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A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF HINDUSTAN PETROLEUM CORPORATION LIMITED

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ABSTRACT
Finance is need for day to day operation and it is considered as a life blood for business. Profitability is the profit earning capacity which is a crucial factor contrybuting for the survial of the firms. Profitabiliy analysis is the process of identifying the financial strengths and wealness of the Hindustan Petroleum Corporation Limited (HPCL) from the available accounting data and financial statements. This study aims at analysing the overall financial profitability of the HPCL by using various financial tools. Further, to measure the effectiveness of the above mentioned company,ratio analysis techniques have been used as toool to provide suitable suggestions and recommendations for this study.
KEY WORDS : *Financial Performance, Ratio Analysis, Liquidity Ratio, Profitability Ratio.*

INTRODUCTION
Financial performance in broader sense refers to the degree to which financial objectives being or has been accomplished and is an important aspect of financial risk management. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Financial performance includes analysis and interpretation of financial statements in such a way that it undertakes full diagnosis of the profitability and financial soundness of the business.

The financial analyst program provides vital methodologies of financial analysis.

STATEMENT OF THE PROBLEM
Finance is the scarcest resource in India and hence it needs to be utilized optionally. The sound performance of a firm depends on the well-planning of capital structure, investment and distribution. Any firm that fails to apply the sound principles of capital structure like cost, control and the firm that fails to adopt the scientific tool of investment and distribution in managing funds will not survive in the long run. Further, the firm should apply the wealth maximization as criteria in taking financial decisions like financing, investment and distribution. Since finance in the life blood and nervous system of an enterprise, the importance of the timely appraisal of the performance of the firm cannot be ignored.

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OBJECTIVES OF THE STUDY

- To analyze the Liquidity position of the Hindustan Petroleum Corporation Limited.
- To evaluate the profitability of the company.
- To analyse the schedule of changes in Working capital for the period of five years. • To analyse the overall financial performance of HPCL

SCOPE OF THE STUDY

The study is based on the financial position of the firm by using ratio analysis and comparative statements. Financial statements help the management to analyze the profit, solvency, liquidity and efficiency etc. This analysis will give exact picture of the company. This study will also help the management to take managerial decisions. This study helps the management to understand the new possibilities.

RESEARCH METHODOLOGY

SOURCES OF DATA

Secondary data are used in this study, which were collected from the various data base, journal and magazines. Variables pertaining to behavior of liquidity, leverage and profitability were collected from the balance sheet and profit and loss account of the selected Hindustan Petroleum Corporation Limited for a period of 5 years.

PERIOD OF THE STUDY

The study covers the period of five years ranges from 2014-15 to 2018-19.

TOOLS AND TECHNIQUES

The tool used for calculation of financial performance analysis is following statistical tools were applied to analyze the statistical data collected.

1. Ratio analysis
   - Profitability Ratios
   - Liquidity Ratios
2. Working Capital Analysis

LIMITATIONS OF THE STUDY

- The study was conducted for a period of 5 years.
- The study is done with help of secondary data obtained from the annual reports of thr organizations
- The availability of the information and data are limited by time factor.
- There are chances for errors while making calculation

REVIEW OF LITERATURE

Mr. V. Elayabharathi, Mrs. D. Praveena, Mrs. S. Rathika (2019), The study was to analyze the financial stability and overall performance of the TNSC APEX Co-operative Bank. They also interpret the profitability turnover and liquidity or short term solvency position of TNSC Bank. They studied the working capital position of the bank. The study was based on secondary data. They found that the current assets of the concern have been decreased, so they suggested the bank to take steps to meet the short term obligation. They also suggested the bank to maintain proper receivables. They concluded by saying that the performance of the concern was good.

Dr. Seema Thakur (2019), It described on financial performance of DABUR INDIA LIMITED. Secondary data was used to analyze the financial performance and to investigate the financial changes past five years. She ensured optimum operational efficiency by effective utilization of resources the study divulge that the financial performance was very well covered. She concluded that the financial performance was good.

Sabrin, Muhmmad Nur Afiat, sarqiah (2019), The study was to evaluate the financial performance of the company and to analyze the financial position. Based on the study they found that the company pretty good. They suggested to fulfill its obligation of the financial management.

DATA ANALYSIS AND INTERPRETATION LIQUIDITY RATIO

Liquidity ratios are an important class of financial metrics used to determine a debtor's ability to pay off current debt obligation without raising external capital. These ratios portray the capacity of the business unit to meet its short term obligation from its short-term resources. Liquidity ratio classified into three types

- Current ratio
- Liquid ratio
- Absolute ratio.

CURRENT RATIO

Current ratio may be defined as the relationship between current assets and current liabilities it is the most common ratio for measuring liquidity. It is calculated by dividing current assets and current

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liabilities. Current assets are those, which can be realized with in a period of one year.
Current liabilities are those amounts, which are payable with in a period of one year.

