

## Financial analysis of Indian farmer's fertilizer cooperative limited-iffco (A case study)

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### Abstract

As a result of the Green Revolution, there was a strong demand for fertilizers in India. To gain opportunities in this area, a new IFFCO cooperative was created specifically to meet the needs of farmers. It was a unique business concept in which the Farmers of the country through their own cooperative societies have created this new institution to defend their interests. The requirement of the case is to analyze the financial performance of IFFCO and also identify the factors for success of IFFCO and suggestions to overcome the new challenges.

**Key Words:** Co-Operative Society, Financial Performance, Diversification, Joint Venture

### Introduction

From 1967 till today, IFFCO is performing well in fertilizer and other related areas. Fertilizers are substances that supply one or more of the chemicals required for plant growth. Fertilizers can be both organic and inorganic. Industry experts say that there are sixteen elements that are absolutely necessary for plant growth. Out of these nine elements are required in large quantities while the other seven are needed in smaller amounts. The fertilizer industry in India is extremely vital as it manufactures some of the most important raw materials required for crop production. The primary objective of this industry is to ensure the inflow of both primary and secondary elements required for crop production in the desirable quantities.

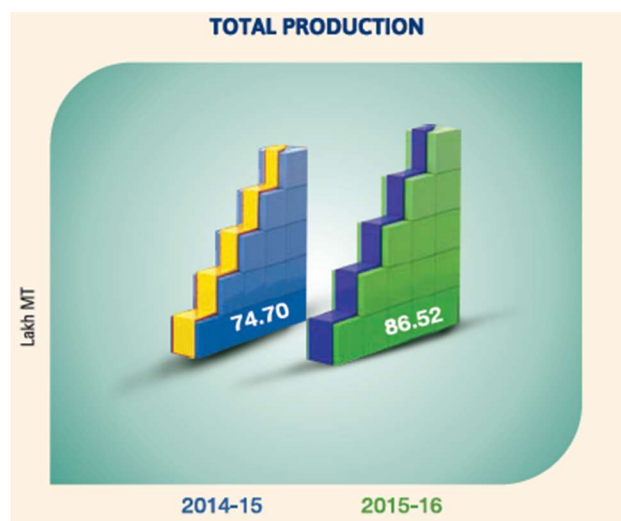
India is the second largest consumer of fertilizer. It is also the third largest fertilizer producer in the world. In 2015-16, the country produced 3.0836 million tons of fertilizer. India is also having many large private and government fertilizer companies. In the current scenario, there are over 57 large and 64 small and medium fertilizer production units under the Indian fertilizer industry. The main products manufactured by the fertilizer industry in India are phosphate based fertilizers, nitrogenous fertilizers and complex fertilizers. The fertilizer industries in India, with the rapid development, want to make a long-term overall impression

Though, 2015-16 was the slow year for Indian fertilizer industry. Demand is shrinking and import rising. Another challenge which industry is facing is regarding late payment of subsidies. There was also reduction of 4% on fertilizer budget in the year 2016-17, a budget of 70,000 crore. Still IFFCO is performing well in fertilizer industry

### IFFCO

In the mid-1960s the cooperative sector in India was responsible for the distribution of 70% of the fertilizers consumed in the country. This sector has sufficient infrastructure to distribute fertilizer, but had no production facilities and therefore depends on the public / private sectors for supplies. To remedy overcome the shortcoming and fill the gap in domestic demand, a new cooperative society was

created to meet the specific needs of farmers. It was a unique enterprise in which the country's farmers through their own cooperative societies created this new institution to safeguard their interests. The number of cooperative enterprises associated with IFFCO has increased from 57 in 1967 to 36666 at the present time.



Source: www.iffco.com

IFFCO startup in November 3, 1967 as a Multi-unit Co-operative Society. IFFCO registered under the Multistate Co-operative Societies Act 1984 & 2002, the Society is deemed to be registered as a Multistate Co-operative Society IFFCO focus is production and distribution of fertilizers. The byelaws of the Society provide a broad frame work for the activities of IFFCO as a Co-operative Society.

At present IFFCO have five Manufacturing Plants at KALOL, PHULPUR, AONLA, KANDLA and PARADEEP. As on 31st March 2016, it has an Authorized Share Capital of Rs. 1000.00 Crore and Subscribed & Paid up Capital: RS. 424.39 Crore. IFFCO has undertaken various projects from time to time and these schemes have led IFFCO to become one of the largest

producers and distributors of fertilizer chemicals in the expansion of existing units, the creation of joint ventures abroad And diversification into new areas.



