A STUDY ON PROFITABILITY ANALYSIS OF MERCELYS ICE-CREAM AFTER SPIN OFF

Project Report

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By

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DECLARATION

I **Joel Antony** hereby declare that the project report entitled "**A study on profitability analysis of mercelys ice-cream after spin off**" submitted to the University of Calicut in partial fulfillment of the requirement for the award of **Master of Business Administration**, is a record of research done by me under the supervision and guidance of research guide **Dr. Suraj E.S, Associate professor** Naipunnya Business School.

I also declare that the same has not previously formed as the basic for the award of any Degree, Diploma or fellowship or other similar title to this or any other Universities.

Place: East Koratty, Thrissur **Joel Antony**

Date: YPAWMBA052

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Place: East Koratty, Thrissur **JOEL ANTONY**

Date: YPAWMBA052

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INTRODUCTION

1.1 Introduction

Profitability Analysis is the process of reviewing and analyzing a company's financial statements to make better economic decisions. Financial statements are formal records of a company, individual, or other entity's financial actions and condition. The required financial information is presented in a systematic and easily understandable style. They usually include a balance sheet, income statement, equity statements, and cash flow statements. It gives a clearer picture of the company's financial status, performance, and stability. It acts as a source of information for most decision makers.

Here, After spin-off refers to the period of time immediately following the separation of one part of a company into an independent entity. So, the financial statement analysis has high significance in the future activities of the company. An analysis of the financial statements of the company will give a detailed description of the financial position and performance of the company. So, it can be done using techniques like Ratio Analysis, Comparative Statements, Common-size statements, Cash flow statement and Fund flow statement. The data collection is only from secondary data like the Annual report of the company and the internet.

Significance of the study

Analyzing the Profitability and overall financial performance is crucial to evaluate Mercely's Ice Cream Company's financial well-being after the spin-off. This evaluation is essential for stakeholders as it directs multiple decision-making processes. Investors and shareholders depend on comprehensive financial information for insight into the company's financial health and profitability, guiding their investment and divestment choices. By analyzing performance indicators like net profit margins, return on assets, and return on equity, stakeholders can assess the company's profit-making capability and financial efficiency

It is crucial for financial institutions to evaluate Mercely's liquidity and creditworthiness. These establishments consider metrics like the current ratio and quick ratio when assessing the ability of the company to fulfill immediate financial responsibilities. This data is crucial for determining the terms and accessibility of short-term credit and other financial options. Having a solid amount of liquid assets increases the company's attractiveness as a borrower with low risk, making it easier to obtain credit. Financial performance analysis also provides significant benefits to top management.

The data gives a thorough perspective on the company's financial strengths and weaknesses, allowing executives to make well-informed strategic choices. They are able to distribute resources efficiently, handle financial risks, and enforce essential controls for financial stability and growth. Through examining patterns in financial results, executives can anticipate upcoming increases in growth and profitability, leading to enhanced strategic planning and investment in innovation and expansion. In general, the analysis of financial performance provides a strong structure for gaining insight into both the company's present financial position and its future potential. It aids in pinpointing areas to enhance, promotes effective financial control, and ultimately enhances decision-making at every level of the organization.

1.2 Statement of the problem

The actual impact of a spin-off on the profitability of the newly independent company can vary widely. It has raised several critical questions like Financial Performance, Operational Efficiency, Shareholder’s value... etc. the study will analyze various financial metrics to address these questions.

1.3 Objectives of the study

Following are the objectives of this study

1. To assess the profitability of the company after spin off from meriiboy ice creams.
2. To analyze the financial performance of the company before and after spin off.

1.4 Scope of the study

The scope of the study first intends to understand the company. The study is designed to cover the financial performance of the company after the spin-off to find out the financial position, performance of the company by using techniques like Ratio analysis, and Comparative Statements. The study includes two financial year data's from financial year's starts from 2021 to 2022, 2022 to 2023 of Meriiboy and Mercely's.

1.5 Research Methodology

The study adopts an analytical research design methodology to examine profitability and overall financial performance of mercely's Ice-creams after spin-off from meriiboy. The methodology involves a systematic analysis of secondary data to derive meaningful insights and conclusions.

Research design

Research design states that "A research design is the arrangement of conditions for collections and analysis of data analysis of data manner that aims to combine relevance to the research purpose with economy in procedure."

A research design is purely and simply the framework or plan for a study that guides the collection and analysis of the collected data. A researcher attempting to solve his problem should necessarily prepare a plan which will help him to attain his ultimate motto. It is a preliminary plan that will change significantly as the investigation progresses. It outlines the organization and procedure of the research program. A research design or model represents a plan of action to be carried out in connection with a proposed research project. It just serves as a guideline for the researcher, allowing him to keep track of his efforts and ensure that he is heading in the proper way to attain his goal. The study was conducted using an analytical research design.

Analytical research the researcher has to use the facts and information already available and analysis these to make the critical evaluation of the material.

PERIOD OF STUDY

The time taken to complete the project is 2 month

Analytical Research

Utilizing critical thinking skills and evaluating facts and information important to the subject at hand are requirements for this particular type of research. It identifies the relationships that link one or more variables to one another. The goal of the analytical analysis is to pinpoint the factors and processes that have had an impact on how the trade imbalance has changed over time. It is used by a range of specialists, such as psychologists, physicians, and students, to pinpoint the information that is most pertinent during investigations.

Data collection method

Proper collection of data is necessary for the successful completion of any research study. The analysis of financial conditions and performance of the enterprise requires accurate and reliable data. The data for the present study is collected with the help of secondary data. Mainly the data collection involved secondary data only.

It means the data which has already been collected, tabulated, and presented in some form by different people with different purposes. Secondary data is taken from published sources of the company like the annual reports, official website, and internet.

Tools for data analysis

- Ratio Analysis

Ratio analysis is a quantitative analysis of information contained in a company's financial statements. Ratio analysis is used to evaluate various aspects of a company's operating and financial performance such as its efficiency, liquidity, profitability, and solvency.

While there are numerous financial ratios, some ratio analyses used for the working capital analysis are.

1. Profitability Ratio
2. Activity Ratios
3. Solvency Ratios

Comparative analysis

The term trend analysis refers to the concept of collecting information and attempting to spot a pattern, or trend, in the information. Trend percentages are immensely helpful in making a comparative study of the financial statement for several years. Trend analysis is a form of comparative analysis that is often employed to identify current and future movements of an investment or group of investments. The method may include evaluating historical and present financial ratios as they relate to various institutions in attempt to forecast how long the current trend will last. This type of information is extremely helpful to investors who wish to make the most from their investments.

Trend analysis

Trend analysis calculates the percentage change for one account over a period of time of two years or more. In management accounting, trend analysis is the part of financial statement analysis. It means, to take one financial item and it's all past years figures. By taking first year as base year, we calculate % figure of each year. Now, it becomes trend. On this trend, we analyze its spreading flow. It may be upward or downward. With this, we can analyze our past performance and financial position growth.

1.6 Limitations Of The Study

1. The study considers only a limited period of six financial years, 3 years before and after spin-off.
2. It considers only monetary aspects. Non-monetary aspects like human behavior, their relationships etc.… Are not considered.
3. The study is based on secondary data. The effectiveness of the study depends upon the correctness of the data.
4. The study considers only financial performance before and after the spin off.

1.7 Industry Profile

The evolution of ice cream

Ice cream's history dates back to at least the second century B.C., though its exact origin and inventor remain unknown. Historical records indicate that Alexander the Great enjoyed snow and ice flavored with honey and nectar. Biblical accounts also mention King Solomon's fondness for iced drinks during harvest time. During the Roman Empire, Nero Claudius Caesar (A.D. 54-86) often dispatched runners to fetch snow from the mountains, which was then flavored with fruits and juices. Over a millennium later, Marco Polo brought back from the Far East a recipe resembling modern sherbet, which historians believe evolved into ice cream by the 16th century. England may have discovered ice cream around the same time or even earlier than Italy. Known as "Cream Ice," it was a regular treat at Charles I's table during the 17th century. France was introduced to similar frozen desserts in 1553 by Italian Catherine de Medici when she married Henry II of France. It wasn't until 1660 that ice cream became accessible to the general public, thanks to the Sicilian Procopio, who introduced a recipe combining milk, cream, butter, and eggs at Café Procope, the first café in Paris.

World scenario

The yearly global commerce in milk products (excluding intra-EU) is 33 million tons, valued at US$10 billion. Approximately 6 to 7% of global milk production is traded overseas. The majority of the global dairy commerce is in cheese, butter, and powders. A greater preference for cheese is projected in the near future. Yogurt and dessert are two dynamic items with significant future growth potential.

The international dairy trade is controlled by four players: the EU, New Zealand, Australia, and the United States, who collectively account for 85% of global exports. New Zealand and Australia export up to 80 and 50 percent of their milk production, respectively. The Asia-Pacific area is and will continue to be a net milk importer for the foreseeable future. It accounts for the majority of milk powder imports, and half of the Imports of condensed and evaporated milk. In contrast, the majority of cheese imports are from developing countries to industrialized countries like Japan and the United States. Most countries control the dairy business in a variety of ways. Imports are often restricted, and exports are typically subsidized. Many nations have implemented high dairy price supports to promote production to the extent that subsidies for exports are necessitated to maintain domestic dairy programs.

In the United Kingdom, cooperatives buy all of the milk produced by farmers. Private dairies are required to source their milk from cooperatives. There are no private-sector dairy operations in New Zealand. Cooperatives account for up to 90% of dairies in what was once West Germany, and 100% in Denmark, the Netherlands, and Sweden.

In the United States, approximately 70% of the dairy industry operates under cooperative structures. This cooperative model plays a significant role within a regulatory framework that includes robust government participation and oversight, particularly through Federal Milk Marketing Orders. These orders aim to ensure orderly marketing and stabilize prices, primarily for fluid milk, thereby providing secure markets for dairy farmers and balancing market power between farmers and handlers.
Internationally, agricultural policies, especially those affecting dairy, have been a focal point in multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT). The liberalization of agricultural trade, driven by GATT agreements, necessitates reducing trade-distorting subsidies prevalent in dairy sectors of countries like the USA and the EU over the coming years. Amidst this global context, the Indian dairy industry holds significant competitive advantages. With substantial ongoing investments aimed at increasing milk production, India has the potential to emerge as a major exporter of dairy products and technologies in the coming decades. This strategic positioning underscores India's potential to capitalize on evolving global trade dynamics and contribute significantly to the international dairy market.

Indian scenario

Ice cream industry occupies important place in India. It is one of the consumer goods industries its products is important popular diet. India is an agriculture-based country because of the large number of cattle and large milk production most of the dairy and ice-cream industries has developed and India is well ranked in the world. Ice cream industry has brought magnificent change in the rural economy. It provides employment to the marginal farmers. Today the competition in ice-cream of players like Amul, Kwalitywalls, Vadilal etc. as ice cream has been a regular edible item the consumption of ice cream is more. In 1983. When Indian Government Issued a control in which the certain price level was fixed. It has an important role in employment generation and reducing the migration of villagers towards the town and cities for live hood.

India has one of the largest livestock populations in the world. India is home to 50% of the world's buffaloes and 20% of its cattle, the majority of which are milk cows and buffaloes. Dairy development in India is widely recognized as one of contemporary India's most successful developmental programs. Today, India is the largest milk producing country in the world. Milk and milk products is rated as one of the most promising sectors which deserves appreciation in a big way. When the world milk production registered a negative growth of2 percent, India performed much better with 4 percent growth. The total milk production is over 72 million tons and the demand for milk is estimated at

India's dairy industry is poised for substantial growth, with projections indicating production reaching around 80 million tons by 2005. The industry's value is expected to soar to Rs. 1,000,000 million within this timeframe, driven in part by significant foreign investments totaling Rs. 3600 million over the past six years, constituting a quarter of the overall investment.Key opportunities lie in the domestic manufacture of products like casein and lactose, currently predominantly imported, which presents considerable growth potential. The states contributing to India's milk surplus include Uttar Pradesh, Punjab, Haryana, Rajasthan, Gujarat, Maharashtra, Andhra Pradesh, Karnataka, and Tamil Nadu. These states not only lead in milk production but also in the processing of milk into various dairy products. With strategic investments and advancements in technology, particularly in these surplus states, India aims to enhance production efficiency, expand product offerings, and potentially emerge as a significant player in the global dairy market.

Livestock Population

India is rich in its livestock wealth. It accounts for nearly 15.8% of the world cattle population, more than half of the world buffalo population. As per the 1992 Livestock census of Ministry of Agriculture, highest cattle population was reported in Madhya Pradesh (28.68million nos.) followed by Uttar Pradesh (25.63 million Nos.) Bihar (22.15 million nos.) Maharashtra (17.44 million nos.) and West Bengal (17.45 million nos.). According to livestock census the highest population of buffaloes is reported U.P. (20.08 million nos.)followed by A.P. (9.15 million nos.), M.P. (7.97 millions.)and Rajasthan (7.74 million no's).

Production of Milk and Milk Products

Milk production was essentially static between 1947 and 1970, with an annual growth rate of only one percent, but it has since grown at a rapid rate of more than 4.5% each year since 1970. The largest milk-producing states are Uttar Pradesh, Punjab, Rajasthan, Madhya Pradesh, Maharashtra, and Gujarat. In these states, a number of milk product manufacturing plants have emerged to process milk.

Present status

During the 8th Five Year Plan, the Indian dairy industry expanded significantly, producing more than 60 million tonnes of milk each year. This not only positions our industry second in the world behind the United States, but it also indicates a steady increase in the actual availability of milk and milk products for our growing population. Most importantly, dairying has become a valuable secondary source of income for millions of rural families. Improved genetic material obtained mostly through cross breeding. Cattle production and the upgrade of the national buffalo herd have contributed significantly to increased productivity.

Gradual extension of improved husbandry practices; increase in consumption of balanced Concentrates made possible, in part, through innovations in the field of nutrition; expanded Area under fodder; greater access to veterinary care; and advances in the fight against Endemic and epidemic cattle diseases have also contributed to increased production and Productivity.

Future Markets

In the coming years, South East Asia, Russia, and Africa are anticipated to emerge as crucial markets for Indian dairy products. Particularly in the ASEAN region, there is a projected surge in demand exceeding 3 million tons of milk products in the near term. This growth is bolstered by constraints on EU dairy exports due to GATT agreements and insufficient production capacities in Australia-New Zealand. Moreover, Russia, despite being Europe’s largest milk producer, has experienced a substantial decline in output, plummeting by more than 25% over the past five years, resulting in an estimated annual shortfall of 13 million tons.

The global deficit in milk production presents a clear opening for India to establish itself as a leading exporter of dairy products. With its strong dairy sector and expanding production capabilities, India is well-positioned to address supply gaps in various regions. The country’s competitive advantage lies in cost-effective production methods and extensive dairy farming practices, which enable it to produce dairy products efficiently. By seizing these opportunities, India can not only meet the growing demand in emerging markets but also strengthen its foothold in the global dairy trade. This strategic move not only boosts India’s economic prospects but also enhances its reputation as a significant player in the international dairy industry. As India continues to invest in enhancing production efficiency and product quality, it stands poised to play a pivotal role in bridging global milk deficits and satisfying the increasing global demand for dairy products.

1.8 Company Profile: Mercelys Ice-cream

NAME OF THE COMPANY	**MERCELY'S ICE-CREAM** TREESA'S FOOD CRAFTS PRIVATE LIMITED
Year of incorporation	2021
Place	PALLILAMKARA, 7/489, Rockwell Nad Rd, HMT Colony, P.O, Kalamassery, Kochi, Kerala 683503
District	Ernakulam
State	Kerala
Country	India
Type of organization	Private company
Nature of organization	Private firm
Nature of product	Manufactured
No. of employees	113
Production capacity	30000 liters
Exporting products to	Karnataka , Tamil Nadu
Major competitors	Camery, Lazza, kiwi ice creams
Company website	https://mercelys.com/

The Kerala-based brand Meriiboy, once endorsed by film actress Manju Warrier, vanished from the market but is now making a comeback as Mercely’s and Camerry, with Dulquer Salman and Fahad & Nasiriya as brand ambassadors, respectively. In 1990, the Cousins Group, founded by cousins from five closely-knit families in Perumbavoor, started their venture. They experimented with milk, fruits, and nuts to create a delicious, creamy ice cream under the Meriiboy brand, with Tetra Pak Hoyer from Denmark as their consultant. Their first factory was established in Kalady in 2003, followed by a second in Kinfra Processing Park, Calicut in 2006, a third in Trivandrum in 2010, and a fourth in Kannur in 2012. In 2013, Manju Warrier became the brand ambassador. Meriiboy quickly became popular in Kerala, Tamil Nadu, and Karnataka due to its freshness and premium quality.

In February 2022, news broke that Joseph Mercely’s Kadambukattil, one of Meriiboy’s promoters, had signed a contract with Dulquer Salman to endorse his new brand, Mercely’s. The brand name is derived from Joseph’s middle name. He established a modern factory in Dharmapuri, Tamil Nadu, while retaining Meriiboy’s factories in Trivandrum and Calicut. In March 2022, the other four promoters of Meriiboy enlisted Fahad and his wife Nasiriya as brand ambassadors for their new brand Merricrem. They planned to start production under Nutricreams Private Ltd at a newly commissioned factory in Aluva, Ernakulam. By mid-August 2022, an advertisement by the owners of meriiboy announced they had ceased production in February and stated that the court had banned the distribution of Merricrem due to its similarity to Meriiboy. Merricrem then rebranded to Camerry and launched a campaign with full-page ads in Malayalam dailies in early November. The demise of Meriiboy led to the birth of two new ice cream brands, Mercely’s and Camerry

Organizational structure

All of the duties and responsibilities of those in the company must be identified, and lines of authority must be carefully delineated so that all members of the organization will understand what their job responsibilities are. By doing so, everyone knows who will report to whom, who the decision makers are, and which advisory personnel are on hand to assist in the decision-making process. No matter how large or small the operation, whether it is a giant department store or a single-unit boutique, each company must be built in such a way that it best serves its needs and ensures the business's success. An organization's structure refers to the hierarchical arrangement of its lines of power, communications, rights, and tasks. The organizational structure affects how positions, authority, and duties are distributed. Controlled and coordinated information flows between management levels.

