

PROFITABILITY ANALYSIS OF THE PROMINENT FERTILIZER COMPANIES IN INDIA

Dr. L C Punjabi*
Khushvant Khandelwal**

Abstract

In India fertilizer sector is the key sector which contributes a lot in the development of the agriculture sector of India and affects the overall economy of the Nation. In order to study the profitability of the prominent fertilizer manufacturers in India both government owned and private sector companies are take for the study purpose. The last 10 years statistics has been studied to understand the trends in the fertilizer industry. Therefore it is found that the demand of the fertilizer is high in the nation and only a part of it is produced by Indian fertilizer manufacturing companies of India, keeps the business in profit. But due to government intervention the prices are quite regulated controlled.

Keywords: Fertilizer Manufacturers, DAP, Urea, Profitability, PAT.

Introduction

In India, by and large there are 57 enormous fertilizers plants creating urea, DAP, Complex compost, Ammonium Sulfate (AS) and Calcium Ammonium Nitrate (CAN). There are others likewise boosting the Industry like the Tranvancore of India Ltd. (Truth) in Cochin, Kerala, and the Fertilizers Corporation of India (FCI) in Sindri, Bihar. Both of these were set up as platform compost units to have independence in the generation of food grains. Later the business picked up catalyst in its development because of green upset. At that point pursued by seventies and eighties when fertilizer industry saw a unimaginable blast in the compost creation.

Literature Review

Sengottaiyan and Ambika (2013) in their presented paper highlighted the fertilizer scenario in India. India is one of the largest producers and consumers of fertilizer in the world. They suggested adopting technologically advanced manufacturing process and innovative new-age products. 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.

* Research Guide, Career Point University, Kota, Rajasthan, India.

** Research Scholar, Career Point University, Kota, Rajasthan, India.

Research Methodology

This research is exploratory and analytical in nature.

Objectives of the Research

Keeping all research points in mind following are the key objectives for the proposed research:

The main objective of the present study is to analysis the coast and profitability position of the Fertilizer industry. The other objects of the study will as follows:

- To examine the profitability in Fertilizer industry,
- To examine the efficiency of Fertilizer industry,
- To evaluate the impact of Government policies.

Data Collection

- **Universe:** The fertilizer organization of India. This research is focused to study the sales, the operational efficiency and profitability of the organization located in India.
- **Sampling Unit:** Out of the finite universe the researchers will select five companies of India are CFCL, Coromandel International, Gujarat State Fertilizer and Chemicals Ltd., National Fertilizer Limited & Rashtriya Chemical & Fertilizer Ltd. The employees are interviewed for the purpose of this research.
- **Sampling Size:** An optimum sample is one, which is appropriate representative and within reaches of the researchers. In the present research, the study, sample size will be of total 500 respondents (100 from each industry.)
- **Sampling Method:** Sampling method will be deployed purposive and convicting sampling.
 - **Primary data** has been collected through questionnaire-cum-interview technique. For this purpose a structured questionnaire was created on already established models and survey of literature. The observations made during the research are also incorporated in this report.
 - **Secondary data** for research was collected from related books, publications, annual reports, and records of the organizations under study. With the purpose to study the profitability and its relationship with the fertilizer profitability, various variables were identified & selected from literature review and discussions with company employees, academicians and researchers.

Profitability Analysis

- **Net Profit of CFCL**

Table 1

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Reported Net Profit (in Cr.)	169.53	216.46	128.86	212.13	234.52	279.52	179.7	359.42	459.59

