

A Comparative Study of Financial Statements of Tasnee Ltd., Gujarat State Fertilizers & Chemicals Ltd.(GSFC) and BASF India Ltd.

by Miss Naziya Maldar^[a]

Abstract

The study of financial Statements reveals financial position of a business. By this study it is possible to know whether the business is into profit or loss. This study is conducted purely based on secondary data obtained through website of the specified chemical companies. To find out which one is stronger in terms of financial performances over the years; different ratios are used as analytical tool. The financial statements of all three companies have been studied comprehensively to compare the performances of these three companies over the period of 2013-2017. Through the studies the relative strengths and weaknesses of all three companies can be traced out. The ratios derived and calculated from financial statements helped to draw conclusions about superiority of one company over others. This study shows the profitability of each company and also the competitiveness among them. The analysis also reveals whether the company's financial position has been improving or deteriorating over time.

Key words : *Chemical, Balance Sheet, Income Statement, Companies, Ratio Analysis, Profitability, Tasnee Ltd, Gujarat State Fertilizers & Chemicals Ltd and BASF India Ltd.,*

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1. Introduction

Ratio Analysis is one of the important tools to evaluate the financial performance of the organization. It shows the financial Capability and profitability of the firm. It indicates relation between two mathematical expressions and the relationship between two or more things.

Ratio analysis helps management as well as creditors to make proper judgment regarding Financial Position of the firm which may leads to proper decision making for investment related matters. Financial ratios also help to evaluate the strengths and weaknesses of the firm.

Importance of Ratio Analysis

Ratio analysis could be proved helpful for every stakeholder of the firm for various decisions making. It reflects financial soundness of the firm. One can take decisions of investment after evaluation of ratio analysis.

Financial ratios allow for comparisons:

- Between distinctive periods of same company
- Between different companies for the same period
- Between distinctive periods with different companies of similar business.

The ratios can be expressed in following three forms:

- **Pure** : It's a simple division of one number by another. The relationship between current assets and current liabilities is shown in this way.
- **Percentage**: certain accounting ratios become more meaningful if expressed as a percentage. Normally the relationship between profit and sales is expressed in this way.
- **Rate**: Sometimes ratios are expressed as rates i.e. 'number of times' over a certain period.

To evaluate the performances of current year, ratios can be compared with the past year ratios. It shows the progress of the company in various terms. It is called as time series or trend analysis. It can help to evaluate the progress of the company over a period of time.

Another popular method of comparison is comparison between two or more companies with similar operations. It can be done with the help of published financial statements of the companies. It helps to understand the competitiveness of the firms and also the profitability differences over a period of time.

2. Objectives of the study

- 1) To study the financial performance of Tasnee Ltd, GSFC Ltd and BASF India Ltd.
- 2) To compare the financial performance of Tasnee Ltd, GSFC Ltd and BASF India Ltd.

3. Research Methodology

In this study, an attempt has been made to evaluate and compare the financial performance of three chemical companies of different locality.

- 1) Tasnee Ltd- A Foreign company basically from Saudi Arabia
- 2) Gujrat State Fertilizers and Chemicals Ltd (GSFC)- An Indian Company
- 3) BASF India – A subsidiary of German Company

All three companies are engaged in similar operations. The study is based on Secondary data and the details are collected through websites, magazines and journals.

The time period of study is four years ranging from 2013-14 to 2016-17. Ratio analysis was applied to analyze the performance of these companies.

Following Ratios are used for this study.

- Current ratio
- Liquid Ratio
- Gross Profit Ratio
- Net Profit Ratio
- Proprietary Ratio
- Operating Ratio
- Return on Capital Employed
- Return on investment
- Return on Proprietors Fund
- Debt Equity Ratio
- Assets Turnover Ratio

The Analysis of above ratios in any industry can prove useful for managerial decision making. The Current ratio reflects the short term solvency position of the organization where as quick ratio demonstrate the quick liquidity position of the firm. Gross profit ratio shows overall profitability of firm where as net profit ratio reflects net profitability to sales during accounting year. Proprietary ratio shows the proprietors contribution in relation to total assets where as operating ratio show percentage of total cost of goods sold to sales.

Return on Capital employed indicates business's ability to generate income over capital whereas return on investment indicates potential return on total investments. Return on Proprietor's fund reveals total return on funds invested by owners whereas debt equity ratio indicates relationship between debt capital and equity capital. Assets Turnover Ratio shows the total turnover of assets to sales.

