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## PROFITABILITY ANALYSIS OF NFL AND DFCL –A COMPARATIVE STUDY

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### ABSTRACT:

One of the vital industries for the Indian economy is the Indian fertilizer industry as it manufactures a very critical raw material for agriculture which is the major occupation of the country. Indian fertilizer industries' main objective is to ensure the supply of primary and secondary nutrients in the required quantities. In this study, we examine the profitability position of the National Fertilizer Limited (NFL) and the Deepak Fertilizer and Chemicals Limited (DFCL). ANOVA and Regression are used to compare the above companies' profitability position. The study concluded that the profitability position of the National Fertilizer Limited is better than the Deepak Fertilizer and Chemicals Limited.



**KEYWORDS:** Profitability, Fertilizer, ANOVA, Regression.

### INTRODUCTION

At present, there are 56 large size fertilizer units in the country manufacturing a wide range of nitrogenous, phosphatic and complex fertilizers. Of these, 30 units (as on date 28 units are functioning) produce urea, 21 units produce DAP and complex fertilizers, 5 units produce low analysis straight nitrogenous fertilizers and 9 manufacture ammonium sulphate as by-product. Besides, there are about 72 small and medium scale units in operation producing single super phosphate (SSP).

### PROFITABILITY ANALYSIS

Profitability is closely related to profit, but it is the metric used to determine the scope of a company's profit in relation to the size of the business. It is a measurement of efficiency and ultimately its success or failure. It is expressed as a relative, not an absolute, amount. It can further be defined as the ability of a business to produce a return on an investment based on its resources in comparison with an alternative investment.

### OBJECTIVES OF THE STUDY

➤ To know the profitability position of the National Fertilizer Limited and Deepak

Fertilizer and Chemicals Limited in India.

➤ To analyze the relationship between the National Fertilizer Limited and Deepak Fertilizer and Chemicals Limited in India.

### REVIEW OF LITERATURE

**Ebenazar (2013)**, This study examines the effect of working capital management on the profitability of companies listed on the Ghana Stock Exchange. Secondary data from the Ghana Stock Exchange on manufacturing companies within the Accra metropolis was used to examine whether working capital management influence the

profitability of manufacturing companies in the country.

**Dr.G.Ramanaiah(2011)**, Liquidity Management In MAA Fruits Pvt Ltd, The ultimate objective of any firm is to maximize the profit but increasing the profit at the cost of liquidity can bring serious problems too. A company having a proper set of liquidity management policies and procedure will improve profits, reduce the risk of corporate failure and significantly improve its chances of survival. Effective liquidity management will enable organization to derive maximum benefits at minimum cost. The study result show that the company enjoyed sound liquidity during the study period 2002-2006 but relationship between liquidity and profitability are statistically not significant.

**Haresh(2012)**, Working capital management and profitability: Evidence from India, Working Capital refers to the firm's investment in short terms asstes. The management of working capital is important to the financial health of business of all sizes. The management of working capital affects the liquidity and profitability of the corporate firm and consequently its net worth.

**Garcia-Teruel (2003)** The objective of the research presented here is to provide empirical evidence about the effects of working capital management of the profitability of a sample of small and medium-sized Spanish firms . With this in mind, we collected a panel of 8,872 SMEs covering the period 1996-2002. The result , which are robust to the presence of endogeneity, demonstrate that managers can create value by reducing their firm's number of days accounts receivable and inventories.

## PROFILE OF THE COMPANY

### Deepak Fertilizers and Petrochemicals Corporation Ltd. (DFPCL)

Deepak Fertilizers and Petrochemicals Corporation Ltd. (DFPCL) is among India's leading producers of fertilizers and industrial chemicals. Set up in 1979 as an Ammonia manufacturer, DFPCL today is a publicly listed, multi-product Indian conglomerate with an annual turnover of over half a billion USD with a product portfolio spanning industrial chemicals, bulk and specialty fertilizers, farming diagnostics and solutions, fresh produce, technical ammonium nitrate and value added real estate, which includes India's 1st & largest revolutionary concept retail destination for Home Interiors & Design.

### National Fertilizer Limited (NFL)

NFL, a Schedule 'An' and a Mini Ratna (Category-I) Company, having its enlisted office at New Delhi was fused on 23rd August 1974. Its Corporate Office is at NOIDA (U.P). It has an approved capital of Rs. 1000 crore and a paid up capital of Rs. 490.58 crore out of which Government of India's offer is 74.71 % and 25.29 % is held by money related establishments and others. NFL is occupied with assembling and promoting of Neem Coated Urea, three strains of Bio-Fertilizers (strong 'and fluid) and other united Industrial items like Ammonia, Nitric Acid, Ammonium Nitrate, Sodium Nitrite and Sodium Nitrate. The brand name of the organization is prominently referred to in the market as 'KISAN'.

## DATA ANALYSIS AND INTERPRETATION

### Deepak Fertilizer Limited

| YEAR    | NPR    | GPR     | ROE     | ROA    |
|---------|--------|---------|---------|--------|
| 2008-09 | -66.35 | -165.21 | -208.12 | -15.44 |
| 2009-10 | -18.21 | -6.70   | -41.71  | -7.13  |
| 2010-11 | -2.39  | 13.00   | -13.00  | -38.38 |
| 2011-12 | -.18   | 2.63    | -2.48   | -2.47  |
| 2012-13 | -2.55  | 55.49   | -24.38  | -12.58 |
| 2013-14 | -3.09  | 8.14    | -19.21  | -5.94  |
| 2014-15 | .84    | 2.29    | 8.13    | 4.72   |
| 2015-16 | .85    | 2.95    | 7.20    | 3.98   |
| 2016-17 | 1.72   | 3.74    | 12.94   | 3.17   |
| 2017-18 | 1.72   | 3.83    | 17.08   | 5.82   |

|                       |       |       |        |       |
|-----------------------|-------|-------|--------|-------|
| <b>Mean</b>           | -8.76 | -7.98 | -26.35 | -6.42 |
| <b>Std. Deviation</b> | 21.07 | 57.79 | 66.52  | 13.46 |

The above table value shows that the mean value Profitability ratio of NPR is -8.76, GPR is -7.98, ROE is -26.35 and ROA is -6.42. The standard deviation reveals that 21.07 for NPR, 57.79 for GPR, 66.52 for ROE, 13.46 for ROA.

