

# A STUDY OF AMUL'S FINANCIAL GROWTH THROUGH UHT PRODUCTS-

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## ABSTRACT

Amul has touched a record sale of 27,085 crore in financial year 2017, when we do the intuitive analysis, the company's UHT products are the main competitive advantage of the company. In this paper we will do detailed analysis of the growth of amul financials and its relation with UHT products, what makes it distinguish from other competitors in the scenario. This is basically a detailed evidential analysis to find out the reasons of tremendous success of GCMMF.

## I. INTRODUCTION

Amul is an Indian dairy cooperative, based at Anand in the state of Gujarat, India.

Formed in 1946, it is a brand managed by a cooperative body, the Gujarat Co-operative Milk Marketing Federation Ltd. (GCMMF), which today is jointly owned by 3.6 million milk producers in Gujarat.

The white revolution was spearheaded by Tribhuvandas Patel under the guidance of Sardar Patel. As a result, Kaira District Milk Union Limited was born in 1946. Tribhuvandas became the founding chairman of the organization which he led till his last day of his life. He hired Dr. Kurien three years after the white revolution. He convinced Dr. Kurien to stay and help with the mission rest was history in the dairying industry.

Amul spurred India's White Revolution, which made the country the world's largest producer of milk and milk products. In the process Amul became the largest food brand in India and has ventured into markets overseas.

Dr. Verghese Kurien, founder-chairman of the GCMMF for more than 30 years (1973–2006), is credited with the success of Amul. Amul products are now available in more than 60 countries in the world.

## **II. HISTORY**

Amul-cooperative registered on 14 December 1946 as a response to the exploitation of marginal milk producers by traders or agents of the only existing dairy, the Polson dairy, in the small city distances to deliver milk, which often went sour in summer, to Polson. The prices of milk were arbitrarily determined. Moreover, the government had given monopoly rights to Polson to collect milk from Kaira and supply it to Bombay city.

Angered by the unfair trade practices, the farmers of Kaira approached *Sardar* Vallabhbhai Patel under the leadership of local farmer leader Tribhuvandas K. Patel. He advised them to form a cooperative and supply milk directly to the Bombay Milk Scheme instead of Polson (who did the same but gave them low prices). He sent Morarji Desai to organise the farmers. In 1946, the milk farmers of the area went on a strike which led to the setting up of the cooperative to collect and process milk. Milk collection was decentralized, as most producers were marginal farmers who could deliver, at most, 1–2 litres of milk per day. Cooperatives were formed for each village, too.

The cooperative was further developed and managed by Dr. Verghese Kurien with H.M. Dalaya. Dalaya's innovation of making skim milk powder from buffalo milk (for the first time in the world) and a little later, with Kurien's help, making it on a commercial scale,<sup>[10]</sup> led to the first modern dairy of the cooperative at Anand, which would compete against established players in the market. Kurien's brother-in-law K.M. Philip sensitized Kurien to the needs of attending to the finer points of marketing, including the creation and popularization of a brand. This led to the search for an attractive brand name. In a brainstorming session, a chemist who worked in the dairy laboratory suggested Amul, which came from the Sanskrit word "amulya", which means "priceless" and "denoted and symbolised the pride of swadeshi production."

The trio's (T. K. Patel, Kurien and Dalaya's) success at the cooperative's dairy soon spread to Anand's neighbourhood in Gujarat. Within a short span, five unions in other districts – Mehsana, Banaskantha, Baroda, Sabarkantha and Surat – were set up.<sup>[7]</sup> To combine forces and expand the market while saving on advertising and avoid competing against each other, the GCMMF, an apex marketing body of these district cooperatives, was set up in 1973. The Kaira Union, which had the brand name Amul with it since 1955, transferred it to GCMMF.

In 1999, it was awarded the "Best of all" Rajiv Gandhi National Quality Award.

