



A Study on Financial Performance of Selected Cooperative Fertilizer industries in Gujarat State: A Comparative Study

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Abstract

The main objective of the study is comparing financial performance of selected companies. For this purpose Current ratio, Net Profit ratio, Return on Investment and Debtor Turnover ratio are taken as parameter of financial performance. The researcher used secondary data selected two cooperative industries namely Krishak Bharati Co-operative limited (KRIBHCO) and Indian Farmers Fertiliser Cooperative (IFFCO) for the period of 2007-08 to 2014-15 which was analysed by F test and t test. The result shows that the financial performance of IFFCO is quite well comparing to KRIBHCO.

Key Word: Current Ratio, Net Profit Ratio, Return on Investment, Debtors Turnover Ratio

Introduction

Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.¹

Financial performance is a subjective measure of how well a firm can use assets to generate revenues. It can be used to compare similar firms across the same industry in aggregation. To know financial performance of the particular company, financial statements are prepared. Financial statements mainly refer to the balance sheet and income statement. The fertilizer industry is one of the most important sectors in India. It has helped in the growth of the Indian economy.

Review of Literature

Shetty prameela S. & Devaraj K.(2012)² analyzed financial performance of 60 fertilizer companies by using 22 different ratios and found that there is no significant difference between the performances of companies across the fertilizers industry as well as between the industries over the period of time. The result shows that all the companies in this sector have performed equally well. Fertilizer industry is one of the consistently growing industries in India and its performance over the years is

satisfactory.

Pandey Shekhar (2012)³ has studied different ratios and Balance Sheet and found that energy consumption is significantly high because of very old technology, reciprocating machines and natural gas supply at low pressure. Current ratio is increasing due to increase in the inventories, sundry debtors, cash and bank balances. And fixed assets turnover is increasing for the year 2009-2010 because of increase in the net sales and fixed assets.

Uma H. S. & Dr. Venkatesh B. S.(2012)⁴ compared financial performance of Mangalore Chemicals and Fertilizers using before privatization and after privatization data. Mangalore Chemicals and Fertilizers was public sector unit before year 1996-97 in Karnataka to be privatized and its renewal through Strategic Alliance partnership by inducting the UB Group in its Board. In this study researchers used working capital to total assets, related earnings to total assets, earnings before interest and taxes to total assets, market value of equity to book value of total debt, sales to total assets for analyzed by Altman's Z score analysis and concluded that privatization has not only step which helped in the turnaround of the company but also has improved the operational efficiency.

Patel Vijay S. & Mehta Chandresh B. (2012)⁵ have mainly focused on relationship between gross profit & net sales, net profit & net sales, cost of goods sold & net sales, profit after tax & number of equity shares and EBIT & capital employed for the period of 2000-01 to 2008-09. The result shows that there is positive linear relation between gross profit & net sales, net profit & net sales, profit after tax & number of equity shares and EBIT & capital employed and negative relation between cost of goods sold & net sales.

Objectives of the study:

The objectives of the study are as follows:

- To compare Current ratio of selected Cooperative companies
- To compare Net Profit ratio of selected Cooperative companies
- To compare Return on Investment ratio of selected Cooperative companies
- To compare Debtor Turnover ratio of selected Cooperative companies

Research Methodology

In the study, two cooperative industries namely Krishak Bharati Co-operative limited (KRIBHCO) and Indian Farmers Fertiliser Cooperative (IFFCO) are selected. The study period is starting from 2007-08 to 2014-15. The data used in study based on secondary data which is collected from annual report of selected companies. Four ratios namely Current Ratio, Net Profit Ratio, Return on Investment and Debtor Turnover Ratio are used to compare financial performance. The data is analysed by F test and t test. F test used to check variance of selected ratio in either companies equal or not so appropriate t test will be used to comparison.

Hypothesis of the study:

H₀: There is no significance difference in Current ratio of KRIBHCO and IFFCO

H₀: There is no significance difference in Net Profit ratio of KRIBHCO and IFFCO

H₀: There is no significance difference in Return on Investment ratio of KRIBHCO and IFFCO

H₀: There is no significance difference in Debtor Turnover ratio of KRIBHCO and IFFCO

Analysis

Table No. 1 Current Ratio and Net Profit Ratio

| Year | Current Ratio | | | | Net Profit Ratio | | | |
|-----------|---------------|------------|-------|------------|------------------|------------|-------|------------|
| | KRIBHCO | Growth (%) | IFFCO | Growth (%) | KRIBHCO | Growth (%) | IFFCO | Growth (%) |
| 2007-08 | 2.56 | | 0.93 | | 9.38 | | 2.12 | |
| 2008-09 | 2.61 | 1.95 | 0.53 | -43.01 | 9.77 | 4.16 | 1.09 | -48.58 |
| 2009-10 | 2.48 | -4.98 | 0.47 | -11.32 | 8.79 | -10.03 | 2.39 | 119.27 |
| 2010-11 | 1.99 | -19.76 | 0.68 | 44.68 | 5.64 | -35.84 | 3.73 | 56.07 |
| 2011-12 | 1.44 | -27.64 | 0.94 | 38.24 | 4.8 | -14.89 | 3.02 | -19.03 |
| 2012-13 | 1.37 | -4.86 | 0.98 | 4.26 | 6.97 | 45.21 | 3.36 | 11.26 |
| 2013-14 | 1.23 | -10.22 | 0.99 | 1.02 | 2.41 | -65.42 | 1.53 | -54.46 |
| 2014-15 | 1.16 | -5.69 | 1.01 | 2.02 | 0.42 | -82.57 | 2.58 | 68.63 |
| F_{cal} | 8.12 | | | | 14.23 | | | |
| F_{tab} | 3.79 | | | | 3.79 | | | |
| H_0 | Rejected | | | | Rejected | | | |
| t_{cal} | 4.41 | | | | 2.87 | | | |
| t_{tab} | 2.26 | | | | 2.31 | | | |
| H_0 | Rejected | | | | Rejected | | | |

