CHAPTER - 1
INTRODUCTION

1. THE TOPIC OF STUDY :

The topic of the research study is "A study of Financial Management and growth of fertilizer industry in India". This problem was selected on the basis of certain reasons: like bearing many related variables have with one another, what relations exist between variables, having potential of empirical testing. This problem was selected also because it can satisfy various socio-economic as well as political economic objectives.

2. PURPOSE OF STUDY :

The reason for taking up this problem for study was because fertilizer industry and fertilizers play a very important socio-economic as well as political role.

(a) Fertilizer being second input just next to water in agricultural production, it plays a vital role in agricultural development and growth.

(b) Fertilizer being chemical compound has got its share in chemical industry in its development and growth.

(c) Fertilizer industry is at the centre of economic and industrial development and growth as it has brought about spectacular progress in various industries.

(d) From socio-economic point of view as well as political point of view fertilizer industry is a very important source of employment and upgradation of standard of living and increment in economic out-put of the nation as a whole.

(e) It is a good source for saving valuable foreign exchange.
(f) It has served technological and know-how up-gradation, in the fertilizer manufacturing and related engineering, chemical and infrastructural development.

(g) The very important and vital role it has ever played is improvement in production of foodgrains which is a basic necessity for human beings.

3. **HYPOTHESIS**

The hypothesis is that the fertilizer industry in India has been quite progressive and productive from the first five year plans (1951-1952) upti present day. Fertilizer industry in India will be able to achieve good growth in future.

4. **SCOPE OF INVESTIGATION**

Of course, for the purpose of clear and deep understanding great effort has been made in locating reliable and enough data and talking to experts in this line and analysing the data in scientific and acceptable manner. But certain limitations has to be faced like time barriers, late entry of latest information, fertilizer units being widely distributed all over India it was very difficult to visit every business concern; this industry as a whole has got many aspects and several areas for investigation. Care has been taken to research and study in a meaningful and manageable way.

5. **RESEARCH METHODOLOGY**

The methodology to study fertilizer industry consists of two section 'A' and 'B'.
Section A:

In this section we study the historical and general background, so also important variables like, production, consumption, distribution, imports, import substitution, capacity installed and capacity utilization, and financial outlay etc. The collected data from various sources has been analysed and compared.

Section B:

A sample of selected fertilizer companies with reference to their financial performance, has been studied on the basis of financial ratios, the ratios which are used for this purpose are divided in the following four groups:

(a) Liquidity ratios.
(b) Profitability ratios.
(c) Leverage ratios.
(d) Turnover ratios.

All the above groups of ratios have been used for analytical study of financial performance of each individual company. Also, the inter-firm analysis has been carried out. The conclusions have been drawn on the basis of facts and finding through these ratios. Hence this research study is based on primary data collected through a questionnaire and personal interviews of experts in the fertilizer industry. Secondary data has also been used from most valid sources.

The entire study is spread over 14 chapters, appendices are given at the end.
6. **Sampling**:

For the sake of proper and useful research or investigation into a problem the only science that comes to the help of researcher or investigator is statistics; thus statistics can be defined as a science of dealing with methods of selecting a sample from a population so also methods of analysing sample data, and drawing valid inferences about the population or testing some hypotheses about the population; hence sampling is done in such a way as to serve both above mentioned objectives. Sampling methods can be broadly divided into two types: (a) probability, (b) non-probability, our sampling was through non-probability sampling and while doing this three important points have been observed: namely (1) sampling procedure, (2) sampling size (3) sampling unit, which may come under heading of sampling plan also.

(a) **Sampling Procedure**:

Sampling procedure deals with how should the respondents be chosen for the sake of our investigation into pre-set problem. Sampling procedure was in such a manner as to choose the most representative sample in fertilizer industry, private sector plays an important role and has quite a large share of fertilizer production in India, hence sample is chosen from this section so that it could be representative and meaningful for sake of inter firm comparison. The first company that started producing single superphosphate in 1906 was EID-parry which has been selected for deep analysis and understanding of fertilizer industry in India.
(b) **Sampling Size:**

Sampling size normally deals with how many members of the total population be surveyed. For this purpose as in case of fertilizer industry all three sectors namely public, co-operative and private are present. The private sector was chosen and within this sector eight important companies were selected and surveyed. These companies stand for more than 75% of well known companies in private sector and they are the famous fertilizer companies from the production point of view because a major part of their production is fertilizers and also they stand for more than 30% of total fertilizer industry.

(c) **Sampling Unit:**

Sampling unit deals with certain particular members of the total population to be surveyed. Here care is taken to survey those fertilizer units which could bear certain property like producing maximum fertilizers, by this we mean maximum of their production must be fertilizers out of their total product mix, they must be known as fertilizer units rather than simply a chemical unit, they should have important role to play in fertilizer industry, they should be in continuous and efficient operation and business, they must be comparable with other firms in similar industry. Finally the sampling is purposive sampling for better understanding.
7. SOURCES OF DATA:

The research and investigation about the problem set forth was done by examining primary and secondary data, as well as internal and external sources of data; internal sources like financial-statement which comes along with company annual reports and external sources like publications which are publishing valuable data in regard to fertilizer industry, lists and details of which are given in bibliography at the end of the thesis.

8. PLAN OF THESIS:

This thesis consists of in all fourteen chapters and necessary appendices are given at the end of the thesis.

The sequence of chapters is as follows:

Introduction comes first which comprises the topic of study, purpose of study, hypothesis, scope of investigation, research methodology and sampling which consists of three parts, part 'A' deals with sampling procedure and part 'B' deals with sampling size and finally part 'C' deals with sampling unit and at the end sources of data.

Next to introduction in the second chapter we have discussed physical performance of fertilizer industry and its history and number of manufacturing units.

The third chapter deals with financial statements, their properties and types and class, as well as financial ratios which have been selected for purpose of financial analysis of selected companies for this research study.
In the fourth, fifth, sixth, seventh, eighth, ninth, tenth and eleventh chapters, we have discussed financial performance of eight selected companies independently; their financial performance has been checked through selected financial ratios which are listed in chapter second.

Chapter twelve deals with inter-firm analysis of eight selected companies, particularly their financial performance has been discussed in this chapter.

Chapter thirteen deals with analysis, findings and conclusions.

In Chapter fourteen suggestions and recommendations are given.

At the end of the thesis after Chapter fourteen necessary appendices have been given.