

A Study on Profitability and Performance Evaluation Model for Cashew Processing Units- a Study with Special Reference to Kaladhar Cashew Industries

Shyam S Bhat¹, Praveen Kumar B H² and Dr. Ravisha N S³

Assistant Professor¹, Acharya Tulsi National College of Commerce (ATNCC) Shimoga, Research Scholar² and Assistant Professor³, Department of Management Studies, Jawaharlal Nehru National College of Engineering (JNNCE), Navule, Shimoga, Karnataka

ABSTRACT

Cashew is often regarded as 'poor man's crop and rich man's food' and is an important cash crop and highly valued nut in the global market. The area under cashew cultivation is the highest in India. However, it is not so in the case of productivity, processing and quality. In reality, the Indian cashew industry has a high untapped potential to support the livelihood of cashew farmers, provide numerous employment opportunities and improve returns through global trade. The present work projects the need for important changes to be made in the existing system, so as to find a substantial improvement in the growth of the Indian cashew industry. This study includes Sales ratio, Revenue Ratio, Net profit Ratio, Operating Ratio. The Period of Study Taken from 2013 to 2018.

Keyword: Operating Ratio, Net Profit Ratio, Sales Ratio.

INTRODUCTION

Agriculture plays a curial role in economic development of any country. Indian economic development is assessed on the basis of income generated by agricultural sector. The agriculture activities constitute more than 20 per cent of Gross Value Added (GVA) during 2017-18 at current prices it is estimated that the GVA will grow at a rate of 3 per cent in FY18.

The Indian food industry is balanced for tremendous development, expanding its commitment to world food exchange each year because of its enormous potential for value addition, especially inside the food processing industry. The Indian food industry occupies the sixth position in world. with retail contributing 70 per cent of sales. The Indian food processing industry represents 32 per cent of total food market, one of the biggest enterprises in India and is positioned fifth in terms of aggregating production, consumption and export oriented business values. It contributes around 8.80 and 8.39 per cent of Gross Value Added (GVA) in Manufacturing and Agriculture individually.

CASHEW INDUSTRY IN INDIA

Cashew was originally introduced into India by the Portuguese during the 16th century. The cashew was known in the West Coast as early as in 1560. It a hard, drought- resistant plant and comes up well in poor soil. Hence, cashew is considered as the 'Gold Mine' of the wasteland. It is grown in tropical and sub-tropical regions of the globe. However, it is cultivated on a large scale in India, Brazil, Vietnam and Tanzania. Cashew was first introduced in India to cover bare hills and for soil conservation.

Many private 37 entrepreneurs were involved in its cultivation by distribution of indiscreet seeds and seedlings. There were no specific agencies either in the State sector or under the Central directorate to provide an individual attention for cashew promotion. In the late half of 60s, a Central agency, Directorate of Cashew nut Development, came into being to scientifically orient its development in coordination with the efforts of several States. Centrally-aided programme on a modest way was started to develop a system

orientation in plantation development under public (Forest and Agricultural Department) sector lands and also in private lands at small and marginal holdings. The cultivation and production of cashew nut mainly takes place in Asia, Africa and Latin America. The main producers of cashew nuts are India, Brazil and Vietnam with further significant harvest in Tanzania, Mozambique, Indonesia and West Africa. Five countries, India, Brazil, Tanzania, Mozambique and Kenya, account for 95 per cent of the total world production.

OBJECTIVES OF THE STUDY

1. To study the importance of profitability and performance of Cashew nut Processing Units in general and Kaldhar Cashew industries (KCI) in particular.
2. To study the working capital and cost management practices of KCI during the study period.
3. To examine the profitability of KCI using Growth, Liquidity, Solvency and Profitability ratios
4. To arrive at comprehensive Financial model to assess the profitability and performance evaluation of Cashew nut processing industry in general KCI in particular.

PERIOD OF THE STUDY

The study consist of five financial year data from 2013-14 to 2017-18

Data collection

The data were collected through annual report of respective selected public and private sector banks, internet, magazines, books, websites and journals.

