

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Bachelor Thesis**

**Financial Analysis of Oil Producing Company in  
Kazakhstan**

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## BACHELOR THESIS ASSIGNMENT

Madina Tileubayeva

Economics and Management

Thesis title

**Financial Analysis of Oil Producing Company in Kazakhstan**

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### Objectives of thesis

The main goal of this thesis is to evaluate production of oil and gas in Kazakhstan and to analyze the economy and performance of selected oil company and oilfields for Kazmunay Gas in Atyrau.

### Methodology

The first part of the thesis will define the basic terminology and theoretical framework and will use methods of synthesis, induction, deduction, extraction etc. The second part will contain research in form of analysis of financial standing of selected companies and will used methods of correlation analysis, some basic statistical methods as well as financial methods.

**The proposed extent of the thesis**

40 pages

**Keywords**

oil, gas, economy, oilfield, Kazakhstan

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**Recommended information sources**

Akiner, S. (2004). The Caspian. London: RoutledgeCurzon.

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10 Years of Tengizchevroil [Hardcover] [Jan 01, 2002] Winkerton, T.;Cherdabayev, B.;Hansen, N.;Karazhigitova, M.;Palmeirim, A.

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Electronic approval: 26. 2. 2016

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Prague on 03. 03. 2016

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### **Declaration**

I declare that I have worked on my bachelor thesis titled "Financial analysis of oil producing company in Kazakhstan" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 14.03.2016

\_\_\_\_\_ Madina TILEUBAYEVA

### **Acknowledgement**

I would like to thank Ing. Petr Procházka MSc, Ph.D. for his motivation, valuable advices and continuous support during my work on this thesis.

# **Financial Analysis of Oil Producing Company in Kazakhstan**

## **Summary**

This bachelor thesis is about the state of economy in Kazakhstan and about the influence of oil and gas production companies to the economy of country. The thesis divided into two parts: theoretical and analytical.

In the theoretical part firstly mentioned about how have changed the oil prices the world economy and how it impacts on the economy of the Kazakhstan and around the world. Secondly there is some information about chosen company – JSC “NC KazMunayGas”, which is produces and transports oil and gas and engages in processing of crude oil and petroleum products. And thirdly the thesis consists from the basic definitions of the analysis, which was used in the analytical part.

The analytical part contained datas from the report for nine months period. And was performed on this datas horizontal and vertical analysis for the balance sheets and income statement, also was provided financial ratio analysis. According to this analysis the state of profit or loss was calculated.

**Keywords:** Oil, Natural Gas, Oil Price, Economy, Crisis, Kazakhstan, Production, Transport.

# **Finanční analýza Oil výrobní společnosti v Kazachstánu**

## **Souhrn**

Tato bakalářská práce se zabývá stavem ekonomiky v Kazachstánu a vlivem produkce ropy a plynu na ekonomický vývoj země. Práce je rozdělena do dvou částí: teoretické a analytické.

V teoretické části je vysvětleno, jaký vliv mají ceny ropy na světovou ekonomiku a na ekonomiku Kazachstánu. Dále jsou v práci informace o podniku - JSC "NC KazMunayGas", který vyrábí, přepravuje a zpracovává ropu a zemní plyn. Práce dále vysvětluje základní definice analýzy, která je použita v praktické části.

Analytická část obsahuje data za posledních devět měsíců, ze kterých je provedena horizontální a vertikální analýza pro účetní bilanci, výsledovku a finanční analýzu, na základě které je vypočítán stav zisku nebo ztráty.

**Klíčová slova:** Ropa, Zemní Plyn, Cena Ropy, Ekonomika, Krize, Kazachstán, Produkce, Přeprava.

## Table of Contents

<b>List of Figures</b> .....	<b>10</b>
<b>List of Tables</b> .....	<b>11</b>
<b>List of Abbreviations</b> .....	<b>12</b>
<b>1. Introduction</b> .....	<b>13</b>
<b>2. Objectives and methodology</b> .....	<b>14</b>
<b>2.1. Objectives</b> .....	<b>14</b>
<b>2.2. Methodology</b> .....	<b>14</b>
<b>3. Literature Review</b> .....	<b>15</b>
<b>3.1. World Oil Market</b> .....	<b>15</b>
3.1.1. Pricing on the oil market.....	15
3.1.1 Supply.....	17
3.1.2. Demand.....	18
<b>3.2. The state of economy of Kazakhstan</b> .....	<b>20</b>
3.2.1. Oil production and impact on GDP growth of country.....	20
3.2.2. Largest oil company in Kazakhstan – KazMunayGaz.....	22
<b>3.3. Methods of financial analysis</b> .....	<b>24</b>
3.3.1. Horizontal analysis (trend analysis).....	24
3.3.2. Vertical (structural) analysis.....	24
3.3.3. Analysis of financial ratio.....	25
<b>4. Analytical part</b> .....	<b>27</b>
<b>4.1. Horizontal and Vertical analysis</b> .....	<b>30</b>
4.1.1. Horizontal analysis for the balance sheet of the JSC "EP KazMunayGas " .....	30
4.1.2. Horizontal analysis for the income statement of the JSC "EP KazMunayGas " .....	33
4.1.3. Vertical analysis to the balance sheet of the JSC "EP KazMunayGas " .....	35
4.1.4. Vertical analysis for the income statement of the JSC "EP KazMunayGas ", .....	38
4.1.5. Profit or loss of JSC NC "KazMunayGas " .....	39
<b>4.2. Analysis of financial ratio</b> .....	<b>40</b>
4.2.1. Liquidity measurement ratios .....	40
4.2.3. Activity turnover ratio .....	42
4.2.4. Profitability Indicator Ratios.....	43



<b>5. Conclusion .....</b>	<b>46</b>
<b>6. References .....</b>	<b>47</b>

## List of Figures

Figure 1: The change of oil prices, monthly .....	16
Figure 2: World crude oil reserves .....	18
Figure 3: Non-OPEC Crude oil and liquid fuels production growth .....	19
Figure 4: Demand of oil products around the world .....	20
Figure 5: The growth of GDP in Kazakhstan.....	21
Figure 6: The growth of oil production in Kazakhstan .....	21
Figure 7: Proved reserves of crude oil in the world .....	22

## List of Tables

Table 1: The assets side of the balance sheet of JSC NC "KazMunayGas" (part 1).....	27
Table 2: The assets side of the balance sheet of JSC NC "KazMunayGas" (part 2).....	28
Table 3: The Income Statement of JSC NC "KazMunayGas" for the period from December 31,2014 to September 30,2015 .....	29
Table 4: Horizontal analysis for the balance sheet of JSC NC "KazMunayGas" (part 1) ..	31
Table 5: Horizontal analysis for the balance sheet of JSC NC "KazMunayGas" (part 2) ..	32
Table 6: Horizontal analysis for the income statement of JSC NC "KazMunayGas" .....	34
Table 7: Vertical analysis for the balance sheet of JSC NC "KazMunayGas" (part1).....	36
Table 8: Vertical analysis for the balance sheet of JSC NC "KazMunayGas" (part 2).....	37
Table 9: Vertical analysis for the income statement of JSC NC "KazMunayGas" .....	38
Table 10: The profit or loss of JSC NC "KazMunayGas" for the period from December 31, 2012 to September 30, 2015 .....	39
Table 11: Coefficients of Current Ratio for the period 2014-215 .....	40
Table 12: Coefficients of Quick Ratio for the period 2014-2015 .....	41
Table 13: Coefficients of Cash Ratio for the period 2014-2015 .....	41
Table 14: Coefficients of Debt Ratio for the period 2014-2015 .....	42
Table 15: Coefficients of Total Asset Turnover ratio for the period 2014-2015 .....	42
Table 16: Coefficients of Inventory Turnover Ratio for the period 2014-2015.....	43
Table 17: Coefficients of Gross Profit Margin for the period 2014-2015.....	43
Table 18: Coefficients of Operating Profit Margin for the period 2014-2015 .....	44
Table 19: Coefficients of Net Profit Margin for the period 2014-2015 .....	44
Table 20: Coefficients of Return on Assets for the period 2014-2015 .....	44
Table 21: Coefficients of Return on Equity for the period 2014-2015 .....	45

## List of Abbreviations

IEA	International Energy Agency
GDP	Gross Domestic Product
GNP	Gross National Product
OPEC	The organization of the Petroleum Exporting Countries
KZT	Kazakh Tenge (Kazakh National Currency)
USD	United States Dollar
EBIT	Earnings Before Interest and Taxes
NOPAT	Net Operating Profit After Tax
JSC	Joint Stock Company
NC	National Company
KMG	KazMunayGas
TCO	Tengizchevroil
GPM	Gross Profit Margin
RoA	Return on Assets
RoE	Return on Equity
e.g.	exempli gratia, for example
i.e.	id est, that is to say

## **1. Introduction**

Oil for Kazakhstan is an important symbol of stability, which is associated with the prospects of the state and society. Today, oil and gas industry positively contributes to the diversification of the economy and encourage the development of non-commodity segment. Exports of crude oil at this time allows Kazakhstan to expand the world economy, to adjust the globalization processes.

As proven oil reserves Kazakhstan occupies the 9th place in the list of all countries of the world. On the territory of the Republic of Kazakhstan registered 172 oil and 42 gas fields, 11 of which are considered the largest among them - Tengiz and Kashagan, Karachaganak, Uzen, Janajol, Kalamkas and so on. The most proven oil reserves are considered to Atyrau and Mangistau region, the territory of which opened more than 75 and 60 fields.