Source: www.ifcco.com

The IFFCO fertilizer distribution made through 36666 cooperative societies. All held distribution, sales promotion

activities and coordinated by the Central Marketing Bureau (MKCO) in New Delhi with the help of marketing offices in the field. In addition, basic agricultural inputs for agricultural production to farmers through a chain 158 farmer service centers (FSC). IFFCO has encouraged many institutions and organizations to work for the welfare of farmers, strengthening the cooperative movement, and improving Indian agriculture. This category includes the Indian Farm Forestry Development Cooperative Ltd (IFFDC), Cooperative Rural Development Trust (CORDET), the IFFCO Foundation, and the Kisan Sewa Trust. An ambitious program "ICT Initiatives for Farmers and Cooperatives" has begun to promote e-culture in rural India. The IFFCO cultivates an emphasis on its relations with farmers and undertakes a large number of agricultural extension activities in their favor each year.

The IFFCO is now a leading company in the Indian fertilizer industry and contributes substantially to the efforts of the Indian government to increase food grain production in the country. IFFCO presented an overall plan entitled "Vision 2015", which is now in place. There are many useful ratios recommended by experts for financial analysis of the organization. Identification and selection of financial ratio has been made in order to analyze the financial soundness and performance in significant manner. The following are the useful ratios given in the table for this purpose.

Table 1: 5 Years Financial Analysis of IFFCO

YEAR	2011-12	2012-13	2013-14	2014-15	2015-16
Current Ratio	8.51	4.65	5.39	5.01	5.77
Quick Ratio	7.00	3.87	4.14	4.07	4.97
Fixed Asset Turnover Ratio	5.20	4.37	4.23	5.25	6.04
Working Capital Turnover Ratio	2.87	1.99	2.21	2.57	2.46
Debt- Equity Ratio	2.28	1.69	1.46	1.56	1.90
Operating Profit to Turnover (%)	6.93	6.62	3.15	5.24	4.50
Profit Before Tax to Turnover	9.14	10.06	4.03	8.41	6.51
Return on Capital Employed	5.80	6.10	2.41	6.04	5.08
Profit Before Tax to Net Worth	18.03	17.63	6.26	15.07	13.58
Profit After Tax to Net Worth	13.68	11.60	4.90	9.38	9.39

Current Ratio in all 5 years is above the Standard Ratio, which is 2:1. It shows the sound financial position of the company. But it becomes double in 2011-12 as compared to Financial Year 2012-13 i.e. it becomes 8.51 from 4.65, which is too much high from ideal ratio. It is not a good sign for the company as too much of increase or decrease from the ideal ratio is not good for the company. Too high Current Ratio indicates that the funds of the company are not being used efficiently and are lying ideal and ideal funds doesn't yield any return. So, company should not maintain a very high Current Ratio.

Over the course of five financial periods of the study of IFFCO, Quick Ratio in all the 5 years is above the rule of thumb i.e. 1:1. It shows the sound liquidity position of the company. But in the year 2011-12, it gets near about double from the year 2012-13, i.e. from 3.87 it becomes 7.00, which is not at good for the company as it shows too much of liquid assets hold with the company and too much of assets lying ideal with the company is not giving any return to the company. Therefore, it's not very satisfactorily.

Fixed Assets Turnover Ratio is 5.2 for the year 2011-12. Then it decreased to 4.37 in year 2012-13, 4.23 in year 2013.14 which is not good for the company as lower ratio indicates the company's notability to generate more sales per rupee of investment in fixed assets. Then in next 2 years it increased continuously and reached 6.04 in the year 2015-16. Increase in Fixed Assets Turnover Ratio is good for the company as it shows that fixed investment in fixed assets has been utilized efficiently as compared to years in which Fixed Assets Turnover Ratio was lower.

Working Capital Turnover Ratio was 2.87 in the year 2011-12. Then it is continuously decreasing over the years and reached 2.46 in 2015-16. A lower Working Capital Turnover Ratio is not good for a company because it shows a lower efficiency of the management and inefficient utilization of working capital. So, the company should try to maintain the proper level of Working Capital Turnover Ratio.