REVIEW OF LITERATURE

1. **Sharma (2013)**, considered that Indian Agricultural based economy stayed shut until the mid 1990s. By 1991, there was new monetary strategy which focused on both outer division changes in the conversion standard, exchange and outside speculation strategies, and interior changes in regions, for example, mechanical approach, cost and conveyance controls, and financial rebuilding in the budgetary and open areas. The greater part of the export profit of agribusiness originated from the traditional things, for example, tea, cashew and flavors. India's offer on the planet rural exports is low in numerous things. Until the point when the start of the mid seventies India has been a merchant of various rural items. Except for a couple of items like rice, cotton, tea, espresso, oilseeds, oil cakes, tobacco and flavors, the offer of horticultural export of India in absolute world exchange was extremely inconsequential. The offer is especially low on the planet exchange of fish, meat, chicken, vegetables and natural products. India has made generous walks in the aggregate world creation of numerous wares. Nonetheless, its offer in the export showcase is moderately little.

2. **U K. Srivastava's** investigation, "Agro-Processing Industries: Potential, Constraints and Task Ahead" dissected the profile and patterns in the development of agro-processing enterprises and distinguished imperatives of agro-processing ventures. It is likewise seen in the investigation that significant segment of net esteem included from the agro-business s got from unregistered and bungalow scale units. Advance it is watched that main part of the nourishment businesses are little and that settled capital venture per processing plant in the non agro-based enterprises, and working capital utilized is more as analyzed in non agro- based businesses and capital work proportion is less in the agro-based enterprises as thought about in non agro-based ventures demonstrating the work concentrated character of the agro- based ventures. The examination distinguishes imperatives like insufficiency and reasonableness of crude materials, under use of the current limit, old processing innovation and subsequent problematic yields, vitality over use, absence of scale economies underway, expanded market costs, bigger consumption on advertise improvement, high rate of enthusiasm on working capital from business bank and high duty on handled items.

3. **K.P. Kannan's** investigation on 'Cashew Processing Industries' has examined the authentic variables that have formed its improvement and thought about issues like the degree to which agrarian and non agrarian capital has moved into this industry, the development of manufacturing plant framework, the determinants of

business and wages, the issues in the import front, the household capability of expanding creation of nuts and calls attention to the required approach changes.

4. **Vasant P. Gandhi and Gyanendra Mani**, in their investigation, "Agro-Processing for Development and Exports: The Importance and Pattern of Value Addition from Food Processing" endeavor to break down the extents, variety and example in the esteem expansion in the nourishment processing ventures utilizing information from yearly overview of enterprises. The investigation finds that net esteem expansion from sustenance processing industry over the aggregate estimation of info is high and developed amid the time of the examination. The degree of significant worth expansion as a level of info contrasts considerably by the sustenance business gather from more than 25% for cashew, espresso and fine sugar to 5-6% in customary ventures like processing, palatable oil and vanaspati. The examination presumes that data on esteem expansion of agro-processing ventures in various parts will be of huge help in planning speculation portfolio for the improvement of agro- processing enterprises for residential markets and exports.

STATEMENT OF PROBLEM

Cashew processing industry mainly depends macroeconomic and topological variations of the country. The major worry for cashew processing units is irregularity among the prices. It is very challenging for any cashew processing units to perform effectively in highly volatile market. In this backdrop the present study is aimed to find out the financial performance of cashew processing units using comprehensive approach. The topic chooses for the study is **“A Study on Profitability and Performance Evaluation Model for Cashew Processing Units”**

ANALYSIS AND INTERPRETATION OF DATA:

The following ratios have taken into consideration to evaluate and compare the financial performance of Kaladhar Cashew Industries.

1. Sales Ratio
2. Revenue Ratio
3. Gross Profit Ratio
4. Profitability Ratio
5. Expenses Ratio
6. Fixed assets to owners fund ratio

1. SALES RATIO

Table showing Actual and trended values of sales revenue with correlation,CAGR and YoY growth rates during 2013-14 to 2017-18.

