

CHAPTER 1

INTRODUCTION

1.1.1 Background of the study

Since we human beings are living in this competitive world where we face competition for performing tasks successfully. Both the practical as well as theoretical knowledge and skill are equally important for us.

Field work is a requirement as a part of course of BBS 4th year program affiliated by T.U. In the partial fulfillment of the requirement of the degree of BBS 4th year, this type of field work is necessary for the bachelor level students, as it encourages students hidden talent and helps to increase the skills and sharpen our knowledge. The field work reporter should select such topic from where he/she can collect all the information related to that particular subject. I have personally visited some “NMC Dairy Parlours of Jhapa districts” and collected the related data.

Dairy farming is a class of an agriculture for long term production of milk, which is processed on farm or dairy as a dairy product. Dairy farming includes process of milking cow, storing the milk and converting it into dairy products.

Nepal is an under developed country which is economically poor and NMC Dairy Udhog, a well flourished Dairy established on 13th Baishak 2072(26th April 2015) has aided some % to boost the economy of the nation as well as the economic condition of local farmers. NMC dairy Udhog has been collecting 12,000-18,000 liters of milk per day from Jhapa and Ilam from their 29 cold stores and has been selling 10,000-12,000 liters of milk as well as other 12 various dairy products per day to Jhapa, Morang and Sunsari through their 55 Dairy Parlours. NMC dairy udhyog has been providing employment to 85 employees in their factory and more than 80 people in their respective cold stores and dairy parlours.

The profitability position of the dairy parlour depends on various factors such as the cost of feed, labour, equipment, and milk prices. A well-managed dairy parlour with good milk production and high milk quality can generate significant profits. However, dairy parlours face challenges such as seasonal fluctuations in milk production, market volatility, and increasing costs of inputs. It is essential for dairy parlour owners to keep track of their expenses and optimize their production processes to maintain a healthy profit margin. In addition, implementing strategies such as diversifying their product offerings, improving milk quality, and reducing operating

costs can further improve profitability. Overall, maintaining a profitable position for a dairy parlour requires careful planning, efficient management, and adaptability to changing market conditions.

And I have personally visited 4 dairy parlours and collected the related data to figure out the profitability position of the respective parlours by selling milk.

1.1.2 Problem Statement

- What are those problems most often encountered in dairy parlours while selling milk?
- What are those problems faced to store the left-out milk in dairy parlours?
- What are those problems faced by dairy parlours regarding quality of milk?
- What are those problems encountered by dairy parlour during supply chain?
- What are those problems faced by dairy parlours due environment changes?

1.1.3 Objectives

The main objectives of this study are to examine the profitability position of NMC dairy parlours while selling Dairy Products. The specific objectives of this study are as follows:

- To examine the sales of Dairy Products of selected NMC dairy parlours.
- To analyze profit earned by selected NMC dairy parlours of last 3 years.
- To assess the financial position of NMC Dairy Parlour.
- To ascertain the profitability of NMC Dairy Parlour.
- To find out SWOT of NMC Dairy Parlour.

1.1.4 Significances of the Study

The Profit is necessary element of every business organization whether it is service oriented or product oriented. So, every organization should systematically plan for profit making. Profit plays a vital role in growth and development of an organization. It also helps to achieve organizational objectives easily. Therefore, this study will be useful for those who want to know the profitability position tool of the organization. Also, the report of this study can be used as a source of reference for further studies and it can be utilized by every institutional body other as a supporting document in their respective areas.

1.1.5 Limitation of study

Preparing thesis on any topic is a challenging task. When it is the first time for the students, like us, the difficulties can be imagined. We have to collect information for which lots of time is required. I have tried my best to fulfill the requirement of the study. My difficulties on this study are:

- Lack of necessary data sources in the form of primary source of study.
- There are different subjects matters to be studied in the business research methods but only the sales and profitability has been concerned in this study.
- The area of study is concerned only with the 4 NMC dairy parlours due to lack of time, effort and cost; which may not reveal whole aspects of NMC dairy parlours.
- My study was unable to find out the actual turnover ratio of the selected NMC dairy parlours.
- The whole practical study is based on the primary data which have its own limitations.

1.1.6 Report Structure

This study has been divided into three primary chapters.

CHAPTER ONE is directed to Introduction that consists of background, problem statement, objectives, significance of study, limitation of study, report structure, review of related literature regarding the topic of the present study. It includes the discussion on the conceptual review for evaluation of dairy parlours and current review. Also includes type of research, population and samples, types of data, data collection procedures and data processing.

CHAPTER TWO shows the presentation and the key findings. It encompasses presentation of the results from questionnaires, discussion of the result from questionnaires.

CHAPTER THREE shows the three segments, such as summary, conclusion and recommendation that concluded my study.