The objectives and strategies of an organization determine its structure. In a centralized system, the top layer of management has the majority of decision-making power and exercises tight control over departments and divisions. In a decentralized organization, decision-making authority is distributed, and departments and divisions may have varying degrees of autonomy. A corporation that distributes many products, such as Proctor & Gamble, may organize its structure so that groups are segregated according to product and geographical area. An organizational chart depicts the organizational hierarchy.

Production department

The production department is responsible for converting inputs into outputs through the stages of production process. The production manager is responsible for making sure that the raw materials are provided and made into finished goods effectively.

Departmental functions:-

- Temperature monitoring

Production Manager monitors about the temperature of the machines which is necessary for the production of the products. It is one of the basic factors which are vital for the freezing process of ice creams.

- Purchase, dispatch and product management

They manage the dealers, plan and execute the requirements of raw materials and control the various unwanted wastage of products.

- Maintain customer relations

Production department maintains a good rapport with their various dealers. Any grievances reported by the dealers, where taken in a positive way and instant feedback and settlement is provided. It helps them to avoid such cases in future.

❖ Duties And Responsibilities

Production manager

- Production planning

Production manager plans the routine activity which is necessary for the production process and communicate the planned details to his supervisors.

- Executing plans

Production manager looks and execute each and every activity and evaluate whether everything is happened as per the planned schedule.

- Making reports

It deals with the making of the reports, the details regarding how much to produce, how much raw materials is needed etc.

- Workers Control

  Production manager is the person who controls every activity of the production. He is responsible for the control of workers. Production manager controls the increase in absenteeism, turnover etc. He also cares about the welfare of the employees

- Production analysis

Production manager analysis each and every activity related to production. He evaluates every performance of his workers by monitoring the works through computers.

- Quality assurance

He also monitors the working of quality department. He checks whether quality checking is done accordingly and effectively. He guides the quality controllers as and when needed.

Supervisor:

- Team leader

He is entrusted with the job of a team leader. In production department, there are two supervisors. One on the production field and other one the packing and dispatch.

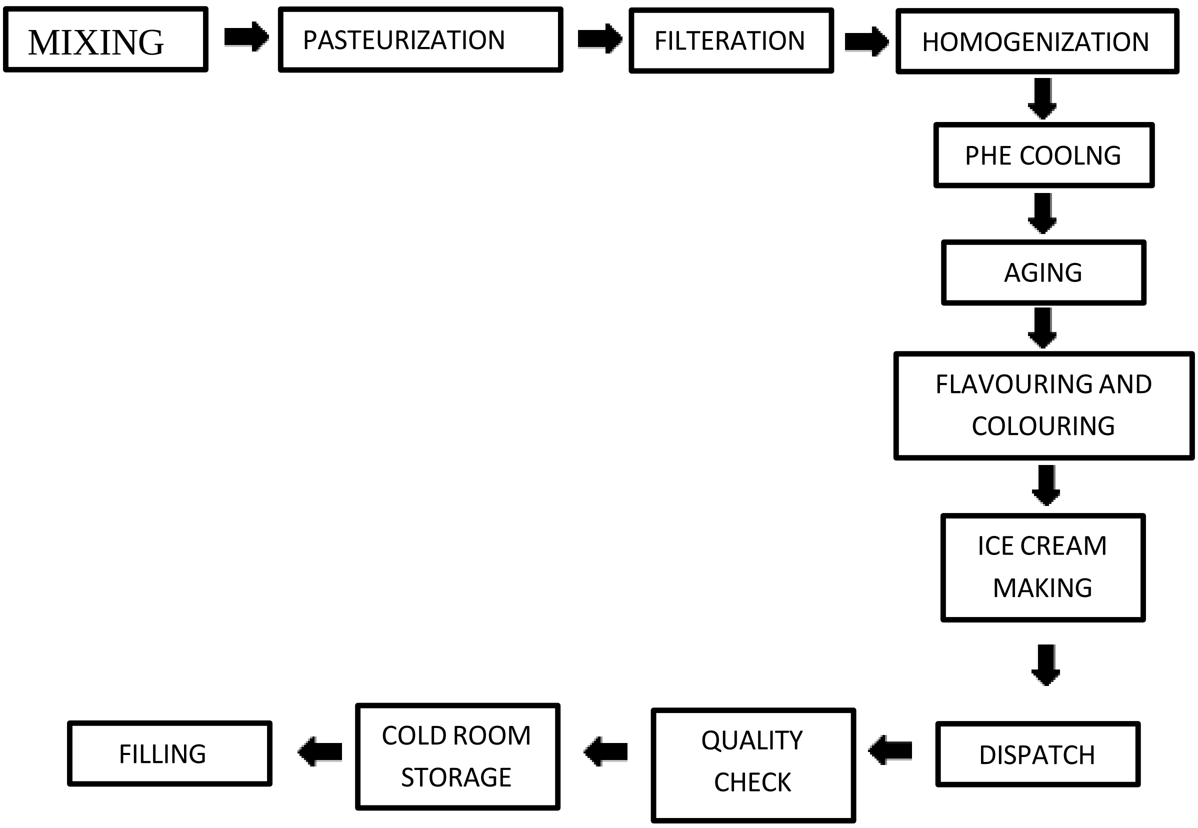
- Guide the worker

Production supervisor will guide his workers in the production. He has given 25 workers. He divides his workers into 5 groups each with a leader. Group leader is the person who communicate their complaints ever thing to the supervisor. Packing and dispatch supervisor has also given same number of workers. He also has group leaders three on packing and two on dispatch.

- Communicator

Supervisors relay grievances or complaints from workers to the production manager for resolution. The production manager takes charge of addressing issues and making necessary decisions in response to worker concerns.

Production process



- Mixing

Mixing the various ingredients needed for making ice creams like milk, SMP milk powder, butter and sugar to have a mixture, it is undertaken by the machine called mixing machine.

- Pasteurization

It is the next process which is carried down by the heating process to kill the various harmful bacteria. It is done using the machine called double jacketed vessel. In this vessel, the milk is contained in one vessel and under that there is another vessel which is helpful for heating the milk to kill the various bacteria and germs contained in the milk.

- Filtration

Next is the filtration process, which is helpful for filtering the various hazardous things like hair, gloves pieces, nail etc. In this process, filtration of harmful things is undertaken.

- Homogenization

It is the next process where the ice cream after filtration is carried forward by the pump to the homogenization process. Here, the various ingredients are put under pressure to have actual mix of the various items included in the ice cream like butter, milk, sugar, SMP milk powder etc. Here, the items look like homogenized as it is mixed in a very united form. It is done in 70 to 80°C.

- PHE Cooling

Cooling is the process in which the homogenized mixture is again cooled and it is put under 5°C to make it harden.

- Aging

It is the process by which a machine called ageing machine which helps the items to be cooled and stored in a cold condition for their effective production.

- Flavoring and coloring

In this process the Flavouring tank is the machine, which helps to make the flavoured ice cream. For e.g. If strawberry flavour is needed they pour strawberry mix and then it is helpful for the making of strawberry ice cream. In this process, they make only one flavour at a time. After the making of one flavour they move to the next flavour. Now they have flavours like strawberry, vanilla, pista, chocolate, butterscotch, mango, pineapple, orange, jackfruit etc.

- Ice cream making

It is the vital part of ice cream making, where the ice creams are created as per the flavours needed; it is the next step to the Flavouring tank. The flavours coming from the Flavouring tank is combined with the ice cream making machine and thus the ice cream is produced.

- Filling

The ice cream coming out of machine is then filled into the containers manually, in the set quantities. More than 30 flavours are ice cream made as per the market requirements. Dry fruits, nuts etc. are added during filling process.

- Cold room storage

The packed products are stored in cold storage maintained at -18°C or below.

- Quality check

Samples are drawn from each lot to ensure that it meets the requirements.

- Dispatch

The products are dispatched to various outlets depending upon the requirement.

Quality control department

Quality control is a set of procedures intended to ensure that the manufactured product or performed service adheres to a defined set of quality criteria or meets the requirements of the customer.

Departmental function

In the Quality Control (QC) department, there are two qualified quality controllers responsible for testing both the raw materials used in production and the final quality of the ice creams. Their role includes ensuring that all materials meet specified standards and that the finished ice creams adhere to quality benchmarks before they are released for distribution or sale.

❖ Duties and responsibilities of quality controller

➤ Testing the product

The testing process is carried down on various steps. i.e. raw material checking, checking the mixing process, aging process and at the finished stage of ice cream. They had done both microbiological testing and chemical testing.

➤Maintain the record of test results

They maintain the records daily which is related to their quality checking and they also maintain the ISO 22000 records.

➤Maintain the laboratory

They maintain the laboratory and it is restricted for others to enter into the laboratory. Continuous research is carried out there in the laboratory to identify whether bacterial effects are there or not.

Human resource department

Human resources are the people that work for an organisation, and Human Resource Management is concerned with how these people are managed. However, the term Human Resource Management (HRM) has come to mean more than this because people are different from the other resources that work for an organisation. People have thoughts and feelings, aspirations and needs.

Departmental structure

DEPARTMENTAL FUNCTIONS

- Man power planning

It involves the planning for the future and finding out how many employees will be needed in the future by the business and what types of skills should they possess. It depends on the factors like no: of employees leaving the job, technological changes, productivity level of the workers etc.

- Job analysis and job description

The HR department plays a pivotal role in crafting job descriptions for upcoming vacancies. They meticulously outline the roles, responsibilities, and required qualifications for prospective positions, ensuring alignment with organizational needs and attracting suitable candidates during the recruitment process.

- Determining wages and salaries

HR department is also involved in conducting market surveys and determining the wages and salaries for different position in the organization. These decisions may be taken in consultation with top management and finance department.

- Recruitment and motivation

One of the most important jobs of HR department is to recruit the best people for the organization. This is of crucial importance as the success of any organization depends on the quality of its work force.

- Performance appraisal

Once the employees are recruited, the HR department has to review their performance on a regular basis through proper performance appraisals. It is the process of collecting, assessing, and documenting data on an employee’s relative worth. Based on the performance appraisal, HR department will set up an action plan for each employee.

- Training and development

In order to improve the efficiency level of the employees, they have to undergo regular Training and Development. Training includes on the job and off the job.

- Employee welfare and motivation

HR department tries to maintain welfare activities and more motivational benefits to its employees.

- Addressing employee grievances

They are the link between the workers and the management. Employees grievances related to work environment are usually entertained and resolved by the HR department.

- Labor management relations

In case of any labour management conflicts, the HR department will play a vital role in bringing both management parties to the negotiation table and resolve the issue.

❖ Duties and responsibilities of HR manager

➤Recruitment

The objective of recruitment policy is to source the best talent from the resources to achieve business objectives and goals of the company. Mainly external recruitments are done.

Following is the process of recruitment:

i) Through department heads requirement is identified.

ii) When requirement is identified advertisements are given in various job portals, newspapers and in that role summary, location, required experiences are mentioned clearly. Referred candidates from existing employees are considered as employee referral.

iii) The candidates for interviews are selected by the HR Department. First, applications are accepted from the candidates and from that suitable candidates are selected. After selecting the candidates for interview they are informed the location and time of interview by the HR department.

iv) Personal interview will be conducted with the selected candidate. Partners will be the interviewing panel.

v) Decision of interviewing panel will be final.

vi) Candidates who are finally selected in the interview shall be issued Offer Letter with details such as designation, job location, working hours, salary, and nature of work, leave, probation, confirmation, termination etc. or in the prescribed format.

vii) HR Department shall have the copy of offer letter duly signed by the candidate in acceptance of offer.

viii) The newly joined employees are introduced to the company and to existing staff members.

ix) Ix) There will be a probation period of 6 months. After completing the probation period the candidate will be considered as a permanent employee. It will be informed in writing.

Sources of Recruitment

1. Advertisement

2. Personal Contact

3.Manpower consultants

Marketing department

The marketing department is responsible for guiding and leading the company's other departments in the development, production, fulfillment, and servicing of products or services for customers. Communication is essential. The marketing department often has a superior awareness of the market and client needs, but it should not operate independently of product development or customer service. Marketing should be When discussions about new product development or any other customer-related activity of the organization take place, everyone should be involved, and there should be consents.

➤Allowances

Travelling Allowances and Dearness Allowances are provided to Marketing Officers. PF, ESI are also provided to employees who are working under the organization not less than 6 months.

Provident Fund – This is a Social Security scheme with an objective to help employees to get a lump sum of money normally at the time of retirement. As per the scheme, contributions are made by the employer and employee @ 12% of the basic wage.

➤Leave

Leave policy is to provide guidelines for permissible leave from work during the year. It is for all employees.

i) There are 24 casual leave for a year i.e.; 2 leave per month. LOP will be calculated when more than 2 casual leaves per month were taken. Certain amount will be deducted from the salary based on attendance.
ii) Leave encashment is permitted annually, with the encased amount disbursed through the salary of the corresponding month. This policy ensures that employees receive compensation for accrued leave days according to organizational guidelines.
iii) The schedule of paid holidays for the year will be announced and shared with employees at the start of each calendar year, providing clarity on designated days off.
iv) Employees can take half day or more subject to the approval of respective authority.
v) All approved leaves are promptly submitted to the Plant Manager, ensuring efficient management of staffing and operational requirements within the plant.
vi) Late attendance or leaving office early an hour may be allowed if prior permission of HOD is obtained.

Departmental structure

Departmental functions

- Demand generation

The pricing of the products is reasonable. Discount on prices is based on the orders they got and, they gave discount to dealers because they bought bulk products.

- Marketing research

The company focuses their marketing research to make their products qualitative. As the part of their research, they introduce real ice cream instead of frozen desert.

- ❖ Duties and responsibilities

Marketing manager:

- Manage customer relations

One of the most important functions of a marketing department is to keep current customers happy. Because it is easier and less expensive for a company to keep an existing customer than it is to find new customers, marketing professionals must focus on relationship management. This may include giving customers regular interaction with your company, letting them know about new products, and providing value after the first sale.

- Support Strategic Plan

A company's marketing department strategically aligns promotional efforts to achieve goals like increasing sales, broadening audience engagement, and launching new products or services. These objectives are detailed in a comprehensive marketing plan developed after identifying critical business strategies. This plan ensures that marketing activities harmonize with broader company objectives, enhancing efficiency and guiding resource allocation. By aligning closely with strategic goals, the marketing plan facilitates cohesive and impactful campaigns that contribute directly to the company's overall success.

- Develop Promotions

A marketing department's main responsibility is to promote the products, services, mission and brand identity of a company. They must identify marketing goals and develop promotional activities that will help the business move in that direction. Marketing efforts are a way to increase awareness, create brand recognition and build a strong customer base. Promotional materials often include a website, sales collateral, email campaigns, printed marketing pieces etc.

- Boost Sales

Often, a marketing department is responsible for supporting the efforts of the sales department. They meet with the sales staff and develop materials that will assist in selling the company's products and services. By consulting with salespeople, the marketing department is able to develop more effective materials and promotions. In response to feedback, they may update brochures and spec sheets, target different audience groups, or design new campaigns that support the sales staff's duties.

- Develop pricing strategies

Pricing strategy development is another marketing manager responsibility. During this process, start by studying prices competitors charge for like products or services. Then conduct surveys to determine price elasticity among consumers. Price elasticity studies determine how sensitive consumers are to price changes.

Department manager:

➤Manages a certain geographic sales territory or product line to increase sales revenue and achieve company goals.

➤Creates and administers effective programs for compensating, coaching, evaluating, and training sales professionals.

➤Performs sales activity on key accounts, negotiating sales prices and discounts in consultation.

➤Manages and develops sales and support workers.

➤Reviews the progress of sales roles within the organization.

➤Accurately estimates yearly, quarterly, and monthly revenue streams. ●

➤Creates plans to drive revenue growth across all corporate goods.

➤Description Provides quarterly appraisals of sales force productivity.

➤Coordinates company resources to achieve efficient and consistent sales performance.

➤Develops all sales policies, processes and procedures.

➤Collaborates to establish and control budgets for sales promotion and trade show expenses.

➤Reviews expenses and recommends economies.

➤Holds regular meeting with the sales staff.

<u>Sales Executives</u>

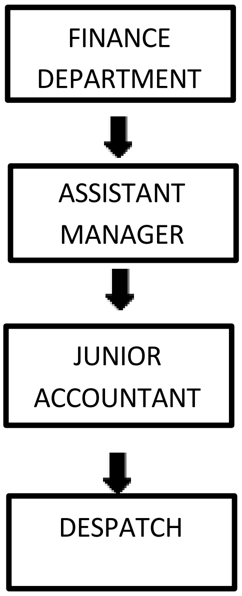
• Sales Development

Sales executives are responsible for developing business and sales opportunities for the company. The sales executives may contact new and existing clients to see what services or goods the company can provide.

Finance department

A company's finance department is in charge of organizing its financial and accounting operations, such as preparing and presenting suitable accounts and providing financial information to managers.

<u>Department structure</u>



Function department

- Prepare and Create Financial Accounts

Finance department prepare and create financial accounts such as Trading and Profit & Loss Account and Balance Sheet.

- Keep and Maintain Record

Sales figures and records of expenditure would be held by the Finance Department and used by other department also.

- Prepare and plan internal financial information

This would mainly be performed in the case of a budget which is a financial plan and can help managers take corrective action.

- Analyze current financial performance

How the firm has done in trading or expenses would be analyzed primarily using ratio analysis tools.

- Pay creditors

Finance department would ensure that bills are paid to people to which the firm owes money.

- Pay employees wages and salaries

Running the pay roll system is another important task for finance department to undertake.

❖ Duties and responsibilities

Accounts manager

- Purchase

The finance department verifies vouchers relating to purchase. It includes purchase order, quotations. Purchase requisitions, purchase invoice, TIN number verification etc.

- Sales

They also verify the various vouchers relating to sales according to Form 8 and Form 8 B. Verification is based on the orders received. They does the duties like checking of the bills, verification of credit limit of debtors, acknowledgement of the bills, communication of the ledger monthly through mails.

