A Study of Financial Planning and Forecasting With Reference to Indian Oil Corporation Limited

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INTRODUCTION

Financial planning is a ceaseless procedure of guiding and designating financial assets to meet strategic goals and targets. The yield from financial planning appears as budgets. The most generally utilized type of budgets is Pro Forma or Budgeted Financial Statements. The establishment for Budgeted Financial Statements is Detail Budgets. Detail Budgets incorporate sales conjectures, production figures, and different gauges in help of the Financial Plan. On the whole, these budgets are alluded to as the Master Budget. We can likewise separate financial planning into planning for tasks and planning for financing. Working individuals centre around sales and production while financial planners are keen on the best way to back the tasks. In this manner, we can have an Operating Plan and a Financial Plan. Be that as it may, to keep things basic and to ensure we incorporate the procedure completely, we will consider financial planning as one single procedure that includes the two tasks and financing. Financial Planning begins at the highest point of the organization with strategic planning. Since strategic choices have financial ramifications, you should begin your planning procedure inside the strategic planning process. Inability to interface and associate planning with strategic planning can result in budgets that are "dead on landing." Strategic planning is a formal procedure for setting up goals and targets as time goes on. Strategic planning includes building up a statement of purpose that catches why the organization exists and plans for how the organization will flourish later on. Strategic targets and relating goals are created dependent on an exhaustive evaluation of the organization and the outer condition. At last, strategic plans are executed by building up an Operating or Action Plan. Inside this Operating Plan, we will incorporate a total arrangement of financial plans or budgets.

Indian Oil Corporation Limited (IOCL), also known as Indian Oil, is an Indian government-owned oil and gas explorer and producer, a significant player in the country's energy sector. Headquartered in New Delhi, it is the largest commercial oil company in the country, with a significant presence across the value chain of the petroleum industry, including refining, pipeline transportation, and marketing of petroleum products. IOCL's Chennai operations are a vital part of its extensive network, contributing significantly to its overall performance.

IOCL's operations in Chennai also include a sprawling network of pipelines. These pipelines are crucial for the efficient transportation of crude oil to the refinery and the distribution of refined petroleum products to different parts of the region. This network ensures a consistent and reliable supply of fuel, which is vital for the economic development of the area.

The retail network of IOCL in Chennai and the surrounding region is extensive, with numerous petrol and diesel stations. These retail outlets not only provide fuel but also offer a range of services and products to consumers. IOCL's focus on customer satisfaction and service quality has made it a preferred brand among consumers.

Moreover, IOCL has been at the forefront of adopting innovative technologies and sustainable practices in its operations. The company has undertaken several initiatives in the areas of energy conservation, emission reduction, and waste management to minimize its environmental footprint. These efforts underscore IOCL's commitment to environmental sustainability and its role in promoting green energy alternatives. Indian Oil Corporation Limited's Chennai operations are integral to its strategic objectives and overall success. Through its refinery, pipeline network, and retail outlets, IOCL not only contributes significantly to India's energy security but also plays a pivotal role in the economic development of the region. With a focus on innovation, sustainability, and customer satisfaction, IOCL is poised to continue its leadership role in the Indian petroleum industry.

I have chosen Indian Oil Corporation Limited (IOCL) for a project offers a unique opportunity to engage with one of India's leading public sector enterprises, playing a pivotal role in the country's energy sector. IOCL's diverse operations, spanning across refining, pipeline transportation, and marketing of petroleum products, provide a rich learning ground for interns. The exposure to a vast spectrum of operations allows for an in-depth understanding of the energy industry's complexities, offering invaluable insights into both the technical and business aspects of the field.

The mentorship and training provided by industry veterans at IOCL are unparalleled, equipping interns with the skills and knowledge necessary to thrive in their future careers. Additionally, the organization's emphasis on corporate social responsibility and community engagement initiatives offers a broader perspective on the impact of business operations on society and the environment. In IOCL is not just a step in one's career journey but a leap into a world of opportunities for growth, learning, and making a meaningful contribution.

OBJECTIVES OF THE STUDY

➢ To analyse the resource utilization, ensuring funds are used effectively and maximizing returns.

➢ To ensure sufficient funds are available for day-to-day operations and unforeseen situations.

➢ To align financial activities with the organization's overall strategy and long-term goals.

➢ To provide a clear picture of the financial health and future outlook.

NEED FOR THE STUDY

➢ This study helps to build an emergency fund for unexpected events.

➢ This study helps to predict income and expenses, manage working capital effectively.

➢ This study helps to gain control over your finances and secure your future.

➢ This study helps to evaluate projects, allocate resources efficiently.

➢ This study provides a roadmap for financial future.

SCOPE OF THE STUDY

➢ To analyse historical data and understand business performance and identify patterns or trends that can inform future decision-making.