4. Data Analysis

A Comparative Study of Financial Statements of Tasnee Ltd., GSFC Ltd. And BASF India Ltd.

Table 4.1 showing Current Ratio

Particulars	2013-14	2014-15	2015-16	2016-17
Tasnee	1.93	2.10	1.30	1.65
GSFC	1.93	2.23	1.80	1.97
BASF	1.34	1.39	1.37	1.24

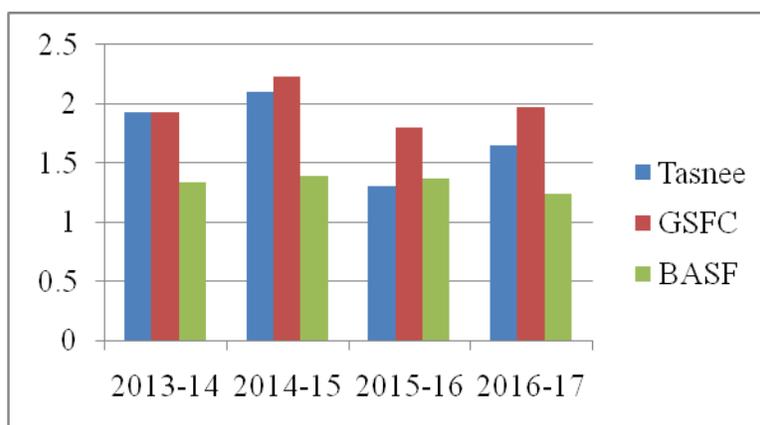


Figure 4.1 showing Current Ratio

From the above table and Graph it is clear that the position of GSFC is much better than the other two companies as GSFC is more capable to meet its short term liabilities. Then Tasnee Ltd. secures second position among three in terms of short term solvency position.

Table 4.2 showing Liquid / Quick Ratio

Particulars	2013-14	2014-15	2015-16	2016-17
Tasnee	1.12	1.15	0.71	0.88
GSFC	1.47	1.71	1.51	1.93
BASF	0.60	0.68	0.69	0.62

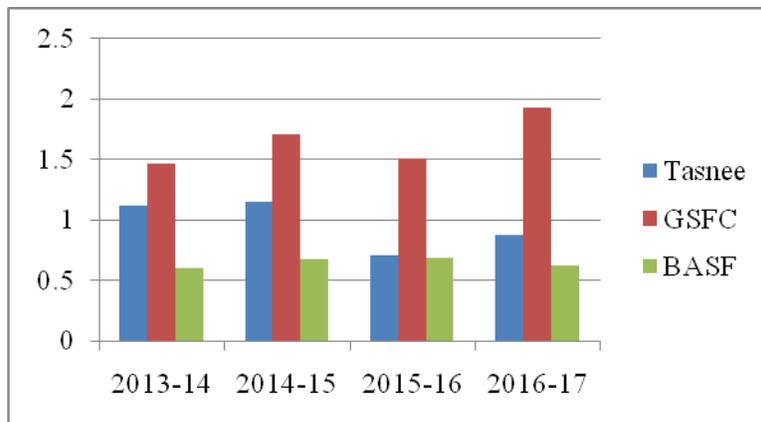


Figure 4.2 showing Liquid / Quick Ratio

From the above analysis of Graph of Quick ratio it is clear that the position of GSFC is better than the other two companies as quick liquidity position is higher than others. Tasnee Ltd is having better Liquidity then the BASF.

Table 4.3 showing Gross Profit Ratio (in %)

Particulars	2013-14	2014-15	2015-16	2016-17
Tasnee	26.58	24.68	14.61	22.85
GSFC	31.44	29.13	29.52	30.61
BASF	25.98	21.81	23.48	24.93

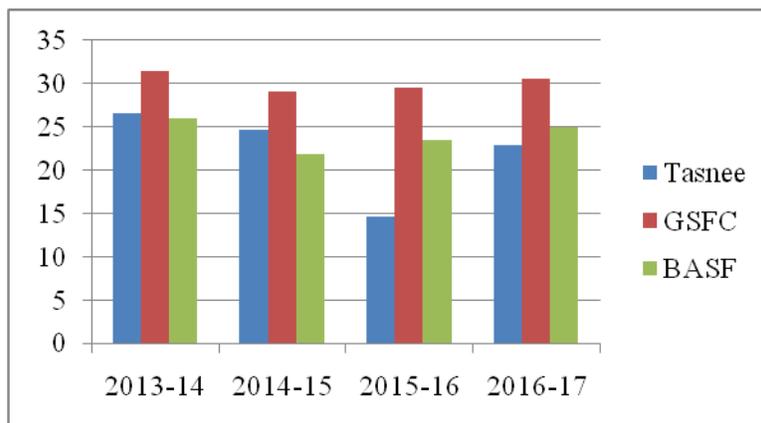


Figure 4.3 showing Gross Profit Ratio

From the above table and graph it's clear that GSFC is earning good Gross Profit over the years. Tasnee Ltd and BASF India are having little fluctuating profit over the period of time.

