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A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF OIL AND NATURAL GAS CORPORATION

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ABSTRACT
The petroleum industry faces tremendous price changes in the market. ONGC is the one of the largest producer of oil and natural gas in India. It owns and operates over 11,000 kilometers of pipelines in India. The need for the study is to know the performance, liquidity and profitability of ONGC. The scope of the study is to give prompt solutions to increase the performance and to have future growth in order to achieve desired objectives of ONGC.
KEY WORDS: *Financial Performance, Ratio Analysis, Liquidity Ratio, Profitability Ratio.*

INTRODUCTION
Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short-term and long term forecasting and growth can be identified with the help of financial performance analysis. The dictionary meaning of ‘analysis’ is to resolve or separate a thing in to its element or components parts for tracing their relation to the things as whole and to each other. The analysis of financial statement is a process of evaluating the relationship between the component parts of financial statement to obtain a better understanding of the firm’s position and performance. This analysis can be undertaken by management of the firm or by parties outside the namely, owners, creditors, investors.

STATEMENT OF PROBLEM
Financial statement analysis is an important tool for measuring the financial performance of the company.Financial statement is used to judge the profitability and financial soundness of a firm. In this study, an attempt is made to identify the financial strength and weakness of the firm by properly establishing relationship between the items in the balance sheet and profit and loss account of Oil and Natural Gas Corporation. So I make an analysis with ONGC to find out the effective utilization of funds. The petroleum industry faces tremendous price changes in the market. So I decided to make an analysis on the financial aspects of ONGC in the fluctuating scenario.

SCOPE OF THE STUDY
The study is based on the accounting information of Oil and Natural Gas Corporation. The study covers over a period of five years for analysing the financial statement such as income statement and the balance sheet of the Oil and Natural Gas Corporation. The intention of the study is to analyse the profitability of the company. The technique of ratio analysis will be used to identify the profitability.

OBJECTIVE OF THE STUDY
- To know the liquidity position of the Oil and Natural Gas Corporation.
- To evaluate the profitability position of the corporation.
- To know the changes over a working capital for the period of five years.

- To analyse the overall financial performance of the Oil and Natural Gas Corporation.

RESEARCH METHODOLOGY

SOURCES OF DATA

The study is about financial performance so it deals with secondary data. The required data were collected from the published annual report of the Oil and Natural Gas Corporation. The further information needed for the study was also gathered through the various books, journals.

PERIOD OF THE STUDY

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

TOOLS AND TECHNIQUES

Ratio analysis is an important and age old technique. It is powerful tool of financial analysis. Ratios are calculated for analysing the financial performance of Oil and Natural Gas Corporation.

- Current Ratio
- Liquid Ratio
- Absolute Liquid Ratio
- Gross Profit Ratio
- Net Profit Ratio
- Operating Profit Ratio
- Operating Ratio
- Capital Turnover Ratio
- Working Capital Analysis

LIMITATION OF THE STUDY

- The data used as secondary in nature.
- The statement that are studied are historical past cannot be the index for future estimation.

REVIEW OF LITERATURE

Elayabharathi, Praveena, Rathika (2019), examined finance was the life which plays a vital role in the organization. The objective of the study was to evaluate the financial performance of the TNSC APEX Co-Operative bank. They found that the current assets of the concern had been decreased. So, they suggested the bank need to take steps to meet the short term obligations. Finally they concluded the concern to increase the current assets and liabilities to meet the short term obligations and it help to improvement of concern.

Pathma Priya (2019), in the study the researcher has analysed the financial performance of HDFC Limited. In the connection, she had used many ratios, which include liquidity, solvency and profitability ratios. It was found that the financial performance of HDFC Limited was at satisfactory level.

Madhulatha Karri, Sheeba .V. Thomas and Omkar Venkata Chinnam Naidu Murru (2018), financial analysis helped to assess the profitability and financial position of a concern and the study accompanied on comparative financial performance of BHEL'S with its peers BEML, L&T, PUNJLLYOD, THERMASX. After analysing the researchers found that the liquidity position of THERMAX & BEML was good. The solvency position of BHEL & PUNJLLYOD was satisfactory. The operating efficiency of THERMAX was good. The profitability position of L&T was satisfactory. Finally they concluded that based on profit overall financial performance of L&T was well.