➢ To implement legal tax strategies to reduce the amount of taxes owed while remaining compliant with tax laws.

➢ To distribute resources strategically among investments and projects to optimize returns and achieve business goals.

➢ To predict and manage the movement of cash into and out of the business to ensure sufficient liquidity and financial stability.

➢ To analyse expenses and income to identify opportunities for cost reduction and revenue enhancement, ultimately maximizing profitability.

REVIEW OF LITERATURE

Karanina (2024) The article addresses the financial security of a typical household in Russia as a structural unit of the economy through forecasting and planning the dynamics of changes in the amount of budget revenues and expenditures. Objectives. The aim is to consider the budget of a typical household in Russia to ensure its financial security for fiscal year 1, analyze its situation and opportunities, make forecasting and planning for the next fiscal year, according to our own methodology, and also to present the household as a significant structural element in the economic system of the State. Methods. The study rests on methods of observation, comparison, logical analysis, our own method based on forecasting and planning, and graphical method. Results. We performed the analysis of trends in budget revenues and expenditures of a typical household. Based on the results and using our own methodology, we made a forecast and a plan for the dynamics of budget changes for the next financial year, within the framework of financial security mechanism. We substantiated the importance of household's financial decisions in relation to the development of the economic system of the State. Conclusions. The financial aspect in the family economy is directly dependent on the level of cultural development of household members. The economy of the State, in turn, depends on the level of financial culture of each of its structural element, i.e. a household. The offered mechanism for ensuring financial security will help increase the level of financial culture of household members, thus developing the economic system of the State from the grassroots levels.

Simi Sharma (2023) The group is made up of a number of individuals who must cooperate in order to accomplish the stated goals. The business must create and present a strategy that outlines the direction and establishes goals for this reason. An estimate's purpose is to reveal what resources might be required for the business to effectively implement its strategy. Organizations can manage liabilities, investment possibilities, and cash flow with the aid of financial planning. Setting objectives, forecasts, resource requirements, and other indicators in order to achieve them within a

reasonable budget is the process of financial planning and forecasting. The projections show how much money the company will need from investors or consumers to meet its strategic goals. One component of management accounting, which encompasses all facets of financial reporting having data on assets, liabilities, and financial results, is corporate finance. The importance of planning and forecasting for Indian multinational corporations is the topic of the present study. The research was conducted based on a survey of 200 employees from the finance departments of ten major MNCs with offices in Pune and Mumbai.

Marco Alfonse (2022) Forecasting is one of the useful applications of machine learning in Enterprise Resource Planning (ERP). This is a vital component of a business's financial planning, which projects into the future using data from the past. This study offers a novel method for anticipating purchases using time series data. Based on prior order requests, the suggested approach is utilized to determine the buy price for specified items for possible purchase orders from suppliers. The dataset used during implementation is based on a real company purchasing process extracted from the SAP Business One ERP system. The dataset contains 12 years of historical monthly procurement data. It covers the period from 2010 to 2022, having a total number of 7600 observations. The evaluation of the proposed approach is measured using the Mean Absolute Error (MAE) and Root Mean Squared Error (RSME), respectively.

Rohan (2020) Forecasting is an extremely important function for any type of business, in service and manufacturing sector as well. Forecasting can never be perfect as there are many fluctuating factors which affect the demand from the customers. Output produced without forecasting can over production or shortage, and both these cases are creating financial losses for any organizations. There are many scientific methods to predict the demand which are termed as demand forecasting methods. This paper is a case study from a manufacturing company where a demand forecasting and capacity planning techniques are applied successfully.

RESEARCH METHODOLOGY

INTRODUCTION

Research is defined as human activity based on intellectual application in the investigation of matter. The primary purpose for applied research is discovering, interpreting, and the development of methods and systems for the advancement of human knowledge on a wide variety of scientific matters of our world and the universe.

RESEARCH DESIGN

The proposed study is of **ANALYTICAL STUDY**. Research design is needed because it facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible.

This is a type of research where the researcher uses the facts or the information already available and analyses these to make a critical evaluation of the material.

DATA COLLECTION METHOD

The data collection involves gathering relevant financial information and metrics from various sources within the organization. This could include financial statements, balance sheets, income statements, cash flow statements, budget reports, and any other relevant financial data. Additionally, data collection may involve gathering information on market trends, competitor analysis, regulatory requirements, and economic indicators. The collected data serves as the foundation for analysis, decision-making, and reporting within the organization.

SECONDARY DATA

Secondary data refer to information gathered to someone other than the researcher conduction the current study. Such data can be internal or external to organization and accessed through the internet or perusal of recorded or published information.

The data are collected from the annual report, mainly balance sheet, income and expenditure and other brochures of the company.