It should be noted that in Kazakhstan, the largest three major companies provide 64% of total oil production in Kazakhstan. More than a third of the market of hydrocarbons takes "Tengizchevroil" LLP, followed by JSC "EP" KazMunayGas ", occupying about 17%. In third place in terms of production is the company Karachaganak Petroleum Operating BV (PAC) with the occupied market share equal to 14%.

Therefore, the theme of this work - the Financial Analysis of Oil Producing Companies in Kazakhstan is relevant and was chosen as a observation point - JSC "EP KazMunayGas ".

## **2. Objectives and methodology**

### **2.1. Objectives**

The main goal of this thesis is to evaluate and to analyse the state of oil market in Kazakhstan and how global oil market attract to the economy of Kazakhstan. Analyse the current situations with jump in prices and its impact on the economy. The second goal is to analyse the oil companies in the Kazakhstan especially JSC "EP KazMunayGas ", which is the most developed company.

### **2.2. Methodology**

The theoretical section of this thesis will started about current problems and causes of this situation in the world economy and oil market. By the way will explained all terms and definitions about oil market and analysis and then the state and point of Kazakhstan in the global oil market.

Will be used some methods of synthesis, induction and deduction, also extraction to the company which was chosen as a observation point and which is the largest and the best raised for the short period of time in the Kazakhstan.

In the analytical part of thesis will be datas of choosen company for the period from the 31st of December, 2014 to the 30th of September, 2015 and will be analysed by horizontal, vertical and financial ratio analysis.

### **3. Literature Review**

#### **3.1. World Oil Market**

Before starting to focus on the main goals of a Financial Analysis of Oil Companies in Kazakhstan and to analyze the economy of selected oil company as JSC "EP KazMunayGas ", will be focused on the state of the world oil market. The oil market is a key market of energy has changed radically because of the price boom.

Global oil prices have fallen sharply over the past seven months, leading to significant revenue shortfalls in many energy exporting nations, while consumers in many importing countries are likely to have to pay less to heat their homes or drive their cars.

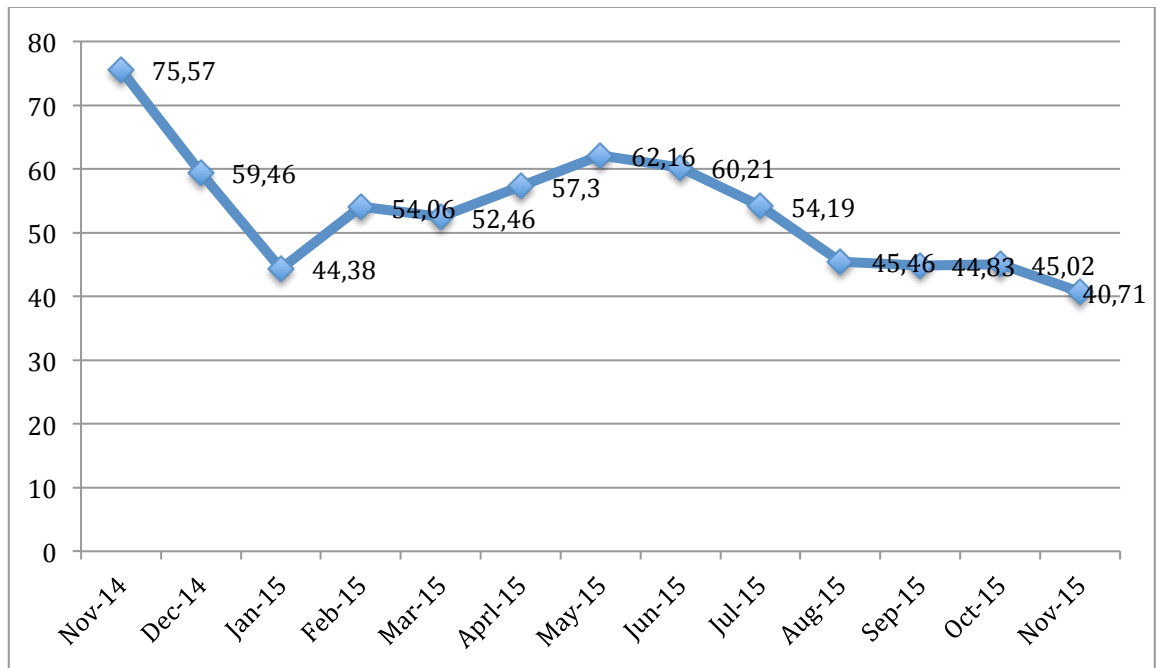
From 2010 until mid-2014, world oil prices had been fairly stable, at around \$110 a barrel. But since June prices have more than halved. Brent crude oil has now dipped below \$50 a barrel for the first time since May 2009 and US crude is down to below \$48 a barrel.

The reasons for this change are twofold - weak demand in many countries due to insipid economic growth, coupled with surging US production.

##### **3.1.1. Pricing on the oil market**

The fundamental determinant of current oil prices is supply and demand. In practice, the current short-term balance of supply and demand market is estimated to change the level of commercial oil reserves, published in the weekly bulletin American Petroleum Institute and the Energy Information Administration. For example, inventory reduction usually leads to higher prices and increase - their downfall.

Figure 1: The change of oil prices, monthly



Source: [OPEC, 2015](#)

The price per barrel fell to \$54, which was fixed on 6th July, 2015 as the biggest failure in the price. The reason for that are: in recent years the rise in prices of crude oil was formed amid fears of the emergence of its shortage in the market due to the impact of the decline in oil production in Iraq, as the rapid recovery of oil production in the region, as was stated by experts of the United States previously has not happened . Since April 2004, a linear relationship, in which with the growth of the commercial stocks in the US there was a decline in prices, began to change. Political instability in some oil producing regions (the Gulf, Venezuela, Nigeria), natural disasters, on the southern coast of the United States - one of the major oil-producing areas - can not be expected that the increase in oil production by itself will reduce the price for it. The focus of the oil market began to gradually shift towards the first volume of spare capacity of oil production by OPEC, and then refining capacity available in most developed countries. (opec.org ,2015)

According to the New York Times: «in June 2014 crude oil prices abruptly dropped by about a third as U.S. shale oil production increased and China and Europe's demand for oil decreased. Just because since 2011 the United States absorbed the rapidly increased



domestic production of sweet, light, tight oil by reducing like-for-like or similar grade, imported crude oil. (U.S. Crude Oil Production to 2025: Updated Projection of Crude Types , 2015)

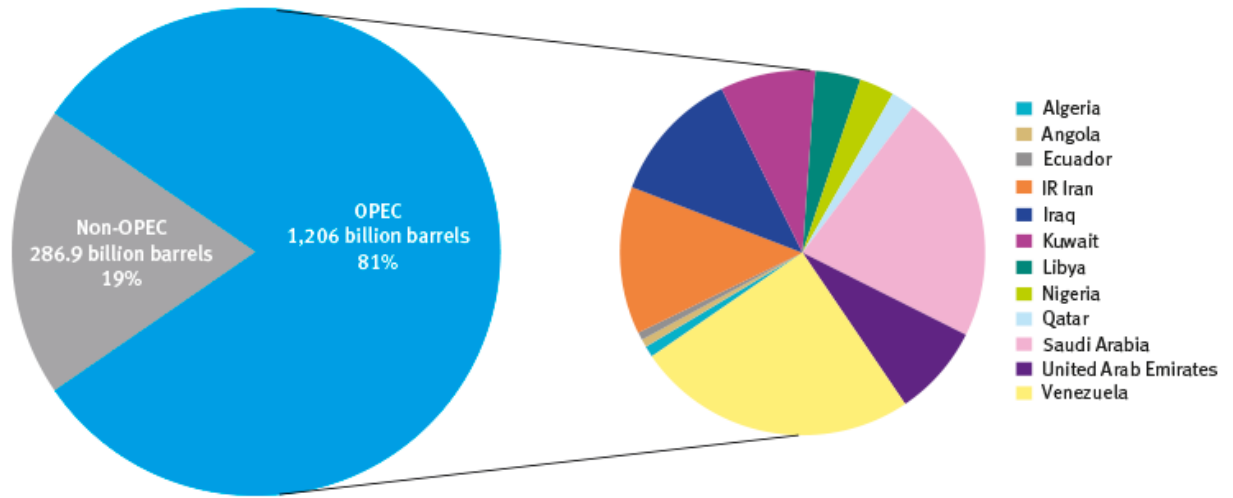
In press release 27 November 2014 at the OPEC Conference in Vienna, it was announced that the 'OECD-Americas' was the main non-OPEC oil supply contributor to an anticipated supply growth of 1.4 million barrels per day (220,000 m<sup>3</sup>/d) to average 57.3 million barrels per day (9,110,000 m<sup>3</sup>/d) in 2015. From 2011 until mid-June 2014 the annual average price of oil was about US\$110 per barrel. Since June 2014 however, the price of oil slid to \$US80. OPEC argued that this drop in the price of oil was not exclusively "attributed to oil market fundamentals." While oil market fundamentals, "ample supply, moderate demand, a stronger US dollar and uncertainties about global economic growth" contributed to the drop in price, "speculative activity in the oil market has also been an important factor."

### **3.1.1 Supply**

Some OPEC member countries will see production declines in the near term. Saudi Arabia's production is expected to respond to lower direct crude burn for electric power generation as seasonal power demand abates. Also, there is considerable uncertainty regarding Iraq's ability to sustain its higher production and export levels, particularly in light of budgetary constraints that have prompted the Iraqi government to request international oil companies operating in the south to reduce spending plans next year. OPEC noncrude liquids production, which averaged 6.3 million b/d in 2014, is expected to increase by 0.2 million b/d in 2015 and by 0.3 million b/d in 2016, led by production increases in Iran, Qatar, and Kuwait.

