



Analysis on performance comparison of national fertilizer ltd and IFFCO

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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: national fertilizer, IFFCO

Introduction

IFFCO In the mid-1960s the cooperative sector in India was responsible for the distribution of 70% of the fertilizers consumed in the country. This sector has sufficient infrastructure to distribute fertilizer, but had no production facilities and therefore depends on the public / private sectors for supplies. To remedy overcome the shortcoming and fill the gap in domestic demand, a new cooperative society was created to meet the specific needs of farmers. It was a unique enterprise in which the country's farmers through their own cooperative societies created this new institution to safeguard their interests. The number of cooperative enterprises associated with IFFCO has increased from 57 in 1967 to 36666 at the present time.

Review of Literatures

Indian Agriculture comprises one fifth of gross domestic products of India and provides nourishment to nearly 66% of its population ^[1]. It likewise offers essential forward and in reverse linkages to different divisions of Indian Economy. Each five-year design has offered significance to confidence and independence in nourishment grains creation and synchronized activities toward this path have given gigantic increment underway and efficiency of agriculture ^[2-4]. This is especially justifiable from the rationale that from a humble level of generation of 52 million MT in 1951-52, nourishment grains creation dashed to around 218.20 million MT in 2009-10. Taking care of aggregate demand of sustenance grains isn't just and pointer of achievement of compost industry of India yet it has likewise assumed a critical part in creating exportable surplus ^[5-6]. Remembering the significant pretended by manure industry in the triumph of India's green uprising and ensuing independence in sustenance grains generation, the Government of India has been always receiving rehearses worthwhile to enlarging availability and use of composts in India. Therefore, the yearly use of composts in supplement terms (N, P and K), has developed complex from unimportant 0.7 lakh MT in 1951-52 to

bouncing 264.86 lakh MT 2009-10. Use of composts, which was prior under 1 Kg for each hectare in 1951-52, has ascended to the tallness of 135.27 Kg in 2009-10^[7-9]. Nowadays, the nation has accomplished close confidence in assembling limit of urea with the outcome that India could fundamentally deal with its essential of nitrogenous manures through the home-developed industry. Additionally, adequate home-developed limit has been introduced identifying with phosphatic manures to get Indian agriculturists' necessities together to some degree. Then again the natural supplies and intermediates for the same are for the most part foreign made. To the extent potash, on the grounds that there are no possible sources/saves in India, its entire need is met by imports. The business endeavored humble begin in 1906, when the primary creation unit of Single Super Phosphate (SSP) was introduced in Ranipet close Chennai with a yearly limit of 6000 MT. The Fertilizer and Chemicals Travancore of India Ltd. (Actuality) at Cochin in Kerala and the Fertilizers Corporation of India (FCI) in Sindri in Bihar (now Jharkhand) were the primary enormous compost plants introduced in the fourth and fifth decade with an endeavor to set up a modern establishment to achieve confidence in foodgrains. Thusly, green revolt in the 6th decade gave an energy to the improvement of compost industry in India and in 6th and eighth decade India saw an imperative advancement in the limit of manure generation ^[10].

National Fertilizer

Remote Direct Investment is on the ascent in the nation because of different government activities like "Make in India", Goods and Service charge, Digital India and so on.. The Government of India, under the "Make in India" activity, is attempting to offer lift to the commitment made by the assembling part and expects to take it up to 25 percent of the GDP from the present 17 for every penny.

Other than above, there is adequate liquidity in the framework for interest in foundation, and bank loaning rates have descended post demonetization. Compost Industry Structure and Developments

Compost industry in India works out in the open, private and co-agent area, with the private division possessing a bigger offer in the assembling limit. Manures part being profoundly vitality and capital escalated, cost of composts is unavoidably high. So as to guarantee accessibility of composts to most of the little and minimal ranchers at moderate costs, this segment is profoundly managed and controlled by (Government of India) for estimating and dissemination of manures. At exhibit, Urea costs are profoundly financed and controlled under New Urea arrangement 2015 though P and K Fertilizers are halfway decontrolled and sponsorship is dispensed in light of the supplement content accessible in the specific manure under Nutrient Based Subsidy presented by GoI w.e.f. 01-04-2010.

