FINANCIAL STATEMENT ANALYSIS OF ONGC LTD

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Abstract *:* This research paper examine the financial performance of Oil and natural gas corporation ltd in terms of financial ratios based on secondary data obtained through website of the specified company. Different ratios are used in this study which are related to financial statement from 2013 to 2017.

***IndexTerms* -** Ratio analysis.

I. INTRODUCTION

Finance is one of the basic foundations of all kinds of economic activities.Financial performance is a power full mechanism which helps in ascertaining the strength and weakness in the operations of an enterprise. Financial analysis also helps in identifying and correcting financial problems before they have a major impact on the business. The main purpose of financial statement analysis is to utilize information about the past performance of the company in order to predict how it will fare in the future. A Financial Performance Report is a summary of Financial Performance of a Company that reports shows financial health of a company that helps to various investors and stakeholders take their investment decision. In this background we have to chosen ONGC limited in order to study the financial performance of the company.

1.1 PROFILE OF THE COMPANY

The oil and gas sector is among the six core industries in India and plays a major role in influencing decision making for all the other important sections of the economy.

Oil and Natural Gas Corporation Limited (ONGC) is an Indian multinational oil and gas company headquartered in Dehradun, Uttarakhand, India. It is a Public Sector Undertaking (PSU) of the Government of India, under the administrative control of the Ministry of Petroleum and Natural Gas. It is India's largest oil and gas exploration and production company.

II. DESIGN OF THE STUDY

2.1 .STATEMENT OF THE PROBLEM

The main purpose of financial statement analysis is to utilize information about the past performance of the company in order to predict how it will fare in the future. So we make ratio analysis for analyse the financial performance of ONGC Ltd.

2.2 .SCOPE OF THE STUDY

The study is based on the accounting information of ONGC Limited. The study covers the period of 2013-2017 for analyzing the financial statement of the company. The study mainly attempts to analyze the financial performance of the ONGC Ltd.

2.3 OBJECTIVES OF THE STUDY

- The main objective of the study is to evaluate the financial soundness of ONGC Ltd.
- To compare the financial performance of ONGC Ltd.

2.4 .RESEARCH METHODOLOGY

The source of data is predominantly from secondary data.

2.5 .PERIOD OF THE STUDY

The study covers the period from 2013 to 2017.

2.6 RATIO ANALYSIS

Ratio analysis is the most frequently used tool .Ratios are popular because they are easily understood and can be computed with ease. The following Ratios are used for this study.

2.6.1.current ratio:

The current ratio helps investors and creditors understand the liquidity of a company and how easily that company will be able to pay off its current liabilities. This ratio expresses a firm's current debt in terms of current assets

2.6.2. Debt equity ratio:

The debt to equity ratio shows the percentage of company financing that comes from creditors and investors. A higher debt to equity ratio indicates that more creditor financing is used than investor financing.A lower debt to equity ratio usually implies a more financially stable business. Companies with a higher debt to equity ratio are considered more risky to creditors and investors than companies with a lower ratio.

2.6.3.Inventory turnover ratio:

Inventory turnover is a measure of how efficiently a company can control its merchandise, So it is important to have a high turn. This shows the company does not overspend by buying too much inventory and wastes resources by storing non-salable inventory. It also shows that the company can effectively sell the inventory it buys.

2.6.4.Fixed assets turnover ratio:

The fixed asset turnover ratio is an efficiency ratio that measures a companies return on their investment in property, plant, and equipment by comparing net sales with fixed assets.

2.6.5.Net profit margin:

The net profit margin ratio, also called net margin. It shows how much net income a business makes from of sales.A higher margin is always better than a lower margin because it means that the company is able to translate more of its sales into profits at the end of the period

2.6.6.Return on capital employed:

Return on capital employed or ROCE is a profitability ratio that measures how efficiently a company can generate profits from its capital employed by comparing net operating profit to capital employed.

