



COMPANY'S FINANCIAL AND OPERATIONAL PERFORMANCE: A STUDY WITH SPECIAL REFERENCE TO GODREJ AGROVET LIMITED.

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ABSTRACT In order to enhance the growth rate of the agricultural sector, there will be need to solve, among other constraints, the availability of rural credit, improved property rights and infrastructure. The financial sector is an essential player in agriculture development, playing a facilitating role of amassing the necessary capital for farm development, storage, processing and packaging, transport, insurance and marketing of agricultural produce. In 2018-19 also, growth is expected to be driven by increase in exports due to acceleration in global growth, expected rebound in private investments and increase in consumption demand. However, persistent high oil prices (at current levels) remain a key risk, which would adversely affect inflation, the current account, the fiscal position and growth. This will force macroeconomic policies to be tighter. This paper is a conceptual study taking into consideration Godrej Agrovet Limited a leading agriculture firm in India as well as in Chhattisgarh region and the paper tries to study the impact of financial management on adequate returns to the agriculture firms.

KEYWORDS : Agriculture, Agriculture Firms, Financial management, agribusiness.

INTRODUCTION: About Godrej Agrovet Limited

Godrej Agrovet Limited is a diversified, Research & Development focused agri-business company, dedicated to improving the productivity of Indian farmers by innovating products and services that sustainably increase crop and livestock yields. We hold leading market positions in the different businesses in which we operate - Animal Feed, Crop Protection, Oil Palm, Dairy and Poultry and Processed Foods. Innovation is a key driver of Godrej Agrovet Limited strategy and are constantly experimenting and looking for research-based solutions to improve farm productivity and thereby, the profitability of farmers. For example, Milk More, the innovative cattle feed, improves the yield of high milk-producing animals. The Crop Protection business has developed exclusive products like Vipul, Vikas, Combine and Hitweed to offer a complete crop protection solution.

Godrej Agrovet Limited are investing significantly in cutting-edge Research & Development to support innovation pipeline. In 2015, Godrej Agrovet Limited set up the Nadir Godrej Centre for Animal Research and Development in Nashik, Maharashtra; a one-of-its-kind animal husbandry research center in the private sector in India. Their focus will be to leverage capabilities at this center, to develop cost effective solutions to improve animal productivity. Animal Feed business is one of the largest organized players in the Compound Feed market in India, with annual sales of more than a million tones across cattle, poultry, aqua feed and specialty feed. All feed offerings are formulated with a deep understanding of the nutritional requirements of different breeds.

Godrej Agrovet Limited teams have worked closely with Indian farmers to develop over 61,700 hectares of smallholder Oil Palm Plantations to bridge the demand and supply of edible oil. They have plantations across Andhra Pradesh, Goa, Gujarat, Orissa, Tamil Nadu, Maharashtra and Chhattisgarh. In 2015, we commissioned an oil palm mill in Mizoram as well. It is one of the largest private sector investments in the state.

Indian Economy & Agriculture: An Overview

According to Central Statistics Office for 2017-18, Indian economy grew at 6.7% in the Financial Year 2017-18. The growth is further expected to accelerate to around 7%-7.5% percent next financial year, thereby reinstating India's position as the world's fastest growing economy. In 2017-18, the first half of the year was impacted by teething issues such as lingering effects of demonetization, difficulties in implementation of Goods and Service Tax (GST), high and rising real interest rates and falling food prices affecting agriculture income. However, in the second half of the year the economy witnessed robust signs of revival. Economic growth improved as the shocks began to fade, corrective actions were taken, and the global economic recovery

boosted exports. Sovereign ratings upgrade and jump in World Bank's Ease of Doing Business rankings are endorsements of Government reforms and policies. In 2018-19 also, growth is expected to be driven by increase in exports due to acceleration in global growth, expected rebound in private investments and increase in consumption demand. However, persistent high oil prices (at current levels) remain a key risk, which would adversely affect inflation, the current account, the fiscal position and growth. This will force macroeconomic policies to be tighter.

At the sectoral level, agriculture and allied activities are estimated to have registered a moderate growth rate of 3.4% for the last fiscal. This was mainly due to the high base effect of Financial Year 2016-17 which saw a very high growth rate as it followed two years of drought. In terms of monsoon, Financial Year 2017-18 experienced an overall 'normal' monsoon at 95% of long period average (LPA - measured for the trailing 10-year period). Also, crop production remained robust for the year with an expected record food-grain production of 279.51 million tons i.e. 4.4 million tons higher than the previous record production of 275.11 million tons. However, decline in commodity prices adversely impacted companies in the sector.