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Adding to the success, Dr. Madan Mohan Kashyap (faculty Agricultural and Engineering Department, Punjab Agricultural University Ludhiana), Dr. Bondurant (visiting faculty) and DrFeryll (former student of DrVergheseKurien), visited the Amul factory at Anand as a research team headed by Dr. Bheemsen&Shivdayal Pathak (ex-director of the Sardar Patel Renewable Energy Research Institute) in the 1960s. A milk pasteurization system at the Research Centre of Punjab Agricultural University (PAU) Ludhiana was then formed under the guidance of Kashyap. The technological developments at Amul have subsequently spread to other parts of India.

The GCMMF is the largest food products marketing organisation of India. It is the apex organisation of the dairy cooperatives of Gujarat. It is the exclusive marketing organisation for products under the brand name of Amul and Sagar. Over the last five and a half decades, dairy cooperatives in Gujarat have created an economic network that links more than 3.1 million village milk products with millions of consumers in India. Gujarat Cooperative Milk Marketing Federation Ltd.

### **III. ANALYTICAL DISCUSSIONS**

The turnover of GCMMF, which markets Amul brand of milk and dairy products, has increased by about 3.5 times in the last seven years

Amul's pouch milk, the highest turnover product, has shown volume growth in double digits while products like butter, ghee, ice cream, UHT milk, flavoured milk, paneer and fresh cream have also registered a double-digit growth.

New Delhi: Dairy major Amul on Saturday reported an 18% increase in turnover at Rs27,085crore for fiscal 2016-17 on an across-the-board sales increase.

The turnover of Gujarat Co-operative Milk Marketing Federation (GCMMF), which markets Amul brand of milk and dairy products, has increased by about 3.5 times in the last seven years.

"We have achieved volume sales growth in all product categories," said R.S. Sodhi, managing director, GCMMF. Pouch milk, the highest turnover product, has shown volume growth in double digits while products like butter, ghee, ice cream, UHT milk, flavoured milk, paneer and fresh cream have also registered a double-digit growth.

Sodhi asserted that there was no negative impact of demonetisation on its business. He added that member unions of GCMMF have opened more than 12.5 lakh new bank accounts for milk producer members and their almost entire payment is channelised through bank accounts.

GCMMF has been achieving a compound annual growth rate (CAGR) of more than 20% for the last seven years because of higher milk procurement, continuous expansion in terms of adding new markets, launching of new products and adding new milk processing capacities across India.

Amul plans to step up its milk processing capacity to 380 lakh litres per day, from the current 300 lakh litres, in the next three years, said Jethabhai Patel, chairman, GCMMF.

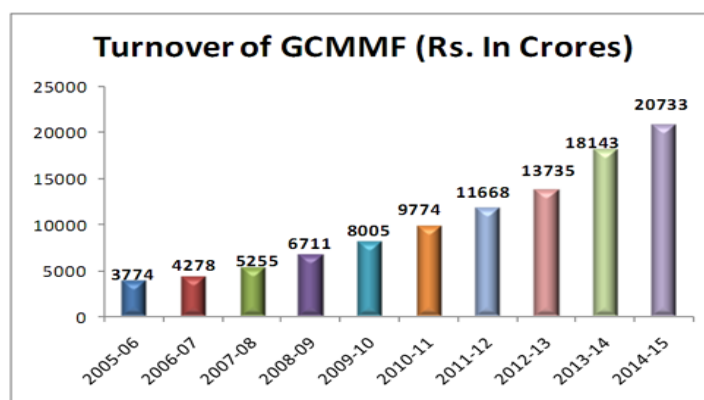
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Last five year financials of GCMMF (Amul):-