Figure 2: World crude oil reserves

**OPEC share of world crude oil reserves, 2014**



**OPEC proven crude oil reserves, at end of 2014 (billion barrels, OPEC share)**

Venezuela	299.95	24.9%	Iraq	143.07	11.9%	Libya	48.36	4.0%	Algeria	12.20	1.0%
Saudi Arabia	266.58	22.1%	Kuwait	101.50	8.4%	Nigeria	37.07	3.1%	Angola	8.42	0.7%
IR Iran	157.53	13.1%	UAE	97.80	8.1%	Qatar	25.24	2.1%	Ecuador	8.27	0.7%

Source: OPEC Annual Statistical Bulletin 2015.

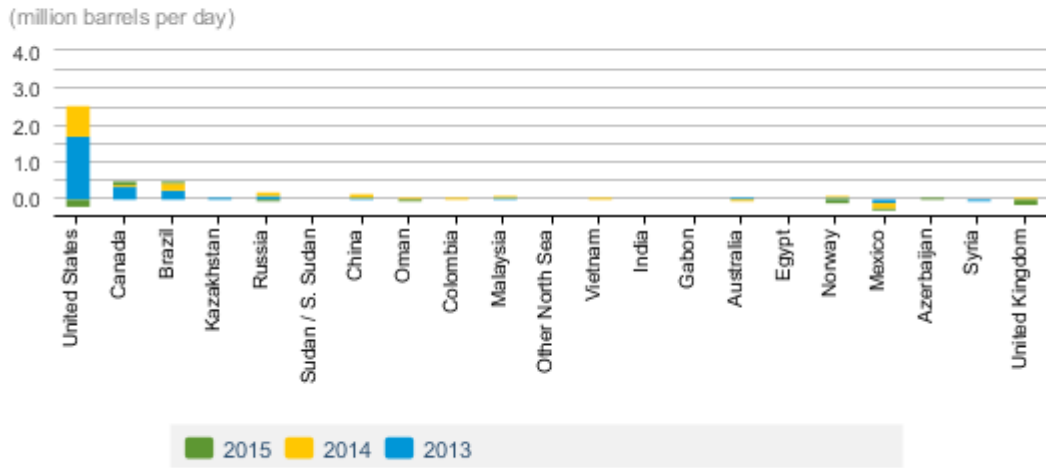
Source: Opec Annual Statistical Bulletin,2015

**3.1.2. Demand**

Member of the Advisory Board of the Union of Russian Oil and Gas Eldar Kasai said that this year the world oil market will be a low price environment. "However, in 2016, oil prices" bounce "from current rates, and about \$ 65-70 per barrel, - the expert explains. - The growth will be due to the fact that there will a gradual balancing of supply and demand: reduced production and exports - the price will go up "

Figure 3: Non-OPEC Crude oil and liquid fuels production growth

### Non-OPEC Crude Oil and Liquid Fuels Production Growth

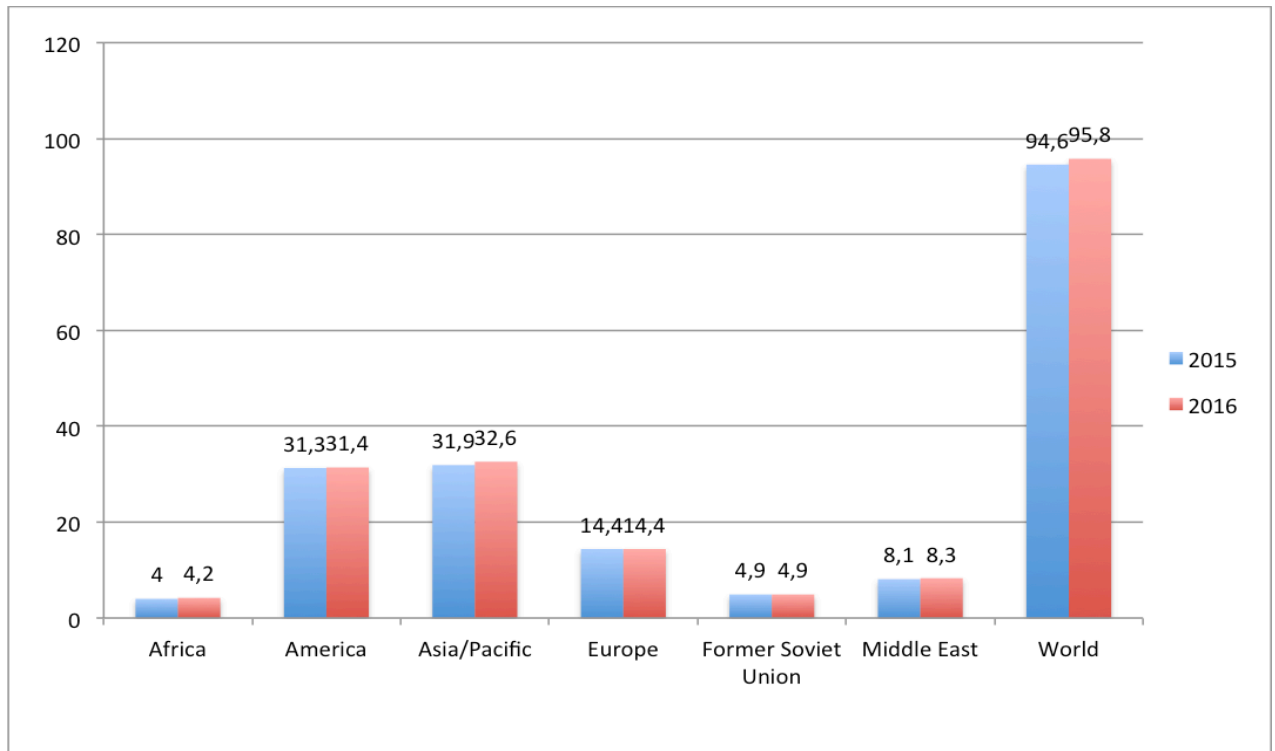


eia Source: Short-Term Energy Outlook, November 2015

Source: Short-term Energy/Outlook, November 2015

This statistic shows the projected demand for oil in world regions in 2015 and 2016. For 2015, a total demand of 94.6 million barrels per day was estimated. Of that amount, almost one third goes to the Asian-Pacific and the Americas regions, respectively.

Figure 4: Demand of oil products around the world



Source: [Statista.com](http://Statista.com)

### 3.2. The state of economy of Kazakhstan

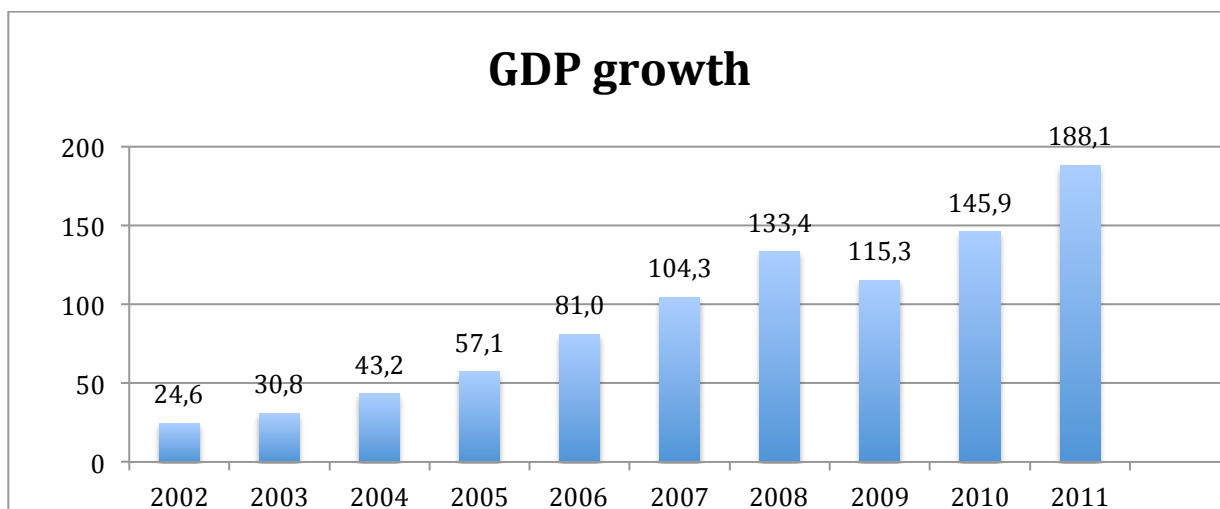
Today, Kazakhstan has experienced its own hyperinflation in 1992-1994 and the largest Asian crisis, is one of the major oil powers in the world. Square promising oil and gas regions of the republic is equal to 1 billion. 700 thousand. Km<sup>2</sup>, which is more than 62% of the entire territory of Kazakhstan - 2,717,300 km<sup>2</sup>. (kazenergy.com ,2015)

Besides, Kazakhstan is located in the heart of the Eurasian continent, connecting the main transcontinental routes like - the Asia - Pacific region with the Middle East and Europe.

