



Profitability Analysis of Selected Fertilizer Companies of India

DEVENDRA A. KHAKHDIA
Asst. Prof.
Harivandana College, Rajkot

Abstract:

The role of Fertilizers is very important for the development of crops because it provides essential nutrients for the proper growth of the crop. By the use of fertilizers, the quality of crops can also be improved. Fertilizers also help improve yield, which is one of the most crucial requirements for bridging the gap between an ever-increasing human population and limited arable land. Fertilizers are used even in a small garden of fruits and plants. The present paper deals with the profitability analysis of the top five fertilizers companies based on market capitalization for the five years i.e. from 2012 to 2016. For the present paper Accounting tool – Ratio Analysis and Statistical Tools – Average and One- Way Anova has been used.

Keywords: Indian Fertilizer Industry, Profitability Analysis

1. Introduction

Profitability is a source to determine the operational efficiency of a business. The continuity of a business depends upon profit. Profit is also considered as the yardstick for assessing operational efficiency of an enterprise. Growth is directly dependent upon profit. The return on capital employed can be best judges by profit not by the investment made by the investors. As profit plays very important role in every industry its analysis is required.

2. Objectives of the Study

The main objectives of the study are as under:

- 1.To know about the Fertilizers Industry of India.
- 2.To check the profitability of selected Fertilizers Companies during the study period.

3. Significance of the Study

This research is very much important because fertilizer industry plays an very important role in our economy. So, it becomes necessary to find the trend in profit of fertilizer industry. In depth analysis of profitability would also be useful to the society as a whole.

4. Hypothesis of the Study

To evaluate the profitability of selected fertilizers companies, the following **Hypothesis** is framed.

H₀: There is no significant difference in the Profitability Ratios of selected Fertilizers Companies during the study period.

H₁: There is significant difference in the Profitability Ratios of selected Fertilizers Companies during the study period.

5. Research Methodology

1.Selection of the Samples: On the basis of convenient non probability sampling technique five fertilizers companies of India are selected which are Coromandel Int. Chambal Ferti, GNFC, GSFC and Rashtriya Chem.

2.Source of Data: The study is based on the secondary data for which the data was collected from annual reports of selected fertilizers companies and websites like moneycontrol.com.

3.Period of the Study: The present study was held for five years i.e. from 2012 to 2016.

4.Tools of Analysis: Accounting Tools – Profitability Ratios
Statistical Tools – Average and One – Way ANOVA

6. Analysis and Interpretation

6.1Gross Profit Margin

Table No. 1 Table showing Gross Profit Margin Ratio

	2012	2013	2014	2015	2016	Mean
CFL	10.23	7.89	6.99	6.64	5.75	7.5
Ch.FL	8.12	6.76	4.8	5.96	7.12	6.55
GNFC	10.89	10.45	9.72	2.16	7.89	8.22
GSFC	18.96	10.64	7.08	9.2	9.13	11.00
RCFL	3.99	5.44	6.44	7.15	3.71	5.35

(Source: moneycontrol.com)

For testing the hypothesis One-Way ANOVA test has been calculated as follows:

Source of Variation	SS	Df	MS	F	P-value	F crit
Between Groups	90.3597	4	22.5899	2.76049	0.05617	2.86608
Within Groups	163.666	20	8.18329			
Total	254.025	24				

6.2Net Profit Margin

Table No. 2 Table showing Net Profit Margin Ratio

	2012	2013	2014	2015	2016	Mean
CFL	7.05	5.18	3.67	3.57	3.11	4.52
Ch.FL	3.82	4.16	3.79	2.66	-0.12	2.86
GNFC	7.34	6.42	6.02	-9.73	4.97	3.00
GSFC	14.28	8.28	6.32	7.52	6.7	8.62
RCFL	3.87	4.07	3.79	4.17	2.21	3.62

(Source: moneycontrol.com)

For testing the hypothesis One-Way ANOVA test has been calculated as follows:

Source of Variation	SS	Df	MS	F	P-value	F crit
Between Groups	113.318	4	28.3294	2.07272	0.12254	2.86608
Within Groups	273.355	20	13.6677			
Total	386.672	24				

6.3 Return on Net Worth

Table No. 3 Table showing Return on Net worth Ratio

	2012	2013	2014	2015	2016	Mean
CFL	29.23	20.40	15.42	18.62	14.29	19.592
Ch.FL	13.90	15.34	13.86	10.22	-0.5	10.564
GNFC	11.31	10.05	9.92	-18.22	8.48	4.308
GSFC	21.54	13.14	8.16	8.97	7.43	11.848
RCFL	11.47	11.92	9.96	11.88	6.75	10.396