Debt Equity Ratio was 2.28 in the year 2011-12. Then in the year 2012-13, it decreased then the previous year and becomes 1.69, which shows that company's external borrowing has

decreased. In the next year, in 2013-14 it decreased continuously from the previous 1.46. But it again increased slightly and reached 1.56 in the year 2014-15 which is not a good sign for the company as it shows that the external borrowings of the company is increasing and company is more dependent on external sources of finance. As the ratio is increasing for the last year 2015-16 it is not good indication for the creditors as well as for the company.

The operating profit to turnover was 6.93% in the year 2011-12 which decreased to 6.62% in the year 2012-13. It shows that the company's operating profit has decreased as against the turnover of the company and then it continuously decreased for 2 years and reached 3.15% in the year 2013-14 which shows the operating deficiency of the management of the company. But in the year 2014-15 it increased to 5.24% and again decrease 4.5% to year 2015-16. It is not a good indication for the company. So, company should try to maintain a proper operating profit to turnover ratio by maintaining a proper balance between above mentioned 2 factors i.e. Gross Profit and Operating Expenses. The Profit before Tax to Turnover was 9.14 in the year 2011-12. It increased in the year 2012-13 and reached 10.06 which is good for the company. But then it decreased for 2013-14 is 4.03. Again this is increase in year 2015-16 is 6.51. This high ratio shows the good business efficiency of the company. In the year 2013-14 it decreased to 4.03. This doesn't indicate a good position for the company as profit is a useful measure of efficiency of business and should be maintained at a higher ratio. Return on capital employed (ROCE) is a financial ratio that measures a company's profitability and the efficiency with which its capital is employed Return on Capital Employed is the testimony of a company's continuous effort to effectively utilize its assets. In the year 2011-12, ratio was 5.8 but during the year 2012-13, ratio increase to 6.1. Than the ratio decreased in 2013-14 is 2.41 and again increase in year 2014-15 is 6.04 but in the year 2015-16 it again decreased and reached 5.08 decrease in Return on Capital Employed Ratio is not a good sign for the company. Company should try to maintain its Return on Capital Employed Ratio at a higher level because higher the ratio, good is for the company as this ratio indicates the firm's ability of generating profit per rupee of capital employed. The higher ratio indicates the efficiency of management and effective utilization of capital employed.

The higher profit before tax to net worth ratio indicates the more efficient utilization of the Long Term Funds provided by the shareholders. The ratio shows the firm's ability of generating profit per rupee of net worth. Profit before Tax to Net worth was 18.03 for the year 2011-12. It continuously decreased over the next 2 years and reached 6.26 in the year 2013-14 which was the lowest among the 5 financial periods studied. The lower ratio indicates the ineffective utilization of shareholder's funds. But in the year 2014-15 it goes up to 15.07 which is a good indicator for the company as Profit before Tax to net worth shows the company's ability to generate profit per rupee of shareholder's funds. So, the company should try to maintain the ratio at a higher level by increasing profit.

Profit before Tax to Net worth was 13.68 for the year 2011-12. It continuously decreased over the next 2 years and reached 4.9 in the year 2013-14 which was the lowest among the 5 financial periods studied. The lower ratio indicates the ineffective utilization of shareholder's funds. But in the year 2015-16 it goes up to 9.39 which is a good indicator for the company as

Profit before Tax to net worth shows the company's ability to generate profit per rupee of shareholder's funds. So, the company should try to maintain the ratio at a higher level by increasing profit. From the ratio analysis of Financial Statements of IFFCO for the 5 years, it can be concluded that liquidity position of the company was not very good as compared to the ideal situation because in the year 2011-12 Liquidity Ratio is high from their standard ratio. Debt Equity Ratio of the company is satisfactory. The company is dependent more on long term debts than Shareholder's Funds, which is the cheap source of capital than share capital due to which shareholder does can get a higher share in earnings. In the year 2010-11, the long term funds supplied by the creditors are used efficiently. But in the year 2011-12, Return on Capital Employed goes down because there is decrease in Profit before Interest and Tax. There is an increase in profit before depreciation Interest and Tax in the year 2015-16 than previous year. But in spite of its increase, profit after tax goes down due to finance cost and depreciation. The increase in finance cost is mainly due to increase in borrowings of the company. So, the company should try to maintain low finance cost so that profit can be increased.

As far as dividend is concerned, the company is following Stable Dividend Policy and dividend is almost constant level over the study period which is a good source of regular income for the shareholders.