The Indian Meteorological Department in its first monsoon forecast for the season has predicted a 'normal' monsoon for the upcoming Financial Year 2018-19, brightening the chances of an accelerated growth for the sector. Good monsoons help to improve the poor sentiment prevailing in the rural economy and the sector expects bumper Kharif and Rabi crops. Further, agriculture and allied sector has also received a lot of impetus in the Union Budget. Adequate remuneration, sustainability and resilience were the underlying concerns addressed through the Union Budget announcements and allocations. Recent endeavor of the Government to formulate a separate exports policy for agriculture is also a step in the right direction to achieve the dream of doubling farmer incomes. However, climate change and high dependence on monsoon for sector growth continue to be the key risks.

Objective of Study:

To study the impact of financial management on adequate returns to the agriculture firms

Methodology used:

Scope and period of the study - The scope of the study would be limited to the agriculture firm only. The time period is restricted to the last three years i.e from 2015 till 2018.

Limitations of The Study: The study was limited to Godrej Agrovet Limited.

Methods of Data Collection: The study is basically conceptual in nature. The required data for the study was collected from secondary sources.

Secondary Data: Required secondary data collected from the following Sources:

- Annual report of Godrej Agrovet limited
- Editorials

Findings and conclusion of the study on company's financial and operational performance:

Standalone performance:

For the Financial Year 2017-18, The Company reported standalone total income of ₹ 371,935.39 Lakh compare to ₹ 3,67,024.03 Lakh in the previous Financial Year. Profit before Exceptional Items and Tax rose to ₹ 28,132.50 Lakh, registering a year-on-year growth of around 8%.

The key highlights of the Standalone Financials for the Financial Year ended March 31, 2018 are as under:

Particulars	Amount (₹ in Lakh)
Total Income	3,71,935.39
Earnings Before Interest, Tax, Depreciation and Amortization	36,650.81
Profit / (Loss) After Tax for the Year	19,086.58
Total Comprehensive Income for the Year	18664.79

Consolidated Performance:

For the Financial Year 2017-18, The Company reported consolidated total income of ₹ 5,23,772.60 Lakh compared to ₹ 4,98,540.14 Lakh in the previous Financial Year. Profit before exceptional items and tax rose by ₹ 35,969.28 Lakh in Financial Year 2017-18 from ₹35,456.27 Lakh in the previous Financial Year.

The key highlights of the Consolidated Financials for the Financial Year ended March 31, 2018 are as under:

Particulars	Amount (₹ in Lakh)
Total Income	523772.60
Earnings Before Interest, Tax, Depreciation and Amortization	47485.70
Profit / (Loss) After Tax for the Year	25103.80
Total Comprehensive Income for the Year	24424.55

OPPORTUNITIES, STRENGTHS THREATS, RISKS & CONCERNS:

(i) Opportunities and Strengths:

Increase market share by leveraging presence in existing business verticals: The Company will continue to focus on improving the market share across all business verticals. Since several sectors in which The Company operates are largely unorganized, cost leadership will be a key enabler for The Company to increase the market share of products. The Company's ability to increase sales will be strengthened by continued focus on offering a wide range of innovative products across all business verticals which will help in gaining market share.

Focus on inorganically growing business offerings: The Company will evaluate inorganic growth opportunities, in keeping with the strategy to grow and develop market share or to add new product categories. The Company may consider opportunities for inorganic growth, such as through mergers and acquisitions, if, among other things, they consolidate The market position in existing business verticals or achieve operating leverage in key markets by unlocking potential efficiency and synergy benefits. The Company can also look at opportunities which strengthen and expand product portfolio and increase sales and distribution network.

Pan-India presence with extensive supply and distribution network to benefit the Company in long-run: The Company has a pan-India presence and operations spanning across 5 (five) business verticals. The Company has set up processing facilities and supporting infrastructure as well as R&D to develop a modern operating platform across key agriculture verticals. As a result of widespread network and significant operational experience, The Company is well placed to identify key market trends and introduce a range of innovative and value-added products in the market to cater to the evolving needs of the customers. The nationwide footprint also allows The Company to leverage the competitive advantages of each location to enhance the competitiveness and reduce geographic and political risks in businesses.

Diversified businesses with synergies in operations: Segmental and geographical diversification across business verticals provides a hedge against the risks associated with any particular industry segment or geography while benefiting from the synergies of operating in diverse but related businesses. The synergies across diverse businesses provide ability to drive growth, optimize capital efficiency and maintain the competitive advantage. The Company also derives operational efficiencies by centralizing and sharing certain key functions across the businesses such as finance, legal, information technology, strategy, procurement and human resources.

Strong Research & Development (R&D) Capabilities: The Company's emphasis on R&D has been critical to its success and a differentiating factor from competitors. Dedicated R&D is undertaken in existing products primarily with a focus to improve yields and process efficiencies. The Company also focuses on R&D efforts in areas where there is significant growth potential. Acquisition of Astec LifeSciences Limited provided us access to strong R&D capabilities in the agrochemical active ingredients category. The Company has leveraged the same to introduce new fungicide products such as 'Kemplar' and 'Casper'. Investment is also being made in developing innovative technologies to further grow the product portfolio across businesses.