Year End	201603	201503	201403	201303	201203	201103
Inc / Exp Performance						
Net Sales	1983.1	1897.74	2139.01	2481.79	2703.51	2121.05
Total Income	2016.51	1924.34	2146.96	2488.58	2712.23	2125.48
Total Expenditure	1882.93	1759.79	1986.6	2391.09	2546.64	1947.85
PBIDT	133.58	164.54	160.35	97.49	165.59	177.63
PBIT	62.75	76.85	93.9	25.19	91.6	109.98
PBT	-28.23	-11.51	21.49	25.19	91.6	45.29
PAT	-18.84	-7.96	12.13	16.13	60.3	27.56
Cash Profit	51.99	79.73	78.58	88.43	134.3	95.21
Sources of Funds						
Equity Paid Up	45.5	37	37	37	35	35
Reserves and Surplus	354.15	330.49	339.99	327.86	293.73	233.43
Net Worth	399.65	367.49	376.99	364.86	328.73	268.43
Total Debt	912.26	985	963.02	929.01	965.6	860.05
Application of Funds						
Gross Block	1002.35	984.53	976.49	935.84	901.55	804.38
Investments	79.48	8.47	8.35	8.35	8.3	8.3
Cash and Bank balance	2.48	9.01	5.05	7.6	12.23	6.35
Net Current Assets	-184.95	-291.33	-233.83	-294.71	-271.08	-258.81
Total Current Liabilities	1172.64	1265.38	1202.69	1353.81	1357.47	1135.69
Total Assets	1943.52	2027.38	1963.9	2049.68	2086.54	1761.96
Cash Flow						
Cash Flow from Operations	91.2	180.36	58.69	160.27	28.48	45.06
Cash Flow from Investing activities	115.58	-56.6	36.76	39.5	-22.29	-75.75
Cash Flow from Finance	-213.31	-119.8	-97.99	-204.4	-0.31	24.13

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activities						
Free Cash flow	-95.09	76.24	-50.43	52.79	-159.86	-157.06
Key Ratios						
Debt to Equity	2.28	2.68	2.55	2.55	2.94	3.2
Current Ratio	0.84	0.77	0.81	0.78	0.8	0.77
ROCE	4.71	5.71	7.13	1.95	7.56	10.53
RONW	-4.91	-2.14	3.27	4.65	20.2	10.82
PBIDTM(%)	6.74	7.89	6.8	3.93	6.13	8.37
PATM(%)	-0.95	-0.38	0.51	0.65	2.23	1.3
CPM(%)	2.62	3.82	3.33	3.56	4.97	4.49
Market Cues						
Price (Unit. Curr.)	0	0	0	0	0	0
Market Capitalization	0	0	0	0	0	0
EPS	-4.14	-2.15	3.28	4.36	17.23	7.88
Price / Book Value	0	0	0	0	0	0
CEPS	11.43	21.55	21.24	23.9	38.37	27.2
Equity Dividend %	0	0	0	0	0	0
Enterprise Value	955.28	1012.99	994.97	958.41	988.37	888.7
Dividend Yield %	0	0	0	0	0	0

### Variance analysis of different parameters:-

Particulars	Mar 2016	Mar 2015	Var %	Mar 2014	Mar 2013	Var %	Mar 2012	Mar 2011	Var %
Gross Sales	1983.1	2084.97	-4.89	2357.18	2481.79	-5.02	2703.51	2121.05	27.46
Net Sales	1983.1	1897.74	4.5	2139.01	2481.79	-13.81	2703.51	2121.05	27.46
Total Expenditure	1882.93	1759.79	7	1986.6	2391.09	-16.92	2546.64	1947.85	30.74
PBIDT (Excl OI)	100.17	137.95	27.39	152.4	90.7	68.03	156.88	173.2	-9.43
Other Income	33.41	26.6	25.61	7.95	6.79	17.12	8.72	4.43	96.97
Operating Profit	133.58	164.54	18.82	160.35	97.49	64.49	165.59	177.63	-6.78
Interest	90.97	88.36	2.96	72.41				64.69	
Exceptional Items									
PBDT	42.6	76.18	44.08	87.94	97.49	-9.79	165.59	112.94	46.62
Depreciation	70.83	87.69	19.23	66.45	72.3	-8.09	74	67.64	9.39
PBT	-28.23	-11.51	PL	21.49	25.19	-14.67	91.6	45.29	102.22
Tax	-9.39	-3.55	PL	9.37	9.06	3.39	31.29	17.73	76.51
Profit After Tax	-18.84	-7.96	PL	12.13	16.13	-24.82	60.3	27.56	118.76

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Net Profit (after Extraordinary Items)	42.6	76.18	44.08	87.94	97.49	-9.79	165.59	112.94	46.62
Equity Capital	45.5	37	22.97	37	37	0	35	35	0
Face Value (In Rs)	10	10	0	10	10	0	10	10	0
Calculated EPS (Unit.Curr.)	-4.14	-2.15	PL	3.28	4.36	-24.82	17.23	7.88	118.76