Interpretation

The Current ratio was 2.56 in the year 2007 in KRIBHCO whereas it was 0.93 in IFFCO in same year. The current ratio of KRIBHCO was increased by 2.02% and became 2.61 but later on it was reduced. The current ratio was highly reduced by 27.81 % in the year 2011-12 and became 1.44. In the year 2014-15, the ratio was reduced by 6.25 % and became 1.16. But the current ratio of IFFCO was increased during the study period, in the year 2010-11, the ratio was highly increased by 43.36 % and became 0.68. After the year 2010-11, the current ratio of IFFCO was increased with decreased growth rate. In the last year 2014-15, the current ratio was 1.01.

The net profit ratio was 9.38 in KRIBHCO in the year 2007-08 whereas it was 2.12 in IFFCO which means the ratio of IFFCO was lower and the ratio of KRIBHCO was higher in the year 2007-08. But the ratio of KRIBHCO was decreased after the year 2009-10 except the year 2012-13. The ratio was decreased by 82.57 % and became 0.42 in the last year 2014-15. Overall, the ratio of IFFCO was increased. In the last year 2014-15, the ratio of IFFCO was increased by 68.86% and became 2.58 which means the ratio of IFFCO was higher and the ratio KRIBHCO was lower the during the study period 2007-08 to 2014-15. The higher ratio of KRIBHCO was 9.77 in the year 2008-09 and the higher ratio of IFFCO was 2.12 in the year 2007-08.

Table No. 2 Return on Investment and Debtor Turnover Ratio

| Year | Return on Investment | | | | Debtors Turnover Ratio | | | |
|-----------|----------------------|------------|-------|------------|------------------------|------------|-------|------------|
| | KRIBHCO | Growth (%) | IFFCO | Growth (%) | KRIBHCO | Growth (%) | IFFCO | Growth (%) |
| 2007-08 | 11.65 | | 12.55 | | 5.92 | | 31.37 | |
| 2008-09 | 10.95 | -6.01 | 24.06 | 91.71 | 5.02 | -15.20 | 80.23 | 155.75 |
| 2009-10 | 9.5 | -13.24 | 22.18 | -7.81 | 7.73 | 53.98 | 70.73 | -11.84 |
| 2010-11 | 7.94 | -16.42 | 27.25 | 22.86 | 10.15 | 31.31 | 197.3 | 178.95 |
| 2011-12 | 6.54 | -17.63 | 27.21 | -0.15 | 4.68 | -53.89 | 21.39 | -89.16 |
| 2012-13 | 12.31 | 88.23 | 25.68 | -5.62 | 2.84 | -39.32 | 7.76 | -63.72 |
| 2013-14 | 8.87 | -27.94 | 16.8 | -34.58 | 2.33 | -17.96 | 7.88 | 1.55 |
| 2014-15 | 6.12 | -31.00 | 22.95 | 36.61 | 2.2 | -5.58 | 12.62 | 60.15 |
| F_{cal} | 5.09 | | | | 533.83 | | | |
| F_{tab} | 3.79 | | | | 3.79 | | | |
| H_0 | Rejected | | | | Rejected | | | |
| t_{cal} | 6.52 | | | | 2.13 | | | |
| t_{tab} | 2.23 | | | | 2.36 | | | |
| H_0 | Rejected | | | | Accepted | | | |

Interpretation

The return on investment of KRIBHCO was 11.65 in the year 2007 08 whereas this ratio was 12.55 in IFFCO which means the ratio of IFFCO was higher. During the study period 2007-08 to 2014-15, the ratio of KRIBHCO was decreased whereas the ratio of IFFCO was increased. The ratio of KRIBHCO was highly increased in 2012-13. In this year, the return of investment was increased by 88.20% and became 12.30. But in the year 2014-15, the ratio was reduced by 31.01% and become 6.12. The ratio of IFFCO was highly reduced in the year 2013-14. In this year, the ratio was reduced by 34. 59 % and became 16.80. In the last year 2014-15, the ratio was highly increased by 36.64 % and became 22.95.

The debtor turnover ratio of KRIBHCO was 5.92 in the year 2007-08 whereas it was 31.37 in IFFCO for the same year. But the ratio of KRIBHCO was decreased by 15.23 % and the ratio of IFFCO was increased by 155.75 % in the year 2008-09 and became 5.02 and 8.23 respectively. Overall, the debtor turnover ratio of both Cooperative industries was decreased during the study period 2007-08 to 2014-15. But in the last year 2014-15, the ratio of IFFCO was higher which was 12.62 and the ratio of KRIBHCO was lower which was 2.20.

Conclusion:

During the study period 2007-08 to 2014-15, all selected ratio was decreased in KRIBHCO whereas the ratios namely Current ratio, Net Profit ratio and Return on Investment was increased and the Debtor turnover ratio was decreased in IFFCO. The result of parametric test shows that the Current Ratio and Net Profit ratio of KRIBHCO was higher compare to IFFCO during the study period 2007-08 to 2014-15 whereas the Return on Investment ratio of IFFCO was higher. But the debtor turnover ratio was almost equal in both cooperative industries.

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