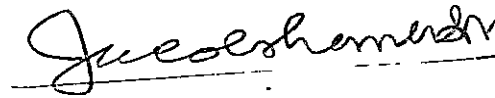
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Certificate

CERTIFICATE

Certified that this project report entitled “**FINANCIAL ANALYSIS OF KASARAGOD DISTRICT CO-OPERATIVE RUBBER MARKETING SOCIETY**” is a record of research work done independently by Miss. Asha Mohanan (2001-05-19) under my guidance and that it has not previously formed the basis for the award of any degree, fellowship or associateship to her.



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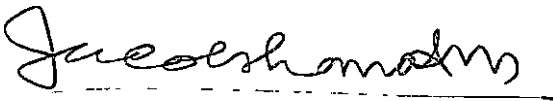


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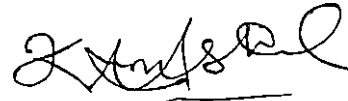
We, undersigned members of the Viva-voce Board of Miss. Asha Mohanan (2001-05-19), a candidate for the degree of B.Sc. (Co-operation and Banking) agree that the project report entitled "FINANCIAL ANALYSIS OF KDCRMS" may be submitted in partial fulfillment of the requirement for the degree.



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If by oversight, any acknowledgements have been omitted, I offer my apologies.

Needless to say, I alone am responsible for any errors, which may remain.

Asha Mohanan

Dedicated to

My Loving Family

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Design of the Study

CHAPTER 1

DESIGN OF THE STUDY

1.1 INTRODUCTION

The rubber industry has an important role in the economic development of India. It provides some of the basic raw materials for industries. The rubber cultivation in India is mainly confined to a narrow belt from Kanyakumari district of Tamil Nadu in the south to the Coorg district of Karnataka in the north. Nowadays the rubber and rubber products have an important role in the economy of Kerala.

For helping the rubber cultivators, in marketing their products, a number of rubber marketing co-operative societies are working in the rubber related industries. These co-operatives provide fair prices to cultivators for their products. The structure of rubber marketing co-operatives in Kerala consists of Kerala State Rubber Marketing Co-operative Federation at the apex level and District Co-operative Rubber Marketing Society at the Base level.

1.2 STATEMENT OF THE PROBLEM

The rubber industry in Kerala is highly export-oriented industry. The reports show that the rubber processing and marketing units in co-operative sector have not performed well in the past. The Kasargod District

Co-operative Rubber Marketing Society (KDCRMS) was established on 21st March 1967. During the initial years its focus was on the distribution of formic acid, estate articles, implements and pesticides to farmers, in Hosdurg Taluk. The society was converted to a rubber marketing society in 1970 and the thrust was given to the improvement of rubber cultivation, procurement and marketing of rubber and other agricultural commodities. The KDCRMS has one Latex Factory, one Foam Factory, one Coconut Processing Centre, One marketing office, eleven depots and four godowns, with the area of operation in the Kasargod District.

At present there are a number of private dealers (licensed and non licensed) and middleman present in this sector. Price fluctuation and seasonality are the main problems. KDCRMS plays an important role to prevent the exploitation of rubber cultivators by private dealers and middlemen and also in developing an efficient alternative marketing channel. The awareness about the efficiency and weakness of an institution will help them to improve their performance. So it is worthwhile to evaluate the financial performance of the society.

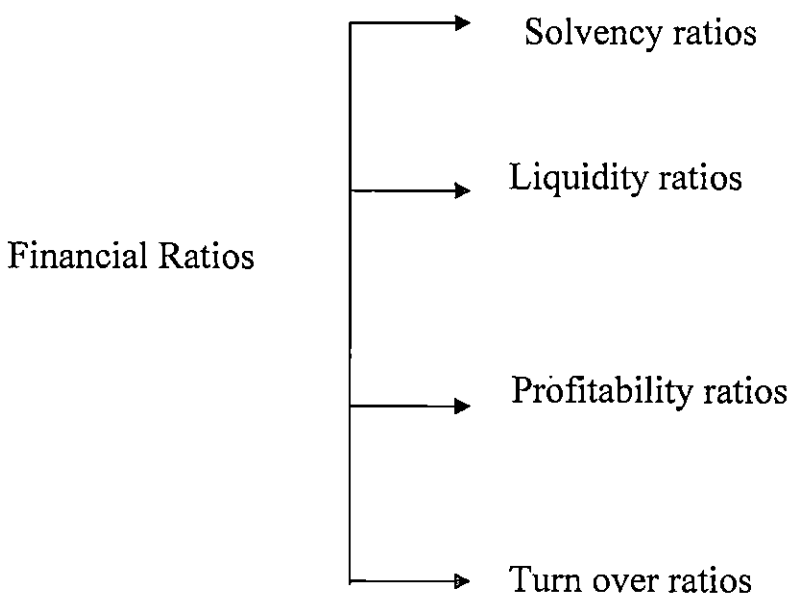
1.3 OBJECTIVE OF THE STUDY

To examine the financial performance of KDCRMS during 1975 – 2005.

1.4 METHODOLOGY

The financial analysis of KDCRMS will be evaluated by using the secondary data available from the financial statements maintained by them. The data will be collected for a period of 30 years (1975 – 2005). The collected data will be classified tabulated and analysed using the ratios and appropriate statistical tools.

For the purpose of effective analysis of the financial performance of the society, different ratios are used. In this study 11 financial ratios are employed to evaluate the financial performance, and the ratios are classified under 4 different groups as follows:



I Structural or Solvency ratios

$$\text{a) Total liabilities to owned funds ratio} = \frac{\text{Total liabilities}}{\text{Owned funds}}$$

$$\text{b) Fixed assets to owned funds ratio} = \frac{\text{fixed assets}}{\text{owned funds}}$$

$$\text{c) Debt – Equity ratio} = \frac{\text{Long term loan}}{\text{Owned Funds}}$$

II Liquidity ratios

$$\text{a) Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

$$\text{b) Acid test ratio} = \frac{\text{Quick assets}}{\text{Quick liability}}$$

III Profitability ratios

$$\text{a) Net Profits to total assets ratio} = \frac{\text{Net profit}}{\text{Total assets}}$$

$$(\text{Total assets} = \text{Current assets} + \text{Fixed assets})$$

$$\text{b) Net profits to owned fund ratio} = \frac{\text{Net Profit}}{\text{Owned Funds}}$$

$$\text{c) Net profits to total sales ratio} = \frac{\text{Net profit}}{\text{Total sales}}$$

IV Turn over ratios

$$\text{a) Total working capital turnover ratio} = \frac{\text{Total sales}}{\text{Net Working capital}}$$

$$\text{b) Inventory turnover ratio} = \frac{\text{Total sales}}{\text{Average inventory}}$$

$$(\text{Average inventory} = \frac{\text{Opening stock} + \text{Closing stock}}{2})$$

$$c) \text{ Total sales to fixed assets ratio} = \frac{\text{Total sales}}{\text{Fixed assets}}$$

1.5 OBSERVATIONS MADE

- i) Short term and long term financial position of KDCRMS
- ii) Profit generated by the KDCRMS

1.6 SCOPE OF THE STUDY

The study is restricted to the financial analysis of KDCRMS. It may help them to understand their financial position.

1.7 LIMITATION OF THE STUDY

The data collected from the financial statements may be window dressed, so it may not reflect the real performance of the society.

1.8 SCHEME OF THE STUDY

The study is completed in four chapters. The details are shown below:

Chapters	Contents
I	Design of the Study through statement of problem, objective of the study, methodology, observations to be made, scope of the study, review of literature.
II	Profile of KDCRMS
III	Financial Analysis of the Society.
IV	Summary of Findings and Conclusions.

1.9 REVIEW OF LITERATURE

Mathew, P.M. (1984) in “Co-operatives in Rubber based Industries – A case study of Kerala” stated that the co-operative sector in the rubber industry is an island in the surrounding ocean of private sector and they are price takers both in product and factor markets. Therefore, there is good reason for the processing cum marketing societies to diversify their activities by entering the manufacturing field, making use of the natural rubber procured and processing by them.

Nair, M.N.V. (1986) in his report entitled “Natural Rubber Marketing – Issues and Problems” indicated the necessity of technological upgradation of the conversion process of latex into various other forms for getting higher prices of smallholder rubber.

Rajagopal (1986) in his book “ Dynamics of Agricultural Marketing in Tribal India” stated that, in economic sense marketing might be defined as business activities involved in the flow of goods and services from producer to consumer, excluding only those activities that involve the changing of form. It was stated that the development of Agricultural Marketing is one of primity sectors to be considered in the programme of integrated rural development and the marketing has to be treated as the most important single activity.

Sakunthala, K. (1986) conducted a study to find out the role of co-operative marketing societies in the marketing of natural rubber. It was observed that the location of the collection depots of co-operative rubber marketing societies at towns necessitates additional transporting charges. The scrap rubber of the growers is sold at throwaway price. Since it does not come under the statutory minimum prices. The worse impact of seasonality and price fluctuation is more on small growers.

While analysing the viability of rubber marketing societies and Kerala State Co-operative Rubber Marketing Federation, Nicen Mathew (1987) stated that the seasonality in procurement and sale of rubber is very important factor and that an appropriate inventory management policy is a pre-requisite for earning a reasonable margin in sales.

While linking the Union Budget with co-operative marketing, Dawra, S.S. (1988) found that based on the history of marketing operations of co-operatives in general, it will be seen that their activities have been gravitated towards distribution of inputs, procurement on behalf of state agencies and supply of essential articles in rural areas and processing.

Ardhanareeswaran (1989) opined that the processing units in the co-operative sector have not performed very well in the past. The major weakness noticed in the working of the co-operative processing units relate to the under

utilisation of capacity and deficiencies in the technical and financial management. The co-operative processing units should focus their attention on removing the weakness in the existing set up so that they emerge as a useful organisation for providing better return to the producers. The trend towards setting up of specialised commodity co-operatives is unavoidable as problems relating to production, processing and marketing are getting more and more sophisticated.

Kamat, G.S. (1991) stated that the co-operative processing all the same has not yet made any sizeable change in processing of agricultural and allied produce. There is scope, potential and need to encourage commodity processing, either as an adjunct of agricultural marketing society or as an independent processing unit depending upon such considerations as viability, technology, scale and cost of capital and market demand. Without a sound structure of co-operative marketing and processing, liberal credit provided to agriculture on concessional basis may be risky.

Biju Jacob (1992) examined the performance of rubber marketing and processing co-operative society. He assessed that the society has limited control on selling price of the product. It is suggested that the society must involve development schemes to make use of their final products by starting new rubber based industries. This will help the society to achieve better productivity of their products.

Dubhashi (1994) opined that co-operatives were often called upon to join hands with the state agencies to undertake agricultural marketing. In the new environment, co-operative institutions engaged in agricultural marketing will have to establish their competitiveness not only within the economy, but also on a global scale.

Pillai, N.C and Vasanthakumar (1994) in their essay about financial analysis stated that the basic objective of a business concern is to earn a satisfactory margin from it. The main indicator of financial performance is profitability. The profitability of an industrial concern can be viewed from different angles viz a) Gross Profit ratio, b) Net Profit ratio. The other important items to be considered while analysing financial performance of a concern are Debt Equity ratio and Liquidity position.

Singh, L.P. (2000) opined that for better results from co-operative marketing, basic functions like grading, pooling, market information gathering, transportation, preservation etc., have been directed at, for future development. The central role of NAFED and key connections between apex level marketing federations need to be strengthened and integrated.

Daman Prakash (2001) in his study on challenges and Development issues before the Agricultural co-operatives and Farmer's Organisation in Asia stated that Agricultural Co-operative Institutions, Farmer's organisations and

other farming interest groups which have been operating in various countries have begun to realize that due to the pressure of open market system and other regulations being introduced will provide more and more of support to basic farmers. These institutions have therefore now to be more involved in delivering quality products, which conform to the international demand. In the wake of new economic developments Governments are shedding a lot of their responsibilities. Agricultural co-operatives and farmers' organisation will, naturally, have to take these services over. Their responsibilities are expanding. They have now to manage their affairs in such a way that they are able to survive in the market.