### IV. FINDINGS AND CONCLUSIONS

Company vs industry analysis							
(Rs.in Millions)							
	Company	Industry	% to IndAgg	Company	Industry	% to IndAgg	
	Mar-16	2016		Mar-15	2015		
No of Companies		327			348		
Financials							
Net Sales	1983.1	1302026	0.15	1897.74	1271393	0.15	
Total Income	2016.51	1322067	0.15	1924.34	1289261	0.15	
Total Expenditure	1882.93	1173933	0.16	1759.79	1149622	0.15	
PBIDT	133.58	148134.6	0.09	164.54	139638.9	0.12	
PBIT	62.75	91614.91	0.07	76.85	86051.87	0.09	
PBT	-28.23	64881.83	-0.04	-11.51	55941.34	-0.02	
PAT	-18.84	44774.78	-0.04	-7.96	38307.92	-0.02	
Cash Profit	51.99	96375.77	0.05	79.73	92600.13	0.09	
Total Debt	912.26	279879.1	0.33	985	292930.7	0.34	
Gross Block	1002.35	781613	0.13	984.53	744593.2	0.13	
Net Current Assets	-184.95	86631.35	-0.21	-291.33	68707.1	-0.42	
Total Assets	1943.52	1071200	0.18	2027.38	1040771	0.19	
Key Ratios							
Margin Ratios							
Core EBITDA Margin(%)	5.05	8.97	0.01	6.62	8.8	0.01	
EBIT Margin(%)	3.16	6.41	0	3.69	6.22	0.01	
Pre Tax Margin(%)	-1.42	4.54	0	-0.55	4.04	0	
PAT Margin (%)	-0.95	3.13	0	-0.38	2.77	0	

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Performance Ratios						
ROA(%)		-0.95	7		-0.4	6.29
ROE(%)		-4.91	10.07		-2.14	9.26
ROCE(%)		4.71	33		5.71	29.4
Asset Turnover(x)		1	2.23		1.04	2.27
Sales/Fixed Asset(x)		2	1.89		2.13	1.93
Working Capital/Sales(x)		-10.72	23.05		-7.16	27.63
Efficiency Ratios						
Fixed Capital/Sales(x)		0.5	0.53		0.47	0.52
Receivable days		75.01	47.07		80.92	47.31
Inventory Days		86.56	38.34		76.32	37.91
Payable days		100.92	53.18		102.3	52.84
Growth Ratio						
Net Sales Growth(%)		4.5	5.18		-11.28	9.13
Core EBITDA Growth(%)		-18.82	9.26		2.61	13.3
EBIT Growth(%)		-18.35	9.89		-18.16	12.06
PAT Growth(%)		-136.7	21.91		-165.65	21.47
Financial Stability Ratios						
Total Debt/Equity(%)		2.28	0.39		2.68	0.43
Current Ratio(x)		0.84	1.26		0.77	1.24
Quick Ratio(x)		0.42	0.84		0.41	0.82
Interest Cover(x)		0.69	3.43		0.87	2.86

as per above analysis company has a very big share as far as industry is concerned, it is growing day by day and its market share has been increasing very rapidly. Interest coverage is too good for the company. As we see company is growing with its potential in UHT products. Let's discuss what it UHT products. Ultra-high temperature processing (UHT), ultra-heat treatment, or ultra-pasteurization sterilizes food by heating it above 135 °C (275 °F) – the temperature required to kill spores in milk – for 1 to 2 seconds. UHT is most commonly used in milk production, but the process is also used for fruit juices, cream, soy milk, yogurt, wine, soups, honey, and stews. UHT milk was first developed in the 1960s and became generally available for consumption in the 1970s. UHT milk packaged in a sterile container, if not opened, has a typical unrefrigerated shelf life of six to nine months. HTST pasteurized milk has a shelf life of about two weeks from processing, or about one

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week from being put on sale. So, amul UHT process is unique and has advantage over and above others which will also benefit it in the future.

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