

An Analytical Study of Financial Performance of Indian Oil Companies

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ABSTRACT

Indian Oil Corporation Limited possesses and works an organization of raw petroleum and oil based commodity pipeline in India. The organization is chiefly constrained by the Government of India which claims approx. 79% offers in the organization. It has two divisions: Refineries Division and Marketing division. The principle goal of this examination is to decide the association's liquidity, dissolvability and monetary situation of the firm by utilizing the devices like proportion investigation and normal size accounting report. Different proportions like current proportion, fluid proportion, total fluid proportion, turnover proportions have been utilized to quantify the monetary presentation of the organization. The information utilized in this examination were gathered from different magazines, evaluated reports and from sites. For a superior comprehension of the investigation, the discoveries are deciphered in tables, graphs, and outlines. As the investors put resources into an organization by knowing its money related execution, this examination will be incredibly useful. This investigation additionally assists with settling on right budgetary choices, arranging all the more effectively and monetarily. This investigation comprises of discoveries and translations to helps the organization to improve its presentation.

1. Introduction

The journey of Indian economy from a recently conceived state to a quickest developing economy of the world in its 72nd year of freedom drove by state-possessed endeavors bearing the obligation of giving the essential framework to nation's modern development¹ is going on by receiving the communist methodology and taken center ventures under its domain. These are the endeavors that are overseen, controlled and set up by the administration with a holding of more than 50% offer in their settled up capital (Preeti and Chhikara, 2018). In 1951 speculation was 29 crores in 5 undertakings (Batra and Kaur, 1994) came to 12, 50,373 crores in 331 ventures in 2017² while commitment to add up to GVA remained at 18.6 percent of public area (regulatory offices and public partnerships) in 2015-16³. Oil and gas division is among the center businesses and at the hour of freedom was constrained by global organizations. Administration of India established framework for oil and gas industry through Industrial Policy Resolution 1954 with development of Oil and Natural Gas Corporation (ONGC), Indian Oil Corporation (IOCL) and Oil India Limited (OIL). This paper examines the money related execution of Indian Oil Corporation, a public organization and a downstream major was joined on 30th June 1959 as Indian Oil organization to advertise the oil based commodities. On first September 1964 the organization was renamed from Indian Oil Company to Indian Oil Corporation following the merger of Indian processing plants with it. It is a most elevated positioned Indian organization in the renowned Fortune Global 500 List and developed as the 27th biggest oil organization on the planet as per income of 2017⁴. Administration of India presented the Navratnas plot for giving monetary independence to state undertakings in 1997 and further in 2010 in light of improving their budgetary presentation which requires designation of dynamic capacity to their administrators (Ayub and Hegstad, 1987). In this universe of vulnerability, negative circumstances

can be win by right data accessible at the correct time in right structure. Budget reports are the wellspring of the monetary data to its different clients. Money related sufficiency of the business. The requirement for budget summary expanded because of the exchange of the board from the venturesome business people to the expert director and as a money related part become a superior power in the economy (Horrigan, 1968). execution investigation is the examination of budget reports pointed toward diagnosing gainfulness and money related.

2. Literature Review

Bhunia et.al (2011) researched the money related quality and shortcomings of public-area drug endeavors covering two BSE recorded organizations Karnataka Antibiotics and Pharmaceuticals Ltd. (KAPL) and Rajasthan Drugs and Pharmaceuticals Ltd. (RDPL) for the time of a long time from 1997-98 to 2008-09. The investigation uncovered the solid liquidity position of both the chose organizations inferring that organizations capacity to pay their momentary commitments on due dates while as far as dissolvability, organizations depended more on outside assets subsequently giving a lower level of insurance to the lenders. Numerous relationships between's reliant variable-quantifiable profit proportion and the autonomous factors liquidity proportion, obligation value proportion, intrigue inclusion proportion, stock turnover proportion, and obligation total assets proportion was exceptionally corresponded demonstrating that the gainfulness was impeccably affected by its free factors.

