

Czech University of Life Sciences
Faculty of Economics and Management
Department of Economics



Diploma Thesis

**Assessment of the Financial Position and Performance of the Chosen Companies
Operating in the Oil Industry in India**

Author: Dhrupal Parekh

© 2021 CLUS in Prague

DIPLOMA THESIS ASSIGNMENT

Dhrupal Parekh

Economics Policy and Administration
Business Administration

Thesis title

Assessment of the Financial Position and Performance of the Chosen Companies Operating in the Oil Industry in India

Objectives of thesis

The aim of this thesis is to assess and compare the financial position and performance of two chosen Indian companies operating in the same industry by analyzing the companies' financial statements with focus on the representation and changes of the reported assets, liabilities, expenses and revenues for a chosen period to identify the potential financial problems and the most significant factors influencing the profit from the company and industry point of view.

Methodology

Methodology for the literature overview is based on data collection from the relevant legal framework, specialized publications and other written or online sources. The practical part of the thesis will be based on the information gained from the published annual reports of the chosen companies. Vertical and horizontal analysis and ratio analysis of the financial statements will be used to assess the financial position and performance of the companies and to prepare the practical part of the thesis. The methods of analysis, synthesis, comparison and deduction will be used to formulate the conclusions of the thesis

The proposed extent of the thesis

60-80

Keywords

financial statements, financial analysis, financial position, balance sheet, assets, liabilities, equity, financial performance, Income statement, expenses, revenues, profit, oil industry

Recommended information sources

- ALEXANDER, J. Financial Planning & Analysis and Performance Management. USA : John Wiley & Sons, Inc. Hoboken, 2018, 640 p., ISBN-13: 978-1119491484
- ARORA, R.K. Financial Accounting: Fundamentals, Analysis and Reporting. New Delhi : Wiley India Pvt., 2017, 552 p., ISBN-13: 978-8126575701
- ELLIOTT B. Financial Accounting and Reporting. Harlow UK: Pearson, 2019, 928 p., ISBN-13 :978-1292255996
- India. Ministry of Corporate Affairs, Government of India. Indian Accounting Standards, available online
- KAUR, P., SINGH, B., BHATTACHARYA, A.M. Comparative Analysis of Indian GAAP, IFRS AND IND AS. Journal of Business and Management, 2019, vol. 21, Issue 3, pp. 55-68, p-ISSN: 2319-7668
- KPMG. Ind AS Accounting and disclosure guide. India: KPMG, 2019, 771 p., ISBN N/A, available online
- MAYNARD, J. Financial Accounting, Reporting, and Analysis. UK: OUP Oxford, 2017, 936 p., ISBN-13 : 978-0198745310
- RAMCHANDRAN, K. How to Analyze Financial Statements. New Delhi : McGraw Hill Education India, 2017, 128 p., ISBN-13: 978-9351344858
-

Expected date of thesis defence

2020/21 SS – FEM

The Diploma Thesis Supervisor

Ing. Enikő Lőrinczová, Ph.D.

Supervising department

Department of Trade and Finance

Electronic approval: 9. 3. 2021

prof. Ing. Luboš Smutka, Ph.D.

Head of department

Electronic approval: 9. 3. 2021

Ing. Martin Pelikán, Ph.D.

Dean

Declaration

I declare that I have worked on my diploma thesis titled "Assessment of the Financial Position and Performance of the Chosen Companies Operating in the Oil Industry in India" 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 31. 03. 2021

Dhrupal Parekh

Acknowledgement

I would like to thank my supervisor Ing. Enikő Lőrinczová, Ph.D. for her valuable guidance and feedback throughout this thesis.

Assessment of the Financial Position and Performance of the Chosen Companies Operating in the Oil Industry in India

Abstract

This thesis deals with the assessment of financial position and performance of chosen Indian companies which produce natural gas and crude oil, Indian Oil Corporation limited and Bharat petroleum corporation limited. The review deals with the characteristics of selected ratios of financial analysis and the industry specifics of oil and gas production in India. The practical part analyses the financial position which is represented by the Balance sheet and the financial performance which is represented by the Statement of profit or loss of the company by using vertical and horizontal analysis of these statements covering financial years 2017-2020 with the focus on the representation and changes of the reported assets, liabilities, expenses, revenues and profit for the chosen period in order to identify the potential financial problems and the most significant factors influencing the profit.

Keywords: financial statements, financial analysis, financial position, balance sheet, assets, liabilities, equity, financial performance, Income statement, expenses, revenues, profit, oil industry

Posouzení finanční situace a výkonnosti vybraných společností působících v ropném průmyslu v Indii

Abstrakt

Tato diplomová práce se zabývá hodnocením finanční situace a výkonnosti vybraných indických společností vyrábějících zemní plyn a ropu, společností Indian Oil Corporation Limited a Bharat Petroleum Corporation Limited. Přehled se zabývá charakteristikami vybraných ukazatelů finanční analýzy a průmyslovými specifiky těžby ropy a zemního plynu v Indii. Praktická část analyzuje finanční situaci, kterou představuje rozvaha, a finanční výkonnost, kterou představuje Výkaz zisku nebo ztráty společnosti, pomocí vertikální a horizontální analýzy těchto výkazů za finanční roky 2017–2020 se zaměřením na zastoupení a změny vykázaných aktiv, závazků, nákladů, výnosů a zisku za zvolené období za účelem identifikace možných finančních problémů a nejvýznamnějších faktorů ovlivňujících zisk.

Klíčová slova: finanční výkazy, finanční analýza, finanční situace, rozvaha, aktiva, pasiva, vlastní kapitál, finanční výkonnost, výsledovka, náklady, výnosy, zisk, ropný průmysl