1.2 Literature review

Review of literature refers to the reviewing of the past studies in the concerned field. Such studies could be thesis/dissertation that are written earlier, books, articles,

journals and any other publications concerning the subject matter, which were written prior by a person or an organization. The purpose of literature review is to provide information regarding the issues on which the researches were conducted in the past and to find out the issues that remained untouched and helps to avoid needless duplication in the research work.

“An importance of profitability analysis in the globalised economy”, have stressed that periodic profitability analysis provides the foundation for managing the existing mix of activities. In addition, profitability analysis should be undertaken to determine whether the dairy parlours are profiting or not.

Review of literature focuses on the earlier studies on financial performance. These studies are helpful in assessing the limitations, findings and suggestions involved in such studies.

2.2 Conceptual Review

Conceptual analysis means investigation of proposition how to solve problem, breaking them into discrete parts and seeing how these parts interacts in problem under investigation.

Dairy parlour is growing concept in all the countries especially in the developing country like Nepal. It is commonly viewed in public spaces particularly in the cities and towns.

(D. J. Houlbrooke, D. J. Horne, M. J. Hedley, J. A. Hanly & V. O. Snow, 2004) Dairy farming is the largest agricultural industry in New Zealand, contributing 20% of export earnings

(Emerson M. Babb, 1981) Analyzed the relationship between milk prices and production costs as sources of change in the level and geographic distribution of United States milk production. Milk prices and direct and total costs of production from 1974 to 1980 were estimated as a function of distance from the upper Midwest by ordinary least-squares regression. Milk prices and costs increased with distance of production areas from the upper Midwest, but the increases were less than transportation costs.

(Hansen and Brandon. D., 1993) viewed that the primary objective of his study was to develop a series of worksheets to analyze the economic, financial, risk, and environmental impacts of alternative nutrient management methods for a representative western Washington dairy farmer. He examined capital investment required, annual costs, financing, cash flow, nutrient values of the waste, and financial and environmental risks.

(Isabelle Schluep Campo and John Beghin, 2005) explored and investigate Japanese dairy markets. We first provide an overview of consumer demand and how it evolved after World War II. Using historical data and econometric estimates of Japanese dairy demand, we identify economic, cultural, and demographic forces that have been shaping consumption patterns. Then we summarize the characteristics of Japanese milk production and dairy processing and policies affecting them. We next describe the import regime and trade flows in dairy products. The analysis of the regulatory system of the dairy sector shows how its incentive structure affects the long-term prospects of various segments of the industry. The paper concludes with policy recommendations of how to reform the Japanese dairy sector.

(Hasan Cicek, et al., 2007) examined to determine the technical and socioeconomic factors that may affect the cost in dairy enterprises. In this context, the annual production records (2005-2006) of 77 dairy enterprises running in Western Turkey were examined. Data were analyzed by using multiple regression models. Results showed that the parameters such as education of the producers, scale of the enterprise, feed consumption, feed procuring and litter size.

(Rhone. A., Ward. R., De Vries and Elzo. M.A., 2008) analyzed and investigated determinates of how milk pricing system, farm location, farm size, and month and year affected farm milk price (FMP), farm milk revenue (FMR) and loss in FMR of dairy farms in the Central region of Thailand.

1.2.2 Current Review

There are several ways to measure profit other than just looking at bank account. in the following pages, we will introduce the two methods of analyzing how well NMC dairy parlours are doing:

- Margin (or profitability) ratio
- Break even analysis (based on revenues and sales)

1.2.3. Research Methodology

Research methodology can be understood as a science of studying how research has been done. This chapter contains the research design, nature and sources of data, data collection procedure and tools and techniques of analysis.

1.3.1 Type of research

Research design indicates a plan of action to be carried out for completing proposed research work. This research attempts to analyze profit ratio and sales of milk, by taking the data and information of sample dairy parlours.

Research design is a detail plan prepared to search the answer of the research problem. Research design should be selected based on research objectives, nature of research and availability of resources. Different research designs are used to search the answers of the different research questions. The two types of research are categorized below:

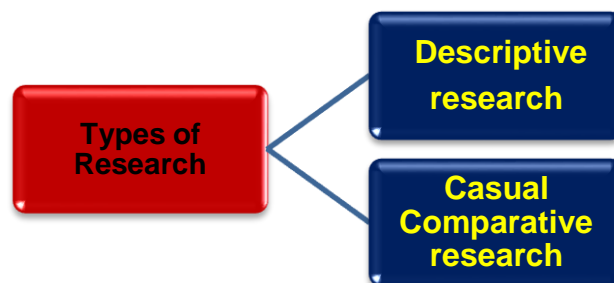


Figure No 1: Types of Research

1.3.1.1. Descriptive research

Descriptive research method refers the method used to study the subject of research in detail and explains the facts and characteristics related to research problem. It uses the scientific method of collecting, classifying and analyzing related data, facts and figures. It doesn't answer about how/when/why the facts and characteristics occurs.

1.3.1.2. Casual Comparative Research

Casual Comparative research shows the causes of the problem and also analyze and interpret the result concisely and precisely.

