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A STUDY ON FINANCIAL ANALYSIS OF INDIAN OIL CORPORATION IN INDIA

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ABSTRACT

Indian Oil Corporation limited owns and operates a network of crude oil and petroleum product pipeline in India. The main objective of their analysis is to determine the firms liquidity and Profitability position by using tools the ratio analysis various ratios like Current ratio, Quick Ratio, Profitability ratio of Return on shareholders' Investment, Net Profit to Total Income Ratio,Working Capital to Total Asset for the year of data (2012- 2021).Secondary data was used for the study. For a better understanding of the analysis, the findings are interpreted in tables have been used to measure the financial performance of the company.

KEYWORDS: Finance, balance sheet, Assets and Liabilities, Trial balance, Profit and Loss Account .

1.1 Introduction

Indian Oil Corporation Limited (Indian Oil) (NSE: IOC) is one of India's largest commercial enterprises and the country's flagship integrated and diversified energy major. The Company's philosophy is embedded in the principles of strong customer connect, quality consciousness and transparency, where energy is tapped responsibly and delivered to the consumers most affordably. Indian Oil is listed among the world's largest corporate in Fortune's prestigious 'Global 500' listing, and is also ranked among the top 10 strongest brands of India in 2019 by Brand Finance, UK. Guided by the corporate vision to establish itself as 'a globally admired company' and energized by a committed team of 32,998 high-caliber people, Indian Oil's business interests encompass the entire hydrocarbon value chain – from exploration and production (E&P) of oil and gas, refining, pipeline transportation and marketing to natural gas, petrochemicals, alternative energy sources and globalization of downstream operations. Indian Oil accounts for the largest market share of India's petroleum products consumption, with domestic sales of 78.54 million metric tones (MMT) in 2019-20. In addition, the Company achieved sales of 4.72 MMT in natural gas and 2.08 MMT in petrochemicals. The Company's refineries achieved a combined throughput of 69.42 MMT in 2019-20, exceeding their total installed capacity. Its retail network expanded to 29,085 fuel stations (including 8,515 Kisan Seva Kendra outlets in rural areas) and 755 CNG-dispensing stations. Its cross-country pipelines network posted a throughput of 85.35 MMT of crude oil and petroleum products during the year. The Company's share of production from its eight producing E&P assets in 2019-20 was 4.257 million tonnes of oil equivalent (mtoe). Indian Oil Company Ltd, was set up as a government owned enterprise, formed on 30 June, 1959, and was entrusted with the task of supplying petroleum products to government organisations all over the country by establishing adequate storage and distribution facilities, and undertaking imports, as required.

1.2 Statement of the Problem

Performance and efficiency of commercial are the key elements of competence and efficiency of national financial system. The broad objective of the commercial sector reforms in India has been to increase efficiency and profitability of the company's. Prior to oil corporation reforms, the industry was a near monopoly dominated by Public Sector Oil Corporation. However, the oil corporation reforms created an opportunity to increase number of private agency. Operational efficiency is an indicator, which will help not only the public but to the management, regulators, and supervisors to understand and judge the relative efficiency of the players competing in the oil corporation sector. Therefore, this study attempts to apply different ratios on IOC in order to study its efficiency and solvency position.

1.3 Objectives of the Study

The following are objectives of the study;

1. To analyses the liquidity and profitability of IOC limited
2. To measure the financial status of Indian Oil Corporation (IOCL) Limited.
3. To study the financial performance of IOC limited

1.4 Scope of the Study

The present study is carried out in order to make an attempt to analyze the financial performance of Indian Oil Corporation (IOCL) Limited. This study has been undertaken to known about the financial strength and weakness of the bank and to make a qualitative data decision about the bank financial performance. The study undertaken to known about for Indian Oil Corporation (IOCL) Limited.

1.5 Methodology

1.5.1 Research Design

The perfect study is a description of analyzed study. The data were collected through annual report from the company sources that are secondary in nature such as internet, websites, books, and journals.

1.6 Period of Study

This study a financial performance Indian Oil Corporation (IOC) Limited covers a period of ten years from 2012 -2021.