2.6.7.Dividend payout ratio:

The dividend payout ratio measures the percentage of net income that is distributed to shareholders in the form of dividends during the year. In other words, this ratio shows the portion of profits the company decides to keep to fund operations and the portion of profits that is given to its shareholders

III. REVIEW OF LITERATURE

Aishwarya and Pavitra (2016) they examined leverage analysis on subsidiaries of ONGC..Leverage is used to describe the firm's ability to use fixed cost securities to increase the return to its owners.This study concentrated on analysing the financial operations of the two sample companies.Thestudy is based on secondary data collected from the financial report published in the official website of the two sample companies for a period of ten years from 2005 to 2015.This study concluded that Vides limited has been well performing where as Mangalore refinery and petrochemicals limited contributing less profit earning in future.

Kumar Aditya (2016) examined financial solvency of ONGC using Altman Z-Score Model. Financial position of any company can be easily evaluated through its profitability, liquidity, solvency and activity activity ratios. The study period covers from the period of 2010 to 2015.Ratio analysis is one of the easiest and competent tool to evaluate the financial soundness of company. In this paper the financial health of ONGC has been evaluated by using ratio analysis and Z-Score model . In this study indicates that overall financial health of ONGC is good.

Rathi (2017) studied an empirical study on relationship between leverage and profitability in selected oil and gas companies in India. Leverage is the key decision area in financial management. This study to analyse the relationship among the financial leverage, operating leverage and composite leverage with earnings per share of the form. The study is based on the secondary data collected from various websites from 2007 to 2016. The study concluded that in order to increase the earnings of the firm need to reduce the use of debt in capital structure and fixed cost it's operation of the firm.

IV. DATA ANALYSIS

4.1 CURRENT RATIO

Prticulars	2013	2014	2015	2016	2017
ONGC LTD	1.19	0.97	0.97	0.96	0.86

From the above table it is clear that current ratio of ONGC Ltd decreasing in 2015 to 2017 but it higher in 2013.This lower ratio indicates less liquitidy.

4.2 DEBT EQUIT RATIO

Prticulars	2013	2014	2015	2016	2017
ONGC LTD	---	---	0.01	---	---

From the above table it is clear that debt equity ratio of ONGC Ltd goes downward from 2013 to 2014.Again it increased in 2015 and decreased in 2016 to 2017.Lower debt equity ratio implies that more financially stable.

4.3 INVENTORY TURNOVER RATIO

Prticulars	2013	2014	2015	2016	2017
ONGC LTD	14.60	14.31	13.93	13.82	12.64

From the above table it is clear that inventory turnover ratio of ONGC Ltd is higher in 2013.It shows that the company's efficiency in turning its inventory into sales. Low turnover rate indicates poor efficiency.

4.4 FIXED ASSETS TURNOVER RATIO

Prticulars	2013	2014	2015	2016	2017
ONGC LTD	0.86	0.78	0.73	0.71	0.74

From the above table it is clear that fixed assets turnover ratio of ONGC Ltd is decreasing in 2013 to 2016 but increased in 2017.

4.5 NET PROFIT MARGIN

Prticulars	2013	2014	2015	2016	2017
ONGC LTD	52.50	52.41	52.55	41.57	39.99

From the above table it is clear that net profit margin of ONGC Ltd is good in 2015.

4 .5 RETURN ON CAPITAL EMPLOYED

Prticulars	2013	2014	2015	2016	2017
ONGC LTD	24.58	23.34	18.45	16.98	14.24

From the above table shows that ONGC Ltd return on investment is better in 2013.

4.6 DIVIDEND PAYOUT RATIO

Prticulars	2013	2014	2015	2016	2017
ONGC LTD	38.84	36.78	45.83	30.47	53.17

From the above table it is clear that dividend payout ratio of ONGC Ltd were high in 2015 and 2017.

V. CONCLUSION

After analyzing the above ratio, it is clear that the position of ONGC Ltd is better in 2013 and 2017.

REFERANCES

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[2] www.moneycontrol.com
[3] Table Source:Dion global solutions limited