

Milk products assignment



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SUMMER TRAINING PROJECT REPORT (MBA – 035) ON “ FINANCIAL TREND ANALYSIS OF LUCKNOW PRODUCER” S CO OPERATIVE MILK UNION LTD. ” AT PARAG DAIRY 22 Jopling Road , Lucknow Submitted in Partial Fulfillment of Master of Business Administration (MBA) Programme : 2010 -12 Of Gautam Buddh Technical University, Lucknow SUBMITTED BY Rashmi Dubey (MBA – III SEMESTER) (ROLL NO. -1001470035) Faculty of Management Science Shri Ram Murti Smarak College of Engineering & Technology, Bareilly Shri Ram Murti Smarak College of Engineering & Technology, Bareilly (U. P.) Faculty of Management Science Certificate This is to certify that Ms.

Rashmi Dubey, a regular student of MBA 2010 Batch has undergone Summer Training in PARAG DAIRY, 22 Jopling Road, Lucknow on the topic of Financial Trend Analysis of Lucknow Producer’s Co-operative Milk Union Ltd for a period of 4.... week commencing from ... 22-6-2011.... to 22-7-2011..... This Summer Training Project Report embodies the facts and figure collected and interpreted by her during the course of Training. This Certificate is issued by the undersigned on the basis of the Summer Training Certificate of the organization in which the student completed the Summer Training during above period. Anant Kumar Srivastava)Date: HeadPlace:

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have a contemporary understanding of this dynamic world to survive or perform therein. The role of manager in India has been crucial and exciting at present. The ongoing economic reforms program has created infinite opportunities.

There has been an increase in income of milk and gradually development have broadened the knowledge of consumers. They have now become choosy resulting in monitoring needs, identifying opportunities and create value. It is the market place not the factory that ultimately determines which

company will succeed. Marketing is practiced not only by manufacturing concern & their channel members but all kinds of individuals and organization. No politician can get the required votes to win and no “ resort” the needed tourist to flourish without developing and carrying out the sound marketing plans.

Authentic market practice is not the art of selling what you make so much as knowing what to make. It is the art of identifying and understanding customer’s needs and coming up with solution that satisfy them and produces riches for firm’s profitability. As we all know, future is always uncertain. More precisely when there is volley of brilliant competitors and each wants to be the market leader. So in the light of intense competition satisfaction through product innovation maintaining the standard quality therein, failing which no amount or deal of promotional measure or scheme can compensate at length.

Competitive forces have compelled the companies to focus on specific segment of the market with frequent product innovation and rather new products and launching thereof with greater confidence. The present study gives special emphasis on the Financial Trend Analysis Of Parag Dairy. The entire study has been divided into chapters and further subdivided into segments from each dealing with a separate aspect in a simple and lucid style and clarification has been given top priority throughout the project.

CHAPTER 1 ABOUT LUCKNOW PRODUCER’S CO OPERATIVE MILK UNION LTD.

Sections-1. 1: INTRODUCTION

Lucknow is the capital city of Uttar Pradesh . Total area of district is 2528 square km 91588 hectare is cultivated land . Lucknow producer's cooperative milk union ltd. (Parag dairy lucknow) was established in 1938. Lucknow milk is the first cooperative dairy established in India . Very few people know the fact the process developed by Lucknow Milk Union was later used in spirit in Gujrat co operative milk movement and is now famous as “ anand pattern” . Lucknow milk union was then chosen as one of the model dairy to Implement operation flood programme started by national dairy development board (NDDB)in 1970.

The aim of Lucknow milk union is to provide reasonable price to farmer thereby defending them from exploitation of milk vendors and earn supplementary income part from agriculture . On the other hand the milk union supplies high quality pure milk and milk products at reasonable prices to urban consumer under the brand name “ parag”. The milk union has been running “ clean milk mand breed conservation programmes” UPDASP where milk producer have been educated in producing and supplying milk under clean and hygienic condition and provided the producer with semen of pure Indian breed for the improvement of the present breed of animal.

Lucknow milk union is established Auto milk collection unit (AMCU) in societies for giving transparent payment system for milk given by farmer. By the established of these machine farmer are getting full price and actual detail of fat and snf of their milk . presently AMCU are running successfully in 259 societies 27 bulk milk coolers are established in various rural area of lucknow for keeping high quality of milk procured in those area by milk

societies Lucknow milk union has set up of teams for quality check and health awareness programme for the urban consumer of milk.

The team visit different localities in city, test their milk and provide on the spot results to the consumer . the milk union also organize school children's visit to its dairy plant to create awareness on milk processing and other related system amongst them. The milk union has obtained ISO and HACCP certification in year 2007. For coming months lucknow milk union has committed itself to provide a minimum of 160000 liters of high qualities “parag” milk per day to the urban consumers. Apart from selling milk in pouches, the milk union is also gearing itself to provide fresh loose milk to the city consumers.

Towards this end, the milk supply vehicles insulated with Japanese eco-friendly standards have already been introduced in various area of the city. 87 all time milk booth(ATM) are established for supply of high quality milk to the consumers round the clock. Lucknow milk union is able to maintain high quality standards in its milk and milk products through close monitoring of processes in all its stages of production, processing and packaging. The constant increase in the sales figure of the milk union are a reflection of their sincere efforts and the growing confidence of the consumers in parag milk products.

The organization has a chain of around 2000 agent providing employment to the unemployed youths door to door milk delivery system through mini insulated tanker thru commission agent with attractive commission rates has been started in the city . the requirement for this system is to have a mini

insulated tanker for which one has to arrange finance upto rs 50000/- himself and rest amount comes through bank finance. The new milk products launched by the milk union such as chhena kheer, besan laddoo, and chhachh, gulabjamun etc have begin tickling the taste buds of the consumers giving them great pleasure and value for money.

INDIAN DAIRY INDUSTRY World's largest food factory, in celebration India Dairy. com invites you to world's highest milk producers. And all set to find out more about their achievements. Here you can find about answer to every question about dairy. Be it investors, researchers, entrepreneurs or the merely curious Indian dairy. It has something for everyone. Today India is 'The Oyster' of the Global dairy industry. It offers opportunities galore to entrepreneurs Worldwide, who wish to capitalize on one of the world's largest and fastest growing market for milk and milk products.