Table 4.4 showing Net Profit ratio (in %)

Particulars	2013-14	2014-15	2015-16	2016-17
Tasnee	6.47	5.73	(9.40)	1.37
GSFC	6.32	7.52	6.15	7.66
BASF	3.02	(1.50)	0.10	0.25

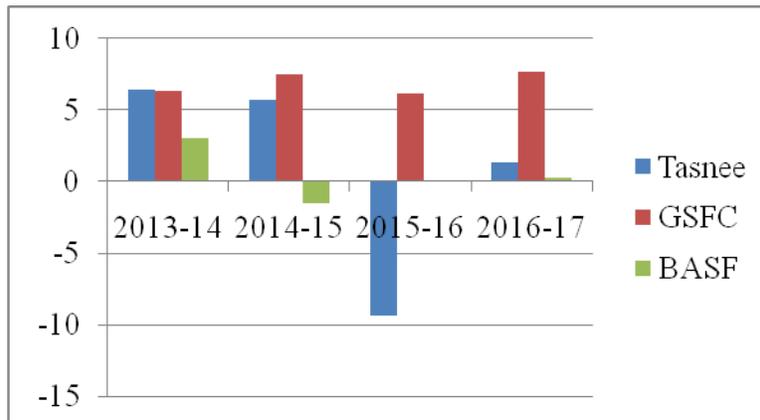


Figure 4.4 showing Net Profit ratio

From the above table and chart it is observed that the net profitability of all three firms which clearly shows the GSFC is earning profit gradually from last four years; whereas other two companies suffered losses in the year 2015-16.

Table 4.5 showing Proprietary Ratio (in %)

Particulars	2013-14	2014-15	2015-16	2016-17
Tasnee	25.40	24.28	17.72	18.58
GSFC	64.37	68.37	62.32	72.83
BASF	31	27.88	29.53	28.40

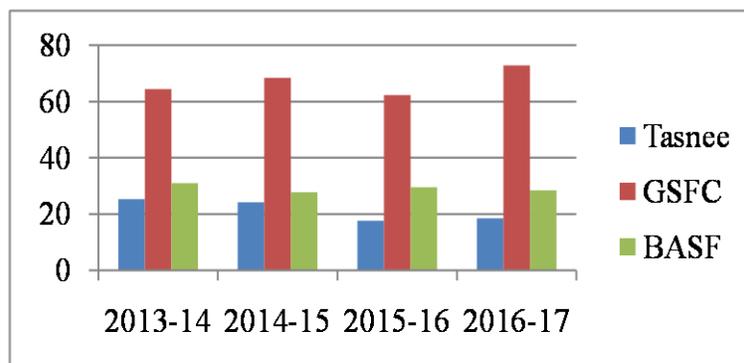


Figure 4.5 showing Proprietary Ratio

The above Chart shows the proprietors contribution to the firm in comparison with Total Assets. From the above calculations, it is clear that GSFC is having higher proprietary ratio as compared to Tasnee Ltd and BASF.

Particulars	2013-14	2014-15	2015-16	2016-17
Tasnee	73.42	75.32	85.39	77.15
GSFC	93.75	91.13	92.17	94.19
BASF	99.96	107.63	108.34	101.09

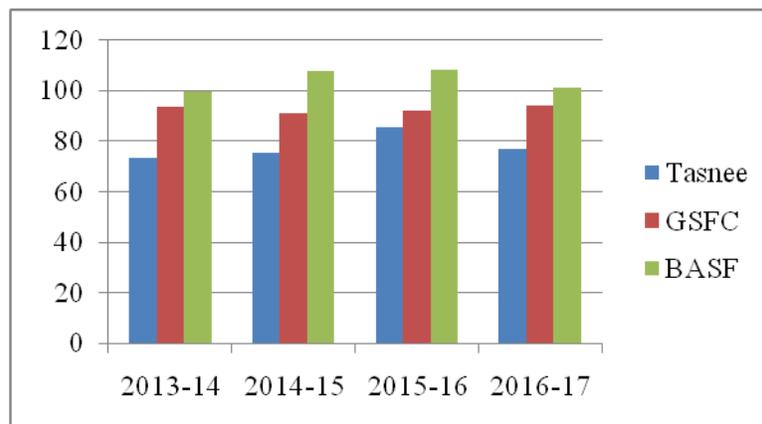


Figure 4.5 showing Proprietary Ratio

From the above Chart and diagram it is clear that BASF Ltd is having greater proprietary ratio than GSFC and Tasnee Ltd.