#### 3.2.1. Oil production and impact on GDP growth of country

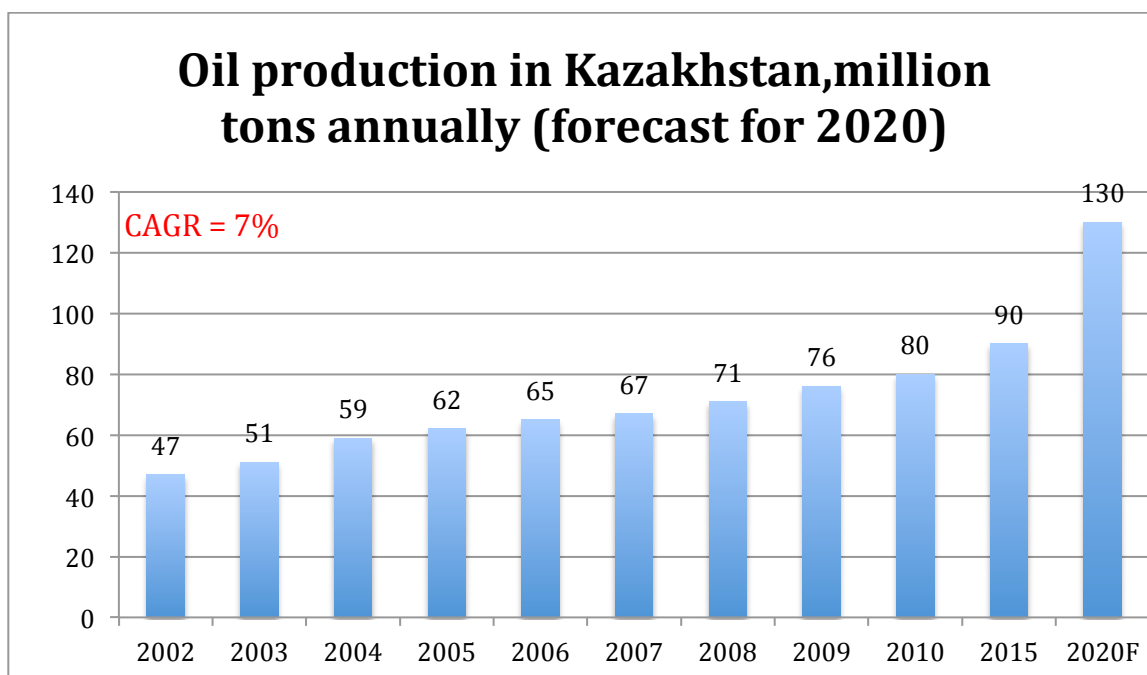
The highest GDP growth in 2011 amounted to more than 188 billion. US dollars. Compared with 2010, this figure increased by 7.5%

Figure 5: The growth of GDP in Kazakhstan



Over 20 years of independence of the republic in the oil and gas industry attention and support of the President of the Republic has become the flagship of the national economy and plays an important role in addressing the socio - economic problems of the state.

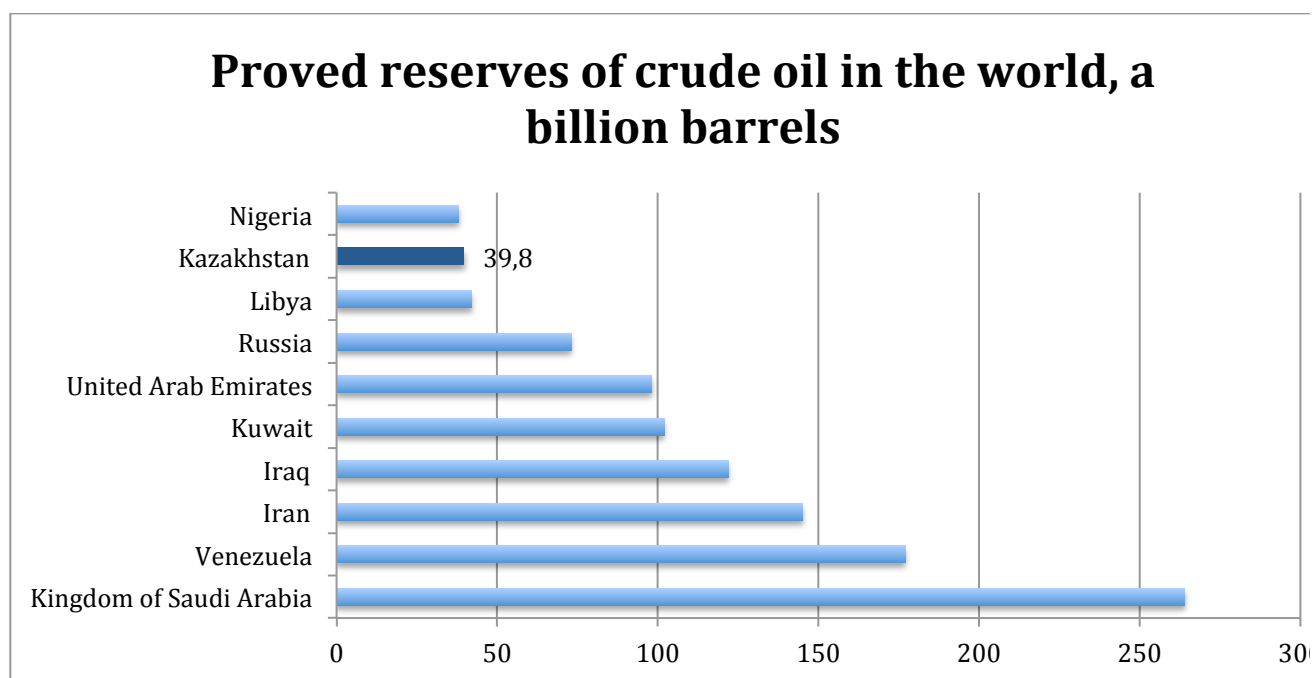
Figure 6: The growth of oil production in Kazakhstan



Source: [Kazenergy, 2015](#)

Kazakhstan is on the CIS second ugleovoroda reserves after Russia and according to the Statistical Review of world Energy prepared by British company BP, at the end of 2014 9th Kazakhstan on oil and gas for 21 seats.

Figure 7: Proved reserves of crude oil in the world



Source: [Kazenergy, 2015](#)

### 3.2.2. Largest oil company in Kazakhstan – KazMunayGaz

Today in Kazakhstan 172 oil fields, of which more than 80 are under development. More than 90% of oil reserves are concentrated in the 15 largest oil fields – Tengiz, Kashagan, Karachaganak, Uzen, Zhetibay, Zhanazhol, Kalamkas, Kenkiyak, Karazhanbas, Kumkol, Northern Buzachi, Alibekmola, Central and Eastern Prorva, Kenbay and Korolevskoe. And these deposits are located in six of the fourteen regions of Kazakhstan. National Company “KazMunayGas” is the Kazakhstan operator for exploration, production, refining and transportation of hydrocarbons, representing the state in the oil and gas industry of Kazakhstan. Joint Stock Company “ National Company

“KazMunayGas” was established by way of merger of “Kazakhoil” National Oil and Gas Company pursuant to the Decree of the President of the Republic of Kazakhstan as of February 20, 2002. 90% of KMG shares are owned by Samruk Kazyna-National Welfare Fund JSC. 10% of KMG shares owned by the National Bank of the Republic of Kazakhstan. National Company “KazMunayGas” is a vertically integrated oil and gas company performing a full production cycle from exploration and production of hydrocarbons, their transportation and refining to provision of customized services.

KMG sets a goal to ensure maximum benefits for the Republic of Kazakhstan from participations in developing the national oil and gas industry.

The KMG group of companies includes 220 companies. KazMunayGas occupies over a quarter of the Kazakhstan market on production of oil and gas condensate as well a dominate position in oil refining, pipeline transportation of oil and natural gas in the country.

Today the largest companies of the KazMunayGas group are the following:

- KazMunayGas Exploration and Production JSC (exploration and production of oil)
- KazTransOil JSC (oil transportation)
- KazTransGas JSC (gas transportation and marketing)
- KazMunayTengiz JSC (offshore oil operations)
- KazMUNayGas Refining and Marketing JSC (marketing of oil and oil products in domestic and international markets)
- KMG International N.V. (oil refining, marketing of oil and oil products in Romania and countries of the Black Sea and Mideterian basins).

Kazakhstan is ranked 12<sup>th</sup> in the world proven reserves of oil and gas condensate, 22<sup>nd</sup> in natural gas reserves and 17<sup>th</sup> oil and gas production. JSC NC “KazMunayGas” produces 28% of the total volume of oil and gas condensate production in Kazakhstan and 16% of the natural and associated gas, ensures 65% of oil transportation via main oil pipelines, 77% of oil transportation by tankers from Aktau, and 95% of natural gas transportation via main gas pipelines, refines 82% of Kazakhstan oil with a share of the retail oil products market equal to 17%. JSC NC “KazMunayGas” is positioned as one of the largest employers with more than 84 thousand employees in staff.

### **3.3. Methods of financial analysis**

The practical part of bachelor thesis involves both horizontal and vertical analyses, which will contain some ratio and trend analysis work of the income statement. Both analyses involve comparing income statement accounts to each other in dollars and in percentages.

#### **3.3.1. Horizontal analysis (trend analysis)**

Horizontal analysis (also known as trend analysis) of financial statement involves comparison of a financial ratio, a benchmark, or a line item over a number of accounting periods, comparing from 2014 to 2015. In the financial statement horizontal analysis can help to see relative changes over time and identify positive or perhaps troubling trends. The main macro-economic factors affecting the Company's financial position for the reporting period include: the price of oil, inflation, currency fluctuations, in particular, the exchange rate of the tenge against the US dollar. (kmgep.kz ,2015)

#### **3.3.2. Vertical (structural) analysis**

Vertical analysis (also known as common-size analysis) is a method of financial statement analysis that shows each item on a statement as a percentage of a base figure within the statement.

To conduct a vertical analysis of balance sheet, the total of assets and the total of liabilities and stockholders' equity will be used as base figures. All individual assets (or groups of assets if condensed form balance sheet is used) will shown as a percentage of total assets. The current liabilities, long term debts and equities will shown as a percentage of the total liabilities and stockholders' equity.