A bagful of " pearls" awaits the international dairy processor in India . The Indian dairy industry is rapidly growing , trying to keep pace with the galloping progress around the world . As he expands his overseas operations to India , many profitable options awaits him. He may transfer technology, sign joint ventures or use India as a sourcing center for regional exports. The liberalization of Indian economy beckons to MNC's and foreign investors alike . India has one of the largest livestock population in the world.

Fifty percent of the buffaloes and twenty percent of the cattle in the world are found in India, most of which are milk cows and buffaloes. Dairy development in India has been acknowledged the world over as one of modern India's most successful developmental programme. 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 of 2 percent, India performed much better with 4 percent growth.

The total milk production is over 72 million tones and the demand for milk is estimated at around 80 million tonnes. By 2005, the value of Indian dairy produce is expected to be Rs. 1, 000, 000 million. In the last six years foreign investment in this sector stood at Rs. 3600 million which is about oneforth of the total investment made in this sector. Manufacture of casein and lactose, largely being imported presently, has good scope. Exports of milk products have been decanalised. The milk surplus states in India are Uttar Pradesh, Punjab, Haryana, Rajasthan, Gujarat, Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu.

The manufacturing of milk products is concentrated in these milk surplus States. Technology Export Potential of Milk and Dairy Sector The production of milk products i. e. milk products including infant milk food, malted food, condensed milk & cheese stood at 3. 07 lakh tonnes in 1999-2000.

Production of milk-powder including infant milk-food had risen to 2. 25 lakh tons in 1999-2000, whereas that of malted food is at 65000 tons. The trends in production of milk products in India is given in Annexure 1. Cheese and condensed milk production stands at 5000 and 11000 tonnes respectively.

Some plants are coming-up for producing lactose, casein and improved cheese varieties. 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 FAO production year book 1998, the population of cattle, buffaloes, sheep and goats in the world and in India is given in Annexure 2. As per the 1992 livestock census of Ministry of Agriculture, highest cattle population was reported in Madhya Pradesh (28.68 million 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 in U. P. (20.08 million nos.) followed by A. P. (9.15 million nos.), M. P. (7.97 million nos.) and Rajasthan (7.74 million nos). Production of Milk and Milk Products The milk production was almost stagnant between 1947 to 1970 with an annual growth rate of merely one percent Livestock accounts for nearly 15. % of the world cattle population, more than half of the world buffalo population. Technology Export Potential of Milk and Dairy Sector which has since registered a vigorous growth of over 4.5% per annum after the year 1970. The production of milk in India has been increasing steadily as shown in Annexure 3. The major milk producing states are UP, Punjab, Rajasthan, M. P, Maharashtra and Gujarat. Number of milk products manufacturing Plants have come up in these states for Processing of milk. Present Status

The Five Year Plan, achieving an annual output of over 60 million tonnes of milk. This not only places our industry second in the world after the United States, but represents sustained growth in real availability of milk and milk products for our burgeoning population. Most important, dairying has become an important secondary source of income for millions of rural families. Improved genetic material achieved primarily through cross

breeding of cattle and upgrading of the national buffalo herd has played a significant role in increasing the 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. About three quarters of the milk produced is consumed at the household level. Of the milk supplied to the market, about 9-11 percent is processed in over 275 dairy plants and Dairying has become an important secondary source of millions of rural families. Technology Export Potential of Milk and Dairy Sector 83 milk product factories operated by cooperative, private dairy processors, and government milk schemes in the organized sector. Milk channeled through Operation Flood cooperatives is generally processed in dairy plants located in the rural areas and then transported into cities and towns. Operation Flood Milk productions account for about 10% of total milk production or 40% of the marketed output. The balance (about 90% of total production) is handled by the private traders and processors. About 45% of milk production is consumed as fluid milk.

About 35% is processed into butter or ghee; about 7% is processed into Paneer (cottage cheese) and other cheeses, about 4% is converted into milk powder; and the balance is used for other products such as Dahi (yoghurt) and sweet meats. In recent years, there has been an increasing ice cream production as foreign companies have invested in India. Industry Segments:

1. Cheese The organised cheese market including its variants like processed

cheese, cheese spreads, mozzarella, flavoured and spiced cheese, is placed at around Rs 3 bn. Processed cheese at 50% of the overall market is Rs. 1. bn strong. The next most popular variant is cheese spread claiming a share of around 30% of the total cheese market. The market is primarily an urban phenomenon and is known to be growing at around 15%. The market for cheese cubes slices and tins is growing. The flavoured cheese segment has been declining. About 45% of milk production is consumed as fluid milk. About 35% is processed into butter or ghee is processed into paneer (cottage cheese) and other cheeses, about 4% is converted into milk powder; and the balance is used for other products such as Dahi (yoghurt) and sweet meats.

Technology Export Potential of Milk and Dairy Sector 7 operator in the branded cheese market in India with about 60% market share in the branded market. It pioneered the market for processed, branded cheese. What GCMMF did was to develop the technology to make cheese from buffalo milk. World over it is made from cow milk. Annexure 4 gives the market size of cheese in India. Other cheese manufacturers are : Britannia Industries, Dynamix Dairy Industries (DDI), Hiranandani, ETA and Metro. 2. Ice Cream The ice cream market in India is estimated to have reached the level of Rs. 0 bn per annum, of which the organized sector is about Rs. 6 bn. The unorganised market has been shrinking. The per capita ice cream consumption in the country is extremely low at 250 ml per year compared with that of the US, which is about 22 litre. The organised market for ice creams of about 60 mn litres, has been growing at around 15% per annum. The ice cream industry has, in a short span of time, undergone a structural

transformation. Annexure 5 (a) and 5 (b) shows the growth of market size of Ice Cream in India and the market structure of this segment respectively. 3.

Chocolates The Chocolates market is estimated at 35, 000 tonnes valued at approximately Rs. 8. 0 bn. The chocolate counter market is worth nearly Rs. 2. 5 to 3. 5 bn and the rest is made up of chocolate bars. Chocolates in fact make up less than a fourth of the sweet-tooth products including sugar boiled confectionery mints and chewing gums. Sugar confectionery is by far the largest segment with a share market growth rates indicate that the cheese market in India is growing steadily. The organised market for ice creams of about 60 mn litres has been growing at around 15% per annum.