DATA ANALYSIS AND INTERPRETATION

LIQUIDITY RATIO

It's a ratio which tells one's ability to pay off its debt as and when they become due. In other words, we can say this ratio tells how quickly a company can convert its current assets into cash so that it can pay off its liability on a timely basis. Generally, Liquidity and short-term solvency are used together. The following financial ratios are considered to be liquidity ratios:

- Current Ratio
- Liquid Ratio
- Absolute Liquid Ratio

CURRENT RATIO

This ratio measures a company's ability to pay off its current liabilities (Payable within one year) with its current assets such as cash, accounts receivable and inventories. Generally 2:1 is treated as the ideal ratio, but it depends on industry to industry.

Current Ratio = Current Assets / Current Liability

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Table No: 1
Table Showing Current Ratio

(Rs. in Crores)

Year	Current Assets	Current Liabilities	Current Ratio
2014-2015	45,500.15	67,844.99	0.67
2015-2016	42,938.82	74,292.91	0.58
2016-2017	55,641.49	1,35,254.68	0.41
2017-2018	49,519.13	1,09,753.89	0.45
2018-2019	55,680.18	1,25,179.62	0.44

(Source: Secondary Data)

INTERPRETATION

The conventional rule of current ratio is 2:1. During the year 2014-2015 the company achieves the highest current ratio of 0.67. It gradually decreases to 0.58 in the year 2015-2016 and to 0.41 in the year 2016-2017. During the year 2017-2018 the current ratio increases to 0.45 and again it decreases to 0.44 in the year 2018-2019.

LIQUID RATIO

This ratio is the best measure of the liquidity in the company. This ratio is more conservative than the current ratio. The quick asset is computed by adjusting current assets to eliminate those assets which are not in cash. Generally 1:1 is treated as an ideal ratio.

Liquid Ratio = Liquid Assets / Current Liability

Where,**Liquid Assets = Current Assets – Inventory – Prepaid Expenses**

Table No. 2
Table Showing Liquid Ratio

(Rs. in Crores)

Year	Liquid Asset	Current Liabilities	Liquid Ratio
2014-2015	34,893.93	67,844.99	0.51
2015-2016	33,020.75	74,292.91	0.44
2016-2017	25,759.76	1,35,254.68	0.19
2017-2018	18,962.01	1,09,753.89	0.17
2018-2019	20,499.52	1,25,179.62	0.16

(Source: Secondary Data)

INTERPRETATION

The conventional rule of Liquid Ratio is 1:1. The company has a liquid ratio of 0.51 in the year 2014-2015, 0.44 in the year 2015-2016, 0.19 in the year 2016-2017, 0.17 in the year 2017-2018 and 0.16 in the year 2018-2019.

ABSOLUTE LIQUID RATIO

This ratio measures the total liquidity available to the company. This ratio only considers marketable securities and cash available to the company. This ratio only tests short-term liquidity in terms of cash, marketable securities, and current investment.

Absolute Liquid Ratio = Cash& Bank + Marketable Securities / Current Liability

Table No. 3
Table Showing Absolute Liquid Ratio

(Rs. in Crores)

Year	Absolute Liquid Asset	Current Liabilities	Absolute Liquid Ratio
2014-2015	16,096.92	67,844.99	0.24
2015-2016	24,689.04	74,292.91	0.33
2016-2017	13,212.64	1,35,254.68	0.10
2017-2018	5,062.84	1,09,753.89	0.05
2018-2019	5,103.42	1,25,179.62	0.04

(Source: Secondary Data)

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INTERPERTATION

The acceptable norm of absolute liquid ratio is 1:2. The company has absolute liquid ratio 0.24 in the year 2014-2015 and next year it increased to 0.33. The absolute liquid ratio gradually decreased during next three years. It decreased to 0.10, 0.05 and 0.04 during 2016-2017, 2017-2018 and 2018-2019 respectively.