I used both the descriptive and casual comparative research method in this project.

1.3.2 Population and sample

There are 55 NMC dairy parlours presently operating in Jhapa, Morang and Sunsari and the count is increasing, to fulfill the demand of dairy products of Nepalese people. Collecting the data of all these entire dairy parlours was not possible due to short time period. Hence, 4 NMC dairy parlours of Jhapa has been selected as sample. Thus, the population of study comprises of all the NMC dairy parlours of Jhapa, Morang and Sunsari and sample of the study is four NMC dairy parlours of Jhapa.

1.3.3 Types of data

Information or facts collected through record, observation and measurement is known as data. And the essential information for my research has been collected from following data sources:

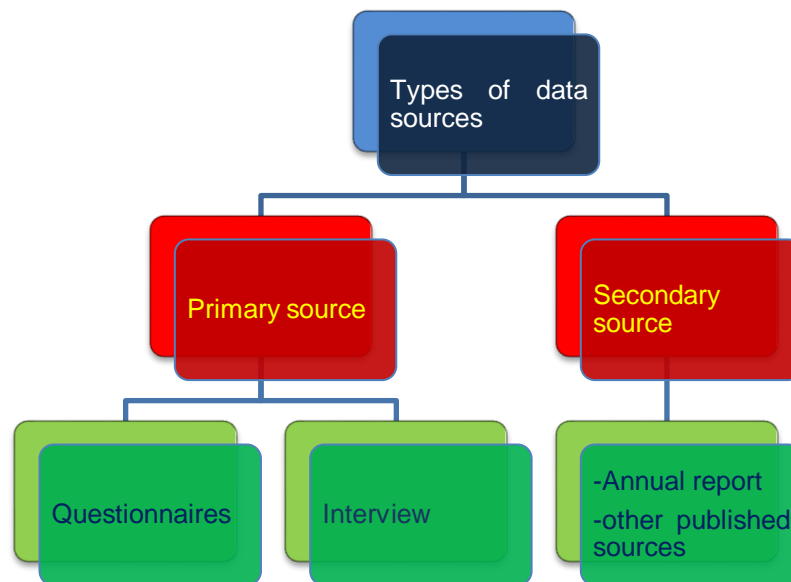


Figure No 2: Types of Data sources

This study aims on profitability analysis of NMC dairy parlours of Jhapa district. This study is mainly based on primary data.

1.3.4 Data collection procedure

The Primary data are collected from NMC Dairy Udhyog and respective NMC dairy parlours by the help of personal interview. All the data and information have been studied carefully and systematically analyzed.

1.3.5 Data Processing

The collected data are presented and analyzed by using simple statistical tools which includes tables, bar diagram, line graph, pie-charts and linear programming. In this report, tabulation, bar diagram and pie-charts are used for data processing.

Chapter-2

Results, Presentation and Analysis of Data

This part of study is field-work study. It shows the expression of the student who is involved in the fieldwork study. All the data collected by me is presented in this chapter. So, the presentation should be clear to make the field work clear. So, I have tried to present the data more clearly to my best effort.

2.1 Sales trend

The sales are affected by various factors such as cost ability, dealing behavior of seller, market etc which helps in increment or decline in sales. As far as the sales of “NMC dairy parlours” is concerned the sales per year has grown at satisfactory rate. The sales value per year of 4 NMC dairy parlours can be shown in the table below:

Fiscal Year	Ashraya Parlour(Birtamode)	Aashirbad Parlour(Sanischare)	Aagya Parlour(Dhulabari)	Kakarvitta Parlour(Kakarvitta)
2076/77	6044756	7076943	4604130	4849680
2077/78	7731442	11026028	4832989	6159154
2078/79	6065987	11620184	4620787	6927985

Table No. 1: Sales of NMC dairy parlours in cash value for last 3 fiscal year

The above table shows the cash sales value of dairy products by NMC dairy parlours for last 3 fiscal years. And as per the table most affordable year for Ashraya Parlour(Birtamode) was 2077/78 when it sold a cash value of Rs 77,31,442, for Aashirbad Parlour(Sanischare) was 2078/79 when it sold a cash value of Rs 1,16,20,184, for Aagya Parlour(Dhulabari) was 2077/78 when it sold the cash value of Rs 48,32,989 and for Kakarvitta Parlour(Kakarvitta) was 2078/79 when it sold the total cash value of Rs 69,27,985.

Here the sales of different dairy parlours are affected by the market covered by respective parlours and size and hard work of respective parlours.