Table of Contents

1	Introduction	12
2	Objectives and Methodology	13
2.1	Objectives	13
2.2	Methodology.....	13
3	Literature Review	14
3.1	The Indian accounting system (Company Act – section 133, IND AS).....	14
3.2	The mandatory financial statements in India	14
3.2.1	The statement of financial position – the Income sheet in India	15
3.2.2	The statement of financial performance – the balance statement in India.....	15
3.2.3	Cash Flow Statement.....	16
3.2.4	Statement of change in equity.....	16
3.3	Selected ratios of Financial analysis.....	16
3.4	Oil and gas industry in India	20
4	Practical Part	21
4.1	General information about Indian Oil Corporation Limited – Introduction of the company	21
4.2	General information about Bharat Petroleum Corporation Limited.....	22
4.3	Analysis of financial position – the balance sheet (IOCL)	23
4.3.1	Vertical analysis of the Balance sheet items (IOCL)	23
4.3.2	Horizontal analysis of the Balance sheet items (IOCL).....	28
4.3.3	Horizontal analysis of Equity and liabilities (IOCL).....	30
4.4	Analysis of financial performance.....	32
4.4.1	Horizontal analysis of Income statement (IOCL).....	32
4.4.2	Vertical analysis of the Income statement (IOCL).....	34
4.5	Selected ratios of financial analysis (IOCL)	37
4.6	Analysis of financial position – the balance sheet (BPCL).....	42
4.6.1	Vertical analysis of the Balance sheet items (BPCL).....	42
4.6.2	Horizontal analysis of the Balance sheet items (BPCL)	46
4.6.3	Horizontal analysis of Equity and liabilities (BPCL)	48
4.7	Analysis of financial performance	50
4.7.1	Horizontal analysis of Income statement (BPCL)	50
4.7.2	Vertical analysis of the Income statement (BPCL)	52
4.8	Selected ratios of financial analysis (BPCL)	55
5	Results and Discussion	60
5.1	Comparative assessment of the financial position of IOCL and BPCL	60
5.2	Comparative assessment of the financial performance of IOCL and BPCL	62
5.3	Factors influencing the profit	63
5.4	The main possible problem areas.....	63
5.5	Comparative assessment of selected financial ratios of IOCL and BPCL	64
5	Conclusion	69
6	References	70
7	Appendix	71

List of tables and figures

Table 1 Vertical analysis of Assets (IOCL).....	24
Table 2 Vertical analysis of Equity and Liabilities (IOCL).....	26
Table 3 Horizontal analysis of Assets (IOCL).....	28
Table 4 Horizontal analysis of Equity and Liabilities (IOCL).....	30
Table 5 Horizontal analysis of Standalone Statement of Income (IOCL).....	32
Table 6 Vertical analysis of Revenues (IOCL).....	34
Table 7 Vertical analysis of expenses in crores (IOCL).....	35
Table 8 Cash Ratio in crores (IOCL).....	37
Table 9 Current Ratio in crores (IOCL).....	38
Table 10 Quick ratio in crores (IOCL).....	39
Table 11 Return on Assets (%) in crores (IOCL).....	40
Table 12 Return on Equity (%) in crores (IOCL).....	41
Table 13 Vertical analysis of Assets (BPCL).....	42
Table 14 Vertical analysis of Equity and Liabilities (BPCL).....	44
Table 15 Horizontal analysis of Assets (BPCL).....	46
Table 16 Horizontal analysis of Equity and Liabilities (BPCL).....	48
Table 17 Horizontal analysis of Standalone Statement of Income (BPCL).....	50
Table 18 Vertical analysis of Revenues (BPCL).....	52
Table 19 Vertical analysis of Expenses (BPCL).....	53
Table 20 Cash ratio in crores (BPCL).....	54
Table 21 Current ratio in crores (BPCL).....	55
Table 22 Quick ratio in crores (BPCL).....	56
Table 23 Return on Assets (%) in crores (BPCL).....	57
Table 24 Return on Equity (%) in crores (BPCL).....	58
Table 25 Cash ratio in crores (IOCL &BPCL).....	59
Table 26 Current ratio in crores (IOCL &BPCL).....	64
Table 27 Quick ratio in crores (IOCL &BPCL).....	65
Table 28 Return on Assets (%) in crores (IOCL &BPCL).....	66
Table 29 Return on Equity (%) in crores (IOCL &BPCL).....	67

Figure 1: Cash Ratio (IOCL)	37
Figure 2: Current Ratio (IOCL)	38
Figure 3: Quick Ratio (IOCL)	39
Figure 4: Return on Assets (%) (IOCL)	40
Figure 5: Return on Equity (%) (IOCL)	41
Figure 6: Cash Ratio (BPCL)	55
Figure 7: Current Ratio (BPCL)	56
Figure 8: Quick Ratio (BPCL)	57
Figure 9: Return on Assets (%) (BPCL)	58
Figure 10: Return on Equity (%) (BPCL)	59
Figure 11: Cash Ratio (IOCL & BPCL)	64

Figure 12: Current Ratio (IOCL & BPCL)	65
Figure 13: Quick Ratio (IOCL & BPCL)	66
Figure 14: Return on Assets (%) (IOCL & BPCL)	67
Figure 15: Return on Equity (%) (IOCL & BPCL)	68

List of abbreviations

ROE-Return on equity

ROA-Return on assets

IOCL-Indian Oil Corporation Limited

BPCL-Bharat Petroleum Corporation Limited

ICAI- Institute of Chartered Accountants of India

ASB- Accounting Standards Board

Ind-AS- Indian Accounting Standard

E&P-Exploration and producing

FDI- Foreign Direct Investment

RIL-Reliance Industries Ltd.

LNG- Liquefied Natural Gas

OECD-The organization for economic co-operation and development

Mbpd- Million barrels per day

Mtoe-Million or mega tonnes of oil equivalent

CAGR-Compound Annual Growth Rate

MT- Million tonnes

IOC-Indian Oil Corporation

MMTPA-Million metric tonnes per annum

MMSCMD-Million metric standard cubic meter per day

1 Introduction

The industry of oil and gas is one of the largest sectors as compare to other sectors in the world in terms of dollar value as the sector is generating estimated \$3.3 trillion revenue in a year. Oil is vital to the global economic framework. It is also crucial for its largest producers such as the United States, Saudi Arabia, Russia, Canada and China.

Hydrocarbons are made from crude oil and natural gas, which are natural substances usually found in rock in the crust of earth. These organic raw materials are created through the compression of the remains of plants and animals in sedimentary rocks like sandstone, limestone, and shale. The oil & gas industry is divided into three segments which includes upstream, midstream and downstream.

Upstream refers to E&P which involves the search for underwater and underground natural gas fields or crude oil fields. Further, it also includes the drilling of exploration wells & drilling into established wells in order to recover oil and gas.

In midstream the transportation, storage and processing of oil and gas is done. There sources have to be transferred to refinery once the resources are recovered, which is usually in a different geographic region in comparison to the oil and gas reserves. In this segment, the transportation involves pipelines, tanker ships and trucking fleets.

