



A COMPARATIVE STUDY ON PROFITABILITY ANALYSIS OF SELECTED FERTILIZER COMPANIES OF INDIA

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ABSTRACT

The purpose of the study is to understand A comparative study of financial performance in relation with profitability aspect of fertilizer companies in India. The Profitability ratios indicate how efficiently a business will be able to generate revenues and profits through its operations. Profitability ratios are a class of financial metrics that are used to assess a business's ability to generate earnings relative to its revenue, operating costs, balance sheet assets, or shareholders' equity over time, using data from a specific point in time. Profitability ratios are financial metrics used by analysts and investors to measure and evaluate the ability of a company to generate income (profit) relative to revenue, balance sheet assets, operating costs, and shareholders' equity during a specific period of time. The period of study would be ten years during 2010-11 to 2019-20.

KEYWORDS : Financial Performance, Profitability, fertilizer Companies

INTRODUCTION

According to Metoalf and Titard, "Analysis of financial performance is a process of evaluating relationship between component parts of financial statements to obtain a better understanding of a firm's position and performance".

Profitability Ratio Analysis

Profitability ratios indicate how well a company utilizes its assets to produce profit and value to shareholders. A higher ratio or value is commonly sought-after by most companies, as this usually means the business is performing well by generating revenues, profits, and cash flow. The most commonly used profitability ratios are examined below. The researcher has used Net Profit ratio to check the financial performance level of fertilizer companies in India.

Literature Review

Razzak et al. (2004) in their article outlined use the recommended fertilizer, in recommended dose and at recommended time essential for getting maximum advantages, determined difficulty faced by farmers in Pakistan in the procurement of fertilizer. The author suggested policy measures to enhance the productivity in the farm land through farmer's education, price reduction, improved storage and transportation facilities, improved administrative facilities etc. [3]

Singh (2013) in his research paper highlighted the role of Chemical fertilizers in making the country self-reliant in food grain production. Attempts have been made to study issues like demand and supply position, consumption trends, growth factor of fertilizer in India. The author mentioned that there are various determinants like price factor and non price factor (better seeds, irrigation, and credit) which influence the demand of fertilizers.

RESEARCH METHODOLOGY

Descriptive Research Design is used as researcher wants to gain a better understanding of respondents; the design used will help in the exploring the fertilizer companies. A Research design is a plan of action to be carried out in connection with a research study.

RESEARCH OBJECTIVE

- To Study the Profitability of selected fertilizer Companies.
- To study and compare between profitability of fertilizer Companies.

Research Hypothesis

H0: There is no significance difference in Net Profit Ratio of selected fertilizer Companies.

H1: There is a significance difference in Net Profit Ratio of selected fertilizer Companies.

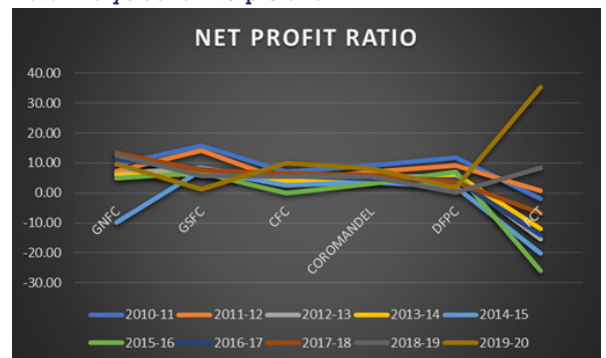
Data Collection

The research study is carried out on the basis of the documentary evidence and various means. The main sources of information and data will be related to Secondary data only. Such secondary data will be contained published and unpublished record, budgets, annual reports, audit report, relevant financial data, different financial statements, govt. and other sources, journals, and other published materials. The data are collected from National stock exchange (NSE), money control websites and Prowess.

Limitation of the study

- The study is based on secondary data from varied sources, so limitation of the secondary data will influence the research study.
- The study is conducted on selected fertilizer Companies, so results cannot be generalizing for all the industries.

Data Analysis and Interpretation



Rs. in Crores						
Year	GNFC	GSFC	CFC	COROMANDEL	DFPC	CT
2010-11	9.36	15.75	6.98	9.09	11.92	
2011-12	7.34	14.28	3.82	7.05	9.09	
2012-13	6.42	8.28	4.16	5.18	5.63	
2013-14	6.02	6.32	3.79	3.67	6.39	
2014-15	-9.73	7.52	2.66	3.57	2.11	
2015-16	4.97	6.70	-0.12	3.11	7.15	

2016-17	11.36	7.96	5.73	4.75	4.39
2017-18	13.52	7.58	6.43	6.02	3.54
2018-19	12.57	5.75	5.40	5.40	0.25
2019-20	9.66	1.29	10.03	8.07	1.79
Average	7.15	8.14	4.89	5.59	5.23

Source: Prowess

Interpretation: Above Table and Graph shows that;

- The mean value of Net Profit Ratio of GNFC is 7.15. It was above average Net Profit Ratio during 2010-11 to 2011-12, 2016-17 to 2019-20 and below average Net profit Ratio during 2012-13 to 2015-16 during the period 2010-11 to 2019-20.
- The mean value of Net Profit Ratio of GSFC is 8.14. It was above average Net Profit Ratio during 2010-11 to 2012-13 and below average Net profit Ratio during 2013-14 to 2019-20 during the period 2010-11 to 2019-20.
- The mean value of Net Profit Ratio of CFC is 4.89. It was above average Net Profit Ratio during 2010-11, 2016-17 to 2019-20 and below average Net profit Ratio during 2011-12 to 2015-16 during the period 2010-11 to 2019-20.
- The mean value of Net Profit Ratio of COROMANDEL is 5.59. It was above average Net Profit Ratio during 2010-11 to 2011-12, 2017-18 to 2019-20 and below average Net profit Ratio during 2012-13 to 2016-17 during the period 2010-11 to 2019-20.
- The mean value of Net Profit Ratio of DFPC is 5.23. It was above average Net Profit Ratio during 2010-11 to 2013-14, 2015-16 and below average Net profit Ratio during 2014-15, 2016-17 to 2019-20 during the period 2010-11 to 2019-20.

Hypothesis Testing

The researcher has proven the hypothesis by Analysis of variance and result shows that the F – Value was 3.951 and P-value was 0.007271. The p-value is lesser than significance value (0.05). Therefore, H₀ is Rejected. So, Net Profit ratio of selected fertilizer Companies are significant.

Findings

- GSFC company's Average Net Profit ratio is higher compared to other fertilizer companies.
- FCT company's Average Net Profit ratio is lower compared to other fertilizer companies.

CONCLUSION

In the given study, the researcher has taken only into considerations of selected fertilizer Companies listed on national Stock exchange. Moreover, the researcher has conducted descriptive study to measure the financial performance of selected fertilizer Companies in India. There is huge scope to carry out further study on efficient market hypothesis, Profitability ratio, long-term and short-term solvency ratio, financial performance and measurement of selected companies of similar different sector.

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