According to Rubber Board (2002) the restrictions on export of rubber were removed in 1992. India could not make headway to many reasons. Firstly, the international price of rubber was generally lower than Indian price. Secondly, India is not a regular player in the export market of natural rubber. Inadequacy of information about overseas markets, inefficiency infrastructure were other impediments in the extend of natural rubber.

Raman, M. (2003) in his study on Mode of Financing in Co-operative Marketing Society – A case study from the Tamil Nadu, stated that the pre-requisite for successful co-operative marketing society is the development of backward linkages with the farmer-member and forward linkages with the markets for disposal of farm produce of its members. The marketing co-

operative society would reduce the transaction cost for farmer-member through backward linkages by providing services such as supply of quality inputs, and advancing loans especially linking credit with marketing in addition to gathering and sharing information with the farmers on the demand for product and on prevailing prices of agricultural produce.

Kalamkar, S.S. (2003) in his study stated that the need for strengthening the co-operative organisation has been recognised for the marketing of produce and for making inputs available to farmers at the right price and time. An efficient marketing system provides incentives to farmers to produce more; conveys changing needs to the economy to enable production planning, fosters competition among traders and eliminates exploitation, particularly among the small and marginal farmers. Marketing co-operatives are major players in the agricultural marketing system.

Baluswami and Balavenkatesh (2004) in their study on “Marketing Efficiency of Marketing Co-operatives” stated that co-operative marketing is an important type of solution to the problems of agricultural marketing. It is a system in which a group of farmers or market gardens joint together to carry on some or all the processes involved in bringing goods from the producer to the consumer.

Ali Ghutran and Rais Ahmad (2005) revealed that in Uttar Pradesh, organisation of co-operative marketing societies in each market was taken up on the basis of rural credit survey recommendation in the second five-year plan. Co-operative Marketing Societies eliminate malpractices and ensure reasonable prices to the agriculturists. However, because of formation of marketing committee and improvement in the means of transportation, the business of marketing societies has been adversely affected because of the competition of private traders.

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KDCRMS – A profile

CHAPTER – 2

KASARAGOD DISTRICT CO-OPERATIVE RUBBER MARKETING SOCIETY – A PROFILE

2.1 INTRODUCTION

The Kasaragod District Co-operative Rubber Marketing Society (KDCRMS) Ltd. No. C. 325 is the district level organisation of rubber cultivators in Kasaragod, with its head office at Chittarikkal. In order to provide better marketing facilities and agricultural implements to the farmers in Hosdug Taluk, the Hosdug Co-operative Farmers Society was registered on 21st March 1967 and it was renamed as Hosdug Co-operative Rubber Marketing Society in 1970. With the formation of Kasaragod Revenue District, the name of the society was changed to Kasaragod District Co-operative Rubber Marketing Society (KDCRMS).

During the initial years, its focus was on the distribution of formic acid, estate articles, implements and pesticides to farmers. After converting it to a rubber marketing society in 1970, the thrust was given to the improvement of rubber cultivation, procurement and marketing. KDCRMS has been considered as a major attempt against the exploitation by private traders and in developing an efficient alternative marketing channel. KDCRMS has been entered the

various sectors for production, processing and marketing in order to serve the farmers and rural entrepreneurs.

KDCRMS has 3 factories (viz, Kasaragod Latex Factory, Kasaragod Foams, Coconut Processing Centre), one marketing office, eleven depots and four godowns with the area of operation in the entire Kasaragod District. Wide ranges of rubber products are produced by the society in its processing centres and the processed latex is exported to Turkey and Egypt also.

2.2 OBJECTIVES

1. To encourage self help, thrift and co-operation among members.
2. To disseminate knowledge on co-operative principles and their realisation.
3. To arrange for and purchased procurement of rubber or rubber latex, other agricultural produce like pepper, arecanut, cashew, Copra/coconut, ginger and turmeric etc. belonging to the members or procured from other societies for the Kerala State Co-operative Rubber Marketing Federation, Marketing Federation, Nafed etc. Rubber for this purpose would include all forms of rubbers ad defined in the Rubber Act 1947.
4. To arrange for the storage, grading and processing of rubber and other agricultural produces so purchased so as to maintain or improve the quality of rubber and other agricultural produce purchased.

5. To any manufacturing operations with the rubber or rubber latex and other agricultural produce so purchased and processed so as to add value to the rubber or rubber latex and other agricultural produce enabling the society to give additional economic benefits to the members or growers.
6. To arrange for the sale and sell rubber and other agricultural produce so purchased or rubber products or latex and other agricultural produce so manufactured to other co-operative societies or federations or consumers / dealers.
7. To produce, reproduce, process wherever necessary and distribute among the members, planting materials, manure, implement and other inputs for modernisation and improvement of the rubber and other agricultural holdings of the members, according to intends received from them.
8. To deliver the inputs to the members in time-to-time after taking such securities or agreements as are considered necessary and to recover their cost in instalments from the crop surrendered to the society.
9. To deliver inputs to the members
10. To advance money or other inputs on the pledge of produce of members to arrange credit for the members from financial institutions.
11. To arrange for carryout leaf and soil analysis and other tests.
12. To own or hire or ply conveyance on hire for the transport.

13. To organise small holders development centres aimed at overall development of the members.
14. To disseminate knowledge on the latest improvement in the cultivations, rubber tapping, collection and processing of latex and scrap.
15. To rent, purchase, hire or construct godowns, processing units or sales depots to facilitate the storage, processing and sale of rubber and other agricultural produce.
16. To act as an agent of Government and Rubber Board for implementing expansion programmes and developmental activities.
17. To act as an agent of Primary Credit Societies for recovering of production loans given by them to their members.
18. To ensure maximum productivity and returns to the members by serving as a connecting link between members, other co-operatives, Apex Federations and rubber goods manufacturers and
19. To do such other things as are incidental or conducive to the attainment of the above objectives.

2.3 AREA OF OPERATION

Area of operation of the society extends to whole of the Kasaragod District.

2.4 MEMBERSHIP

The society has 4 classes of members as A, B, C and D class. The details are shown in the table 2.1

Table 2.1 Classes of Membership of KDCRMS

Class	Details of Members
A	Individuals or growers of rubber or other crops
B	Government and Rubber Board
C	Co-operative Societies
D	Other Firms

Admission to the Society

No person except Government of Kerala, Co-operative Societies, Rubber Board or any other Government or body corporate eligible for admission as a member of the society if he

- a. is not a small grower of rubber as defined in the Rubber Act 1947 (XXIV of 1947) as amended from time to time.
- b. has not attained 18 years of age.
- c. is not possessing or owing land planted with rubber or other agricultural crops located within the area of operation of the society.
- d. has not given an undertaking to surrender the rubber and agricultural crops received from the holdings within the area of operation of the society to the society or its agent or its nominee.

e. has not in the pervious co-operative year surrendered his crop to the society at the rate of 500 kg Dry Rubber Content of rubber for every hectare of tappable rubber holdings owned by him and located within the area of operation of the society.

Provided that incase the production in his holdings was low in any year, he may supply only the actual production to the society after giving satisfactory proof to the society of such lower production.

The membership position of KDCRMS over the period 1975-2005 is given in the table 2.2

Table 2.2 Membership position of KDCRMS from 1975-2005

Year	No. of members	Percentage Increase or decrease
1975-76	1042	-
1976-77	1085	4.1267
1977-78	1411	30.0461
1978-79	1952	38.3416
1979- 80	1995	2.2029
1980-81	2095	5.0125
1981-82	2399	14.5107
1982-83	2531	5.5023
1984-85	2695	5.1502
1985-86	2730	1.2987
1986-87	2814	3.0769

Year	No. of members	Percentage Increase or decrease
1987-88	3005	6.7875
1988-89	3191	6.1897
1989-90	3793	18.8656
1990-91	3909	3.0583
1991-92	4013	2.6605
1992-93	4279	6.6285
1993-94	4731	10.5632
1994-95	4792	1.2894
1995-96	4919	2.6503
1996-97	5228	6.2818
1997-98	5234	0.1148
1998-99	5285	0.9744
1999-00	5303	0.3406
2000-01	5322	0.3583
2001-02	3071	-42.2961
2002-03	3136	2.1166
2003-04	3655	16.5497
2004-05	3687	0.8755

Source: Annual Reports of KDCRMS

Table 2.2 reveals that the society had 1042 members in 1975-76 and which has increased to 2730 in 1985-86 and 4919 in 1995-96 and in 2004-05 it is decreased to 3687. The analysis reveals that the membership position shows an increasing trend over these years because of the increased

prices of rubber. The main reason behind this was the sudden decline in market price of rubber during that period.

2.5 SHARE CAPITAL

Government of Kerala, Rubber Board, A class members (farmers) and other Cooperative Societies and Firms contributed to the share capital of KDCKMS. Table 2.3 reveals the share capital position of KDCRMS during 1975 – 76 to 2004-05.

In 1975-76, the total share capital was Rs. 173630 and in 2004-05 it increased to Rs. 10189900. The share capital position of the society has increase drastically over the years.

Table 2.3 Share capital Position of KDCRMS from 1975-2005

(Amount in Rupees.)

Year	A-class Farmers	Government	Rubber Board	Cooperative Societies	Other Firms	Total	Percentage increase or decrease
1975-76	98630	25000	50000	-	-	173630	-
1976-77	99980	25000	50000	-	-	174980	0.7775
1977-78	113840	25000	50000	-	-	188840	7.9209
1978-79	118650	25000	50000	6500	-	200150	5.9892
1979-80	152550	57500	-	-	-	190050	-5.0462
1980-81	55830	120000	50000	7330	-	227330	19.6159
1981-82	95330	237500	40000	11500	-	954080	319.6894
1982-83	132250	332500	105000	11500	-	581250	39.0774
1983-84	159620	332500	165000	11500	-	668620	15.0314

Year	A- class Farmers	Government	Rubber Board	Cooperative Societies	Other Firms	Total	Percentage increase or decrease
1984-85	172835	671250	160000	13100	-	1017185	52.1320
1985-86	189445	671250	200000	13300	-	1073995	5.5850
1986-87	199720	671250	196000	13800	-	1080770	0.6308
1987-88	289150	575000	177000	57600	-	1098750	1.6636
1988-89	5744665	1585000	145000	119000	-	2423665	120.5838
1989-90	788710	1950000	113000	203800	-	3055510	26.0698
1990-91	889005	3813750	73000	203800	-	497955	62.9697
1991-92	967870	3746250	73000	203800	-	4990920	0.2282
1992-93	1143345	3678750	16000	203800	-	5041895	1.0214
1993-94	1267615	3570250	508000	204000	-	5489865	8.8850
1994-95	1359375	3244500	500000	204000	-	5307875	-3.3150
1995-96	1555550	2847050	800000	204000	1000	5407550	1.8779
1996-97	1759440	5524000	800000	204000	2000	8289440	53.2938
1997-98	1786905	5149000	800000	204000	2000	7941905	-4.1925
1998-99	1826780	6466000	700000	204000	2000	9198780	15.8259
1999-00	1847955	6626000	600000	204000	2000	9279955	0.8825
2000-01	1846165	7535500	940000	204000	2000	1052765	13.4452
2001-02	18431605	7890300	780000	195900	4000	10701805	1.6541
2002-03	1541870	8445900	780000	198900	4000	10967670	2.4843
2003-04	1909210	8748850	620000	197900	4000	11479960	4.6704
2004-05	1946400	7682900	360000	196600	4000	10189900	-11.2375

Source: Annual Reports of KDCRMS

2.6 BORROWINGS

The major sources of borrowings of the KDCRMS are District Coop. Bank, ICDP, Rubber Board, and Government etc. At present the maximum borrowing power of the society is Rs. 3400 Lakhs.