Downstream is the last segment of oil and gas industry. This segment involves the process of filtering raw materials where the raw materials are obtained throughout the upstream segment. Moreover, this process refers to refining crude oil and purifying natural gas. The marketing & distribution of oil and gas products to customers and users are done in a number of ways including natural gas, petrol, diesel oil, gasoline, lubricants, kerosene, jet fuel, asphalt, heating oil and Liquefied Petroleum Gas. The oil and gas products can also be distributed in other types of petrochemicals. The Petroleum and Natural Gas Regulatory Board was established in 2006 in terms of Section 3 (2) of the Petroleum and Natural Gas Regulatory Board Act, 2006. The Regulatory Board is empowered to regulate the refining, processing, storage, transportation, distribution, marketing and sale of petroleum and petroleum products and natural gas, and to foster fair trade and competition amongst oil and gas companies (Nishith Desai, 2018).

2 Objectives and Methodology

2.1 Objectives

The aim of this diploma thesis is to assess the financial position and performance of chosen Indian companies by analyzing the company's financial statements with focus on the reported assets, liabilities, expenses and revenues for a chosen period and to identify the possible financial problems and the most significant factors influencing the profit.

- To evaluate the financial performance of Indian Oil Corporation Limited (IOCL) and Bharat Petroleum Corporation Limited (BPCL).
- To measure the position of companies by using Ratio Analysis.

2.2 Methodology

Methodology for the literature overview is based on data collection from the relevant legal framework, specialized publications and other written or online sources. The practical part of the thesis will be based on the information gained from the published annual reports of the chosen company.

Vertical and horizontal analysis of the financial statements will be used to assess the financial position and performance of the company and to prepare the practical part of the thesis. Selected ratios of financial analysis will be calculated. The methods of analysis, synthesis, comparison and deduction will be used to formulate the conclusions of the thesis.

The Balance sheet of the company will be analyzed for the assessment of the financial position and the Income statement (Statement of profit and loss) for the assessment of the financial performance. The analysis covers the financial years 2017-2020. Data are obtained from the annual reports of the company. The results of the horizontal analysis will be in % and each item will be compared with the immediately preceding same item from the previous year (i.e. no base year). The definitions of the vertical and horizontal analysis as well as the formulas of the selected ratios of the financial analysis are included in the literary review of this thesis.

3. Literature Review

The literature review is a theoretical background for the thesis and focuses on the characteristics of the selected financial statements according to the Indian accounting standards. The literature review also deals with selected methods of financial analysis as a base for the practical part of the thesis and outlines the characteristics of the oil and gas industry in India.

3.1 The Indian accounting system (Company Act – section 133, IND AS)

Indian Accounting Standard (abbreviated as Ind-AS) is the Accounting standard adopted by companies in India and issued under the supervision of Accounting Standards Board (ASB) which was constituted as a body in the year 1977. ASB is a committee under Institute of Chartered Accountants of India (ICAI) which consists of representatives from government department, academicians, other professional bodies' viz. ICAI, representatives from ASSOCHAM, CII, FICCI, etc. ICAI is an independent body formed under an act of parliament.

Section 133 of Indian Companies Act 2013 "Central Government to prescribe accounting standards"

The Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949, in consultation with and after examination of the recommendations made by the National Financial Reporting Authority.

3.2 The mandatory financial statements in India

The mandatory financial statements in India are:

- Income statement
- Balance sheet
- Cash Flow statement
- Statement of changes in equity

3.2.1 The statement of financial performance – the Income statement in India

The income statement is used to calculate income, expenses, interest, taxes and profits or losses incurred by the company in any given year. This statement can be made using a multi-step format or a single step format. Also, the income statement is often overlooked by investors. Investors try to get an idea of how profitable the company is. In many cases, investors also compare the data in the form of a time series analysis to assess the effectiveness of the management.

The income statement shows the performance of the business for a period of time, usually annually. Some income statements are further divided into functional and functional categories to provide a better perspective for investors. Lenders use the income statement to determine whether the company will be able to repay their debts as they are properly paid. After the tax is paid to the lenders the investors follow the line to get any benefits that can be announced.

Source:-<https://www.wowessays.com> , 20/2/2021

3.2.2 The statement of financial position – the Balance Sheet in India

According to Drake (2010), financial statement analysis is the selection, evaluation, and interpretation of financial data, along with other pertinent information, to assist in investment and financial decision-making. Moreover, it is also the process of identifying financial strengths and weaknesses of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss account (Dr. Rohit Bansal, Sanjay Kumar Kar, Dr. Saroj Mishra).The balance sheet is crucial in showing the assets and liabilities that the company has and it includes both short term and long-term liabilities. In the case of fixed asset; the assets can be either tangible or intangible in the form of goodwill, trademarks or patents owned by the company. It shows the financial position of the company at a specific date in the future which is why it is often referred to as the snapshot of the entire company.

The balance sheet is used by the creditors to check the total liabilities held by the company. This will also allow the creditors to find out the liquidity ratios of the company and assess the ability to repay the loans.

Source:-<https://www.wowessays.com> , 20/2/2021

3.2.3 Cash Flow Statement

A cash flow statement is a financial statement that summarizes the amount of cash and cash equivalents entering and leaving a company. The main components of the cash flow statement are cash from operating activities, cash from investing activities, and cash from financing activities. The two methods of calculating cash flow include the direct method and the indirect method.

Source:-<https://www.investopedia.com/investing/what-is-a-cash-flow-statement/#:~:text=A%20cash%20flow%20statement%20is,and%20fund%20its%20operating%20expenses> , 20/2/2021

3.2.4 Statement of changes in equity

Statement of changes in equity is the reconciliation between the opening balance and closing balance of shareholder's equity. It is a financial statement which summarises the transactions related to the shareholder's equity over an accounting period.

Source:-<https://cleartax.in/s/statement-of-changes-in-equity#:~:text=Statement%20of%20Changes%20in%20Equity%20is%20the%20reconciliation%20between%20the,equity%20over%20an%20accounting%20period>, 20/2/2021

3.3 Selected ratios of financial analysis

Financial analysis is used to evaluate economic trends, set financial policy, build long-term plans for business activity, and identify projects or companies for investment. This is done through the synthesis of financial numbers and data. One of the most common ways to analyze financial data is to calculate ratios from the data in the financial statements to compare against those of other companies or against the company's own historical performance. Financial ratios are divided into three main categories which includes liquidity ratio, leverage financial and profitability ratio.

(Dr. V. Sugumarand Mrs. N. Prema, 2019)

Vertical analysis is used for a proportional analysis of financial statements of particular items from the total, to tell their importance. It is useful for seeing proportion balance and changes in proportions in compare with other year.