(ii) Threats, Risks & Concerns:

The Indian agriculture industry faces a few risks that can temporarily impact the business. Few key risks which can impact the businesses are:

Unfavorable local and global weather patterns may have an adverse effect on the business, results of operations: As an agribased company, the businesses are sensitive to weather conditions, including extremes such as drought and natural disasters. The availability of raw materials that are required for operations and the demand for products may be adversely affected by longer than usual periods of heavy rainfall in certain regions or a drought. Occurrence of any unfavorable weather patterns may adversely affect business, results of operations and financial condition.

Availability of raw materials and arrangements with suppliers for raw materials: Each of the businesses depend on the availability of reasonably priced, high quality raw materials in the quantities required by operations. The price and availability of such raw materials depend on several factors beyond The Company's control, including overall economic conditions, production levels, market demand and competition for such materials, production and transportation cost, duties and taxes and trade restrictions. It typically sources raw materials from third-party suppliers or the open market which exposes to volatility in the prices of raw materials and dependence on third-party for delivery of raw material. Also, any inability to procure raw materials from alternate suppliers in a timely fashion, or on commercially acceptable terms, may adversely affect operations.

Improper handling, processing or storage of raw materials or products: The products that The Company manufactures or processes are subject to risks such as contamination, adulteration and product tampering during their manufacture, transport or storage. Inherent business risks exist in form of product liability or recall claims in the event that products fail to meet the required quality standards or are alleged to result in harm to customers. Such risks may be controlled, but not eliminated, by adherence to good manufacturing practices and finished product testing. Although the Company has product liability insurance cover for the domestic and international markets for certain of the businesses, it cannot assure that this insurance coverage is adequate or that any losses will be adequately compensated by the insurers in the event of a product liability claim.

Seasonal variations in the businesses: Certain of The Company's businesses are subject to seasonal variations that could result in fluctuations in the results of operations. For example, in animal feed business, the Company sells lower volumes of cattle feed during the monsoons due to the availability of green fodder. In the poultry and processed foods business, the demand for poultry products is higher in the second half of financial year since the consumption of poultry meat and eggs are higher during winter months, while the sale of such products is lower during certain religious festivals. As a result of such seasonal fluctuations, sales and results of operations may vary by fiscal quarter, and the sales and results of operations of any given fiscal quarter may not be relied upon as indicators of the sales or results of operations of other fiscal quarters or of future performance.

Financial Highlights for the previous three Financial Years

Standalone Financial Highlights			
(₹ in Lacs)			
Particulars	2017-18	2016-17	2015-16
Revenue from Operations	3,69,172.72	3,61,785.06	3,36,598.88
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	36,650.81	37,754.21	34,714.28
Profit / (Loss) Before Exceptional Items and Tax	28,132.50	26,066.93	21,189.93
Profit / (Loss) Before Tax	28,132.50	26,066.93	21,189.93
Profit / (Loss) After Tax	19,086.58	20,796.95	15,826.76
Other Comprehensive Income (Net of Tax)	(421.79)	28.21	(153.99)
Total Comprehensive Income	18,664.79	20,825.16	15,672.83
Earnings Per Share - Basic (in ₹)	9.99	10.24	8.13
Earnings Per Share - Diluted (in ₹)	9.99	9.80	7.77
Total Equity	1,28,888.35	90,261.58	69,655.73
Total Debt	21,672.17	48,340.15	1,22,363.82
Proposed Dividend, subject to approval of the Shareholders at the ensuing 27 th AGM (per Equity Share of Face Value of ₹ 10/- each) (in ₹)	4.50	4.50	4.43

Consolidated Financial Highlights:			
(₹ in Lacs)			
Particulars	2017-18	2016-17	2015-16
Revenue from Operations	5,20,591.21	4,92,640.18	3,75,495.50
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	47,485.07	49,701.17	36,347.28
Profit / (Loss) Before Exceptional Items and Tax	35,969.28	35,456.27	24,612.60
Profit / (Loss) Before Tax	37,174.28	37,456.27	33,463.82
Profit / (Loss) After Tax	25,103.80	27,291.76	26,124.23
Other Comprehensive Income (Net of Tax)	(679.25)	(61.07)	(217.06)
Total Comprehensive Income	24,424.55	27,230.69	25,907.23
Earnings Per Share - Basic (in ₹)	12.02	12.55	13.95
Earnings Per Share - Diluted (in ₹)	12.02	12.01	13.33
Total Equity	1,68,064.71	1,26,284.81	1,01,597.64
Total Debt	40,979.90	66,407.78	1,37,180.80

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