Table 2.4 shows the borrowings of KDCRMS from 1975- 76 to 2004-05. In 1975-76 it was Rs. 113364.19 and it reached to Rs. 101642.86 in 1985-86 and in 2004-2005 it is Rs. 9037717.00 This indicates that the society borrow more and more every year.

2.7 RESERVES

Statutory reserve funds, price fluctuation funds, special price fluctuation funds etc constitute the reserve of the society. Reserves are kept according to the usual norms. Table 2.3 shows the reserve position of KDCRMS from 1975-76 to 2004-05.

From the table 2.4 it is clear that the reserve fund position of the KDCRCMS increased drastically. It was Rs. 1947.49 in 1975-76 and in 2004-05 it came to Rs. 17293974.16

2.8 PERFORMANCE OF KDCRMS

The performance of KDCRMS is determined on the basis of total profit or loss earned by the society over the thirty years.

Table 2.4 shows the financial position of the society. It is clear that the performance of the society during its initial years was not well and the profit/loss position of the society change drastically. In the year 1975-1976 the society face Rs.778 as loss and later it started to make profit.

Table 2.4 Borrowing, Reserves and Profit/Loss position of KDCRMS from 1975-2005.

(Amount in Rupees)

Year	Reserves	Borrowing	Accumulated Profit/Loss
1975-76	1947.49 (-)	113364.19 (-)	-778 (-)
1976-77	1947.49 (0)	60471.38 (-46.65)	-4610 (-34.89)
1977-78	3813.43 (95.81)	27724.23 (-54.15)	1125 (-124.40)
1978-79	4460.37 (16.96)	143224.88 (416.6)	-8245 (-832.88)
1979-80	29478.02 (560.88)	214509.10 (49.77)	-6946 (-15.76)
1980-81	28978.02 (-0.02)	321107.22 (49.69)	20655 (-397.37)
1981-82	14676.15 (-49.35)	166346.66 (-48.19)	-8623 (-141.74)
1982-83	14676.15 (0)	721050.42 (333.46)	93839 (-1188.24)
1983-84	14676.15 (0)	737903.42 (2.33)	-12941 (-113.79)
1984-85	25988.68 (77.08)	947544.99 (28.36)	-132100 (920.78)
1985-86	51711.15 (98.97)	1016842.86 (7.3)	-17137 (87.03)
1986-87	60502.14 (17)	1451178.21 (42.71)	-156178 (811.35)
1987-88	499170.54 (725.04)	1362980.92 (-6.07)	259504 (-266.16)

Year	Reserves	Borrowing	Accumulated Profit/Loss
1988-89	676790.72 (35.58)	542670.38 (-60.14)	-94978 (-136.5)
1989-90	852558.37 (25.92)	1625711.64 (199.57)	88765 (-193.458)
1990-91	982049.70 (15.18)	5693219.46 (250.19)	-203957 (-329.77)
1991-92	1304938.81 (32.88)	9371713.90 (64.61)	-190247 (-6.72)
1992-93	2277429.92 (74.52)	6894060.38 (-26.44)	196026 (203.04)
1993-94	4542370.10 (99.45)	7203652.74 (4.49)	172335 (-12.08)
1994-95	6981290.87 (53.69)	4916553.00 (-31.75)	586638 (240.4)
1995-96	9291093.05 (33.08)	7870780.80 (-60.08)	719649 (22.67)
1996-97	9286240.89 (-522.22)	10721568.00 (36.22)	-1887811 (-362.32)
1997-98	10393892.26 (11.92)	6657686.10 (-37.9)	-146385 (-92.25)
1998-99	10833365.79 (4.22)	19255113.00 (189.22)	-1534123 (948)
1999-00	12457856.24 (14.99)	5457855.50 (-71.66)	-2146587 (39.92)
2000-01	14959072.11 (20.07)	14142001.95 (159.11)	930430 (-143.34)
2001-02	16618301.16 (11.09)	15968728.00 (12.9)	2284998 (145.59)
2002-03	18512274.16 (11.09)	15968728.00 (12.9)	2284998 (0)
2003-04	17300274.16 (-6.5)	11172032.50 (-1.5)	544220 (222.12)
2004-05	17293974.16 (-364.15)	9037717.00 (19.1)	430000 (-21.99)

Source: Annual Reports of KDCRMS

2.9 WORKING OF THE SOCIETY

The main aim of the society is to help its members by supplying inputs, giving fair prices to their products and there by protect the interest of them Society procures rubber sheets, cenex, scrap, skim, latex and other agricultural commodities from the members and also plays an important role in boosting the rubber cultivation. The society also provides several services like soil testing, leaf testing, fertilizer application tests, and other awareness camps as part of it's community development programmes.

The purchase of rubber items is being made by the society through its 11 depots. Society is purchasing field latex through Malakkallu and Maloth depots and Latex factory at Mangode. The society is supplying fertilizers of reputed brands to members and non-members at reasonable prices through the depots. Foam products manufactured at society's factory are marketed through the depots. Foam beds, pillows and cushions of other reputed companies are also marketed through the depots.

The society is attaining its business performance through its 11 depots. They are Chittarikkal, Palavayal, Kadumeni, Beemanadi, Vellarikundu, Maloth, Konnakkadu, Parappa, Kalichanadukkam, Malakkallu and Bendadukka. For the smooth marketing activities the society have opened a marketing office at Kanghangad, a major town in Kasaragod District.

In order to keep the raw rubber sheets purchased from the farmer and to store the inputs requirements of the agriculturists in safe custody, the society has 4 own godowns constructed under NCDC scheme with total capacity of 1200 MT. The society has also hired 11 godowns with a total capacity of 1100 MT for working of the depots.

The society undertakes awareness camps, seminars, workshops, field trainings etc., for better management of fertilizers, pesticides, and training to farmers for rubber planting, nurturing etc., with the help of Rubber Board and other developmental agencies. It provides the facilities for apprenticeship to selected candidates from technical institutes and entertains the farmer groups, students and personnel of various organisations for exposure visits.

2.10 UNITS OF KDCRMS

i) Kasaragod Latex Factory

The society established a latex centrifuging factory in 1991 at Mangode, Kasargod District with the assistance of NCDC. At present; the unit has an installed capacity to process 1500 MT (DRC) of field latex per annum. The expansion of this unit had done in 1999 with a block cost of Rs. 129 Lakhs including the modernisation of the effluent treatment plant. The society now proposes to implement the scheme on processing, quality upgradation and product diversification of latex centrifuging factory in their plant under the financial and technical assistance of Rubber board.

ii) Kasaragod Foam Factory

The aim of this establishment is to reduce the price spread of rubber products, which may benefit both farmer and consumer. The high quality ensured basic raw material is readily available and it promoted the society to establish the unit. Currently the society has been manufacturing foam products such as mattresses, pillows, cushion and marketing the same under the brand name 'monsoon foams'. The installed capacity of the factory is 60 MT foam rubber products per year.

iii) Coconut complex

Keeping a pace ahead-besides rubber, the society started a coconut processing unit in 2005 with the view of diversification of activities by tapping the locally available resources. This unit includes processing plant with drying yard and godown at Kannivayal in East Eleri Grama panchayath.

2.11 MANAGEMENT

Management is vested with an elected Board of Directors consisting of not more than 15 members constituted in the following manner.

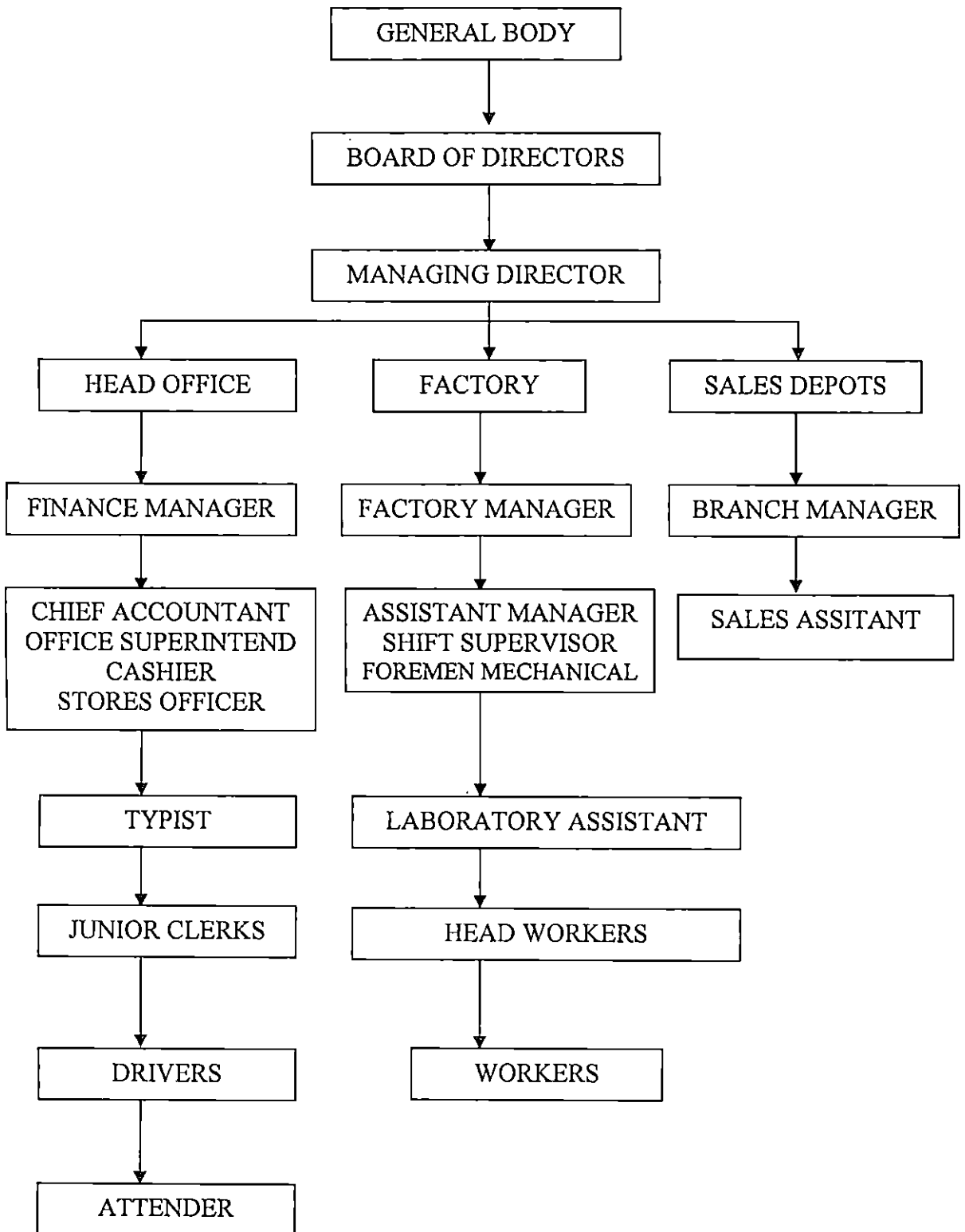
- a. One from East Eleri Panchayath
- b. One from West Eleri Panchayath
- c. One from Balal and Kinanoor Karinthalam Panchayath.
- d. One from Panathady and all remaining panchayaths in Hosdurg Taluk.
- e. One from all panchayaths in Kasaragod district.

- f. One seat reserved for SC/ST.
- g. One reserved for women among A class active members.
- h. General seats among A class active members of the whole area of operation of the society – five seats.

Among this, one shall be the representative elected from among the delegation of C class members observing the procedure fixed in Rule 35 of Kerala Cooperative Societies Act. Two officers of the Rubber Board as suggested by the chairman, Rubber Board, Kottayam. The Managing Director of the society has the right to attend the board meeting but have no voting right. A representative each from Kerala State Co-operative Rubber Marketing Federation and Kasaragod District Co-operative Bank may also be invited as special invitees to the Board meeting but they also have no voting right in the board meeting.

The whole administrative power and matters relating to general marketing is vested with the Managing Director. The president has the power to take decisions and also convening of board meetings.