Thus, it can be concluded from the study of 5 financial periods of IFFCO that the maximum financial indicators of IFFCO are not at a very good position. From the analysis of main Financial Indicators it is clear that Operating Profit to Turnover Ratio, Fixed Assets Turnover Ratio, Debt Equity Ratio, Current Ratio, Liquidity Ratio, etc are more than ideal position. However, company's Return on Capital Employed, Profit before tax to Turnover, etc were undesirable as compared to Previous Years.

### **IFFCO Success Path**

During the 1960s the cooperative sector in India was responsible for the distribution of 70 per cent of the fertilisers consumed in the country. This sector had adequate infrastructure to distribute fertilisers but had no production facilities of its own and hence was dependent on public/private sectors for supplies. To overcome this difficulty and to bridge the demand supply gap in the country, a new cooperative society was conceived to specifically cater to the needs of farmers. It was a unique venture in which the farmers of the country through their own cooperative societies created this new institution to safeguard their interests.

The number of cooperative societies associated with IFFCO has risen from 57 in 1967 to more than 39,800 at present. Indian Farmers Fertiliser Cooperative Limited (IFFCO) was registered on November 3, 1967 as a Multi-unit Co-operative Society. On the enactment of the Multistate Cooperative Societies act 1984 & 2002, the Society is deemed to be registered as a Multistate Cooperative Society. The Society is primarily engaged in the production and distribution of fertilisers. The bylaws of the Society provide a broad frame work for the activities of IFFCO as a cooperative society.

### **Plants owned by IFFCO**

IFFCO Phulpur Unit -1 Entrance. It's one of the 5 Factories owned by IFFCO. Established in 1980 during the years 2004

and 2005, IFFCO has emerged as a cooperative in true spirit. IFFCO is now entirely owned by its cooperatives and has become a cooperative of the farmers, by the farmers and for the farmers. Initially, IFFCO commissioned an ammonia – urea complex at Kalol and the NPK/DAP plant at Kandla both in the state of Gujarat in 1975. Ammonia – urea complex was set up at Phulpur in the state of Uttar Pradesh in 1981. The ammonia – urea unit at Aonla was commissioned in 1988. Recently, IFFCO has acquired an NPK/DAP and Phosphoric acid fertiliser unit at Paradeep in Orissa in September 2005. The marketing of IFFCO's products is channeled through cooperative societies and institutional agencies in over 28 states and union territories of India.

In India, IFFCO is a leader in the fertilizer industry and works close with the government of India to increase production of food grain production in the country. IFFCO is utilizing 158 Farmers Service Centers and 40,000 cooperative outlets in 29 states of the country for the distribution of its products. Company has a staff base of over 6,700 employees, five mega plants and 80 marketing offices.

### **Amalgamation of more than 36,000 cooperatives**

Indian Farmers Fertilizer Cooperative Limited (IFFCO) is one of the India's biggest cooperative societies founded in the year 1967. Starting with only 57 cooperatives, today IFFCO is an amalgamation of more than 36,000 Indian Cooperatives.

### **Strong Corporate Governance**

One of the major strength of IFFCO is professional, transparent and democratic practices in Corporate Governance. IFFCO has carved out a strong "Cooperative Identity" and always uphold the "Cooperative Values" and "Cooperative Principles".

### **Diversification of Business**

IFFCO made strategic investments in several joint ventures like Oman India Fertilizer Company (OMIFCO) in Oman, Potash Indian Limited India and Industries Chimiques du Senegal (ICS) in Senegal are major fertilizer companies and Indo Egyptian Fertilizer Company (IEFCO) in Egypt, Jordan India Fertilizer Company in Jordan is underway. As part of the diversification strategy, IFFCO has signed several key areas. IFFCO-Tokio General Insurance Ltd (ITGI) is an intrusion into the general insurance sector. Thanks to ITGI, IFFCO has developed new services for the benefit of farmers. The "Sankat Haran Bima Yojana" offers free insurance coverage to farmers every bag of IFFCO bought. To avail the benefits of new innovations such as the marketing of agricultural products, IFFCO has purchased shares of the National Commodity and Derivative Exchange (NCDEX) and National Collateral Management Services Limited (NCMSL). The IFFCO Chattisgarh Power Limited (ICPL), which is running, is yet another attempt to move the central area of power. IFFCO is developing a multi-national KISAN Special Economic Zone (IKSEZ) in Nellore, Andhra Pradesh - the first of its kind for farmers' cooperatives to be concerned. The IFFCO is also the source of many other companies only with the intention of benefiting the farmers. The distribution of IFFCO fertilizers is carried out through more than 39,800 cooperative societies. All Distribution, sales promotion activities and coordinated by the Marketing Central Office (MKCO) in New Delhi with the help of marketing offices in the field. In addition, basic agricultural inputs for agricultural production to farmers through a chain