To conduct a vertical analysis of income statement, sales figure will be used as the base and all other components of income statement like cost of sales, gross profit, operating expenses, income tax, and net income etc. will be shown as a percentage.

In a vertical analysis the percentage is computed by using the following formula:

$$\text{Percentage of base} = \frac{\text{Amount of individual item}}{\text{Amount of base}} * 100$$



### 3.3.3. Analysis of financial ratio

Financial ratios express relationships between financial statement items. Although they provide historical data, management can use ratios to identify internal strengths and weaknesses, and estimate future financial performance. Investors can use ratios to compare companies in the same industry. Ratios are not generally meaningful as standalone numbers, but they are meaningful when compared to historical data and industry averages.

#### **Liquidity ratio**

In order to survive, firms must be able to meet their short-term obligations—pay their creditors and repay their short-term debts. Thus, the liquidity of the firm is one measure of a firm's financial health. Two measures of liquidity are in common:

**Current ratio** = current assets / current liabilities

**Quick ratio** = (cash + marketable securities + net receivables) / current liabilities

The main difference between the current ratio and the quick ratio is that the latter does not include inventories, while the former does.

**Cash ratio** = (Cash\*cash equivalents + short-term inventories)/ current liabilities

#### **Solvency ratio**

Solvency ratios indicate financial stability because they measure a company's debt relative to its assets and equity. A company with too much debt may not have the flexibility to manage its cash flow if interest rates rise or if business conditions deteriorate. The common solvency ratios are debt-to-asset and debt-to-equity. The debt-to-asset ratio is the ratio of total debt to total assets. The debt-to-equity ratio is the ratio of total debt to shareholders' equity, which is the difference between total assets and total liabilities.

The measure is usually calculated as follows:

$$\text{Solvency Ratio} = \frac{\text{Net Income (or After-Tax Profit)} + \text{Depreciation}}{\text{Short-Term Liabilities} + \text{Long-term Liabilities}}$$

### **Profitability ratio**

Profitability ratios indicate management's ability to convert sales dollars into profits and cash flow. The common ratios are gross margin, operating margin and net income margin. The gross margin is the ratio of gross profits to sales. The gross profit is equal to sales minus cost of goods sold. The operating margin is the ratio of operating profits to sales and net income margin is the ratio of net income to sales. The operating profit is equal to the gross profit minus operating expenses, while the net income is equal to the operating profit minus interest and taxes. The return-on-asset ratio, which is the ratio of net income to total assets, measures a company's effectiveness in deploying its assets to generate profits. The return-on-investment ratio, which is the ratio of net income to shareholders' equity, indicates a company's ability to generate a return for its owners.

$$\text{Gross Margin} = \text{Gross Profit} / \text{Net Sales} * 100$$

$$\text{Operating Margin} = \text{Operating Profit} / \text{Net Sales} * 100$$

$$\text{Return on Assets} = \text{Net Income} / \text{Assets} * 100$$

$$\text{Return on Equity} = \text{Net Income} / \text{Shareholder Investment} * 100$$

## 4. Analytical part

Following datas were taken from the official annual report page of JSC “NC KazMunayGas” for the the period from December 31, 2014 to September 30, 2015.

Table 1: The assets side of the balance sheet of JSC NC "KazMunayGas" (part 1)

	30.09.2015	31.12.2014
<b>Current assets</b>		
Inventories	636 964	553 494
Prepayment of the approach on corporate tax	130 772	121 350
Trade receivables	713 058	575 245
Short-term financial assets	2 931 484	2 068 430
Receivables from related parties and interest on bonds	18 778	25 830
VAT recoverable	225 493	312 439
Derivatives	5 151	18 247
Other current assets	344 015	279 873
Cash and cash equivalents	1 239 913	2 336 586
Assets held for sale and disposal	8 715 201	100 915
	14 960 829	6 392 409
<b>Fixed assets</b>	8 582 266	12 196 679
Exploration and evaluation assets	586 256	786 587
Investment property	76 022	77 214
Other investments	4 435 812	3 456 941
Intangible assets	585 989	519 441
Long-term bank deposits	247 940	276 871
Deferred tax assets	331 689	264 400
VAT recoverable	254 537	224 760
Receivables from related parties and bonds receivable	277 700	224 823
Loans to related parties	787 103	289 294
Advances for long-term assets	357 870	285 902
Other fixed assets	93 668	98 143
	16 616 852	18 925 815
<b>Total assets</b>	<b>31 577 681</b>	<b>25 093 467</b>

Table 2: The assets side of the balance sheet of JSC NC "KazMunayGas" (part 2)

	30.09.2015	31.12.2014
<b>Equity</b>		
Authorized capital	1 976 975	1 581 528
Additional paid-in capital	653 765	643 775
Other components of equity	5 978	5 978
Reserve from conversion reporting currency	2 846 733	1 273 973
Undistributed earnings	7 827 316	7 458 821
Attributable to equity holders of the Parent Company	13 310 767	10 964 075
non-controlling interest	1 874 036	1 576 106
<b>Total Equity</b>	<b>15 184 803</b>	<b>12 540 181</b>
<b>Long-term liabilities</b>		
Loans	10 168 776	6 890 794
Payable for the acquisition of shares	-	1 125 224
Reserves	488 996	521 045
Deferred tax liabilities	735 404	553 019
Financial guarantees	35 790	25 771
Other liabilities	40 991	36 733
	<b>11 469 957</b>	<b>9 152 586</b>
<b>Current liabilities</b>		
Current portion of loans	1 126 678	1 903 634
Reserves	291 449	142 884
Income tax payable	106 060	6 390
Trade payables	689 006	663 343
Other taxes payable	207 021	228 635
Financial guarantees	2 143	2 143
Derivatives	853	789
Other current liabilities	2 499 713	452 878
	<b>2 853 717</b>	<b>3 367 373</b>
<b>Total Liabilities</b>	<b>16 392 881</b>	<b>12 553 289</b>
<b>Total liabilities and equity</b>	<b>31 577 681</b>	<b>25 093 467</b>

Table 3: The Income Statement of JSC NC "KazMunayGas" for the period from December 31,2014 to September 30,2015

	<b>September 30, 2015(\$)</b>	<b>December 31, 2014(\$)</b>
<b>Net Operating Revenues</b>	5 811 037	6 781 277
Cost of goods sold	(4 730 187)	(4 732 600)
<b>Gross Profit</b>	1 080 850	2 048 677
General and administrative expenses	(348 657)	(305 248)
Distribution cost	(474 154)	(799 868)
Depreciation and amortization	(1 184)	(86 995)
Loss on disposal of fixed assets, intangible assets, investment property, net	(10 697)	(14 390)
Other operating income	38 331	31 305
Other operating charges	(36 786)	(21 747)
<b>Operating Income</b>	247 704	851 735
Exchange difference, net	838 161	212 175
Financing income	156 491	120 031
Financing Loss	(406 606)	(391 871)
Depreciation of goodwill	-	(4 606)
Loss on Investment	-	(975)
Other Loss	(31 302)	(19 057)
Share of loss / profit	274 130	998 169
<b>Income Before Income Taxes</b>	1 078 578	1 765 601
Income taxes expenses	(435 679)	(409 185)
<b>Income from continued operations</b>	642 899	1 356 416
<b>Loss from discontinued operations</b>	(46 877)	(26 880)
<b>Net Income</b>	<b>596 022</b>	<b>1 329 536</b>
<b>Net Income to Shareholder</b>		
Bonds of Parent Company	449 650	1 090 883
Non-controlling interest	146 372	238 653
	<b>596 022</b>	<b>1 329 536</b>

Source: [KazMunayGas](#)

## **4.1. Horizontal and Vertical analysis**

### **4.1.1. Horizontal analysis for the balance sheet of the JSC "EP KazMunayGas "**

**In the Table 4 we can see the following results for 2014-2015:**

- The total amount of short-term assets for the period from 2014 to 2015 increased by 8 563 420 US dollars. The increase of this indicator is due to the increase in short-term financial assets, trade receivables and other assets increased.
- Cash and cash equivalents for the period 2014-2015 decreased by 1 096 673 US dollars, but the decrease in cash and cash equivalents to 47% does not affect the growth of short-term assets.
- The amount of long-term assets for 2014 amounted to 18 925 815 US dollars, when in 2015 the amount decreased to 2 308 963 USD which was 16 616 852 USD. The decrease in long-term assets amount contributed to the decrease in exploration and evaluation assets, investment property, long-term bank deposits and other fixed assets, even the amount of fixed assets and intangible assets was increased.
- The amount of fixed assets increased by 7 362 587 USD, which was 60%
- The amount of current liabilities for 2014 amounted to 3 367 373 USD which decreased by 512 656 USD and amounted to 2 853 717 USD in 2015. On the reduction of short-term liabilities have affected the growth of trade and other credit debt.
- The amount of long-term liabilities for 2014 amounted to 9 152 586 USD, when in 2015 they increased by 2 317 371 USD and amounted to 11 469 957. The increase has affected the growth of loans (48%).
- The amount of capital in 2014 amounted to 12 540 181 USD, increased by 2 644 622 USD in 2015. This increase was due to the reduction of undistributed earnings, which amounted to 368 495 USD.

