



## “A COMPARATIVE STUDY ON LIQUIDITY 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 Liquidity aspect of Fertilizer companies in India. These ratios evaluate a business' efficiency to settle its debts as and when they become due, with its revenues or assets in the disposal. Liquidity ratios are an important class of financial metrics used to determine a debtor's ability to pay off current debt obligations without raising external capital. Liquidity ratios are show liquid position by analysts and investors to measure and evaluate the ability of a company to enough cash. The period of study would be ten years during 2010-11 to 2019-20.

**KEYWORDS :** Financial Performance, Liquidity, Fertilizer Companies

### INTRODUCTION

The Indian fertilizer industry can broadly be divided into two categories, depending on the nutrient composition: (i) nitrogenous fertilizers and (ii) phosphatic and potassic (P&K) fertilizers. The overall fertilizer consumption in India has grown at a CAGR of 2.0% from 50.6 million t in FY2009 to 61.4 million t in FY2020. In FY2020, the primary sales volumes for fertilizers grew at a moderate rate of 6.0% to 61.4 million t in FY2020 from 57.8 million t in FY2019, following the healthy monsoons (Figure 1). While urea sales grew by 5.9% to 33.6 million t in FY2020 from 31.7 million t in FY2019, non-urea sales grew by 6.1% to 27.8 million t in FY2020 from 26.2 million t in FY2019. A comparative study of financial performance is the analysis process of financial statements. If we want to know about financial performance of any company, financial statements are the best way to get the financial information.

### Liquidity Ratio Analysis

When analyzing a company, investors and creditors want to see a company with liquidity ratios above 1.0. A company with healthy liquidity ratios is more likely to be approved for credit. Liquidity ratios cover quick ratio, current ratio, Earning Retention ratio and Cash Earning Retention Ratio for this research study.

### Literature Review

Altman model is a good analysis tool for performance analysis of fertilizer sector (Saini, 2018). He has used the Altman Z score to analyses the performance of Tata Chemicals. The results were that Tata Chemicals belonged to the grey zone. The model was also used in the financial analysis of dairy cooperatives in Gujarat. The results were that the cooperatives belonged to the safe zone (Patel, 2018). Altman model was used to predict bankruptcy in the companies listed in the Indonesia Stock Exchange (Khaddafi et al., 2017).

According to Dr. A.S. Kolharns study use of chemical fertilizer in the area without irrigation is less productive than it is in the irrigated areas. Farming in Saurashtra region of Gujarat state depends mainly on rain. Irrigation facilities are limited or not enough. As a result, use of chemical fertilizer decreases. According to a study, in India farming about demand of chemical fertilizer and private capital investment have also done. Joknstan 1986, Gujarat 1988 and Kautsoinz 1977 are important studies. Some experts have also given the estimations of demand function of chemical fertilizer. Pertaining to this, Parikh 1965, Rao 1973 and Subramangam & Nirmala 1991 are important one. According to these studies demand of chemical fertilizer is based on proportion of irrigated area to total land (area) under cultivation, proportion of cultivated area with high quality seeds to total area under cultivation, prices of chemical fertilizers, prices of agricultural product, rainfall etc. these five variables explain the increased demand of chemical fertilizer.

Arjan van Rooij has opined that a long-term perspective on R&D at the Dutch chemical company DSM illuminates two crucial and interrelated challenges in the management of R&D. On the one hand, companies must keep their research focused on the technologies and

markets they use and avoid research its sponsor cannot profit from. On the other hand, companies must enable R&D to generate the options that can revitalize its current businesses and open up new ones. These options may be risky and fall outside the framework of current markets and technologies but at the same time promise high profits and ensure survival in competitive, high-tech industries. To realize the full potential of R&D, companies need to create an arena for research: a space where R&D can generate options and where mutual commitment between R&D and the company can be nurtured.

### 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. It is the conceptual structure within which research is conducted and it constitutes the blue print for the collection, measurement and analysis of data.

### Research Objective

- To Study the Liquidity ratio of selected Fertilizer Companies.
- To study and compare between Liquidity of Fertilizer Companies.