158 farmer service centers (FSC). IFFCO has encouraged many institutions and organizations to work for the welfare of farmers, strengthening the cooperative movement, and improving Indian agriculture so company follow the Indian Agricultural Forestry Cooperative Society Ltd (IFFDC), Cooperative Rural Development Trust (CORDET), the IFFCO Foundation, and the Kisan Sewa Trust. An ambitious program "ICT Initiatives for Farmers and Cooperatives" has begun to promote e-culture in rural India. Company has a privilege on its relations with farmers and undertakes a large number of agricultural addition activities in their favor each year.

IFFCO has decided to diversify its activities and has entered into several new areas. In the general insurance sector, IFFCO started IFFCO-Tokio General Insurance Ltd. (ITGI). Thanks to ITGI, IFFCO has developed new services for the benefit of farmers. The "Sankat Haran Bima Yojana" offers free insurance coverage to farmers every bag of IFFCO bought. To take advantage of new concepts such as the commercialization of agricultural products, IFFCO has purchased shares of the National Commodity and Derivative Exchange (NCDEX) and National Collateral Management Services Limited (NCMSL). It enters into the power sector by starting IFFCO Chattisgarh Power Limited (ICPL) which is under implementation. IFFCO started multi-product farmer's cooperatives, KISAN Special Economic Zone (IKSEZ) at Nellore in Andhra Pradesh. IFFCO behind several other companies, for the sole purpose of beneficiary of the farmers. The distribution of IFFCO fertilizer made by more than 39,800 cooperative societies. All distribution activity, sales and marketing are coordinated by the Marketing Central Office (MKCO) using New Delhi from the marketing offices in the field.

### **Joint Ventures**

IFFCO made strategic joint ventures with different national and international players. Few important fertilizers joint venture were Industries Chimiques du Senegal (ICS) in Senegal, Indian Potash Limited in India, and Oman India Fertiliser Company (OMIFCO) in Oman and Jordan India Fertilizer Company in Jordan.

### **OMIFCO Oman**

Krishak Bharati Cooperative Ltd. (KRIBHCO), Indian Farmers Fertilizers Cooperatives Ltd (IFFCO) and Oman Oil Company with a corresponding participation of 25%, 25% and 50% worked and created world class fertilizer plant Oman India Fertilizer Company (OMIFCO), Oman at a cost of \$ 892 million. It consists of 5060 granular urea at MTPD and 3,500 ammonia MTPD plants with the coastal city services of Sur in Oman. The annual production capacity of the complex fertilizer is 16.52 liters MT granulated urea. The total quantity of urea is rejected by the Government of India under the urea delivery contract (UOTA) to the default values. In addition, the Government of India takes the excess urea, if any, according to the price agreed for the additional amount. In addition, also produced by the plant for which IFFCO has Ammonia Off-Take Agreement (AOTA) 2.5 million tons of ammonia surplus per year. OMIFCO is examining the possibility of expanding and increasing the production of urea and ammonia

### **ICS Senegal**

The Government of India (GoI), Indian Farmers Fertilizer Cooperative Ltd. (IFFCO) and Southern Petrochemicals

Industries Corporation Ltd. (SPIC) set up a joint venture in Senegal called Chimiques du Senegal (ICS). SPIC subsequently withdrawn from the project. Last year, the company suffered financial losses. However, ICS Senegal was restructured in 2008 with the Indian government, and other partners IFFCO Indian consortium with 85% and the Government of Senegal with a 15% share. The plan, approved by the Supreme Regional Court of Dakar (Senegal) on 27.3.2008, in force and ICS Senegal, restructured, works.

Senegal ICS has the capacity to produce 6.60 tons per year of phosphoric acid and also supplements phosphate fertilizers such as DAP and compound fertilizers. A large amount of phosphoric acid, about 5.5 lmt produced in the ICS plant, is extracted from IFFCO under a long-term purchase contract and used to produce phosphate fertilizers in India. Fertilizers, DAP and complex fertilizers produced by ICS Senegal, intended for domestic consumption in Senegal.