If there should arise an occurrence of Urea, MRP is settled by GoI which is at present settled at 5360 for every MT which is around 33% of the present cost of generation/imported cost. Numerous difficulties being looked by Fertilizer Industry which should be tended to incorporate postponement in installment of appropriation because of deficient sponsorship spending plan of the GoI for Fertilizers, over controls and procedural deferrals, unviable venture by Industry on vitality sparing plans to meet the hardened vitality standards settled under New Urea Policy

Policies and Effectiveness

i) Risk Management Policy

The chemical fertilizer industry is operated in a hazardous environment and faces many risks including those related to health, safety and environment in addition to general business & financial risks. In order to mitigate them, the company has a comprehensive Risk Management Policy which is regularly reviewed and a periodical review of the risks, procedures and strategies is undertaken. Risks are analyzed at the highest level by a Board level Audit Committee and efforts are made in a planned way to obviate the risks either fully or to minimize their impact.

ii) Internal Control Systems and their adequacy

The Company has a sound system of internal controls that ensures compliance with statutory requirements, regulations and implementation of various policies and guidelines. Besides Statutory Audit by C & AG appointed Auditors, regular and exhaustive internal audits are conducted by independent chartered accountant firms in close co-ordination with NFLs Internal Audit Division to examine, evaluate, monitor and report on adequacy and effectiveness of the system of checks and balances is in place, compliance with policies, plans and statutory requirements, to protect its resources against waste, fraud and in-efficiency and to ensure accuracy and reliability in accounting and operating data.

The policies and guidelines are in the form of various codes, manuals and procedures, issued by the management, covering all critical and important activities viz. Budget, Purchase, Material, Stores, Works, Finance, and Human Resources etc. Internal Audit Programme is approved by Audit Committee of Directors and is conducted as per Accounting Standards and these codes, manuals, procedures, etc. that are updated from time to time. The observations/recommendations made by the auditing agencies are reported to Management Audit

Committee and the Audit Committee of Directors along with a report of compliance of directions issued in the past. The quarterly financial statements as also reports of statutory and Government Audit are reviewed by the Audit Committee of Directors before they are submitted to Board of Directors.

The Company has a well-defined Delegation of Powers in place, which lays down the powers for different managerial levels to facilitate faster decision making. The various policies, procedures and guidelines are continuously reviewed to improve effectiveness of the systems.

The Company has a full-fledged Vigilance Division to oversee that the guidelines of the Government and the rules/procedures of the company are strictly adhered/implemented in all matters. The Vigilance Division conducts regular inspection of various activities in Manufacturing Units, Zonal Offices and other Offices for taking corrective/preventive action.

iii) Internal financial controls and its effectiveness

As per assessment done by an external auditor, internal controls over periodic financial reporting in the company for the year 2016-17 have been found effective in general except few deficiencies which are not likely to lead to any major misstatement in the annual financial statements. However, company is gearing up to integrate existing home grown on line applications in vogue for different business functions in a seamless way to gain greater benefits in terms of improved MIS, faster declaration of results and greater analysis of operational parameters which shall facilitate easier decision making and improved control on financial reporting.

iv) Financial Performance

NFL continues to make efforts for improving employees health, well-being and welfare. For achieving these objectives, the Company has various welfare schemes such as school facility, medical, benevolent scheme, housing facility, Social Security Scheme, NFL Employees Family Economic & Social Rehabilitation Scheme, Defined Contribution Superannuation Pension Scheme. Company has introduced modified Post-Retirement Medical Scheme 2017-18 with increased insurance cover for Self & Spouse for IPD treatment.

Results and Discussion

IFFCO

The IFFCO fertilizer distribution made through 36666 cooperative societies. All held distribution, sales promotion activities and coordinated by the Central Marketing Bureau (MKCO) in New Delhi with the help of marketing offices in the field. In addition, basic agricultural inputs for agricultural production to farmers through a chain 158 farmer service centers (FSC). IFFCO has encouraged many institutions and organizations to work for the welfare of farmers, strengthening the cooperative movement, and improving Indian agriculture. This category includes the Indian Farm Forestry Development Cooperative Ltd (IFFDC), Cooperative Rural Development Trust (CORDET), the IFFCO Foundation, and the Kisan Sewa Trust. An ambitious program "ICT Initiatives for Farmers and Cooperatives" has begun to promote e-culture in rural India. The IFFCO cultivates an emphasis on its relations with farmers and undertakes a large

number of agricultural extension activities in their favor each year. The IFFCO is now a leading company in the Indian fertilizer industry and contributes substantially to the efforts of the Indian government to increase food grain production in the country. IFFCO presented an overall plan entitled "Vision 2015", which is now in place. There are many useful ratios

recommended by experts for financial analysis of the organization. Identification and selection of financial ratio has been made in order to analyze the financial soundness and performance in significant manner. The following are the useful ratios given in the table for this purpose.