Table 4.6 showing Operating Ratio (in %)

Particulars	2013-14	2014-15	2015-16	2016-17
Tasnee	7.94	6.61	(4.67)	3.52
GSFC	10.24	11.24	11.29	5.26
BASF	8.63	(2.76)	0.20	(0.65)

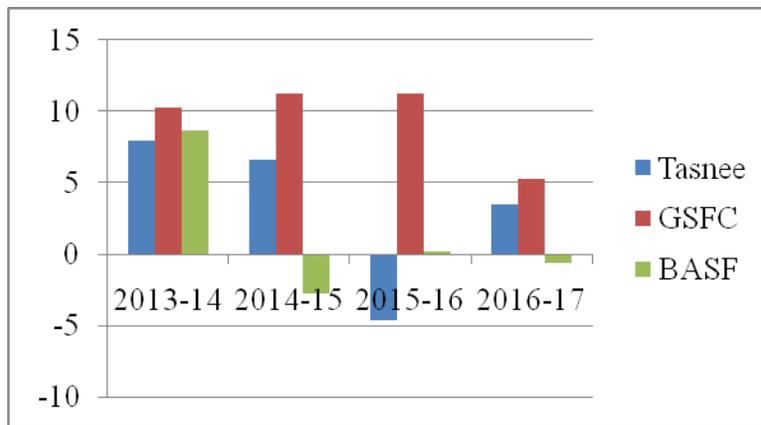


Figure 4.6 showing Operating Ratio

The above table and chart shows that GSFC Ltd. Is giving higher return on capital employed than the other companies. Both BASF and Tasnee suffered losses in the year 2014-15 and 2015-16 respectively. But GSFC is giving continuously return on capital employed.

Table 4.7 showing Return on Capital Employed (in %)

Particulars	2013-14	2014-15	2015-16	2016-17
Tasnee	7.94	6.61	(4.67)	3.52
GSFC	10.24	11.24	11.29	5.26
BASF	8.63	(2.76)	0.20	(0.65)

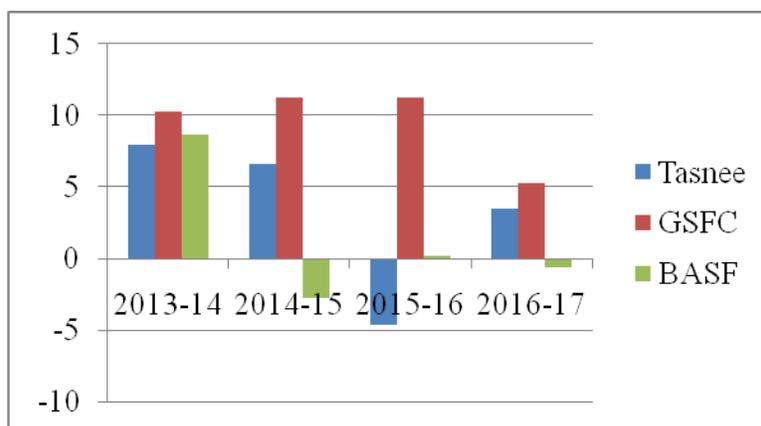


Figure 4.7 showing Return on Capital Employed

The above table and chart shows that GSFC Ltd. Is giving higher return on capital employed than the other companies. Both BASF and Tasnee suffered losses in the year 2014-15 and 2015-16 respectively. But GSFC is giving continuously return on capital employed.