ANALYTICAL TOOL USED FOR THE STUDY

Budget

A budget is a financial plan that outlines an organization's or individual's expected revenues and expenses over a specific period, typically annually or monthly. It serves as a roadmap for managing finances, allocating resources, and achieving financial goals. Budgets can be created for various purposes, such as personal finances, business operations, government spending, or project management.

❖ Fixed Budget

A fixed budget is a financial plan or budget where the total amount allocated for specific expenses or activities remains constant or fixed over a defined period of time. In a fixed budget, expenditures are predetermined and cannot be adjusted or changed regardless of variations in actual performance or changes in circumstances. Fixed budgets are often used in businesses, government agencies, and nonprofit organizations to provide a clear framework for financial planning and control. They are typically set based on past performance, anticipated revenue, and projected expenses. While fixed budgets provide stability and predictability, they may lack flexibility to adapt to unforeseen changes or fluctuations in economic conditions.

❖ Production Budget

A production budget is a financial plan that outlines the costs associated with producing goods or services within a specific period, typically a month, quarter, or year. It is a crucial component of the overall budgeting process for businesses involved in manufacturing or production activities.

DATA ANALYSIS AND INTERPRETATION

BUDGET

❖ FIXED BUDGET

----------------YEAR END (Rs. in crores) ----------------

PARTICULARS	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
MATERIALS	2,69,679.61	2,47,077.03	1,56,647.96	2,94,501.48	4,40,693.11
WAGES	11,102.17	8,792.65	10,712.04	10,991.70	8,769.85
PRIME COST	2,80,781.78	2,55,869.68	1,67,360.00	3,05,493.18	4,49,462.96
(+) EXPENSES:					
Operating And Direct Expenses	3.29	5.73	7.69	0	0
Depreciation And Amortisation Expenses	7,517.58	8,766.10	9,804.30	11,005.91	11,859.44
TOTAL COST (B)	**5,69,084.43**	**5,20,511.19**	**3,44,531.99**	**6,21,992.27**	**9,10,785.36**
PROFIT (A-B)	31,837.76	41,657.53	1,67,282.00	1,02,609.84	20,211.31
SALES (A)	**6,00,922.19**	**5,62,168.72**	**5,11,813.99**	**7,24,602.11**	**9,30,996.67**

SOURCE OF DATA: COMPANY ANNUAL REPORT 2018 -2019 TO 2022 – 2023

INFERENCE:

The table presents a five-year financial overview, showing variable costs and profits. Material and labour expenses are prominent, with profits peaking in 2019-2020 but declining thereafter. This may cause potential cost management or market challenges affecting profitability over the period.

❖ **PRODUCTION BUDGET**

-------------------YEAR END (Rs. in crores) -----------------

PARTICULARS	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
SALES	600922.19	562168.72	511813.99	724602.11	930996.67
(+) CLOSING STOCK	71,470.38	63,677.62	78,188.01	1,03,206.94	1,13,853.41
	6,72,392.57	6,25,846.34	5,90,002.00	8,27,809.05	10,44,850.08
(-) OPENING STOCK	65,313.21	71,470.38	63,677.62	78,188.01	1,03,206.94
QUANTITY TO BE PRODUCED	6,07,079.36	5,54,375.96	5,26,324.38	7,49,621.04	9,41,643.14

SOURCE OF DATA: COMPANY ANNUAL REPORT 2018 -2019 TO 2022 – 2023

INFERENCE:

The above table indicates, the company has shown consistent growth in revenue, evident from the increasing trend in sales. Concurrently, rising values of closing stock suggest inventory accumulation, possibly influenced by factors like heightened production, demand fluctuations, or overproduction. Fluctuations in opening stock and the increasing quantity to be produced indicate dynamic adjustments in inventory management practices to align with evolving market demands and sustain operational efficiency.

CONCLUSION

In conclusion, the importance of addressing key financial challenges faced by the company. Fluctuating liquidity positions highlight the critical need for robust liquidity management strategies. By optimizing working capital and exploring short-term financing options, the company can ensure sufficient funds for day-to-day operations and mitigate liquidity risks during unforeseen circumstances. The addressing variable costs impacting profitability is paramount. Implementing cost management initiatives, such as conducting thorough reviews of expenses and implementing lean practices, can help control costs effectively and safeguard profitability amidst potential market challenges.

By conducting comprehensive assessments of asset utilization rates and exploring opportunities for asset redeployment or disposal, the company can maximize revenue generation and profitability. By diversifying financing sources and strengthening financial reporting and analysis capabilities are essential for providing a clear picture of the company's financial health and future outlook. By exploring alternative financing options and enhancing reporting systems, the company can mitigate financial risks and make informed decisions aligned with its long-term goals and objectives.

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