Technology Export Potential of Milk and Dairy Sector exceeding 60%.

Annexure 6 (a) and 6 (b) gives the market size and structure of chocolate market in India. 4. **Dairy Whiteners** The organised dairy industry processes an estimated 15% of the total milk output in India. The industry has maintained a high growth profile, especially in the wake of the Operation Flood, colloquially also termed as White Revolution, initiated in early 1980s. Today India produces over 80 mn tonnes of milk annually. In terms of value, the total milk economy is estimated at Rs. 1200 bn.

The market for dairy whiteners (commercially known as beverage milk powders and condensed milk) and creamers is around Rs. 2, 750 mn. The growth of market size of dairy whiteners in the last 10 years is given in Annexure 7 (a) and 7 (b). Apart from MNCs like Nestle and companies like Britannia, the Indian enterprises have also made perceptible progress. Names like Amul, Sapan, Vijaya, Mohan, Parag and several others have been

seen in the marketplace with their whiteners. Aseptically packed creamer in miniportions is widely used in the west, but has yet to enter the Indian market.

Aseptically packed creamer involves techniques to impart a longer shelf life to the product. It is packed in small cups ready to be poured into a cup of tea or coffee. Creamer is fresh milk with increased fat content (upto 12%) and is aseptically packed after undergoing Ultra Heat Treatment (UHT) at 140°C. Its introduction will affect the existing whitener market as a natural milk product with a longer shelf life. The organised dairy industry processes an estimated 15 % of the total milk output in India.

The industry has maintained a high growth profile, especially in the wake of the Operation Flood, colloquially also termed as White Revolution, initiated nearly 1980s. Technology Export Potential of Milk and Dairy Sector The potential for exports; especially to neighbouring countries and the countries in the Middle east, the Gulf and Africa, also exist and could be exploited. 5. Baby Foods Conventionally, foods (solids, semi-solids and liquids) administered to babies of upto two years of age are classified as baby foods.

In some cases, however, baby foods are continued to be given to children older than of two years depending on socio-economic, health-related and geosocietal conventions. The concept of packaged baby foods is relatively recent in India. The traditional homemade foods have dominated this sector until the induction of packaged foods mostly from multinational companies. Baby foods have assumed special significance in the recent years because of

greater awareness of hygiene and health and constraints on time of busy mothers. A reliable, healthy, convenient and ready-to-use baby food is the requirement of the day.

India is catching up with the rest of the developed world in this area rather fast. A comparison of growth rates over the last 10 years shows that there has been a steady rise of market size. Annexure 8 (a) and 8 (b) gives the market size and the market structure of baby foods in India. The packaged food products for babies are broadly classified into a) cereal-based such as Nestum; b) cereal-based with milk such as Farex, Cerelax, c) milk-based such as Lactogen, d) ready-to-feed liquids, and e) rusks and biscuits. Infant milk foods constitute the most significant segment.

The potential for exports; especially to neighbouring countries and the countries in the Middle east, the Gulf and Africa, exist and could be exploited. Technology Export Potential of Milk and Dairy Sector. 6. Biscuits and Bakery Products The Indian bakery industry is dominated by the small-scale sector with an estimated 50, 000 small and medium-size producers, besides the 15 units in the organised sector. Apart from the nature of the industry which gravitates to the markets and caters to the local tastes, the industry is widely dispersed.

The two major bakery products, biscuits and bread, account for 82% of all bakery production. The unorganised sector accounts for about two-thirds of the total biscuits production estimated at 1. 3 mn tonnes. It also accounts for 80% of the total bread production which is estimated at 1. 5 mn tonnes and around 90% of the other bakery products estimated at 0. 6 mn tonnes. The

last includes pastries, cakes, buns, rusks and others. Annexure 9 (a) and 9 (b) gives the growth of market size of biscuits over the last ten years.

Biscuit is estimated to enjoy around 37% share by volume and 75% by value of the bakery industry. The organized sector caters to the medium and premium segments, which are relatively less price-sensitive. The organised sector is unable to compete at the lower price range due to the excise advantage enjoyed by the informal sector. The organised segment in biscuits has witnessed a steady growth of about 6%, conforming broadly to the growth rate of GDP. The production crossed the one-million tone mark in 1995-96 which has now grown by estimated 30%. The size of the bread market is estimated at Rs. 3 bn. There are a number of producers in both sectors, organised and unorganised. From a low priced commodity, bread has The two major bakery products , biscuits and bread, account for 82% of all bakery production. Biscuit is estimated to enjoy around 37% share by volume and 75% by value of the bakery industry. Technology Export Potential of Milk and Dairy Sector graduated into a branded product with discriminating prices. 7. Confectionery The Indian confectionery market includes sugar boiled confectionery, hard-boiled candies, toffees and other sugarbased candies.

In 2000, sugar boiled confectionery had penetrated an estimated 15% of the households only, suggesting a large potential for growth. There are about 5, 000 units catering to the local markets. The total volume of the sugar boiled confectionery market in the organised sector (comprising plain / hard-boiled candies, toffees, eclairs and gums) is around 125, 000 tonnes. Add to this the unorganized sector and the market for all types of confectionery is of the

order of 250, 000 tpa. That translates into 66% market share of the unorganized sector by volume.

In value terms it is less than 50%. The sector's expansion at a rate of 25% in 1998 had dropped to 17% in 1999 and registered a negative growth of 2% in 2000. In the long run it is slated to grow at 8 to 10% annually. The growth in the size of the confectionery market is given as Annexure 10 (a). The total volume of the sugar boiled confectionery market in the organised sector is around 125, 000 tonnes. Add to this the unorganized sector and the market for all types of confectionery is of the order of 250, 000 tpa. Exports:

Export of certain milk products like milk powder, ghee and butter was channelised until 1993. With the objective of promoting exports of milk products, the Govt. have dechannelised the export of these milk products with effect from mid 1993. According to the EXIM Policy for 1997- 2002, the policy for export of these milk products is as under: Powder milk (skimmed or full Cream) whole and infant milk food, pure milk Ghee and Butter, except when exported as branded products in consumer packs, not exceeding 5 kgs in weight, will be exempted from the following conditions : 1) Quantitative ceiling as may be notified by the DGFT from time to time. 2) registration-cum-allocation certificate issued by agricultural and processed Food Products Export Development Authority (APEDA). The Director General of Foreign Trade, Ministry of Commerce vide Public Notice No. 48/RE-98/1997-2002 dated 13th October, 1998 have removed the quantitative ceiling for export of powder milk and ghee and their export is now freely allowed. However, butter, if exported in packaging exceeding 5 kg. in weight, continues to be under the quantitative ceilings.

