ABSTRACT

The topic of research study is "A study of financial Management and growth of fertilizer industry in India".

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

The research study is based on a study of important variables like production, consumption, distribution, imports, import substitution, capacity installation capacity utilization and most important variable financial outlay etc. The ratios which are used for the purpose of this study are divided into four group viz., Liquidity ratios, profitability ratios, leverage ratios, turnover ratios.

These 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 findings through these ratios. Hence 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. Necessary appendices are given at the end.
ANALYSIS AND FINDINGS:

To produce a product many resources must be used. Likewise to produce food grains, various inputs are necessary like land, water, fertilizers and seeds etc. So fertilizer are counted as second input next to water in agricultural production. Hence to improve agricultural out-put fertilizers are essential elements. Therefore fertilizers and fertilizer industry have vital role to play in this regard. The fertilizer industry in India has had a chequered career which can be best understood by assessing its development in three distinct phases. Prior to independence this industry was virtually non-existent except for a few super-phosphate factories e.g. the first one was EID-Parry established in Ranipet, Tamil Nadu in 1908 with a capacity of 6400 tonnes P2O5 per annum. The second phase started with first large size ammonium sulphate plant commissioned in Sindri in 1951 almost coinciding with the commencement of the planning process in the country.

The real impetus for development of fertilizer came in 1960s with agriculture getting top priority in the third plan. The advent of HYVs epitomising the onset of green revolution in mid 1960s, gave added urgency to the need for rapid growth of fertilizer production within the country. Third phase began in 1980 because fertilizer industry not only witnessed further acceleration by way of addition to fertilizer capacity and production but at same time this industry underwent significant structural changes giving it the complexion of a truly dynamic industry. In the period of third phase industry went into
setting-up most modern, large size plants, incorporating essential ingredients of best available technology based on better feed-stock, which is natural gas. These changes have been supported by adequate availability of natural associated gas.

From commencement of first SSP in Ranipet in 1906 till to date, there are 55 fertilizer large plants manufacturing a wide range of nitrogenous, phosphatic and complex fertilizer. Besides, there are 90 units which are producing SSP in India. Locations of fertilizer plants initially were raw-material and input oriented but today they are market oriented. To check and examine development and growth of this industry various variables have been considered e.g. before 1947 capacity of Nitrogenous fertilizer was 5,000 tonnes and that of phosphatic was 83,000 tonnes. Both of these increased and made unbelievable growth as on 1.10.1990 i.e. almost end of 7th five-year plan. The capacity of Nitrogenous fertilizer reached to 8147000 tonnes (1629 times) and Phosphatic fertilizer reached to 2751000 tonnes, (43 times). This growth took place during a period of 43 years. In the year 1947 in public sector, investment was to the tune of 0.8 crore rupees and co-operative sector was not in existence.

In private sector, investment was to the tune of 2.5 crore rupees and total investment was 3.3 crore rupees. Investment increased and co-operative sector also came into existence, as on 1.10.1990. In about 43 years the investment reached to 4655.8 crores, (6069 times) in public sector and 1954.1 crores, (20 times) in co-operative sector and to 2551.2 crores, (1020 times) in private sector and total investment reached to the tune of 9361.1 crores, (2828 times).
From the analysis it has been observed that Nitrogenous capacity increased and ranked first and in the second place came phosphatics, Potassic fertilizers were fully imported. Investment in public sector ranks first. It ranks second in private sector and third in co-operative sector. From the beginning of first five year plan to the end of seventh five year plan (the year 1989-90) the production increased by 220 times and that of import increased by 59 times. So also distribution increased by 172 times. Similarly consumption increased by 176 times. Selected companies were operating efficiently and all diversification, and replacement of old plants by new plants and expansion programmes were followed. Their financial performance was quite good as per the research study conducted through financial ratios.

CONCLUSIONS AND SUGGESTIONS

After this analytical and detailed research study it can be concluded that fertilizer industry in India has made a significant development and achieved growth in terms of capacity installation, capacity utilization, investment, and production. In terms of necessary import and distribution, and consumption of fertilizers, this industry is quite successful, progressive and dynamic with good future prospects.

For smooth operation of fertilizer industry the following are my suggestions:

(1) Loss of production in most of the units is due to mechanical break-down/equipment failure. Hence to avoid this measures like revamping and replacement of equipments, use of modification and
rehabilitation schemes, use of proven equipments having high on-stream efficiency and minimum maintenance cost will have to be adopted. Installation of captive power plants, on-stream inspection equipment overhaul, installation of additional equipments and implementation of debottlenecking schemes may prove beneficial.

(2) To avoid loss of production government and its various agencies like railway and oil companies must provide a continuous, sufficient and uninterrupted supply of essential inputs.

(3) To improve productivity a healthy relationship between management and labour must be established. Implementation of labour welfare schemes, mutual co-ordination and co-operation between management and labour unions, speedy solution to disputes, human resources planning and within the industry-development of industrial townships with all necessary infrastructural facilities.

(4) Movement of fertilizers must be accelerated by integration of transport system within the country.

(5) Systematic marketing of fertilizers, proper demand estimation, proper pricing, proper distribution and proper quality control as well as right promotion of fertilizers.

(6) Since fertilizer plants are highly capital intensive, so installation of medium and small plants in place of large plants may be worth-while. Government must take care of this industry by providing and implementing appropriate incentives and must take
steps up to solve their foreign exchange problems by negotiations with international financial institutions.

(7) Government policy regarding production, distribution consumption, investment and pricing and subsidies must be reviewed periodically and delay should be reduced.

(8) Government and fertilizer industry together must try to avoid pollution hazards.