Table 4.8 showing Return on Investment

Particulars	2013-14	2014-15	2015-16	2016-17
Tasnee	3.97	3.39	(5.10)	0.71
GSFC	7.07	7.84	7.83	5.89
BASF	5.68	(2.80)	(0.20)	(0.73)

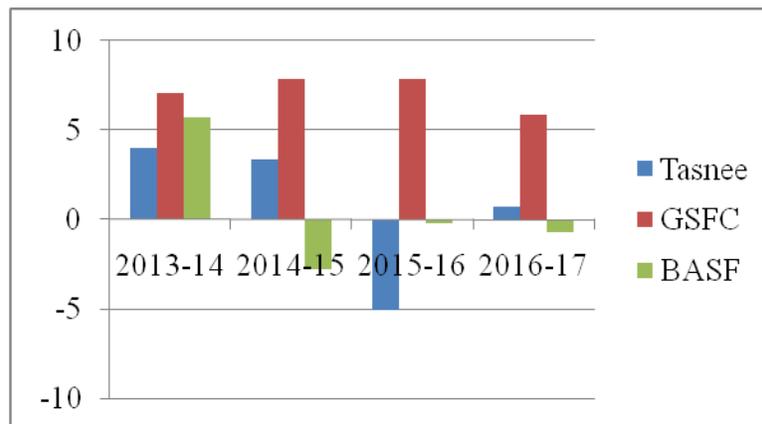


Figure 4.8 showing Return on Investment

From the above chart and diagram it is clear that GSFC is having sound financial position as compared to other two companies. It's providing constantly higher returns on investments over a period of time.

Table 4. 9 showing Return on Proprietor’s Fund

Particulars	2013-14	2014-15	2015-16	2016-17
Tasnee	9.81	9.21	(17.86)	2.59
GSFC	8.17	8.97	8	6.38
BASF	10.23	5.76	0.38	(1.28)

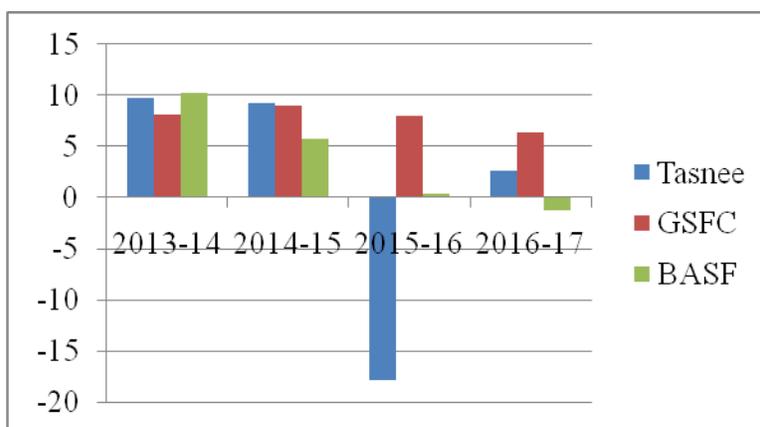


Figure 4. 9 showing Return on Proprietor’s Fund

Above analysis shows that GSFC is having good payback capability as compare to other companies; also Trasnee had experienced sharp decline in 2015-16.

Table 4.10 showing Debt Equity Ratio

Particulars	2013-14	2014-15	2015-16	2016-17
Tasnee	1.47	1.72	2.50	2.64
GSFC	0.15	0.14	0.02	0.09
BASF	0.80	1.05	0.96	0.75

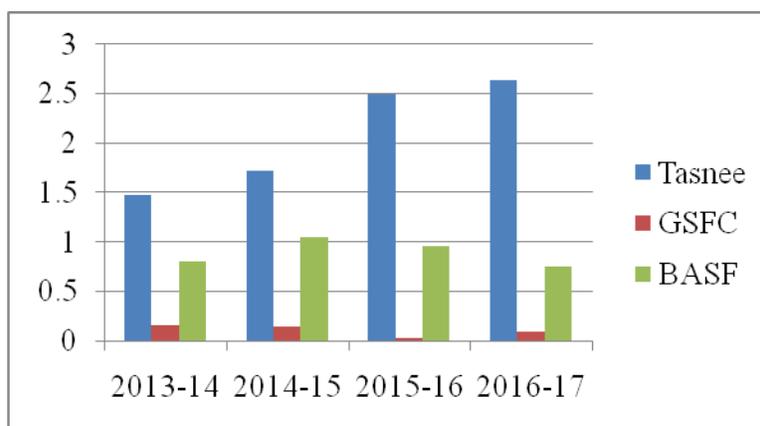


Figure 4.10 showing Debt Equity Ratio

From the above chart and diagram it is clear that Tasnee Ltd is having more debt company as compare to other companies. GSFC is utilizing equity funds more in comparison with debt funds. Tansee had shown constant increase in Debt – Equity Ratio over the period of 2013-2017