Products for exports – Skimmed Milk Powder, Whole Milk Powder, Ghee, Butter, Cheese, Condensed Milk, Casein etc. are some of the milk products being exported from India. With the objective of promoting exports of milk products, the Govt. have dechannelised the export of these milk products with effect from mid 1993. The export figures of dairy products during the last five years are given in Annexure 11. Major Destinations- UAE (43%), Nepal (19%), Bangladesh(12%) Future Markets South East Asia, Russia and Africa will be the emerging market for Indian dairy products.

In the immediate future, there is prospect of an additional demand of over 3 million tonnes of milk products in the ASEAN region alone. The EU dairy exports will become limited by GATT agreements, while Australia-New Zealand do not have adequate production capacity. Equally significant is the rise of Russia as the world's biggest dairy importer. Although by far the biggest milk producer in Europe, the Russian output has declined by more than 25 percent in the past five years. The shortfall in milk production is estimated to be 13 million tonnes a year.

These major deficits in milk availability offer an opportunity for India to fill this vacuum and to become leading dairy exporting nations. Potential for value added products Ethnic Indian dairy products like Sweets Shreekhand, Rusgulla, Khoya and Ready-to-Eat-Kheer, Haluwa, etc. have good demand in the countries where ethnic Indian population is settled. For promotion of these products, we require export worthy consumer packing, which also improves the shelf-life of the product. South East Asia, Russia and Africa will be the emerging market for Indian dairy products.

Technology Export Potential of Milk and Dairy Sector APEDA has initiated following steps to increase export of dairy products: Standards have been laid down for export of dairy products APEDA is offering subsidies for implementation of HACCP and ISO 9000, installation and upgradation of laboratories and market promotion through sending of samples, printing of catalogue brochures and brand publicity through advertisement etc. under its plan scheme. Export market development will depend on ensuring the quality. This will require that exporters ensure quality from the milk animals to the port and beyond.

To build the quality, mechanized dairy farming requires encouragement with export oriented processing facilities. Manufacturing units linked by contract with large scale producers, can ensure of quality raw material necessary to enter and maintain the position in the international market. It is the cow milk which is recognized in the international market. Since India is producing more of buffaloe milk, there is a need for generic promotion of buffaloe milk. Many countries in the world do not import milk products from India since India is reporting many livestock diseases particularly FMD.

Efforts are, therefore, needed to control and eradicate FMD at least in major milk producing States. Creation of chilling facilities at block level village level and transportation of liquid milk to processing units in reefer units .

NATIONAL DAIRY DEVELOPMENT BOARD (NDDB) The National Dairy Development Board was created to promote, finance and support to the following: 1- Producer owned and controlled organizations. NDDB's programmes and activities. 2- Seek to strengthen farmer to support national policies that are favorable. 3- To the growth of such institutions.

Fundamental to NDDDB's efforts are co-operative principles and the Anand Pattern Co-operatives of Cooperation. The National Dairy Development Board (NDDDB) was founded to replace exploitation with empowerment, tradition with modernity, stagnation with growth, transforming dairying into an instrument for the development of India's rural people. Policies in Milk & Milk Products Milk and Milk Products Order (MMPO) regulates milk and milk products production in the country. The order requires no permission for units handling less than 10, 000 litres of liquid milk per day or milk solids upto 500 tpa.

Milk and Milk Products Order (MMPO) regulates milk and milk products production in the country. All the milk products except malted foods are covered in the category of industries for which foreign equity participation upto 51% is automatically allowed. 18 Technology Export Potential of Milk and Dairy Sector All the milk products except malted foods are covered in the category of industries for which foreign equity participation upto 51% is automatically allowed. Icecream, which was earlier reserved for manufacturing in the small scale sector, has now been dereserved. As such, no license is required for setting up of large scale production facilities for manufacture of ice cream. Subsequent to dechannelisation exports of some milk based products are freely allowed provided these units comply with the compulsory inspection requirements of concerned agencies like: National Dairy Development Board, Export Inspection Council etc. Bureau of Indian standards has prescribed the necessary standards for almost all milk based products, which are to be adhered to by the industry. Regulatory Environment in the Dairy Processing

Sector in India The Indian processed dairy industry has grown and diversified enormously in the last few years. To ensure the proper development and growth of this industrial sector, the Government of India has instituted various laws and regulations. The various regulations that govern the dairy processing industry can broadly be classified into: Compulsory Legislation Prevention of Food Adulteration Act, 1954 This Act is the basic statute that is intended to protect the common consumer against the supply of adulterated food. This specifies different standards for various food articles.

The standards are in terms of minimum quality levels Technology Export Potential of Milk and Dairy Sector 1 9 intended for ensuring safety in the consumption of these food items and for safeguarding against harmful impurities and adulteration. The Central Committee for Food Standards, under the Directorate General of Health Services, Ministry of Health and Family Welfare, is responsible for the operation of this Act. The provisions of the Act are mandatory and contravention of the rules can lead to both fines and imprisonment. Milk and Milk Product Order (MMPO) 1992

The Milk and Milk Product Order (MMPO), 1992, issued on June 9, 1992 seeks to ensure the supply of liquid milk, an essential commodity, to consumers by regulating its processing and distribution. Within eight years of its operation, the Central/State Registering Authorities have till December 2000 registered 666 units with a total processing capacity of 65. 8 million litres per day (mlpd). Salient Features of the MMPO Order include the following: – Registrations for units handling up to 75, 000 litres of milk per day are granted by the State Governments and units with more than 75, 000 litres per day capacity re registered by the Central Registering Authority. – The <https://assignbuster.com/milk-products-assignment/>

Certificate also specifies the milkshed area, which, under the order is defined as a geographical area demarcated by the Registering Authority for the collection of milk by the registered unit. – Maintenance of specified hygienic conditions in the premises where milk and milk products are handled, processed, manufactured or stored.