Table 1: Years Financial Analysis of IFFCO

YEAR	2011-12	2012-13	2013-14	2014-15	2015-16
Current Ratio	8.51	4.65	5.39	5.01	5.77
Quick Ratio	7.00	3.87	4.14	4.07	4.97
Fixed Asset Turnover Ratio	5.20	4.37	4.23	5.25	6.04
Working Capital Turnover Ratio	2.87	1.99	2.21	2.57	2.46
Debt- Equity Ratio	2.28	1.69	1.46	1.56	1.90
Operating Profit to Turnover (%)	6.93	6.62	3.15	5.24	4.50
Profit Before Tax to Turnover	9.14	10.06	4.03	8.41	6.51
Return on Capital Employed	5.80	6.10	2.41	6.04	5.08
Profit Before Tax to Net Worth	18.03	17.63	6.26	15.07	13.58
Profit After Tax to Net Worth	13.68	11.60	4.90	9.38	9.39

National Fertilizer

During the year, Company achieved turnover of 7663.22 crore (including subsidy of 4958.15 crore) compared to 7793.91 crore of the CPLY (including subsidy of 5430.64 crore). Despite higher sale quantity of Urea by 1.17 LMT as compared to CPLY, the decrease in sales turnover is mainly due to lower subsidy on Urea by 660 crore mainly due to fall in gas price to USD 8.04 / MMBTU during the year as compared to USD 9.96 / MMBTU during CPLY i.e. decrease of 19.28%.

Company earned profit before tax of 324.88 crore (CPLY 288.42 crore) and profit after tax of 208.16 crore (CPLY 198.62 crore). The increase in profit is mainly attributed to increase in contribution from sale of Urea beyond re-assessed capacity, increase in profit from traded goods, decrease in finance cost, increase in contribution from Industrial products, decrease in energy consumption, decrease in depreciation charges etc. There has been an adverse impact on the profitability of the company during the year mainly due to increase in marketing expenses due to oversupply situation in the market.

The financial results of 2016-17 are the first financial statements of the company under Ind AS, a transition from previous GAAP to Ind AS which has affected the company's financial position, financial performance and cash flows.

The short-term borrowings of the company as at 31st March, 2017, stood at 3153.73 crore including cash credit utilization, short-term loans, working capital demand loan etc. (4295.32 crore as at 31st March, 2016). The short-term borrowings are lower as compared to CPLY due to better realization of subsidy as compared to CPLY and decrease in working capital requirement due to fall in gas price.

For changeover of feed stock from LSHS/FO to Gas at Nangal, Panipat & Bathinda units, Rupee Term Loan of 3850 crore was arranged from consortium of 13 Banks with SBI as a lead Bank, of which, 3080 crore was paid up to 31st March, 2017. As on 31st March, 2017 long term loan of 770 crore was outstanding which is to be repaid in four equal quarterly installment of 192.50 crore up to March-2018.

For Energy Saving and Urea Capacity Augmentation Project

at Vijaipur-I & II, and installation of Carbon-Dioxide Recovery (CDR), long term loan was raised by way of 9.42% Secured Redeemable Non-Convertible Taxable Bonds of 100.40 crore, which has been fully repaid by September 2016. Further the Buyers credit of USD 15.68 million also raised for the same project which has already been repaid up to 31st March, 2016 and External Commercial Borrowing (ECB) of USD 50 million out of which USD 13.05 million has been repaid up to 31st March, 2016. Balance ECB of USD 36.95 million (availed from SBI New York Branch) has been refinanced from DBS Bank Limited Singapore on 6th January 2016 at reduced interest cost and extended maturity. A saving of 1.04% has been achieved in all in cost.