### Research Hypothesis

H0: There is no significance difference in Current Ratio of Fertilizer Companies.

H1: There is a significance difference in Current 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

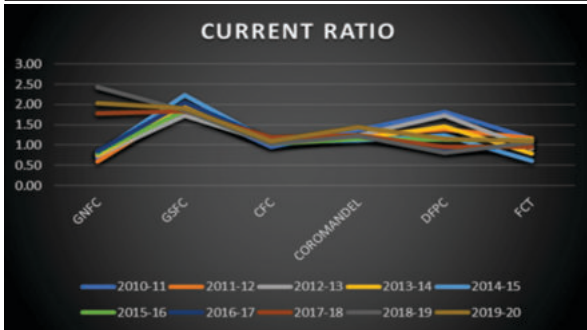
- The study is based on secondary data from varied sources, so limitation of the secondary data will influence the research study.
- The study is conducted on selected Fertilizer Companies, so results cannot be generalizing for all the industries.

### Data Analysis And Interpretation

| Year    | GNFC | GSFC | CFC  | Rs. in Crores |      |
|---------|------|------|------|---------------|------|
|         |      |      |      | COROM ANDEL   | DFPC |
| 2010-11 | 0.69 | 1.94 | 0.95 | 1.36          | 1.81 |
| 2011-12 | 0.60 | 1.93 | 1.03 | 1.25          | 1.39 |
| 2012-13 | 0.74 | 1.72 | 1.07 | 1.25          | 1.73 |
| 2013-14 | 0.75 | 1.93 | 1.06 | 1.15          | 1.45 |

|         |      |      |      |      |      |
|---------|------|------|------|------|------|
| 2014-15 | 0.79 | 2.23 | 1.08 | 1.11 | 1.24 |
| 2015-16 | 0.81 | 1.85 | 1.03 | 1.15 | 1.14 |
| 2016-17 | 0.85 | 2.05 | 1.14 | 1.22 | 0.87 |
| 2017-18 | 1.78 | 1.83 | 1.18 | 1.25 | 0.95 |
| 2018-19 | 2.43 | 1.86 | 1.02 | 1.23 | 0.81 |
| 2019-20 | 2.03 | 1.90 | 1.10 | 1.44 | 1.15 |
| Average | 1.15 | 1.92 | 1.07 | 1.24 | 1.25 |

Source: prowest



**Interpretation:** Above Table and Graph shows that;

- The mean value of GNFC is ₹ 1.15. It was above average Current Ratio during 2017-18 to 2019-20 and below average Current Ratio during 2010-11 to 2016-17 during the period from 2010-11 to 2019-20.
- The mean value of GSFC is ₹ 1.92. It was above average Current Ratio during 2010-11 to 2011-12, 2013-14 to 2014-15, 2016-17 and below average Current Ratio during 2012-13, 2015-16, 2017-18 to 2019-20 during the period from 2010-11 to 2019-20.
- The mean value of CFC is ₹ 1.07. It was above average Current Ratio during 2012-13, 2014-15, 2016-17 to 2017-18, 2019-20 and below average Current Ratio during 2010-11 to 2011-12, 2013-14, 2015-16 and 2018-19 during the period from 2010-11 to 2019-20.
- The mean value of COROMANDEL is ₹ 1.24. It was above average Current Ratio during 2010-11 to 2012-13, 2017-18, 2019-20 and below average Current Ratio during 2013-14 to 2016-17 and 2018-19 during the period from 2010-11 to 2019-20.
- The mean value of DFPC is ₹ 1.25. It was above average Current Ratio during 2010-11 to 2013-14 and below average Current Ratio during 2014-15 to 2019-20 during the period from 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 10.84 and P-value was 2.9678. The p-value is higher than significance value (0.05). Therefore, H<sub>0</sub> is Accepted. So, Current ratio of selected Fertilizer Companies are not significant.

### Findings

- GSFC company's Average Current ratio is higher compared to other Fertilizer companies.
- FCT company's Average Current 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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