2.0 Technology Export Potential of Milk and Dairy Sector

The collection, transportation and processing of milk normally centres around the operations of a processing plant. The region from which the marketable surplus of milk production finds its way to a processing plant is called a ‘milkshed’. The concept of milkshed areas is pivotal to the MMPO. For an orderly development of the dairy industry, a proper assignment/allocation of milkshed is critical. Standards on Weights and Measures (Packaged Commodities) Rules, 1977 These Rules lay down certain obligatory conditions for all commodities that are packed form, with respect to declarations on quantities contained. These Rules are operated by the Directorate of Weights and Measures, under the Ministry of Food and Civil Supplies.

a) Voluntary Standards

There are two organizations that deal with voluntary standardization and certification systems in the food sector. The Bureau of Indian Standards looks after standardization of processed foods and standardization of raw agricultural produce is under the purview of the Directorate of Marketing and Inspection.

b) Bureau of Indian Standards (BIS)

The activities of BIS are two fold, the formulation of Indian standards in the processed foods sector and the implementation of standards through promotion and through voluntary and third party certification systems. BIS has on record, standards for most of processed foods. In general, these standards cover raw

Potential of Milk and Dairy Sector 2 1 materials permitted and their quality parameters, hygienic conditions under which products are manufactured and packaging and labelling requirements. Manufacturers complying with standards laid down by the BIS can obtain and “ ISI” mark that can be exhibited on product packages. BIS has identified certain items like food colours/additives, vanaspati, containers for packing, milk powder and condensed milk, for compulsory certification. c) Directorate of Marketing and Inspection (DMI)

The DMI enforces the Agricultural Products (Grading and Marketing) Act, 1937. Under this Act, Grade Standards are prescribed for agricultural and allied commodities. These are known as “ Agmark” Standards. Grading under the provisions of this Act is voluntary. Manufacturers who comply with standard the laid down by DMI are allowed to use “ Agmark” labels on their products. Other Government Regulations : 1) Industrial Licence: No licence is required for setting up a Dairy Project in India. Only a Memorandum has to be submitted to the Secretariat for Industrial Approvals (SIA) and an acknowledgment is to be obtained.

However Certificate of Registration is required under the Milk and Milk Products Control Order (MMPO) 1992. 2) Foreign Investment: Foreign Investment in dairying requires prior approval from the Secretariat of Industrial Approvals, Ministry of Industry, as dairying has not been included 2 Technology Export Potential of Milk and Dairy Sector in the list of High Priority Industries. Automatic approval will be given upto 51% Foreign Investment in High Priority Industries. In case of other Industries, proposals will be cleared on case to case basis. Government may allow 51% without

enforcing the Id limit of 40% applicable under Foreign Exchange Regulations Act at its discretion. COMPANY PROFILE INTRODUCTION Lucknow Pradeshik Co-operative Dairy Federation came into being on 23rd March 1938 via registration number 257 , the capital invested was only Rs. 100/- and liters of liquid milk. Today 2 lakh liters of milk are handled in the co-operative production unit and turnover has touched Rs. 50 crore marks. Parag Dairy is one of the India's reputed manufactures and exporters of Milk and Milk Products like skimmed milk powder, full cream milk powder, ghee, butter, paneer ; curd etc.

All our products are processed under hygienic conditions, so that it is safe for our clients to consume. As the whole process is mechanized, it keep the products safe from the germs and contaminations spreading by hands. In Brief: Established : 1938 Registered : 23rd March 1938 First dairy Inspector : Mr. N. K. Phargava Board of Directors : Mr. Gopal Lal Pandya : Mr. Nirmal Chandra Chaturvedi : Mr. Tej Shankar : Mr. Pushkar nath Bhatt Initial Capital Investment : Rs. 00/- Present Capital : State Government – 90% : Co-operative – 10% Location : Initial Charbagh Area of Distribution : Initially Bakshi Ka Talab , : Tivariganj , Gosaiganj. Presently : The entire District In spite of the several setback and hurdle, the Lucknow Pradeshik Co-operative Dairy has steadily progressed and retains its position firmly in the present market and given strength to the operation flood II. Human population : 953 million (70 million dairy farmer) * Milk production : 74. 3 tones (203. 5 million lpd) * Average Annual Growth rate (1995-2000): 5. 6% * Per capita milk availability : 224 g/days or 78kg/year * Milk animals : 57 million cows ; 39 million buffalos * Milk yield per breed able bovine in-milk : 1250 kg * Cattle

feed production (organized sector) : 1. 5 million tones * Turnover of of
veterinary pharmaceuticals : Rs. 550 crores * Dairy plants throughout : 20
mlpd * Throughout as percentage of total milk output : 10 Value of output of
milk group (2007-2008)* : Rs. 50, 051 crores * Value output of dairy
industry** : Rs. 105, 500 crores *based on producer's price **Based on retail
price BRIEF HISTORY OF PARAG The history of co-operative dairy industry in
U. P. dates back to 1917, when the “ Katra Co-operative Milk Society”,
Allahabad was established. LPMU was established in 1938 as the first step
towards organized dairy development programme all over India. At the time
of independence four milk supply schemes were operating in Lucknow,
Allahabad, Varanasi, and Kanpur cities.

The Agra co-operative dairy came into existence in second five year plans
while dairies at Bareilly, Gorakhpur and Mathura were adopted later on. The
Apex institute of dairy co-operative was registered under the name ‘ PCDF’
(Pradeshik Co-operative Dairy Federation) in the year 1962 during the fourth
five-year plan. Aligarh and Merrut were also proposed to be included in the
scheme. The Government of U. P. also entrusted PCDF with the responsibility
of implementing the operation flood. It was to establish co-operative
structure in some of the best milk sheds located in ten states in U. P. being
one of them.

ORGANIZATION STRUCTURE LPCUL has ten divisions. Every division has a
manager who is responsible to General Manager. G. M. of every division is
responsible to managing director. The division heads of each division is
responsible for the performance and of their respective division shall be
responsible for the performance and of their respective division not only at

head office but also in the units/unions in the field. These officers shall not merely insure achievement of the targets fixed and implementation of systems for their functional areas but promptly attend to the problems of the units/unions.

The divisional heads discharge their duties within policy frames laid down by the Managing Director and subject of his control & supervision only important performance and control reports, matters, questions involving exceptions to approved policy, systems development and other important matters need to be put up before Managing Director. Bill before approval and implementation; be routed through the Management Service Division (MSD), which will check the plan to see whether they are in conformity with other plans and system contradiction occurs.