- Inventory Stock

It includes the inventory management of the raw materials and finished goods.

- Cash

1. Only the pre- printed vouchers are checked. Checking is based on date, name, purpose, sign, amount etc.
2. Supporting documents are also verified
3. Each voucher requires dual signature
4. All the payments above Rs.5000 must be attached with a stamp and also above Rs.20000 will not be accepted through cash.
5. On every closing day, the closing balance of cash is written on denominators.
6. On cash receipts, they maintain job rotation in order to impose authority and responsibility to everyone.

- Bank

1. All the cheques are locked and kept under safe custody
2. They maintain volt register. There are two persons accountable for this volt register and the locker. Responsibility changes day today. According to the date, the person who is accountable and responsible will enter the details in the volt register.
3. They maintain cheque register too. It is on the basis of name, date, etc.
4. They maintain daily bank reconciliation statements to ensure accuracy between company records and bank transactions, verifying financial integrity and identifying discrepancies promptly.
5. They monitor the bank charges and interest rates.

Accountants

- All accounting activities in purchase and sales

Accounting related to purchase and sales is carried out by the accountant. They classify, calculate, summarize and report to various interested groups.

- Inventory/Stock Management

Accounts relating to raw materials, packing materials and finished goods are maintained by the accountants.

- Accounting of cash and Bank

Cash and cash related accounts are verified and calculated by the accountants. Also bank statements are prepared by the accountants.

- Accounting of Debtors and Creditors

Receipts and Payment relating to debtors and creditors are calculated by accountants. Accounting of debtors include calculation of sundry debtors, provision for doubtful debts, bad debts etc. accounting of creditors include credit payment period, creditors amount etc.

- Documentation/Filing

They systematically maintain and securely store various documents such as sales records, purchase orders, stock inventory, debtor accounts, journals, salary details, and bonus records. This organized approach ensures easy access and accurate record-keeping across different aspects of business operations.

- Inter branch transaction

Branches primarily prepare reconciliation statements for transactions between them, ensuring accurate accounting across locations. This process verifies consistency and resolves discrepancies in financial records between different branches of the organization.

Technical department

Departmental functions

- Technical department is responsible for all productive and preventive maintenance of Plant and machinery.
- The department gives equal importance to preventive maintenance as well as on going trouble shooting.
- Technical department ensures the proper working of machines.
- The important responsibilities include safety and pollution control.

Vision statement

The supreme food industry (Mercelys Ice cream Company) has a great vision of becoming a leader of fast-moving consumer goods and products. Its vision is to provide total customer satisfaction through continuous improvement in production process and services.

Mission statement

The mission of the company is to deliver high quality food products that set themselves apart from others in taste and value.

Products of the company

Mercelys ice creams (derived from Cartier ice cream of cream ice) is obtained from milk and milk products having the butter fat an often combined with fruits or other ingredients and flavors, while most of the companies using edible oil as the fat Natural flavorings are used in addition to other Mercelys ice creams are available at various flavors like Vanilla, Strawberry, Orange, pineapple, Coffee, Lemon Delight, Guava, Pista, Alphonso Mango, Butterscotch, Spanish Delight, Chocolate, Black Current etc…

The products of Mercelys ice creams are classifieds follows

- **Sundae:** The sundae is sweet ice cream dessert. It typically consists of one or more

  Scoop of ice cream topped with sauce of syrup, and in some case so the toppings including sprinkle, whipped cream, maraschino cherries, or other fruits In mercelys Sunday is available at Chocolate, Strawberry and Pista flavor's.
- **Bars:** An ice cream bar is a frozen dessert on a stick or a candy bar that has ice cream in it. The coating is usually a thin layer of chocolate is used to prevent the melting and dripping of the ice cream

Flavors available at mercelys are

- Chocolate
- Mango
- Strawberry
- Flavors are
- Chocolate
- Mango
- Strawberry

- **Cones:** Combining creamy ice cream with a crispy cone, these are designed to deliver a delightful crunch with every bite (Mercelys).

  Flavors available at mercelys are:
  - Chocolate
  - Butterscotch
  - Vanilla
  - Fruit filled cones
- **Tubs:** Available in various flavors, these are perfect for sharing among family and friends (Mercelys).

Major competitors

- Camery ice-creams
- Lazza ice-creams
- Amul ice-creams
- Milma ice-creams
- Arun ice-creams

QUALITY POLICY

Mercelys ice cream provides quality policies mainly on the following areas:

1. They periodically check the quality in production of ice creams.
2. Packaging process also include quality procedures such as inspection of packages.
3. They also provide quality protection on handling such as refrigerator vans for their products while marketing

In Process

1. The procedures are processes adopted-adhering to HACCP standards.
2. Most modern machines imported from Italy & Europe
3. Procedures like disinfection
4. Fully automated plants to avoid human involvement in manufacturing.
5. Each batch tested for quality.

6. In house laboratory with trained microbiologists and chemists. 7.

Dynamic printing of batch number to trace manufacturing details of a particular product.

In Packaging

1. Paper packaging done with white ITC food grade cartons Packaging workers are inspected before they engage in packaging.
2. Packaging materials supplied by reliable suppliers. In Handling
   1. Refrigerated vans for transportation.
   2. Well trained distributors and dealers.
   3. Well maintained cold chain facilities- less breakdowns.

Objectives of the company

1. Quality

Their primary focus is on quality. They make ice cream with pure milk sourced from PDDP facilities.

2. Profit maximization

MERCELY'S Ice Cream Company expects to improve profits with its superior product. superior product.

3. cost minimization

Minimizing the cost is the best way to maximize profit. They are using cost minimization techniques and are implementing it to their production

4. more employment

As a part of the expansion of the company more employment opportunities are provided by the company.

5. Time Delivery

The organization is cautious about timely delivery and feedback on the products offered to various dealers.

6. Provide service to society

Furthermore, the corporation provides financial support to philanthropic organizations on an annual basis.

7. High quality products

Maintaining good quality with purity raw materials in production is one of the values which MERCELY'S Company focused on its production.

Pricing strategy

A company has the option to use various pricing strategies while promoting a product or service, each tailored to meet specific goals. Pricing can be adjusted to maximize profitability per unit sold, or it can be optimized to maximize total market profitability. Strategic pricing can be utilized to protect a current market from potential new competitors, gain more market space in an existing market, or enable entry into a new market. The success of pricing strategies depends on grasping the requirements and actions of customers and clients within the specific market. Businesses can better meet market demands and consumer expectations by adjusting prices, either by lowering them to attract price-sensitive customers or raising them to create a perception of higher value.

Choosing the right pricing strategy is essential for the triumph of every company. For instance, Mercely's Ice Cream Company has implemented a blend of cost-plus pricing and market-driven pricing tactics. Cost-plus pricing consists of including a set profit margin on top of the production cost of the ice cream to ensure all expenses are accounted for and to maintain a steady profit. This method makes pricing decisions easier and offers a straightforward path to profitability for each unit. However, pricing oriented towards the market involves establishing prices according to market conditions, competition, and consumer demand. By adopting this approach, Mercely's can stay competitive in the ice cream sector, adapt to market changes, and increase their market share by setting prices in line with customer preferences. Mercely's Ice Cream Company can balance cost-efficiency and adaptability by combining both strategies to keep up with market trends and competition. This two-pronged strategy allows the company to fine-tune its pricing for both maximizing profits and establishing a strong market position, ultimately leading to consistent business expansion and relevance in the market.

Cost plus pricing

Cost-plus pricing is a pricing approach that businesses use to increase their rates of return. Firms can achieve profit maximization by expanding production until marginal revenue equals marginal cost, at which point they charge a price determined by the demand curve. However, in practice, most businesses utilize either value-based pricing or cost-plus pricing, commonly known as markup pricing. (Cost + mark- up selling price). There are several variations of cost- plus pricing, but the most common method is to calculate the cost of the product then add a percentage of the cost as markup. This approach sets prices covering the cost of production and provides enough profit margins for the firm to reach its target rate of return. It also provides a way for companies to calculate how much profit they will make.

Market oriented pricing

Establishing a price by analyzing and researching the target market requires a detailed assessment of market conditions, competitor pricing, and consumer behavior. Marketers can modify prices based on research findings with this strategy focused on market dynamics. By comprehending the pricing environment and the behavior of the specific market segment, businesses can make well-informed choices on how to set prices for their products.

For example, if rival companies are selling their products for less money, a business needs to choose if they will match, offer lower prices, or go even lower. This choice is based on the company's overall goals. If the objective is to grow market share, the company could opt to lower prices compared to competitors in order to draw in more customers. On the other hand, if the company wants to market its product as a luxury option, it may choose to raise prices and highlight superior quality or distinctive features that validate the increased expense.

Continuous monitoring and adaptability are essential for market-based pricing strategies. Businesses must remain aware of market trends, competitor activities, and changes in consumer tastes to successfully adjust their pricing strategies. This method aids in establishing competitive pricing and keeping the company adaptable to market changes, ultimately improving its capacity to meet strategic business objectives.

SWOT Analysis

STRENGTHS:

1. Wide variety of unique ice cream and dessert flavors.
2. High quality product
3. Cooperative employees
4. Centralized system
5. Committed employees.
6. Simple technology
7. Well-equipped lab
8. Well-developed dispatching networks
9. Well-developed cold store rooms
10. Quality certification
11. Advertisements

WEAKNESS:

1. Seasonal sales of the product.
2. Difficulties in penetrating a new market
3. Low professionalism
4. Lack of incentives
5. Less promotion

OPPORTUNITIES:

1. Large young population and very hot summer Growing Ice cream market
2. High economic growth and market liberalization
3. Quality advantage
4. Availability of raw material

THREATS:

1. Off season
2. Competitors
3. Rising price of raw materials

CHAPTER- II

REVIEW OF LITERATURE & THEORITICAL FRAMEWORK

2.1 Literature Review

Review of literature aims to summarize major studies that have been published on the topic. It provides theoretical knowledge on the selected topic.

Sowmya G.S. and G. Sudarsana Reddy (2010), IMPACT OF SPIN-OFF ON FINANCIAL PERFORMANCE – A CASE STUDY OF TRANSPORT CORPORATION OF INDIA LTD Objective: The present study attempts to study the motive behind spin-off of TCI Ltd. And analyzing its Effect on financial performance. The present study analyzed the short term impact of spin-off on financial performance of TCI Ltd. Which proved Statistically that there is significant impact Of spin-off on financial performance of TCI Ltd.

Deeksha Gupta (2011),The impact of corporate spin-offs on shareholder's wealth: Empirical evidence from India, the study on spin-off announcements and their price effect can now be widely seen in the Literature in a different country context, such as the US, Australia, and Europe. However, the Findings from different country contexts cannot be generalised as the institutional settings in Advanced economies differ from emerging Economies and underdeveloped economies.

Johannes Deniz (2011), Do Spin-offs perform better than the stock market index (OMXSPI)This study will therefore investigate whether The tremendous strides of spinoffs in the U.S stock markets are equally as applicable in Sweden. Using a time scope of 20 years between 1991-2011 we will through thorough analysis and Hypothesis testing investigate this issue and on the basis of our findings we will come to a Conclusion as to whether spinoffs as an investment strategy is optimal. The aim of this paper is to contribute to the current discussion on providing alternative Investment strategies for individual and institutional investors that can generate a higher stock Return than the stock market index (OMXSPI).

Dr. S.K. Khartik & Titto Varghese (2011) Their findings underscored that profitability hinges not only on material resources, machinery, and overheads but also significantly on effective utilization of manpower. They emphasized that without manpower, resources cannot be effectively utilized. Therefore, managing manpower is crucial—it involves equipping, empowering, and inspiring employees towards excellence. This highlights the pivotal role of manpower in shaping the profitability of a business. The study also delved into methodologies for calculating profitability ratios both for the company and for investors, aiming to provide insights into financial performance evaluation. By recognizing the importance of effective manpower management alongside financial metrics, the research aimed to offer comprehensive guidance on enhancing business profitability through strategic utilization of human resources.

T. VENKATESAN, DR. S. K. NAGARAJAN-2012-India is among the top producers of all forms of steel in the world. The easy availability of low-cost labor and the preference for abundant referrers make India competitive in the global market. Finance is required for day-to-day operations. I can be considered the lifeblood of the firm. Profitability is defined as the ability to earn profits, which is an important aspect in a company's survival. To address this difficulty, profitability should be maintained at an increasing level. The data is solely based on secondary Profitability is mostly defined by direct and indirect expenses, and we are away The ANOVAs of ROI for the selected steel manufacturer revealed a significant difference, They are maintaining different levels of returns on their investment, and the correlation of sail to tata of Net Profit and bhushan to Jsw of OP was positive, indicating that they are maintaining similar levels in the Net Profit an of sail to tata and Jsw to bhushan of OP. Finally, tata, sail, and han gut are better performers in terms of earning power. Bhushan and Jaw are the second best performers in terms of overall earnings power. The study period has had a negative impact on Visa's financial status. It is a disadvantage to have lost place in their analysis.

Krishna Moorthy (2012), A study published in the October 2012 issue (Volume 2, Issue 10) of Research in Social Sciences and Humanities aimed to determine the overall earnings performance of selected steel companies in India. The researchers employed methodologies such as ANOVA, Mean, and Standard Deviation to analyze the data. The study concluded that profitability in the steel industry is largely influenced by the efficient utilization of resources, quality customer service, effective management of manpower, as well as the company's goodwill and market share. These factors collectively contribute to the financial success and competitive positioning of the steel companies within the market.

Samuel (2012), conducted a study on Financial Performance of India Cements Limited for the period of ten years i.e., from 1998-99 to 2007-08. The study was mainly based on secondary data collected from the annual reports of the company. The Comparative Financial statements, Common size financial statements, Trend percentage and Ratio Analysis were the tools and techniques used for analyzing the financial performance. In his study, the financial performance of the company was analyzed on various fronts such as profitability, liquidity, and turnover. In fact, the effects of all business transactions were clearly visible in the value of various assets, liabilities and capital fund where changes were studied by comparing the opening and closing balance sheets of the enterprise. It was also found that the net profit ratio in the last three years was satisfactory and main reason for increasing the net profit. The high sales revealed in more return to shareholder's fund. Finally, the study concluded that the overall performance of India Cements Ltd was good and the study helped the company to identify its inefficiency areas.

Vipul C. Kordia (2013), A study on profitability analysis, published in May 2013 (Volume: Issue 5, pages 8-12), focused on evaluating the profitability of three selected public sector oil companies. The objective was to assess and compare their financial performance. The methodology employed included the use of Operating Profit Margin Ratio and Gross Profit Margin Ratio to measure profitability. The study concluded that the profitability of the selected companies, as assessed through these ratios, was satisfactory and adequate throughout the study period. The findings suggest that the companies managed to maintain stable and sufficient profit margins, reflecting effective cost management and operational efficiency within the period analyzed. This indicates that the selected oil companies were performing well financially, with their profit margins meeting industry standards and expectations.

S. Ayyappan (2013), A study on profitability analysis, Asian Journal of Managerial Science, Volume 2, Issue 18, April 2013, pp. 44-47. The study's goal was to identify factors that influence the bank's profitability in terms of the return on total assets ratio. The methodology used was Correlation Coefficient between Two Variables or a Gross.

The study concluded that bankers should focus on the facts that are impacting negatively in order to boost profitability in the global competitiveness.

Kumar p. k, John (2013) examined the progress of Indian cement industry (ICI) since 1991, related to growth in installed capacity, exports, productions and value additions for a period of fifteen years (1991-92 to 2005-06). While Focusing on the past, present and the future performance of Indian Cement Industry (ICI) at the macro level and the Chettinadu Cement Corporation Limited (CCCL) at the micro level. All the six parameters of the Indian cement industry (ICI) taken into consideration showed good growth during study period. The policy of total decontrol of the Indian cement industry and liberalization of the Indian economy helped the industry to grow in terms of physical and financial variables. The results also revealed that the Indian Cement Industry (ICI) recorded momentous growth marking virtually a fivefold increase in its net worth during the period of study.

Ningsih&Djuriah (2013) examined the Capital Structure and Firm's Financial Leverage of Indonesian Publicly Listed Cement Industry. In this aunty relationship of seven independent variables i.e., ROA, ROE, OR, SER, EPS, BMR and TG was found with financial leverage, used as dependent variable. From the analysis it was found that ROE, SER, and BMR that were el as measures of capital structure, made a positive effect on financial leverage. It was also found that all the seven ratios, ROA, ROE, QB, TG, EPS, SER and RMR, had significantly affected financial leverage. Another study was conducted by Tiwari (2013) to conduct a study on Working Capital Management Efficiency in Indian Cement Industry and to study the effectiveness of the working Capital management of the Indian cement companies from 2002-03 to 2009-2010. A sample of 20 large cement companies operating in India was selected. The secondary Data was collected from the Capitoline database for a period of 10 years from 2000 2010 The findings showed that the Indian Cement industry did not perform extraordinarily well during this period. In 6 out of the 10 years studied, the industry average for the efficiency index exceeded one. Despite some sample firms showing improved efficiency during these periods, significant inconsistency highlighted the necessity for these firms to adopt robust working capital management policies. Associated Cement and Dalmia emerged as the most successful firms in achieving the target efficiency level set by the industry norm, followed by Deccan, Kanoria, and

Madras. It was suggested that the f e firms under study should have taken accessary steps in order to improve their efficiency. The study also suggested that another study may be helpful for identifying the forces that governed the chronic nature of inefficiencies of Indian cement companies in the matter of working capital management.

Alfian Ryan Henry (2014), Analysis Of Financial Performance Before And After Spin-off In Pt. Bni (Persero) Tbk. This research is comparative study, because the purpose is to analyze and compare the data before and after company spin-off. This research used analytical tools. The goal of this study is to compare the financial performance of PT. BNI before and after its spin-off with PT. BNI Syariah in 2010.2.ROE after spin-off is higher than the mean ROE before spin-off. There is a significant difference on ROE of PT. BNI Tbk before and after spinoff with PT. BNI Syariah in 2010 Current Ratio after spin-off is larger than mean of current ratio before spin-off. There is a significant difference on current ratio of PT. BNI Tbk before and after spinoff with PT. BNI Syariah in 2010 NIM after spin-off is larger than mean of NIM before spin-off. There is no significant difference on NIM of PT. BNI Tbk before and after spinoff with PT. BNI Syariah in 2010

Monica Tulsian (2014), A study on profitability analysis, published in the Journal of Economics and Finance (Volume 3, Issue 2, March – April 2014, pages 19-22), aimed to understand and gain insights into the profitability of companies in the Indian steel industry. The methodology used in the study included ratio analysis and various other financial ratios. The study concluded by analyzing the return on capital employed (ROCE) ratio between two companies, revealing inefficiencies in management and poor utilization of capital funds.