#### **IJC Jordan**

The company SPIC, Jordan Phosphates Mines Company Ltd. (JPMC) and the Arab Investment Company (AIC) established in Jordan in June 1997, a joint venture project of Jordan Chemicals Company Limited (IJC) with a capacity of 2.24 tons of production time Of phosphoric acid. The 52.17% joint venture capital held by SPIC, 34.86% JPMC and 12.97% of the AIC. Phosphoric acid produced by the IJC received from SPIC and other fertilizer units in India.

#### **IMACID Morocco**

IMACID the Company, a joint venture between the Office Chérifien des Phosphates (OCP), Morocco and Chambal Fertilizers & Chemicals Ltd. (CFCL), India which produces 3.60 liters of phosphoric acid per year allocated to Morocco October 1999. After subsequent joining of Tata Chemicals Limited (TCL), the plant capacity has been increased to 4.30 LMT each year. Initially, the amount of US \$ 65 million in the company's equity held equally by the OCP and CFCL. Then, in May 2005, OCP and CFCL sold one third of its share capital in IMACID TATA Chemicals Limited.

#### **Overseas Joint Ventures under Implementation/ Consideration**

##### **JIFCO Jordan**

Indian farmers Fertilizers Cooperative Ltd (IFFCO) and Jordan Phosphate Mining Company (JPMC) have agreed to produce the phosphoric acid plant Jordan India Fertilizer Company (JIFCO) in Jordan with an installed capacity of phosphoric acid of 1500 tonnes per day (of MTPD). The participation rate in the scheme is 52:48 between IFFCO and JPMC, respectively. The plant should be operational in 2010.

##### **TIFERT Tunisia**

Gujarat State Fertilizers & Chemicals Ltd (GSFC) and Coromandel International Ltd (CIL), formerly Coromandel Fertilizers Ltd. (CFL), and the two Indian entities with the Groupe Chimique Tunisien (GCT) and the & Compagnie Des Phosphates De Gafsa (CPG) ), both Tunisian entities are setting up a joint venture project, Tunisian Indian Fertilisers S.A. (TIFERT) at Skhira in Tunisian for production of 3.6 lakh MT of Phosphoric Acid per annum All production of phosphoric acid would be destined to receive GSFC and CIL. A

memorandum was signed in relevant October 2005 between the parties. The estimated cost of the project is approximately. US \$ 165 million + 5% with shares worth US \$ 66 million of US \$ 99 million debt. The project is expected to be operational in 2010.

#### **Cooperation in Syria**

The Joint Committee on India and Syria, at its meeting held in January 2008, took note of the mutual interest of the two countries in the field of raw materials and phosphate products. It was agreed that the two countries will work on cooperation in the field of fertilizers in Syria. As a result, a consortium of Indian entities, including MECON, Rites and PDIL, with expertise in mining, operation, processing, installation and operation of a Phosphate and logistics, GECOPHAM in Syria. The Government of India is funding the study. According to the Memorandum of Understanding signed between this Ministry and GECOPHAM in May 2009, the Indian consortium undertook feasibility studies that were completed and the pre-feasibility report was submitted to the authorities of Syria. The MoU government level, which specifies the general framework for cooperation in the phosphates sector between countries, was signed in October 2010. A delegation of the dof and consortium visited Syria in February 2011 to discuss the draft feasibility report and other details to go further with the Syrian authorities.

#### **Cooperation with Russia**

On 12.03.2010 MK signed between the Indian government and the Russian government during the visit of the Russian Prime Minister to India, which includes inter alia encouraging cooperation in trade, production, possible joint ventures, Investment and R & D, exchange of information and consultations for the production of mineral fertilizers and consumption, exchange of experience, encouragement of contacts between specialists, joint organization of conferences, Symposiums and business economic events of cooperation in the field of mineral fertilizers.

#### **Cooperation in Indonesia**

Indonesia from 30.10.2010 to 02.11.2010 to conduct a preliminary discussion with the Indonesian authority to verify the technical feasibility of installing a urea plant Of ammonia based on coal gasification technology. During the visit of the President of Indonesia Chief visit on the occasion of the Republic Day is Jan'2011 after the signing of two documents:

1. Memorandum of Understanding on the Establishment of the Ammonia Urea Plant in Indonesia and an Agreement for the Elimination of Excess Urea Produced in the Plant.
2. An agreement for the supply of 3 Lakh MT of the urea mass and 2.5 NPK LMT concentrated fertilizer at defined levels.