PROFITABILITY RATIO

Profitability ratio is used to evaluate the company's ability to generate income as compared to its expenses and other cost associated with the generation of income during a particular period. This ratio represents the final performance of the company i.e. how profitable company. It also represents how profitable owner's funds have been utilized in the company. Some main profitability ratios are:

- Gross Profit Ratio
- Net Profit Ratio
- Operating Profit Ratio
- Operating Ratio

GROSS PROFIT RATIO

This ratio measures the marginal profit of the company. This ratio is also used to measure the segment revenue. A high ratio represents the greater profit margin and it's good for the company.

Gross Profit Ratio = (Gross Profit / Net Sales) * 100

Table No. 4
Table Showing Gross Profit Ratio

(Rs. in Crores)

Year	Gross Profit	Sales	Gross Profit Ratio
2014-2015	66,090.00	1,60,889.74	41.08
2015-2016	65,078.96	1,35,664.21	47.97
2016-2017	92,835.11	2,82,506.11	32.86
2017-2018	93,828.63	3,22,705.76	29.08
2018-2019	1,19,809.98	4,21,385.29	28.43

(Source: Secondary Data)

INTERPRETATION

The company has a Gross profit ratio 41.08 during the year 2014-2015. Next year it increases to 47.97. Later it decreases to 32.86, 29.08 and 28.43 in the succeeding years 2016-2017, 2017-2018 and 2018-2019 respectively.

NET PROFIT RATIO

This ratio measures the overall profitability of company considering all direct as well as indirect cost. A high ratio represents a positive return in the company and better the company is.

Net Profit Ratio = (Net Profit / Net Sales) * 100

Table No. 5
Table Showing Net Profit Ratio

(Rs. in Crores)

Year	Net Profit	Sales	Net Profit Ratio
2014-2015	17,672.96	1,60,889.74	10.98
2015-2016	12,009.48	1,35,664.21	8.85
2016-2017	21,609.26	2,82,506.11	7.65
2017-2018	19,392.79	3,22,705.76	6.01
2018-2019	27,066.71	4,21,385.29	6.42

(Source: Secondary Data)

INTERPRETATION

The Net profit ratio of the company during the year 2014-2015 is 10.98. Later it decreases to 8.85, 7.65 and 6.01 in the succeeding years 2015-2016, 2016-2017 and 2017-2018 respectively. During the year 2018-2019 it increase to 6.42.

OPERATING PROFIT RATIO

Operating net profit ratio is calculated by dividing the operating net profit by sales. This ratio helps in determining the ability of the management in running the business.

Operating Profit Ratio = (Operating Profit / Net Sales) * 100

Table No. 6
Table Showing Operating Profit Ratio

(Rs. in Crores)

Year	Operating Profit	Sales	Operating Profit Ratio
2014-2015	53,566.16	1,60,889.74	33.29
2015-2016	45,981.07	1,35,664.21	33.89
2016-2017	53,138.93	2,82,506.11	18.81
2017-2018	58,474.86	3,22,705.76	18.12
2018-2019	76,273.91	4,21,385.29	18.10

(Source: Secondary Data)

INTERPRETATION

The above table indicates that the Operating profit ratio during the year 2014-2015 is 33.29. It increases to 33.89 in the next year. It gradually decreases to 18.81, 18.12 and 18.10 in the succeeding years 2016-2017, 2017-2018 and 2018-2019 respectively.

OPERATING RATIO

The operating ratio shows the efficiency of a company's management by comparing the total operating expense of a company to net sales. The operating ratio shows how efficient a company's management is at keeping costs low while generating revenue or sales. The smaller the ratio, the more efficient the company is at generating revenue versus total expenses.

