IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

A STUDY ON FINANCIAL PERFORMANCE OF INDIAN OIL CORPORATION LIMITED

S. Praveen[1]

UG Student, Department of B Com - PA, Sri Ramakrishna College of Arts & Science, Coimbatore-06.

R. ArunPrakash[2]

Assistant Professor, Department of B Com - PA, Sri Ramakrishna College of Arts & Science, Coimbatore-06.

ABSTRACT

The main focus of this study was to examine Indian Oil Corporation Ltd.'s financial results during a five-year period, from the 2018 fiscal year to 2023.The official websites of Indian Oil Corporation Ltd. and other periodicals provided the data used in this study. The ratio analysis approach is used to analyse the gathered data. A number of carefully chosen parameters, including the debt-to-equity ratio, asset turnover ratio, net profit ratio, gross profit ratio, current ratio, and quick ratio, have been used to assess the profitability and liquidity performance of Indian Oil Corporation Ltd. Despite this, there is insufficient data in the study to fully analyse financial performance and its tactics. Based on a subset of the study's data, this analysis found notable variations in financial performance strategies from year to year. The financial performance analysis in this study aids in both short- and long-term forecasting, as well as in identifying growth.

Keywords: Indian Oil Corporation Ltd,financial performance, ratios.

INTRODUCTION OF THE STUDY

Analyzing an organization's financial performance is crucial for stakeholders seeking insights into its economic health. This examination involves assessing various financial statements, such as income statements, balance sheets, and cash flow statements. By scrutinizing key indicators like profitability, liquidity, and solvency, one can gauge the company's ability to generate profits, manage debts, and meet short-term obligations. A comprehensive evaluation of financial performance enables informed decision-making, risk assessment, and strategic planning for both internal management and external investors.

My study is about the financial performance of Indian Oil Corporation Limited (IOCL). It serves as a pivotal mark reflecting the company's profitable health and its impact on the broader energy sector in India. As a mammoth in the oil painting and gas assiduity, IOCL's financial reports give perceptivity into crucial criteria similar as profit, profitability, and liquidity. Examining these pointers facilitates a comprehensive understanding of the company's capability to navigate request dynamics, manage pitfalls, and sustain growth. IOCL has been honored for its excellence in colorful areas, including sustainability, invention, and functional effectiveness. They've entered prestigious awards similar as the" Best Oil Company of the Time" and" utmost Trusted Brand" in the energy sector. They've entered recognition for their commitment to reducing carbon emigrations, promoting clean energy sources, and enforcing co-friendly practices. IOCL's fiscal performance not only influences the energy geography but also holds significance for investors, policymakers, and stakeholders, shaping comprehensions of the company's financial robustness and its donation to India's profitable development.

STATEMENT OF THE PROBLEM

The process of ascertaining an Indian Oil Corporation Limited's operations and financial features is known as financial performance analysis. The goal of the study is to ascertain how well the firm's management performed and how efficient they were as shown by the financial records. The goal of the study is to analyze Indian Oil Corporation Limited's financial performance in order to comprehend how important financial management is to the company's expansion.

OBJECTIVES OF THE STUDY

- To evaluate the profitability status of the company.
- To measure and analyze the liquidity position
- To evaluate a company's ability to meet its short-term and long-term debt.

LIMITATIONS OF THE STUDY

- The analysis is based on annual reports of the company.
- The study is done with help of secondary data obtained from the annual reports of the organizations
- The study was carried on with limited resources.

REVIEWS OF LITERATURE

- **DivyaBharathi (2020),** A study on financial performance analysis of Indian oil corporation limited, the main ideal of this analysis is determining the establishment's liquidity and profitability position by using tools like rate analysis. various rates like current rate, liquid rate, absolute liquid rate, Gross profit rate. Net profit rate, operating profit rate, operating rate have been used to measure the financial performance of the company. Secondary data was used for the study. This analysis consists of interpretation, findings and suggestions to assists the company to meliorate its performance. The Indian oil corporation has highest current ratio 0.85 in the year 2016-2017 and lowest current ratio of 0.64 in the year 2015-2016.The study reveals that the financial performance is fair. It has been maintaining good financial performance and further it can improve if the company concentrates on its operating, administration and selling expenses and by reducing expenses.
- **Mr. Dr. M. Kalimuthu (2020),** A Study on Financial Performance Analysis of Hindustan Petroleum Corporation Limited, Finance is need for day-to-day operation and it's considered as a life blood for business. Profitability is the profit earning capacity which is a pivotal factor contributing for the survival of the enterprises. Profitability analysis is the process of relating the fiscal strengths and weakness of the Hindustan Petroleum Corporation Limited (HPCL) from the available account data and fiscal statements. This study aims at analyzing the overall fiscal profitability of the HPCL by using colorful fiscal tools. Further, to measure the effectiveness of the below mentioned company, rate analysis ways have been used as tool to give suitable suggestions and recommendations for this study.The overall performance of HPCL is good. This study is conducted to evaluate the financial performance analysis of HPCL for the period of 5years ranging from 2014-2015 to 2018-2019. Examination and explanation of financial statements show that, the present financial position of HPCL has improved quite a lot from the previous years.