(Source: moneycontrol.com)

For testing the hypothesis One-Way ANOVA test has been calculated as follows:

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	596.479	4	149.12	2.70655	0.05963	2.86608
Within Groups	1101.92	20	55.0958			
Total	1698.4	24				

6.4 Return on Capital Employed

Table No. 4 Table showing Return on Capital Employed Ratio

	2012	2013	2014	2015	2016	Mean
CFL	23.42	16.82	19.79	18.89	14.13	18.61
Ch.FL	13.21	8.36	8.37	11.12	11.34	10.48
GNFC	11.99	8.74	6.9	2.24	7.61	7.50
GSFC	28.24	14.76	10.94	11.45	9.31	14.94
RCFL	12.62	11.62	11.94	13.63	7.76	11.51

(Source: moneycontrol.com)

For testing the hypothesis One-Way ANOVA test has been calculated as follows:

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	366.6	4	91.65	4.92805	0.00626	2.86608
Within Groups	371.953	20	18.5976			
Total	738.553	24				

6.5 Cash Profit Margin

	2012	2013	2014	2015	2016	Mean
CFL	7.89	5.82	4.65	4.50	3.79	5.33
Ch.FL	7.69	6.95	6.54	5.73	4.86	6.36
GNFC	10.64	9.82	8.94	1.84	8.91	8.03
GSFC	16.85	10.17	8.75	9.23	8.20	10.64
RCFL	5.93	6.49	5.87	7.44	3.83	5.91

(Source: moneycontrol.com)

For testing the hypothesis One-Way ANOVA test has been calculated as follows:

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	91.8995	4	22.9749	3.75554	0.01951	2.86608
Within Groups	122.352	20	6.1176			
Total	214.252	24				

7. Findings

1. The Gross Profit Ratio was maximum of GSFC in the year 2012 i.e. 18.96 and it was minimum of GNFC in the year 2015 i.e. 2.16. The mean of Gross Profit ratio was highest in GSFC i.e. 11.002 and it was least to Rashtriya Chemicals i.e. 5.35.
2. The Net Profit ratio was highest of GSFC in the year 2012 i.e. 14.28 and it was lowest of GNFC i.e. -9.73 in the year 2015. The average of Net Profit ratio was highest of GSFC i.e. 8.62 and was lowest of Chambal Fertilizers i.e. 2.86.
3. The Return on Net Worth was maximum of Coromandel International Ltd i.e. 29.23 in the year 2012 and it was minimum in the year 2015 of GNFC i.e. -18.22. The mean was highest of Chambal Ltd. i.e. 19.59 and it was lowest of GNFC i.e. 4.31.
4. The Return on Capital Employed was highest in the year 2012 of GSFC i.e. 28.24 and it was lowest of GNFC i.e. 2.24 in the year 2015. The mean of ROCE was maximum of Coromandel International i.e. 18.61 and it was minimum of GNFC i.e. 7.50.
5. The Cash Profit Margin ratio was maximum in GSFC in the year 2012 i.e. 16.85 and it was minimum in GNFC in the year 2015 i.e. 1.84. The mean of Cash Profit margin ratio was highest of GSFC i.e. 10.64 and it was least in Coromandel International i.e. 5.33.

8. Analysis Related to One-Way ANOVA

Ratio	Calculated Value	Table Value	H ₀ Accepted/Rejected
Gross Profit Ratio	2.76	2.86	Accepted
Net profit Ratio	2.07	2.86	Accepted
Return on Net Worth	2.71	2.86	Accepted
Return on Capital Employed	4.93	2.86	Rejected
Cash Profit Margin	3.76	2.86	Rejected

9. Conclusion

From the present paper the researcher after going through the analysis in deep had reached to a conclusion that GSFC Company performed well during the study period while the performance of GNFC was not good.

References

- 1.Kothari, C. R. (2004), "Research Methodology: Methods and Techniques (2nd revised edition)", New Age International (P) Limited Publication, New Delhi.
- 2.Panneerselvam, R. (2014), "Research Methodology (2nd edition)", PHI Learning Private Limited, Delhi.

3. Shukla, M. C., Grewal, T. S., and Gupta, S. (2013), "Advanced Accounts", S. Chand and Company Pvt. Ltd., New Delhi, pp. 23.74-23.99.
4. Sihler, W. W., Crawford, R. D. and Davis, H. A. (2009), "Financial Management", JAICO Publishing House (Mumbai).