Table 4.11 showing Assets Turnover Ratio

Particulars	2013-14	2014-15	2015-16	2016-17
Tasnee	0.38	0.39	0.34	0.35
GSFC	0.83	0.82	0.82	0.61
BASF	1.05	1.07	1.15	1.42

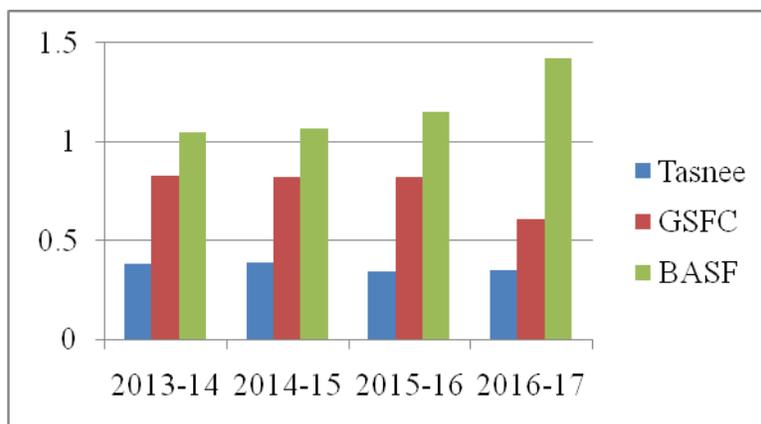


Figure 4.11 showing Assets Turnover Ratio

From the above chart and diagram it is clear that BASF Ltd is having greater assets turnover ratio as compare to other companies. It can be seen there is constant increase in Asset Turnover Ratio of BASF over the period of 2013-2014.

5. Findings

The present study based on “A Comparative Study Of Financial Statements of Tasnee Ltd., Gujarat State Fertilizers And Chemicals Ltd.(GSFC) And BASF India Ltd.” For the period of 2013 to 2017 has produced a number of valuable findings which are very ground-breaking in nature and important to the management for decision making. The findings are as follows:

- 1) The current Ratio of GSFC Ltd. Is better than the other two companies. But all three companies should try to improve their Current Ratio so as to maintain better liquidity position.
- 2) The quick liquidity of GSFC Ltd. is better than other two companies in contrast Tasnee Ltd. Should develop and increase its quick assets to be in a better quick liquidity position.
- 3) Gross Profitability of GSFC Ltd. is constant over the years whereas Tasnee Ltd. has a massive decrease in Gross profitability in the year 2015-16 as compare to the year 2016-17.
- 4) Net Profitability of GSFC Ltd. has no significant change over the period of four years. BASF India and Tasnee Ltd. suffered losses in the year 2014-15 and 2015-16 respectively. Tasnee Ltd. has a noticeable net loss in the year 2015-16.
- 5) GSFC Ltd. has a good amount of Proprietors fund to Total assets over the other companies
- 6) There is no significant change in operating ratio of any company over the period of four years.
- 7) Return on Capital Employed and Return on Investment of GSFC is slightly decreased in the year 2016-17 whereas BASF India has negative returns constantly for the last three years.
- 8) Assets Turnover Ratio has no significant change over the years. As compare to other companies Tasnee Ltd. is having good Assets Turnover Ratio during the four years period.

6. Suggestions

The findings suggests that the GSFC Ltd. must be responsible to develop their liquidity position because liquidity maintains their healthy environment for business otherwise it cants develops and may lead to financial problems. In Contrast BASF India Ltd also try to improve their liquidity position but not as expected. Tasnee Ltd is managing its liquidity at average rate. Moreover Gross Profitability and Net Profitability of GSFC is somewhere constant but Tasnee Ltd and BASF India Ltd. Faced Losses during some years. So both the companies must be attention to improve the profitability and recover the previous losses. Furthermore, the returns on capital employed, return on proprietor's fund and return on investment of GSFC Ltd is greater than other two companies but not as expected increase is found during four years. All three companies should improve their returns on investments so as to remain stronger in chemical market.

Debt Equity Ratio of Tasnee Ltd. is greater than other companies. GSFC Ltd should adopt proper Financial Management Plans to maintain proper balance between Debt funds and owned funds.

7. Conclusions

After analyzing the above ratio it is clear that the Position of GSFC is far better than the Tasnee Ltd. And BASF India Ltd. As it is seen in the analysis that in Current Ratio, Quick Ratio, Gross Profit Ratio, Net Profit Ratio, Proprietary Ratio, return on Capital employed, Return on Investment and Return on Proprietors Fund the GSFC's Performance is better than the other two companies.

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