Vaijayanthimala and Vijayakumar (2014) analyzed liquidity management andTrade-off between risk and profitability in Indian cement industry during the study period. The analysis of correlation between liquidity and profitability showed positive correlation in Associated Cement Companies Limited, Chettinad Cement Corporation Limited, Dalmia Cement Limited, Madras Cements Limited and Shree Cement Limited. However, there was negative correlation between Liquidity and Profitability in the case of Birla Corporation Limited, Grasim Industries Limited and India Comets

Limited. Further, the analysis of correlation between risk and profitability depicted a positive correlation in all the selected companies. However, there was a negative completion in the case of Associated Cement Companies Limited, Chettinad Cement Corporation Limited, and Dalmin Comment Limited. The result of the study showed mixed trend with respect to liquidity, risk, and profitability.

Maladi (2014) focused on empirical vision into the relationship between leverage and firm profitability of 28 cement firms selected from the Tehran Stock Exchange during the time of 3 years in 2008 to 2011 Leverage was measured by short term debt to equity (STD) and long-term debt to equity (LTD/E) and Firm profitability was measured by calculating the return on equity (ROE) and return on assets (ROA). The regression model was used to test the hypotheses. With the help of the results, it was concluded That there exist significant and negative relationship between leverage and firm Profitability. The result from the descriptive statistics also revealed that the cement companies were highly levered, and the performance of listed cement companies measured by returns on equity (ROE) and return on assets (ROA) were 39%, 19% respectively. The performance of the listed cement companies in Tehran throughout the study period was found to be average.

Bhuvneshwar (2015),A study on profitability analysis, International Journal of Applied Research, Volume 1, Issue 1, pages 138-141. The Objective of The study ensured complete operations, including lodging, food and beverage, and other hotel services. The methodology used was Gross Profit Ratio and Net Profit Ratio. The study concluded that Lord Ishwar and TGB are average, while the Leela hotel ranks last among hotels.

Abhinav (2015), A study on profitability analysis, Journal of Research in Commerce and Management, Volume 4, Issue 8 (August 2015), pp. 11-19. The study’s goal was to determine the profitability of the selected handloom products. The Mean, standard deviation, and the Chi-Square test were used in the analysis. The industry study’s conclusion has survived solely due to consumer preference for handloom items.

Manish Mittal and Aruna Dhademade(2015): A comparative study on profitability and productivity in Indian banks examined performance over a five-year period (1999-00 to 2003-04). The study emphasized that enhanced profitability is the primary criterion for evaluating performance from a shareholder perspective. It highlighted the challenge for bank management to balance social and commercial banking objectives to enhance market share, services, and fulfill governmental roles. The research revealed that public sector banks exhibit lower overall profitability (Spread – Burden ratio) compared to private and foreign banks, although profitability has shown improvement over the past five years. Foreign banks lead in terms of net profitability. Private sector banks generate higher non-interest income than public sector banks by offering more fee-based services to diverse customer segments (e.g., commissions, brokerage). The study recommends that public sector banks introduce additional customer services to competitively position themselves against private and foreign banks.

Rafiq Ahmad-2016-The aim of this research paper is to explore the correlation between two financial ratios, profitability and liquidity, specifically within the banking sector. The study examines the relationship using metrics such as the current ratio, quick ratio, and net working capital, focusing on Standard Chartered Bank Pakistan. The findings indicate a modestly positive correlation between liquidity and profitability. The study employs a quantitative research design, utilizing correlation and regression analyses to measure and assess this relationship. The conclusion underscores the importance for companies to prioritize liquidity management, as it positively impacts their profitability.

Vijayakumar A. (2016) has studied the assessment of corporate liquidity using a discriminate analysis approach. In this research, he discovered that the growth rate of sales, leverage, current ratio, operating expenses to sales, and vertical integration were the most important variables determining the profitability of sugar companies. He also investigated the short-term liquidity status of twenty-eight selected sugar factories in both the cooperative and private sectors. The researcher employed discriminating analysis in his research to distinguish between good risk companies and poor risk organizations based on current and liquidity ratios. In this study, discriminating 'Z' scores were generated using the discriminate function, and companies were ranked in order of liquidity.

Renáta Myšková-2017-Indicators of financial performance, particularly financial rating analysis, has become significant financial decision-support information utilized by firm management and other stakeholders to measure financial stability and growth potential. However, extra information could be disguised in managerial communication. The article analyzes the annual reports of the United States. Firms are evaluated from two perspectives: financial (based on a set of financial ratios) and linguistic (based on a review of other information supplied by firms in their annual reports). The Spearman correlation coefficient compares the values of financial and linguistic indices. Novel word lists are proposed for each category of financial analysis in order to facilitate the thorough examination. The goal is to evaluate the information value of annual reports and whether successful companies convey their achievements accurately. The findings indicate that the proposed topic dictionaries can be useful, particularly in terms of cash flow and leverage ratio movements.

Pavithra k (2018), a study on profitability analysis, Journal of Emerging Technologies and Innovative Research, Volume 5, Issue 12, December 2018, Pages 104–107. The study's objective was to examine the Ultra Tech Cement Company's financial performance. The methodology used was net profit ratio, gross profit ratio, and return on capital used. The analysis concluded that the corporation should focus more on increasing gross profit and return on capital used in the company.

ShekharRao (2018),A Study on Profitability Analysis, Journal of Business and Management, Volume 20, Issue 20, February 2018, pages 37–47. The study's purpose was to determine the relationship between changes in working capital and profitability in certain paint firms. Working capital and inventory management were the methodologies used. The study revealed that how working capital is managed has a significant impact on an organization's profitability.

Raghunathan & Das (2019) In their paper on corporate performance post-liberalization, the authors examined the performance of the Indian manufacturing sector over the eight years following liberalization, focusing on profitability, liquidity, leverage, and solvency. They found that while solvency and profitability ratios were strong until 1996, they began to decline thereafter. This decline was further highlighted when calculating the Economic Value Added (EVA), which showed that the Indian manufacturing sector had destroyed wealth, whereas multinational corporations (MNCs) had generated wealth for their shareholders. The authors argued that poor corporate performance led to the economic slowdown, not vice versa. They noted that companies raised funds during the weak equity market period and invested these funds at returns below their cost of capital, resulting in a prolonged economic downturn.

Srinivas Murthy (2019),a study on Profitability Analysis. Journal of Private Equity, The study's goal was to evaluate the solvency and profitability of selected private equity funds in India. The methodology used was Debt Equity Ratio, Proprietary Ratio, and Return on Total Assets Ratio. The study concluded that ratio analysis is a useful management technique for improving comprehension of financial outcomes and providing critical indications of organizational effectiveness.

Nirali J Kantharia (2020), a study on Profitability Analysis, International Journal of Research and Analytical Reviews, Volume 7, Issue 1 (March 2020). The study's goal was to evaluate and analyze the expansion of the electricity industry in relation to a selected organization. The methodology used was the net profit ratio, operating profit ratio, and rate of return. The conclusion was reached on the profitability and growth of a power generation enterprise.

Rajeswari (2020) studied about the Liquidity Management of Tamil Nadu Cement Corporation Ltd. Alangulam-A Case Study. She concluded from the analysis; the liquidity position of TANCEM was not stable. After the comparative analysis regarding liquidity ratios, she has found there was too much of liquidity in the first two years of the study period and also a very high degree of liquidity was also bad. As idle assets earn nothing and affects profitability. In short, she concluded that the liquidity management of TANCEM is poor and is not satisfactory.

Rogers (2021) The researcher examined how diversification impacts firm performance by studying a sample of 1449 large Australian firms from 1994 to 1997. The study focused on profitability and market value for quoted firms to analyze firm performance. The comparative analysis revealed that all selected firms emphasized maintaining higher profitability, considering firm-specific effects and other factors influencing profitability. However, this association was not observed in sub-sample regressions for listed firms. The researcher concluded that firms choose either profitability or market value to gauge performance. The findings suggested that listed firms face greater scrutiny and competitive pressures, potentially leading them to optimize their diversification strategies.

Sur, Biswas & Ganguly (2021) have examined on liquidity management in Indian private sector enterprises. A case study of the Indian primary aluminum sector. According to the findings, INDAL outperformed HINDALCO in terms of efficient short-term fund usage. They discovered a significant positive association between liquidity and profitability in both companies, indicating that liquidity had a favorable impact on profitability.

2.2 Theoretical Framework

<u>Financial statements</u>

There are four types of financial statements. The first one is the Balance sheet that equates assets and liabilities. The second one is the income statement that takes into account the revenue and the expenses and matches them. The third one is the cash flow statement that looks at the cash transactions and non-cash transactions and finds out about the cash inflow and cash outflow of the company. The last one is Statement of owner's equity which portrays changes in the capital balance of a business over a reporting period.

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1. Balance sheet

The balance sheet is a financial statement that reports the company's assets, liabilities and capital at a specific point of time. It displays the company's total asset and how these assets are financed, through either debt or equity. It can also be referred to as a statement of net worth and it will provide the financial position of the company at a point of time. The balance sheet is based on a fundamental equation:

Asset Liability + Capital

A balance sheet includes the following items,

1. Capital
   2. Non-Current Liabilities: Long term borrowings, Long term loans and advances, Debentures, Bonds etc.
   3. Current Liability: Creditors, Trade Payables, Overdraft etc.
   4. Fixed Assets: Land & Buildings, Plant & Machinery, and Furniture etc.
   5. Investments
   6. Current Assets: Debtors, Bills Receivables, Inventory etc.

2. Income Statement

The income statement gives the details about the Revenue, Expenses and Profit & Loss of the company generated during a financial year. It is one of the most important statements which give the operating result of a company during a period.

1. It starts with the gross sales or revenue. Deduct any sales return or sales discount from the gross sales to get the net sales. This net sale is use for ratio analysis.

2. From net sales, deduct the costs of goods sold and get the gross profit.
3. From gross profit, deduct the operating expenses like the expenses required for daily administrative expenses. By deducting the operating expenses, we get the EBIT, meaning the earnings before interest and taxes.
4. From EBIT, deduct the interest charges paid or add interest received (if any) and we get EBT, meaning earnings before taxes.
5. From EBT, deduct the income taxes for the period and we get the Net Income, meaning profit after tax.
6. The Statement of owners equity.

The statement of proprietor's equity portrays adjustments inside the capital stability of a enterprise over a reporting length. The concept is commonly applied to a sole proprietorship, wherein earnings earned all through the duration is added to the start capital stability and proprietor attracts are subtracted. The end result is the ending stability in the capital account. The quantity of owner's equity is expanded by way of earnings and proprietor contributions. The stability is decreased by means of losses and proprietor draws.

7. Statement of changes in shareholder’s equity

The announcement of owner’s fairness portrays modifications inside the capital stability of an organization over a reporting duration. The concept is normally applied to a sole proprietorship, in which income earned throughout the period is introduced to the start capital stability and owner draws are subtracted. The end result is the finishing balance within the capital account. The amount of proprietor’s equity is elevated by way of profits and owner contributions. The stability is decreased by losses and owner draws.

The statement of shareholders fairness Is an economic declaration that gives the records about the adjustments in shareholders fairness in a given period of time. The document layout varies, however can encompass the sale or repurchase of stocks, dividend bills, and modifications due to reported income or losses. This is the least used of the economic statements, and is normally simplest covered inside the audited economic assertion package

Financial statement analysis

Financial statement analysis is the process of studying and analyzing a company’s financial statements in order to make informed economic decisions. Financial statements are formal records of a company, individual, or other entity’s financial actions and condition. The required financial information is presented in a systematic and easily understandable fashion. They usually include a balance sheet, income statement, equity statements, and cash flow statements. It allows for a better knowledge of the company’s financial status, performance, and stability. It acts as a main source of information for most decision makers. So, the financial statement analysis has high significance in the future activities of the company. Financial statement analysis is an evaluative method of determining the past, current, and projected performance of a company.

Each financial statement provides multiple years of data. Used together, analysts track performance measures across financial statements using several different methods for financial statement analysis, including vertical, horizontal, and ratio analyses. An example of vertical analysis is when each line item on the financial statement is listed as a percentage of another.

Techniques of financial statement analysis

There are several techniques that can be used to analyze the financial statements. It includes,

Ratio Analysis

A ratio analysis is a quantitative analysis of information contained in a company's financial statements. Ratio analysis is used to evaluate various aspects of a company's operating and financial performance such as its efficiency, liquidity, profitability, and solvency.

While there are numerous financial ratios, some ratio analyses used for the working capital analysis are,

1. Current Ratio

This is the most widely used ratio. It is the ratio of current asset to current liabilities. It shows a firm's ability to cover its current liabilities with its current assets. It is expressed as follows:

Current ratio = Current asset/current liability

2:1 is considered ideal for a concern. When the ratio exceeds 2, creditors are relieved; nevertheless, for the company, it indicates idle funds and a lack of excitement for work. On the contrary, a low ratio indicates a lack of working capital, which may jeopardize the enterprise's smooth operation.

Current asset includes cash and those assets which can be converted into cash within a year, such as marketable securities, debtors, inventories and prepaid expenses. While current liabilities include creditors, bills payable, accrued expenses, short-term bank loan, income tax payable.

2. Liquid Ratio

This is the ratio of liquid assets to liquid liabilities. It shows a firm's ability to meet current liabilities with its most liquid assets include cash balance, bills receivable, sundry debtors and short term investment. Liquid liabilities include all items of current liabilities except bank overdraft. 1:1 is considered as the ideal ratio for a concern.

Liquid Ratio =Liquid Asset/current or (liquid)liability

- ✓ Profitability Ratios

1. Gross Profit ratio

The gross profit ratio indicates the relationship between gross profit and net sales. The ratio tells us something about the business's ability to control its production cost or to manage the margins it makes on products it buys and sells. 20% is considered as satisfactory.

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net sales}} *100$$

2. Operating Profit Ratio

This ratio expresses the connection among working earnings and sales. With the help of this ratio, you can choose the managerial overall performance which may not be pondered in the internet earnings ratio. Greater than 15% is said to be first-class.

$$\text{Operating Profit Ratio} = \frac{\text{operating Profit}}{\text{Net sales}} *100$$

3. Operating Ratio

The operating ratio compares production and administrative expenses to net sales. A lower operating ratio is a good indicator of operational efficiency, especially when the ratio in low in comparison to the same ratio for competitors and benchmark firms. The operational ratio is only useful for determining whether the primary business can earn a profit. Because numerous potentially major expenses are not included, it is not a good predictor of a company's overall success and may be misleading when used in isolation.

$$\text{Operating ratio} = \frac{\text{operating expense}}{\text{Net sales}} * 100$$

4. Net Profit Ratio

Net profit margin ratio establishes the relationship between the net profit and sales of the business. If it is more than 10%, it is said to be satisfactory.

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Sales}} * 100$$

5. Expense Ratio

This ratio is the link between different expenses and net sales is shown by the expense ratio. The average total fluctuations in expenses are displayed by the operating ratio. However, certain costs can be rising while others might be decreasing. In order to examine the reasons behind variations in the operating ratio, expense ratios are computed by dividing each item or set of expenses by net sales.

$$\text{Expense ratio} = \frac{\text{total expenses}}{\text{Net sales}} * 100$$

6. Capital Turnover Ratio

The capital turnover ratio is the link between cost of goods sold (or sales if cost of goods sold information is not available in the financial statements) and capital employed. This ratio is determined to determine the efficiency and effectiveness with which a corporation uses its resources or capital employed. Because capital is invested in a business to generate sales and profits, this ratio is a useful indicator of the overall profitability of a concern.

$$\text{Capital turnover ratio} = \frac{\text{net sales}}{\text{Capital employed}}$$

7. Return on investment (ROI)

Return on Investment (ROI) is a financial metric used to evaluate the efficiency or profitability of an investment. It is calculated by dividing the net profit from the investment by the initial cost of the investment, then multiplying by 100 to get a percentage.

$$\text{ROI} = \frac{\text{Net profit}}{\text{Cost of investment}} * 100$$

8. Return on net-worth

Return on shareholders' investment ratio is a measure of overall profitability of the business and is computed by dividing the net income after interest and tax by average stockholders' equity. It is also known as return on equity (ROE) ratio and return on net worth ratio,

Return on net worth = net profit after interest & tax / shareholder's fund

- ✓ Solvency Ratios

1. Debt-Equity Ratio

Debt to equity ratio is the most important ratio to test the solvency of a firm. This ratio indicates the relative proportion of debt and equity in financing the assets of a firm. This is the ratio between borrowed fund and owner's fund that is debt and equity. Debt refers to long term liabilities. It consists of long term loans from financial institutions, banks, public deposits and debentures. Equity includes share capital, general reserves, capital reserves and other reserves available to equity shareholders.