Table 4: Horizontal analysis for the balance sheet of JSC NC "KazMunayGas" (part 1)

Source: Own features

<b>Assets</b>	<b>30.09.15</b>	<b>31.12.14</b>	<b>Variance</b>	<b>Percent</b>
<b>Current assets</b>				
Inventories	636 964	553 494	83 470	15%
Prepayment of the approach on corporate tax	130 772	121 350	9 422	8%
Trade receivables	713 058	575 245	137 813	24%
Short-term financial assets	2 931 484	2 068 430	863 054	42%
Receivables from related parties and interest on bonds	18 778	25 830	(7 052)	-27%
VAT recoverable	225 493	312 439	(8 946)	-28%
Derivatives	5 151	18 247	(13 096)	-72%
Other current assets	344 015	279 873	64 142	23%
Cash and cash equivalents	1 239 913	2 336 586	(1 096 673)	-47%
Assets held for sale and disposal	8 715 201	100 915	8 614 286	8536%
	<b>14 960 829</b>	<b>6 392 409</b>	<b>8 568 420</b>	<b>134%</b>
<b>Fixed assets</b>	8 582 266	12 196 679	7 362 587	60%
Exploration and evaluation assets	586 256	786 587	(200 331)	-25%
Investment property	76 022	77 214	(1 192)	-2%
Other investments	4 435 812	3 456 941	978 871	28%
Intangible assets	585 989	519 441	66 548	13%
Long-term bank deposits	247 940	276 871	(28 931)	-10%
Deferred tax assets	331 689	264 400	(67 289)	25%
VAT recoverable	254 537	224 760	29 777	13%
Receivables from related parties and bonds receivable	277 700	224 823	52 877	24%
Loans to related parties	787 103	289 294	497 809	172%
Advances for long-term assets	357 870	285 902	71 968	25%
Other fixed assets	93 668	98 143	(4 475)	-5%
	<b>16 616 852</b>	<b>18 925 815</b>	<b>(2 308 963)</b>	<b>-12%</b>
<b>Total Assets</b>	<b>31 577 681</b>	<b>25 093 467</b>	<b>6 484 214</b>	<b>26%</b>

Table 5: Horizontal analysis for the balance sheet of JSC NC "KazMunayGas" (part 2)

Source: Own features

	<b>30.09.2015</b>	<b>31.12.2014</b>	Variance	Percent
<b>Equity</b>				
Authorized capital	1 976 975	1 581 528	395447	25%
Additional paid-in capital	653 765	643 775	9990	2%
Other components of equity	5 978	5 978	0	0%
Reserve from conversion reporting currency	2 846 733	1 273 973	1572760	123%
Undistributed earnings	7 827 316	7 458 821	368 495	5%
Attributable to equity holders of the Parent Company	13 310 767	10 964 075	2 346 692	21%
non-controlling interest	1 874 036	1 576 106	297 930	19%
<b>Total Equity</b>	<b>15 184 803</b>	<b>12 540 181</b>	<b>2644622</b>	<b>21%</b>
<b>Long-term liabilities</b>				
Loans	10 168 776	6 890 794	3277982	48%
Payable for the acquisition of shares	-	1 125 224	-1125224	-100%
Reserves	488 996	521 045	-32049	-6%
Deferred tax liabilities	735 404	553 019	182385	33%
Financial guarantees	35 790	25 771	10019	39%
Other liabilities	40 991	36 733	4258	12%
	<b>11 469 957</b>	<b>9 152 586</b>	2 317 371	25%
<b>Current liabilities</b>				
Current portion of loans	1 126 678	1 903 634	-776956	-41%
Reserves	291 449	142 884	148565	104%
Income tax payable	106 060	6 390	99670	1560%
Trade payables	689 006	663 343	25663	4%
Other taxes payable	207 021	228 635	-21614	-9%
Financial guarantees	2 143	2 143	0	0%
Derivatives	853	789	64	8%
Other current liabilities	430 508	419 551	10957	3%
	<b>2 853 717</b>	<b>3 367 373</b>	<b>(512 656)</b>	<b>-15%</b>
Liabilities related to assets held for sale	2 069 205	33 327	2035878	61%
<b>Total Liabilities</b>	<b>16 392 881</b>	<b>12 553 289</b>	<b>3839592</b>	<b>31%</b>
<b>Total liabilities and equity</b>	<b>31 577 681</b>	<b>25 093 467</b>	<b>6484214</b>	<b>26%</b>



#### **4.1.2. Horizontal analysis for the income statement of the JSC "EP KazMunayGas "**

The table below illustrates us the following results for the period from 2014 to 2015:

- The amount of gross profit in 2015 decreased comparatively with 2014 by 967 827 USD which is 47% due to the decreased net sales which is decreased by 14%.
- The operating income in 2014 amounted to 851 735 USD and in 2015 amounted to 247 701 USD, which means that the amount in 2015 decreased by 71% because of share loss which is decreased by 73%
- Net profit in 2015 amounted to 596 022USD which is less than in 2014. The decrease in net profit was mainly due to the increase in taxes other than income tax and operating costs, as well as lower income from joint ventures and associated companies and financial income.

Table 6: Horizontal analysis for the income statement of JSC NC "KazMunayGas"

Source: Own features

	30.09.2015	31.12.2105	Variance	Percent
<b>Net Operating Revenues</b>	5 811 037	6 781 277	(970 240)	-14%
Cost of goods sold	(4 730 187)	(4 732 600)	(2 413)	-0,10%
<b>Gross Profit</b>	1 080 850	2 048 677	(967 827)	-47%
General and administrative expenses	(348 657)	(305 248)	(43 409)	14%
Distribution cost	(474 154)	(799 868)	325 714	-41%
Depreciation and amortization	(1 184)	(86 995)	85 811	-99%
Loss on disposal of fixed assets, intangible, investment property	(10 697)	(14 390)	3 693	-26%
Other operating income	38 331	31 305	7 026	22%
Other operating charges	(36 786)	(21 747)	(15 039)	69%
<b>Operating Income</b>	247 704	851 735	(604 031)	-71%
Exchange difference, net	838 161	212 175	625 986	295%
Financing income	156 491	120 031	36 460	30%
Financing Loss	(406 606)	(391 871)	(14 735) 4	4%
Depreciation of goodwill	-	(4 606)	606	-100%
Loss on Investment	-	-975	975	-100%
Other Loss	(31 302)	(19 057)	(12 245)	64%
Share of loss / profit	274 130	998 169	(724 039)	-73%
<b>Income Before Income Taxes</b>	1 078 578	1 765 601	(687 023)	-39%
Income taxes expenses	(435 679)	(409 185)	(26 494)	6%
<b>Income from continued operations</b>	642 899	1 356 416	(713 517)	-53%
<b>Loss from discontinued operations</b>	(46 877)	(26 880)	(19 997)	74%
<b>Net Income to Shareholder</b>	<b>596022</b>	<b>1329536</b>	-733514	-55%
Bonds of Parent Company	449650	1090883	-641233	-59%
Non-controlling interest	146372	238653	-92281	-39%
	<b>596022</b>	<b>1329536</b>	-733514	-55%

#### **4.1.3. Vertical analysis to the balance sheet of the JSC "EP KazMunayGas "**

**In the Table 7 we can see the following results for the period 2014-2015:**

- The amount of assets in 2015 amounted to 14 960 829 USD, which is 47% more than in 2014, which is 25%. Inventories amounted to 636 954USD in 2015 and 553 494 in 2014 ie, the stable 2% in both years, but the decrease in cash and cash equivalents to 5% does not affect the growth of short-term assets.
- The amount of short-term liabilities for 2015 amounted to 2 853 717 USD, which is 9% less than in 2014. It was affected by the growth of short-term trade and other accounts payable by 4%. Reserves decreased by 0.5%.
- The amount of long-term assets for 2014 amounted to 18 925 815 USD, when in 2015 it decreased by 20%. The decrease is due to an decrease in other long-term liabilities, which amounted to 4 258 USD.
- Comparing 2014 and 2015, we can see that in 2014 the capital amounted to 12 540 181 USD, which is 40% less than in the results of 2015, which is amounted 15 184 803 USD ie, 48%. On the increase impacted by higher reserves (9%).

Table 7: Vertical analysis for the balance sheet of JSC NC "KazMunayGas" (part1)

Source: Own features

<b>Assets</b>	<b>30.09.2015</b>	<b>31.12.2014</b>	<b>Percent 2015</b>	<b>Percent 2014</b>
<b>Current assets</b>				
Inventories	636 964	553 494	2%	2%
Prepayment of the approach on corporate tax	130 772	121 350	0,40%	0,50%
Trade receivables	713 058	575 245	2%	2%
Short-term financial assets	2 931 484	2 068 430	9%	8%
Receivables from related parties and interest on bonds	18 778	25 830	0,06%	0,10%
VAT recoverable	225 493	312 439	1%	1%
Derivatives	5 151	18 247	0,02%	0%
Other current assets	344 015	279 873	1%	1%
Cash and cash equivalents	1 239 913	2 336 586	4%	9%
Assets held for sale and disposal	8 715 201	100 915	28%	0,40%
	<b>14 960 829</b>	<b>6 392 409</b>	<b>47%</b>	<b>25%</b>
<b>Fixed assets</b>				
Exploration and evaluation assets	8 582 266	12 196 679	27%	5%
Investment property	586 256	786 587	2%	3%
Other investments	76 022	77 214	0,20%	0,30%
Intangible assets	4 435 812	3 456 941	14%	14%
Long-term bank deposits	585 989	519 441	2%	2%
Deferred tax assets	247 940	276 871	1%	1%
VAT recoverable	331 689	264 400	1%	1%
Receivables from related parties and bonds receivable	254 537	224 760	1%	1%
Loans to related parties	277 700	224 823	1%	1%
Advances for long-term assets	787 103	289 294	2%	1%
Other fixed assets	357 870	285 902	1%	1%
	93 668	98 143	0,30%	0,40%
	<b>16 616 852</b>	<b>18 925 815</b>	<b>53%</b>	<b>75%</b>
<b>Total Assets</b>	<b>31 577 681</b>	<b>25 093 467</b>	<b>100%</b>	<b>100%</b>