The divisional heads see the terms made by them and their officers and purposively designate link officers for each officer in their division. All letters to the NDDDB shall before dispatch, be send to the MSD, which will take speedy clearance at the appropriate level. A copy of all such letters shall be the CPM section the MSD. Economy vs. Quality – Check Your Self: Laboratory results show that pouch milk from some local packersis generally low in fat and mostly deficient in SNF.

Even the loose milk home delivered to in cans is invariably less in quantity (dye to frothiness) as well as SNF.

You may not know the amount of SNF in the milk you consume unless it is tested. Parag Dairy can help you. Contact us to get your milk tested free of cost at your doorstep! Results will make you exclaim in disbelief !!!

Then you will pay only for fat and SNF (the vital factor) and not for water.

Some Unique Features of the Dairy: This is the first vertical dairy of Asia with its various sections located in the basement and three floors of the building.

All processing operations are controlled from a centralized control room through computers.

Thus, it is also the most modern and automated dairy in North India, where quality of milk processed and packed is second to none. State-of-the-art vertical liquid milk plant of 4 lakh liters per day (LLPD) capacity, extendable up to 6 LLPD. It is the most modern and computerized dairy in North India. A rapidly growing distribution network. Designed to handle and pack liquid milk in poly packs, untouched by hand, to cater to the demand of the National Capital region, efficiently and hygienically. PARAG MILK: After having won the hearts of thousands of people and becoming youth No. 1 milk in U. P., Parag is now getting closer to becoming a well-known brand in the National Capital Region. With the aim of becoming a bestseller here as well. With an affordable price, incomparable purity and hygiene. So that your family have more milk and thereby, become more healthy. In view of specific individual needs, preferences and requirements, various types of milk with different special qualities have been developed so as to meet the requirements of all sections of the consumers. PRODUCT LINE OF PARAG Dairy products are manufactured under the name PARAG

They had a considerable market share in U. P. and other regions in north and east. There has been an increase in the market competition due to the coming up of many private dairies that has introduced their own brand of milk product. AMUL products still have to face a stiff competition in Lucknow

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with PARAG products due to the efficient distribution network of the marketing division of LMU is liquid milk. Other milk products are: 1. MILK 2. BUTTER 3. GHEE 4. PANEER 5. FLAVORED MILK 6. SKIMMED MILK POWDER 7. MILK CAKE 8. ICE-CREAM 9. MATTHA 10. CURD

COLLECTION AND DISTRIBUTION OF MILK This report present detailed information about the Lucknow Milk Union (PARAG), its evolution and organization structure. Dairy work happens through various procedures. Basic of the dairy work is like this structure – * Milk Collection Mechanism * Milk Distribution Mechanism Parag is the brand name of products of Lucknow Producers Co-operative milk union. It is a big co-operative unit based on values of understanding and co-operation profit for milk producers and providing quality products to consumers at a cheaper price . PARAG” does maximum utilization of milk to increase milk efficiency in reasonable costs of production and hence overall costs. Work of ‘ PARAG’ may be divided into 3 subunits: a) Marketing b) Administration and production c) Industry Unit Administration co-ordinates various functions, looks after salaries and wages and various human resources problems of production. The industry unit is engaged in the function of producing various industrial products like milk, butter etc. Whereas the marketing is engaged in distribution and proper sale of these products like milk, butter etc.

Whereas the marketing is engaged in distribution and proper sale of these products. “ PUBLIC RELATION means the effort made by industries, unions, corporation, occupation, government, or other organizations to establish productive relationship report and partnership” It is popularly defined as on the other basis of acceptance of well organized efforts by society for welfare

and development of entire community. **OBJECTIVE OF THE STUDY** The purpose of this project is to diagnose the information contained in financial statement as to judge the profitability and current financial affairs.

To estimate the working capital requirement of the firm , Just like a doctor examines his patient by recording his body temperature , blood pressure , etc. before making any conclusion regarding the illness and before making his conclusion regarding the illness and before giving the treatment, a financial analyst analysis the financial statement with various tools and techniques of analysis before commenting upon the Financial affairs (positive and negative) & working capital condition of an enterprise. The analysis and interpretation of financial statement is essential to bring out the mystery behind figures in financial statements.

The main objectives of the study as related to the topics are as under:- * To find out the concept of working capital and cash flow analysis. * To find and analysis the group wise composition of working capital in parag dairy. * To study the different mechanism to maintain proper working capital in parag dairy. * Estimation of working capital. * Evaluate working capital requirement in the manufacturing firm. * To find various alternatives of working capital. * To analysis the financial position of parag dairy. **SCOPE AND LIMITATIONS OF THE STUDY** Working Capital is considered as central nervous system of the firm.

The importance of working capital is reflected in fact that financial managers spend most of their time in managing current assets and current liabilities. Adequate working capital needs to be maintained in order to discharge day

to day liabilities. Adequate working capital needs to be maintained in order to discharge day to day liabilities and protect the business from adverse effects in times of calamities and emergencies. It aims at protection the purchasing power of assets and maximizing a firm's profits. Scope *

Determining the total funds required to meet the current operations of the firm (i. . determination the level of current assets). * To decide the structure of current assets (i. e. the proportion of long term and short term capital to financial current assets). * To evolve suitable policies, procedures and reporting systems for controlling the individual components of current assets (mainly cash, receivables, inventory). * To determine the various sources of working capital. * To ensure optimum investment in current assets. * To strike a balance between the twin objective of liquidity and profitability in the use of funds. * To ensure adequate flow of funds for current operations. To speed up the flow of funds or to minimize the stagnation of funds. Limitation of study * Unnecessary accumulation of inventories, which leads to mishandling of inventories, waste theft and losses in increase. * Excessive of working capital in indication of defective credit policy and slack in collection period. These leads to higher bad debts losses that reduce profits. * It makes management complacent which degenerates in to managerial inefficiency. * Inadequate working capital stagnates growth. * It becomes difficult to implement operating plans and achieve the firm's target profits. It leads to inefficient utilization of fixed assets. MANANGEMENT OF WORKING CAPITAL I. INVENTORY It is time to review our inventory level and ensure reduction as number of days of turn over. Sincere effort should be made for liquidation of non / slow moving inventory. The inventory against AMA's need to be reviewed ; reduced. II. Book Debts Units and business sector should

continued with their vigorous efforts to achieve minimum level of 180 days to turn over at the company level. The areas to be focused a part from the collectable out standing from the current bills are, dues against different debts, bills under verifications, urn over recognized but not billed due to various reasons etc. The dispatches, which only add to turn over, without immediate billing and corresponding billing and corresponding cash collections are to be reviewed thoroughly and the billing schedule with the customer may be reviewed thoroughly and the billing schedule with the customer may be reviewed for changes. The practices of dispatching material which could not be billed immediately is not be encouraged head of the unit shall personally reviewed goods dispatched but pending for more then three month on regular basis.

