



## **Financial analysis of public sector undertaking's: A case study of national fertilizers limited**

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### **Abstract**

The country's economic growth is projected to be 7.6 per cent for the current fiscal year 2017-18 due to better prospects for the agriculture sector on account of normal monsoon being expected during current year. Recent estimates show that food grain production in 2016-17 has touched a new record of 273.4 million tonnes or 8.7 per cent higher as compared to last year. Further, waiver of loans of farmers and technological interventions like e-trading of agriculture produce by various state governments are likely to make favourable impact in the growth of agriculture economy.

**Keywords:** public sector undertaking's, national fertilizers

### **Introduction**

National Fertilizers Limited was incorporated on 23<sup>rd</sup> August 1974. The Company has a rated capacity of 35.68 lakh MT of urea. During the year 2015-16 the Company produced 37.99 lakh MT of urea and recorded an annual Gross sales turnover of Rs. 7719 crores. The Company is having four manufacturing units located at Nangal & Bhatinda (Punjab), Panipat (Haryana) and Vijaipur (Madhya Pradesh) and three Zonal Marketing offices at Chandigarh, Lucknow and Bhopal. The corporate segment is the foundation of the Indian economy so far as it gives an imperative, powerful and sorted out framework for the development of the modern and in addition non-mechanical areas of the economy. Corporate divisions have here and now objectives, for example, enhancing yearly benefits and esteem expansion and also long haul objectives as far as commitment to national riches, making of greater work, developing infrastructural offices, developing a wide based and solid capital structure, working of fundamental administrations, making send out potential and along these lines taking an interest effectively in the general monetary development of a nation and enhancing the way of life of its kin. Eventually, the Gross Domestic Product (GDP) and the expense income to the administration as both immediate and backhanded charges are amplified. The consistently expanding significance and part of corporate division in the monetary development of a nation, especially, in creating nations like India, have pulled in a few academicians, proficient establishments, scientists and chairmen to direct assorted examinations in the region. There is a need to think about the business' inward productivity which eventually should decide the general mechanical improvement in future.

The expression "Execution Appraisal" is made out of two words, i.e., "Execution" and "Examination". "Performance" is utilized to mean the endeavors reached out to accomplish the objectives proficiently and successfully. The lexicon importance of execution alludes to "accomplishment". The accomplishment of targets includes the incorporated

utilization of human, money related and regular assets (Robert, 1978) <sup>[1]</sup>. Execution specifically mirrors the mien and use of the assets. Evaluation alludes to a basic audit of the exercises for enhancing execution. It contrasts the real execution and targets settled, distinguishes reasons for huge varieties, and devises remedial activities. This is normally tuned to evaluating whether the business tasks would be sheltered, productive, and fitting in a given monetary circumstance. The enthusiasm of good working outcomes each worry ought to have a periodical evaluation both indicative and in addition preventive in nature. On account of an effectively awful or crumbling circumstance, it finds the regions and demonstrates where to enhance, where, as if there should arise an occurrence of good condition, it indicates approaches to additionally enhance the execution. Execution may be enhanced by focusing on how a unit has enhanced an acknowledged standard and the lessons educated might be connected with favorable position to different units as opposed to guiding the endeavors to dispose of deviations from the arrangement. Checking execution is the third real administration action, which the money related arranging and control work intends to aid specific. It suggests the presence of a seat detriment for which real outcomes can be thought about (Robson, 1981) <sup>[2]</sup>.