#### **Cooperation in Australia**

Indian Farmers Fertilizer Cooperative Ltd (IFFCO) has signed 'Principles of Offtake Agreement' with Legend International Holdings Australia to undertake the common mining phosphate rock in the Lady Annie mine (Georgina Basins in Queens land) with three million tons per year except security-take. Planned total investment of US \$ 800 million for mineral phosphate mining in Australia. IFFCO will receive 30 million options from Legend International Holdings. IFFCO will

provide a technical and financial facility for Legend International Holdings to develop phosphate mining and product transportation in India. In the area of urea ammonia, KRIBHCO and NWCFC, a private company in Australia, located in the urea ammonia process creating with the carbon number in Australia. The cost of the project is approximately \$ 2.6 billion and KRIBHCO's equity will be approximately 165 million US dollars. The Australian company has proposed to conclude a 20-year agreement for the supply of urea. The Agreement on Mutual Terms and Conditions, including the price at which the urea is not yet completed

### Cooperation in Ghana

Given the reserves of natural gas, Ghana is considered a rich source of nitrogen raw materials. President of the Ghana National Petroleum Corporation (GNPC), Ghana during his visit to India in September 2009 and discussed with the Secretary (F) discussed the possibility of cooperation in the field of fertilizers. It was proposed that the installation of the urea ammonia (gas-based) plant in Ghana. In order to provide an appropriate form in the proposed plan, signed Memorandum of Understanding in July 2010, at the government level, between countries. According to the Memorandum of Understanding, to go further, a technical group composed of officers from RCF and PDIL visited Ghana. The report on site selection and pre-feasibility reports prepared by the RCF and PDIL, which was provided to the authorities of Ghana. In January 2011, a team led by the Secretary (F) traveled to Ghana to discuss details on the subject. The Ghanaian authorities have called for a quick decision on the price of gas.

### IFFCO CSR Initiatives

CSR is in the DNA of IFFCO Its their commitment towards sustainable economic development, i.e., balancing capital gains with societal development IFFCO undertakes activities in the area of community development, environmental protection, health care, medical facilities, literacy enhancement Providing services to farmers through agricultural extension and fertiliser use promotion programs are an integral part in IFFCO's business outlook IFFCO spent INR 47.04 Crore on various social development activities during 2010-11, which is almost 20% of the PBT.

IFFCO's initiatives work with a holistic approach in order to make the farmer and his village self-sustainable. The trust of the farmers enable IFFCO to make full use of its reach of approx. 40, 000 cooperatives, its biggest strength. IFFCO undertakes CSR in order to build trust among the farmers. The various activities under IFFCO's CSR focus on different parts of a farmer's life. IFFCO works in each part of the farmer's life; be it in his land, related to his livestock, his family's health care, his village, etc.

In addition, basic agricultural inputs for agricultural production to farmers through a chain 158 farmer service centers (FSC) is made. IFFCO motivate many academic industries for the welfare of farmers, and improving Indian agriculture. This category includes the Indian Farm Forestry Development Cooperative Ltd (IFFDC), Cooperative Rural Development Trust (CORDET), the IFFCO Foundation, and the Kisan Sewa Trust. An ambitious program "ICT Initiatives for Farmers and Cooperatives" has begun to promote e-culture in rural India. The IFFCO cultivates an emphasis on its relations with farmers

and undertakes a large number of agricultural extension activities in their favor each year.

IFFCO's CSR Approach based on Sustainable Development Farmer Training Programs, Development of cooperatives Rural Livelihood Programs, Financial Assistance to Farmers, Agricultural Education and Promotion Micro Enterprise Promotion Providing quality Fertilizer Varied Diversification

IFFCO CSR can be broadly divided into 4 initiatives

1. Cooperative Rural Development Trust (CORDET)
2. Indian Farm Forestry Development Cooperative (IFFDC)
3. IFFCO Foundation
4. IFFCO Kisan Sewa Trust

**Cooperative Rural Development Trust:** The activity is providing practical training programmes for the farmers IFFCO promoted CORDET in 1979 to provide education and training to farmers in areas of soil testing, farming techniques, dairy, etc. CORDET units are set up at Phulphur, Kalol and Kandla locations Also has Intensive Rural Development Programme (IRDP), under which villages are adopted to create 'model villages'. A variety of social and promotional activities like construction of community centres, drinking water facility, check dams, tree plantation, supply of cattle feed, etc are undertaken in these villages.