The tabulated data can be presented in the Bar-Diagram below:

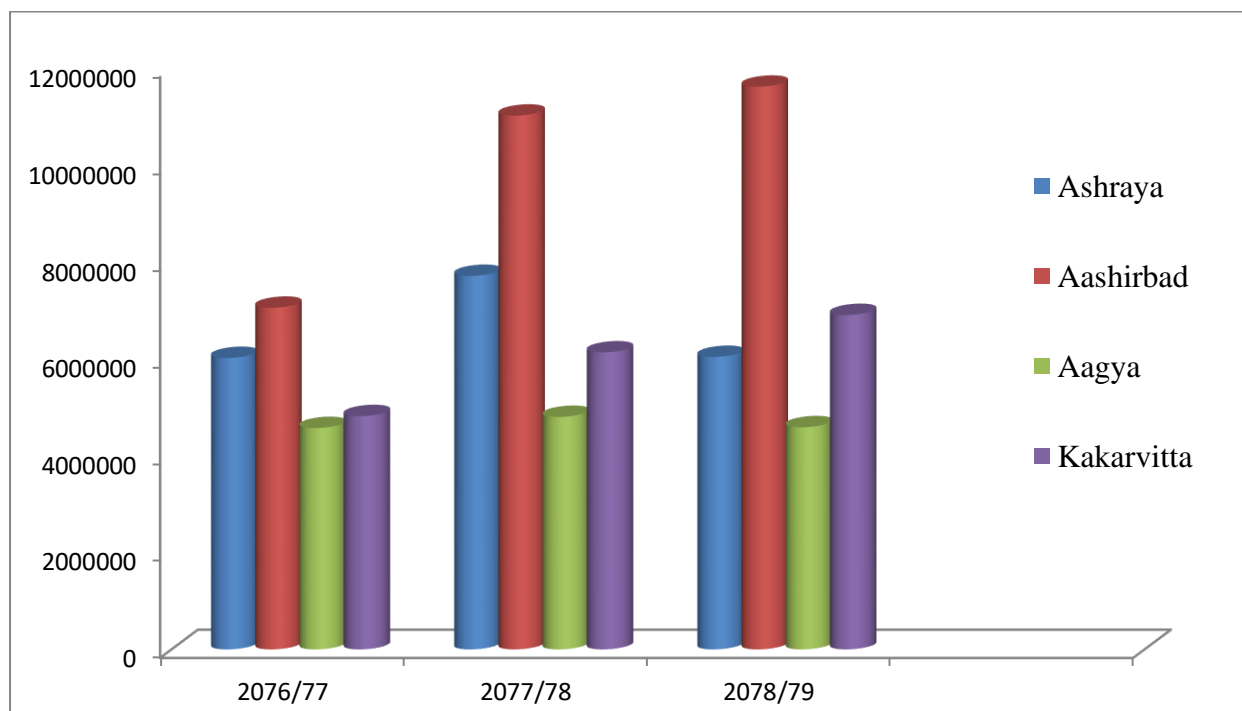


Figure No. 3: Cash sales value of NMC dairy parlours

The above bar diagram shows the level of sales in different years. As shown in the figure to 2077/78 was more favourable for Ashraya and Aagya Parlour and 2078/79 was more favourable for Aashirbad and Kakarvitta parlour as their sales rose up in that year comparatively to other years.

2.2 Profitability position of NMC Dairy Parlours

The profitability position of NMC dairy parlours depends upon the increment of sales, minimization of cost, market covered by dairy parlours, purchase price of dairy products and also the initial investment. The profitability position of the surveyed parlours for last 3 years are shown in table and presented in diagram individually.

2.2.1 Profitability position of Ashraya Dairy Parlour(Birtamode)

The profitability position of Ashraya Dairy Parlour(Birtamode) for last 3 years is shown in table and presented in Pie-Chart.

$$\text{Profit} = \text{Sales} - \text{Total Cost}$$

Year	Sales	Total Cost	Profit
2076/77	6044756	5525726	519030
2077/78	7731442	7060263	671179
2078/79	6065987	5569853	496134

Table No 2: Profitability position of Ashraya Dairy Parlour (Birtamode) for last 3 years

If we analyze the above table, we will see that the profit of FY 2077/78 is comparatively high than the profit of FY 2076/77 & 2078/79 which is shown in below Pie-Chart:

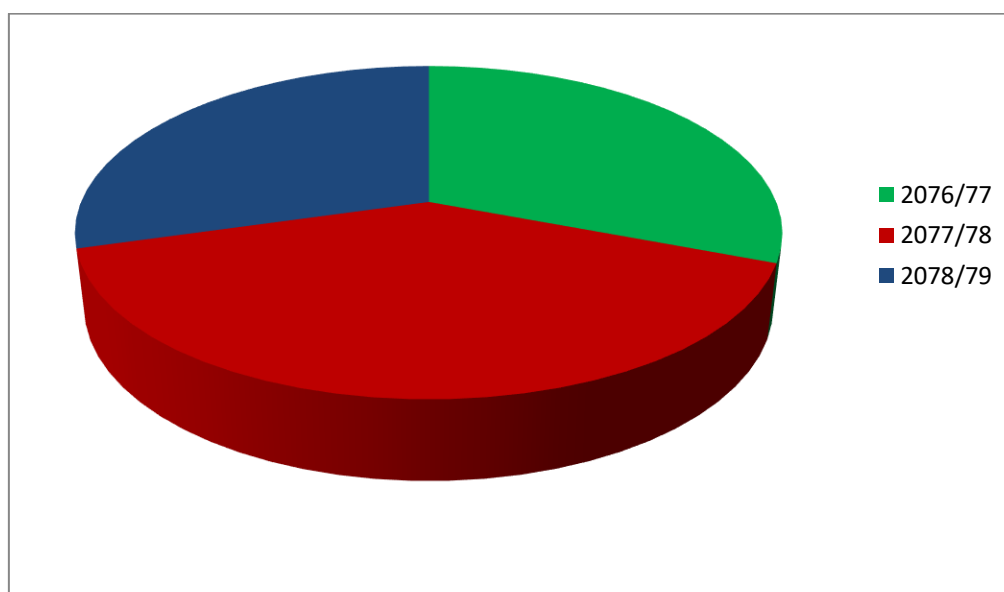


Figure 4: Profitability position of Ashraya Dairy Parlour (Birtamode) for last 3 years

The above pie-chart shows the profit earned by Ashraya parlour (Birtamode) in last 3 years. And the portion of profit in 2077/78 is higher than of 2076/77 & 2078/79.

2.2.2 Profitability position of Ashirbad Dairy Parlour(Sanishchare)

The profitability position of Ashirbad Dairy Parlour(Sanishchare) for last 3 years is shown in table and presented in Pie-Chart.

$$\text{Profit} = \text{Sales} - \text{Total Cost}$$

Year	Sales	Total Cost	Profit
2076/77	7076943	6495625	581318
2077/78	11026028	10063359	962669
2078/79	11620184	10618635	1001549

Table No 3: Profitability position of of Ashirbad Dairy Parlour(Sanishchare) for last 3 years

If we analyze the above table, we will see that the profit of FY 2077/78 is comparatively high than the profit of FY 2076/77 & 2078/79 which is shown in below Pie-Chart:

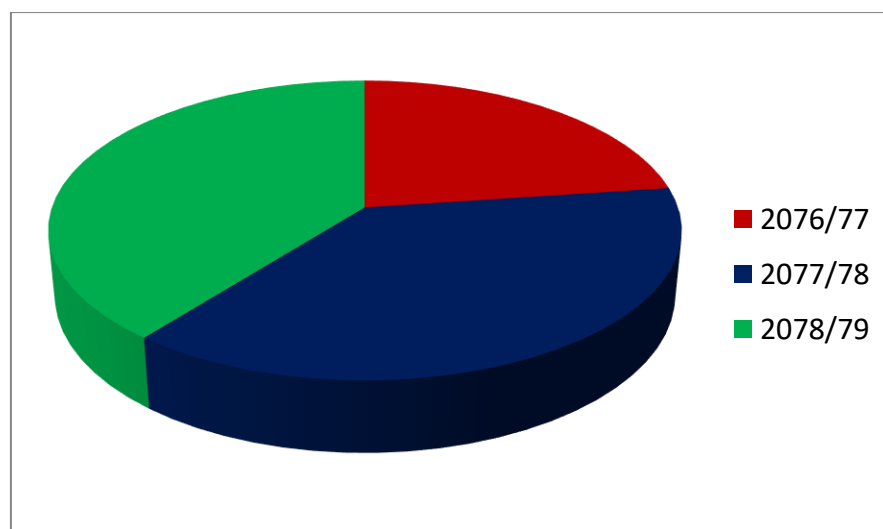


Figure 5: Profitability position of Ashirbad Dairy Parlour(Sanishchare) for last 3 years

The above pie-chart shows the profit earned by Ashirbad Parlour (Sanishchare) in last 3 years. And the portion of profit in 2078/79 is higher than of 2076/77 & 2077/78.

2.2.3 Profitability position of Aagya Dairy Parlour (Dhulabari)

The profitability position of Aagya Dairy Parlour (Dhulabari) for last 3 years is shown in table and presented in Pie-Chart.

$$\text{Profit} = \text{Sales} - \text{Total Cost}$$

Year	Sales	Total Cost	Profit
2076/77	4604130	4207865	396265
2077/78	4832989	4419045	413944
2078/79	4620787	4237871	382916

Table No 4: Profitability position of Aagya Dairy Parlour (Dhulabari) of for last 3 years

If we analyze the above table, we will see that the profit of FY 2077/78 is comparatively high than the profit of FY 2076/77 & 2078/79 which is shown in below Pie-Chart:

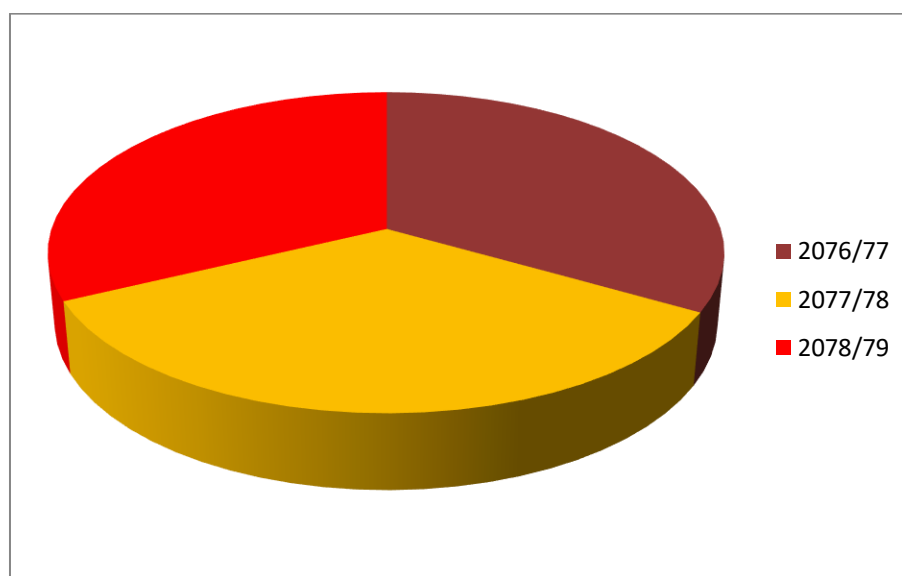


Figure 6: Profitability position of Aagya Dairy Parlour (Dhulabari) for last 3 years

The above pie-chart shows the profit earned by Aagya Dairy Parlour (Dhulabari) in last 3 years. And the portion of profit in 2077/78 is higher than of 2076/77 & 2078/79.

2.2.4 Profitability position of Kakarvitta Dairy Parlour (Kakarvitta)

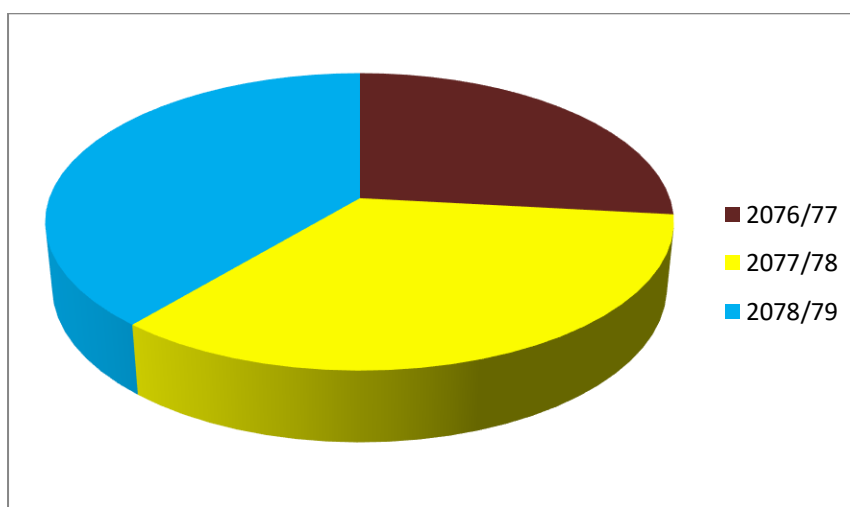
The profitability position of Kakarvitta Dairy Parlour (Kakarvitta) for last 3 years is shown in table and presented in Pie-Chart.

$$\text{Profit} = \text{Sales} - \text{Total Cost}$$

Year	Sales	Total Cost	Profit
2076/77	4849680	4429081	420599
2077/78	6159154	5618787	540367
2078/79	6927985	6316428	611557

**Table No 5: Profitability position of Kakarvitta Dairy Parlour (Kakarvitta) of
for last 3 years**

If we analyze the above table, we will see that the profit of FY 2078/79 is comparatively high than the profit of FY 2076/77 & 2077/78 which is shown in below Pie-Chart:



**Figure 7: Profitability position of of Kakarvitta Dairy Parlour (Kakarvitta) for
last 3 years**

The above pie-chart shows the profit earned by Kakarvitta Dairy Parlour (Kakarvitta) in last 3 years. And the portion of profit in 2078/79 is higher than of 2076/77 & 2077/78.

2.3 Profit analysis of all NMC Dairy Parlours

Here a table and bar diagram are constructed to show the profit earned by all surveyed NMC dairy parlours for last 3 years.