Year	Sales	Trend values	Growth	T test value	
2013-14	189209732	187972345	Nil	T Statistics value	1.15
2014-15	215196204	220898772	13.73		
2015-16	274623976	253825198	27.62	T Critical one-tail value	2.13
2016-17	257312226	286751625	-6.30		
2017-18	332783853	319678051	29.33	Degree of freedom	4
Slope	32926426.54	CAGR	11.96	RSQ	0.88
Intercept	253825198.60	Correlation	0.94		

Interpretation

Sales revenue is considered as prime revenue for all organization. The growth is sales is major component for the overall organization growth. The sales of the organization is analyzed with comparison of calculated linear trend values which depicts that there is 0.94 positive correlation between actual sales to trended sales.

2. REVENUE RATIO

Table showing Actual and trended values of Total Income with correlation,CAGR and YoY growth rates during 2013-14 to 2017-18.

Year	Total Income	Trend values	Growth	T Test value	
2013-14	240127162.00	236816451.7	Nil	T Statistics value	2.69
2014-15	270328808.50	273213080.4	12.57		
2015-16	313835770.55	309609709	16.09	T Critical Value (One tail)	2.13
2016-17	332964189.00	346006337.6	6.09		
2017-18	390792614.93	382402966.3	17.36	Degree of freedom	4
Slope	36396628.64	CAGR	10.23	RSQ	0.88
Intercept	309609709	Correlation	0.98		

Interpretation

The aggregate income from all sources of income constitute total income. The growth in total income indicatives that the organization is very consistent in financial position. The above table and graph indicates the organization recorded compounded annual growth rate of 10.23 per cent. The correlation coefficient between actual values of Total Income and trended values of Total Income is resulted in 0.98 per cent.

3. GROSS PROFIT RATIO

Table showing Actual and trended values of Gross Profit with correlation,CAGR and YoY growth rates during 2013-14 to 2017-18

Year	Gross Profit	Trend values	Growth	T test value	
2013-14	20520926	21511816.34	Nil	T Statistics value	7.94
2014-15	25149907.5	25387248.56	22.56		
2015-16	31667296.6	29262680.78	25.91	T Critical Value (One tail)	2.13
2016-17	33004466	33138112.99	4.22		
2016-17	35970807.8	37013545.21	8.99	Degree of freedom	4
Slope	3875432.22	CAGR	11.88	RSQ	0.88
Intercept	29262680.8	Correlation	0.97		

Interpretation

Operating efficiency of the organization solely depend on amount of gross profit which is also indicates the movement of direct revenue for the organization. The gross profit of Kaldhar Cashew Industries limited is resulted in positive growth rate with an annual CAGR rate of 11.89 per cent.

4. PROFITABILITY GROWTH RATIO

Table showing Actual and trended values of Net Profit with correlation,CAGR and YoY growth rates during 2013-14 to 2017-18.

YEAR	NET PROFIT	Trend values	Growth	T test value	
2013-14	5244062.97	5268232.596	Nil	T Statistics value	1.46
2014-15	6051338.04	6175913.819	15.39		
2015-16	7348316.06	7083595.042	21.43	T Critical Value (One tail)	2.13
2016-17	7932240.07	7991276.265	7.95		
2017-18	8842018.07	8898957.488	11.47	Degree of freedom	4
Slope	907681.223	CAGR	11.01	RSQ	0.99
Intercept	7083595.042	Correlation	0.99		

Interpretation

Financial efficiency and soundness of the organization is determined by the level of Net Profit. The growth in net profit indicates the growth in the overall financial condition of the organization. The above table provides the proof that the organization is very efficient and effective in getting the benefits of Net profit.

5. EXPENSES RATIO

Table showing Actual and trended values of Direct Expenses with correlation, CAGR and YoY growth rates during 2013-14 to 2017-18.

Years	Direct Expenses	Trend values	Growth	T test value	
2013-14	27831293	30251820.2	Nil	T Statistics value	3.425
2014-15	30594694	31567925.4	9.93		
2015-16	34195331	32884030.6	11.77	T Critical Value (One tail)	2.13
2016-17	44179338	34200135.8	29.20		
2017-18	27619497	35516241	-37.48	Degree of freedom	4
Slope	1316105.2	CAGR	-0.15	RSQ	0.09
Intercept	32884030.6	Correlation	0.30		

Interpretation

The cost management theory given by Max Weber argues that the basic characteristic of an effective organization is minimization of expense and maximization of revenues. Direct expenses of KCI include Freight & Octroi, Ineligible Consignment, Sale Input Tax, Leave with Wages A/c, Packing & Forwarding Processing Charges Transport & Handling Charges. The above table and graph indicate that the organization is successful in minimizing its direct cost expenses.

