

## FINANCIAL PERFORMANCE OF RASHTRIYA CHEMICALS AND FERTILIZERS (RCF) LTD: A CASE STUDY

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### ABSTRACT

*The Rashtriya Chemical and Fertilizers in large company working in agri-input sector, particularly in fertilizers sectors. It is a public sector undertaking firm. The performance of RCF is important for every pillar of the company. The financial performance will focus on the gains and weakness of the company. It will act as a guideline for improvement of the company as well as for other companies. Financial performance is very important for the investors and all factors of production because it is the source of income and their livelihood. The objective of the study is to find growth in the income, expenditure and net profit of the company. For this purpose, quarterly data is collected from money control for 10 years for standalone company.*

*It is found that the net income of the RCF company is slowly declined over the period of 10 years. The rate of increase in expenditure is more than the rate of increase in income and this led to a decline in net profit. The company may concentrate on increasing expenditure and can make efforts towards the minimization of the expenditure. The company may bring optimization by reducing cost and increasing income.*

**KEYWORDS:** RCF, Income, Expenditure & Profit

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### 1. INTRODUCTION

Agriculture is the base of Indian economy and it balances the performance of the industry and service sectors. The Rashtriya Chemical and Fertilizers in major company provides fertilizers to Agriculture sectors. It is a public sector undertaking firm. The performance of RCF is important for every Indian as it is PSU. The financial performance will throw light on the gains and weakness of the company. It will act as a guideline for the improvement of the company as well as for other companies.

Financial performance is very important for the investors and all factors of production because it is the source of income and their livelihood. The RCF company is a stable company for since long. The public has strong confidence and belief in the products and working procedure of the RCF company.

Looking to the needs of the time, it is necessary to find the impact of time on the financial performance of the company. It has inspired to take the research to find out the 'Financial Performance of Rashtriya Chemicals and Fertilizers (RCF) Ltd: A Case study'.

## 2. OBJECTIVES

The objectives of the paper are as follows

- To estimate the trends in income and expenditure in RCF Company
- To estimate profit and trend in profit in RCF Company

## 3. METHODOLOGY

This methodology will throw light on the source of data, period of the data, crop included, methods considered to achieve the objectives.

- Data source: Quarterly Financial data of RCF standalone company is collected from the office of the RCF Ltd from 2011- 2020
- Trends are estimated of quarterly financial components
- In the present research project, the Compound Growth Rates in Profit, expenditure and revenue of quarterly financial components of RCF Ltd are estimated as per the following formula

The exponential function of the following type was used.

$$Y=ab^t$$

Where

$$Y = \text{Income/Expenditure/profit}$$

$$t = \text{Quarters}$$

$$b = \text{trend value (coefficient)}$$

$$a = \text{intercept.}$$

$$\text{Compound Growth Rate} = (\text{Antilog } b-1) \times 100.$$

(Chand and et al. 2012)

## 4. RESULTS AND DISCUSSIONS

This section will focus on the extracts of the data analysis regarding the financial component of the RCF company and which are presented and discussed in this section on the line of objectives mentioned.

### 4.1 Financial Performance of the Major Expenditure Items in RCF Company

Table no. 1 shows the financial performance of major items of expenditure. The constant and significant expenditure on Consumption of Raw Materials is Rs. 619.97 crores i.e. almost Rs.620 crores without any change in time. The growth in expenditure on Consumption of Raw Materials is Rs. 4.48 crores per quarter and it is non-significant. The employees' cost is grown by Rs. 11.91 crores per quarter over the period of 10 years. But the other expenses are declined over the period

**Table 1: Financial Performance of Major Items of Expenditure**

Particulars	Intercept	CGR
Consumption of Raw Materials	619.97***	4.48
Employees Cost	84.54***	11.91
Depreciation	27.04***	3.95
Other Expenses	480.43**	-4.45
Interest	0.56	3.50***
Tax	43.72***	-2.09***
Note: * = Significant at 10 percent (table T value is 1.664)		
** = Significant at 5 percent (table T value is 1.990)		
*** = Significant at 1 percent (table T value is 2.660)		

