

A study on financial analysis of selected chemical and fertilizer companies in India

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Abstract: The study covers almost the entire area of financial operations covered by “**Chemical and fertilizer industries**” the study has been conducted with the help of data obtained from audited financial records. The study is identified after and during the study is conducted the main scope of the study was to put into practical the aspect of the into real life work experience the study of working capital is based on tools like ratio analysis, capital structure, regression and correlation. This financial study was very helpful to know the positions of the industry’s overall; Gujarat stands first position in the financial position.

Keywords: Personal Investment, Sound Judgment, Life Blood, Methodology, Predicting.

I. INTRODUCTION

Financial statements are key to fundamental stock analysis and overall investment research. The goal was to enhance your ability to make a sound judgment about a company’s financial strength and future prospects by showing you the benefits of using financial statements in our personal investment research. Finance is the life-blood of business. The role of financial reporting for companies is to provide information about their fiscal health and financial performance. As investors, we use financial reports to evaluate the past, current and prospective performance and financial position of a company. These statements allow us to compare one firm to another and form the basis of valuing the worth of a stock. Financial statement is key to fundamental stock analysis and overall investment research. Financial statements provide an account of a company’s past performance, a picture of its current financial strength and a glimpse into the future potential of a firm. The goal was to enhance your ability to make a sound judgment about a company’s financial strength and future prospects by showing you the benefits of using financial statements in our personal investment research. The **chemical industry** comprises the [companies](#) that produce industrial [chemicals](#). Central to the modern [world economy](#), it converts [raw materials](#) ([oil](#), [natural gas](#), [air](#), [water](#), [metals](#), and [minerals](#)) into more than 70,000 different [products](#).

1.1 OBJECTIVES OF THE STUDY

- ❖ To study the *financial* performance of “chemical and fertilizer company”
- ❖ To comparative analysis of the sales and working capital of selected companies.
- ❖ To analyze the correlation between net working capital and sales, inventory and sales, cash and bank balance and working capital

1.2 SCOPE OF THE STUDY:

- ❖ The researcher tries to measure the performance of the organization and its working capital management in terms of financial wealth. Finance is the life-blood of business. It is rightly termed as the science of money.
- ❖ Finance is very essential for the smooth running of the business. Finance controls the policies, activities and decision of every business.
- ❖ The scope of the study is identified after and during the study is conducted the main scope of the study was to put into practical the aspect of the into real life work experience the study of working capital is based on tools like ratio analysis, capital structure, regression and correlation.

1.3 STATEMENT OF THE PROBLEM:

In a financial analysis the statement of the problem is to calculate the five types of chemical and fertilizer industries and their past five years of profit/loss and balance sheet in each and every company. The five company should not run only the profit basis even they run in loss also so every investor should aware about the shares and market value of prices and should follow the

share prices each and every day then only we know about the share prices in all types of industries. In an attempt to achieve maximum returns from investment in production a service shares or stock and other securities outside the firm a comprehensive analysis of the company which is intended to be invested in should be carried out using the company's financial statements to ascertain both its explicit and implicit investment opportunities. As a result, the following problems may arise: → Inability to identify variable investment opportunities → Decreasing returns from investments → Decline in organizational overall profitability Increased investments risk.

II REVIEW OF THE LITERATURE:

2.1 Chris (Hristors) doucouliagos, Patrice Laroche (2007):

The effect of unions on profits continues to be an unresolved empirical issue. In this paper, meta-regression analysis is applied to the population of 45 econometric studies that report 532 estimates of the direct effect of unions on profits. They show that unions have a significant negative effect on profits, and that this effect is larger in the US. Separate meta-regression analysis is used to identify the sources of union-profit effects

2.2 Hassan Benchedroun, Amrita Ray Chaudhuri (2006):

They analyze the effects of bilateral tariff reductions on the profitability of cost-reducing horizontal mergers. Given Cornet competition in a two-country world, for any positive tariff below a certain threshold, marginal trade liberalization is shown to encourage only those domestic mergers with sufficiently large cost-savings and to discourage the rest

2.3 Timo Salmi and Teppo Martikainen (2005):

This paper provides a critical review of the theoretical and empirical basis of four central areas of financial ratio analysis. The research areas reviewed are the functional form of the financial ratios, distributional characteristics of financial ratios, classification of financial ratios, and the estimation of the internal rate of return from financial statements.