6. FIXED ASSETS TO OWNERS FUND RATIO

Table showing fixed asset to owners fund ratio from 2013-14 to 2017-18

Years	Fixed Asset	Owned Fund	Ratio	T test value	
2013-14	6493485.16	44751889.6	15%	T test statistics value	2.084
2014-15	7727031.76	49971315.48	15%		
2015-16	11611834.61	54024380.96	21%	T Critical Value (One tail)	2.131
2016-17	11632920.97	61428237.53	19%		
2017-18	16996700.35	65232707.8	26%		

Interpretation

Investment over fixed assets constitute a very important component for cashew processing units. The advanced changes in technology created a need for implementation of new technological processing methods which is inevitable for the organization. The fixed asset turnover ratio indicates the contribution of owners' fund to purchase required equipment. From the above table and graph it is evident that the organization is very keen in utilizing the ownership capital for procurement of fixed assets. In 2012-13 and 2013-14 there was 15% per cent of ownership funds utilized for procurement of fixed assets and in 2014-15 the investment over fixed assets using ownership fund increased to 21% per cent. Later in 2016-17 the organization spent more than 1/4th of ownership capital to fund the fixed asset.

SUMMARY OF FINDINGS, SUGGESTION AND CONCLUSION

Findings of the study

- The average value of Interstate Kernel Sale (C-Form) is 53.67 percent with consumes more than 50 percent of sales revenue. C form sales is The C Form comes into picture when interstate trade takes place.
- The outcome of ABC analysis implies that out of 11 types of raw materials are categorized on the basis of 80:15:5 proportions.
- The sales of the organization is analyzed with comparison of calculated linear trend values which

depicts that there is 0.94 positive correlation between actual sales to trended sales

- The correlation coefficient between actual values of Total Income and trended values of Total Income is resulted in 0.98 per cent.

Suggestions

- Cashew is often regarded as 'poor man's crop and rich man's food' and is an important cash crop and highly valued nut in the global market.
- The area under cashew cultivation is the highest in India. However, it is not so in the case of productivity, processing and quality.
- The present work projects the need for important changes to be made in the existing system, so as to find a substantial improvement in the growth of the Indian cashew industry
- Environmental Issues In India, many state governments have banned drum roasting of cashew nuts because of its contribution to air pollution.

CONCLUSION

As the demand of cashew nut grows, the area under cashew crops is also increasing. But this trend is constrained. Research and development presently - focuses on implementing good cultivation practices and developing high yielding varieties, pest resistant crops and other technologies to improve the productivity and quality of cashew. In order to balance the gap in supply-demand, India imports various forms of cashew. India needs to take necessary actions to improve productivity, cultivation practices and food safety standards in the cashew processing sector. Limited data is available on the processing efficiency of different unit operations by manual and mechanical means in cashew processing. There is also a need for an informative survey of other problems in Indian cashew units, so as to re-focus research and development. Such measures will ensure greater value of Indian cashew at the global markets.

The present study comprise of creating financial modeling for cashew nut processing industry. In this project the researcher adopted various types of statistical and financial tools like trend, ABC, Working capital, ratios and ANOVAs test. All the variables under study resulted in positive movements which can be concluded as the proposed financial modeling based on four tier analysis is suitable for all cashew processing industry in general and Kaladhar cashew industries in particular.

REFERENCE

1. Bala Subramoniam, Cashew Exports and Marketing Abroad, NationalSeminar on Cashew Industry, Quilon, Kerala, p. 83.
2. Rajiv Kumar, India, Africa and the International Trade – Current Trends and Prospects for the Future, Indian Cashew Journal, Vol. XXIV, No.2, pp. 3-7.
3. Bhaskara Roa, Integrated Production Practices of Cashew in India, Indian Cashew Journal, Vol. XXIX, No.3, p.8.
4. Kannan, Cashew Development in India: Potentialities and Constraints, Agricola Publishing Academy, New Delhi, p. 1.