Table 8: Vertical analysis for the balance sheet of JSC NC "KazMunayGas" (part 2)

Source: Own features

	30.09.15	31.12.14	Percent 2015	Percent 2014
<b>Equity</b>				
Authorized capital	1 976 975	1 581 528	6%	5%
Additional paid-in capital	653 765	643 775	2%	2%
Other components of equity	5 978	5 978	0,02%	0,02%
Reserve from conversion reporting currency	2 846 733	1 273 973	9%	4%
Undistributed earnings	7 827 316	7 458 821	25%	24%
Attributable to equity holders of the Parent Company	13 310 767	10 964 075	42%	35%
non-controlling interest	1 874 036	1 576 106	6%	5%
<b>Total Equity</b>	<b>15 184 803</b>	<b>12 540 181</b>	<b>48%</b>	<b>40%</b>
<b>Long-term liabilities</b>				
Loans	10 168 776	6 890 794	32%	22%
Payable for the acquisition of shares	-	1 125 224		4%
Reserves	488 996	521 045	2%	2%
Deferred tax liabilities	735 404	553 019	2%	2%
Financial guarantees	35 790	25 771	0,10%	0,10%
Other liabilities	40 991	36 733	0,10%	0,10%
	<b>11 469 957</b>	<b>9 152 586</b>	<b>36%</b>	<b>29%</b>
<b>Current liabilities</b>				
Current portion of loans	1 126 678	1 903 634	4%	6%
Reserves	291 449	142 884	1%	0,50%
Income tax payable	106 060	6 390	0,30%	0,02%
Trade payables	689 006	663 343	2%	2%
Other taxes payable	207 021	228 635	1%	1%
Financial guarantees	2 143	2 143	0%	0,01%
Derivatives	853	789	0,00%	0,00%
Other current liabilities	430 508	419 551	1%	1%
	<b>2 853 717</b>	<b>3 367 373</b>	<b>9%</b>	<b>11%</b>
Liabilities related to assets held for sale	2 069 205	33 327	7%	0,10%
<b>Total Liabilities</b>	<b>16 392 881</b>	<b>12 553 289</b>	<b>52%</b>	<b>40%</b>
<b>Total liabilities and equity</b>	<b>31 577 681</b>	<b>25 093 467</b>	<b>100%</b>	<b>79%</b>

#### 4.1.4. Vertical analysis for the income statement of the JSC "EP KazMunayGas ",

Table 9: Vertical analysis for the income statement of JSC NC "KazMunayGas"

Source: Own features

	September 30,	December 31,	Percent	Percent
	2015(\$)	2014(\$)	2015	2014
<b>Net Operating Revenues</b>	5 811 037	6 781 277	100%	100%
Cost of goods sold	(4 730 187)	(4732600)	-81%	-70%
<b>Gross Profit</b>	1 080 850	2 048 677	19%	30%
General and administrative expenses	(348 657)	(305 248)	-6%	-5%
Distribution cost	(474 154)	(799 868)	-8%	-12%
Depreciation and amortization	(1 184)	(86 995)	-0,02%	-1%
Loss on disposal of fixed assets, intangible assets, investment property	(10 697)	(14 390)	-0,20%	-0,20%
Other operating income	38 331	31 305	1%	0,50%
Other operating charges	(36 786)	(21 747)	-1%	-0,30%
<b>Operating Income</b>	247 704	851 735	4%	13%
Exchange difference, net	838 161	212 175	14%	3%
Financing income	156 491	120 031	3%	2%
Financing Loss	(406 606)	(391 871)	-7%	-6%
Depreciation of goodwill	-	(4 606)		-0,10%
Loss on Investment	-	-975		-0,01%
Other Loss	(31 302)	(19 057)	-1%	-0,30%
Share of loss / profit	274 130	998 169	5%	15%
<b>Income Before Income Taxes</b>	1 078 578	1 765 601	19%	26%
Income taxes expenses	(435 679)	(409 185)	-7%	-6%
<b>Income from continued operations</b>	642 899	1 356 416	11%	20%
<b>Loss from discontinued operations</b>	(46 877)	(26 880)	-1%	-0,40%
<b>Net Income</b>	<b>596 022</b>	<b>1 329 536</b>	<b>10%</b>	<b>20%</b>
<b>Net Income to Shareholder</b>				
Bonds of Parent Company	449 650	1 090 883	8%	16%
Non-controlling interest	146 372	238 653	3%	4%
	<b>596 022</b>	<b>1 329 536</b>	<b>10%</b>	<b>20%</b>

Table 7 shows us following results for the period 2014-2015:

- The amount of gross profit in 2015 amounted to 1 080 850 USD (19%) and in 2014 the gross profit amounted to 2 048 677 USD (30%), which refers us that the gross profit decreases by 11%.
- The operating income of the company in 2015 amounted to 247 704 USD and in 2014 - 851 735 USD, a decrease of 604 031 USD or 9%.
- Net profit in 2015 amounted to 596 022, 10% lower compared to 2014 by 10%, which is mainly due to the recognition of impairment of fixed assets, an increase in income tax.

#### 4.1.5. Profit or loss of JSC NC “KazMunayGas ”

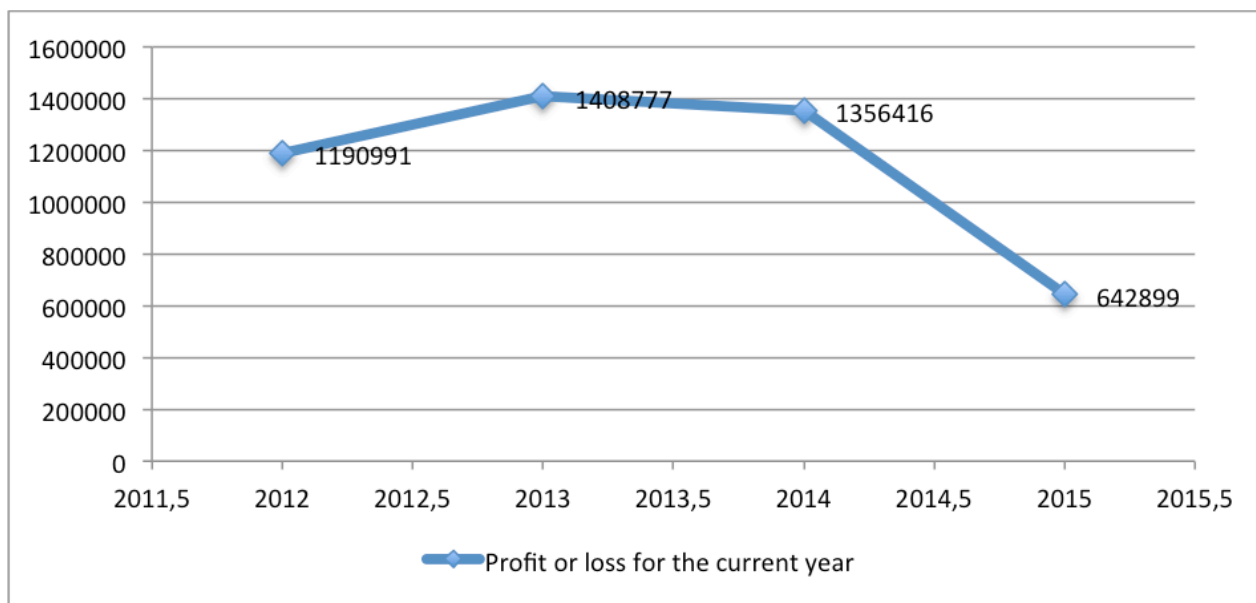
Table 10: The profit or loss of JSC NC "KazMunayGas" for the period from December 31, 2012 to September 30, 2015

Source: Own features

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Operating profit/loss	807 684	1 009 020	851 735	247 704
Financial profit/loss	(404 359)	(373 190)	(271 840)	(250 115)
Extraordinary profit/loss	1 298 611	1 330 894	1 185 706	1 080 989
Profit/loss before tax	1 702 014	1 966 724	1 765 601	1 078 578
Income tax	(511 023)	(557 947)	(409 185)	(435 679)
<b>Profit/loss for the current period</b>	<b>1 190 991</b>	<b>1 408 777</b>	<b>1 356 416</b>	<b>642 899</b>

The chart illustrates that the profit has increased till 2013 and slowly began to fall from 2013 and dramatically decreased in 2015. Decrease in profit in 2015 due to the fall in oil prices, as well as an increase in sales to the domestic market

Figure 8: Profit or loss for the period from 2012 to 2015 of JSC NC "KazMunayGas"



Source: Own features

## 4.2. Analysis of financial ratio

### 4.2.1. Liquidity measurement ratios

**Current ratio:**  $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

**Current ratio:**  $\frac{14\,960\,829}{2\,853\,717} = 5,24$  (2015)

**Current ratio:**  $\frac{6\,392\,409}{3\,367\,373} = 1,89$  (2014)

Table 11: Coefficients of Current Ratio for the period 2014-2015

Year	2014	2015
Current ratio	<b>1,89</b>	<b>5,24</b>

Source: Own features

As shown above the current ratio dramatically grown in 2015 to 5,24 from 1,89 in 2014, which means that there are inefficient using of current assets or short-term financing. In any case, a higher rate is a sign of a stable position of the company.