2.4 Silvio John Camilleri (2005):

The paper consolidates the summarized financial statements of the main banks operating in Malta during the year 2002, to form a Typical Large Bank and a Typical Small Bank. The profitability, risk and growth prospects of the two institutions are analyzed through Return on Equity decomposition and the use of other financial ratios.

2.5 Po-Hsuan Hsu, Chung-ming Kuan (2005):

In this article they reexamine the profitability of technical analysis using White's reality check and Hansen's SPA test that correct the data snooping bias. Compared to previous studies, they study a more complete "universe" of trading techniques, including not only simple rules but also complex trading strategies, and they test the profitability of these rules and strategies with four main indices.

III RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done systematically in that various steps those are generally adopted by a researcher in studying his problem along with the logic behind them.

“The procedures by which researcher go about their work of describing, explaining and predicting phenomenon are called methodology. The overall research design is split into the following parts.

Ratio analysis - Net profit, Capital turnover ratio.

The data collections made through secondary data method.

3.1 SECONDARY DATA

The study also depends on the secondary data collected from text books, booklets, journals, publications and etc.

IV RESULTS AND DISCUSSION

4.1 CAPITAL TURNOVER RATIO:

A measurement comparing the depletion of working capital to the generation of sales over a given period. This provides some useful information as to how effectively a company is using its working capital to generate sales.

FORMULA:

Working capital turnover ratio= Revenue / Average working capital

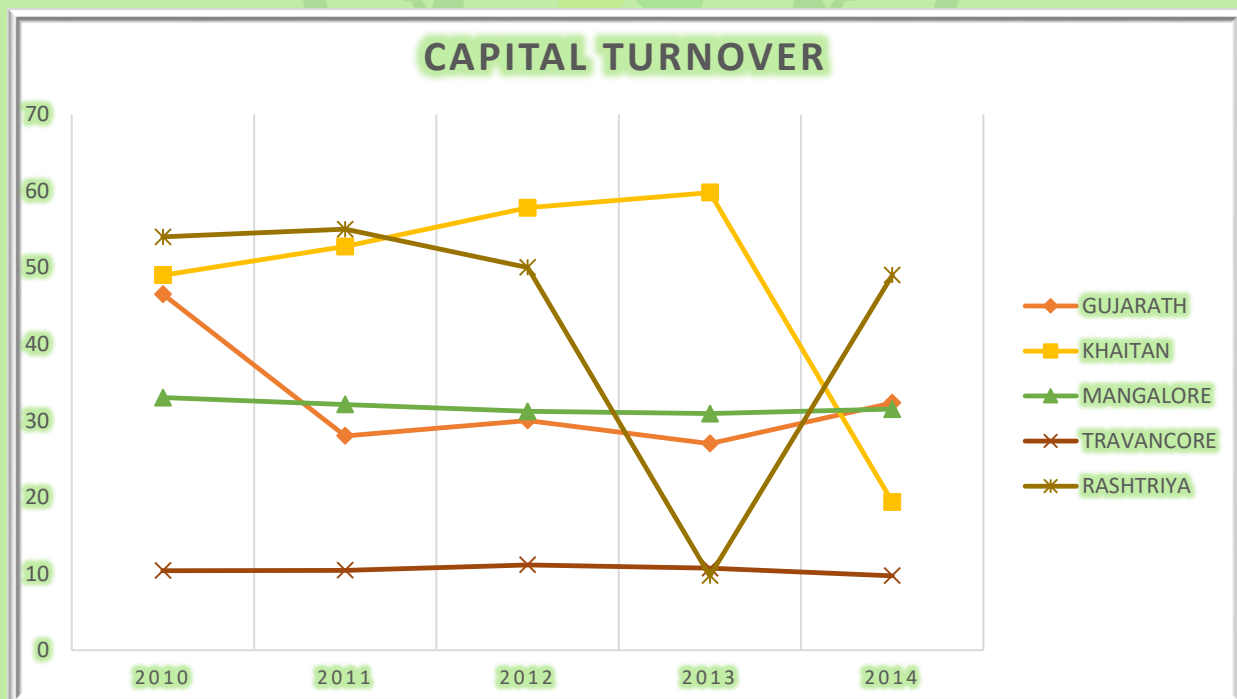
Working capital= Current assets - Current liabilities