ORGANISATIONAL CHART.



CHAPTER 3

FINANCIAL PERFORMANCE ANALYSIS

3.1 INTRODUCTION

The objective of the study is to analyse the financial performance of KDCRMS. The financial performance of the KDCRMS had to be viewed from the point of discharging the social responsibilities with respects to rubber marketing, as well as from the point of view of its own survival.

In order to examine trends over time, financial analysis of the KDCRMS was attempted through selected financial ratios as specified in chapter 2.

3.2 STRUCTURAL OR SOLVENCY GROUP OF RATIOS.

Structural or solvency group of ratios were used to measure the contribution of KDCRMS's members against the funds provided by its creditors. The ratios were computed to solicit information along the following lines.

- a. KDCRMS's ability to cover its short -term and long-term obligations.
- b. The margin of safety offered to the creditors and
- c. The potential earnings from the use of borrowed funds.

The financial structure of the KDCRMS is evaluated by using three different groups of ratios.

3.2.1 Total Liabilities to Owned Funds Ratio

Total liabilities to owned funds ratio was obtained by dividing total liabilities by owned funds. Owned funds means funds owned by KDCRMS, which includes share capital, reserves and other funds created out of profit. This ratio indicates the extent of debt (in rupees) per every rupee of owned funds of the society.

Table 3.1 shows the total liabilities to owned funds ratio of the society from 1975 - 76 to 2004 - 05.

The analysis revealed that the ratio of total liabilities to owned funds exhibited an average value of 1.3367. This means that for every rupee owned by KDCRMS, the firm makes Rs. 1.3367 as liability over 30 years. In the year 1975-76 the ratio was 0.4996 and in 1985-86 the ratio was increased to 1.4211 and in 1995-96 it increased to 2.9395 and in 2004-05 the ratio again decreased to 0.6916. It reveals that the society's liabilities have increases to a greater extent. It reflects that the long-term solvency of the society is not quite satisfactory.

The increasing trend in the ratio of total liabilities to owned funds of the society indicates that the society depended much on external funds to meet its

short term obligations during the years 1979-80 and 1980-81. In the initial years the dependency on external funds was normal.

Table 3.1. Total Liabilities to Owned Funds Ratio of KDCRMS

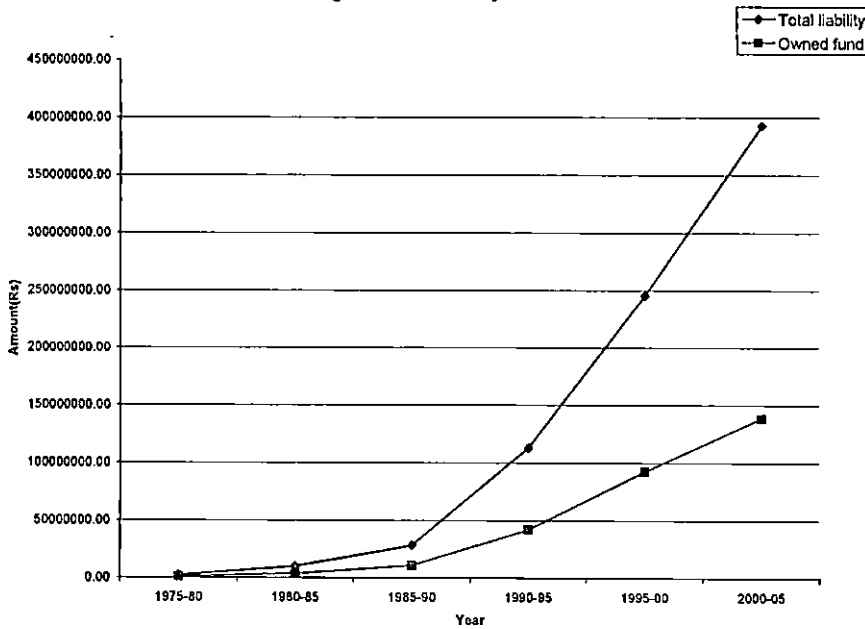
(Amount in Rupees)

Year	Total Liability	Owned Fund	Ratio
1975-76	87718	175577	0.4996
1976-77	127631	176927	0.7214
1977-78	130472	192653	0.6772
1978-79	221535	204610	1.0827
1979-80	610453	219528	2.7808
1980-81	670935	256308	2.6177
1981-82	1277439	968756	1.3186
1982-83	1148942	595926	1.9280
1983-84	1383155	683296	2.0242
1984-85	1593550	1043174	1.5276
1985-86	1599698	1125706	1.4211
1986-87	2170566	1141272	1.9019
1987-88	2091292	1597921	1.3088
1988-89	1024449	3100456	0.3304
1989-90	2240463	3908068	0.5733
1990-91	10243394	5961605	1.7182
1991-92	7533775	6295859	1.1966
1992-93	12118740	7319325	1.6557
1993-94	10620753	10032235	1.0587
1994-95	8695393	12289166	0.7076
1995-96	43207197	14698643	2.9395
1996-97	70076426	17575681	3.9871

Year	Total Liability	Owened Fund	Ratio
1997-98	19585535	18335797	1.0682
1998-99	31285494	20032146	1.5618
1999-00	32918043	21737811	1.5143
2000-01	35981124	25486737	1.4118
2001-02	21088783	27320106	0.7719
2002-03	20142693	29479944	0.6833
2003-04	26378163	28780234	0.9165
2004-05	19008159	27483874	0.6916
Average	12842066	9607311	1.3367

Source: Annual reports of KDCRMS

Fig. 3.1 Total liability and Owened fund



3.2.2 Fixed Assets to Owened Funds Ratio

Fixed assets to owned funds ratio establishes a relationship between fixed assets and owned funds of the society. This ratio indicates the extent to which owned funds are sunk into the fixed assets. Fixed assets here means fixed assets at written down value. When the ratio is more than 100%, it implies that

the society's owned funds are not sufficient to finance the fixed assets and the society has to depend upon outsiders to finance the fixed assets.

The fixed assets to owned funds ratio of the society from 1975-76 to 2004-05 is given in the table 3.2

The ratio of fixed assets to owned funds exhibited an average value of 0.6366. In the year 1975-76, it was 0.4556 and in 1985-86 it was 0.5758 and in the year 2004-05 it increased to 1.1128. It implies that in the year 2004-05, the owned funds are sufficient to finance the fixed assets and the society has no need to depend upon outsiders to finance the fixed assets, that is the financial strength of the society. The decreasing trend in this ratio during the years 1990-91 and, 1991-92 reflects that the society started to use its owned funds to finance fixed assets and a part of current assets. The average value of the ratio reveals that the financial position of the society is strong and risk of the creditors is relatively less because a ratio of 60-65 is considered as satisfactory.

Table 3.2. Fixed Assets to Owned Funds Ratio of KDCRMS

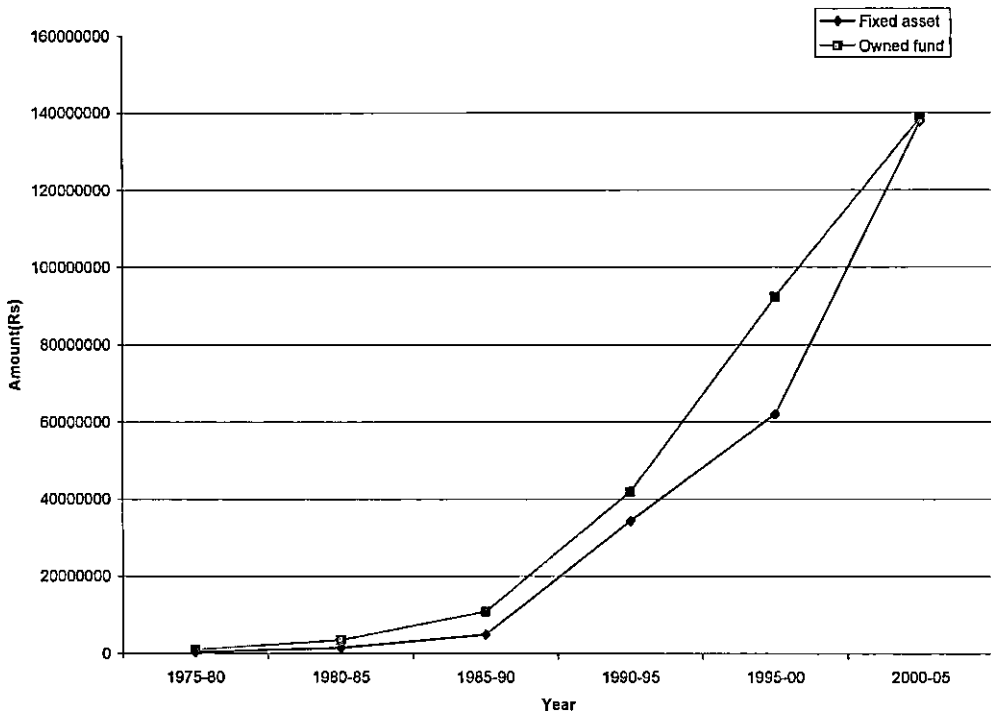
(Amount in Rupees)

Year	Fixed Asset	Owned Fund	Ratio
1975-76	79999	175577	0.4556
1976-77	84130	176927	0.4755
1977-78	84743	192653	0.4399
1978-79	91289	204610	0.4462
1979-80	98237	219528	0.4475

Year	Fixed Asset	Owned Fund	Ratio
1980-81	117347	256308	0.4578
1981-82	143788	968756	0.1484
1982-83	289997	595926	0.4866
1983-84	330927	683296	0.4843
1984-85	600583	1043174	0.5757
1985-86	648225	1125706	0.5758
1986-87	783520	1141272	0.6865
1987-88	800109	1597921	0.5007
1988-89	1203005	3100456	0.3880
1989-90	1494809	3908068	0.3825
1990-91	1496083	5961605	0.2510
1991-92	1640013	6295859	0.2605
1992-93	10340849	7319325	1.4128
1993-94	10231250	10032235	1.0198
1994-95	10554295	12289166	0.8588
1995-96	10965766	14698643	0.7460
1996-97	11000217	17575681	0.6529
1997-98	13536795	18335797	0.7383
1998-99	13269365	20032146	0.6624
1999-00	13269365	21737811	0.6104
2000-01	23803285	25486737	0.9339
2001-02	24640666	27320106	0.9019
2002-03	28947870	29479944	0.9820
2003-04	29657765	28780234	1.0305
2004-05	30584904	27483874	1.1128
Average	8026307	9607311	0.6366

Source: Annual reports of KDCRMS

Fig. 3.2 Fixed asset and Owned fund



3.2.3 Long Term Debt to Owned Funds Ratio

This ratio is otherwise known as Debt-equity ratio. This shows the relationship between external equities (outsiders funds) and the internal equities (shareholders funds). Or simply the relationship describing the lenders' contribution for each rupee of the owners' contribution is called debt equity ratio. Here total long-term debt includes all long-term liabilities and excludes all current liabilities. A low ratio is considered as favourable from the long-term creditors point of view because a high proportion of owner's funds provide a larger margin of safety for them. A high debt-equity ratio indicates that the claims of outsiders (creditors) are greater than those of owners. The ideal debt-equity ratio for a concern is 2:1.

The debt-equity ratio of the society from 1975-76 to 2004-05 is shown in the table 3.3.

The analysis revealed that the debt-equity ratio of the society was 0.3752 in the year 1975-76 and in 1985-86 it was 0.6671 and in 2004-05 it was reduced to 0.3288. The ratio was highest in the year 1982-83 (1.4344). The average value obtained for the entire study period was 0.6930. The increased ratio is considered as unsatisfactory for the business of the society.