Year	Profit			
	Ashraya	Ashirbad	Aagya	Kakrvitta
2076/77	519030	581318	396265	420599
2077/78	671179	962669	413944	540367
2078/79	496134	1001549	382916	611557

Table No 6: Profitability position of Survyed NMC Dairy Parlour for last 3 years

The above table shows the profit of every surveyed NMC dairy parlours they earned in last 3 years, which is also shown in the bar diagram below:

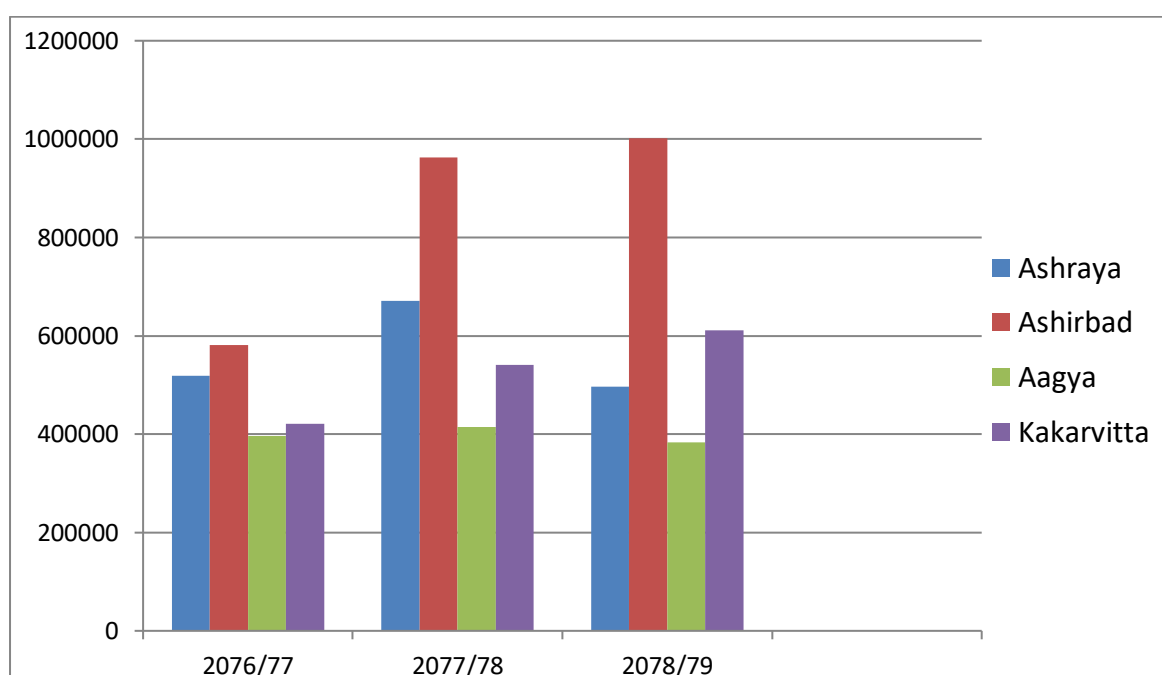


Figure 8: Profitability position of surveyed NMC dairy parlours for last 3 years

The above diagram shows that from 2076/77 to 2078/79 Ashirbad Dairy Parlour(Sanischare) is leading all other surveyed parlour in terms of profit earning. As I have already mention above also that profit earned is affected by various factors such as the increment of sales, minimization of cost, market covered by dairy parlours, purchase price of dairy products and also the initial investment.

2.4 Major Findings

Studying the above data, we can derive the result that dairy products have high probability of occupying the greater portion of market. The sales of dairy parlours are a crucial part of its success or failure. The quality of product and behavior with customers increases covers the large market for the product. The sales trend and profit ratio has been very satisfactory for last 3 years.

- There is a competitive level of profit earning in all four dairy parlours. The level of profit of Ashirbad parlour is greater than that of Ashraya parlour, Ashraya parlour is greater than of Kakarvitta parlour & similarly, Kakarvitta parlour is greater than of Aagya parlour.
- From above table and diagram analysis it seems that there is positive relation between sales and profit.
- The sales trend of Ashraya and Aagya parlour seems to have fluctuation trends whereas Ashirbad and Kakarvitta parlour have the increasing trends during recent study of three years period. Similarly, the profitability of Ashraya and Aagya parlour also have decreased over the period whereas profit of Ashirbad parlour has increased drastically and Kakarvitta parlour seem to have slow growth in profit.
- The NMC Dairy Parlour is able to offer fresh, locally sourced products and has created high demand for dairy products. However, there is high competition from other dairy parlours and grocery stores that seems to be bring complications in future.
- The NMC Dairy parlour is planning on online and mobile ordering option and expansion in new market or geographic locations. However, NMC can face volatility of milk prices and changing consumer preferences and dietary restriction.

In conclusion, we can say that dairy parlours have competitive advantage in urban areas of Nepal.

Chapter-3

Summary, Conclusion & Recommendation

3.1 Summary

By studying the facts and figures, we can summarize the report as follows:

- NMC dairy parlours are providing all the milk products produced by NMC dairy udhyog all over Jhapa and in some places of Morang and Ilam.
- The sales and profit of NMC dairy udhyog as well as NMC dairy parlours have been increasing in satisfactory rate.