$$\text{Average working capital} = \frac{\text{Opening working capital} + \text{Closing working capital}}{2}$$

TABLE 4.1 showing the capital turnover ratio analysis:

COMPANY NAMES	2010	2011	2012	2013	2014
GUJARATH CHEMICAL & FERTILIZER LTD	46.5	28.0	30.0	27.0	32.3
KHAITAN CHEMICAL & FERTILIZER LTD	48.99	52.74	57.80	59.78	19.36
MANGALORE CHEMICAL & FERTILIZER LTD	33	32.1	31.2	30.9	31.5
THE CHEMICAL & FERTILIZER OF TRAVANCORE LTD	10.40	10.43	11.15	10.71	9.73
RASHTRIYA CHEMICAL & FERTILIZER LTD	54	55	50	9.73	49

4.1 Exhibiting showing the capital turnover ratio:



INTERPRETATION:

The comparative balance sheet of the five chemical and fertilizer industries reveals that there has been an increase in dividends of each industries. In **2010** Rashtriya chemical and fertilizer industries the dividend level 54% is very high compare to other industries, Travancore chemical and fertilizer industries dividend 10.40% is very low in this year ratriya industries and Mangalore chemical and fertilizer industries the only one they having 33% of the dividend level is satisfactory position in this stage, Khaitan dividend level is 48.99% better than travancore and gujarath chemical and fertilizer industry having 46.5% of dividends to run the business. In **2011** the mangalore is reduce their dividend values but khaitan has to improve in middle stages but they dividend level is very low in last year and another three companies follow equal level. In **2012** gujarath, mangalore and khaitan has to increases their value but Travancore stage is very low in last year and rashtriya is improve in overall years.

4.2 NET PROFIT:

Net profit, also referred to as the bottom line, net income, or net earnings is a measure of the profitability of a venture after accounting for all costs. A common synonym for "net profit" when discussing financial statements is the bottom line.

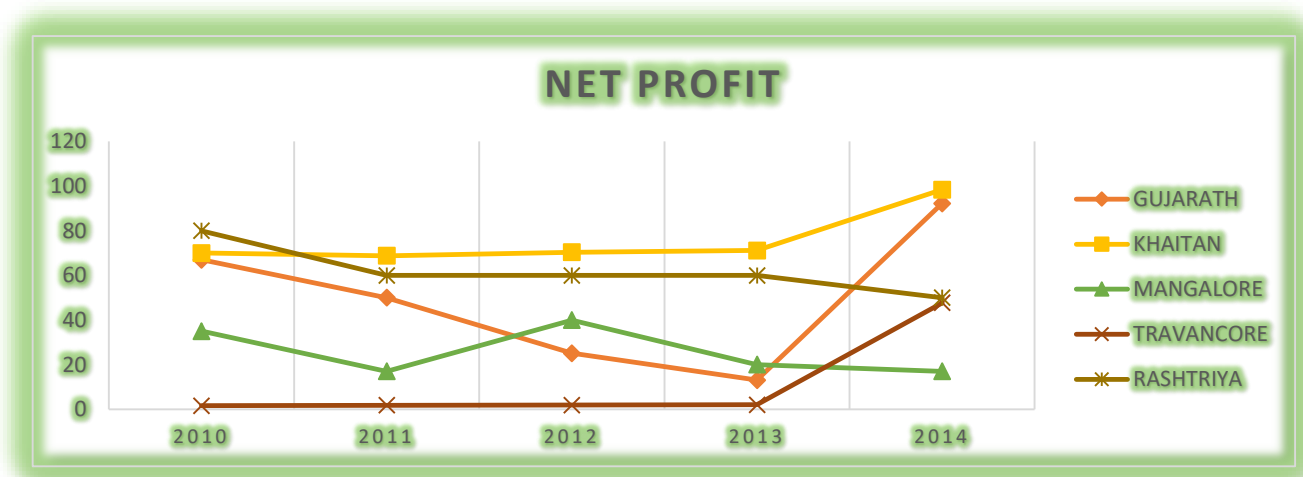
FORMULA:

$$\text{Net profit ratio} = \text{Net profit after tax} / \text{Net sales}$$

TABLE 4.2 showing the net profit analysis:

COMPANY NAMES	2010	2011	2012	2013	2014
GUJARATH CHEMICAL & FERTILIZER LTD	67	50	25.1	13.1	92.3
KHAITAN CHEMICAL & FERTILIZER LTD	70	68.8	70.4	71.2	98.4
MANGALORE CHEMICAL & FERTILIZER LTD	35	17	40	20	17
THE CHEMICAL & FERTILIZER OF TRAVANCORE LTD	1.60	1.81	1.89	2.03	47.70
RASHTRIYA CHEMICAL & FERTILIZER LTD	80	60	60	60	50

4.2 Exhibiting showing the net profit analysis:



INTERPRETATION:

The comparative balance sheet of the five chemical and fertilizer industries reveals that there has been an increase in dividends of each industries. In **2010** Rashtriya chemical and fertilizer industries the dividend level 80% is very high compare to other industries, Travancore chemical and fertilizer industries dividend 1.60% is low compare to other industries in 2010, Mangalore chemical and fertilizer industries the only one they having 35% of the dividend level is better than travancore, Khaitan dividend level is 70% better than mangalore and gujarath chemical and fertilizer industry having 67% of dividends to run the business. In **2011** the mangalore is reduce their dividend values but khaitan has up and down position values in dividend level and another three companies follow the same situation. In **2012** khaitan has to increases their value but another three industries are run in a same level. In **2013** mangalore is reduce their value but khaitan has to grownup step by step. Travancore is increases in industries level.

V FINDINGS:

- ❖ The net profit analysis khaitan industry is having a good position and to run their industry with satisfactory.
- ❖ To calculate the capital turnover ratio rashtriya chemical and fertilizer industry should achieve the 49 in 2014 and other industries are very low.

VI SUGESSTIONS:

- ❖ In ratio analysis the rashtriya and Travancore of chemical and fertilizer industries increases means these two industries touches the other three industry level. So, the remaining two industries also concentrate their dividends increases level of position in two industries. The rashtriya chemical and fertilizer industries has to concentrate on equity shares in this industry if they investing more in equity means the automatically the company can rise their position.
- ❖ In net profit analysis the mangalore chemical and fertilizer industries is concentrate and getting more amount from business means the automatically the net profit is increased. In capital turnover ratio the Travancore chemical and fertilizer industries has to invest more money in capital means the automatically the company goes a good position in chemical and fertilizer industries.

VII CONCLUSION:

The fertilizer industries have to concentrate on equity shares, if they have investing more in equity means the automatically the company can rise their position. The chemical companies should have to concentrate on investment analyses means the automatically the net profit is increased. If they increase their capital means industry will on comfortable and the remaining years should be perfect capital to run the business.

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