Debt-Equity Ratio = Debt/Equity

2. Proprietary Ratio

Proprietary ratio relates to the shareholder's fund to total assets. The ratio shows the long term solvency of the business.

$$\text{Proprietary Ratio} = \frac{\text{Shareholder's Fund}}{\text{Total Asset}} *100$$

3. Fixed Asset To Net worth

This ratio shows the relationship between fixed asset and shareholder's fund. The purpose of this ratio is to find out the percentage of the owner's fund.

$$\text{Fixed Asset to Net worth} = \frac{\text{Fixed Asset}}{\text{net worth}}$$

4. Overall Solvency Ratio

It indicates the ratio in which the company's assets that are financed through debt. Higher ratio means most of the assets are financed through debts. It indicates greater risk and low borrowing capacity of the firm.

$$\text{Overall Solvency Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

5. Capital Gearing Ratio

The Capital Gearing Ratio is the ratio of total equity to total debts; this statistic is very relevant when an analyst is looking to invest in a company and wants to know if it has the correct capital structure.

$$\text{Capital Gearing Ratio} = \frac{\text{Equity share capital}}{\text{Long term Borrowings}}$$

6. Stock Turnover Ratio

The Stock Turnover Ratio, also known as Inventory Turnover Ratio, measures how efficiently a company manages its inventory by indicating how many times inventory is sold and replaced over a period.

$$\text{Stock turnover ratio} = \frac{\text{cost of goods sold}}{\text{Average stock}}$$

7. Working Capital Turnover Ratio

Working capital turnover ratio indicates the speed of the usage of net working capital. A notable ratio indicates the wide variety of times the working capital is turned over within the course of a year. This ratio measures the performance with which the operating capital is being used by a firm better ratio suggests green usage of working capital.

$$\text{Working capital Turnover Ratio} = \frac{\text{Net Sales}}{\text{working Capital}}$$

Comparative-analysis

The term trend analysis refers to the concept of collecting information and attempting to spot a pattern, or trend, in the information. Trend percentages are immensely helpful in making a comparative study of the financial statement for several years. Trend analysis is a form of comparative analysis that is often employed to identify current and future movements of an investment or group of investments. The method may include evaluating historical and present financial ratios as they relate to various institutions in attempt to forecast how long the current trend will last. This type of information is extremely helpful to investors who wish to make the most from their investments.

CHAPTER-III

DATA ANALYSIS & INTERPRETATION OF DATA

Table 3.1: Comparative income statement for the year 2020-2021 and 2021-2022

Particulars	2018-2019 (Rs. In lakhs)	2019-2020 (Rs. In lakhs)	Absolute Change	Percentage Change
Net Sales	12295.27	13290.16	994.89	8.09
Cost of goods Sold	6626.28	7244.19	617.92	9.32
Gross profit	5668.99	6045.97	376.2	6.63
Operating expense	3242.38	3379.03	136.65	4.21
Operating profit	2426.61	2666.94	240.33	9.90
Other income	246.88	145.85	(101.03)	40.92
Net profit before tax	2673.49	2812.79	139.3	5.21
Tax	705.05	730.36	25.31	3.58
Net profit after tax	1968.44	2082.43	113.99	57.90

Source: Secondary Data

Interpretation:

Net sales increased from Rs. 12,295.27 lakhs in 2018-2019 to Rs. 13,290.16 lakhs in 2019-2020, reflecting an absolute increase of Rs. 994.89 lakhs, which translates to a percentage change of 8.09%. This growth in sales indicates a successful market presence and increased demand for Mercelys' products. The cost of goods sold (COGS) also rose from Rs. 6,626.28 lakhs to Rs. 7,244.19 lakhs, an increase of Rs. 617.92 lakhs or 9.32%. While this increase is slightly higher in percentage terms compared to the growth in net sales, it is a common occurrence as production scales up to meet higher demand.

Table 3.1: Comparative income statement for the year 2020-2021 and 2021-2022

Particulars	2019-2020 (Rs. In lakhs)	2020-2021 (Rs. In lakhs)	Absolute Change	Percentage Change
Net Sales	13290.16	8430.44	(4859.72)	36.50
Cost of goods Sold	7244.19	4369.69	(2874.5)	39.68
Gross profit	6045.97	4060.75	(1985.22)	32.83
Operating expense	3379.03	3357.21	(21.82)	0.64
Operating profit	2666.94	703.54	(1963.4)	73.61
Other income	145.94	110.09	(35.85)	24.56
Net profit before tax	2812.79	813.63	(1999.1)	71.07
Tax	730.36	250.36	(480)	65.72
Net profit after tax	2082.43	563.27	(1519.16)	72.95

Source: Secondary Data

Interpretation:

Because of unfavorable market conditions or disruptions, meriiboy Ice Cream Company's financial performance decreased significantly between 2019 and 2020 and 2020 and 2021. The cost of products sold reduced by Rs. 2,874.5 lakhs (39.68%), but net revenues fell by Rs. 4,859.72 lakhs (36.50%). A 32.83% decrease in gross profit indicates that there was not enough of a reduction in fixed costs. Operational profit fell sharply by Rs. 1,963.4 lakhs (73.61%) as operating expenses stayed almost unchanged. Net profit before tax decreased by Rs. 1,999.1 lakhs (71.07%) as a result of a decline in other income of Rs. 35.85 lakhs (24.56%). A net profit after tax reduction of Rs. 1,519.16 lakhs (72.95%) was achieved due to a decrease in tax expense of Rs. 480 lakhs (65.72%). In general, the business had a difficult year.

Table 3.1: Comparative income statement for the year 2020-2021 and 2021-2022

Particulars	2020-2021 (Rs. In lakhs)	2021-2022 (Rs. In lakhs)	Absolute Change	Percentage Change
Net Sales	8430.44	9491.72	1061.28	12.5
Cost of goods Sold	4369.69	4963.83	594.14	13.59
Gross profit	4060.75	4527.89	467.14	11.50
Operating expense	3357.21	3235.74	(121.47)	3.61
Operating profit	703.54	1292.15	588.61	83.66
Other income	110.09	149.39	39.3	35.69
Net profit before tax	813.63	1441.54	627.91	77.17
Tax	250.36	515	264.64	105.7
Net profit after tax	523.27	926.54	403.27	77.06

Source: Secondary Data

Interpretation:

Following its spin-off in 2021–2022, Mercely's financial performance demonstrates a noteworthy rebound and expansion. Gross profit climbed by Rs. 467.14 lakhs (11.5%) and net sales by Rs. 1,061.28 lakhs (12.5%). Operating profit increased significantly by Rs. 588.61 lakhs (83.66%) as operating expenditures reduced little. Net profit before tax increased by Rs. 627.91 lakhs (77.17%) as a result of an increase in other income of Rs. 39.3 lakhs (35.69%). Net profit after tax increased by Rs. 403.27 lakhs (77.06%) despite a doubling of tax expense. This demonstrates efficient cost control and operational effectiveness following the spin-off, signifying Mercelys' successful transition.

Table 3.2: Comparative income statement for the year 2021-2022 and 2022-2023

Particulars	2021-2022 (Rs. In lakhs)	2022-2023 (Rs. In lakhs)	Absolute Change	Percentage change
Net sales	9491.72	10135.11	643.39	6.77
Cost of goods Sold	4963.83	5423.87	460.04	9.26
Gross profit	4527.89	4711.24	183.5	4.05
Operating expense	3235.74	3048.66	(187.14)	5.78
Operating profit	1292.15	1662.38	370.23	28.65
Other income	149.39	176.92	27.53	18.42
Net profit before Tax	1441.54	1839.30	397.76	27.59
Less tax	515	614.11	99.11	19.24
Net profit after tax	926.54	1225.19	298.65	32.23

Source: Secondary data

Interpretation:

Mercely's 2022–2023 financial results indicate consistent growth and increased profitability over the prior year. Gross profit increased by Rs. 183.5 lakhs (4.05%) as net sales climbed by Rs. 643.39 lakhs (6.77%) and the cost of goods sold increased by Rs. 460.04 lakhs (9.26%). Operating profit increased significantly by Rs. 370.23 lakhs (28.65%) while operating expenses fell by Rs. 187.14 lakhs (5.78%). A gain of Rs. 27.53 lakhs (18.42%) in other income also helped to enhance net profit before tax to Rs. 397.76 lakhs (27.59%). Net profit after tax increased by Rs. 298.65 lakhs (32.23%) despite a 194.24 percent increase in tax expenses. This achievement shows strong financial stability, efficient operations, and great cost control.

Table 3.3: Comparative income statement for the year 2022-2023 and 2023-2024

Particulars	2022-2023 (Rs. In lakhs)	2023-2024 (Rs. In lakhs)	Absolute change	Percentage change
Net Sales	10135.11	11216	1080.89	10.66
Cost of goods Sold	5423.87	5720.39	296.64	5.46
Gross profit	4711.24	5495.94	784.7	16.65
Operating expense	3048.66	3325.91	277.25	9.09
Operating profit	1662.38	2170.03	507.65	30.53
Other income	176.92	258.92	82	46.34
Net profit before Tax	1839.30	2428.95	589.65	32.05
Tax	614.11	822.02	207.91	33.85
Net profit after tax	1225.19	1606.93	381.74	31.15

Source: Secondary Data

Interpretation:

Mercelys' financial performance for 2023-2024 demonstrates great growth and increased profitability compared to the previous year. Net sales climbed by Rs. 1,080.89 lakhs (10.66%), while cost of goods sold rose by Rs. 296.64 lakhs (5.46%), resulting in a significant increase in gross profit of Rs. 784.7 lakhs (16.65%). Operating expenses rose by Rs. 277.25 lakhs (9.09%), while operating profit soared by Rs. 507.65 lakhs (30.53%), exhibiting effective cost control. Other income increased by Rs. 82 lakhs (46.34%), resulting in a net profit before tax of Rs. 589.65 lakhs (32.05%). Despite a tax expense increase of Rs. 207.91 lakhs (33.85%), net profit after tax increased by Rs. 381.74 lakhs (31.15%). This solid achievement demonstrates Mercelys' successful operating strategy and strong financial health in 2023-2024.

Gross Profit Ratio

Table 3.4: showing Gross profit ratio

YEAR	Gross profit (Rs. In lakhs)	Net sales (Rs. In lakhs)	Gross Profit Ratio
2018-2019	5668.99	12295.27	46.1
2019-2020	6045.97	13290.16	45.49
2020-2021	4060.75	8430.44	48.16
2021-2022	4527.89	9491.72	47.70
2022-2023	4711.24	10135.11	46.48
2023-2024	5495.94	11216.33	48.99

Source: Secondary data

Figure 3.4: showing Gross profit ratio

Interpretation:

- From 2018-2019 to 2023-2024, Mercelys Ice Cream Company's gross profit ratio fluctuated between 45.49% and 48.99%. This indicator measures the company's potential to create profit in relation to its net sales, demonstrating initial stability under the name Meriiboy prior to a spin-off in 2021-2022.
- The gross profit margin reached a high of 48.16% in 2020-2021, suggesting a period of increased profitability. Despite subsequent variations, the ratio maintained within a restricted range, indicating constant profit margins throughout time.
- This steadiness implies that Mercelys has well managed its costs and operations, which contributes to its financial resilience in the competitive ice cream market. The ability to maintain profitability despite market fluctuations demonstrates the company's strategic adaptability and long-term survival.

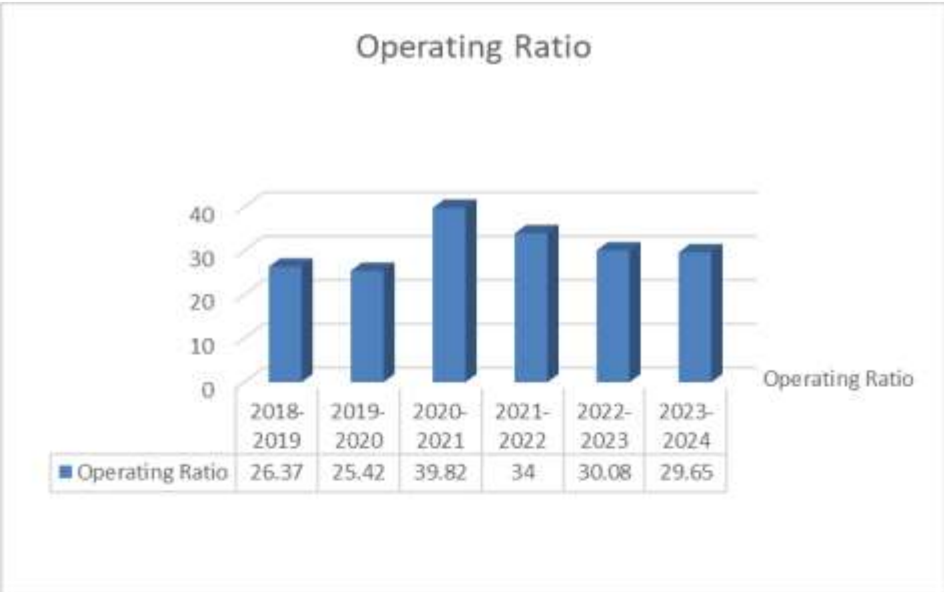
Operating Ratio

Table 3.5: showing operating ratio

YEAR	Operating cost (Rs. In lakhs)	Net Sales (Rs. In lakhs)	Operating Ratio
2018-2019	3242.38	12295.27	26.37
2019-2020	3379.03	13290.16	25.42
2020-2021	3357.21	8430.44	39.82
2021-2022	3235.71	9491.72	34.00
2022-2023	3048.66	10135.11	30.08
2023-2024	3325.91	11216.33	29.65

Source: Secondary Data

Figure 3.5: showing operating ratio



Interpretation:

- ❖ The operating ratio of Mercelys Ice Cream Company demonstrated a range of trends in operational efficiency from 2018–2019 to 2023–2024. The company showed good control over operational costs, with initial results showing 26.37% in 2018-2019 and a modest improvement to 25.42% in 2019-2020.
- ❖ The operational ratio climbed to 39.82% after the spin-off to Mercelys in 2020–2021, suggesting higher operating expenditures in comparison to net sales during the transition period. This spike draws attention to the monetary changes and possible difficulties encountered after the spin-off.
- ❖ Mercelys then succeeded to improve operational efficiency, as indicated by a progressive increase in the operating ratio to 29.65% by 2023-2024. This advancement illustrates the company's perseverance in minimizing operational expenses and improving cost management over time, so adding to its overall financial health and stability in the competitive ice cream market.

Operating Profit Ratio

Table 3.6: showing operating profit ratio

YEAR	Operating profit (Rs. In lakhs)	Net sales (Rs. In lakhs)	Operating profit Ratio
2018-2019	2426.61	12295.27	19.73
2019-2020	2666.94	13290.16	20.06
2020-2021	703.54	8430.44	8.34
2021-2022	1292.15	9491.72	13.61
2022-2023	1662.38	10135.11	16.40
2023-2024	2170.03	11216.33	19.34

Source: Secondary data

Figure 3.6: showing operating profit ratio

Interpretation:

- From 2018-2019 to 2023-2024, Mercelys Ice Cream Company's operational profit ratio fluctuated significantly, reflecting strategic changes and market dynamics. Initially, the ratio began at 19.73% in 2018-2019 and increased slightly to 20.06% in 2019-2020, suggesting constant profitability during that time period. Following the spin-off to Mercelys in 2020-2021, the operating profit ratio fell sharply to 8.34%, indicating problems and changes related to the spin-off impacting operational efficiency and profitability.
- Mercelys recovered, with the operating profit ratio rising to 13.61% in 2021-2022, reflecting efforts to stabilize operations post-spin-off and adapt to new market conditions. By 2023-2024, the operating profit ratio had risen to 19.34%, demonstrating Mercelys' long-term effectiveness in improving operational efficiency and profitability. These fluctuations highlight Mercelys' adaptability and strategic emphasis in managing market shifts while enhancing financial performance across the investigated period.

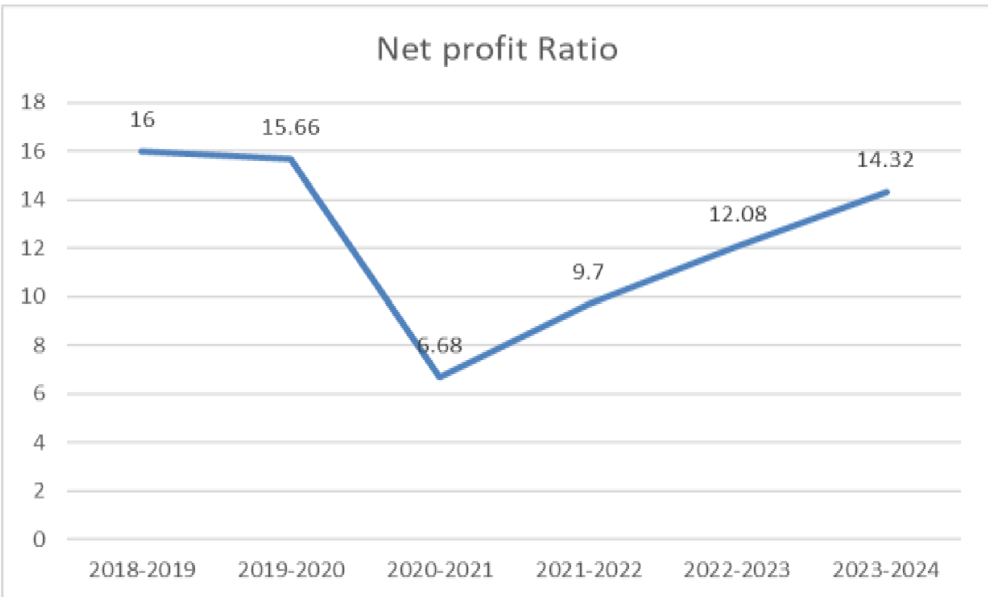
Net Profit Ratio

Table 3.7: showing Net profit ratio

YEAR	Net profit (Rs. In lakhs)	Net Sales (Rs. In lakhs)	Net profit Ratio
2018-2019	1968.44	12295.27	16.00
2019-2020	2082.43	13290.16	15.66
2020-2021	563.27	8430.44	6.68
2021-2022	926.54	9491.72	9..7
2022-2023	1225.19	10135.11	12.08
2023-2024	1606.93	11216.33	14.32

Source: Secondary Data

Figure 3.7: showing Net profit ratio



Interpretation:

- From 2018-2019 to 2023-2024, Mercelys Ice Cream Company's net profit ratio began at a strong 16.00% in 2018-2019, indicating significant profitability throughout its early years as Meriiboy. The ratio remained reasonably stable at 15-16% until 2020-2021, demonstrating consistent profitability in relation to net sales.
- After the spin-off to Mercelys in 2020–2021, the net profit ratio dropped significantly to 6.68%. This dramatic decline indicates a difficult time for the business following the spin-off, most likely as a result of transitional expenses or operational changes that adversely affected profitability.
- Mercelys did, however, demonstrate tenacity and a comeback in the years that followed, as seen by the net profit ratio rising to 14.32% by 2023–2024 and 9.7% in 2021–2022. These enhancements are a result of the company's effective strategy adjustments, cost control measures, and market adaptations, which finally led to improved financial performance and stability in the cutthroat ice cream sector.

