

A COMPARATIVE STUDY OF PERFORMANCE EVALUATION OF IFFCO AND KRIBHCO

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ABSTRACT

The Present study aims to evaluate the financial performance of the IFFCO and KRIBHCO Co-operative fertilizers companies of Gujarat by establishing proper relation between the items of profit and loss account and balance sheet. The study has been undertaken for the period of ten years from 2010-11 to 2019-20 and the necessary data have been obtained from companies annual reports. In order to analyze the financial performance in terms of liquidity, solvency, and profitability, various accounting ratios were calculated to compare the performance of IFFCO and KRIBHCO. To test the validity of the hypothesis, help of the t - test was taken.

KEYWORDS: *Financial Performance, Fertilizer, Liquidity, Annual Reports, Profitability, Liquidity.*

Introduction

The word "performance" is used to refer to efforts made to achieve goals effectively and efficiently. Achieving the goals presupposes the integrated use of human, financial, and natural resources. Assessment is the systematic willpower of the advantage, price, and significance of a subject, the use of criteria ruled by a set of standards. Performance measurement through analysis of financial statements provides a good understanding of the behavior of financial variables to measure the performance of various companies in the industry and identify trends for improvement in the organizations. Important performance areas such as liquidity, profitability, working capital, productivity, fixed assets, etc. Financial analysis helps managers track their company's performance. For this, it provides a system and a set of procedures to analyze and understand financial performance indicators.

Fertilizer plays an incredibly essential position in increasing agricultural production. It stays the most crucial input, next simplest to water in agricultural production. Fertilizer is needed in increasing amounts to feed millions of people in our country. The government of India has planned and approved major investments in the fertilizer sector. Increasing fertilizer production is as important as producing it efficiently and at the lowest unit cost.

Review of Literature

- **Mr. Shaikh Tajuddin Sirajuddin and Dr. Jitendra D. Patel** presented a research paper on "A Study of the Financial Performance of Selected Cooperative Fertilizer Industries in Gujarat State: A Comparative Study". The main aim of the study was to compare the financial performance of the financial performance parameters. For this purpose, the current key figure, the net profit ratio, the return on investment and the debtor fluctuation rate are used. The researcher used selected secondary data from two cooperative industries, namely Krishak Bharati Co-operative Limited (KRIBHCO) and Indian Farmers Fertilizer Cooperative (IFFCO) for the period 2007-08 to 2014-15, which was analyzed by F-test and test t. The result shows that the financial performance of IFFCO is quite good compared to KRIBHCO.

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- **S. Sowmiyaa, S. Moghana Lavanya, K. Mahendran V. Geethalakshmi** wrote a research paper on "Financial Performance of the Indian Fertilizer Industry - A Comparative Assessment of Private, Public and Cooperative Sector Companies". The aim of this paper is to analyze the financial performance of the industry as a whole, a still under-explored area of study. The analysis includes private and public companies and cooperatives for 2016-2020. The five-year average shows that the industry is financially weak. The reasons may include commodity shortages, volatility in the global commodity price index, unstable market conditions or poor operating practices.
- **Gargi Patel** presented the paper "A Comparative Study of Financial Performance of IFFCO and KRIBHCO". The aim of the study is to know the financial performance of IFFCO and KRIBHCO, for this study the ratio analysis is used as the accounting tool. After calculating the key figures and averages, some key figures are taken into account for the analysis. IFFCO's overall financial performance is in a more favorable position than KRIBHCO.
- **Pri. Dr. K.N. Chavda and Prof. Mehul B. Shah** wrote a research paper on "A Financial Ratio Analysis of Gujarat Narmada Valley Fertilizer & Chemicals Ltd." The purpose of the study is to know Gujarat Narmada Valley Fertilizer & Chemicals Ltd, to study the growth of Gujarat Narmada Ltd. Valley Fertilizer. The data required for the paper was taken from the year 2009-10 to 2013-14. The fertilizer industry is one of the most energy-intensive sectors of the Indian economy and is therefore of particular interest in the context of both local and global environmental discussions. The study conducted is based on the ratio analysis, the t-test, which has helped analyze the performance of companies in the Indian fertilizer industry.

Statement of the Problem

A Comparative Study of Performance Evaluation of IFFCO and Kribhco

Objectives of the Study

The objectives of the study are as follows:

- Assess the financial performance of IFFCO and KRIBHCO over the last 10 years.
- Study the growth and development of cooperative fertilizer companies in India.

Period of the Study

The study covered the period of 10 years 2010-11 to 2019-20.

Sources of the Data

The study is mainly based on secondary data from the published annual reports of the fertilizer companies IFFCO and KRIBHCO. The required information is also obtained from various publications, various books, magazines, journals, websites, etc.

Sample Design

Mainly fertilizer production, divided into three sectors such as public, private and cooperative. The study covers cooperative sectors that are active in the manufacture of fertilizers limited (KRIBHCO) selected.

