

**PERFORMANCE OF THE FERTILISER INDUSTRY
IN INDIA : A REVIEW**



**A Dissertation Submitted to the
UNIVERSITY OF POONA
For the Degree of
MASTER OF PHILOSOPHY
(ECONOMICS)**

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OCTOBER 1987

ACKNOWLEDGEMENTS

I am extremely grateful to my guide, Professor V. S. Patvardhan for his valuable guidance in the writing of this dissertation. I would like to thank Shri S. K. Athale for his efficient typing. Last but not the least, I would like to thank my family for their cooperation and support in the course of this work.

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October 1987

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INTRODUCTION

The importance of the fertiliser sector in the national economy cannot be overemphasised. Fertilisers continue to be the most important input, next only to water, in agricultural production. India, having the second largest population in the world, faces the problem of producing enough food for her ever increasing population. The most challenging task for the government is to keep up the tempo of food production so as to meet the growing demands for food. Fertilisers, being a vital input for agriculture, help in raising raising agricultural productivity and hence in increasing food production.

The noted economist W. A. Lewis has stated that "the secret of rapid agricultural progress in the underdeveloped countries is to be found much more in agricultural extension, in fertilisers, in new seeds, in pesticides and in water supplies than in altering the size of the farm, in introducing machinery, etc. Indeed the best hope of raising the standard of living in these countries lies in the fact that the backwardness of their agricultural techniques makes possible spectacular advances in production at relatively low cost."¹ Fertilisers in fact represent a vital

1 W. A. Lewis, The Theory of Economic Growth, p.130.

link between agricultural development and industrial growth. Realising the importance of the fertiliser sector, the Government of India has been planning and approving huge investments in this sector.

It would therefore be useful to analyse the performance of the fertiliser industry. The emergence of the fertiliser industry in India is really a post-second world war phenomenon. An attempt is made here to review the performance of selected fertiliser companies in the public and private sectors of the economy. Six companies in the public sector and five from the private sector have been selected for the purpose : Fertiliser Corporation of India Ltd. (F.C.I.), Rashtriya Chemicals and Fertilisers Ltd.(R.C.F.L.), National Fertilisers Ltd. (N.F.L.), Fertilisers and Chemicals Travancore Ltd. (F.A.C.T.), Hindustan Fertiliser Corporation Ltd. (H.F.C.L.) and Madras Fertilisers Ltd. (M.F.L.) in the public sector; and Coromandel Fertilisers Ltd. (C.F.L.), Mangalore Chemicals and Fertilisers Ltd. (M.C.F.L.), Zuari Agro Chemicals Ltd. (Z.A.C.L.), Indian Explosives Ltd. (I.E.L.) and Gujarat State Fertilisers Company Ltd.(G.S.F.C.) in the private sector.

Chapter I gives a brief account of the development of the industry over the years including the various policies adopted by the Government of India with respect to fertiliser distribution, imports, prices, credit and feed-stocks. In Chapter II, the physical aspects of performance

are discussed. It examines the production, consumption and imports of fertilisers for the country as a whole after which the performance of fertiliser companies with respect to production and capacity utilisation is reviewed. Chapter III brings out the financial performance of the fertiliser companies. The ratios selected to measure financial performance include debt-equity ratio, current ratio, output-capital ratio, profits before tax to sales, profits after tax to net worth, gross fixed assets per tonne of installed capacity and net fixed assets per tonne of installed capacity. This examination of physical and financial performance is restricted to the period 1979-80 to 1983-84 due to non-availability of comparable data over a longer period. Finally, Chapter IV presents the summary and conclusions arrived at from the above study.