Table 3.3. Long-term debt to Owned funds Ratio of KDCRMS

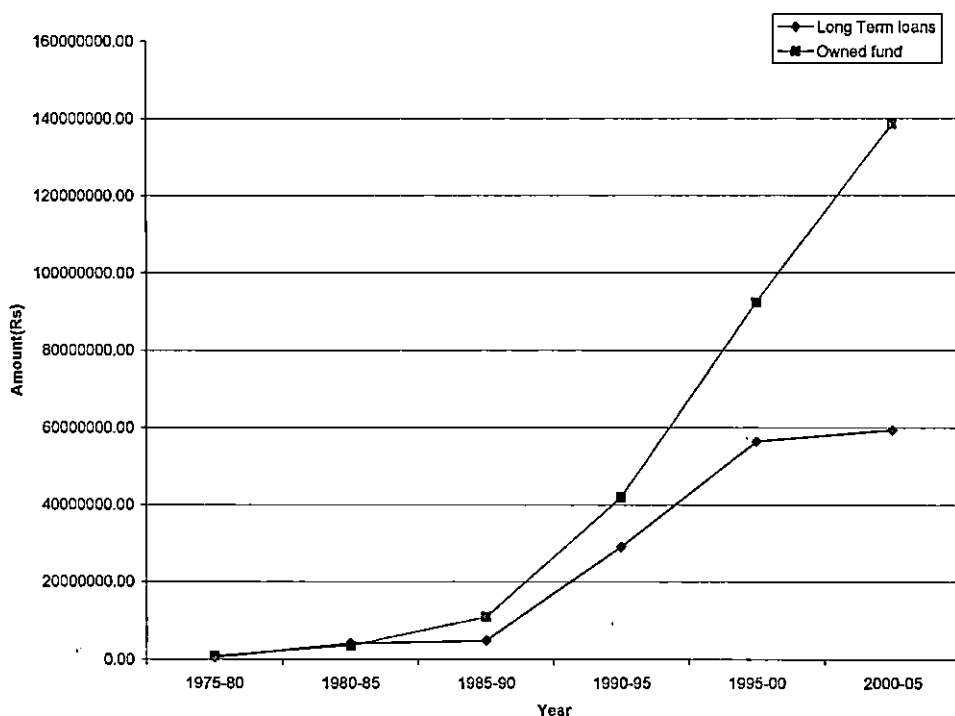
(Amount in Rupees)

Year	Long Term Debt	Owned fund	Ratio
1975-76	65873	175577	0.3752
1976-77	69617	176927	0.3935
1977-78	72169	192653	0.3746
1978-79	107284	204610	0.5243
1979-80	247842	219528	1.1290
1980-81	321107	256308	1.2528
1981-82	1025479	968756	1.0586
1982-83	854796	595926	1.4344
1983-84	928570	683296	1.3590
1984-85	1024578	1043174	0.9822
1985-86	750942	1125706	0.6671
1986-87	1355978	1141272	1.1881
1987-88	1303281	1597921	0.8156
1988-89	187870	3100456	0.0606
1989-90	1255312	3908068	0.3212

Year	Long Term Debt	Owned fund	Ratio
1990-91	5693219	5961605	0.9550
1991-92	4325005	6295859	0.6870
1992-93	6894060	7319325	0.9419
1993-94	7203653	10032235	0.7181
1994-95	4916553	12289166	0.4001
1995-96	7870781	14698643	0.5355
1996-97	11221568	17575681	0.6385
1997-98	7157686	18335797	0.3904
1998-99	19255113	20032146	0.9612
1999-00	10895493	21737811	0.5012
2000-01	6120667	25486737	0.2402
2001-02	15968728	27320106	0.5845
2002-03	11341745	29479944	0.3847
2003-04	16863393	28780234	0.5859
2004-05	9037717	27483874	0.3288
Average	5144536	9607311	0.6930

Source: Annual reports of KDCRMS

Fig. 3.3 Long Term loans and Owned fund



3.3 LIQUIDITY RATIOS

Liquidity ratios are used to measure the ability of the society to meet its current obligations as and when these become due. The analysis of these ratios indicated the present cash solvency of the society and its ability to remain solvent in the financial year.

3.3.1 Current Ratio

Current ratio shows the relationship between current assets and current liabilities. It is also known as working capital ratio. Current assets include cash and those assets, which can be easily converted into cash within a short period of time such as, cash in hand, cash at bank, marketable securities, short-term investments, work in process and prepaid expenses. Current liabilities include outstanding expenditure, bills payable, dividend payable and bank overdraft.

A relatively high current ratio is an indication that the firm is liquid and has the ability to pay its current obligations in time as and when they become due. On the other hand a relatively low current ratio represents that the liquidity position of the firm is not good and the firm shall not be able to pay its current liabilities in time without facing difficulties. The ideal current ratio required for an organisation is 2:1.

Current ratio of the KDCRMS over the period 1975-76 to 2004-05 is given in the table 3.4

The analysis revealed that in the initial years, the current ratio was 3.5189 in 1975-76, 3.1429 in 1976-77, and 2.8308 in 1977-78 respectively. In these years the society had limited borrowing and later society started to increase its borrowings from institutional sources such as District Co-operative Bank, State Government, Rubber Board etc. During the period 1987-88, the current ratio of the society increased to 4.9827 and it shows the increase in current assets of the society. Up to 1990's the current ratio of the society had increased. It is because of the membership position of the society has strengthened from 1983-84 to 1989-90. In the year 2000-01, the current ratio had decreased to 1.1812. Only few years the society shows unsatisfactory performance.

The average value computed over the total operational period was 3.9196. As a marketing organisation, this higher current ratio is better for the society and it enables them to pay its customers quickly.

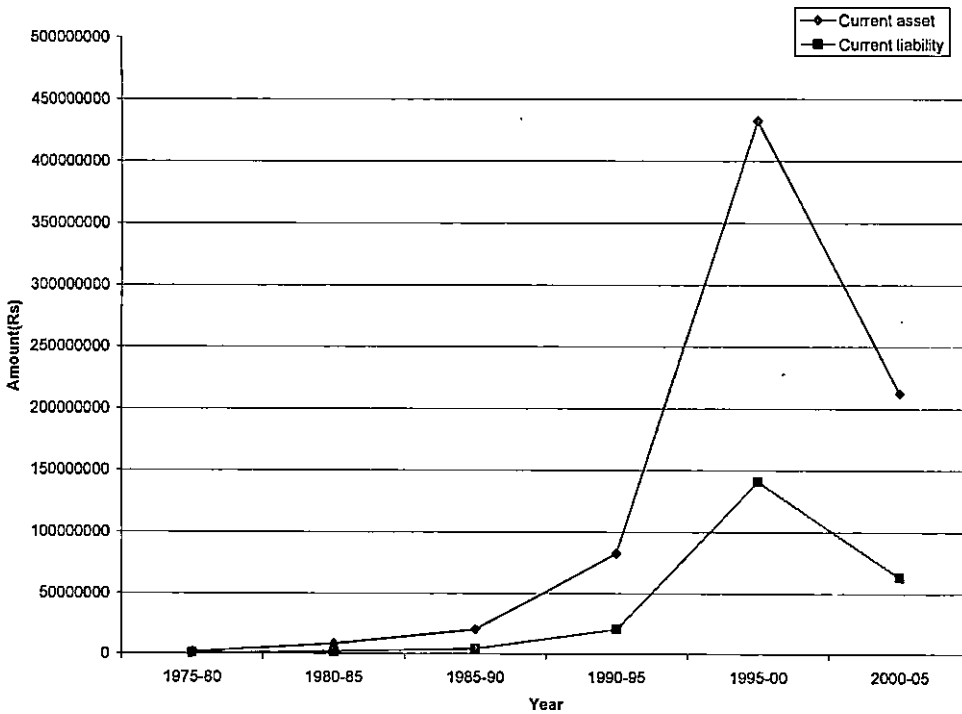
Table 3.4. Current Ratio of KDCRMS
(Amount in Rupees)

Year	Current Asset	Current Liability	Ratio
1975-76	76872	21846	3.5189
1976-77	182334	58014	3.1429
1977-78	165047	58304	2.8308
1978-79	314091	114252	2.7491
1979-80	742318	362610	2.0472
1980-81	967738	349782	2.7663
1981-82	967089	251961	3.8383
1982-83	1604859	294146	5.4560
1983-84	2005545	454585	4.4118
1984-85	2510064	568971	4.4116
1985-86	3454823	848755	4.0705
1986-87	3845712	814588	4.7210
1987-88	3926426	788011	4.9827
1988-89	4022413	836579	4.8082
1989-90	4807403	985151	4.8799
1990-91	13459049	4550175	2.9579
1991-92	19082188	3208770	5.9469
1992-93	19867518	5224679	3.8026
1993-94	13429743	3417100	3.9302
1994-95	16772619	3778840	4.4386
1995-96	126423427	35336416	3.5777

Year	Current Asset	Current Liability	Ratio
1996-97	195847875	58854858	3.3276
1997-98	23102910	12427849	1.8590
1998-99	41363378	12030381	3.4382
1999-00	45878896	22022550	2.0833
2000-01	35271953	29860456	1.1812
2001-02	40552706	5120055	7.9204
2002-03	43553784	8800948	4.9488
2003-04	45558798	9514770	4.7882
2004-05	47369781	9970442	4.7510
Average	25237579	7697530	3.9196

Source: Annual reports of KDCRMS

Fig. 3.4. Current assets and current liabilities



3.3.2 Acid Test Ratio or Quick ratio

This ratio is also known as liquid ratio or nearby ratio. Quick ratio may be defined as the relationship between quick (liquid) assets and current (liquid) liabilities. Quick ratio measures society's capacity to pay off current obligations immediately and is a more rigorous test of liquidity than the current ratio. Generally a quick ratio of 1:1 is considered to represent a satisfactory current financial condition. A high acid test ratio is an indication that the society is liquid and has the ability to meet its current (liquid) liabilities in time and a low quick ratio represents that the society's liquidity position is not good.

The acid test ratio of KDCRMS during 1975-76 to 2004-05 is shown in the table 3.5

The ratio of quick assets to quick liabilities is projected almost in the pattern of current assets to current liabilities. The ratio was high in the years 1990-91 (2.1929), and 1994-95 (2.0065). The average value for the whole period is 1.2750.

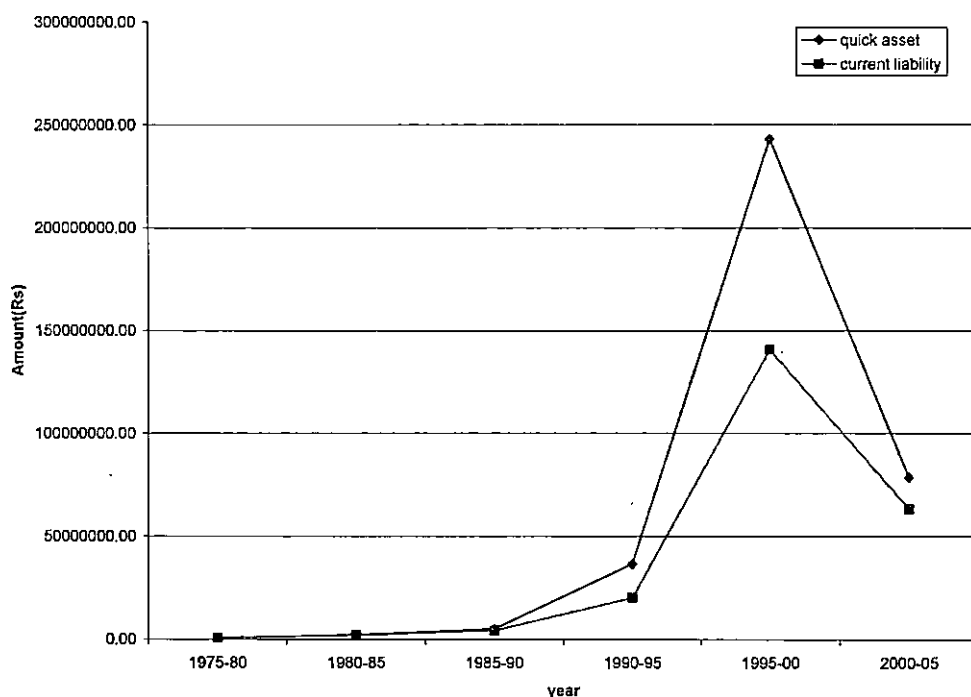
Table 3.5. Quick Ratio of KDCRMS

(Amount in Rupees)