A focused presentation on this has to be made to the budget team units must strive hard to control the increase in differed debts and also old and held outstanding. III. CONTRACT CLOSING ISSUES Miner supply from units to settle outstanding commercial disputes in respect of project completed in the part of contract were of are yet to closed, should also be fully included in the budget to insure expeditious closure of old contract and realization of large overdue outstanding an amount of Rs. 3. 6 cr is outstanding against final payment which could be realized by the solving to the contract closing issues.

This will also enable to withdraw huge amount of provision created for contractual obligation. Units shall make focused presentation on their action plan to the budget team. IV. CASH FLOWS Units should ensure positive net flows through the year. Allocation of funds to units with negative balance at <https://assignbuster.com/milk-products-assignment/>

any point of time will be done with my approval. The units should also generates free cash flow from their operations. The free cash flow for R. E-2006-07 B. E-2007-08 should be presented to directors. V. CAPITAL EMPLOYED

In 2007-08, the capital employed has increased to Rs. 451, 51 cr. from Rs. 447, 49cr. in 2006-07. Increases in capital employed due to the recent investment in modernization scheme should also give the return commitment in the project report. Better working capital management will help us to reduce the capital employed. VI. DIVERSTMENT OF UN PROFITABLE PRODUCT LINE As part of budget exercise the unit shall have a detailed review of the market share in constitution with business sectors and develop strategies. FINANCIAL ASPECTS IN RUNNING MILK PLANT

To meet the growing demand of milk in pouches , it was envisaged to setup in house polypack capacity of 6 lakh litres at dairy in the adjoining plot of dairy. However initially on experimental basis in the existing premises polypack operation of 50, 000 LPD was made operational using existing available services with minimum investment. The packing capacity was further Expanded TO 1 lakh litres . However, by further adding 2 no packing machines the total packing facility from existing premises has been increased to 1. 5 lac litres per day. Looking into space constraint further expansion in the existing premise is not possible.

Meanwhile sale of milk in pouches is increasing day by day and average growth per year is more than 15% . There is no surplus packing capacity available with existing co-packers. In view of the above to take care of the

next five years requirement of additional milk in pouches , vendor development group has recommended setting up of 6 lakh litres per day of milk packeging facility in the adjoining plot and also increasing existing milk processing facility from 4 LLPD to 10 LLPD at Dairy. It is also necessary to have some percentage of own packing facility from strategic point of view.

OBJECTIVE : . The facility can be setup at dairy in minimum time due to availability of good quality of reqired land. 2. The main input for setting up many dairy is availability of good quality fresh water. The water quality and quantity of underground tube wells at dairy is very good to the nearby river Hindon. 3. It is necessary to create a production facility to meet the market demand to keep edge over the competitors in the field. 4. To setup and run the facility at dairy will be very cost effective due to availibility of infrastructure at dairy, which can be in actually shared , based on need. 5.

The proposed packing plant will be a role model for other Co-packers to adopt in their plants from layout of plant to deliver final milk quality in pouches and dispatch.

CAPITAL BUDGETING TECHNIQUES 1. PAY BACK PERIOD YEAR| CASH FLOW| 2007| -13900000| 2008| 127909| 2009| 358333. 5| 2010| 558301| 2012| 549301| 2013| 549301| 2014| 549301| 2015| 549301| 2016| 549301| | | PBP= Year before full recovery= uncovered cost at start of year/cash flow during year = $3 + \frac{2128445}{5583010} = 3.381$ Yr.

NOTE: a. Pay back period is the period of time required for the expected cash flow from investment project to equal the initial cash flow. . If the payback period calculated is less than sum maximum expectable payback period, the proposal is expected, if not, it is rejected. c. The required payback period were 3 year, the project would be accepted.

2. DISCOUNTED PAYBACK

PERIOD: $K =$ Interest rate 12.75% according to SBI $(1+K)^n = 1.12^n = 10$

Discounted net cash flow = $FV(PVIF_i, n) - I_{CO}$ Years(n) 1. 1279090*.

881131994. 65 2. 35333350*. 72805751. 30 3. 5583010*. 693869025. 93 4.

5583010* . 613422385. 13 5. 5583010*. 543031574. 43 6. 5493010*.

482636644. 80 7. 5493010*. 422334529. 25 8. 5493010*. 372065371. 76 9.

5484005*. 331826173. 66 10. 484005*. 291617781. 47 3+2270842.

99/3031574. 13= 3. 7496 NOTE: The discounted payback period, which is

similar to regular payback period, except that expected cash flows are

discounted by the project cost of capital. 3. NET PRESENT VALUE

$CF_1/(1+K)^1 + CF_2/(1+K)^2 + \dots + CF_n/(1+K)^n - I_{CO} = K = 12.75$ YEARS(n) 1.

1279090*. 881131994. 65 2. 35333350*. 72805751. 30 3. 5583010*.

613422385. 93 4. 5583010*. 3422385. 13 5. 5583010*. 543031574. 43 6.

5493010*. 482636644. 80 7. 5493010*. 422334529. 25 8. 5493010*.

372065371. 76 9. 5484005*. 331826173. 66 10. 5484005*. 291617781. 47

Total 24741232. 8 Less(I_{CO}) -13900000. 00 Net Total 10840232. 38

3+2270842. 99/3031574. 13= 3. 7496 NOTE: a. The present value is the

present value of an investment projects net cash flow less the project initial

cash outflow. b. If an investment project's NPV is zero or more, the project is

accepted, if not, it is rejected. 4. PROFITABILITY IN PV OF FUTURE CASH

$FLOW/INITIAL COST = \frac{Ent + 1CFT}{(1+K)^1} / CF_0 = \frac{22216056.38}{13900000} = 1.598$

NOTE: a. Profitability index is the ratio of present value of the projects,

future net cash flow to the project's initial cash out flow. b.