- **Mr. P. Kanagaraj, Mr. Gouwsigan V (2021),** a study on financial performance of Indian oil corporation limited, the exploration paper aims to study the fiscal performance of Indian Oil Corporation Limited in terms of fiscal rates similar as Liquidity, Solvency, Profitability and effectiveness position. The study was carried out for the period of six times (2014- 2020) to assay the fiscal performance of the company. The study was done grounded on secondary data collected from the published websites of organization for the exploration. The tools used for analysis is rate analysis of the balance distance. Suitable rates were framed and calculated to know the fiscal performance of the company. The findings from the analysis were bandied in detail and suggestions for corrective conduct like maintain good solvency in order to meet short term and long-term scores were given wherever applicable.

- **Yameen and Ahmad's (2015)**" Impact of Corporate Governance Practices on Financial Performance of Hindustan Petroleum Corporation Limited" Corporate governance methods have been evaluated for their impact on organizational performance, financial efficiency, and shareholder value. Furthermore, corporate governance was found to have a favorable impact on Hindustan Petroleum Corporation Limited's overall financial performance.

- **Sugandharaj Kulkarni (2011)**"A Study on Fundamental Analysis of ONGC" analyzed the economic elements that directly or indirectly affect ONGC's performance. According to his research, fundamental means the economic health of a corporation. The basic research focused on long-term rather than short-term movements in its share price. Equity investors are interested in knowing the inherent worth of a company's stock. According to the study, a rational and methodical strategy to estimating future earnings and corporate success is dependent not just on internal efforts but also on industry and economic factors.

RESEARCH METHODOLOGY

The research involved is both extensive and intensive studies of Indian Oil Corporation ltd. In this project the report is based on the analysis of financial performance of the company.

DATA COLLECTION

The study is about the financial performance so the data collection deals with the secondary data.

TOOLS FOR ANALYSIS

For analysing the financial performance of Indian Oil Corporation Limited the following tools are used**:**

- Profitability ratio
- Liquidity ratio
- Solvency ratio

ANALYSIS AND INTERPRETATION

NET PROFIT RATIO

Net profit establishes the relationship between net profit (after tax) and net sales. It shows the percentage of net profit earned on the revenue from operation.

NET PROFIT = (Net profit / sales) *100

TABLE:1

NET PROFIT RATIO

YEAR	NET PROFIT	SALES	NET PROFIT RATIO
2018-2019	21,346.12	4,18,378.25	5.03
2019-2020	16,894.15	5,22,691.11	3.20
2020-2021	1,313.23	4,81,475.53	0.27
2021-2022	21,836.04	3,74,981.13	5.77
2022-2023	24,184.10	5,94,305.92	4.04

INTERPRETATION

From the above, it is understood that the net profit was higher in the year 2021-22 with 5.77 as net profit ratio and the lowest was in the year 2020-21 with 0.27 as net profit ratio.

GROSS PROFIT RATIO

Gross profit ratio establishes the relationship between gross profit and revenue from operations (net sales) of an enterprise.

GROSS PROFIT RATION = (gross profit / net sales) * 100

TABLE:2

GROSS PROFIT RATIO

YEAR	GROSS PROFIT	NET SALES	GROSS PROFIT RATIO
2018-2019	32,564.28	4,18,378.25	7.9
2019-2020	25,126.92	5,22,691.11	4.8
2020-2021	7,610.53	4,81,475.53	1.6
2021-2022	29,715.65	3,74,981.13	8.0
2022-2023	31,733.07	5,94,305.92	5.3

INTERPRETATION

From the above, it is understood that the gross profit was higher in the year 2021-2022 with 8.0 as gross profit and the lowest was in the year 2020-2021 with 1.6 as gross profit.

ASSETS TURNOVER RATIO

The asset turnover ratio measures the value of a company's revenue with reference to the value of its assets. It can be used to indicate the efficiency with which a company is using its assets to generate revenue.

ASSETS TURNOVER RATIO = Revenue from operation / Average total assets.