Year	Quick Assets	Current Liability	Ratio
1975-76	42307	21846	1.9366
1976-77	110877	58014	1.9112
1977-78	73013	58304	1.2523
1978-79	50233	114252	0.4397

Year	Quick Assets	Current Liability	Ratio
1979-80	319751	362610	0.8818
1980-81	190339	349782	0.5441
1981-82	357162	251961	1.4175
1982-83	233489	294146	0.7938
1983-84	422450	454585	0.9293
1984-85	832678	568971	1.4635
1985-86	489976	848755	0.5773
1986-87	471796	814588	0.5792
1987-88	945124	788011	1.1994
1988-89	158267	836579	1.8917
1989-90	1612823	985152	1.6371
1990-91	9978007	4550175	2.1929
1991-92	1198298	3208770	0.3734
1992-93	2149436	5224679	0.4114
1993-94	5213412	3417100	1.5257
1994-95	788407	3778840	2.0875
1995-96	6610568	35336416	0.1871
1996-97	86671509	58854858	1.4726
1997-98	10611135	12427849	0.8538
1998-99	19751493	12030381	1.6418
1999-00	19598619	22022550	0.8899
2000-01	15467709	29860456	0.5180
2001-02	17650833	5120055	3.4474
2002-03	17658994	8800948	2.0065
2003-04	16192986	9514770	1.7019
2004-05	14804092	9970442	1.4848
Average	8639336	7697530	1.2750

Fig. 3.5 Quick assets and Quick liability



3.4 PROFITABILITY GROUP OF RATIOS

Profitability ratios were used to indicate the overall operating efficiency of the society. Here the profitability of the KDCRMS is evaluated by using the following profitability ratios.

3.4.1 Net Profits to Total Assets Ratio.

This ratio is a relationship between net profit and total assets. Net profits to total assets ratio indicates the rate of return on assets. A return of 10% is normally considered as an ideal value.

Table 3.6 shows the net profit total asset ratio of KDCRMS from 1975-76 to 2004-05.

The ratio of net profits to total assets exhibited the negative average value of -0.0019. It indicates the lower productivity of the resources. This negative profit margin was due to its excessive dependence upon term loans. This negative average value reflects that the utility of the assets by the society is not quite satisfactory. In the initial years the ratio was negative and in the final years it became positive.

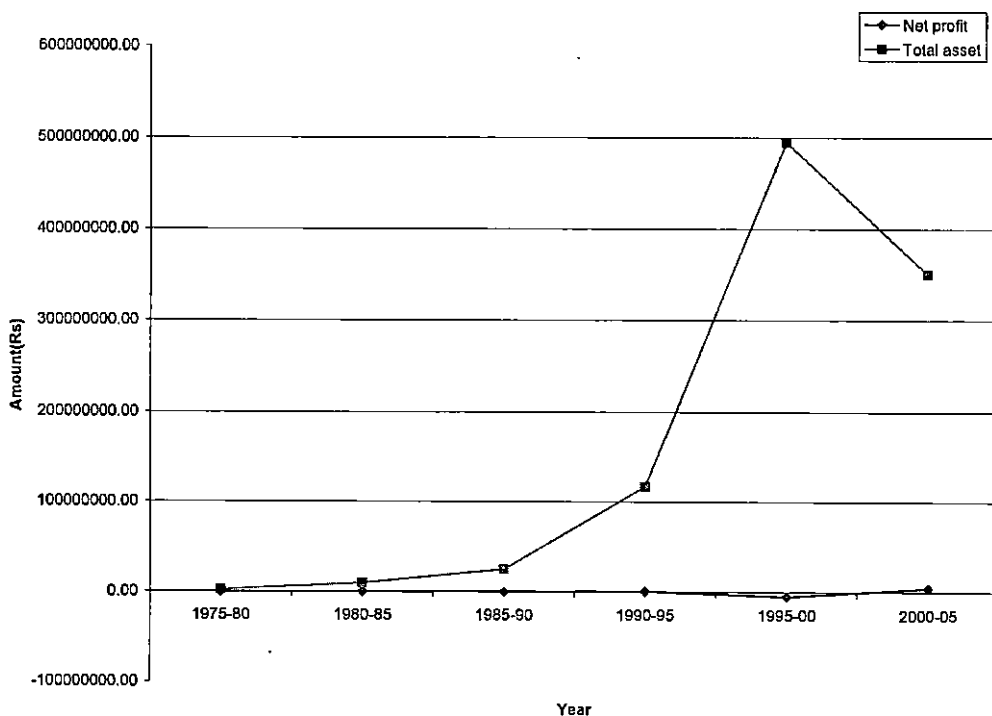
Table 3.6. Net Profit to Total assets Ratio of KDCRMS
(Amount in Rupees)

Year	Net Profit	Total Asset	Ratio
1975-76	-7078	156871	-4.51
1976-77	-4610	266464	-1.73
1977-78	11225	249790	4.49
1978-79	-8245	405349	-2.03
1979-80	-6946	840555	-0.83
1980-81	20655	1085085	1.90
1981-82	-8623	1110877	-0.78
1982-83	93839	1894856	4.95
1983-84	-112941	2336473	-4.83
1984-85	-132100	3110647	-4.25
1985-86	-17137	4103049	-0.42
1986-87	-156178	4629233	-3.37
1987-88	259504	4726535	5.49
1988-89	-94978	5225418	-1.82
1989-90	88765	6302212	1.41
1990-91	-203957	14955131	-1.36
1991-92	-190241	20722201	-0.92

Year	Net Profit	Total Asset	Ratio
1992-93	196026	30208367	0.65
1993-94	172335	23660993	0.73
1994-95	586638	27326914	2.15
1995-96	719649	137389193	0.52
1996-97	-1887811	206848093	-0.91
1997-98	-146385	36639705	-0.40
1998-99	-1534123	54632743	-2.81
1999-00	-2146587	59148261	-3.63
2000-01	930430	59075238	1.57
2001-02	2284998	65193372	3.50
2002-03	168951	72501654	0.23
2003-04	544220	75216563	0.72
2004-05	430000	77954685	0.55
Average	-5024	33263885	-0.19

Source: Annual reports of KDCRMS

Fig. 3.6 Net profit and Total asset



3.4.2. Net Profit To Owned Funds Ratio

Net profit to owned funds ratio indicates the relationship between net profit and owned fund of the society. This ratio shows the extend of profitability with reference to the investments of the society and it also indicates the productivity of the owned funds. The ideal net profits to owned funds ratio is about 13 percent.

Table 3.9 shows the net profit to owned funds ratio of the society from 1975-1976 to 2004 -2005.

The analysis revealed that the society earned huge loss in many years. Hence the net profits to owned funds ratio of the society shows a negative average value of 0.0065. It reflects that the overall efficiency of the society is not quite satisfactory. In the initial years, the ratio shows negative value and during the last 5 years it shows positive value.

Table 3.7. Net Profit to Owned funds Ratio of KDCRMS

(Amount in Rupees)

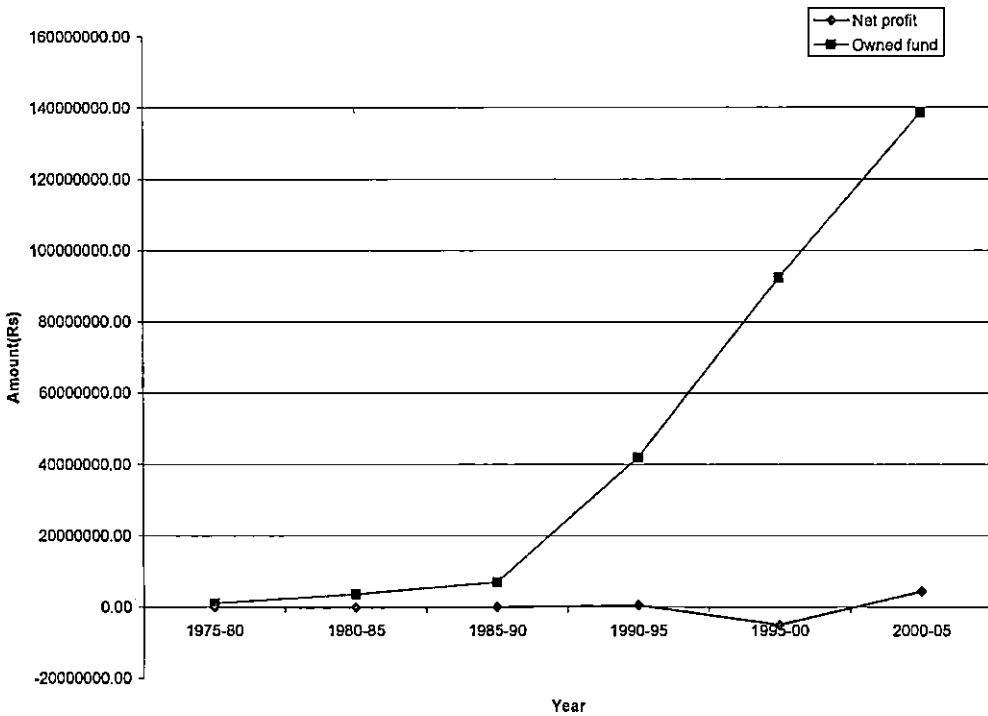
Year	Net Profit	Owned fund	Ratio
1975-76	-7078	175577	-4.03
1976-77	-4610	176927	-2.61
1977-78	11225	192653	5.83
1978-79	-8245	204610	-4.03
1979-80	-6946	219528	-3.16
1980-81	20655	256308	8.06

Year	Net Profit	Owened fund	Ratio
1981-82	-8623	968756	-0.89
1982-83	93839	595926	15.75
1983-84	-112941	683296	-16.53
1984-85	-132100	1043173	-12.66
1985-86	-17137	1125706	-1.52
1986-87	-156178	1141272	-13.68
1987-88	259504	1597920	62.14
1988-89	-94978	3100455	-3.06
1989-90	88765	3908068	2.27
1990-91	-203957	5961604	-3.42
1991-92	-190241	6295858	-3.02
1992-93	196026	7319324	2.68
1993-94	172335	10032235	1.72
1994-95	586638	12289165	4.77
1995-96	719649	14698643	4.90
1996-97	-1887811	17575680	-10.74
1997-98	-146385	18335797	-0.80
1998-99	-1534123	20032145	-7.66
1999-00	-2146587	21737811	-9.87
2000-01	930430	25486737	3.65
2001-02	2284998	27320106	8.36
2002-03	168951	29479944	0.57
2003-04	544220	28780234	1.89
2004-05	430000	27483874	1.56
Average	-5024	9607311	-0.65

Source: Annual reports of KDCRMS



Fig. 3.7 Net profit and Owned fund



3.4.3 Net Profits to Total Sales Ratio

Net profits to total sales ratio establish a relationship between net profit and sales. This ratio is an index of profitability and efficiency of the society. A higher ratio is an indication of higher overall efficiency of the total resources.

Table 3.10 shows the net profits to total sales ratio of the society from 1975-1976 to 2004-2005.

The ratio of net profit to total sales indicates that the performance of the society is not in a good condition. The average value of the total operational period was -0.0010. In the initial years it was negative values and in the last 5 years it shows sudden change and became positive.