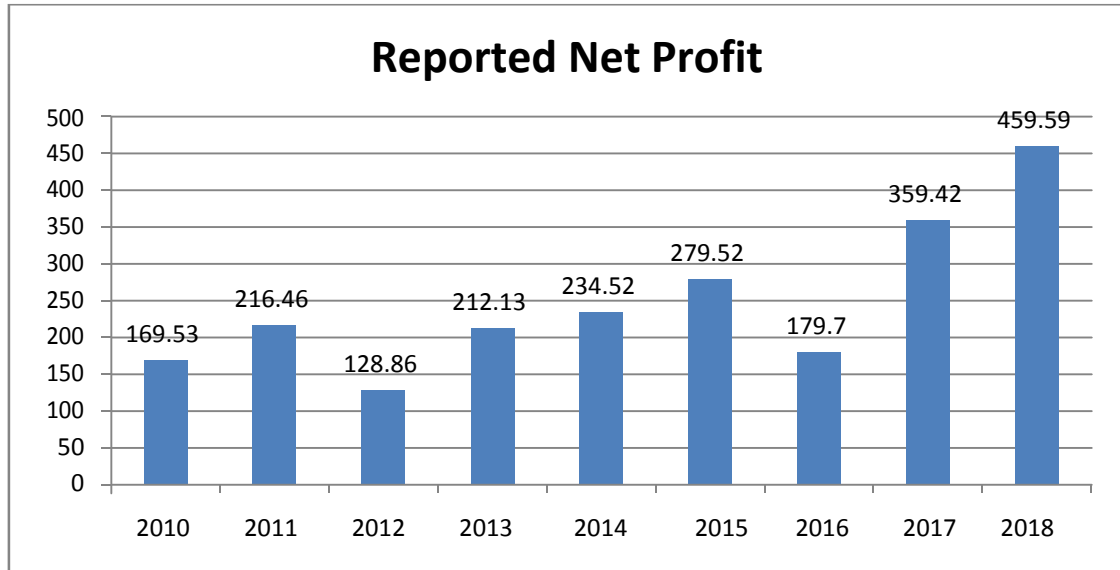


Figure 1

Interpretation

The net profit of the CFCL of last ten year is shown in fig.1. The net profit of CFCL has been increased from 459.59 to 169.53 in the last nine years. This shows that the CFCL is running in continuously in profits from the period 2010 to 2018.

- **Reported Net Profit of the Coromandal. International**

Table 2

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net Profit (in Cr.)	467.68	693.66	634.54	433.65	364.94	401.79	359.62	477.67	664.22

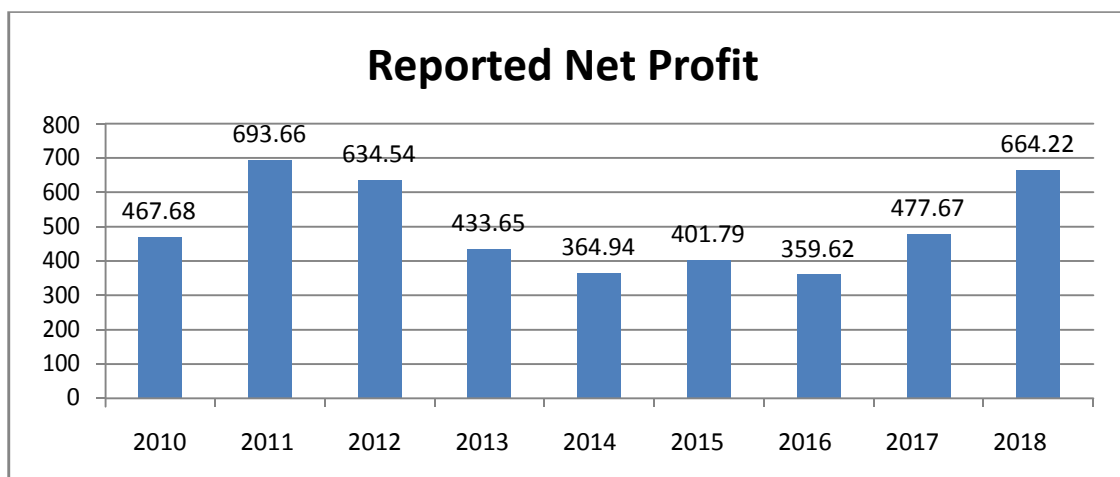


Figure 2

Interpretation

The net profit of Coromandal International of the last nine years is shown in the fig. 2. It has been increased from 467.68 to 664.22 in last nine years. Therefore this shows that the reported net profit is also increased for the Coromandal International in the last few years.