### **Review of literatures**

Manure assumes a critical part in expanding rural generation. It keeps on being the most critical contribution, next just to water in farming creation. Manure is required in expanding amounts to empower to nourish the abounding millions in our Country. Administration of India has been arranging and endorsing gigantic interests in Fertilizer division. The expanded generation of manure is as vital as delivering it effectively and at least unit cost. Despite the fact that manure industry was already overwhelmed by multinational partnerships, (MNC's) as of late Indian organizations have entered the region and beginning outcomes have been empowering. The Profitability and Liquidity examination

plans to discover the Profitability Performance of the individual firm. The investigation concentrates productivity which is more prominent significance in vital financing choices for new speculations. Despite the fact that numerous investigations toward the path have been directed, the present one would be of more prominent criticalness to numerous in light of the fact that it would comprehend the assessment of money related factors of organizations separated from recognizing the budgetary relationship of organizations with their productivity. Thusly, the examination is required to help the corporate administration, the lenders, the financial specialists and the legislature everywhere, to take significant choices all alone. The investigation has scholarly significance too in so far as new hypothetical and down to earth information would without a doubt, be added to the current load of learning. The present investigation will go about as an artful culmination regarding the matter for additionally innovative work. There are few investigations on budgetary execution of Indian Fertilizer industry in the parts of liquidity and working capital and not cover in the parts of determinants of gainfulness and money related wellbeing. Along these lines, covering the holes in the prior investigations, the present examination is embraced to give a knowledge into the execution evaluation of chose areas of Fertilizer industry. It may likewise help the scholastic specialists, analysts in securities, ventures and organizations by giving alternate points of view.

The evaluation of business execution is more intricate and troublesome, since it must manage the viability with which capital is utilized, the proficiency and productivity of activities and the esteem and wellbeing of different cases against the business (Erich, 1977) <sup>[3]</sup>. Performance Appraisal through Financial Statement Analysis of an organization should be possible through a cautious and basic examination of money related statements. Financial investigation helps chiefs in controlling their venture's execution. It does this by giving them a framework and set of systems for dissecting and

understanding money related pointers of execution. The two imperative budgetary explanations are the "Benefit and Loss Account" and the "Monetary record". Albeit any formal proclamation communicated in cash esteem may be thought of as budgetary explanation, the term has come to be constrained by most bookkeeping and business essayists to mean the "Benefit and Loss Account" and "Monetary record".

India is the second biggest shopper of manure. It is additionally the third biggest manure maker on the planet. In 2015-16, the nation created 3.0836 million tons of manure. India is additionally having numerous expansive private and government manure organizations. In the present situation, there are more than 57 huge and 64 little and medium compost creation units under the Indian manure industry. The principle items fabricated by the manure business in India are phosphate based composts, nitrogenous composts and complex composts. The manure enterprises in India, with the fast improvement, need to establish a long haul general connection though, 2015-16 was the moderate year for Indian compost industry. Request is contracting and import rising. Another test which industry is confronting is with respect to late installment of endowments. There was additionally decrease of 4% on manure spending plan in the year 2016-17, a financial plan of 70,000 crore. Still IFFCO is performing great in compost industry

### Results and Discussion

Financial Appraisal provides a method for accessing the financial strengths and weaknesses of the Fertilizer industry using financial statement. There are two views of the financial strength of every organization based on the period of lending i.e., the short term and long term. Short term financial strength relates to the technical solvency of an organization in the near future, while the long-term financial strength depends on the structure that has been imposed in financing more permanent asset requirements.

**Table 1:** Key financial ratios of national fertilizers

	Mar '17	Mar '16	Mar '15	Mar '14	Mar '13
<b>Investment Valuation Ratios</b>					
Face Value	10.00	10.00	10.00	10.00	10.00
Dividend Per Share	0.85	1.21	0.17	--	--
Operating Profit Per Share (Rs)	11.32	11.11	7.68	2.58	0.77
Net Operating Profit Per Share (Rs)	155.33	158.30	173.67	163.42	136.99
Free Reserves Per Share (Rs)	--	--	--	--	--
Bonus in Equity Capital	--	--	--	--	--
<b>Profitability Ratios</b>					
Operating Profit Margin (%)	7.28	7.01	4.41	1.57	0.55
Profit Before Interest And Tax Margin (%)	6.13	5.95	3.55	-0.03	-1.18
Gross Profit Margin (%)	6.16	5.98	3.56	-0.03	-1.19
Cash Profit Margin (%)	3.82	3.54	1.15	0.48	0.06
Adjusted Cash Margin (%)	3.82	3.54	1.15	0.48	0.06
Net Profit Margin (%)	2.73	2.53	0.30	-1.11	-2.54
Adjusted Net Profit Margin (%)	2.71	2.52	0.30	-1.11	-2.52
Return On Capital Employed (%)	9.98	5.07	2.97	0.36	-0.49
Return On Net Worth (%)	11.39	12.26	1.77	-6.00	-10.78
Adjusted Return on Net Worth (%)	11.39	12.26	1.77	-6.00	-7.15
Return on Assets Excluding Revaluations	37.23	32.75	30.19	30.45	32.28
Return on Assets Including Revaluations	37.23	32.75	30.19	30.45	32.28