Horizontal analysis is also known as trend analysis. This method shows a historical data and giving opportunity to compare it. In this method can be used as a base year one of the chosen year or can be taken as a base year the previous one and always compare two years and see how particular item changing from year to year.

There are several financial analysis ratios related to the areas of asset utilization measurements, operating performance measurements, etc. For the purposes of the thesis, the following ratios will be used:

- ROE (Return on equity)
- ROA (Return on assets)
- Current ratio
- Quick ratio
- Cash ratio

Return on Equity (ROE)

Return on Equity (ROE) is a company's annual profit margin (total revenue) divided by the total share capital, expressed as a percentage (e.g. 12%). Alternatively, the ROE can also be obtained by dividing the company's dividend growth rate by its salary retention rate (1 - share pay ratio).

The Return on Equity is a two-part measure in its acquisition because it includes a statement of income and a balance sheet, in which the income or profit is compared to the equity of shareholders. The number represents the full return on equity and indicates the company's ability to turn the funds into profit. Alternatively, it measures the profits made per dollar from shareholders' estimates.

Source:-<https://corporatefinanceinstitute.com/resources/knowledge/finance/what-is-return-on-equity-roe/>, 21/2/2021

Return on Assets (ROA)

Return of Assets (ROA) is an indication of how profitable a company is in terms of its total assets. The ROA gives a manager, investor, or analyst an idea of how well a company's

management can use their assets to make a profit. Refunds are shown as a percentage. The ROA is calculated by dividing the company's revenue into total assets.

Source:- <https://www.investopedia.com/terms/r/returnonassets.asp> , 21/2/2021

Current ratio

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average may indicate a higher risk of distress or default. Similarly, if a company has a very high current ratio compared to their peer group, it indicates that management may not be using their assets efficiently.

The current ratio is called “current” because, unlike some other liquidity ratios, it incorporates all current assets and current liabilities. The current ratio is sometimes called the working capital ratio.

Quick ratio

The quick ratio is an indicator of a company’s short-term liquidity position and measures a company’s ability to meet its short-term obligations with its most liquid assets.

The Quick Ratio, also known as the Acid-test or Liquidity ratio, measures the ability of a business to pay its short-term liabilities by having assets that are readily convertible into cash. These assets are, namely, cash, marketable securities, and accounts receivable. These assets are known as “quick” assets since they can quickly be converted into cash.

Cash ratio

The monetary rate is the average acquisition of a company’s capital, especially the company’s monetary rate and monetary equity in its current companies. The metric calculates the company's ability to repay its short-term debt in cash or in close proximity to finance, such as easy-to-sell security. This information is useful for lenders when deciding how much money, if any, they would like to lend to a company.

The inflation rate is almost the same as the company's value index under the worst case scenario we, where the company is about to exit the business. It tells lenders and analysts the amount of current assets that can be quickly converted, and that a percentage of the company's current payments are those assets and assets close to cash that can be paid.

Source: - <https://www.investopedia.com/terms/c/cash-ratio.asp> , 22/2/2021

Vertical Analysis:-

Direct analysis is analyzed by the balance of the financial statements, where each line item in the financial statement is calculated as a percentage of the other item. This means that everything on the line in the income statement is stated as a percentage of total sales, while everything on the balance line is stated as a percentage of total assets.

The most common use of vertical analysis is within the one-time financial statement of reporting, so that one can see the estimated estimates of account balances. Direct analysis also helps in trend analysis, to detect changes related to accounts over time, such as comparisons over a five-year period.

Source:-

<https://www.accountingtools.com/articles/2017/5/17/verticalanalysis#:~:text=What%20is%20Vertical%20Analysis%3F,a%20percentage%20of%20another%20item.> , 22/2/2021

Horizontal Analysis

Horizontal analysis (also known as trend analysis) is a financial statement analysis technique that shows changes in the amounts of corresponding financial statement items over a period of time. It is a useful tool to evaluate the trend situations.

The statements for two or more periods are used in horizontal analysis. The earliest period is usually used as the base period and the items on the statements for all later periods are compared with items on the statements of the base period. The changes are generally shown both in dollars and percentage.

Source:-[https://www.accountingformanagement.org/horizontal-analysis-of-financial-statements/#:~:text=Horizontal%20analysis%20\(also%20known%20as,are%20used%20in%20horizontal%20analysis.](https://www.accountingformanagement.org/horizontal-analysis-of-financial-statements/#:~:text=Horizontal%20analysis%20(also%20known%20as,are%20used%20in%20horizontal%20analysis.) , 22/2/2021

3.4 Oil and gas industry in India

The oil and gas sector is one of the eight main industries in India and plays a key role in influencing decision-making in all other important sectors of the economy.

Government has adopted a number of policies to meet the growing demand. It allows for 100% Foreign Direct Investment (FDI) in many sectors of the sector, including natural gas, petroleum products and refineries among others. Today, it attracts both domestic and foreign investment as evidenced by the existence of Reliance Industries Ltd. (RIL) and Cairn India.

India has been the fourth largest importer of Liquefied Natural Gas (LNG) since 2011 after Japan, South Korea and China.

India is expected to be one of the largest contributors to non-OECD petroleum consumption growth globally. Crude Oil import rose sharply to US\$ 101.4 billion in 2019-20 from US\$ 70.72 billion in 2016-17. India retained its spot as the third largest consumer of oil in the world in 2019 with consumption of 5.16 million barrels per day (mbpd) of oil in 2019 compared to 4.56 mbpd in 2016.

Energy demand of India is anticipated to grow faster than energy demand of all major economies on the back of continuous robust economic growth. India's energy demand is expected to double to 1,516 Mtoe by 2035 from 753.7 Mtoe in 2017. Moreover, the country's share in global primary energy consumption is projected to increase by two-fold by 2035.

Crude oil consumption is expected to grow at a CAGR of 3.60% to 500 million tonnes by 2040 from 221.56 million tonnes in 2017.

Natural Gas consumption is forecast to increase at a CAGR of 4.18% to 143.08 million tonnes by 2040 from 58.10 million tonnes in 2018. Diesel demand in India is expected to double to 163 million tonnes (MT) by 2029-30.

4 Practical Part

The practical part of this diploma thesis analyses the financial position (represented by the Balance sheet) and financial performance (represented by the Statement of profit or loss) in a chosen Indian company, **Indian Oil Corporation Limited (IOCL) AND Bharat Petroleum Corporation Limited (BPCL)**, by using vertical and horizontal analysis of the selected financial statements of the company and calculating selected ratios of financial analysis.