- **Net Profit GFCL**

Table 3

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net Profit (in Cr.)	254.47	749.37	757.57	518.1	342.17	400.51	409.35	419.5	475.73

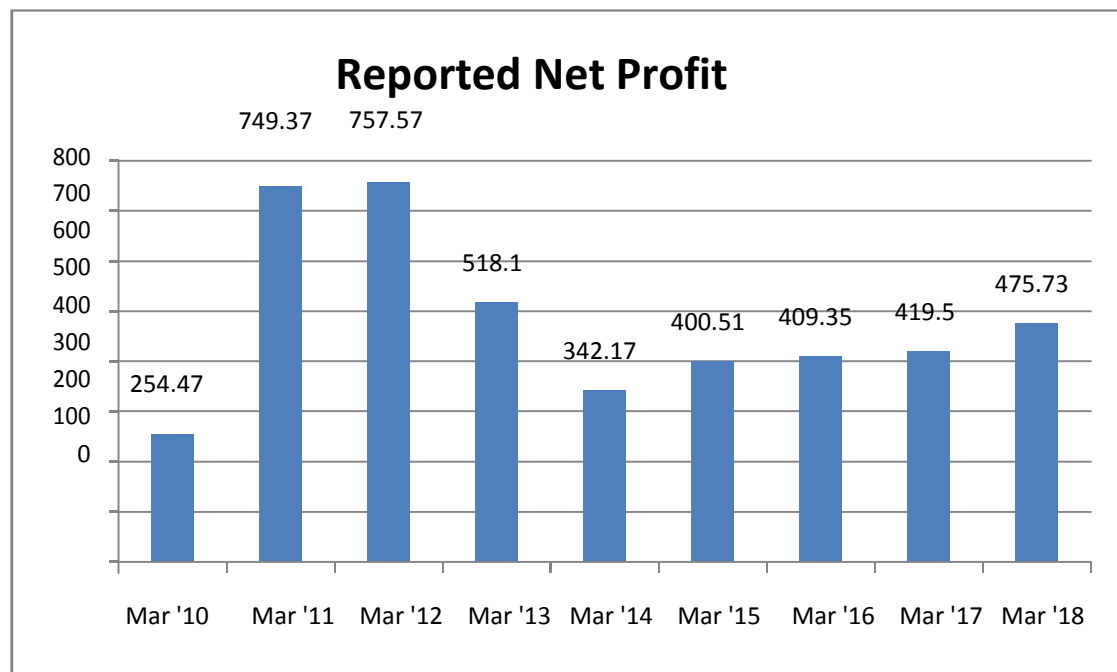


Figure 3

Interpretation

The net profit of GFCL of the last nine years is shown in the fig. 3. The net profit has been increased from 254.47 to 475.73 in last nine years. Therefore this shows that the net profit has been increased significantly in last 10 years of GFCL.

- **Reported Net Profit NFL**

Table 4

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Reported Net Profit (in Cr.)	171.51	138.5	126.73	- 170.73	- 89.71	26.24	197.09	208.16	212.77

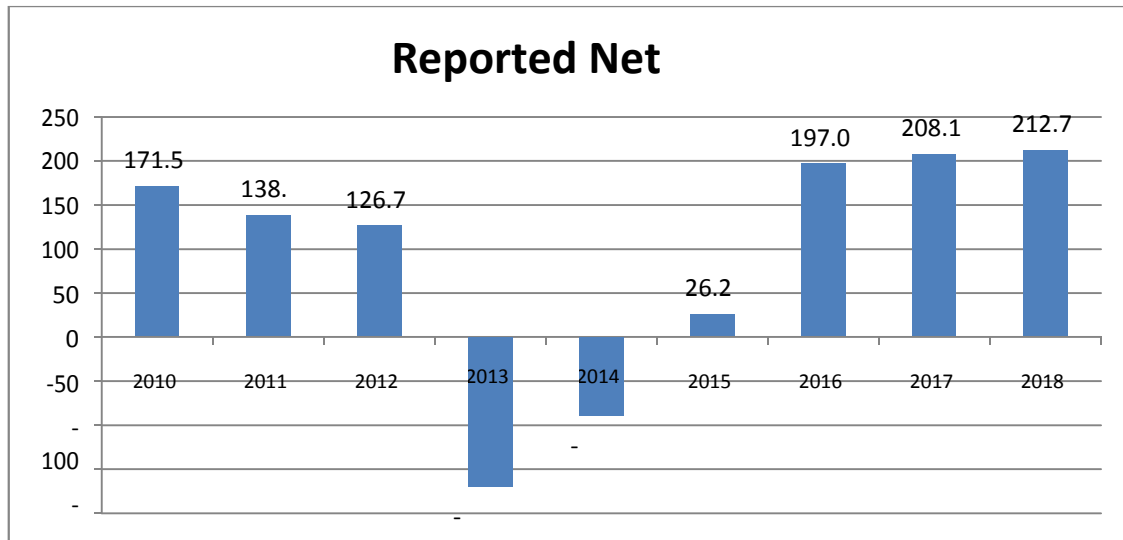


Figure 4

Interpretation

The net profits in the last nine years as shown in the figures 4 above has been increased from 171.51 to 212.77 in last 10 years. Therefore this shows that the profit of the company NFL has been increased significantly in last nine years.