Operating Ratio = 100 – Operating Profit Ratio

Table No. 7
Table Showing Operating Ratio

(Rs. in Crores)

Year	Operating Profit Ratio	Operating Ratio
2014-2015	33.29	66.71
2015-2016	33.89	66.11
2016-2017	18.81	81.19
2017-2018	18.12	81.88
2018-2019	18.10	81.90

(*Source: Secondary Data)*

INTERPRETATION

TheOperating profit ratio during the year 2014-2015 is 66.71. It decreases to 66.11 in the year 2015-2016. Later it increases to 81.19, 81.88 and 81.90 in the succeeding years 2016-2017, 2017-2018 and 2018-2019 respectively.

TURNOVER RATIO

A turnover ratio represents the amount of assets or liabilities that a company replaces in relation to its sales. The concept is useful for determining the efficiency with which a business utilizes its assets.

CAPITAL TURNOVER RATIO

Capital turnover compares the annual sales of a business to the total amount of its stockholders' equity. The intent is to measure the proportion of revenue that a company can generate with a given amount of equity. It is also a general measure of the level of capital investment needed in a specific industry in order to generate sales.

Capital Turnover Ratio = Total Assets – Current Liabilities

Table No. 8
Table Showing Capital Turnover Ratio

(Rs. in Crores)

Year	Sales	Capital Employed	Capital Turnover Ratio
2014-2015	1,60,889.74	1,66,953.88	0.96
2015-2016	1,35,664.21	1,70,720.19	0.79
2016-2017	2,82,506.11	1,46,822.30	1.92
2017-2018	3,22,705.76	2,11,117.09	1.53
2018-2019	4,21,385.29	2,13,173.72	1.98

(Source: Secondary Data)

INTERPRETATION

TheCapital turnover ratio during the year 2014-2015 is 0.96. It decreases to 0.79 during 2015-2016. Later it increases to 1.92 in the year of 2016-2017. In 2017-2018 it decreases to 1.53. During the year 2018-2019 it increases to 1.98.

FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

- The Oil and Natural Gas Corporation has highest current ratio of 0.67 in year 2014-2015 and lowest current ratio of 0.41 in the year 2016-2017.
- The company has highest liquid ratio during the year 2014-2015 with 0.51 and lowest ratio of 0.16 during the year 2018-2019.
- The ONGC has highest Absolute Liquid Ratio of 0.33 in the year 2015-2016 and lowest ratio of 0.04 in the year 2018-2019.
- The Gross profit ratio is higher in the year 2015-2016 with 47.97 and lower in the year 2018-2019 with 28.43.
- The company has highest Net profit ratio of 10.98 in the year of 2014-2015 and lowest in the year 2017-2018, that is, 6.01.
- Duringthe year 2015-2016 the ONGC achieves the highest Operating profit ratio of 33.89 and the lowest ratio of 18.10 in the year 2018-2019.
- The company has highest Operating ratio of 81.90 in the year 2018-2019 and lowest ratio of 66.11 in the year 2015-2016.
- Thecompany has highest capital turnover ratio of 1.98 in the year 2018-2019 and lowest ratio 0.79 in the year 2015-2016.
- Net increase in working capital during the year 2015-2016 is Rs.972.47.
- Net decrease in working capital during the year 2016-2017 is Rs.46,517.64.
- Net increase in working capital during the year 2017-2018 is Rs.24,803.42.
- Net increase in working capital during the year 2018-2019 is Rs.3,544.82.
- The overall performance of ONGC is satisfactory.

SUGGESTIONS

It is suggested that

- The company can try to increase the availability of liquid cash.
- The investment of cash can be increased as it will improve the profitability of the company.
- The company can also consider investing some amount in various debt instruments as it will allow the funds to be distributed more evenly.
- It is advisable to utilise the existing cash and bank balances to pay off a company's current obligation, as per the working capital instead of spending more on investment proposals.

CONCLUSIONS

The growth and development of the organisation is highly depending on financial position. After analysing and interpreting the above ratios, it is found that the Liquidity position of the company is fair. Hence steps can be taken in order to increase assets and liabilities to meet the short term obligations. The Profitability position of the company is satisfactory. The Operating efficiency of ONGC is good. Hence the performance should be continued and improvement to be made in order to attain the objectives of the concern which paves the way to have the result in attaining the competitive advantage.

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