4.1 General information about Indian Oil Corporation Limited – Introduction of the company

Indian Oil Corporation (IOC), India's leading national oil and Gasoline Company was merged on June 30, 1959 as an Indian Oil Company. The company was renamed Indian Oil Corporation from September 1, 1964 following the merger of Indian Refineries (founded in 1958).

The Indian Group has 10 refineries in India with a combined refining capacity of 60.2 million metric tons per annum (MMTPA, .i.e. 1.2 million barrel per day). This includes two refineries owned by Chennai Petroleum Corporation. The company's cross-country network of crude oil pipelines and products, which is more than 10,000 kilometers and the largest in the country, meets the critical energy needs of consumers in an efficient, economical and environmentally efficient manner. The IOCL has 33,498 employees who work for the company.

Indian Oil Corporation Limited (IOCL) is an Indian company – oil and gas controlled company. Its headquarters are in Mumbai, Maharashtra. Indian Oil Corporation Ltd. is the largest public company in India in terms of revenue and is one of the state-owned companies in Maharatna India.

Government of India Enterprises involved in Refining and Marketing of Petroleum Products. IOCL has been ranked 168th in the world ranking of 500 of the world's largest private companies in the year 2017. IOCL has its own refinery with a power of 80.49 MMTPA crude oil and fuel products and 9.5 MMSCMD gas.

The network of pipeline crossing the country, transporting crude oil to refineries and finished products in high-demand facilities, is more than 11,220 kilometers. Oil marketing companies

have pointed to an increase in demand for future Petroleum Products due to increased domestic and industrial consumption.

4.2 General information about Bharat Petroleum Corporation Limited

Bharat Petroleum Corporation Ltd (BPCL) operates in the petroleum industry in India. The company operates in a single component - Refinery and Marketing operations involving the lower fuel sector. They also participate in the testing and production of Hydrocarbons (E&P). BPCL regularly implements its LPG requirements especially in the Middle East. Occasionally there are import requirements for Gasoil Kerosene Gasoline and Base Oil. The company's filter materials include Mumbai Refinery Kochi Refinery Numaligarh Refinery and Bina Refinery. BPCL Exports Fuel Oil and Naphtha and Base Oil.

Bharat Petroleum Corporation Ltd was incorporated on November 3 1952 as a privately owned subsidiary named Burmah Shell Refineries Ltd. The company began operations south of Trombay in Bombay. The cleansing of 454 hectares of land in the village of Mahul continued on January 30, 1955 a year before the deadline. On January 24 1976 the Burmah Shell Group of Companies was taken over by the Government of India to set up Bara Refineries Ltd. On August 1, 1977, the company was renamed Bharat Petroleum Corporation Ltd.

4.3 Analysis of financial position – the balance sheet (IOCL)

Analysis of financial position of the company includes the vertical and horizontal analysis of items of Balance sheet: assets, liabilities and equity, with the aim to identify the most significant items (by vertical analysis) and the changes over the years (by horizontal analysis).

4.3.1 Vertical analysis of the Balance sheet items (IOCL)

Vertical analysis is used for a proportional analysis of financial statements of particular items from the total, to tell their importance. It is useful for seeing proportion balance and changes in proportions in compare with other year. It is clearly shows if particular item is growing or falling in percentage of total and how it is affect on the total. But in decreasing of percentage of some item does not really says losing of the money value in term of the total, it might mean the more significant changing of other item in term of total.

Table 1 Vertical analysis of Assets (IOCL)

Standalone Statement of Financial Position (in Cr.)						
Particulars	2017-18	%	2018-19	%	2019-2020	%
ASSETS						
Non-current assets						
a) Property Plant and Equipment	112887.65	40.21%	117331.22	37.16%	131752.76	42.35%
b) Capital Work-in-Progress	13860.99	4.94%	22160.52	7.02%	28134.10	9.04%
c) Intangible Assets	1039.67	0.37%	1376.61	0.44%	1929.04	0.62%
d) Intangible Assets Under Development	487.44	0.17%	1438.44	0.46%	1603.65	0.52%
i) Investments	39088.94	13.92%	41339.58	13.09%	31052.17	9.98%
ii) Loans	2031.01	0.72%	2281.40	0.72%	3241.87	1.04%
iii) Other Financial Assets	3764.56	1.34%	202.25	0.06%	285.12	0.09%
f) income tax Assets(Net)	1291.33	0.46%	1347.85	0.43%	4186.76	1.35%
g) other non-current assets	3233.35	1.15%	3786.73	1.20%	2863.07	0.92%
Total Non-current Assets	177684.94	63.29%	191264.60	60.58%	205048.54	65.91%
Current assets						
a) Inventories	65313.21	429.84%	71470.38	22.64%	63677.62	20.47%
i) Investments	8399.32	2.99%	8415.80		8086.39	2.60%
ii) Trade Receivables	10116.52	3.60%	15448.02	4.89%	12844.09	4.13%
iii) Cash and Cash Equivalents	53.65	0.02%	38.50	0.01%	535.56	0.17%
iv) Bank Balances other than above	27.17	0.01%	52.86	0.02%	53.58	0.02%
v) Loans	467.51	0.17%	1378.20	0.44%	1069.67	0.34%
vi) Other Financial Assets	15288.16	5.45%	22741.38	7.20%	15629.76	5.02%
c) Current Tax Assets (Net)	2.04	0.00%	486.60	0.15%	66.28	0.02%
d) Other Current Assets	3225.17	1.15%	4183.98	1.33%	3841.46	1.23%
Assets Held for Disposal	161.68	0.06%	227.40	0.07%	237.61	0.08%
Total Current Assets	103054.97	36.71%	124443.12	39.42%	106042.02	34.09%
Total Asset	280739.91	100.00%	315707.72	100.00%	311090.56	100.00%

Source: Own processing based on the Standalone Statement of Financial Position of Indian oil Corporation Limited FY 2018-2020.

The table 1 indicates the Indian Oil Corporation Limited's Standalone Statement of Financial Position which shows the changes in proportion of items from year to year.

These changes can be observed in items like property, plant and equipment which include buildings, processing facilities, machinery and equipment.

From the Table, we can see that property, plant and equipment are taking the biggest percentages from the non-current assets and all assets in total. In 2018 it took 63.29% of total assets, in the year 2019 it slightly increased and took 65.91%.