AVERAGE TOTAL ASSETS = Total assets for current year + Total assets for previous year / 2

TABLE: 3

ASSETS TURNOVER RATIO

YEAR	REVENUE FROM OPERATIONS	AVERAGE TOTAL ASSETS	ASSET TURNOVER RATIO
2018-19	4,18,378.25	2,69,976.59	1.55
2019-20	5,22,691.11	2,98,223.81	1.75
2020-21	4,81,475.53	3,13,399.14	1.54
2021-22	3,74,981.13	3,22,572.32	1.16
2022-23	5,94,305.92	3,61,194.59	1.65

INTERPRETATION

From the above calculation it is known that the assets turnover ratio is high in 2019-20 with 1.75 as assets turnover ratio and the lowest was 1.16 in 2021-22. The company had efficiently used its assets to generate more revenue in 2019-20. The company had failed to use its assets efficiently in 2020-21, 2021-22.

CURRENT RATIO

It is the most common measure to find short-term liquidity. Current ratio measures whether a firm has enough resources to meet its current debt obligations. It is measured as follows.

CURRENT RATIO= Current Asset/ Current Liabilities

TABLE:4

CURRENT RATIO

YEAR	CURRENT LIABILITIES	CURRENT ASSETS	CURRENT RATIO
2018-2019	135,882.28	1,03,054.97	0.76
2019-2020	153,463.00	1,24,443.12	0.81
2020-2021	152,906.80	1,06,152.86	0.69
2021-2022	150,813.84	1,09,984.89	0.73
2022-2023	181,297.79	1,37,321.82	0.76

INTERPRETATION

From the calculation, it is understood that the current ratios were 0.76; 0.81; 0.69; 0.73; 0.76 in the years 2019; 2020; 2021; 2022; 2023 respectively. When the current ratio is lower than 1, it means the company is unable to pay off their liabilities. But in this case, since the ratios are lower than 1 it is clearly understood that the company cannot pay off their liabilities.

QUICK RATIO

It is one of the best measures of liquidity. The quick ratio is a much more conservative measure to determine short-term liquidity than the current ratio.

QUICK RATIO= Liquidity Assets/Current Liabilities

TABLE:5

QUICK RATIO

YEAR	LIQUIDITY ASSETS	CURRENT LIABILITIES	QUICK RATIO
2018-2019	37,741.76	1,35,882.28	0.28
2019-2020	53,022.74	1,53,463.00	0.34
2020-2021	42,475.24	1,52,906.80	0.28
2021-2022	31,796.88	1,50,813.84	0.21
2022-2023	34,114.88	1,81,297.79	0.19

INTERPRETATION

From the calculation, it is interpreted that the quick ratios were 0.28; 0.34; 0.28; 0.21; 0.19 in the years 2019; 2020; 2021; 2022; 2023 respectively. Same as current ratio, if the quick ratios were less than 1, the company can’t pay off the liabilities; In this case the quick ratios were less than 1 so the company is not in the position to pay off the liabilities.

DEBT-EQUITY RATIO

Debt-Equity ratio measures the relationship between long term debt and equity. This ratio is often used for making capital structure decisions such as issue of shares and debentures, Debt equity ratio is the indicator of firm’s financial leverage.

DEBT-EQUITY RATIO = Long term Debts / shareholders Funds

TABLE:6

DEBT-EQUITY RATIO

YEAR	LONG TERM DEBTS	SHAREHOLDERS FUND	DEBT-EQUITY RATIO
2018-2019	34,686.61	9,478.69	3.67
2019-2020	53,587.21	9,181.04	5.83
2020-2021	64,414.89	9,181.04	7.01
2021-2022	72,740.20	9,181.04	7.92
2022-2023	75,754.95	9,181.04	8.25

INTERPRETATION

From the above calculation, it is interpreted that the debt-equity ratio was 3.67 in the year 2018-19. It increased to 5.83 in the next year and then again increased to 7.01 in the year 2020-21. After its peak, it again started to increase in the next year and also increased in the year 2022-23.