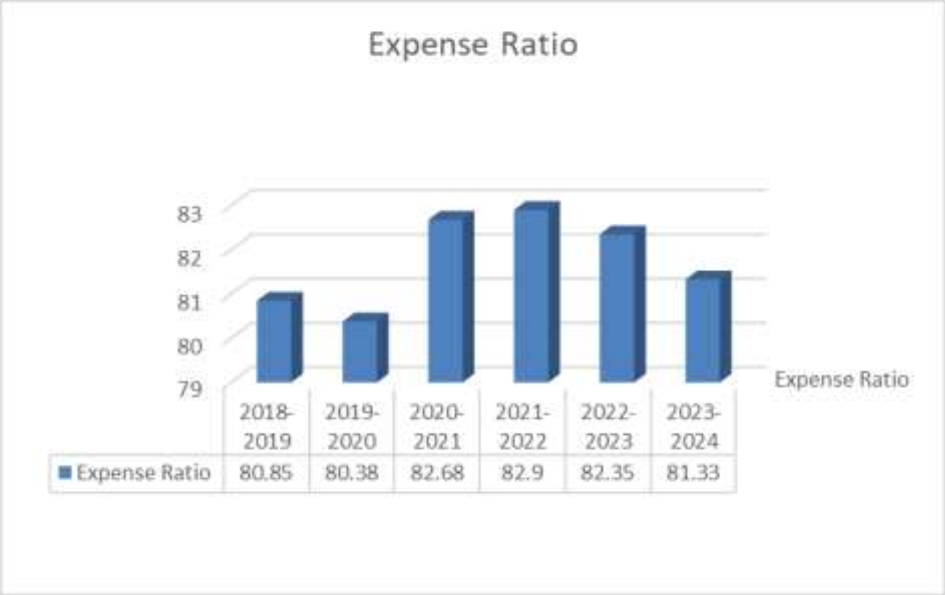
Expense Ratio

Table 3.8: showing expense ratio

YEAR	Total Expense (Rs. In lakhs)	Net Sales (Rs. In lakhs)	Expense Ratio
2018-2019	9942.29	12295.27	80.85
2019-2020	10683.09	13290.16	80.38
2020-2021	6970.93	8430.44	82.68
2021-2022	7869.51	9491.72	82.90
2022-2023	8347.22	10135.11	82.35
2023-2024	9122.24	11216.33	81.33

Source: Secondary data

Figure 3.8: showing expense ratio



Interpretation:

- Mercelys Ice Cream Company’s expense ratio began at 80.85% in 2018–2019 and remained stable at 80–82% through 2023–2024, illustrating effective cost management relative to net sales both as Meriiboy and post-spin-off to Mercelys. The ratio increased slightly to 82.68% after the spin-off in 2020–2021, likely due to start-up expenses from operational or restructuring changes.
- Despite this initial increase, Mercelys maintained stability in its expense ratio, which remained between 82 and 83% in subsequent years. The minor decline to 81.33% in 2023-2024 underscores the company’s dedication to operational efficiency and financial stability, demonstrating its ability to align expenses with revenue growth amidst changing market dynamics.

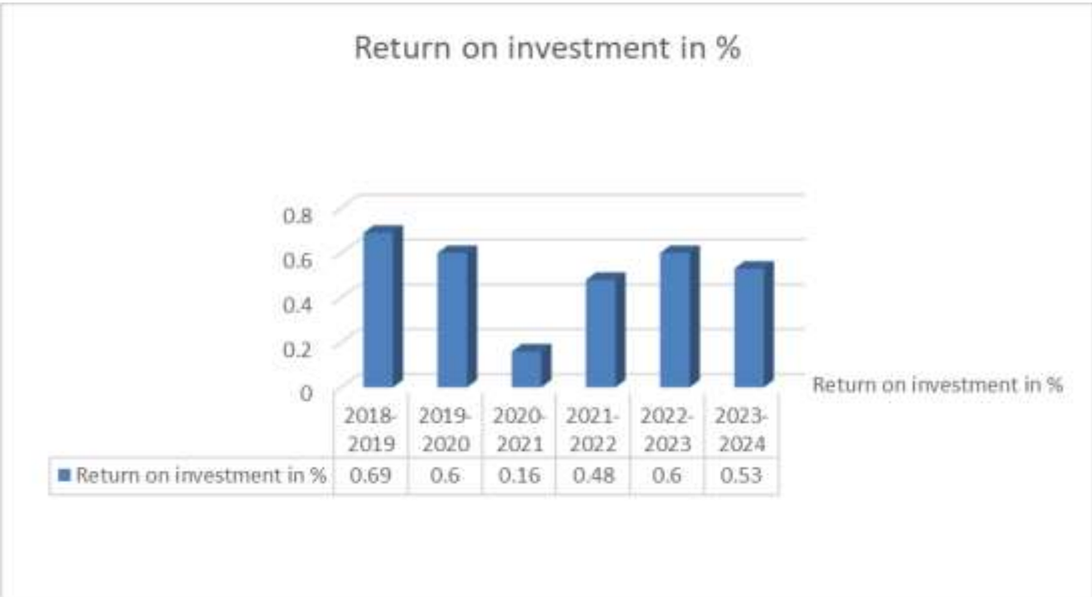
Return on investment (ROI)

Table 3.9: showing Return on investment(ROI)

YEAR	Net profit (Rs. In lakhs)	Shareholder's fund (Rs. In lakhs)	Return on investment in %
2018-2019	1968.44	2817.84	0.69
2019-2020	2082.43	3420.59	0.60
2020-2021	563.27	3673.74	0.16
2021-2022	926.54	1918.87	0.48
2022-2023	1225.19	2019.34	0.60
2023-2024	1606.93	3013.70	0.53

Source: Secondary data

Figure 3.9: showing Return on investment (ROI)



Interpretation:

- ❖ Mercelys Ice Cream Company, formerly known as Meriiboy, experienced a spin-off in 2021–2022. ROI started at 0.69% in 2018–2019, showing steady but modest returns. However, after the spin-off in 2020–2021, ROI dropped significantly to 0.16% due to challenges like decreased profitability and restructuring expenses.
- ❖ Following the spin-off, Mercelys improved its ROI to 0.48% in 2021–2022 and 0.60% in 2022–2023, reflecting better financial management and recovery efforts. By 2023–2024, ROI stabilized at 0.53%, demonstrating Mercelys' ability to adapt to market changes and optimize financial strategies for steady returns.

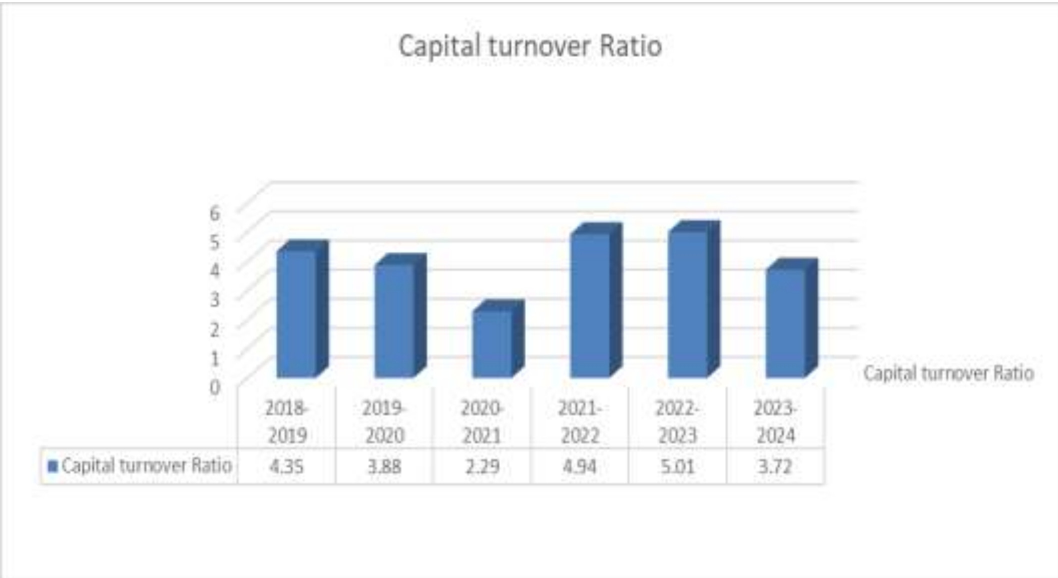
Capital turnover Ratio

Table 3.10: showing capital turnover ratio

YEAR	**Net sales** (Rs. In lakhs)	**Capital Employed** (Rs. In lakhs)	**Capital turnover Ratio**
2018-2019	12295.27	2817.84	4.35
2019-2020	13290.16	3420.59	3.88
2020-2021	8430.44	3673.74	2.29
2021-2022	9491.72	1918.87	4.94
2022-2023	10135.11	2019.34	5.01
2023-2024	11216.33	3013.70	3.72

Source: Secondary Data

Figure 3.10: showing capital turnover ratio



Interpretation:

- Mercelys Ice Cream Company's capital turnover ratio fluctuated significantly between 2018–2019 and 2023–2024, reflecting strategic changes and operational adjustments. Initially, as Meriiboy, the ratio began at 4.35 in 2018–2019 but dropped to 2.29 by 2020–2021, indicating challenges in capital allocation during this period.
- Following the spin-off to Mercelys in 2021–2022, the ratio dramatically increased to 4.94, demonstrating improved revenue generation and capital efficiency through technology integration. It remained stable at 5.01 in 2022–2023 and slightly declined to 3.72 in 2023–2024, highlighting consistent efforts to maximize sales despite minor volatility, showcasing Mercelys' strategic flexibility and operational efficiency in a competitive market.

Return on net-worth

Table 3.11: showing return on net-worth

YEAR	Net income (Rs. In lakhs)	Shareholder's Equity (Rs. In lakhs)	Return on net-worth %
2018-2019	1968.44	96.42	20.41
2019-2020	2082.43	96.42	21.59
2020-2021	563.27	96.42	5.84
2021-2022	926.54	71.68	12.92
2022-2023	1225.19	71.68	17.09
2023-2024	1606.93	71.68	21.48

Source: Secondary Data

Figure 3.11: showing return on net-worth

interpretation:

- ❖ Initial Robust Performance (2018-2020): Operating under the moniker Meriiboy, RONW began 2018-2019 with a solid 20.41% and grew to 21.59% in 2019-2020. According to shareholder equity, these numbers demonstrated the company's initial excellent financial health and management effectiveness. They also showed effective profitability.
- ❖ Effect of Spin-off (2020–2021): RONW fell to 5.84% after the spin-off to Mercelys in 2020–2021. The transitional difficulties and modifications related to restructuring and operational realignment during the spin-off process were reflected in this steep fall.
- ❖ Recovery and Growth (2021-2024): After 2021-2022, with the implementation of sophisticated technology, RONW began to recover dramatically. It rose to 12.92% in 2021-2022, then to 17.09% in 2022-2023, before peaking at 21.48% in 2023-2024. These successive improvements demonstrate Mercelys' successful implementation of strategic initiatives and operational savings, resulting in increased profitability and shareholder value.

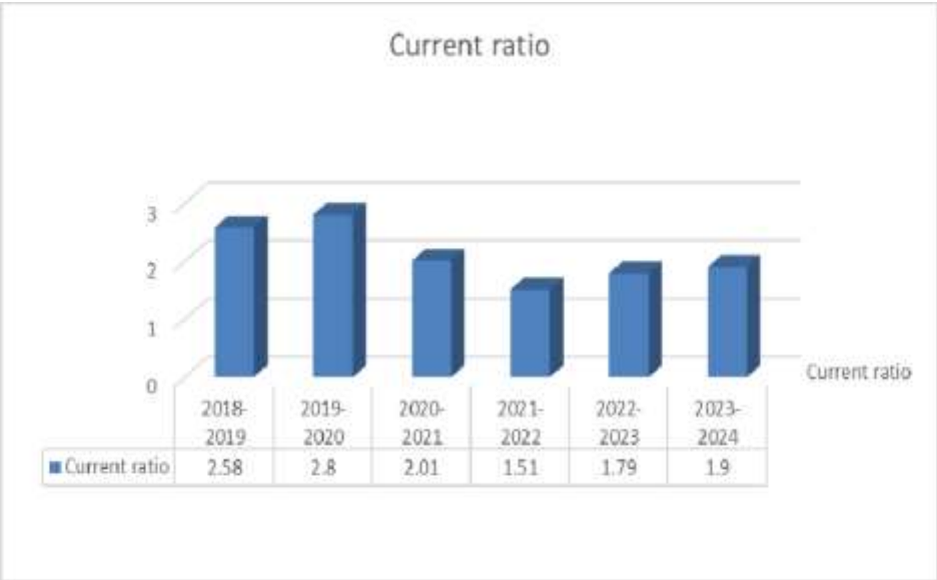
Current Ratio

Table 3.12: showing current ratio

YEAR	Current Assets (Rs. In lakhs)	Current liability (Rs. In lakhs)	Current ratio
2018-2019	3817.17	1475.73	2.58
2019-2020	4185.08	1492.71	2.80
2020-2021	3278.99	1854.95	2.01
2021-2022	2479.61	1632.7	1.51
2022-2023	3937.39	2190.55	1.79
2023-2024	4736.95	2492.55	1.90

Source: Secondary Data

Figure 3.12: showing current ratio



Interpretation:

- The current ratio of Mercelys Ice Cream Company fluctuated significantly between 2018 and 2019, reflecting shifts in business dynamics and liquidity management methods. Operating as Meriiboy, the company maintained a strong current ratio, starting at 2.58 in 2018–2019 and peaking at 2.80 in 2019–2020, indicating robust liquidity.
- However, post-spin-off to Mercelys in 2020–2021, the current ratio dropped to 2.01 and further to 1.51 in 2021–2022, highlighting increased vulnerability in meeting short-term obligations. Despite modest improvements to 1.79 in 2022–2023 and 1.90 in 2023–2024, the ratio remained below the ideal level of 2, underscoring ongoing liquidity management challenges and the need for enhanced efforts to optimize working capital in a competitive market.

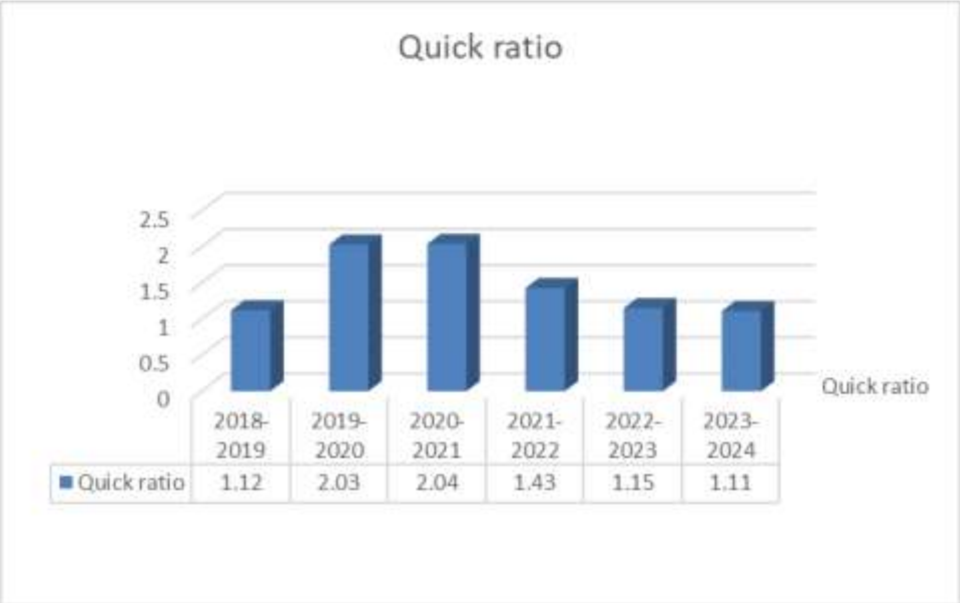
Quick ratio

Table 3.13: showing quick ratio

YEAR	Quick Assets (Rs. In lakhs)	Current liability (Rs. In lakhs)	Quick ratio
2018-2019	1658.8	1475.73	1.12
2019-2020	3034.92	1492.71	2.03
2020-2021	3771.4	1854.95	2.04
2021-2022	2335.81	1632.7	1.43
2022-2023	2534.1	2190.55	1.15
2023-2024	2768.6	2492.55	1.11

Source: Secondary Data

Figure 3.13: showing quick ratio



Interpretation:

- Initial Stability and Spin-off Impact: From 2018 to 2019, Mercelys Ice Cream Company, formerly known as Meriiboy, began with a quick ratio of 1.12, showing a balanced ability to meet short-term obligations with liquid assets slightly exceeding current liabilities. The company was spun off to Mercelys in 2020-2021, and the quick ratio improved dramatically to 2.04, indicating increased liquidity post-transition.
- Post-Spin-off Challenges: However, in 2021-2022, the quick ratio fell to 1.43, indicating a fall in the company’s capacity to meet urgent financial obligations only with liquid assets. This pattern continued into 2022-2023 and 2023-2024, with quick ratios of 1.15 and 1.11, respectively, showing continuous difficulties in maintaining appropriate liquidity levels following the strategic adjustments enacted during the spin-off.
- Strategic imperatives: These swings highlight the significance of Mercelys regularly monitoring and successfully managing its quick assets and liabilities. This method is critical for providing appropriate liquidity and financial stability in the competitive ice cream sector, highlighting the importance of future strategic modifications and strong financial management procedures.