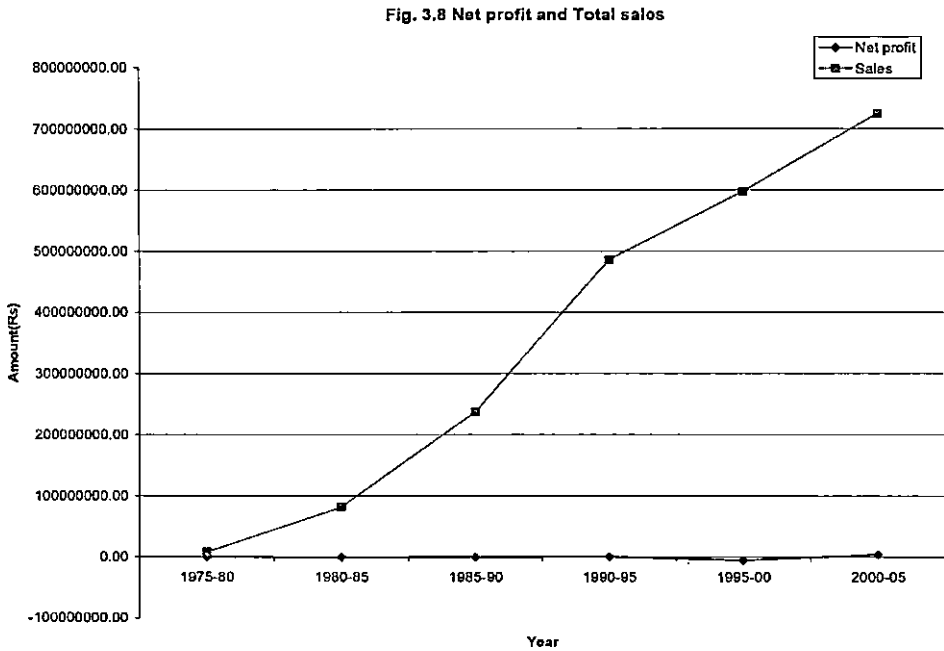
Table 3.8. Net Profit to Total Sales Ratio of KDCRMS

(Amount in Rupees)

Year	Net Profit	Total Sales	Ratio
1975-76	-7078	834109	-0.85
1976-77	-4610	1172790	-0.39
1977-78	11225	1328163	0.85
1978-79	-8245	1830312	-0.45
1979-80	-6946	3424034	-0.20
1980-81	20655	7781643	0.27
1981-82	-8623	11564970	-0.07
1982-83	93839	16061107	0.58
1983-84	-112941	20791249	-0.54
1984-85	-132100	25616023	-0.52
1985-86	-17137	29534752	-0.06
1986-87	-156178	35696200	-0.44
1987-88	259504	48029835	0.54
1988-89	-94978	57346881	-0.17
1989-90	88765	66818464	0.13
1990-91	-203957	58102027	-0.35
1991-92	-190241	87037757	-0.22
1992-93	196026	101534833	0.19
1993-94	172335	109277680	0.16
1994-95	586638	130145295	0.45
1995-96	719649	161369780	0.45
1996-97	-1887811	145933139	-1.29
1997-98	-146385	106211282	-0.14
1998-99	-1534123	79272485	-1.94

Year	Net Profit	Total Sales	Ratio
1999-00	-2146587	104804585	-2.05
2000-01	930430	101682370	0.92
2001-02	2284998	163179904	1.40
2002-03	168951	122967336	0.14
2003-04	544220	157856879	0.34
2004-05	430000	178911525	0.24
Average	-5024	71206580	-0.10

Source: Annual reports of KDCRMS



3.5 TURNOVER GROUP OF RATIOS

Turnover ratios are also known as activity ratios. This ratio measures the efficiency or effectiveness with which a firm manages its resources or assets. These ratios are known as turnover ratios because they indicate the speed with which assets are converted or turned over into sales. A proper

balance between sales and assets generally reflects that assets are managed well.

3.5.1. Inventory Turn over Ratio or Stock Turn over ratio

This ratio was employed to measure the effectiveness of the sales efforts of the society. It indicates the number of times the stock has been turned over during the period and evaluates the efficiency with which a firm is able to manage its inventory. High inventory turn over indicates efficient management of the inventory. A stock turnover of 8 times a year is considered ideal.

Inventory turnover of KDCRMS over the period 1975-1976 to 2004-2005 is shown in the table 3.11.

The analysis revealed that the inventory turnover of the institution was very efficient in all years. It was very high in the initial years and was increased upto 16.5708 in the year 1989-90. During the last 5 years, it was decreased. The average inventory turnover ratio for the whole operational period was 8.6902. The decrease in the ratio shows the inefficient management of the inventory in the institution.

Table 3.9. Inventory Turn over Ratio of KDCRMS

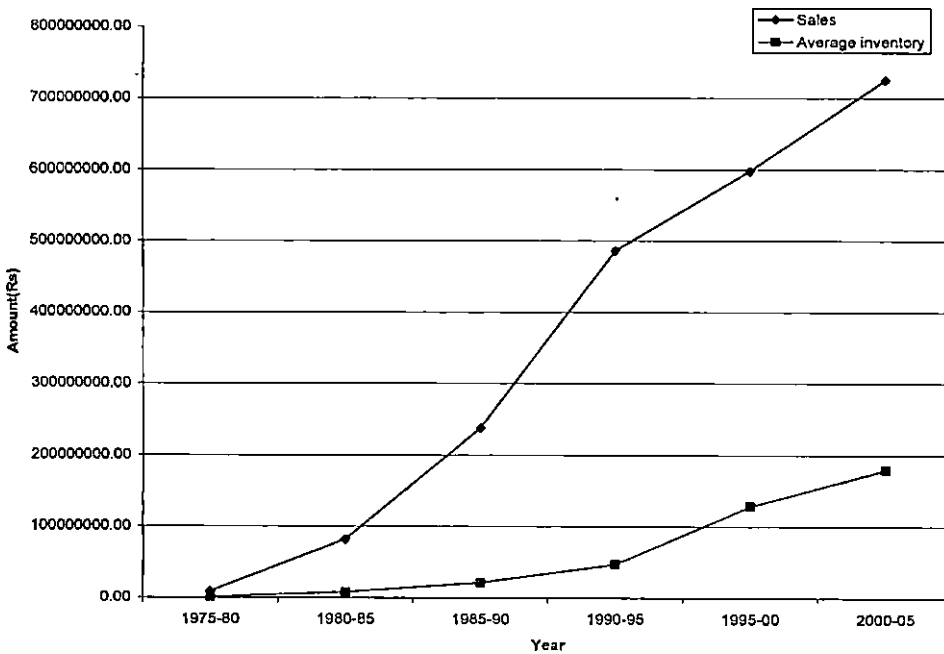
(Amount in Rupees)

Year	Total Sales	Average Inventory	Ratio
1975-76	834109	96474	8.6460
1976-77	1172790	70294	16.6841
1977-78	1328163	117104	11.3418
1978-79	1830312	221591	8.2599
1979-80	3424034	475141	7.2064
1980-81	7781643	811267	9.5920
1981-82	11564970	1082362	10.6849
1982-83	16061107	1295611	12.3965
1983-84	20791249	2150953	9.6661
1984-85	25616023	2397861	10.6829
1985-86	29534752	3159810	9.3470
1986-87	35696200	4623827	7.7201
1987-88	48029835	4808610	9.9883
1988-89	57346881	4201225	13.6500
1989-90	66818464	4037136	16.5708
1990-91	58102027	4935101	11.7732
1991-92	87037757	6891642	12.6295
1992-93	101534833	10680242	9.5068
1993-94	109277680	11826247	9.2403
1994-95	130145295	12658437	10.2813
1995-96	161369780	18790641	8.5878
1996-97	145933139	29874425	4.8849
1997-98	106211282	26369021	4.0279
1998-99	79272485	23297718	3.4026
1999-00	104804585	29580424	3.5430

Year	Total Sales	Average Inventory	Ratio
2000-01	101682370	25839200	3.9352
2001-02	163179904	31255181	5.2209
2002-03	122967336	35849267	3.4301
2003-04	157856879	40586077	3.8894
2004-05	178911525	45665420	3.9179
Average	71206580	12788277	8.6902

Source: Annual reports of KDCRMS

Fig. 3.9 Total Sales and Average Inventory



3.5.2 Net Working capital Turn over Ratio

Working capital turnover ratio indicates the speed of the utilisation of net working capital. This ratio indicates the number of times the working capital is turned over in the course of a year. A higher ratio indicates efficient utilisation of working capital and a low ratio indicates otherwise.

The total working capital turnover of the society shows a decrease in working capital turn over of 15.1584 in 1975-1976 to 4.7838 in 2004-2005. In the year 1998-1999 working capital turn over ratio declined to 2.7025 and in the year 1995-1996 it was 1.7716 and 1996-1997 it was 1.0653. It shows the inefficient management of working capital of the society. But the average value computed for the total operational period was 9.7532, which shows efficient management of the society.

Table 3.10. Working capital Turnover Ratio of KDCRMS

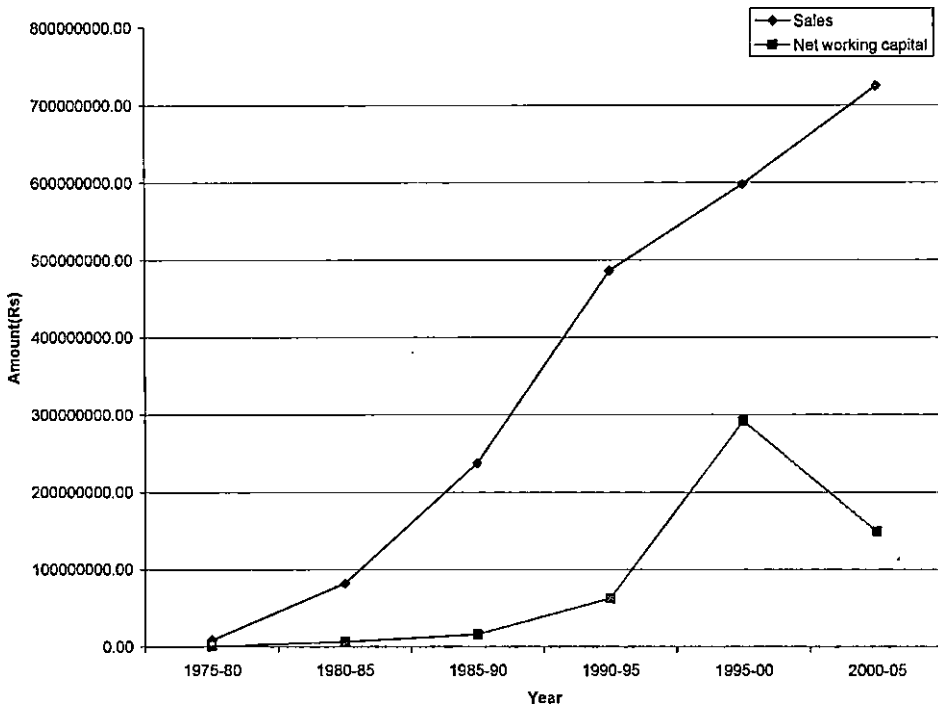
(Amount in Rupees)

Year	Total Sales	Net Working Capital	Ratio
1975-76	834109	55026	15.1584
1976-77	1172790	124320	9.4337
1977-78	1328163	106743	12.4426
1978-79	1830312	199839	9.1589
1979-80	3424034	379708	9.0176
1980-81	7781643	617910	12.5935
1981-82	11564970	715128	16.1719
1982-83	16061107	1310713	12.2537
1983-84	20791249	1550960	13.4054
1984-85	25616023	1941093	13.1967
1985-86	29534752	2606068	11.3331
1986-87	35696200	3031124	11.7766
1987-88	48029835	3138415	15.3039
1988-89	57346881	3185833	18.0006

Year	Total Sales	Net Working Capital	Ratio
1989-90	66818464	3822251	17.5024
1990-91	58102027	8908874	6.5218
1991-92	87037757	15873418	5.4812
1992-93	101534833	14642838	6.9341
1993-94	109277680	10012643	10.9140
1994-95	130145295	12993779	10.0160
1995-96	161369780	91087011	1.7716
1996-97	145933139	136993017	1.0653
1997-98	106211282	10675061	9.9495
1998-99	79272485	29332997	2.7025
1999-00	104804585	23856346	4.3932
2000-01	101682370	5411497	18.7901
2001-02	163179904	35432651	4.6054
2002-03	122967336	34752836	3.5383
2003-04	157856879	36044028	4.3796
2004-05	178911525	37399339	4.7838
Average	71206580	17540049	9.7532

Source: Annual reports of KDCRMS

Fig. 3.10 Total sales and Net working capital



3.5.3 Total sales to fixed assets ratio

This ratio is also known as fixed assets turnover ratio. It indicates us to what extent the fixed assets have been utilised. The ideal fixed assets turnover ratio is 5 times. The ratio was used to test the sales turnover of fixed assets.