In the year 2018-19, investments represent as the biggest item on the company's balance with 41339.58 crores and in the year 2019-20 the investment has been reported lowest as compare to other year.

During preceding three years, it has been observed that there is no major change in proportion of Property Plant and Equipment.

Table 2 Vertical analysis of Equity and Liabilities (IOCL)

Standalone Statement of Financial Position (in Cr.)						
EQUITY	2017-18	%	2018-19	%	2019-2020	%
a) Equity Share Capital	9478.69	3.38%	9181.04	2.91%	9181.04	2.95%
b) Other Equity	100692.33	35.87%	99476.4	31.51%	84587.83	27.19%
Total Equity	110171.02	39.24%	108657.5	34.42%	93768.87	30.14%
LIABILITIES						
Non-Current Liabilities						
a) Financial Liabilities						
i) Borrowings	18717.60	6.67%	34666.36	10.98%	49250.64	15.83%
ii) Other Financial Liabilities	570.96	0.20%	616.03	0.20%	789.58	0.25%
b) Provisions	2023.32	0.72%	883.66	0.28%	919.05	0.30%
c) Deferred Tax Liabilities (Net)	12019.57	4.28%	15823.07	5.01%	11413.14	3.67%
d) Other Non-Current Liabilities	1355.16	0.48%	1598.09	0.51%	2042.48	0.66%
Total Non-Current Liabilities	34686.61	12.36%	53587.21	16.97%	64414.89	20.71%
Current Liabilities						
a) Financial Liabilities						
i) Borrowings	36807.56	13.11%	48593.55	15.39%	63486.08	20.41%
ii) Trade Payables	33106.05	11.79%	38679.00	12.25%	25251.58	8.12%
iii) Other Financial Liabilities	40815.69	14.54%	43972.06	13.93%	42550.71	13.68%
b) Other Current Liabilities	10991.38	3.92%	12080.50	3.83%	12050.96	3.87%
c) Provisions	14161.60	5.04%	10137.89	3.21%	9567.47	3.08%
d) Current Tax Liabilities (Net)	-	0.00%	-	0.00%	-	0.00%
Total Current Liabilities	135882.28	48.40%	153463.00	48.61%	152906.80	49.15%
Total Equity and Liabilities	280739.91	100.00%	315707.72	100.00%	311090.56	100.00%

Source: Own processing based on the Standalone Statement of Financial Position of Indian oil Corporation Limited FY 2018-2020.

Vertical analysis makes it much easier to compare the financial statements of one company with another, and across industries. Table 2 represents vertical analysis of liabilities and equity.

In the items which are under non-current liabilities the biggest part of total non-current liabilities takes a long-term debt (Borrowings). In 2019-20 Indian oil corporation ltd. had a big debt in amount of 49250.64 which takes 15.83% of total proportion of liabilities and equity.

As we can see short-term debt takes the biggest percentages from total current liabilities, in 2019-20 it was 63486.08 Crores which is 20.41%. In 2017th it was 11.60%, in 2018 13.11% and in 2019th 15.39%.

4.3.2 Horizontal analysis of the Balance sheet items (IOCL)

Horizontal analysis is also known as trend analysis. This method shows a historical data and giving opportunity to compare it. In this method can be used as a base year one of the chosen year or can be taken as a base year the previous one and always compare two years and see how particular item changing from year to year. This analysis easily can be described how particular items changed during time and how it affects the growth of company, their activities and how it affects the revenues.

Table 3 Horizontal analysis of Assets (IOCL)

Standalone Statement of Financial Position (in Cr.)							
Particulars	2016-17	2017-18	%	2018-19	%	2019-2020	%
ASSETS							
Non-current assets							
a) Property Plant and Equipment	106900.73	112887.65	5.60%	117331.22	3.94%	131752.76	12.29%
b) Capital Work-in-Progress	10223.36	13860.99	35.58%	22160.52	59.88%	28134.10	26.96%
c) Intangible Assets	978.76	1039.67	6.22%	1376.61	32.41%	1929.04	40.13%
d) Intangible Assets Under Development	514.46	487.44	-5.25%	1438.44	195.10%	1603.65	11.49%
e) Financial Assets:-							
i) Investments	40109.19	39088.94	-2.54%	41339.58	5.76%	31052.17	-24.89%
ii) Loans	1180.89	2031.01	71.99%	2281.40	12.33%	3241.87	42.10%
iii) Other Financial Assets	3455.63	3764.56	8.94%	202.25	-94.63%	285.12	40.97%
f) income tax Assets(Net)	5.47	1291.33	23507.50%	1347.85	4.38%	4186.76	210.63%
g) other non-current assets	3057.08	3233.35	5.77%	3786.73	17.11%	2863.07	-24.39%
Total Non-current Assets	166425.57	177684.94	6.77%	191264.60	7.64%	205048.54	7.21%
Current assets							
a) Inventories	62401.14	65313.21	4.67%	71470.38	9.43%	63677.62	-10.90%
b) Financial Assets:-							
i) Investments	7195.41	8399.32	16.73%	8415.80	0.20%	8086.39	-3.91%
ii) Trade Receivables	8502.37	10116.52	18.98%	15448.02	52.70%	12844.09	-16.86%

iii) Cash and Cash Equivalents	52.86	53.65	1.49%	38.50	-28.24%	535.56	1291.06%
iv) Bank Balances other than above	33.64	27.17	-19.23%	52.86	94.55%	53.58	1.36%
v) Loans	1758.53	467.51	-73.41%	1378.20	194.80%	1069.67	-22.39%
vi) Other Financial Assets	9639.56	15288.16	58.60%	22741.38	48.75%	15629.76	-31.27%
c) Current Tax Assets (Net)	0.00	2.04	0.00%	486.60	23752.94%	66.28	-86.38%
d) Other Current Assets	3144.84	3225.17	2.55%	4183.98	29.73%	3841.46	-8.19%
Assets Held for Disposal	59.35	161.68	172.42%	227.40	40.65%	237.61	4.49%
Total Current Assets	92787.70	103054.97	11.07%	124443.12	20.75%	106042.02	-14.79%
Total Asset	259213.27	280739.91	8.30%	315707.72	12.46%	311090.56	-1.46%

Source: Own processing based on the Standalone Statement of Financial Position of Indian oil Corporation Limited FY 2018-2020.

Table 3 shows the horizontal analysis of assets, like property, plant and equipment and changes of their shares from the overall proportion and the significance of this item for the company. Above Table shows the changes in one line for three years (2017 – 2020).