- **Net Profit of RCFL**

Table 5

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net Profit	234.44	245.39	248.83	272.67	241.09	345.75	172.64	179.26	78.8

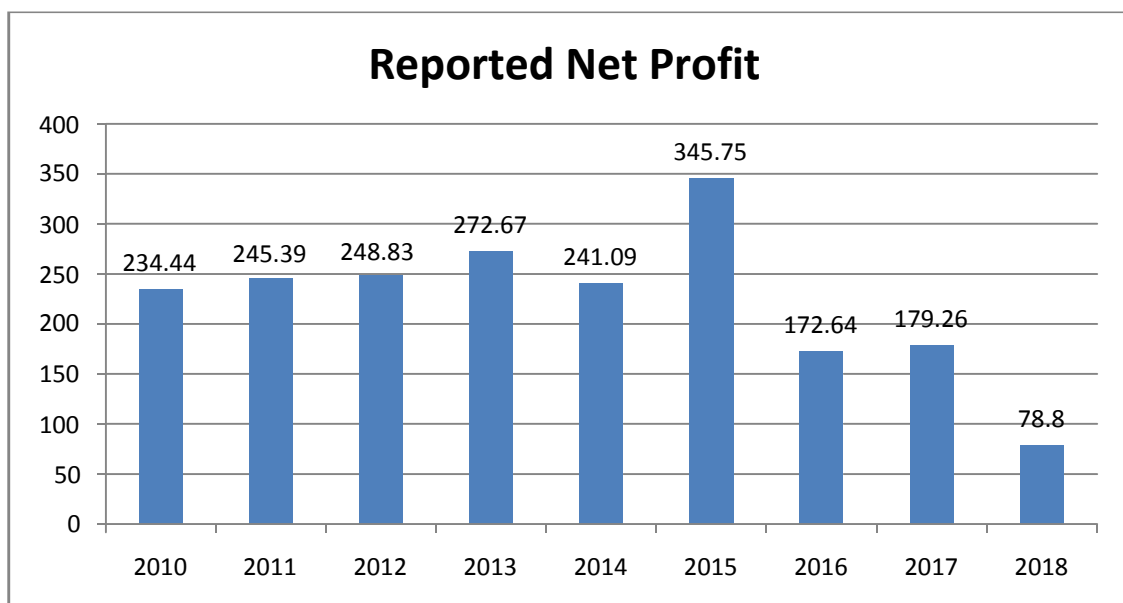


Figure 5

Interpretation

As shown in figure 5 the net profit has been increased from 234.44 to 78.8 in the last nine years Therefore this shows that the net sales of the company RCFL has been increased significantly in last nine years.

- **Looking at the present scenario does the employee think the increase in the production will increase their company sales and profit.**

Table 6

Response	Numbers	Percentage
Strongly Agree	26	5.2
Agree	256	51.2
Neutral	93	18.6
Disagree	121	24.2
Strongly Disagree	4	0.8
Total	500	100

