

A STUDY ON FINANCIAL PERFORMANCE OF HINDUSTAN PETROLEUM CORPORATION LIMITED

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1. ABSTRACT

The financial analysis normally evaluates businesses, projects, and other finance-related transactions to determine their performance. The conclusions arrived from the analysis provide correct information to investors and creditors to implement rational decisions, helps managers to determine the business direction, and helps a company to achieve its financial goal. Financial analysis dissects the financial statements into their components based on their purpose and establishes the relationship between components within a certain period. Thus, financial analysis helps to understand the past, evaluate the present and forecast the future of an organization. This project mainly focuses on the financial analysis of Hindustan Petroleum Corporation Limited (HPCL).

2. INTRODUCTION

The oil and gas sector plays an important role in all other important sectors of the economy and it is one of the eight core industries in India. The need for oil and gas tends to grow in a Long run, thereby making the sector quite conducive for investment. The government of India adopts various policies to fulfill the increasing demands of oil and related products. Hindustan Petroleum Corporation Limited is an Indian public sector oil and gas company and is a subsidiary of Oil and Natural Gas Corporation Limited (ONGC). It has its headquarter located in Mumbai, Maharashtra. With a strong marketing infrastructure, HPCL holds 25% of the market share in India among other public sector undertakings. ONGC holds a major stake in HPCL. The company was formed on July 15, 1974. HPCL is an S&P platts top 250 global company with a ranking of 55 with annual gross sales of 2,86,250 Crore (FY 2019-20).

3. OBJECTIVE

- To compare the financial growth of Hindustan Petroleum Corporation limited using comparative balance sheet analysis.

4. STATEMENT OF PROBLEM

Finance is the most salient feature in any business organization. Periodical assessment of financial growth and condition, evaluation of internal control, the investigation into prospects is necessary and it is done through various predefined financial formulas. Financial performance analysis provides detailed analysis on where something went wrong in the business. This study aims at analyzing the financial progress of the organization using various financial tools.

5. SCOPE OF THE STUDY

This study concentrates mainly on the financial and accounting aspects of Hindustan Petroleum Corporation Limited. The scope of study extends to the entire person who is directly and indirectly connected to the company. This study discusses the overview of the industry and the company, its critical analysis, and prospects.

6. RESEARCH METHODOLOGY

- **PERIOD OF THE STUDY**

The present study undertakes financial information from FY 2015-16 to FY 2019-20.

- **TOOLS USED**

1. Comparative balance sheet statement Analysis

7. LIMITATION OF THE STUDY

- The study period is restricted to 5 years. The conclusions are arrived at using the analysis derived from those five years particularly.
- Limited research has been done according to the availability of data.

8. REVIEW OF LITERATURE

1. **P.Mohammed Buhari Saleem, Dr. M.Mohamed Siddik (2020)** analyzed the financial performance of Nestle India Limited using profitability ratios. In their research they attempted to find out how the company can achieve profits from their various operations undertaken. Using various financial tools, they concluded that the company is efficient as the net profit margin shows an upward trend and the return on capital employed ratio is also high which is favorable for the company.
2. **Izhar Ahmad (2016)** conducted a study on in which he evaluated the financial performance of HPCL Company in respect of liquidity, solvency, efficiency and profitability. The author finds out very high fluctuations in profitability ratios and also the company's ability to meet current obligations is not satisfactory. He suggests the company either to increase the current assets or reduce the current liabilities.
3. **C. Karthick and P. Kasthuri (2015)** attempted to analyze the solvency position and asset management along with the liquidity position and profitability of the company using ratio analysis as a tool and secondary data from the company's annual reports. The author in his paper suggests the company to maintain adequate current assets and current liabilities to meet short term obligations and to reduce the expenses so that the liquidity position is in safe zone after analyzing his findings.

9. ANALYSIS AND INTREPRETATION

COMPARATIVE STATEMENT ANALYSIS (BALANCE SHEET)

A comparative balance sheet on two or more different dates can be used for comparing assets and liabilities and finding out any increase or decrease in those items. This helps in studying the trends of the enterprise. The comparative analysis shows the absolute change in figures (also in terms of percentage)

and increase or decrease in absolute change (also in terms of percentage) in its format. A comparative statement can be prepared for both the income statement and balance sheet. Company’s balance sheet is alone analyzed for the study purpose.

Table 9.1 shows the Comparative balance sheet analysis of HPCL for the year 2016-2017 (in crores)

PARTICULARS	2016	2017	CHANGE IN AMOUNT	CHANGE IN PERCENTAGE
EQUITY AND LIABILITIES				
Shareholder’s fund	18,356.10	20,347.41	1,991.31	10.8%
Non-current liabilities	25,325.79	12,364.17	-12,961.62	-51.17%
Current liabilities	26,789.04	45,758.27	18,969.23	71.8%
Total	70,470.93	78,469.85	7,998.92	11.35%
ASSETS				
Non-current assets	42,982.20	45,547.53	2,565.33	5.96%
Current assets	27,488.73	32,922.32	5,433.59	19.76%
Total	70,470.93	78,469.85	7,998.92	11.35%

Interpretation

The above statement reveals that equity has increased by 10.8% from FY 2016- FY 2017. The non-current liability is decreased by 51.17%. As we can see that is no big increase in non-current assets. But the increase in current assets is a notable one. Thus, the total assets and liabilities have been increased by 11.35% which is still good progress for HPCL.