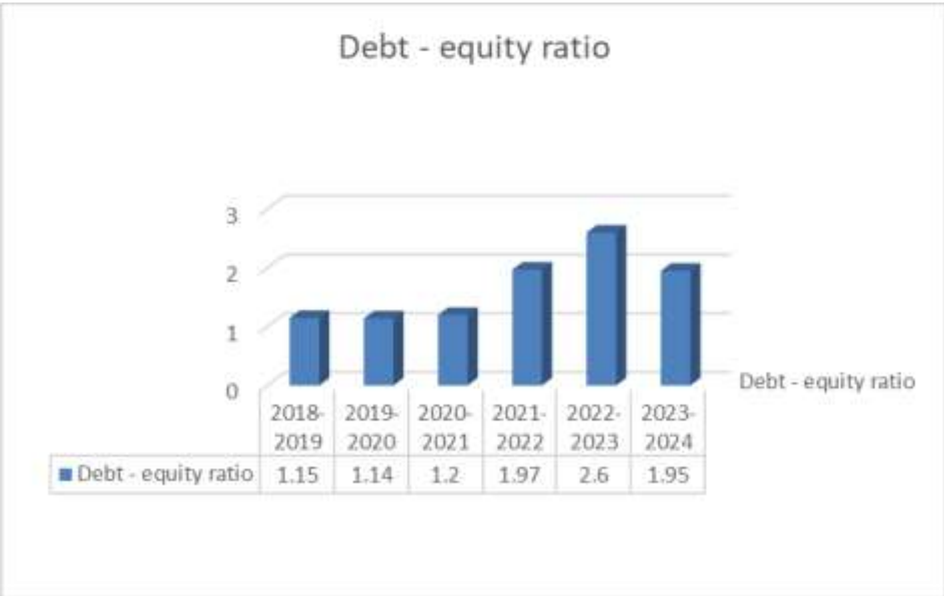
Debt-Equity Ratio

Table 3.14: showing Debt equity ratio

YEAR	**Debts** (Rs. In lakhs)	**Shareholder's fund** (Rs. In lakhs)	**Debt - equity ratio**
2018-2019	3262.62	2817.84	1.15
2019-2020	3942	3420.59	1.14
2020-2021	4414.34	3673.74	1.20
2021-2022	3792.27	1918.87	1.97
2022-2023	5254.07	2019.34	2.60
2023-2024	5880.39	3013.70	1.95

Source: Secondary Data

Figure 3.14: showing Debt equity ratio



Interpretation:

- ❖ Before the spin-off in 2021-2022, Mercelys Ice Cream Company, formerly Meriiboy, maintained a steady debt-equity ratio of 1.14 to 1.20 from 2018 to 2021, showcasing prudent financial management and conservative leverage practices.
- ❖ Following the spin-off to Mercelys, the debt-equity ratio surged to 1.97 in 2021-2022 and further to 2.60 in 2022-2023, reflecting strategic investments in technology and restructuring efforts aimed at enhancing operational efficiency and competitiveness. By 2023-2024, Mercelys reduced its debt-equity ratio to 1.95, signaling ongoing adjustments to optimize financial stability amidst evolving market conditions in the ice cream industry.

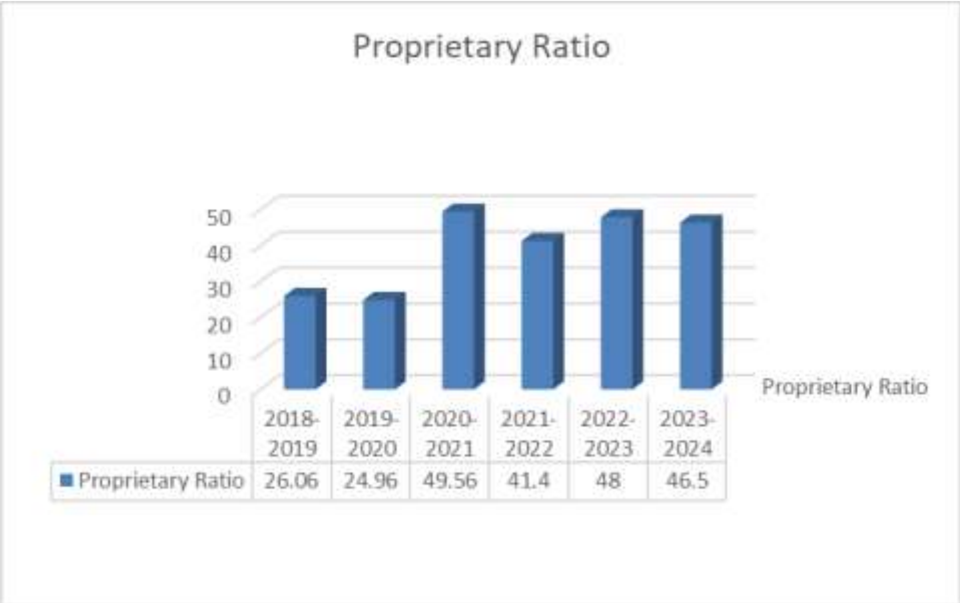
PROPRIETARY RATIO

Table 3.15: showing proprietary ratio

YEAR	Shareholder's fund (Rs. In lakhs)	Total Assets (Rs. In lakhs)	Proprietary Ratio
2018-2019	1918.87	7362.59	26.06
2019-2020	2019.34	8088.08	24.96
2020-2021	3013.70	6080.46	49.56
2021-2022	2817.84	6805.97	41.40
2022-2023	3420.59	7124.94	48.00
2023-2024	3673.74	7899.73	46.50

Source: Secondary data

Figure 3.15: showing proprietary ratio



Interpretation:

- From 2018-2019 to 2020-2021, while operating as Meriiboy, Mercelys Ice Cream Company maintained a proprietary ratio of 24% to 26%. This period demonstrated a persistent reliance on shareholder cash to finance a sizable amount of total assets.
- Following the spin-off to Mercelys in 2021-2022, the proprietary ratio rose to 41.40%, indicating a deliberate move toward increasing equity financing of total assets. This adjustment most certainly aided activities such as technical breakthroughs and restructuring efforts aimed at increasing operational efficiency and market competitiveness.
- In future years, the proprietary ratio varied, reaching a high of 48.00% in 2022-2023 before stabilizing at 46.50% in 2023/2024. These variances represent ongoing changes in capital structure and financing techniques, demonstrating Mercelys' flexibility in optimizing the balance of equity and other financial resources to maintain stability and resilience in the competitive ice cream market.

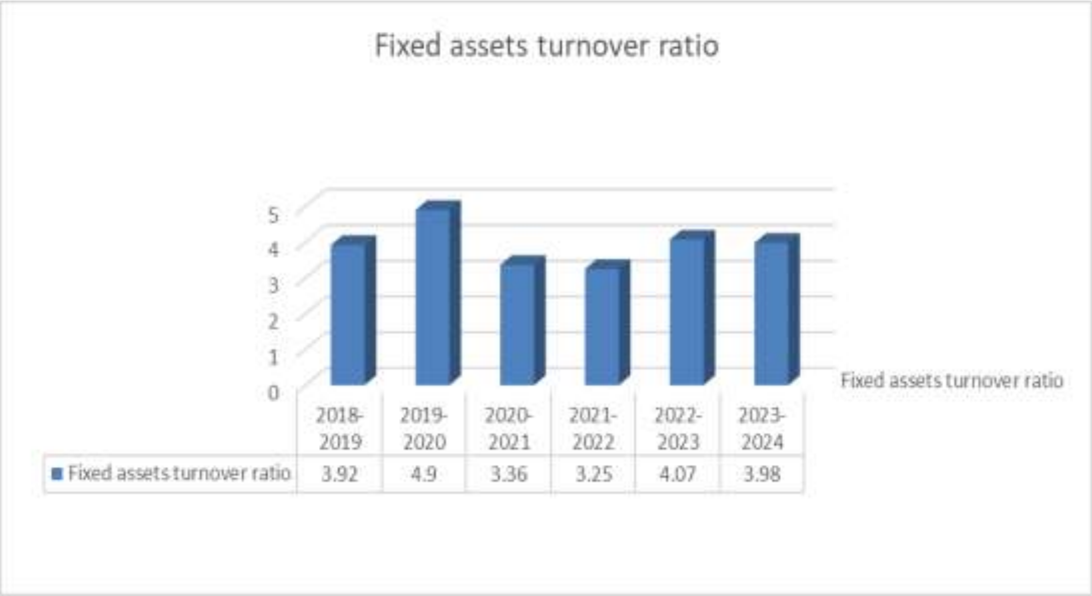
Fixed Assets turnover ratio

Table 3.16: showing fixed assets to net-worth ratio

YEAR	**Net revenue** (Rs. In lakhs)	**Net fixed Assets** (Rs. In lakhs)	**Fixed assets turnover ratio**
2018-2019	12295.27	3128.64	3.92
2019-2020	13290.16	2710.34	4.90
2020-2021	8430.44	2505.82	3.36
2021-2022	9491.72	2917.63	3.25
2022-2023	10135.11	2484.75	4.07
2023-2024	11216.33	2817.99	3.98

Source: Secondary Data

Table 3.16: showing capital gearing ratio



Interpretation:

- Initial Efficiency and Decline: From 2018-2019 to 2019-2020, under the name Meriiboy, the company's fixed assets turnover ratio remained high, peaking at 4.90 in 2019-2020, suggesting efficient asset usage. However, in 2020-2021, the ratio fell to 3.36, showing lower revenue generation compared to fixed assets during the transitional period preceding the spin-off.
- The spin-off to Mercelys in 2021-2022, the fixed assets turnover ratio fell further to 3.25. This reduction was most likely caused by transitory adjustments and considerable expenditures in modern technology, which had an immediate impact on fixed asset utilization efficiency as the corporation adapted to new operational structures and strategies.
- In the subsequent years, the fixed assets turnover ratio improved to 4.07 in 2022-2023, demonstrating enhanced efficiency in utilizing fixed assets. However, it slightly decreased to 3.98 in 2023-2024. These fluctuations highlight Mercelys' efforts to optimize fixed asset utilization amidst strategic shifts and technological investments, aiming to sustain revenue generation efficiency in the competitive ice cream market.

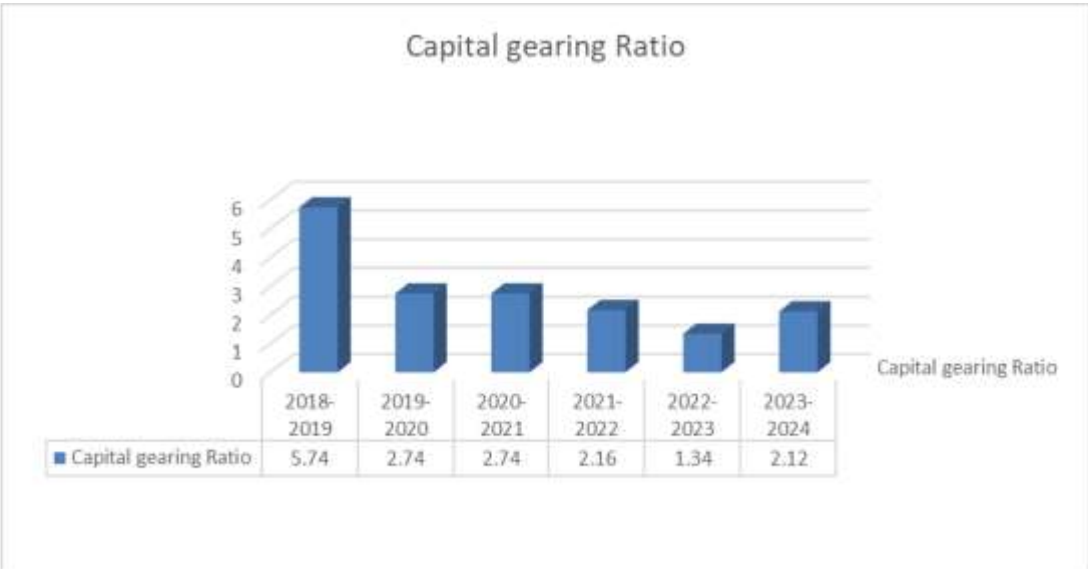
Capital Gearing Ratio

Table 3.17: showing capital gearing ratio

YEAR	Equity share (Rs. In lakhs)	Long term borrowings (Rs. In lakhs)	Capital gearing Ratio
2018-2019	96.42	16.79	5.74
2019-2020	96.42	35.14	2.74
2020-2021	96.42	35.14	2.74
2021-2022	71.68	33.15	2.16
2022-2023	71.68	53.14	1.34
2023-2024	71.68	31.72	2.12

Source: Secondary data

Figure 3.17: showing capital gearing ratio



Interpretation:

- ❖ From 2018-2019 to 2023-2024, Mercelys Ice Cream Company's capital gearing ratio underwent significant fluctuations, influenced notably by the spin-off in 2021-2022 and subsequent strategic adjustments. Initially, operating as Meriiboy, the company began with a high capital gearing ratio of 5.74 in 2018-2019, indicating a strong reliance on equity over long-term borrowings.
- ❖ Following this, the ratio decreased to 2.74 in both 2019-2020 and 2020-2021, signaling a shift towards a more balanced capital structure. After the spin-off to Mercelys in 2021-2022, the ratio further decreased to 2.16, likely due to strategic adjustments in response to technological investments and restructuring efforts. However, by 2022-2023, the ratio sharply dropped to 1.34, indicating an increased dependence on long-term borrowings relative to equity. Nonetheless, in 2023-2024, the ratio rose again to 2.12, reflecting ongoing efforts to achieve a balanced approach between equity and long-term borrowings, showcasing Mercelys' adaptive capital management strategies amidst evolving market dynamics and technological advancements.

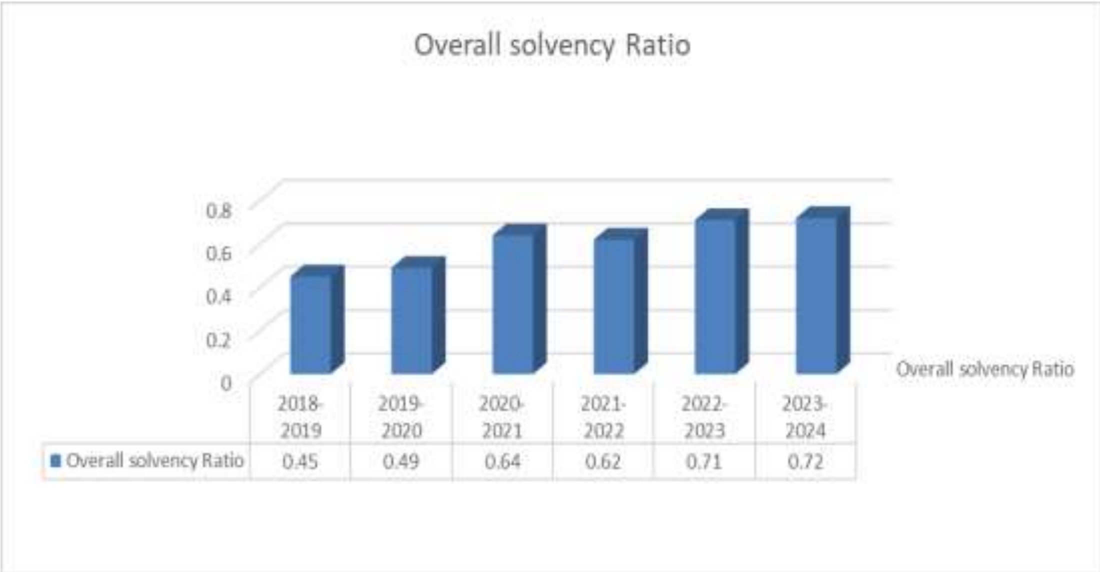
Overall Solvency Ratio

Table 3.18: showing overall solvency Ratio

YEAR	Total debt (Rs. In lakhs)	Total Assets (Rs. In lakhs)	Overall solvency Ratio
2018-2019	3262.62	7124.94	0.45
2019-2020	3942	7899.73	0.49
2020-2021	4414.34	6805.97	0.64
2021-2022	3792.27	6080.46	0.62
2022-2023	5254.07	7362.59	0.71
2023-2024	5880.39	8088.08	0.72

Source: Secondary Data

Figure 3.18: showing overall solvency Ratio



Interpretation:

- From 2018-2019 to 2023-2024, Mercelys Ice Cream Company's overall solvency ratio, which measures the proportion of total debt to total assets, indicates increasing leverage over time, influenced by the spin-off in 2021-2022 and subsequent financial strategies.
- Initially operating as Meriiboy, the solvency ratio increased gradually from 0.45 in 2018-2019 to 0.64 in 2020-2021, suggesting a growing reliance on debt to finance the company's assets. Following the spin-off to Mercelys, the ratio briefly decreased to 0.62 in 2021-2022, but rose significantly in the following years, reaching 0.71 in 2022-2023 and 0.72 in 2023-2024, highlighting the strategic use of debt to support growth and technological advance.