The negative mean value shows that the company's profitability position is so weak.

#### ANOVA<sup>a</sup>

| Model      | Sum of Squares | df | Mean Square | F     | Sig.              |
|------------|----------------|----|-------------|-------|-------------------|
| Regression | 614.107        | 3  | 204.702     | 1.208 | .384 <sup>b</sup> |
| Residual   | 1016.807       | 6  | 169.468     |       |                   |
| Total      | 1630.914       | 9  |             |       |                   |

a. Dependent Variable: ROA

b. Predictors: (Constant), ROE, GPR, NPR

#### Coefficients<sup>a</sup>

| Model        | Unstandardized Coefficients |            | Standardized Coefficients | T     | Sig. | 95.0% Confidence Interval for B |             |
|--------------|-----------------------------|------------|---------------------------|-------|------|---------------------------------|-------------|
|              | B                           | Std. Error | Beta                      |       |      | Lower Bound                     | Upper Bound |
| 1 (Constant) | -3.186                      | 5.740      |                           | -.555 | .599 | -17.232                         | 10.860      |
| NPR          | -1.118                      | 1.901      | -.1750                    | -.588 | .578 | -5.770                          | 3.534       |
| GPR          | -.148                       | .230       | -.633                     | -.640 | .546 | -.711                           | .416        |
| RER          | .539                        | .497       | 2.665                     | 1.086 | .319 | -.676                           | 1.754       |

a. Dependent Variable: ROA

#### Interference:

In this test, profitability ratios of the company are analyzed. The calculated significant value is (.384) greater than the significant value (0.05). There is no linear relationship between dependent variable and independent variables

#### National Fertilizer Limited

| YEAR                  | NPR   | GPR   | ROE    | ROA   |
|-----------------------|-------|-------|--------|-------|
| <b>2008-09</b>        | 1.95  | 4.92  | 20.34  | 0.06  |
| <b>2009-10</b>        | 3.37  | 4.95  | 34.96  | 0.09  |
| <b>2010-11</b>        | 2.40  | 6.11  | 28.35  | 0.06  |
| <b>2011-12</b>        | 1.73  | 4.01  | 25.72  | 0.03  |
| <b>2012-13</b>        | -1.69 | 4.10  | -23.10 | -0.01 |
| <b>2013-14</b>        | -1.12 | -1.41 | -18.26 | -0.01 |
| <b>2014-15</b>        | 0.30  | -0.38 | 5.23   | 0.00  |
| <b>2015-16</b>        | 2.56  | 1.51  | 40.43  | 0.02  |
| <b>2016-17</b>        | 2.72  | 4.94  | 42.21  | 0.02  |
| <b>2017-18</b>        | 2.10  | 4.60  | 38.18  | 0.02  |
| <b>Mean</b>           | 1.43  | 3.33  | 19.41  | 0.03  |
| <b>Std. Deviation</b> | 1.70  | 2.53  | 23.81  | 0.03  |

The above table value shows that the mean value Profitability ratio of NPR is 1.43, GPR is 3.33, ROE is 19.41 and ROA is 0.03. The standard deviation reveals that 1.70 for NPR, 2.53 for GPR, 23.81 for ROE, 0.03 for ROA.

The mean value of the company shows that the profitability position is good.

**ANOVA<sup>a</sup>**

| Model |            | Sum of Squares | Df | Mean Square | F      | Sig.              |
|-------|------------|----------------|----|-------------|--------|-------------------|
| 1     | Regression | .008           | 3  | .003        | 64.793 | .001 <sup>b</sup> |
|       | Residual   | .000           | 6  | .000        |        |                   |
|       | Total      | .009           | 9  |             |        |                   |

a. Dependent Variable: ROA

b. Predictors: (Constant), ROE, GPR, NPR

**Coefficients<sup>a</sup>**

| Model | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig.   | 95.0% Confidence Interval for B |             |       |
|-------|-----------------------------|------------|---------------------------|--------|--------|---------------------------------|-------------|-------|
|       | B                           | Std. Error | Beta                      |        |        | Lower Bound                     | Upper Bound |       |
| 1     | (Constant)                  | .001       | .004                      |        | .386   | .713                            | -.007       | .010  |
|       | NPR                         | .049       | .005                      | 2.700  | 9.417  | .000                            | .037        | .062  |
|       | GPR                         | .002       | .001                      | .194   | 2.258  | .065                            | .000        | .005  |
|       | RER                         | -.003      | .000                      | -2.085 | -7.547 | .000                            | -.004       | -.002 |

a. Dependent Variable: ROA

**Interference:**

In this test, profitability ratios of the company are analyzed. The calculated significant value is (.001) less than the significant value (0.05). There is a linear relationship between dependent variable and independent variables.

**CONCLUSION**

This study proved that NFL is performing better than DFCL based on the profitability position. Some of the important tool used to measure the profitability of these companies. The NFL is continuously developing its resources financially and its linear regression is in positive relationship. The DFCL is financially weak in profitability position and its linear relationship is in negative relationship.

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