From year 2017th to 2020th it has been found that the Property, Plant and Equipment grown positively with 12.29% its mean that in 2020 Indian Oil Corporation Limited does expand their machinery and facilities but spend less money on their investments.

During last three years inventory increase by 4.67% in 2018, by 9.43% in 2019 and in 2020 this growth was at decline stage than the last three years, by -10.90%. in 2020 there have been decreasing in inventory by -10.90% it is shows that Indian oil corporation limited did worse converting inventory into money as in the previous year.

4.3.3 Horizontal analysis of Equity and Liabilities (IOCL)

Table 4 Horizontal analysis of Equity and Liabilities (IOCL)

Standalone Statement of Financial Position (in Cr.)							
EQUITY	2016-17	2017-18	%	2018-19	%	2019-2020	%
a) Equity Share Capital	4739.34	9478.69	100.00%	9181.04	-3.14%	9181.04	0.00%
b) Other Equity	94989.38	100692.33	6.00%	99476.47	-1.21%	84587.83	-14.97%
Total Equity	99728.72	110171.02	10.47%	108657.51	-1.37%	93768.87	-13.70%
LIABILITIES							
Non-Current Liabilities							
a) Financial Liabilities							
i) Borrowings	20312.04	18717.60	-7.85%	34666.36	85.21%	49250.64	42.07%
ii) Other Financial Liabilities	20251.48	570.96	-97.18%	616.03	7.89%	789.58	28.17%
b) Provisions	2926.98	2023.32	-30.87%	883.66	-56.33%	919.05	4.00%
c) Deferred Tax Liabilities (Net)	6759.23	12019.57	77.82%	15823.07	31.64%	11413.14	-27.87%
d) Other Non-Current Liabilities	712.04	1355.16	90.32%	1598.09	17.93%	2042.48	27.81%
Total Non-Current Liabilities	50961.77	34686.61	-31.94%	53587.21	54.49%	64414.89	20.21%
Current Liabilities							
a) Financial Liabilities							
i) Borrowings	30072.76	36807.56	22.40%	48593.55	32.02%	63486.08	30.65%
ii) Trade Payables	30107.48	33106.05	9.96%	38679.00	16.83%	25251.58	-34.72%
iii) Other Financial Liabilities	16140.37	40815.69	152.88%	43972.06	7.73%	42550.71	-3.23%
b) Other Current Liabilities	13220.47	10991.38	-16.86%	12080.50	9.91%	12050.96	-0.24%
c) Provisions	18924.73	14161.60	-25.17%	10137.89	-28.41%	9567.47	-5.63%
d) Current Tax Liabilities (Net)	56.97	-	0.00%	-	0.00%	-	0.00%
Total Current Liabilities	108522.78	135882.28	25.21%	153463.00	12.94%	152906.80	-0.36%
Total Equity and Liabilities	259213.27	280739.91	8.30%	315707.72	12.46%	311090.56	-1.46%

Source: Own processing based on the Standalone Statement of Financial Position of Indian oil Corporation Limited FY 2018-2020.

The table 4 shows the horizontal analysis of liabilities and equity. In the items which are under non-current liabilities the biggest part of total non-current liabilities takes a long-term debt (Borrowings). In 2019-20 Indian oil corporation ltd. had a big debt in amount of 49250.64 crores which takes 42.07% of total proportion of liabilities and equity.

As we can see short-term debt takes the biggest percentages from total current liabilities, in 2019-20 it was 63486.08 crores which is 30.65%, in 2018 it was 22.40% and in 2019 it was 32.02%.

4.4 Analysis of financial performance (IOCL)

Financial analysis is also known as analysis and interpretation of financial statements (Pawan Kumar, Dr. V. K. Gupta and Dr. Anil Kumar Goyal, 2013). Analysis of financial performance of the company includes the vertical and horizontal analysis of items of the Statement of profit and loss: expenses and revenues, with the aim to identify the most significant items (by vertical analysis) and the changes over the years (by horizontal analysis).

4.4.1 Horizontal analysis of Income statement (IOCL)

Table 5 Horizontal analysis of Standalone Statement of Income (IOCL)

Standalone Statement of Income (in Cr.)						
Particulars	2017-18	%	2018-19	%	2019-20	%
I. Revenue From Operations	506,427.59	13.71%	605,923.77	19.65%	566,949.64	-6.43%
II. Other Income	3,414.62	-18.87%	3,128.51	-8.38%	3,571.39	14.16%
III. Total Income (I+II)	509,842.21	13.40%	609,052.28	19.46%	570,521.03	-6.33%
IV. Expenses:						
Cost of Materials Consumed	188,780.12	20.31%	269,679.61	42.85%	247,077.03	-8.38%
Purchases of Stock-in-Trade	152,117.55	7.18%	179,055.50	17.71%	178,535.49	-0.29%
Changes in Inventories of Finished Goods, Stock-in-trade and Work-In Progress	2,327.50	-115.25%	-3,011.13	-229.37%	-6,410.43	112.89%
Employee Benefits Expense	10,079.41	4.36%	11,102.17	10.15%	8,792.65	-20.80%
Finance Costs	3,448.44	0.09%	4,311.03	25.01%	5,979.45	38.70%
Depreciation, Amortization	7,067.01	13.56%	7,514.29	6.33%	8,766.10	16.66%
Net Loss on de-recognition of Financial Assets at Amortized cost	7.96	0.00%	3.29	-58.67%	5.73	74.16%
Excise Duty	82,388.89	-3.64%	78,231.08	-5.05%	80,693.19	3.15%
Other Expenses	31,061.05	-10.89%	37,039.52	19.25%	39,471.29	6.57%
Total Expenses (IV)	477,277.93	12.76%	583,925.36	22.34%	562,910.50	-3.60%
V. Profit before Exceptional Items and Tax (III-IV)	32,564.28	23.72%	25,126.92	-22.84%	7,610.53	-69.71%
VI. Exceptional Items	-	-	-	-	-11,304.64	0.00%
VII. Profit before Tax (V+VI)	32,564.28	23.72%	25,126.92	-22.84%	-3,694.11	-114.70%
VIII. Tax Expense:						
Current Tax	7,276.45	-2.46%	5,100.94	-29.90%	-165.89	-103.25%
Deferred Tax	3,941.71	1705.91%	3,131.83	-20.55%	-4,841.45	-254.59%
IX. Profit For The Year (VII-VIII)	21,346.12	11.72%	16,894.15	-20.86%	1,313.23	-92.23%

Source: Own processing based on the Standalone Statement of Income of Indian oil Corporation Limited FY 2018-2020.