Total sales to fixed assets ratio of the KDCRMS over the period 1975-1976 to 2004-2005 is shown in the table 3.13.

In the initial years, the total sale to fixed assets ratio was very high and it increased upto 80.4308. But during the last 5 years the ratio decreased upto 4.2479. The increase in this ratio indicates the proper usage of fixed assets. The average value computed for the total operational period was 28.2293.

Table3.11. Total sales to Fixed Assets Ratio of KDCRMS

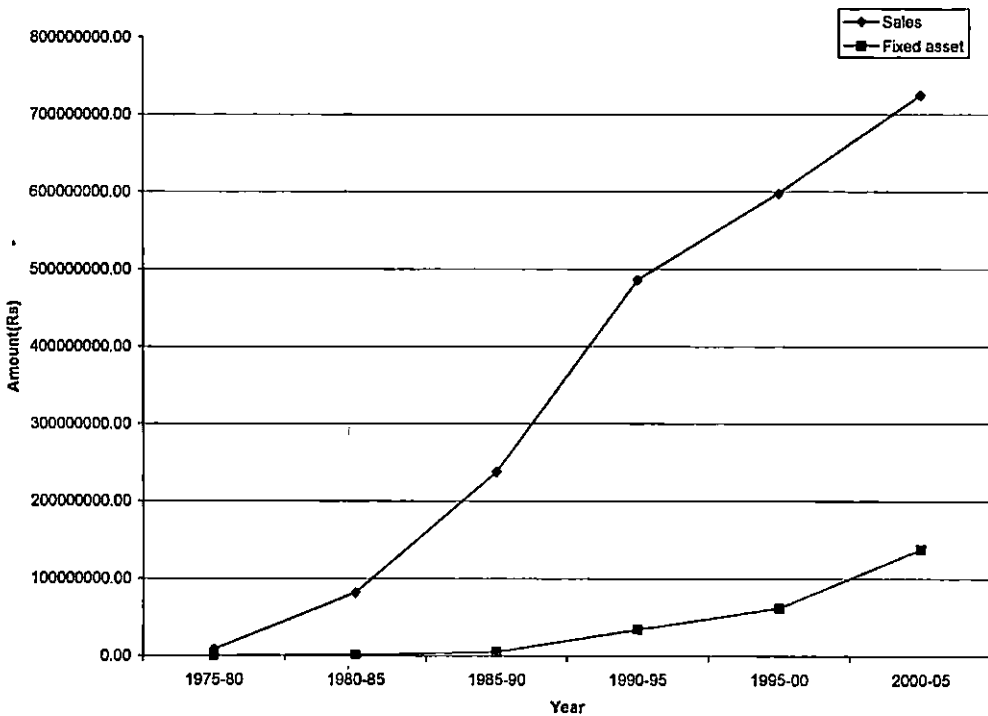
(Amount in Rupees)

Year	Total Sales	Fixed Asset	Ratio
1975-76	834109	79999	10.4265
1976-77	1172790	84130	13.9403
1977-78	1328163	84743	15.6728
1978-79	1830312	91289	20.0498
1979-80	3424034	98237	34.8549
1980-81	7781643	117347	66.3129
1981-82	11564970	143788	80.4308
1982-83	16061107	289997	55.3837
1983-84	20791249	330927	62.8272
1984-85	25616023	600583	42.6519
1985-86	29534752	648225	45.5625
1986-87	35696200	783520	45.5587
1987-88	48029835	800109	60.0291
1988-89	57346881	1203005	47.6697
1989-90	66818464	149809	44.7539
1990-91	58102027	1496083	38.8361
1991-92	87037757	1640013	53.0714
1992-93	101534833	10340849	9.8188
1993-94	109277680	10231250	10.6808
1994-95	130145295	10554295	12.3310
1995-96	161369780	10965766	14.7158
1996-97	145933139	11000217	13.2664
1997-98	106211282	13536795	7.8461
1998-99	79272485	13269365	5.9741
1999-00	104804585	13269365	7.8982

Year	Total Sales	Fixed Asset	Ratio
2000-01	101682370	23803285	4.2718
2001-02	163179904	24640666	6.6224
2002-03	122967336	28947870	4.2479
2003-04	157856879	29657765	5.3226
2004-05	178911525	30584904	5.8497
Average	71206580	8026307	28.2293

Source: Annual reports of KDCRMS

Fig. 3.11 Total Sales and Fixed assets



Summary of Findings and Conclusions

CHAPTER 4

SUMMARY OF FINDINGS AND CONCLUSION

4.1 FINDINGS

1. The overall results of the profitability ratio shows that the society has gone through frequent critical and unfavorable financial stresses during the initial years and also in the last 5 years. No specular achievements can be seen in the profit earnings of the society during the operational period of 30 years.

2. The inventory turnover ratio of the society is very efficient in almost all years. In the year 1989-90 it increased up to 16.5708. The inventory turnover shows how rapidly the inventory is turning in to receivables through sales. So the society's high inventory turnover ratio indicates that it has a good inventory management.

3. The working capital turnover ratio of the society is highest in the year 2000-2001 (18.7901) and it was very low in the year 1996-97 (1.0653). From this it is clear that the society utilise its working capital very efficiently and it helps the society to become profitable.

4. The total sales to fixed assets ratio of the society is ideal for almost all years. It was very high in the years 1980-81 (66.3129), 1981-82 (80.3129), 1983-84 (62.8272) and 1987-88 (60.0291). From the analysis, it is clear that the society utilise its fixed assets very effectively.

5. The debt equity ratio of the society is not ideal for all the operational years. That is the ratio is very low. It reveals that the owners' contribution in the society's fund is more than that of long-term debt. So the debt equity ratio is not ideal for the concern.

6. The other two long-term solvency ratios viz-total liabilities to owned funds and fixed assets to owned fund ratios are unfavorable. So it is clear that the long-term solvency of the society is not quite satisfactorily.

7. Current ratios of the society have increased up to 5.4560 in the year 1982-83. The current ratio is ideal for only few years. It can be inferred that the current ratio was far from satisfactory in almost all years. But as a marketing institution it is better for the society.

4.2 CONCLUSION

The financial performance of the KDCRMS was examined by analysing the various financial indicators such as owned funds, total liabilities, total assets, long term investments, fixed assets working capital, total sales, net

profit, and gross income. These financial indicators were very low in the initial years and showed a growth in the last 5 years. However the society faces a lot of unfavorable financial stresses and difficulties during its operational period of 30 years especially in the initial years.

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Appendix

Appendix I

Comprehensive statement of various financial indicators of KDCRMS from 1975-76 to 2004-05

Year	Total liability	Fixed asset	Long term loans	Owned fund	Current asset	Current liability	Quick asset	Net profit	Total asset	Total sales	Net working capital	Average inventory
1975-76	87718	79999	65873	175577	76872	21846	42307	-7078	156871	834109	55026	96474
1976-77	127631	84129	69617	176927	182334	58014	110877	-4610	266464	1172790	124319	70294
1977-78	130472	84743	72169	192653	165047	58304	73013	11225	249790	1328163	106742	117104
1978-79	221535	91288	107284	204610	314091	114252	50233	-8245	405349	1830312	199839	221591
1979-80	610453	98236	247842	219528	742318	362610	319751	-6946	840555	3424034	379707	475141
1980-81	670935	117347	321107	256308	967738	349782	190339	20655	1085085	7781643	617910	811267
1981-82	1277439	143787	1025479	968756	967089	251961	357162	-8623	1110877	11564970	715128	1082362
1982-83	1148942	289997	854796	595926	1604859	294146	233489	93839	1894856	16061107	1310713	1295611
1983-84	1383155	330927	928570	683296	2005545	454585	422450	-112941	2336473	20791249	1550959	2150953
1984-85	1593550	600582	1024578	1043173	2510064	568971	832678	-132100	3110647	25616023	1941092	2397861
1985-86	1599698	648225	750942	1125706	3454823	848755	489976	-17137	4103049	29534752	2606068	3159810
1986-87	2170566	783520	1355978	1141272	3845712	814588	471796	-156178	4629233	35696200	3031124	4623827
1987-88	2091292	800109	1303281	1597920	3926426	788011	945124	259504	4726535	48029835	3138414	4808610
1988-89	1024449	1203004	187870	3100455	4022413	836579	158267	-94978	5225418	57346881	3185833	4201225
1989-90	2240463	149808	1255312	3908068	4807403	985151	1612823	88765	6302212	66818464	3822251	4037136
1990-91	10243394	1496082	5693219	5961605	13459049	4550175	9978007	-203957	14955131	58102027	8908873	4935101
1991-92	7533775	1640013	4325005	6295859	19082188	3208770	1198298	-190241	20722201	87037757	15873417	6891642
1992-93	12118740	10340848	6894060	7319325	19867518	5224679	2149436	196026	30208367	101534833	14642838	10680242
1993-94	10620753	10231250	7203653	10032235	13429743	3417100	5213412	172335	23660993	109277680	10012642	11826247

1994-95	8695393	10554295	4916553	12289166	16772619	3778840	788407	586638	27326914	130145295	12993778	12658437
1995-96	43207197	10965766	7870781	14698643	126423427	35336416	6610568	719649	137389193	161369780	91087010	18790641
1996-97	70076426	11000217	11221568	17575681	195847875	58854858	86671509	-1887811	206848093	145933139	136993017	29874425
1997-98	19585535	13536795	7157686	18335797	23102910	12427849	10611135	-146385	36639705	106211282	10675061	26369021
1998-99	31285494	13269365	19255113	20032146	41363378	12030381	19751493	-1534123	54632743	79272485	29332996	23297718
1999-00	32918043	13269365	10895493	21737811	45878896	22022550	19598619	-2146587	59148261	104804585	23856345	29580424
2000-01	35981124	23803285	6120667	25486737	35271953	29860456	15467709	930430	59075238	101682370	5411496	25839200
2001-02	21088783	24640666	15968728	27320106	40552706	5120055	17650833	2284998	65193372	163179904	35432651	31255181
2002-03	20142693	28947870	11341745	29479944	43553784	8800948	17658994	168951	72501654	122967336	34752836	35849267
2003-04	26378163	29657765	16863393	28780234	45558798	9514770	16192986	544220	75216563	157856879	36044028	40586077
2004-05	19008159	30584904	9037717	27483874	47369781	9970442	14804092	430000	77954685	178911525	37399339	45665420

FINANCIAL ANALYSIS OF KASARAGOD DISTRICT CO-OPERATIVE RUBBER MARKETING SOCIETY

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ABSTRACT OF THE PROJECT REPORT

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ABSTRACT

The Study entitled “**FINANCIAL ANALYSIS OF KASARAGOD DISTRICT CO-OPERATIVE RUBBER MARKETING SOCIETY**” was undertaken to examine the financial strength and weakness of KDCRMS. For analysing the financial performance of KDCRMS, secondary data was collected from head office of KDCRMS, Chittarikkal. For the analysis of the financial performance of the society, secondary data collected for a period of 30 years and 11 financial ratios were used. The analysis showed that KDCRMS has gone through frequent critical and unfavourable financial stress during the operational period of 30 years and it is, by no means a secular achievement in the financial performance. The KDCRMS, with co-operative bondage and social obligations has tried to fulfill the aspirations of its members through diversifying its concentration towards the production of rubber, rubber products and other agricultural commodities.

