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A STUDY ON FINANCIAL PERFORMANCE OF INDIAN OIL CORPORATION LIMITED

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ABSTRACT
The research paper aims to study the financial performance of Indian Oil Corporation Limited in terms of financial ratios such as Liquidity, Solvency, Profitability and Efficiency position. The study was carried out for the period of six years (2014 - 2020) to analyse the financial performance of the company. The study was done based on secondary data collected from the published websites of organisation for the research. The tools used for analysis is ratio analysis of the balance sheet. Suitable ratios were framed and calculated to know the financial performance of the company. The findings from the analysis were discussed in detail and suggestions for corrective actions like maintain good solvency in order to meet short term and long term obligations were given wherever applicable.

KEYWORDS: ***Indian Oil Corporation, Financial performance, Ratio analysis.***

1. INTRODUCTION

The process of measuring the result of a firm's polices and operations in monetary term is known as financial performance. Financial performance plays an important role in determining the financial strengths and weakness of a company relative to that of the other companies in the same industry. Accounting performance are used to describes significant relationship, which exist between figures shown in balance sheet, profit and loss account, budgetary control system or any other part of the accounting organization. The oil and gas sector is one of the important sector among eight crore industries in India. It has its strategic importance and plays a vital role in influencing the economy of our country.

2. STATEMENT OF THE PROBLEM

The study is conducted to evaluate the financial performance of Indian Oil Corporation Limited and to obtain a better understanding of the company position and performance. A financial analysis reveals strength and weakness of the company by properly establishing the relationship between the items of balance sheet and profit loss account.

3. OBJECTIVE OF THE STUDY

- To analyse the liquidity and profitability position of the company.
- To analyse the financial strength and weakness of the company.
- To know the financial position of the company

4. RESEARCH METHODOLOGY

Source of Data	Secondary data
Period of Study	2014-2015 to 2019 - 2020
Tools used	Ratio analysis

5. STATISTICAL TOOLS

- Current ratio
- Liquid ratio or Quick ratio
- Net profit ratio
- Return on capital employed
- Return on assets
- Proprietary ratio
- Total assets turnover ratio
- Inventory turnover ratio
- Capital turnover ratio

6. REVIEW OF LITERATURE

Suman Rana (2019) the study evaluated the **"Financial analysis of Tata motors and Maruti Suzuki"** to analyze the performance of both company. The data was collected secondary data and certain tools like ratio analysis had used. Tata motors had more ability in payment ratios as higher than Maruti Suzuki; the overall volume of Maruti Suzuki is more efficient.

Dr.V.Uma, Dr.Kavitha & Dr.A.Ramya (2018) made **"A study on financial analysis of Hero Motocorp Limited**". It is the largest manufacturer of two wheeler in the world. The company continues to lead the domestic motor market with 54.6% of share. It hopes to achieve 10 percent of their revenues from international markets. On this study revealed that the change in price levels due to inflation is also not properly considered by management.

S.Praveena K.Mahendran & T.Samsai (2015) conducted **"To analyze the financial performance of sugar industry in India**" to assess the profitability ratios are calculated to measure the overall efficiency of the business. The various tools were used path analysis and ratio analysis on this study. Financial ratios are used to compare the risk and return of different firms in order to help of equity investors and credit decisions.

7. TABLE

Ratios & Year	Current Ratio	Liquid Ratio	Net Profit Ratio	Return On Assets	Captial Turnover Ratio
2014 - 15	0.991	0.520	1.205	2.398	3.556
2015 – 16	0.909	0.519	2.966	4.589	2.731
2016 – 17	0.855	0.280	4.290	7.371	2.956
2017 – 18	0.758	0.277	4.215	7.604	3.496
2018 – 19	0.810	0.345	2.788	5.351	3.735
2019 - 20	0.692	0.276	0.232	0.422	3.584

- The firm's current ratio decreases drastically from 0.991 in the year 2015 to 0.909 in the year 2016, respectively further fluctuating to 0.855, 0.758 and 0.810 in the year 2017, 2018 and 2019 it has again decreased to 0.692 in the year 2020, the current ratio has decreased and company is able to pay short term and long term obligations.
- Liquid ratio is lesser than the standard of 1:1 which shows that the company has not stable position. Therefore, the company achieves maximum level of 0.520 in 2014-2015 to be considered as satisfactory.
- The firm's net profit ratio in the year 2015 was 1.205, in the year 2016 and 2017, it is increased to 2.966 and 4.290 and in 2018 it has decreased to 4.215, and respectively decreased in the year 2019 and 2020 as 2.788 and 0.232.
- Return on capital employed during the year 2018 it maximum as 14.736 and minimum in the following year 2020as 0.830, the company have to develop.
- The ratio of Indian Oil Corporation limited ranged between maximum of 7.604 in the year 2018 and minimum of 0.422 in the year 2020. The highest return on assets was found in 2018.
- Proprietary ratio during the year 2015 was 0.309 then in next year in 2016 it was 0.326, then it was0.385, 0.392 and 0.344 in 2017, 2018 and 2019 and in the year 2020 it has decreased to 0.301.
- The ratio ranged between minimum of 1.547 in 2016 and maximum of 1.990 in 2015. The highest total asset turnover ratio was found in 2015.
- Inventory turnover ratio shows that minimum in the year 2019 was 8.478 and maximum in the year 2015 was 9.607 at present the ratio brings changes to 8.903 in the year 2020.
- The ratio ranged between maximum of 3.735 in the year 2019 and minimum of 2.731 in the year 2016. The highest capital turnover ratio was found in the year 2019.

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8. SUGGESTIONS

The performance of Indian Oil Corporation Limited during the period of the study was found good and some minor weakness

- As the current ratio is less than the ideal ratio, the effective measures are to be taken to retain the inventories and other receivables accounts for an extended time.
- The management of the company must take necessary steps to provide for the lesser depreciation to increase the value of the fixed assets.
- Steps are to be taken to increase the net working capital for the operational purposes in future.
- The earning capacity of the company regarding the net profit is very normal due to the higher expenditures and the profitability of the company had been normally increasing the total income from year to year. So the company should take necessary steps to earn regular income and thus maintain consistent profitability performance.

9. CONCLUSION

After the analysis of various data, related to Indian Oil Corporation Limited found in analytical statement, it is clear that profitability more or less depends upon the better utilization of resources, cut off expenses, and market share. It is worth wile to cut down expenses in order to increase profitability, not only against the investment, but also for investor's return point of view.

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