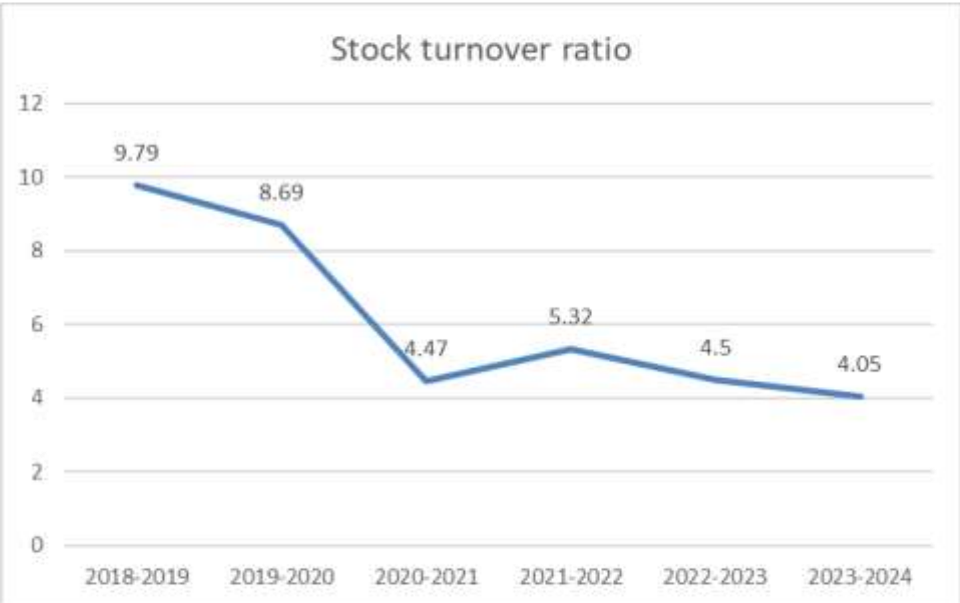
Stock turnover ratio

Table 3.19: showing stock turnover ratio

YEAR	Cost of goods sold (Rs. In lakhs)	Average stock (Rs. In lakhs)	Stock turnover ratio
2018-2019	6626.28	676.2	9.79
2019-2020	7244.19	833.14	8.69
2020-2021	4369.69	977.52	4.47
2021-2022	4963.83	932.7	5.32
2022-2023	5423.87	1203.51	4.50
2023-2024	5720.39	1410.47	4.05

Source: Secondary Data

Table 3.19: Showing Stock Turnover Ratio



Interpretation:

- Initial Efficiency and Decline: From 2018-2019 to 2020-2021, when Mercelys Ice Cream Company was known as Meriiboy, the stock turnover ratio exhibited a high efficiency in inventory management, starting at 9.79 in 2018-2019. However, this ratio gradually declined to 4.47 by 2020-2021, reflecting increasing challenges in efficiently selling inventory.
- Effect of Spin-off and Temporary Improvement the stock turnover ratio improved slightly to 5.32 in 2021–2022, indicating early attempts to resolve inventory management concerns, after the spin-off to Mercelys. Nevertheless, this increase was fleeting, as the ratio failed to hold over the optimal threshold of 5.
- In the subsequent years, the ratio declined further to 4.50 in 2022-2023 and 4.05 in 2023-2024. Despite the integration of advanced technologies post-spin-off, these figures highlight Mercelys' ongoing challenges in maintaining optimal inventory turnover, underscoring the need for enhanced inventory management practices to achieve better efficiency in the competitive ice cream market.

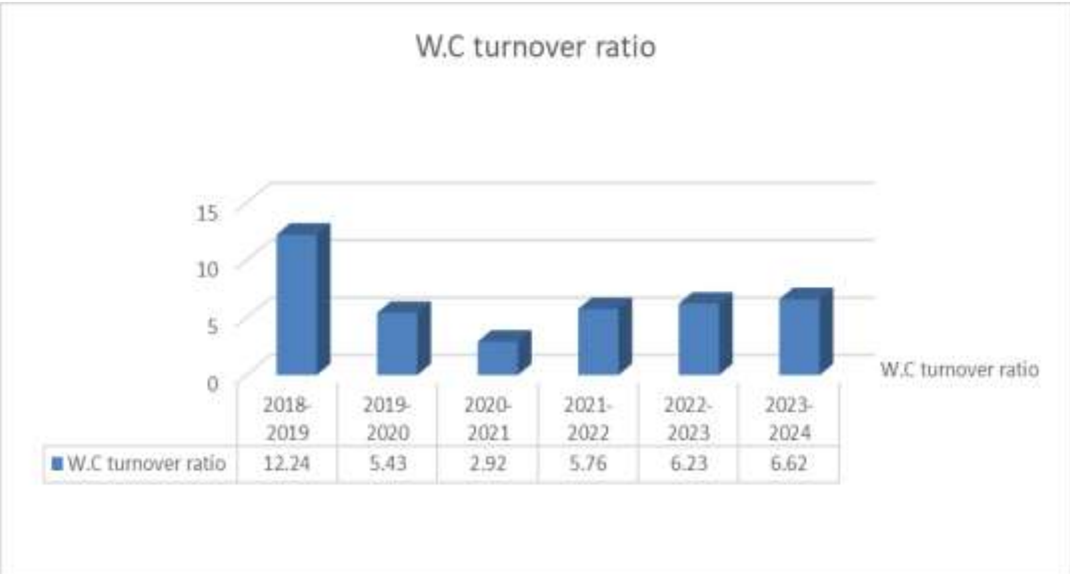
Working Capital Turnover Ratio

Table 3.20: showing working capital turnover ratio

YEAR	Net Sales (Rs. In lakhs)	Working capital (Rs. In lakhs)	W.C turnover ratio
2018-2019	12295.27	1003.88	12.24
2019-2020	13290.16	2444.68	5.43
2020-2021	8430.44	2882	2.92
2021-2022	9491.72	1646.29	5.76
2022-2023	10135.11	1626.62	6.23
2023-2024	11216.33	1692.53	6.62

Source: Secondary Data

Figure 3.20: showing working capital turnover ratio



Interpretation:

- Initial Efficiency in 2018-2019 to 2020-2021, operating as Meriiboy, the working capital turnover ratio started high at 12.24 but sharply declined to 2.92, reflecting growing inefficiencies in managing working capital relative to sales.
- The spin-off to Mercelys in 2021-2022, the working capital turnover ratio showed improvement, increasing to 5.76. This indicates that Mercelys began to address previous inefficiencies and better manage its working capital to support sales generation.
- The upward trend continued, with the ratio rising to 6.23 in 2022-2023 and further to 6.62 in 2023-2024. These improvements highlight Mercelys' ongoing efforts to optimize working capital management post-spin-off, enhancing its ability to generate sales more efficiently, though still below the high efficiency levels observed pre-spin-off.

CHAPTER- IV

SUMMARY, FINDINGS & RECOMMENDATIONS

4.1 FINDINGS

1. The company maintained a stable gross profit ratio between 45.49% and 48.99%, demonstrating consistent profitability and effective cost management in the competitive ice cream market.
2. Inventory turnover and working capital turnover ratios declined post-spin-off, highlighting ongoing challenges in inventory management efficiency despite technological integration.
3. ROI initially declined to 0.16% in 2020-2021 but showed recovery to 0.53% by 2023-2024, demonstrating Mercelys' efforts to enhance profitability and efficiency in capital utilization.
4. Fixed assets turnover improved post-spin-off to 3.98 by 2023-2024, indicating enhanced efficiency in asset utilization despite initial transitional challenges.
5. Mercelys showed good control over operational costs with an operating ratio ranging from 25.42% to 39.82%. Despite challenges post-spin-off in 2020-2021, the company improved operational efficiency to 29.65% by 2023-2024, indicating effective cost management over time.
6. The operating profit ratio fluctuated significantly, starting at 19.73% in 2018-2019, dipping to 8.34% in 2020-2021 after the spin-off, and recovering to 19.34% by 2023-2024. This shows Mercelys' resilience and strategic adaptability in maintaining profitability.
7. Mercelys adjusted its capital gearing to balance equity and long-term borrowings, stabilizing at 2.12 by 2023-2024 after a period of fluctuations post-spin-off.
8. After a significant drop to 6.68% in 2020-2021 following the spin-off, Mercelys rebounded with net profit ratios reaching 14.32% by 2023-2024, indicating effective recovery strategies and improved financial performance.
9. Liquidity ratios (current and quick ratios) saw declines post-spin-off but showed modest improvements over time, indicating ongoing efforts to optimize liquidity management. Solvency ratios increased slightly, reflecting a growing reliance on debt to support growth initiatives.
10. The company effectively managed its expenses with a stable expense ratio ranging from 80.85% to 83% post-spin-off, reflecting disciplined cost controls despite initial increases related to restructuring.

4.2 RECOMMENDATIONS

1. Net profit of the firm can be increased by reducing the tax liability using various tax redemption method.
2. The optimum utilization of available resources will help the company to be more productive.
3. The liquidity position of the company can be increased by increasing revenue or by controlling overhead expenses.
4. The management should take extra care in the proper utilization of working capital.
5. The slightly above ideal level of stock turnover ratio suggests management should prioritize optimizing inventory management to enhance efficiency and profitability.
6. The firm should try to reduce manufacturing expenses, operating and other expenses by adopting cost control measures.
7. Introducing innovative ideas for the products, like new flavors, new products can attract customer to the brand.
8. Explore opportunities to expand into new geographical markets or demographic segments where there is demand for Mercely's products.
9. Conduct market research to identify viable expansion opportunities and develop tailored marketing strategies to penetrate these new markets effectively.
10. The proper pricing policy can give advantages to the business as well as customers

4.3 SUMMARY

Mercelys (formerly Meriiboy) from 2018-2019 to 2023-2024, the company experienced significant financial and operational changes, particularly following its spin-off in 2021-2022. The company's gross profit ratio remained stable, indicating effective cost management. The operating ratio showed initial efficiency, but increased post-spin-off, reflecting higher operational costs, before improving again, demonstrating successful cost management. The net profit ratio initially stable, declined sharply post-spin-off but recovered in subsequent years, highlighting effective strategic adjustments.

The ROI showed a dip post-spin-off but gradually improved, reflecting better financial performance over time. The capital turnover ratio fluctuated, with a notable increase post-spin-off due to improved revenue generation capabilities. The current and quick ratios declined post-spin-off, indicating challenges in liquidity management, though slight improvements were noted in later years. The debt-equity ratio increased post-spin-off, reflecting strategic investments, but later stabilized. The proprietary ratio rose post-spin-off, indicating increased equity financing. The fixed assets turnover ratio showed efficiency pre-spin-off, declined during the transition, and improved later. The capital gearing ratio fluctuated, reflecting changes in capital structure. The overall solvency ratio indicated increasing leverage over time, influenced by financial strategies. The stock turnover ratio declined, showing challenges in inventory management, while the working capital turnover ratio improved post-spin-off, indicating better working capital management. Overall, these metrics illustrate Mercelys' strategic adaptability and efforts to maintain financial stability in the competitive ice cream market.

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APPENDIX

Consolidated income statement for the FY 2018-2019 to 2020-2021

	2018	2019	2020
INCOME			
Revenue From Operations [Gross]	**12,295.27**	**13,290.16**	**8,430.44**
Less: Excise/Service Tax/Other Levies	0	0.00	307.17
Revenue From Operations [Net]	**12,295.27**	**13,290.16**	**8,123.27**
Other Operating Revenues	73.63	59.87	52.04
Total Operating Revenues	**12,368.90**	**13,350.03**	**8,175.31**
Other Income	246.88	145.85	110.09
Total Revenue	**12,615.78**	**13,495.88**	**8,285.40**
EXPENSES			
Cost Of Materials Consumed	5,150.30	5,554.24	3,358.87
Purchase Of Stock-In Trade	217.81	189	98.07
Changes In Inventories Of FG,WIP And Stock-In Trade	-144.19	-69.33	11.97
Employee Benefit Expenses	1,258.17	1,500.95	912.75
Finance Costs	129.12	164.18	3.29
Provisions and Contingencies	24.88	13.97	63.46
Depreciation And Amortisation Expenses	370.15	370.38	347.26
Other Expenses	2,936.05	2,959.70	2,175.26
Total Expenses	**9,942.29**	**10,683.09**	**6,970.93**
Profit/Loss Before Exceptional, Extra Ordinary Items And Tax	**2,673.49**	**2812.79**	**1,314.47**
Exceptional Items	0	0	-500.84
Profit/Loss Before Tax	**2,673.49**	**2,812.79**	**813.63**
Tax Expenses-Continued Operations			
Current Tax	747	763.42	289.89
Deferred Tax	-41.95	-33.06	-39.53
Total Tax Expenses	**705.05**	**730.36**	**250.36**
Profit/Loss After Tax And Before Extra ordinary Items	**1,968.44**	**2,082.43**	**563.27**
Profit/Loss From Continuing Operations	**1,968.44**	**2,082.43**	**563.27**
Profit/Loss For The Period	**1,968.44**	**2,082.43**	**563.27**

Consolidated income statement for the FY 2021-2022 to 2023-2024

	2021	2022	2023
INCOME			
Revenue From Operations [Gross]	**9,491.72**	**10,135.11**	**11,216.23**
Less: Excise/Service Tax/Other Levies	332.44	182.58	0
Revenue From Operations [Net]	**9,159.28**	**9,952.53**	**11,216.23**
Other Operating Revenues	64.52	57.07	76.04
Total Operating Revenues	**9,223.80**	**10,009.60**	**11,292.27**
Other Income	149.39	176.92	258.92
Total Revenue	**9,373.19**	**10,186.52**	**11,551.19**
EXPENSES			
Cost Of Materials Consumed	3,775.09	4,231.66	4,365.68
Purchase Of Stock-In Trade	115.38	174.76	230.56
Changes In Inventories Of FG,WIP And Stock-In Trade	-10.78	-79.56	-6.01
Employee Benefit Expenses	1,073.36	1,017.45	1,124.15
Finance Costs	3.51	91.9	111.95
Provisions and Contingencies	180.3	87.65	103.68
Depreciation And Amortisation Expenses	353.62	342.25	335.67
Other Expenses	2,379.03	2,481.11	2,856.56
Total Expenses	**7,869.51**	**8,347.22**	**9,122.24**
Profit/Loss Before Exceptional, Extraordinary Items And Tax	**1,503.68**	**1,839.30**	**2,428.95**
Exceptional Items	-62.14	0	0
Profit/Loss Before Tax	**1,441.54**	**1,839.30**	**2,428.95**
Tax Expenses-Continued Operations			
Current Tax	533.71	649.17	884.87
Deferred Tax	-18.71	-35.06	-62.85
Total Tax Expenses	**515**	**614.11**	**822.02**
Profit/Loss After Tax And Before Extraordinary Items	**926.54**	**1,225.19**	**1,606.93**
Profit/Loss From Continuing Operations	**926.54**	**1,225.19**	**1,606.93**
Profit/Loss For The Period	**926.54**	**1,225.19**	**1,606.93**

Consolidated balance sheet for the FY 2018-2019 to 2020-2021

	2018	2019	2020
EQUITIES AND LIABILITIES			
SHAREHOLDER'S FUNDS			
Equity Share Capital	96.42	96.42	96.42
Total Share Capital	96.42	96.42	96.42
Reserves and Surplus	2,746.42	3,349.17	3,603.32
Total Reserves and Surplus	**2,746.42**	**3,349.17**	**3,603.32**
Total Shareholders Funds	**2,817.84**	**3,420.59**	**3,673.74**
NON-CURRENT LIABILITIES			
Long Term Borrowings	16.79	35.14	35.14
Deferred Tax Liabilities [Net]	172.93	121.96	58.82
Other Long Term Liabilities	0	0.6	0.51
Long Term Provisions	1,597.17	2,291.59	2,464.92
Total Non-Current Liabilities	**1,786.89**	**2,449.29**	**2,559.39**
CURRENT LIABILITIES			
Short Term Borrowings	0.94	0	0
Trade Payables	743.54	984.64	1,240.37
Other Current Liabilities	465.93	420.61	457.32
Short Term Provisions	265.32	87.46	157.26
Total Current Liabilities	**1,475.73**	**1,492.71**	**1,854.95**
Total Capital And Liabilities	**6,080.46**	**7,362.59**	**8,088.08**
ASSETS			
NON-CURRENT ASSETS			
Tangible Assets	2,897.85	2,616.18	2,400.62
Capital Work-In-Progress	230.79	94.16	105.2
Fixed Assets	**3,128.64**	**2,710.34**	**2,505.82**
Non-Current Investments	341.78	585.28	733.36
Long Term Loans And Advances	130.43	46.35	40.14
Other Non-Current Assets	0	83.23	71.81
Total Non-Current Assets	**3,600.85**	**3,425.20**	**3,351.13**
CURRENT ASSETS			
Current Investments	983.14	1,393.59	1,925.13
Inventories	820.81	902.47	965.55
Trade Receivables	78.42	88.97	124.59
Cash And Cash Equivalents	499.55	1,457.42	1,610.06
Short Term Loans And Advances	82.97	28.8	17.89
Other Current Assets	14.72	66.14	93.73
Total Current Assets	**2,479.61**	**3,937.39**	**4,736.95**
Total Assets	**6,080.46**	**7,362.59**	**8,088.08**

Consolidated balance sheet for the FY 2021-2022 to 2023-2024

	2021	2022	2023
EQUITIES AND LIABILITIES			
SHAREHOLDER'S FUNDS			
Equity Share Capital	71.42	71.42	71.42
Total Share Capital	**71.42**	**71.42**	**71.42**
Reserves and Surplus	2,942.28	1,847.45	1,947.92
Total Reserves and Surplus	**2,942.28**	**1,847.45**	**1,947.92**
Total Shareholders' Funds	**3,013.70**	**1,918.87**	**2,019.34**
NON-CURRENT LIABILITIES			
Long Term Borrowings	33.15	53.14	31.72
Deferred Tax Liabilities [Net]	154.21	13.44	0
Other Long-Term Liabilities	0	90.03	87.85
Long Term Provisions	1,972.21	2,906.91	3,268.27
Total Non-Current Liabilities	**2,159.57**	**3,063.52**	**3,387.84**
CURRENT LIABILITIES			
Short Term Borrowings	0	0	3.12
Trade Payables	799.16	1,626.58	1,809.01
Other Current Liabilities	512.84	478.51	574.46
Short Term Provisions	320.7	85.46	105.96
Total Current Liabilities	**1,632.70**	**2,190.55**	**2,492.55**
Total Capital And Liabilities	**6,805.97**	**7,172.94**	**7,899.73**
ASSETS			
NON-CURRENT ASSETS			
Tangible Assets	2,729.46	2,341.45	2,179.41
Capital Work-In-Progress	188.17	143.3	638.58
Fixed Assets	**2,917.63**	**2,484.75**	**2,817.99**
Non-Current Investments	474.31	743.6	740.83
Long Term Loans And Advances	135.04	46.98	46.55
Other Non-Current Assets	0	80.44	89.36
Total Non-Current Assets	**3,526.98**	**3,355.77**	**3,714.65**
CURRENT ASSETS			
Current Investments	1,275.04	1,007.45	722.94
Inventories	943.18	1283.07	1,416.48
Trade Receivables	97.93	124.33	164.93
Cash And Cash Equivalents	880	1308.05	1,769.87
Short Term Loans And Advances	57.02	12.46	13.22
Other Current Assets	25.82	**81.81**	97.64
Total Current Assets	**3,278.99**	**3,817.17**	**4,185.08**
Total Assets	**6,805.97**	**7,124.94**	**7,899.73**