Current Ratio = current Assets/ Current liabilities

Table No. 1
Table showing Current ratio
(Rs. in Crores) (Source: Secondary Data)

Year	Current Assets	Current Liabilities	Current Ratio
2014-2015	22,348.85	35,428.75	0.63
2015-2016	17,285.26	35,727.92	0.48
2016-2017	22,857.22	38,761.53	0.59
2017-2018	25,504.43	41,154.37	0.62
2018-2019	26,329.55	48,743.84	0.54

INTERPRETATION

The standard norm of Current Ratio is considered to be 2:1. The current ratio during the year 2014-2015 is 0.63. During 2015-2016 it decreases to 0.48. Later it increases to 0.59 and 0.62 during 2016-2017 and 2017-2018 respectively. During 2018-2019 it decreased to 0.54.

LIQUID RATIO

The term liquidity " refers to the ability of a firm to pay its short-term obligation and when they become due. The term quick assets or liquid assets refers current assets which can be converted into cash immediately and it comprises all current assets except stock and prepaid expenses it is determined by dividing quick assets by quick liabilities.

Liquid ratio = Liquid assets / Liquid liabilities

Table No. 2
Table showing Liquid Ratio
(Rs. in Crores)

Year	Liquid Asset	Current Liabilities	Liquid Ratio
2014-2015	6,304.10	35,428.75	0.18
2015-2016	3,930.43	35,727.92	0.11
2016-2017	4,228.06	38,761.53	0.11
2017-2018	6,892.20	41,154.37	0.17
2018-2019	5,885.93	48,743.84	0.12

(Source: Secondary Data)

INTERPRETATION

The standard norm for Liquid ratio is 1:1. The Liquid ratio during the year 2014-2015 is 0.81. It decreased to 0.11 during 2015-2016 and 2016-2017. The Liquid ratio increased to 0.17 during the year 2017-2018. It decreases to 0.12 during the year 2018-2019.

ABSOLUTE LIQUID RATIO

Absolute liquidity ratio includes cash, bank, and marketable securities. This ratio obtained by dividing cash, bank and marketable securities by current liabilities.

Absolute liquidity ratio = Cash + Bank +marketable securities/ Current liabilities

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Table No. 3
Table showing Absolute Liquid Ratio
(Rs. in Crores)

Year	Absolute Liquid Asset	Current Liabilities	Absolute Liquid Ratio
2014-2015	2,235.83	35,428.75	0.063
2015-2016	154.15	35,727.92	0.004
2016-2017	136.4	38,761.53	0.004
2017-2018	1,305.18	41,154.37	0.032
2018-2019	218.5	48,743.84	0.004

(Source: Secondary Data)

INTERPRETATION

The Absolute liquid ratio should be 1:2. The Absolute liquid ratio of HPCL during the year 2014-2015 is 0.063. It becomes gradually decreasing in succeeding years. It decreased to 0.004 during the year 2015-2016 and 2016-2017. Later in next year 2017-2018 it increased to 0.032.
During 2018-2019 it decreased to 0.004.

PROFTABILITY RATIO

The profitability ratios of a business concern can be measured by the profitability ratios. These ratios highlight the end result of business activities by which alone the overall efficiency of a business unit can be judged. (E.g.) gross Profit ratios, Net profit ratios, Operating profit ratio and Operating ratio.

GROSS PROFIT RATIO

This ratio expresses the relationship between Gross profit and sales. It indicated the efficiency of production or trading operation. A high gross profit ratio is a good management as it implies that the cost of production is relatively low.

Gross profit ratio = (Gross profit / Net sales) x 100

Table No. 4
Table Showing Gross Profit Ratio
(Rs. in Crores)

Year	Gross Profit	Sales	Gross Profit Ratio
2014-2015	13,034.19	216,594.13	6.02
2015-2016	38,231.30	197,964.32	19.31
2016-2017	20,434.82	187,492.89	10.90
2017-2018	218843.64	219,509.64	99.70
2018-2019	23,655.96	275,473.39	8.59

(Source: Secondary Data)

INTERPRETATION

The Goss profit ratio of HPCL during the year 2014-2015 is 6.02. It increases to 19.31 during next year 2015-2016. The Gross profit ratio decreased to 10.90 during the year 2016-2017. The HPCL has the highest Gross profit ratio of 99.70 during the year 2017-2018. It becomes 8.59 during the year 2018-2019.

NET PROFIT RATIO

Net profit ratio establishes a relationship between net profit (after taxes) and sales. It is determined by dividing the net income after tax to the net sales for the period and measures the profit per rupee of sales

Net profit Ratio = (Net profit/ Net sales) x 100

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Table No. 5
Table showing Net Profit Ratio

(Rs. in Crores)

Year	Net Profit	Sales	Net Profit Ratio
2014-2015	1,488.87	216,594.13	0.69
2015-2016	3,732.42	197,964.32	1.89
2016-2017	5,916.84	187,492.89	3.16
2017-2018	5,896.69	219,509.64	2.69
2018-2019	5,760.90	275,473.39	2.09

(Source: Secondary Data)

INTERPRETATION

The Net profit ratio of Hindustan Petroleum Corporation during the year 2014-2015 is 0.69. It gradually increased during next two years. It increased to 1.89 and 3.16 during 2015-2016 and 2016-2017 respectively. Then it gradually decreased to 2.69 and 2.09 during the year 2017-2018 and 2018-2019 respectively.