1.7 Tools for Analysis

The Researcher has used the following tools for Indian Oil Corporation (IOC) Limited to present and analyses the data namely

- ✓ Liquidity Ratio,
- ✓ Profitability Ratio
- ✓ Test of Solvency ratio
- ✓ Activity ratio

1.8 Limitations of Study

Due to constraints of time and resources, the study is likely to suffer from certain limitations. Some of these are mentioned here under so that the findings of the study may be understood in a proper perspective. The limitations of the study are:

1. The period of study ranges only for ten years for 2012- 2021.
2. The information given from the Indian Oil Corporation (IOC) Limited was limited data.
3. In this study only selected ratios are used.

1.9 Types of Ratios

There different parties interested in the ratio analysis for knowing position of a firm for different purposes. In view of various users of ratios, there are many types of ratios which can be calculated from the information given in the financial statements

1.9.1 Current Ratio

Current ratio is an index of the bank financial stability. It provides the margin of safety to the creditor. Therefore, an ideal current ratio for a sound business 1:1

The Current ratio $= \frac{\textbf{CurrentAssets}}{\textbf{CurrentLiabilities}}$

Table 1.1

Current Ratio

S.No	Year	Current Assets (Rs In Crores)	Current Liability (Rs In Crores)	Ratio
1	2011-2012	121,001.46	119,825.93	1.01
2	2012-2013	128,298.57	124,133.67	1.03
3	2013-2014	134,577.77	135,320.24	0.99
4	2014-2015	95,931.02	96,801.35	0.99
5	2015-2016	70,652.15	80,030.10	0.88
6	2016-2017	92,494.57	128,312.34	0.72
7	2017-2018	103,054.97	135,882.28	0.75
8	2018-2019	124,443.12	153,463.00	0.81
9	2019-2020	106,152.86	152,906.80	0.69
10	2020-2021	109,984.89	150,813.84	0.72

Source: Annual report from 2012 to 2021

The current ratio has in the decreasing trend during the year 2012 to 2021. It is because the bills payables and inter office adjustments in current liabilities are high during the years. In 2020 the current ratio was 0.88:0.72:1 it reached to 0.69:1 in 2020.

1.9.2 Quick Ratio

The quick ratio, also known as acid test ratio, measures the liquidity of a company. It calculates the proportion of a company's current assets to its current liabilities. The quick ratio measures liquidity by dividing a company's short-term assets with its short-term obligations. Current assets include cash, cash equivalents, marketable securities, and accounts receivables that are due in 90 days or less. Current liabilities include all short-term liabilities on a company's balance sheet.

Quick Ratio $=\frac{\mathbf{QuickAssets}}{\mathbf{Currentliabilities}}$

Table 1.2

Quick Ratio

S.No	Years	Quick Assets (Rs In Crores)	Current Liability's (Rs In Crores)	Ratio
1	2011-2012	64,172.26	119,825.93	0.54
2	2012-2013	68,984.18	124,133.67	0.56
3	2013-2014	69,880.40	135,320.24	0.52
4	2014-2015	50,387.17	96,801.35	0.52
5	2015-2016	31,913.04	80,030.10	0.40
6	2016-2017	30,253.70	128,312.34	0.24
7	2017-2018	37,741.76	135,882.28	0.28
8	2018-2019	52,972.74	153,463.00	0.35
9	2019-2020	42,475.24	152,906.80	0.28
10	2020-2021	31,796.88	150,813.84	0.21

Source: Annual report from 2012 to 2021

The table 1.2 clearly depicts that the financial year from 2012 to 2021 a financial statements analysis that the current ratio should be in the ideal 2:1 limits. The increased in current ratio during the years 2012 and 2015 current ratio has been increased a 0.54:1, 0.52:1 because the cash and Balance at IOCL current asset have been increased during the year.

The current ratio has in the decreasing trend during the year 2012 to 2021.it is because the bills payables and inter office adjustments in current liabilities are high during the years. In 2021 the current ratio was 0.21:1.

1.10 Profitability Ratio

The primary ratio measures the profitability of a firm's business operations. Profit earning is essential for the survival of the business. These ratios may be related to sales or investments.

1.10.1 Return on Shareholders' Investment

Return on shareholders' Investment, popularly known as ROI or Shareholder/proprietors' funds is the relationship between net profits (after interest &tax) and the proprietors' funds.