3.2 Conclusion

We may conclude the study in the following points:

- The main purpose of this study is to examine the position of sales and profit of surveyed NMC dairy parlour from 2076/77 to 2078/79.
- Studying the performance of a NMC dairy parlour is important for understanding the financial health of the business and identifying areas for improvement. A thorough analysis of revenue, expenses, profitability, cash flow, debt, assets, and market trends can provide valuable insights into the strengths, weaknesses, opportunities, and threats facing the dairy parlour.
- The field work is mostly preferred to the primary data.
- The performance in management and distribution of NMC Dairy parlours seems to have been improved in recent years.
- Based on the results of the analysis, NMC Dairy parlour owners and managers can make informed decisions about strategies for growth, such as expanding product offerings, increasing online ordering options, and focusing on sustainability. Additionally, identifying and addressing weaknesses or potential threats can help mitigate risks and improve the long-term viability of the business.
- Overall, a comprehensive study of dairy parlour performance can provide a roadmap for sustainable growth and success in the competitive dairy industry.

3.3 Recommendation

Along with the various facilities provided by NMC dairy parlours, there are some weak points that have come across their way of steady development. In my opinion, following are some points of suggestion can be given for further growth and development of the NMC dairy parlours and NMC dairy udhyog:

- The local market as well as other places of neighbouring districts should be promoted for sales.
- The quality of products should remain good and to some extent must be improved in upcoming years to increase sales and level of profit.
- The product ready for sales must be kept in cold place.
- Natural and organic products should be used as far as possible whereas synthetic products should be avoided.

Appendices

Table No. 1

Sales of NMC dairy parlours in cash value for last 3 fiscal year

Fiscal Year	Ashraya Parlour(Birtamode)	Aashirbad Parlour(Sanishchare)	Aagya Parlour(Dhulabari)	Kakarvitta Parlour(Kakarvitta)
2076/77	6044756	7076943	4604130	4849680
2077/78	7731442	11026028	4832989	6159154
2078/79	6065987	11620184	462077/787	6927985

Source:Annual Report of NMC Dairy Parlour 2076/77,2077/78 and 2078/79

Table No. 2

Profitability position of Ashraya Dairy Parlour (Birtamode) for last 3 years

Year	Sales	Total Cost	Profit
2076/77	6044756	5525726	519030
2077/78	7731442	7060263	671179
2078/79	6065987	5569853	496134

Source:Annual Report of NMC Dairy Parlour 2076/77,2077/78 and 2078/79

Table No 3.

Profitability position of of Ashirbad Dairy Parlour(Sanishchare) for last 3 years

Year	Sales	Total Cost	Profit
2076/77	7076943	6495625	581318
2077/78	11026028	10063359	962669
2078/79	11620184	10618635	1001549

Source:Annual Report of NMC Dairy Parlour 2076/77,2077/78 and 2078/79

Table No 4.

Profitability position of Aagya Dairy Parlour (Dhulabari) of for last 3 years

Year	Sales	Total Cost	Profit
2076/77	4604130	4207865	396265
2077/78	4832989	4419045	413944
2078/79	4620787	4237871	382916

Source:Annual Report of NMC Dairy Parlour 2076/77,2077/78 and 2078/79

Table No 5.

Profitability position of Kakarvitta Dairy Parlour (Kakarvitta) of for last 3 years

Year	Sales	Total Cost	Profit
2076/77	4849680	4429081	420599
2077/78	6159154	5618787	540367
2078/79	6927985	6316428	611557

Source:Annual Report of NMC Dairy Parlour 2076/77,2077/78 and 2078/79

Table No 6.

Profitability position of Survyed NMC Dairy Parlour for last 3 years

Year	Profit			
	Ashraya	Ashirbad	Aagya	Kakarvitta
2076/77	519030	581318	396265	420599
2077/78	671179	962669	413944	540367
2078/79	496134	1001549	382916	611557

Source:Annual Report of NMC Dairy Parlour 2076/77,2077/78 and 2078/79

Bibliography

(D. J. Houlbrooke, D. J. Horne, M. J. Hedley, J. A. Hanly & V. O. Snow, 2004)

(Emerson M. Babb, 1981)

(Hansen and Brandon. D., 1993)

(Isabelle Schluep Campo and John Beghin, 2005)

(Hasan Cicek, et al., 2007)

(Rhone. A., Ward. R., De Vries and Elzo. M.A., 2008)

Koirala, K.D. Fundamentals of Marketing Decisions, (M.K. publisher and Distributer: Kathmandu), 1987.

Lusuh, Robert F and Virginia N. Lusch: Principles of Marketing, (Kent Publishing Co Boston, Massachusetts), 1987.

Mecarthy, E, Jerome and Perreault, William D: Basic Marketing, a managerial approach 8th ed. (Illionois Richard D. Irwin Inc), 1984.

Pride, William M & Ferrel O.C. Marketing; Basic Concept & Decision, 4th ed. (Boston: Houghton Mifflin Col, 1985)

Shrestha, Shyam K., Marketing strategy & Management, (Kathmandu: Padma Educational Traders, 1992.)

Stanton Willam et.al., Fundamentals of Marketing, (New York: Mc Graw Hill Book co, 1994.)