### Indian Farm Forestry Development Cooperative

IFFCO had promoted IFFDC in 1993 with the prime objective of development of wasteland for tree plantation and to enhance the socio- economic status of rural poor through sustainable natural resource management IFFDC initially implemented in Uttar Pradesh, Madhya Pradesh and Rajasthan with an objective to improve degraded land, generate employment and provide fuel and fodder to the community. Now extended to Uttarakhand, Jharkhand, Odisha, Chattisgarh, Andhra Pradesh, West Bengal, Tamil Nadu, Haryana, Punjab, Gujarat and Maharashtra and implemented projects worth more than INR 75.4 crores.

### IFFCO Foundation

The activity is strengthening the agricultural cooperatives its major role is as a brain thrust and channel for informed policy advocacy IFFCO Foundation supports farmer-members in agricultural development through technology transfer using outreach programmes it assists farmers in generating additional income through grassroots level farm-based programmes like dairy, bee-keeping and agro-processing. It implements model village development activities by improving village sanitation. Focus on skill development and vocational training for unemployed rural youth by supporting micro-enterprises in rural areas through self-help groups, especially women. Major focus on issues relating to Agriculture and Climate Change, Water Sanitation & Environment, Cooperatives & Rural Development, Skill Development, Women Empowerment through Micro-Enterprises, Global Forum for Farmers and Preservation of Art & Culture.

### IFFCO Kisan Sewa Trust

Consequent to the Gujarat earthquake in 2001, IFFCO created Kisan Sewa Fund (KSF) Later, it was renamed IKST. It was founded to provide relief and rehabilitation for victims of natural disasters such as floods, earthquakes, droughts,

hurricanes, landslides, etc. Programs for well-being and critical health care for deprived farmers, including plans to improve their quality of life. Created from IFFCO and IFFCO contributions Workers organize eye camps, without health camps and Ayurvedic aid, financial assistance to rural hospitals, drug distribution among farmers, medical equipment, organization of blood from the Red Cross. For example: The sponsorship of beds at the Jagjiwan Sanatorium in Bihar for the treatment of poor and poor patients suffering from tuberculosis.

IFFCO views its initiatives as a means of building trust among the farmers. It is an excellent example of how CSR can be used to build brand equity, positive brand image and help grow the business.

#### Awards and Accolades

Ranked no. 1 in Chemical and fertiliser category in Forbes India 500 Ranked no.1 in the 'Unlisted companies' category by Business Standard Safety, Health and Environment award from International Fertilizer Association (IFA) 'Most Innovative Environmental Project Award' and 'Most Useful Environmental Project Award' from CII TERI Corporate Environmental award National Award for Prevention of Pollution from Ministry of Environment & Forest National Safety Award from National Safety Council of India Dotcoop award for cooperative excellence ICWAI award for excellence in cost management IBM award for innovation

#### Green IT Practices

In the past, more than 1,000 workers visited the headquarters of the company in New Delhi each year with their estimates, resulting in loss of productivity and significant travel costs and downtime. Looking for a way to improve the processes and the overall goal of implementing green practical information and reducing environmental impact, IFFCO turned to high-definition Polycom and video solutions. Polycom telecommunication systems Improved operational efficiency and simplification of HR processes Realizing the value and benefits of the high-definition teleconferencing system can offer, IFFCO's IT team has been developed and Polycom HDX 7000 HDX® 9000 in its five factories and headquarters Making decisions and improving the efficiency of workflow while reducing carbon dioxide emissions. Today, Polycom Solutions allows members of the Directive to conduct video ratings and, therefore, the company has managed to significantly reduce travel costs and downtime, while improving the overall operation of the company and improving productivity. So, some of the factors behind the success of IIFCO are clear vision and mission of the organization, strong corporate governance practices, diversification of business according to time and strategic joint ventures, amalgamation of cooperatives, strong CSR practices, use of Green IT techniques and many more. IFFCO is by the farmer and for the farmer, and it goes beyond its stated interest to improve the quality of the farmers' lives. It gives back to the society from the revenue they earn.

But in order to be a leader in the fertilizer industry and to continue this success, the company should focus on proper operations and the coordination among all the units and would continue with strategic joint ventures and further diversification.

#### Questions

1. Do you think IFFCO can continue to be successful with coming days of competition? Explain your answer.
2. If you are a consultant then what do you suggest to IFFCO company to be successful in fertilizer industry.
3. Ratio analysis is useful for Financial Analysis of organization.

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