Return on shareholders' Investment $= \frac{\textbf{NetProfits(afterinterest\&}tax)}{\textbf{Shareholderfunds}}$

Table1.3

Return on shareholders' Investment

S.No	Years	Net profit (Rs In Crores)	Shareholders' funds (Rs In Crores)	Ratio
1	2011-2012	3,675.83	57,876.70	0.06
2	2012-2013	4,998.87	61,124.31	0.08
3	2013-2014	7,115.39	65,992.08	0.11
4	2014-2015	5,280.59	67,969.97	0.08
5	2015-2016	11,242.23	88,134.31	0.13
6	2016-2017	19,106.40	99,728.72	0.19
7	2017-2018	21,346.12	110,171.02	0.19
8	2018-2019	16,894.15	108,657.51	0.16
9	2019-2020	1,313.23	93,768.87	0.01
10	2020-2021	21,836.04	110,500.04	0.20

Source: Annual report from 2012 to 2021

The table1.3 clearly depicts that the financial year from 2012 to 2021 a financial statements analysis that the Return on shareholders' Investment ratio. The increased in Return on shareholders' Investment ratio during the years 2021, 2017, 2018, Return on shareholders' Investment ratio has been increased a 0.20:1, 0.19:1, 0.19:1, because the Profit on exchange transactions net profit and Statutory reserve, Special reserve and Investment reserve account in shareholders' funds have been increased during the year.

1.11 Analysis of Long Term Financial Position or Test of Solvency

Solvency ratio asses the long term financial condition of the firm. Banker and Creditors are most interested in liquidity. But shareholders debenture holders and financial institutions are concerned with the long term financial prospects.

The following are the solvency ratio

1.11.1Long Term Debt to Assets Ratio

The long-term debt to total assets ratio is a measurement representing the percentage of a corporation's assets financed with long-term debt. This ratio provides a general measure of the long term financial position of a company, including its ability to meet its financial obligations for outstanding loans.

$$\textbf{Long term Debt to Assets Ratio} = \frac{\textbf{Long}-\textbf{TermDebt}}{\textbf{TotalAsset}}$$

Table1.4

Long Term Debt to Assets Ratio

S.No	Years	Borrowing (Rs In Crores)	Total assets (Rs In Crores)	Ratio
1	2011-2012	16,826.76	209,859.75	0.08
2	2012-2013	21,414.20	223,995.27	0.10
3	2013-2014	31,683.58	252,413.78	0.13
4	2014-2015	32,731.26	219,849.47	0.15
5	2015-2016	24,937.56	220,504.17	0.11
6	2016-2017	20,312.04	259,213.27	0.08
7	2017-2018	18,717.60	280,739.91	0.07
8	2018-2019	34,666.36	315,707.72	0.11
9	2019-2020	49,250.64	311,090.56	0.16
10	2020-2021	55,407.95	334,054.08	0.17

Source: Annual report from 2012 to 2021

The table 1.4 clearly depicts that the financial year from 2012 to 2021 a financial statements analysis that the Long term Debt to Assets Ratio**.** The increased in Ratio of Fixed Asset to proprietors fund during the years 2021 Ratio of Long term Debt to Assets Ratio has been increased a 0.017:1 because the premises have been increased during the year.

1.12 Activity Ratios

Activity ratios are a category of financial ratios that measure a firm's ability to convert different accounts within its balance sheets into cash or sales. Activity ratios measure the relative efficiency of a firm based on its use of its assets, leverage, or other similar balance sheet items and are important in determining whether a company's management is doing a good enough job of generating revenues and cash from its resources.

1.12.1 Net Profit to Total Income Ratio

This ratio establishes the relationship between Net profit and total income

$$\textbf{Net profit to total income ratio} = \frac{\textbf{Netprofit}}{\textbf{Totalincome}}$$

Table 1.5

Net Profit to Total Income Ratio

S.No	Years	Net profit (Rs In Crores)	Total income (Rs In Crores)	Ratio
1	2011-2012	3,954.62	401,675.68	0.01
2	2012-2013	5,005.17	450,611.20	0.01
3	2013-2014	7,019.09	476,627.38	0.01
4	2014-2015	5,273.03	441,670.18	0.01
5	2015-2016	11,242.23	349,498.59	0.03
6	2016-2017	118,617.31	364,142.77	0.33
7	2017-2018	128,275.75	427,453.32	0.30
8	2018-2019	142,306.79	530,829.77	0.27
9	2019-2020	163,419.55	489,215.08	0.33
10	2020-2021	176,452.07	382,608.33	0.46

Source: Annual report from 2012 to 2021

The table 1.5 clearly depicts that the financial year from 2010 to 2018 a financial statements analysis that the Net profit to total income ratio.

