

Profitability Analysis of oil and Natural gas Corporation (ONGC) Limited

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Abstract :

Financial performance refers to the well-being of a business as measure by adequate Financial analysis. This is a way to measure the overall financial aspects the company and how much income it must generate to pay out its regular and other expenses. The liquidity, solvency, repayment capacity, profitability and financial efficiency are the important areas of Financial health and these aspects should be monitored by all business regularly. The balance sheet, a cash flow statement, income statement and a statement of owner's equity are analyzed to evaluate the overall financial health of the business. Effectiveness of financial performance has got direct bearing on shareholders, investors and investment analysts to identify the determinants of corporate performance. In the present scenario, the oil and gas industry is suffering from various problems.

Keywords : Profitability, liquidity, Financial performance, Investment analysis, Cash flow statement, Income statement, owner's equity.

Introduction :

Profitability refers to the Firm's ability to generate earnings are necessary for its survival and growth. Profitability is an indication of the efficiency with which the operations of the concern are carried on. If profit is what is left for shareholders after all the charges have been paid, profitability is a ratio. Being a ratio profitability is a meaningful measure and reveals the relations of different individual items with sales of the concern. Profitability analysis of general and overall profitability. Profitability refers to the profits.

Objectives of the study :

- ❖ To measure the profitability position of the oil and Natural Gas corporation (ONGC)
- ❖ To evaluate overall financial performance of oil and Natural Gas Corporation (ONGC)

Data Collection :

The data for the study were collected from the secondary sources such as annual reports (Income Statement, Balance sheet and performance at a glance) of oil and Natural gas corporation limited. The Reserve Bank of India Bulletin, Annual survey of Industries, Bombay stock exchange official directory, CMIE monthly review of the India Economy and yearly reports on corporate sector.

Data Processing :

To carryout this research work editing, classification and tabulation were done as per requirements of the study. The collected data for the study has been processed and analyzed with the help of the computer software Microsoft Excel, Statistical packages for social sciences.

Framework of Analysis :

Financial and statistical tools have been used to measure the performance of the ONGC limited from all possible important angles. The Financial soundness is the core factor for the company.

ONGC :

Oil and Natural Gas are the largest conventional source primary energy in the world and constitute a critical input for economic growth together with other forms of primary energy viz hydro electricity, nuclear power and coal. In the year 2002 the world consumption of primary energy was 9,405 million metric tonnes of oil

equivalent of which the share of hydrocarbons was 62 percent. India is one of the top 10 oil consuming countries in the world. Oil and gas represent over 40 percent of the total energy consumption in India. With inadequate crude production the country is heavily dependent on imports.



Analysis of Profitability

| S.No | Year | Operating Expenses Ratio | Expenses Ratio (%) | Operating Profit Margin Ratio (%) | Pre tax Margin Ratio | Net Profit Margin Ratio | ROI | PBIDT Ratio | PBIT Ratio |
|------|-----------|--------------------------|--------------------|-----------------------------------|----------------------|-------------------------|-------|-------------|------------|
| 1. | 2003 - 04 | 17.92 | 61.93 | 38.07 | 41.33 | 26.31 | 31.71 | 54.99 | 38.07 |
| 2. | 2004 - 05 | 15.11 | 60.89 | 39.11 | 41.62 | 27.48 | 44.00 | 52.24 | 39.11 |
| 3. | 2005 - 06 | 15.33 | 59.72 | 40.28 | 44.17 | 29.19 | 40.33 | 57.39 | 40.28 |
| 4. | 2006 - 07 | 17.27 | 64.19 | 35.81 | 40.08 | 26.49 | 39.11 | 51.89 | 35.81 |
| 5. | 2007 - 08 | 17.36 | 64.77 | 35.23 | 41.00 | 27.14 | 35.85 | 51.15 | 35.23 |
| 6. | 2008 - 09 | 19.03 | 69.43 | 30.57 | 36.87 | 24.79 | 31.04 | 49.15 | 30.57 |
| 7. | 2009 - 10 | 20.38 | 63.05 | 36.95 | 40.31 | 27.05 | 31.03 | 60.60 | 36.95 |
| 8. | 2010 - 11 | 20.74 | 64.70 | 40.27 | 40.23 | 27.57 | 34.68 | 51.45 | 40.27 |
| 9. | 2011 - 12 | 18.18 | 62.17 | 43.62 | 47.66 | 32.68 | 36.90 | 53.37 | 43.62 |
| 10. | 2012 - 13 | 20.88 | 69.83 | 36.70 | 36.66 | 25.12 | 30.04 | 46.75 | 36.70 |
| 11. | 2013 - 14 | 19.90 | 69.46 | 38.52 | 38.52 | 26.24 | 29.63 | 51.49 | 38.52 |
| 12. | 2014 - 15 | 20.24 | 74.50 | 31.96 | 31.96 | 21.34 | 23.19 | 45.75 | 31.93 |

Conclusion :

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. In 1997 - 98, the New Exploration Licensing policy (NELP) was envisaged to fill the ever-increasing gap between India's gas demand and supply. India's economic growth is closely related to energy demand therefore the need for oil and gas is projected to grow more, thereby making the sector Quite conducive for Investment. The Government of India has adopted several policies to fulfil the Increasing demand. Thus the overall profitability of ONGC Limited are good.

References :

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