As long as PI is 1 or greater, the investment proposal is expectable because

our profitability index is greater than one implies that our project PV is

greater than its initial cash outflow which, in turn, implies that NPV is

greater than zero. 5. INTERNAL RATE OF RETURN $PV(\text{inflow}) = PV(\text{investment cost})$ $NPV = \sum_{t=1}^n \frac{CFT_t}{(1+RR)^t} - \text{ICO} = 0$ IRR = 20% YEARS: 1. 1279090. 83= 1065482 2. 35333350. 6= 24868345 3. 5583010. 57= 3232562. 8 4. 5583010. 48= 2691010. 8 5. 5583010. 40= 2244370 6. 5493010. 33= 1840158. 4 7. 5493010. 27= 1532549. 8 8. 5493010. 23= 1279871. 3 9. 5484005. 19= 113296. 97 10. 5484005. 16= 94608. 81

TOTAL = 38962256 LESS (ICO) = 13900000 = 250625062256 NOTE: 1.

Internal Rate of Return is the discount rate that equates the present value of the future cash flows from an investment project with the project's initial cash outflow. 2. Solving for IRR by computer yields 20.02417% which in this case is very close to our approximate answer. RESEARCH METHODOLOGY

Meaning of Research Methodology: Research in common parlance refers to a search of knowledge. One can define Research as a scientific and systematic search for pertinent information on a specific topic.

In fact Research is an art of scientific investigation. It is an academic activity and as such, the term should be in technical sense. Research comprises defining and redefining problems, formulating hypothesis or suggested solutions, collecting, organizing and evaluating data, making deductions and reaching conclusions and at last carefully testing the conclusions to determine whether they fit the formulating hypothesis. Research is thus an original contribution to the existing stock of knowledge making for its advancement. It is the pursuit of truth with the help of study, observation, comparison and experiment.

In short, the search of knowledge through objective and systematic method of finding solution to a problem. The systematic approach concerning generalization and the formulation of the theory is also a research. As such the term Research to the systematic method concerning the enunciating the problem, formulating the hypothesis, collecting the facts or data, analysis the facts and reaching certain conclusions either in the form of solutions towards the concerned problem or in certain generalizations for some theoretical formulation.

Some people consider Research as a movement, a movement from the known to unknown. It is actually a voice of dictionary. METHODOLOGY

Following are the information about PPM plant installation : I. Maximum plant capacity 600, 000 lit/day II. Actual production of plant 100, 000 lit/day(1 yrs) 300, 000 lit/day(2 yrs) 400, 000 lit/day(3 yrs) 600000 lit/day(4 yrs) III.

Working days 365 IV. Total projected investment 800 lacs INITIAL

INVESTMENT 1 Yrs -

Civil investment 225 lacs Building investment 225 lacs 2 Yrs - Civil

investment 100 lacs Building investment 80 lacs RETURN ON INVESTMENT: =

$EBIT(1-T)/Total\ assets$ Years Return on investment: 1 yrs -. 09 2 yrs . 20 3 yrs

. 55 4 yrs 1. 412 5 yrs 1. 438 NOTE: 1. Return on investment is negative in

first year by -. 9 2. Return on investment become positive in 2nd and 3rd

year and reaches to . 55 3. In fourth year, company has attained full capacity of production, due to which Return on investment has shot upto 1. 412

(which is near about thrice the before amount) and reached to 1. 438 in fifth

year. Civil investment = 80 lacs Building investment = 60 lacs Depreciation -

building = 15% Civil = 10% Cost of capital = 8. % MRP = 18. 5 avg Rs. p/l

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Trade Margin = 1% VARIABLE COST: Raw material = 16 Rs. p/l Wages = . 80
 paisa p/l General expenses = 1 Rs p/l Fixed Cost = 100 lacs DEBT SERVICE
 COVERAGE RATIO : = $\frac{\text{Total cost} + \text{interest} + \text{depreciation}}{\text{interest} + \text{loan repayment} / (1 - T)}$ SWOT ANALYSIS OF PARAG DAIRY STRENGTH :

The major strength of the traditional dairy product sector is the mass appeal enjoyed by the wide variety of products . The market for these products far exceeds that for western dairy products like milk powder , table butter and cheese. Their operating margins are also much higher than the western dairy products. The increasing demand for these products presents a great opportunity for the organized dairies in the country to modernize and scale up production. WEAKNESS : The major weakness of this sector is the practice of inadequate hygiene in the preparation and handling of these products and relatively short shelf life.

The preparation and marketing of these products is generally done by Halwais and that limits development in these sector. OPPORTUNITY : The expanding business prospects provided by these products and their accompanying value - addition , call for a thorough study of this sector. It would facilitate an increase in the production and marketing of hygienically prepared and properly packed products to meet the demand of growing population, as has been demonstrated at the NDDDB's Sugam Dairy. MARKET SHARE OF PRODUCERS IN LUCKNOW

During the project work , a survey is been conducted to know the market share of the PARAG in Lucknow city. This survey is been done among 50 people . This is shown with the help of following table and Pie chart. Table

No. 1. 1 Duration| Number of consumers| Percentage| Parag| 26| 52%| Amul| 15| 30%| Deva| 6| 12%| Local suppliers| 3| 6%| Total| 50| 100%| | | | It is clear from the graph that : 1. 52% of market share is captured by PARAG. 2. 24% of the market share is captured by AMUL 3. 12% of market share is captured by DEVA. 4. % of market share is captured by Local Suppliers.

ANALYSIS AND INTERPRETATION OF DATA * Out of 50 consumers , 44% consumer are using PARAG products daily , 50% consumers are using weekly , and 12% are using monthly. * 64% consumers are satisfied with taste and quality of PARAG products and 36% consumers are dissatisfied. * 60% consumers are satisfied with the price of PARAG products , whereas 40% customers are dissatisfied. * 92% consumers are satisfied with the quality of PARAG products , whereas 80% of consumers are dissatisfied. * 88% consumers want more number of PARAG