The increase in Net profit to total income ratio during the years 2021 Net profit to total income ratio has been increased a 0.46:1 because the Net profit have been increased during the year.

1.12.2Working Capital to Total Asset

The working capital to total assets ratio compares the Working capital to the total assets of the firm.

Working capital to total asset = $\frac{\text{workingcapital}}{\text{TotalAsset}}$

Working capital = Current asset – Current liabilities

Table 1.6

Working Capital to Total Asset

S.No	Years	Working Capital (Rs In Crores)	Total assets (Rs In Crores)	Ratio
1	2011-2012	1,175.53	209,859.75	0.01
2	2012-2013	4164.9	223,995.27	0.02
3	2013-2014	742.47	252,413.78	0.00
4	2014-2015	870.33	219,849.47	0.00
5	2015-2016	9377.95	220,504.17	0.04
6	2016-2017	35817.77	259,213.27	0.14
7	2017-2018	32827.31	280,739.91	0.12
8	2018-2019	29019.88	315,707.72	0.09
9	2019-2020	46753.94	311,090.56	0.15
10	2020-2021	40828.95	334,054.08	0.12

Source: Annual report from 2012 to 2021

The table 1.6 clearly depicts that the financial year from 2012 to 2021 a financial statements analysis that the Working capital to total asset.

The increased in Ratio of Working capital to total asset during the year 2020Ratio of Working capital to total asset Ratio has been increased a 0.15:1 because the working capital they have been increased during the year.

1.13 Summary of Findings

- ❖ The current rations near the stand form of 2:1. 2012, 2013 and 2015 current ratio has been increased a 1.01:1.03:1 and 0.99:1 because the cash and Balance at IOCL current asset have been increased during the year.
- ❖ From the year 2012 and 2015 current ratio has been increased a 0.54:1, 0.52:1 because the cash and Balance at IOCL current asset have been increased during the year.
- ❖ The increased in Return on shareholders' Investment ratio during the years 2021, 2017, 2018, Return on shareholders' Investment ratio has been increased a 0.20:1, 0.19:1, 0.19:1, because the Profit on exchange transactions net profit and Statutory reserve, Special reserve and Investment reserve account in shareholders' funds have been increased during the year.
- ❖ The increased in Ratio of Fixed Asset to proprietors fund during the years 2021 Ratio of Long term Debt to Assets Ratio has been increased a 0.017:1 because the premises have been increased during the year.

- ❖ The increase in Net profit to total income ratio during the years 2021 Net profit to total income ratio has been increased a 0.46:1 because the Net profit have been increased during the year.
- ❖ The increased in Ratio of Working capital to total asset during the year 2020Ratio of Working capital to total asset Ratio has been increased a 0.15:1 because the working capital they have been increased during the year.

1.14 Suggestion

It is recommended that bank to use more ratios, especially those in the study which are so significant as improvement of their financial performance measures. Indian Oil Corporation Limited should probably consider the use of the fund to invest other opportunities to get a profit. The Indian Oil Corporation Limited should have increased its current assets than its current liabilities to make positive working capital. The company should have decreased its current liabilities by paying through the profit which is being made. The debt should been minimized to keep debt ratio and debt-equity ratio to a minimum value efficiency use of asset good as liquidity measures of Asset accounts such us total asset turnover of the bank are significant increase in positive of business .

1.14 Conclusion

Company is a very important and vital for economic development in mobilizing capital and other resources. The company demand and supply Indian Oil Corporation Limited is also contributing to the advancement of the socioeconomic condition of the country. To keep pace with the current market and demand, the Indian Oil Corporation Limited is following several strategies and taking new initiatives, offering new products and services to the customers. The study of financial performance and trend helps to understand the progress of the company. The study identified that there is a significant difference in performance of the company. The productivity of the company presented down trend. The proportion of performing assets is also decreasing year by year. The performance of the company suffering from huge variations in different ratios. The study also observed that there is a sharp decrease in performing assets.

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