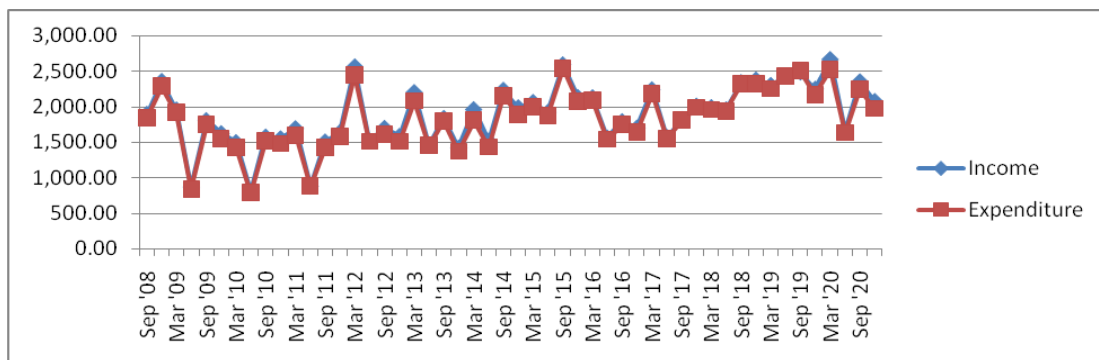
**4.2. Financial Performance of Income, Expenditure and Net Profit in RCF Company**

The Financial Performance of Income, Expenditure and Net Profit is given in table no.2. As the compound growth rates, it is seen that the Income of the RCF company was constant at Rs. 1439 crores significantly and grown by Rs. 4.18 crores per quarter.

The expenditure of the RCF company was constant and significant at Rs. 1383 crores. But the net profit was declined Rs. 1.46 crores per quarter over the period of 10 years.

**Table 2: Financial Performance of Income, Expenditure and Net Profit**

Particulars	Intercept	CGR
Total Income	1438.99***	4.18
Total Expenditure	1382.78***	4.40
Net Profit/(Loss) for the Period	65.33***	-1.46**



**Figure 1: Trend of Original Data of Income and Expenditure.**

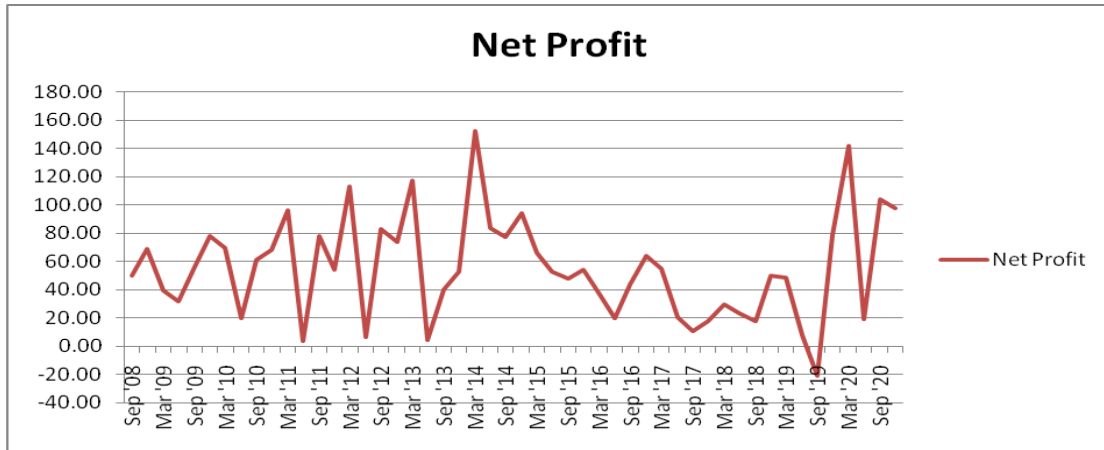


Figure 2: Trend of Original Data of Net Profit.

4.3 The Growth in Earning per Share of RCF Company

The Growth in Earning Per Share of RCF company is presented in table no.3. It is found that the earning per share of RCF standalone was declined by Rs. 1.44 crores per quarter significantly over the period of 10 years. The diluted Earning Per Share of RCF company also declined by Rs. 1.44 crores per quarter over the period of 10 years.

Table 3: The Growth in Earning Per Share

Particulars	Intercept	CGR
Basic EPS	0.96	-1.44*
Diluted EPS	0.96	-1.44*
Note: * = Significant at 10 percent (table T value is 1.664)		
** = Significant at 5 percent (table T value is 1.990)		
*** = Significant at 1 percent (table T value is 2.660)		

5. CONCLUSIONS

From the results of the analysis of the financial data of RCF company, the net income of the company is slowly declined over the period of 10 years. The rate of increase in expenditure is more than the rate of increase in income and this led to a decline in net profit. The company may concentrate on increasing expenditure and can make efforts towards the minimization of the expenditure. The company may bring optimization by reducing cost and increasing income.

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