TOTAL DEBT TO TOTAL ASSET RATIO

The total debt to total assets ratio shows the degree to which a company has used debt to finance its assets. Total debt or total outside liabilities includes short- and long-term borrowings from financial institutions, debentures/bonds, deferred payment arrangements for buying capital equipment, public deposits, bank borrowings and any other interest-bearing loan. It is calculated as

TOTAL DEBT TO TOTAL ASSET RATIO = Total Debt / Total Asset

TABLE: 7

TOTAL DEBT TO TOTAL ASSET RATIO

YEAR	TOTAL DEBTS	TOTAL ASSETS	TOTAL DEBT TO TOTAL ASSET RATIO
2018-19	1,70,568.89	2,80,739.91	0.60
2019-20	2,07,050.21	3,15,707.72	0.65
2020-21	2,17,321.69	3,11,090.56	0.70
2021-22	2,23,554.04	3,34,054.08	0.67
2022-23	2,57,052.74	3,88,339.10	0.66

INTERPRETATION

From the calculation, it is interpreted that the total debt to total asset ratio were 0.60 0.65; 0.70; 0.67; 0.66 in the years 2019; 2020; 2021; 2022; 2023 respectively. In general, if the total debt to total asset ratio is equal to 1, then all the assets will be considered to pay off all the liability. If the ratio is more than 1, then there will be more liabilities when compared to assets. Not every debtor gets his money in this case. But in this company, the ratio is less than 1, which indicates that there will be more assets than the prevailing liabilities.

FINDINGS OF THE STUDY

- Overall Net profit ratio for the five years are positive and it is maximum in 2021. This shows that the company had good efficient cost structure.
- Gross profit Ratio is positive for all 5 years. This shows that the company generates increased profit out of its capital.
- Asset turnover ratio is higher (1.75) in the year 2019-20. This shows that the company can efficiently use its assets to generate income.
- Current ratio is less than one in all five years. This shows that the company is unable to pay off their liabilities.
- Quick ratio is also less than 1 for all five years. This indicates that the company is unable to pay off liabilities through readily convertible current asset.
- Debt equity ratio is higher (8.25) in the year 2022-23. It increases at a constant rate over this year. This shows that the company is financing more creditors fund than shareholder’s equity.

- Total debt to total asset ratio is less than one for all five years. This shows that the company is able to pay the debt with its asset.

SUGGESTIONS

- The profitability ratio shows that the company is able to efficiently control its cost and / or provide goods /services at a price significantly higher than cost even though there is a slight decrease in 2020-21. Therefore, the company should make good decision to sustain their profits and to maintain & increase their ratio as long as they can.
- From the liquidity ratios, current ratio is less than 1 which is undesirable. But the ratios are declining as it comes to present situation so the company is required to make necessary managerial decisions to stabilize the ratios so that the company can pay down their debt.
- The debt equity ratio is in a positive state the company's financial leverage is in good position. So the company has to take necessary capital structure decisions to sustain the ratio.

CONCLUSION

Ratio analysis is used to evaluate Indian Oil Corporation Ltd.'s financial performance. Selecting ratios from the company's financial data is how ratio analysis is carried out. The financial performance of Indian Oil Corporation Ltd. can be analyzed to show that the company has managed its resources and money well. In order to increase its liquidity in the face of uncertainty, the company should concentrate on growing its assets and raising additional capital to pay down its current liabilities. Even with declining net profits, the business is doing well overall. This illustrates the business's financial performance. Therefore, through strategic planning, the company should increase output in order to generate greater profit. More funding for the company can only be allocated by stakeholders and investors following an evaluation of its performance. It is evident by analyzing a number of measures that the company is financially stable.

REFERENCES

- Yameen, M., & Ahmad, I (2015). "Impact of Corporate Governance Practices on Financial Performance of Hindustan Petroleum Corporation Limited", International Journal of Advancements in Research & Technology,4(2), pp 135-148.
- SugandharajKulkarni (2011)." A Study on fundamental Analysis of ONGC". ZENITH International Journal of Multidisciplinary Research, 1(8), pp383-392.
- Izhar Ahmad (2016)," Analysis of Financial Performance of Hindustan Petroleum Corporation Limited", International Journal of Research in Management, Economics and Commerce ISSN 2250-057X, 6(4), pp1-14.
- A Vincent Richardson and B Dr. S. Prasanna Kumar (2023)," Financial Performance of Bharat Petroleum Corporation Limited" IJRPR, 4(4), pp 2842-2851.
- Divya Bharathi. R (2020)," A study on financial performance analysis of Indian oil corporation limited" EPRA International Journal of Research and Development,5(3), ISSN: 2455-7838, pp250-255
- Mr. P. Kanagaraj, Mr. Gouwsigan V (2021)," a study on financial performance of Indian oil corporation limited", EPRA International Journal of Research and Development,8(4), ISSN: 2455-7838, pp326-328.
- Mr. P. Kanagaraj, Mr. Gouwsigan V (2021), "a study on financial performance of Indian oil corporation limited", EPRA International Journal of Research and Development,7(7), ISSN: 2455-3662, pp62-64.
- www.iocl.com
- www.moneycontol.com

- www.managementstudyguide.com
- www.erajournals.com
- www.ijrpr.com