Analysis of the Financial Performance of the Company:

a) Turnover

Particulars	FY 2016-17	FY 2015-16	Change (%)
Sales Turnover (Gross)	7663.22	7793.91	(1.68)

The decrease in sales turnover is mainly due to lower subsidy on Urea by 660 crore due to fall in gas price to USD 8.04 / MMBTU during the year as compared to USD 9.96 / MMBTU during CPLY i.e. decrease of 19.28%.

b) Consumption of Raw Materials

Particulars	FY 2016-17	FY 2015-16	Change (%)
Raw Materials Consumed	3015.06	3636.43	(17.08)

The decrease in raw material consumption expenditure by 621.37 crore as compared to CPLY is mainly due to fall in prices of gas (\$ 8.04 per mmbtu during current year from \$ 9.96 per mmbtu during CPLY) due to uniform pool gas pricing mechanism applicable w.e.f. June 2015 although there is increase in production as compared to FY 2015-16.

c) Finance Cost

Particulars	FY 2016-17	FY 2015-16	Change (%)
Finance Cost	189.75	228.42	(16.93)

Reduction in finance cost by 38.67 crore is achieved due to lower interest rates, efficient borrowings and subsidy received at concessional interest rate of 1.75% per annum against Special Banking Arrangement (SBA). There was direct saving

in interest cost of around 6.32 crore due to SBA vis-a-vis borrowing through commercial papers (CPs).

d) Repairs & Maintenance

Particulars	FY 2016-17	FY 2015-16	Change (%)
Repairs and Maintenance	82.19	81.59	0.74

Plants at Nangal, Bathinda and Panipat are more than 30 years old. In view of their vintage, they require regular maintenance to run smoothly & efficiently. For regular maintenance, contracts are lined up in each Unit besides other unforeseen repairs of plants owing to breakdown / tripping, etc.

e) Employees Benefits

Particulars	FY 2016-17	FY 2015-16	Change (%)
Employee Remuneration & Benefits	488.08	457.18	6.76

Employee cost has increased from 457.18 crore to 488.08 crore (by 30.90 crore) mainly due to consideration of 3rd Pay Revision Committee Report (25.20 crore on estimated basis), actuarial valuation considered on account of reduction in discounting rate which is based on rate of interest on government securities in respect of gratuity, leave encashment etc. (1.62 crore).

f) Power and Fuel

Particulars	FY 2016-17	FY 2015-16	Change (%)
Power and Fuel	2213.12	2423.93	(8.70)

The decrease in power and fuel consumption expenditure by 210.81 crore is mainly due to fall in prices of gas as mentioned earlier due to uniform pool gas pricing mechanism applicable w.e.f. June 2015 although there is increase in production as compared to FY 2015-16.

g) Freight and Handling

Particulars	FY 2016-17	FY 2015-16	Change (%)
Freight and Handling	544.79	435.81	25

Freight and handling expenditure has increased by 108.98 crore as compared to CPLY due to higher dispatches of DAP of 2.14 LMT as against 0.51 LMT during CPLY. Further, freight (mainly pass through) on Urea has increased due to higher dispatches (by 0.66 LMT), dispatches to distant destinations and change in system of re-imbursalment of freight to dealers from per MT fixed to Per MT normative basis (as reimbursed by DoF).

h) Other Expenses

Particulars	FY 2016-17	FY 2015-16	Change (%)
Other Expenses	192.03	147.54	30.15

Other expenses (192.03 crore) have increased by 44.49 crore as compared to CPLY (147.54 crore) mainly due to higher rent (9.96 crore), security expenses which are mainly due to 7th pay commission impact on CISF salaries (9.30 crore), sales promotion and publicity expenses (6.16 crore) and other administrative expenses (9.01 crore) mainly due to higher rebate to dealers as inventory carrying cost and adhoc payment for out of court settlement of contract labour etc.

i) Interest Earned

Particulars	FY 2016-17	FY 2015-16	Change (%)
Loan to Employees, Term deposit etc.	15.48	10.75	44

Conclusion

Employee's participation in Management is an essential ingredient of industrial democracy, which implies mental and emotional involvement of employees in the management of enterprise. NFL always supported the participative culture in the management through consultative approach. The efforts to promote employees participation in various activities like Suggestion Scheme, Welfare, Safety, interactions between Management and employees representatives on various issues continued during the year.

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