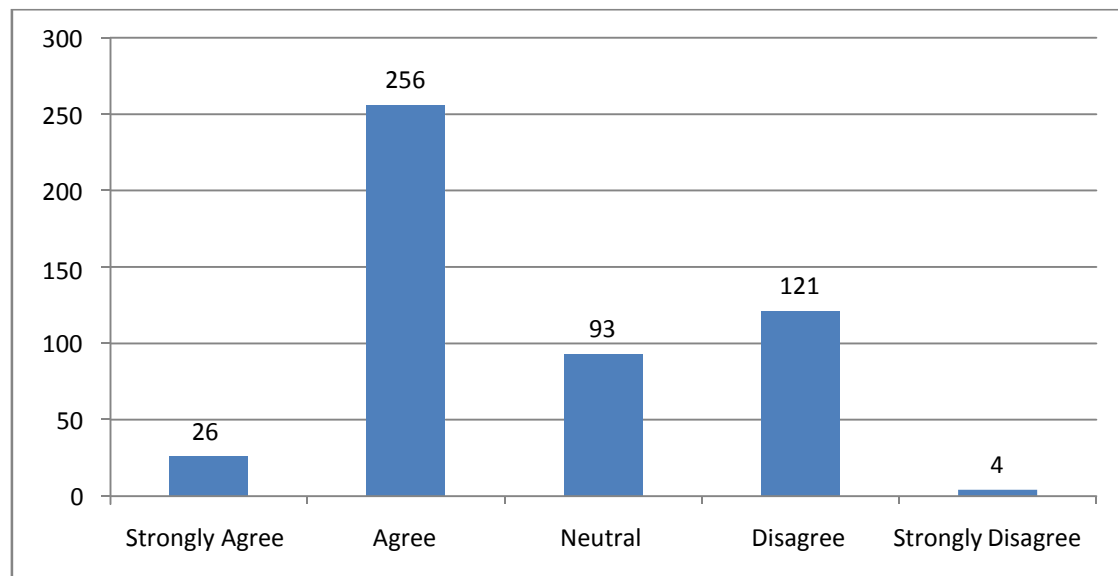


Figure 6

Interpretation

About the increase in the production will increase the company sales and profit. Out of total respondent, 5.2% are strongly agreed, 51.2% are agreed, 18.6% are neutral, 24.2% are disagreed and 0.8% are strongly disagreed. This shows that the increase in the production will increase the company sales and profit

Findings and Conclusion

In India, agriculture is the largest sector of economic activity. The national output depends on the output in agriculture as major part of National Income is derived from Agriculture sector. Therefore it is one of the most dominating factors in India.

The Indian fertilizer manufacturing plants are running in profits presently and there is high potential for earning for them provided that they produce the soil & environment friendly fertilizer product.

The present research study which investigated into various financial variables such as liquidity, solvency and profitability of the fertilizer companies enabled me to come out with the following findings.

- Fertilizer sector is very crucial for Indian economy: Agriculture is the back-bone of the Indian economy and the country is dependent of the state and health of its agriculture sector. The fertilizer industry make India self dependent in its agriculture production. Fertilizer is a chemical product which provides essential nutrients to soil to improve plants growth and yield.
- Fertilizer provides essential nutrients to the soil for more yield of crops per hectare of land. The financial scenario of fertilizer industries has also undergone remarkable changes along with the functional areas. Therefore, the adoption of prudent financial management principles and policies go along way to ensure sound financial health of the fertilizer industry, thereby, optimizing the overall value to the stakeholders.
- Over the past many years, the Indian fertiliser industry has grown significantly due to high demand, supportive government policies & increasing agricultural production.
- In India we have both private and government fertilizer organizations. At present, about 57 large and 64 medium and small fertilizer production plants are there in India. The principle items produced by the fertilizer business in India are phosphate based fertilizer, nitrogenous fertilizer, and complex fertilizer. The fertilizer business in India with its quick development is good to go to make a long lasting impression .
Type of Fertilizer Produced : The Indian fertilizer is delivering every one of the three kinds of the manure i.e Urea, DAP and NPK.
- Government subsidy for urea adds up to near 75 percent of generation cost. Because of de-control, the fertilizer become a lot more expensive for the farmers, making farmers to use urea in more ideal quantities. As government is providing subsidy for the fertilizer. Direct transfer of the subsidy entitlements is now done by the government in order to reduce payment delays and remove fake beneficiaries.
- The subsidy is provided by the government covers spending on phosphatic and potash fertilizers. Government is making available fertilizers, Urea and 21 grades of P&K fertilizers to farmers at subsidized prices through fertilizer manufacturers/importers.
- The New Pricing Scheme (NPS) was formulated with effect from April 2003 to replace the Retention Price Scheme and was expected to boost production, encourage internationally competitive norms and parameters for the ureas industry, reduce urea subsidy and promote greater transparency and efficiency.
- Raw Material Price: Due to rise in raw material prices, the performance of domestic P&K players is expected to be under pressure in 2018. The P&K manufacturers are entirely dependent on imports to meet their raw material requirement.

