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A STUDY ON THE COMPARATIVE FINANCIAL PERFORMANCE OF INDIAN CHEMICAL COMPANIES

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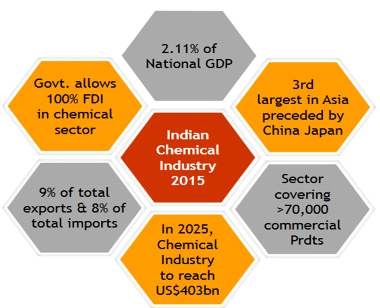
ABSTRACT Chemical industry plays a major role in the economic development of a country like India. In India, consumption growth and the Make in India approach of the Government is supporting the development of chemical industry. A number of multinational and large Indian companies have invested in Indian chemical sector. Chemical industry faces many opportunities and challenges. Chemical industry provides key building blocks to other industries like automobiles, textiles, papers, paints, soaps etc. Indian Government has taken several steps to support chemical industry. Make in India is one of such initiative. This study is an attempt to analyze the financial performance of chemical industry in India. 100% FDI is permissible in Indian chemical industry.

KEYWORDS : Make in India, Chemical Sector, FDI

INTRODUCTION

Chemical industry is a capital -intensive industry**.** Indian chemical industry has grown from a small- scale sector to multidimensional sector**.** Now the chemical industry of India has been identified a position in the global market**.** Chemical industries are facing some challenges like high price raw materials, infrastructural problems, managerial issues, environmental regulations etc. India is the sixth largest producer of chemicals in the world and the third largest producer in Asia. Indian chemical industry includes companies like TATA Chemicals Ltd, UPL Ltd, BASF India Ltd, India Glycols Ltd etc. Indian chemical industry is rapidly growing in the past few years. The major growth drivers behind the growth of Indian chemical sector are world class products, export potential, diversified manufacturing base, high domestic consumption, etc . This study is intended to analyze the financial performance of three Indian chemical industries i.e. BASF India Ltd, UPL Ltd. and India Glycols Ltd.

Chemical industry in Indian economy – An Overview



Source: FICCI, TechSci Research
Notes: Figures mentioned above are from Dept. of Chemicals and Petrochemicals

REVIEW OF LITERATURE

Schindel (2003)[1] in his research entitled "Building a robust case for sustainability in chemical industry" Shows that it is impossible to create one overall measure for the improvement of the sustainability performance of a company. Every company can build its own business case for sustainability and explore its individual opportunities. Implementing and managing the complexity of the subject helps realize benefits through sustainability management, taking account of potential barriers and focusing on key factors to realize opportunities.

Karthikeyan (2004)[2] in his study entitled "Process safety management in India" states that Process Safety Management System based on PSM standards developed must be mandatory for all industries covered under the Chemical Accidents. Specialized training in Chemical disaster management should be made mandatory for all members of the four tier crisis groups formed under the Chemical Accidents.

Prahalathan (2007)[3] in his study entitled "Indian chemical industry : A sectoral study" States that Indian chemical industry has major strength in basic research facilities. This ensures the development of chemical industry in India . Use of advanced technology and strong research capabilities can help to reduce the dependence on imported manufacture. Indian chemical companies are trying to achieve global standard by improving productivity.

Ikechukwu and Nwakaego (2015)[4] in their study entitled "The effect of receivable managementon the profitability of building materials and paint manufacturing firms in Nigeria" says that Accounts receivable are customers who have not yet made payment for goods and services which the firm has provided. It is also an important facet of financial management, and its adequate management brings continuous growth and survival of firms .The aim of this study is to examine the effect accounts receivable management has on profitability of Building Materials/Chemicals and paint companies in Nigeria.

RESEARCH GAP

In purview of previous studies conducted by various researchers, it was observed that there is a research gap in the studies related to the comparative financial performance of the leading three chemical companies in India. Hence, the researcher made an attempt to identify the same.

OBJECTIVES

- To analyse the liquidity and profitability position of the sample chemical companies.
- To identify the financial performance of select Chemical Industries.

COMPANY PROFILE

BASF INDIA LTD.