Jayawardhana, A. (2016) investigated the monetary exhibition of German Multinational Corporation – Adidas AG for 2014 and 2013 budgetary year finishing on 31 December in consistently through level, vertical, pattern and proportion examination. The investigation disclosed that the organization had high working

costs influencing its general presentation, net gain and at last EPS or investors return while then again low ROCE showed wasteful use of capital utilized in the organization. The investigation proposed that the organization ought to set up cost cutting objectives, actualizing quality confirmation practices and methodology, boost representatives task proficiency and should consider redistributing.

Katchova, A.L. and Enlow, S.J. (2013) analyzed the budgetary presentation of public-exchanged agribusinesses correlation with all organizations for a period from 1961 to 2011 (Ani L. Katchova, 2013) through pointers of organization achievement, for example, budgetary proportion and asset report/pay explanation things. The examination found that agribusinesses beat the gathering of all firm at the middle as far as gainfulness, liquidity and market proportion however they had somewhat lower obligation and liquidity proportions. The Du-Pont examination demonstrated the higher ROE for agribusinesses that was generally because of higher resource turnover proportion showing towards high working proficiency of agribusinesses. The investigation recommended that the solid budgetary exhibition could make agribusinesses as important organizations in a speculation portfolio.

Batchimeg, B. (2017) analyzed the presentation of 100 Mongolian public organizations recorded on Mongolian Stock Exchange (MSE) which were separate into 6 areas for the time of a long time from 2012-15 through Data Envelopment Analysis dependent on money related proportions. The investigation led the effectiveness regarding gainfulness by utilizing three yield factors income, pretax and ROA and ten information factors, which were chosen by multi co-linearity and step-wise relapse examination. The aftereffect of DEA uncovered that the food and staple area was most effective followed by mining part, while horticulture and administration division were least proficient than different segments.

Hooda, R. and Chhikara, K.S. (2018) assessed the force area execution with exceptional reference to NTPC, a state-possessed undertaking. It was uncovered through the examination that the force creation which was overwhelmed by state government lost its situation to private area while limit use fall definitely of the equivalent contrasted with focus and state possessed plants during the period under investigation. It was discovered that ventures were the significant buyer of intensity and warm plants, significant benefactors in power age. While NTPC positive working execution regarding deals, complete resources, deals per worker, resource turnover and capital utilized indicated solid situation of organization in accomplishing the administration targets.

Vijayakumar (2002) did an investigation named "Appraisal of Corporate Liquidity-A Discriminate Analysis Approach" in which 5 Co-employable sugar factories and 5 private segment organizations in Tamil Nadu were mulled over among 14 helpful sugar plants and 14 private division sugar plants. Just those units which were built up before 1984 and has a devastating limit of 2000 metric tons for every day were chosen for the investigation. The separation investigation was utilized to decide the joined impacts of the proportions. The creator reasoned that the Co-usable part was named a helpless danger in all the chose a long time based on current and fluid proportion. The creator further inferred that similar turned out to be acceptable danger during the years 1986-87 and 1987-88 based on segregating „Z" score. The investigation uncovered that the general liquidity position of the business was palatable.

3. Objectives of the study

- To evaluate the financial performance of Indian Oil Corporation Limited (IOCL) by using the financial modeling tools for a period of five years from 2013 to 2017.
- To measure the solvency position and effective utilization of resources of the company by using ratio analysis.

4. Research Methodology

The Advanced Learner's Dictionary of Current English sets out the importance of exploration as "a cautious examination or request particularly through quest for new realities in any part of information." Research in like manner speech alludes to a quest for information. Exploration can be characterized as a logical and deliberate quest for relevant data on a particular theme. At the point when the specialist uses optional information, at that point he needs to investigate different sources from where he can get them. To dissect the budgetary exhibition of the Indian Oil Corporation Ltd., for the time of most recent five years for example from (2013-2017).

5. Analysis & Interpretation

An announcement where monetary record things are communicated as the proportion of every resource for complete resource and the proportion of every obligation is communicated as a proportion of all out liabilities is called regular size accounting report. A typical size fiscal report shows all things as rates of a typical base figure. This kind of budget summary takes into consideration simple investigation between organizations or between time spans of an organization. The qualities on the normal size articulation are communicated as rates of an announcement part.