OPERATING PROFIT RATIO

The operating profit ratio defines the relationship between operating profit and sales.

Operating Profit Ratio =
(Operating Profit / Sales) x 100

Table No. 6
Table showing Operating Ratio
(Rs. in Crores)

Year	Operating Profit	Sales	Operating Profit Ratio
2014-2015	4,697.42	216,594.13	2.17
2015-2016	28,333.58	197,964.32	14.31
2016-2017	10,879.66	187,492.89	5.80
2017-2018	10,712.95	219,509.64	4.88
2018-2019	11,567.11	275,473.39	4.20

(Source: Secondary Data)

INTERPRETATION

The operating profit ratio of HCPL during the year 2014-2015 is 2.17. It is gradually increases 14.31 during the year 2015-2016. The Operating profit ratio gradually decreases 5.80, 4.88 and
4.20 during the year 2016-2017, 2017-2018 and 2018-2019 respectively.

OPERATING RATIO

The operating ratio defines the association between cost of goods sold and other operating expenses divided by net sales. The ratio evaluated the cost of operations per rupee of sale. **Operating Ratio = (Operating Cost / Net Sales) x 100**

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Table No. 7
Table showing Operating ratio
(Rs. in Crores)

Year	Operating Profit Ratio	Operating Ratio
2015-2016	2.17	97.83
2016-2017	14.31	85.69
2017-2018	5.80	94.20
2018-2019	4.88	95.12
2019-2020	4.20	95.80

(Source: Secondary Data)

INTERPRETATION

The Operating ratio of Hindustan Petroleum corporation Limited company is 97.83 during the year 2015-2016 and it deceases to 85.69 during the year 2016-2017. It is gradually increases to 94.20, 95.12 and 95.80 during the year 2017-2018, 2018-2019 and 2019-2020 respectively.

FINDINGS, SUGGESTIONS AND CONCLUSION FINDINGS

- The Current ratio is increased the ratio of 0.63 in the year 2014-2015 and decreased 0.48 in the year 2015-2016.
- The Liquid ratio is increased in the ratio of 0.18 in the year 2014-2015 and decreased 0.11 in the year 2015-2016 and 2016-2017.
- The Absolute Liquid ratio increased the ratio of 0.063 in the year 2014-2015 and decreased 0.004 in the year 2015-2016, 2016-2017 and 2018-2019.
- The Gross Profit increased in the ratio of 99.70 in the year 2017-2018 and decreased 6.02 in the year 2014-2015.
- The Net Profit ratio increased the ratio of 3.16 in the year 2016-2017 and decreased 0.69 in the year 2014-2015.
- The Operating Profit ratio increased the ratio of 14.31 in the year 2015-2016 and decreased 2.17 in the year 2014-2015.
- The Operating ratio increased the ratio of 97.83 in the year 2014-2015 and decreased 85.69 in the year 2015-2016.
- Net decrease in working capital is Rs.4,866.51 during the year 2015-2016.
- Net increase in working capital is Rs.1,757.91 during the year 2016-2017.
- Net increase in working capital is Rs.1,893.70 during the year 2017-2018.
- Net increase in working capital is Rs.499.33 during the year 2018-2019.
- The overall performance of HPCL is good.

SUGGESTIONS

- The company can maintain adequate current assets and liquid assets to meet its short term obligation. It can hold up the more funds in the current assets.
- The company can minimize their expenses, so that they can maintain their liquidity position in a safe zone.
- The investment of cash can be increased as it will improve the profitability of the company.
- The company can try to manage its assets efficiency to increase the efficiency of its assets through fixed assets management and working capital management and techniques.
- The company has to focus on the current liabilities which may be settled in right time.

CONCLUSION

Finance is the lifeblood which plays a vital role in the organization and a vital factor for the development of business. Financial performance analysis is used to know the performance of the concern. It is used to know the position of the company.This study is conducted to evaluate the financial performance analysis of HPCL for the period of 5years ranging from 2014-2015 to 20182019.

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Examination and explanation of financial statements show that, the present financial position of HPCL has improved quite a lot from the previous years.

The central focus of the study is to conduct an evaluative study of the financial state of the firm by using ratio investigation and financial statement by taking into accounts the past five years of the company's financial statements. To improve a company's liquidity ratio in the long term, it helps to take a look at accounts receivable and payable. Ensure that you're invoicing customersas quickly as possible,and they're paying on time. When it comes to accounts payable, you willl want to ensure the opposite-longer pay cycles are more beneficial to a company that's trying to improve its liquidity ratio.Profitability of a company can be increased by reducing costs, increasing turnover, increasing productivity and increasing efficiency.The study concluded that the company financial performance is good.

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