**Quick ratio:**  $\frac{\text{Current Assets}-\text{Inventory}}{\text{Current Liabilities}}$



$$\text{Quick ratio: } \frac{14\,960\,829 - 636\,964}{2\,853\,717} = 5,02 \text{ (2015)}$$

$$\text{Quick ratio: } \frac{6\,392\,409 - 553\,494}{3\,367\,373} = 1,73 \text{ (2014)}$$

Table 12: Coefficients of Quick Ratio for the period 2014-2015

Year	2014	2015
Quick ratio	<b>1.73</b>	<b>5.02</b>

Source: Own features

As we can see in both years the coefficients are higher than normally 1,0 – 1,73 in 2014 and much more higher in 2015 (5.02), it refers us that the company has good financial position and can cover its short-term liabilities

$$\text{Cash ratio} = \frac{\text{Cash} + \text{cash equivalents} + \text{short-term investments}}{\text{current liabilities}}$$

$$\text{Cash ratio} = \frac{1\,239\,913 + 2\,931\,484}{2\,852\,717} = 1,46 \text{ (2015)}$$

$$\text{Cash ratio} = \frac{2\,336\,586 + 2\,068\,430}{3\,367\,373} = 1,3 \text{ (2014)}$$

Table 13: Coefficients of Cash Ratio for the period 2014-2015

Year	2014	2015
Cash ratio	<b>1,3</b>	<b>1,46</b>

Source: Own features

The coefficients shown above - 1,3 in 2014 and 1,46 in 2015 considered as acceptable but refers poor asset utilization for a company holding large amounts of cash on it's balance sheet

$$\text{Cash Conversion Cycle} = \text{DIO} + \text{DSO} - \text{DPO}$$

$$\text{DIO (Days Inventory Outstanding)} = \frac{(636\,964 + 553\,494)/2}{-4\,730\,187/365} = \frac{595\,229}{-12\,959} = -46$$

$$\text{DSO (Days Sales Outstanding)} = \frac{(277\,700 + 224\,823)/2}{5\,811\,037/365} = \frac{251\,262}{15\,921} = 16$$

$$\text{DPO (Days Payables Outstanding)} = \frac{(1\,002\,087 + 898\,368)/2}{-4\,730\,187/2} = \frac{950\,227}{-12\,959} = -73$$

$$\text{CCC} = (-46) + 16 - (-73) = 43 \text{ days}$$

A short cycle allows a business to quickly acquire cash that can be used for additional purchases or debt repayment.

#### 4.2.2. Solvency Ratio

$$\text{Debt Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

$$\text{Debt Ratio} = \frac{16\,392\,881}{31\,577\,681} = 0.5 \text{ (2015)}$$

$$\text{Debt Ratio} = \frac{12\,553\,289}{25\,093\,467} = 0.5 \text{ (2014)}$$

Table 14: Coefficients of Debt Ratio for the period 2014-2015

Year	2014	2015
Debt Ratio	<b>0.5</b>	<b>0.5</b>

Source: Own features

The both of years was stable 0.5 coefficient, which means that the company do not financed neither by equity and debts.

$$\text{Solvency ratio} = \frac{\text{Net Income} + \text{Depreciation}}{\text{Total liabilities}}$$

$$\text{Solvency ratio} = \frac{596\,022 - 1\,184}{16\,392\,881} = 0.04 \text{ (2015)}$$

$$\text{Solvency ratio} = \frac{1\,329\,536 - 86\,995}{12\,533\,289} = 0.09 \text{ (2014)}$$

#### 4.2.3. Activity turnover ratio

$$\text{Total Asset turnover} = \frac{\text{Sales}}{\text{total Assets}}$$

$$\text{Total Asset turnover} = \frac{5\,811\,037}{31\,577\,681} = 0,18 \text{ (2015)}$$

$$\text{Total Asset turnover} = \frac{6\,781\,277}{25\,093\,467} = 0,27 \text{ (2014)}$$

Table 15: Coefficients of Total Asset Turnover ratio for the period 2014-2015

Year	2014	2015
<b>Total Asset Turnover ratio</b>	<b>0,27</b>	<b>0,18</b>

Source: Own features

The coefficients of the asset turnover in 2014 is 0.27 and in 2015 decreased to 0.18. the higher return on assets the lower turnover of assets, which indicates that the company has a lack of efficient use of assets.

$$\text{Inventory turnover ratio} = \frac{\text{cost goods sold}}{\text{inventory}}$$

$$\text{Inventory turnover ratio} = \frac{4\,730\,187}{636\,964} = 7,4\% \text{ (2015)}$$

$$\text{Inventory turnover ratio} = \frac{4\,732\,600}{553\,494} = 8,5\% \text{ (2014)}$$

Table 16: Coefficients of Inventory Turnover Ratio for the period 2014-2015

Year	2014	2015
Inventory turnover ratio	<b>8,5%</b>	<b>7,4%</b>

Source: Own features

#### 4.2.4. Profitability Indicator Ratios

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Net Sales}}$$

$$\text{Gross Profit Margin} = \frac{1\,080\,850}{5\,811\,037} = 0.19 \text{ (2015)}$$

$$\text{Gross Profit Margin} = \frac{2\,048\,677}{6\,781\,277} = 0.3 \text{ (2014)}$$

Table 17: Coefficients of Gross Profit Margin for the period 2014-2015

Year	2014	2015
Gross Profit Margin	<b>0.3</b>	<b>0.19</b>

$$\text{Operating Profit Margin} = \frac{\text{Operating Profit}}{\text{Net Sales}}$$

$$\text{Operating Profit Margin} = \frac{247\,704}{5\,811\,037} = 0.04 \text{ (2015)}$$

$$\text{Operating Profit Margin} = \frac{851\,735}{6\,781\,277} = 0.13 \text{ (2014)}$$

Table 18: Coefficients of Operating Profit Margin for the period 2014-2015

Year	2014	2015
Operating Profit Margin	<b>0.13</b>	<b>0.04</b>

Source: Own features

$$\text{Net Profit Margin} = \frac{\text{Net Income}}{\text{Net Sale}}$$

$$\text{Net Profit Margin} = \frac{596\,022}{5\,811\,037} = 0.1 \text{ (2015)}$$

$$\text{Net Profit Margin} = \frac{1\,328\,036}{6\,781\,277} = 0.2 \text{ (2014)}$$

Table 19: Coefficients of Net Profit Margin for the period 2014-2015

Year	2014	2015
Net Profit Margin	<b>0.2</b>	<b>0,1</b>

Source: Own features

The results of profitability ratios show us that in 2014 the company has more profits than in 2015.

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Assets}} * 100\%$$

$$\text{Return on Assets} = \frac{596\,022}{31\,577\,681} * 100\% = 1,89\% \text{ (2015)}$$

$$\text{Return on Assets} = \frac{1\,329\,536}{25\,093\,467} * 100\% = 5,3\% \text{ (2014)}$$

Table 20: Coefficients of Return on Assets for the period 2014-2015

Year	2014	2015
RoA	<b>5,3%</b>	<b>1,89%</b>

Source: Own features

The profitability of assets of the company is decreased in 2015(1,89%) comparing with 2014(5,3%), the higher return on assets means that the company do not require large capital investments and investments in working capital.

$$\text{Return on Equity} = \frac{\text{Net income}}{\text{Total common equity}} * 100\%$$

$$\text{Return on Equity} = \frac{596\,022}{15\,184\,803} * 100\% = 3,9\% \text{ (2015)}$$

$$\text{Return on Equity} = \frac{1\,329\,536}{12\,540\,181} * 100\% = 10,6\% \text{ (2014)}$$

Table 21: Coefficients of Return on Equity for the period 2014-2015

Year	2014	2015
RoE	<b>10.6%</b>	<b>3.9%</b>

Source: Own features

In 2014 the company has the return on equity 10,6% which is profitable according to the statistical datas but it dramatically decreases in 2015 to 3,9% which is risky for such a big company, especially for innovative economies, the rate should be higher.

## 5. Conclusion

The financial analysis for the period from 31st of December, 2014 to 30th September, 2015 provided for the JSC «National Company «KazMunayGas», which produces and transports oil and gas and engages in processing of crude oil and petroleum products, shows us that the profit of the company reduced by 111% in nine months from 1 356 416 US dollars to 642 899 US dollars. The decline is due to a decrease in a revenue, as well as the devaluation in 2015.

Net profit in dollars fell by 55% mainly caused by a decrease in Brent prices by 47% from 108.9 US dollars per barrel in 2014 to 57.8 US dollars per barrel in the same period of 2015, as well as the decrease in the average price of deliveries to the domestic market by 52% to 139 US dollars per tonne in 2014 to 66 US dollars per tonne in 2015 and a decrease in the volume of export sales.

But in the half of 2014 produced 6 122 thousands of tons of oil, which is 0,3% more than last year. Operating expenses in the first quarter of 2015 amounted to 315 million dollars, which is 23% higher than in the same period in 2014. This is mainly due to higher costs of remuneration of employees of production units approved by the company. Even though the liquidity ratio reflects that the JSC «NC «KazMunayGas|» would have no difficulties with paying its short-term financial obligations. Moreover, solvency ratios proven the company would not have a problem with borrowing in the future on account of debts to total assets ratio. According to times interest earned ratio of JSC «NC «KazMunayGas|», the proportion of ratio reached highest level in 2008. It also tended to remain stable or even increase in the future.

By the December 27, 2015 \$1 = 360 KZT and the price per barrel of oil - \$ 30, which means that the economic crisis in the country, where the economy mainly rests on the production, development and transportation of oil and gas. And on the economic forecasts in the world and in Kazakhstan, the crisis will last until 2017 and during that time the price of a barrel of oil falls to \$ 15, after that, and the rate of tenge to the dollar will rise to 500 KZT. Depending on it and KazMunayGaz's revenue and net profit will fall. The Company and its subsidiaries need to develop an alternative version of the Development Plan for the 2016-2020 year.

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