Return on Long Term Funds (%)	25.74	8.83	5.21	0.55	-0.61
Liquidity And Solvency Ratios					
Current Ratio	0.73	0.87	1.02	0.92	1.16
Quick Ratio	1.07	3.58	4.75	4.18	2.57
Debt Equity Ratio	1.82	5.27	6.86	6.83	4.57
Long Term Debt Equity Ratio	0.09	2.60	3.48	4.13	3.50
Debt Coverage Ratios					
Interest Cover	2.71	2.24	1.15	0.21	-0.34
Total Debt to Owners Fund	1.82	5.27	6.86	6.83	4.57
Financial Charges Coverage Ratio	3.16	2.60	1.39	0.84	0.57
Financial Charges Coverage Ratio Post Tax	2.55	2.22	1.33	1.19	0.59
Management Efficiency Ratios					
Inventory Turnover Ratio	13.32	15.50	30.01	19.17	16.09
Debtors Turnover Ratio	1.68	1.58	1.76	2.06	2.41
Investments Turnover Ratio	13.32	15.50	30.01	19.17	16.09
Fixed Assets Turnover Ratio	1.67	1.07	1.19	1.13	1.18
Total Assets Turnover Ratio	1.48	0.77	0.73	0.69	0.76
Asset Turnover Ratio	1.00	0.72	0.73	0.78	0.99
Average Raw Material Holding	--	--	--	--	--
Average Finished Goods Held	--	--	--	--	--
Number of Days In Working Capital	-7.45	175.71	157.97	144.69	81.58
Profit & Loss Account Ratios					
Material Cost Composition	47.16	50.16	51.20	54.74	65.09
Imported Composition of Raw Materials Consumed	--	--	--	--	--
Selling Distribution Cost Composition	0.11	0.03	--	--	--
Expenses as Composition of Total Sales	--	--	--	--	--
Cash Flow Indicator Ratios					
Dividend Payout Ratio Net Profit	34.31	30.11	31.78	--	--
Dividend Payout Ratio Cash Profit	24.35	21.42	8.44	--	--
Earning Retention Ratio	65.69	69.89	68.22	--	--
Cash Earning Retention Ratio	75.65	78.58	91.56	100.00	100.00
AdjustedCash Flow Times	11.34	30.57	102.84	258.70	1,664.39

*Source:* Dion Global Solutions Limited

Monetary articulations are multifunctional, obliging the requirements of a few clients, both from inside and outside the financial unit, viz., administrators, banks, speculators, tax assessment experts, administrative bodies, exchange associations and workers. These differed clients are worried about the significant data of their own zones of enthusiasm for the firm for which they break down and decipher these budgetary proclamations. A portion of the clients are keen on the nature of operational execution though others are worried about declaring the capacity of the worry in meeting its obligation commitments. Based on the data picked up from these monetary proclamations, these changed clients achieve the choices relating to their own regions of interests. In this way, investors choose about the shareholding of the worry based on its expected benefit, credit experts including monetary establishments, investors and other loaning offices, about the loaning approach based on the financial soundness of the worry; and the tax assessment specialists choose about the measure of duty to be exacted based on the working outcomes.

### Conclusion

The study analyses the short-term and long-term financial strength of the Indian Fertilizer industry. Therefore, the present study was undertaken to make a Performance Appraisal of the National Fertilizers Limited Company of the Indian Fertilizer industry.

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