Table 9.2 shows the Comparative balance sheet analysis of HPCL for the year 2017-2018 (in crores)

PARTICULARS	2017	2018	CHANGE IN AMOUNT	CHANGE IN PERCENTAGE
EQUITY AND LIABILITIES				
Shareholder’s	20,347.41	23,948.22	3,600.81	17.7%

fund				
Non-current liabilities	12,364.17	15,481.65	3,117.48	25.21%
Current liabilities	45,758.27	47,377.35	1,619.08	3.53%
Total	78,469.85	86,807.22	8,337.37	10.62%
ASSETS				
Non-current assets	45,547.53	49,933.51	4,385.98	9.62%
Current assets	32,922.32	36,873.71	3,951.39	12%
Total	78,469.85	86,807.22	8,337.37	10.62%

Interpretation

The above statement reveals that equity has increased by 17.7% from FY 2017- FY 2018. The non-current liability is also increased by 25.21%. Non-current and current assets have gradually increased between the two years. Thus, the total assets and liabilities have been increased by 10.62% which is lower than the last years.

Table 9.3 shows the Comparative balance sheet analysis of HPCL for the year 2018-2019 (in crores)

PARTICULARS	2018	2019	CHANGE IN AMOUNT	CHANGE IN PERCENTAGE
EQUITY AND LIABILITIES				
Shareholder’s fund	23,948.22	28,174.82	4,226.6	17.64%
Non-current liabilities	15,481.65	18,661.46	3,179.22	20.13%
Current liabilities	47,377.35	56,914.57	9,537.22	20.13%
Total	86,807.22	1,03,750.85	16,943.63	19.51%
ASSETS				
Non-current assets	49,933.51	60,558.09	10,624.58	21.27%
Current assets	36,873.71	43,192.76	6,319.05	17.13%
Total	86,807.22	1,03,750.85	16,943.63	19.51%

Interpretation

The above statement reveals that equity has increased by 17.64% from FY 2018- FY 2019 which is a small change compared to the previous year. The non-current liability and current liability have shown notable progress of 20% and more. Non-current and current assets have gradually increased between the two years. Thus, the total assets and liabilities have been increased by 19.62% and it's a good sign ahead.

Table 9.4 shows the Comparative balance sheet analysis of HPCL for the year 2019-2020 (in crores)

PARTICULARS	2019	2020	CHANGE IN AMOUNT	CHANGE IN PERCENTAGE
EQUITY AND LIABILITIES				
Shareholder's fund	28,174.82	28,962.36	787.54	2.8%
Non-current liabilities	18,661.46	28,041.08	9,379.62	50.26%
Current liabilities	56,914.57	57,007.39	92.82	0.16%
Total	1,03,750.85	1,14,010.83	10,259.98	9.08%
ASSETS				
Non-current assets	60,558.09	76,718.26	16,160.17	26.68%
Current assets	43,192.76	37,292.57	-5,900.19	-13.66%
Total	1,03,750.85	1,14,010.83	10,259.98	9.08%

Interpretation

The above statement reveals that equity has increased by a very small percent of 2.8 from FY 2019- FY 2020. The non-current liability is also increased tremendously during this period. Non-current assets had good progress. But a current asset has shown a negative impact. Thus, the total assets and liabilities have been increased by 9.08% which is lower than the last years.

10. FINDINGS

- Overall performance of Hindustan petroleum corporation limited was analyzed and it has shown a positive growth overall.
- For the year 2016 and 2017, the comparative balance sheet shows an increased performance of 11.35 %.
- For the year 2017 and 2018, the comparative balance sheet shows a growth of 10.62 % which is slightly lesser when compared with 2016 and 2017.
- The comparative balance sheet of 2018 and 2019 shows that the company has done a good work by increasing its performance by 19.51% which seems to be the highest in last 5 years.
- For the year 2019 and 2020, an increase of 9.08% in performance is shown by the Company.

11. SUGGESTIONS

- The Hindustan petroleum being one of the trusted brands with more strengths and opportunities has high chances of acquiring a good market share in international market.
- At the end of all the years, the company earns a good percentage increase in the performance but there are many fluctuations so the company can strive for a steady increase in performance.
- To increase the liquidity position of Hindustan petroleum, the company must either increase the assets or decrease the liabilities.
- The management of the company should focus on profitability as there are many opportunities in this industry. The company can also control cost of sales and other direct and indirect expenses to enhance the profitability of the company.

12. CONCLUSION

India has been the world's fastest growing economies, with expanding economy comes an increasing demand for energy due to expected strong growth in demand. India's dependency on oil imports is likely to

increase further. Thus the company has high chances of longevity. On the other side, the increase in the prices of petroleum products discourages the customers to purchase and make them find alternate sources of energy. Therefore, it is recommended that the government regulated pricing policy should be gradually reduced and eventually reduced within the shortest time possible.

13. REFERENCE

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