Data Analysis Techniques

This research work mainly focuses on evaluating the financial performance of IFFCO and KRIBHCO, a cooperative fertilizer company in India. For the purposes of analysis, the collected data were systematized, tabulated and analyzed. The data were analyzed using ratio analysis as an accounting tool and T-test as a statistical tool.

Ratio Analysis

The following calculations were made using MS Excel tools to indicate the performance of companies in different aspects.

• Net Profit Ratio

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	Avg.
IFFCO %	3.41	3.02	4.51	3.09	2.38	2.58	1.53	3.36	3.02	3.73	3.06
KRIBHCO%	4.01	5.74	0.94	4.77	13.40	8.29	9.67	13.93	16.54	15.09	9.24

Source : Annual Report

In the above table represents the net profit ratio, the profitability of KRIBHCO is better than that of IFFCO company because its average net profit is higher than that of IFFCO.

Hypothesis testing (T-test)

H₀: There is no significance difference in the performance of IFFCO and KRIBHCO in Net profit ratio

H₁: There is significance difference in the performance of IFFCO and KRIBHCO in Net profit ratio

T - Calculated value	Table value (0.05% level)
0.001	2.100

The computed value of 't' is 0.001, while the table value of 't' is 2.100, which is greater than the computed value. Hence, the null hypothesis is accepted, it shows that there is no significant difference in the net profit ratio of IFFCO and KRIBHCO.

- Return on Capital Employed Ratio**

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	Avg.
IFFCO%	7.39	7.46	8.61	8.86	9.60	10.52	7.52	10.44	10.39	10.81	9.16
KRIBHCO%	6.01	5.73	5.15	5.93	7.20	3.94	6.28	9.78	5.57	7.99	6.36

Source : Annual Report

From the table above, you conclude that the value of all assets that are used in a business position wavered in both companies. The mean value of the IFFCO Return Capital Employed was 9.16 over the study period. The highest ROCE indicates successful company growth.

Hypothesis testing (T-test)

H₀: There is no significance difference in the performance of IFFCO and KRIBHCO in Return on capital employed profit ratio

H₁: There is significance difference in the performance of IFFCO and KRIBHCO in Return on capital employed profit ratio

T - Calculated value	Table value (0.05% level)
0.000582	2.100922

The calculated value of "t" is 0.0005, while the value of table "t" is 2,100922. This is a value greater than the calculated value. Therefore, the null hypothesis is accepted, which shows that there is no significant difference in the return on equity of IFFCO and KRIBHCO.

- Return on Net Worth Ratio**

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	Avg.
IFFCO%	5.85	5.17	6.12	8.45	9.39	9.38	4.90	11.60	13.68	15.93	9.05
KRIBHCO%	-10.22	5.86	4.76	5.77	8.48	1.66	5.73	11.63	6.58	8.15	4.84

Source : Annual Report

Return on net worth, IFFCO average of 9.05 is higher than the KRIBHCO average, showing that the company is using shareholders' funds more efficiently.

- Current Ratio**

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	Avg.
IFFCO%	4.99	5.08	4.26	6.48	6.85	5.79	6.49	5.25	10.66	6.37	6.22
KRIBHCO%	6.26	6.15	5.47	5.52	5.71	5.32	3.57	3.23	2.86	1.99	4.61

Source : Annual Report

The table above shows that both companies maintain the index above 3, state that the companies do not use current assets efficiently and maintain working capital inadequately.

- Quick Ratio**

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	Avg.
IFFCO%	4.18	4.07	3.60	5.45	5.91	4.65	4.93	4.35	8.66	5.61	5.41
KRIBHCO%	5.52	5.19	4.50	4.57	5.17	4.87	3.16	2.84	2.52	1.65	3.99

Source : Annual Report

The value of quick ratios of both companies is greater than 1, which means that both companies are able to pay off their current liabilities with a sufficient amount of cash or cash equivalents.

- Debt -Equity Ratio**

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	Avg.
IFFCO%	0.84	0.86	0.69	1.43	1.90	1.56	1.46	1.69	2.28	2.16	1.49
KRIBHCO%	1.56	1.33	0.90	0.99	1.0	0.77	0.71	0.55	0.45	0.10	0.84

Source : Annual Report

During the study period, KRIBHCO's debt capital ratio close to 1 shows less risk, while IFFCO estimates more than 1 for many years, which is considered risky.

Conclusion

Performance assessment measures the financial strength of a company, its liquidity position, ability to use funds and cash equivalents, and overall performance, which was more useful for companies influencing all parties such as shareholders, management, potential shareholders and financial institutions. Based on the analysis of ratios, IFFCO's ROI / NPV ratio is better than KRIBHCO's. In terms of liquidity, KRIBHCO was better because it managed to more efficiently manage its assets to pay off current liabilities. And overall performance point of view KRIBHCO company manage all aspects equally compare to IFFCO.

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