- Government is focused on the fertilizer industry and formulates plans and policies for the industry to produce the fertilizers for the Indian agriculture development which won't damage much the productivity of the soil. The neem coating fertilizer is that type of product which causes least harm to the soil productivity on making its regular use to improve the production of the crops.
- Net Profit of CFCL has been increased from 468.17 to 459.59 in the last nine years. The net profit of Coromandal International of the last nine years has been increased from 467.68 to 664.22 in last nine years. The net profit of GFCL of the last nine years has been increased from 254.47 to 475.73 in last nine years. The net profits of NFL in the last nine years has been increased from 171.51 to 212.77 in last 10 years. The net profit of RCFL has been increased from 234.44 to 78.8 in the last nine years Therefore this shows that the net sales of the fertilizers company are running in profits from last 9 years.
- CFCL has achieved turnover of Rs. 6309.27 Crores (FY 17-18) on standalone basis, which is higher by 36% (Rs.2265.27 Crores) when compared to the previous financial year. Similarly, for the year under review (FY 2018-19), Profit before Tax (PBT) was Rs. 665.42 Crores and Net Profit (Profit after Tax) was Rs. 493.68 Crores.
- Most of the problems can be solved or alleviated by the combined efforts of industry and agricultural workers when there is developed a favourable spirit of "give and take". the discussion that follow deal with the technology, research and development and business phases of the general theme. In research and development the industry's effort has not been much different from that in agriculture agencies- that is, it has been directed chiefly to trouble-shooting and scarcely at all to fundamentals. Much knowledge has indeed been accumulated and much has been achieved, but too much of it is concerned with short range problems. Future progress will not be promoted significantly by solving such problems.
- The fertilizer production process of fertilizer is tedious. It requires man power and more attention on safety also. Lean manufacturing is supposed to reduces the various typed of waste especially on quality based. Further the Indian fertilizer industries are also lacking in the lean implementation and further its proper execution. There no problem of demand and sustainability of company. From the brief review it is being suggested that the fertilizer companies should implement the lean tools and techniques for the productivity and performance improvement.

Suggestions

- There is still demand & supply gap in India and to meet that gap a large amount of fertilizers is being imported, Therefore there is a huge potential of growth for the domestic fertilizer industry to increase the demand through expansion and by the use of the new technology. Therefore new technology should be deployed for the increasing the production of the fertilizer in India.

- Looking at the great need to protect soil health and fertility, the neem coated fertilizer is should be used by the farmers because it is good for the soil health. Therefore the organization should produce more neem coated high grade fertilizer and the same should be used by the farmers for the agriculture production.
- The cost of production mainly includes fuel cost, raw material cost and employees cost. Therefore fertilizer manufacturer must focus on the various components to reduce the overall cost in order to improve the profitability of the organization.
- The raw material cost is a significant component of the overall cost of production for the fertilizer company. The government should provide reduce the tax on the raw material consumed by the fertilizer industry for its production. Proper material management and waste control can also control the cost of production. The proper long term supply contracts should be made to ensure the supply of raw material at constant prices.
- The power and fuel cost is also very high for the fertilizer company's. So the power and fuel should be provided to the organization for the fertilizer production at the discounted price through the special long term contract so that the rising fuel and power cost will least effect the production cost of the company in long run.
- Employee cost is also a significant component in overall cost incurred in the production of the fertilizer so a company should employ more skilled labour since by the employees & technician at the plant. The employee should be proper training and develop high morale to improve the overall efficiency of production of the organization.
- Though most of the companies are expanding their production capacity by setting up the new plants and by making use of the latest technology. This new implementations and expansion should remain continue to make India more self dependent and stop making imports of the fertilizers from the other countries.
- Indian fertilizer industry is doing de-bottlenecking and trying to employ energy saving schemes for their existing plants in order to enhance the capacity and reduce the energy consumption per ton of product. The energy saving schemes should be adopted by the entire fertilizer manufacturers.
- Proper centralized programs should be launched by the Government to educate and train the new engineers and labour force to provide the highly trained labour force for the fertilizer industry.
- The fertilizer companies should develop a research and development center for further research and improvement of the fertilizer production.
- Therefore the fertilizer industry is running in profits still there is a huge potential to increase the profitability for the fertilizer manufacturers. The environment friendly technology should be used and the efforts should be made to reduce the cost of production through the proper management so that ideal labour and wastage of raw material can be reduced. The fertilizer manufacturer should produce good quality of

fertilizer which is more soil an environment friendly. It is a very crucial economic sector for the nation, so government should extend its support to the manufacturers by relaxing the stringent norms on the prices and reduce the tax burden for the manufacturers.

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