BASF is incorporated in 1943 as a chemical company. Head office of BASF is located in Mumbai. BASF India is engaged in the business of manufacturing & marketing of tanning agents, leather chemicals and auxiliaries, crop protection chemicals, textile chemicals, dispersions and specialty chemicals, plastics, automotive and coil coatings, catalysts, construction chemicals, polystyrene and polyurethane systems. With a strong manufacturing and R&D base, the BASF Group in India is represented by more than 1800 employee. The company has three manufacturing facilities located in Thane, Mangalore and Dadra.

UNITED PHOSPHORUS LTD. (UPL)

United Phosphorus Ltd. is a chemicals and seeds company. Head office of UPL is located in Mumbai. UPL was started as a small -scale unit. Now UPL is a leading global producer of crop protection products, intermediates, specialty chemicals and other industrial chemicals. UPL have a team of experts in different parts of the world to conducts a proper study of the market and the competitors. UPL is the largest manufacture of agrochemicals in India. UPL offer a wide range of products that includes Insecticides, Fungicides, Herbicides, Fumigants, PGR and Rodenticides.

INDIA GLYCOLS LTD. (IGL)

IGL was established as a single mono-ethylene glycol plant in 1983. IGL is a leading company that manufactures green technology based chemicals and natural gums, spirits, industrial gases, sugar and nutraceuticals. IGL's R&D function is not only driven by organizational needs, but more importantly by customer needs. IGL has set up a number of systems to ensure the safety of the company's plants and employees. IGL has incorporated in its operations systems to ensure minimal environmental impact.

RESEARCH METHODOLOGY

This study is mainly related to evaluate the financial performance of three chemical companies i.e. BASF India Ltd., United Phosphorus Ltd. (UPL) and India Glycols Ltd. (IGL) for the period of five years i.e. 2012-2016. The study is mainly based on secondary data which were collected from various websites and companies audited annual reports.

LIMITATION OF THE STUDY

This study is limited to only three chemical companies in India.

ANALYSIS AND INTERPRETATION

Table 1 Liquidity position

Years	Company Name					
	BASF		UPL		IGL	
	CR	QR	CR	QR	CR	QR
2012	1.51	0.80	2.13	1.75	0.92	0.55
2013	1.36	0.69	1.86	1.54	0.01	0.70
2014	1.34	0.70	1.48	1.10	0.92	0.64
2015	1.39	0.83	1.22	0.81	0.80	0.59
2016	1.37	0.89	1.24	0.85	0.91	0.62
Mean	1.394	0.782	1.586	1.21	0.712	0.62

Source: Secondary Data

Current ratio (CR) shows the relationship between current assets and current liabilities. Table1 shows that none of the company is having adequate current ratio. Quick ratio (QR) is also known as acid test ratio. Quick ratio shows the relationship between quick assets and quick liabilities. The above table shows that none of the company is having adequate quick ratio.

Table 2 Profitability position

Years	Company Name					
	BASF		UPL		IGL	
	NP	ROCE	NP	ROCE	NP	ROCE
2012	2.86%	8.85%	6.86%	4.70%	4.06%	8.25%
2013	2.89%	7.70%	5.28%	4.11%	3.62%	8.33%
2014	2.88%	5.67%	8.36%	8.67%	-4.14%	-9.31%
2015	-1.42%	-2.80%	8.68%	9.76%	-2.39%	-7.18%
2016	0.09%	0.19%	11.79%	13.76%	-1.47%	-2.71%
Mean	8.44%	3.922%	8.194%	8.2%	-0.064%	-0.524%

Source: Secondary Data

Net profit ratio (NP) shows the relationship between net profit and sales. Table 2 shows that there is an increase in the net profit of UPL and the average net profit of UPL is more than BASF and IGL.

The above table also reveals the Return on Capital Employed (ROCE) which is also known as return on investment. It is clear that the capital employed ratio of UPL is more than BASF and IGL.

CONCLUSION

This study reveals that the chemical companies play a major role in Indian economy. Indian chemical companies are providing business opportunities at national and international level. Chemical companies are contributing 9% of the total exports from India. Government of India has allowed 100% FDI in chemical industry. Indian chemical companies contribution of India has allowed 100% FDI in chemical industries which will increase their contribution towards GDP of India. The researcher has concluded that the chemical companies in India provide their maximum contribution for the overall economic development of the country.

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