Table 1: Common Size Balance Sheet for the Year Ending 2013-2017

PARTICULARS	2013%	2014%	2015%	2016%	2017%
EQUITIES AND LIABILITIES					
Shareholders' funds					
Equity share capital	0.11	0.96	1.10	1.07	1.83
Reserves and surplus	26.20	25.18	29.81	31.56	36.65
Total shareholders' funds	27.29	26.14	30.91	32.63	38.47
Non-Current Liabilities					
Long Term Borrowings	9.56	12.55	14.89	11.01	7.84
Deferred Tax Liabilities (Net)	2.46	2.23	3.06	4.18	2.61
Other Long-Term Liabilities	5.11	5.31	6.92	7.79	8.09
Long Term Provisions	0.18	0.16	0.19	1.05	1.13
Total Non-Current Liabilities	17.29	20.25	25.05	24.03	19.66
Current Liabilities					
Short Term Borrowings	25.41	19.38	7.72	7.74	11.60
Trade Payable	13.27	14.14	13.28	9.89	11.62
Other Current Liabilities	8.86	9.63	10.60	12.74	11.35
Short Term Provisions	7.88	1.05	12.42	12.97	7.30
Total Current Liabilities	55.42	53.61	44.03	43.34	41.87
Total Capital And Liabilities	100	100	100	100	100
ASSETS					
Tangible Asset	26.71	24.66	29.85	39.82	41.24
Intangible Asset	0.36	0.27	0.29	0.30	0.38
Capital work-In-Progress	8.03	13.12	16.18	8.97	3.94
intangible Asset Under Development	0.13	0.29	0.35	0.31	0.20
Non-Current Investments	2.25	6.46	7.56	7.49	15.47
Long Term Loans and Advances	5.24	1.83	2.10	0.37	0.46
Other Non-Current Asset	0.01	0.03	0.04	0.03	2.52
Total Non-current Asset	42.72	8.30	56.37	60.57	64.20
Current Assets					
Current Investments	6.09	2.89	3.31	3.09	2.78
Inventories	26.48	25.63	20.73	16.89	24.07
Trade Receivable	5.03	4.37	3.07	3.54	3.28
Cash and Cash Equivalents	0.23	1.03	0.05	0.23	0.03
Short Term Loans and Advances	16.44	16.47	14.31	13.75	0.68
Other Current Asset	3.02	2.93	2.18	1.92	4.96
Total Current Asset	57.28	53.32	43.64	39.43	35.80
Total Asset	100	100	100	100	100

Interpretation

- The above table shows that the percentage of current assets to total assets was 57.28% in 2012-13 and has decreased to 35.80% indicating that the company has dispersed its idle assets.
- In the year 2012-13 the non-current asset 42.72 % and it was increased to 64.20% in the year 2016-17. The current investment was 6.08% in 2012-13 and it was decreased to 2.7% in 2016-17.
- The current liabilities also show a decreasing trend from 55.42% to 41.87% indicating that the company had met its current obligations.
- The long-term loan funds were 5.24% in 2012-13 and were decreased to 0.46% in 2016-17 and short-term loan funds were 16.44% in 2012-13 and were

decreased to 0.68% in 2016-17 which indicates the repayment of the loan by the company.

Tools Used For The Analysis

- Common Six Balance Sheet

6. Findings

From the investigation of Common Size Income Statement, it is exceptionally certain that the gainfulness of the firm is fluctuating. Diminishing progression of current resources for the complete resources shows that the organization has scattered its inactive resources. Investors finances expanded demonstrates in investors commitment.

7. Conclusion

This investigation of money related execution of IOCL isn't just a work of the venture. In any case, a short information and experience of how to examine the monetary presentation of the organization. The examination embraced has gotten to the light of the accompanying ends. From the above examination, it is certain that the organization have been making a good

showing. In any case, the organization should zero in on the territory of meeting its present liabilities. So the organization should zero in on getting benefits in the coming a long time by dealing with both inward and outside components. What's more, as to assets, the organization is encouraged to use its benefits appropriately.

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