Horizontal analysis (also known as trend analysis) is a financial statement analysis technique that shows changes in the amounts of corresponding financial statement items over a period of time. It is a useful tool to evaluate the trend situations. In above analysis, 2016 is the base year and 2017 is the comparison year. All items on the balance sheet and income statement for the year 2017 have been compared with the items of balance sheet and income statement for the year 2016. Similarly, the same has been done for other remaining years.

The table 5 represents how the profit changed from 2018 to 2019 and what components influenced it. For assessing the increase or decrease of the profit the analysis of few totals from the income statement is necessary. As to the total revenues, Table shows that revenues were growing during past two years, for example in 2018 it grew by 13.17%, in 2019 by 19.65% while in 2020 it is decreased by -6.43%.

In above table we have analyzed the profit and loss statement of IOCL and we have also identified what was the reason of decrease in the profit for year by year.

4.4.2 Vertical analysis of the Income statement (IOCL)

Table 6 Vertical analysis of Revenues (IOCL)

Standalone Statement of Income (in Cr.)						
Particulars	2017-18	%	2018-19	%	2019-20	%
I. Revenue From Operations	506,427.59	99%	605,923.77	99%	566,949.64	99.37%
II. Other Income	3,414.62	1%	3,128.51	1%	3,571.39	0.63%
III. Total Income (I+II)	509,842.21	100.00%	609,052.28	100.00%	570,521.03	100.00%

Source: Own processing based on the Standalone Statement of Income of Indian oil Corporation Limited FY 2018-2020.

Table 6 shows that under revenues, Indian Oil Corporation limited has only two items and as it was already described in analyzing of the revenue the biggest part takes revenue from operations. During three years of analyzing, the revenue from operations took around 99% as it includes major sales of product and crude and in the last year i.e. 2020 it constitutes 99.37%. The change in other revenues does not really affect total revenues as other revenues accounts for a really small percentage of total revenues

Table 7 Vertical analysis of expenses in crores (IOCL)

Particulars	2017-18	%	2018-19	%	2019-20	%
IV. Expenses:						
Cost of Materials Consumed	188,780.12	39%	269,679.61	46%	247,077.03	44.29%
Purchases of Stock-in-Trade	152,117.55	31%	179,055.50	30%	178,535.49	32.00%
Changes in Inventories of Finished Goods, Stock-in-trade and Work-In Progress	2,327.50	0%	-3,011.13	-1%	-6,410.43	-1.15%
Employee Benefits Expense	10,079.41	2%	11,102.17	2%	8,792.65	1.58%
Finance Costs	3,448.44	1%	4,311.03	1%	5,979.45	1.07%
Depreciation, Amortization	7,067.01	1%	7,514.29	1%	8,766.10	1.57%
Net Loss on de-recognition of Financial Assets at Amortized cost	7.96	0%	3.29	0%	5.73	0.00%
Excise Duty	82,388.89	17%	78,231.08	13%	80,693.19	14.46%
Current Tax	7,276.45	1%	5,100.94	1%	-165.89	-0.03%
Deferred Tax	3,941.71	1%	3,131.83	1%	-4,841.45	-0.87%
Other Expenses	31,061.05	6%	37,039.52	6%	39,471.29	7.07%
Total Expenses (IV)	488,496.09	100.00%	592,158.13	100.00%	557,903.16	100.00%

Source: Own processing based on the Standalone Statement of Income of Indian oil Corporation Limited FY 2018-2020.

The table 7 shows that in the year 2017 cost of materials consumed have the biggest share of percentage from total expenses.

The salaries, wages, bonus, contribution to provident & other funds, voluntary retirement compensation, staff welfare expenses are covered under the head of employee benefits expenses which is decreased to 1.58% in the year 2019-20 as compared to past three years.

Beside this, from the analysis it has been found that the finance cost is stagnant over the preceding three years as there are no major changes in proportion of the finance cost.

Here other expenses includes expenses of stores, spares and consumables, power and fuel , freight charges, transportation charges, demurrage. As it has been observed that there is a slight increase in other expenses as it is 6% in the year 2018, 6% in the year 2019 and in 2020 it is increased by 1% which is 7.07%.

Similarly, the depreciation & amortization expense is also stagnant from past three years. Moreover, the depreciation on Property, Plant & Machinery is calculated by the company using straight-line method.

4.5 Selected ratios of financial analysis (IOCL)

The current ratio, quick ratio, cash ratio, ROE and ROA were calculated for the company, covering years from 2017-2020.

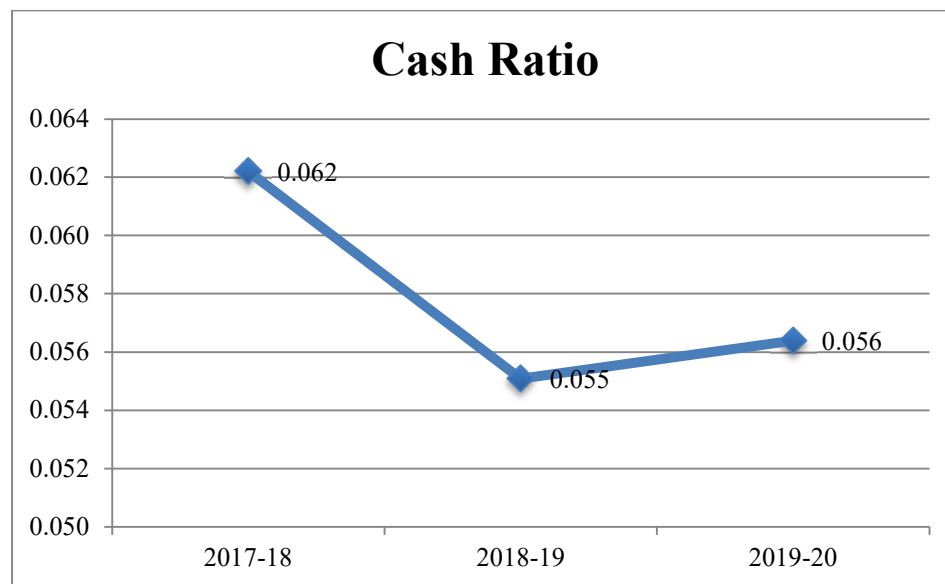
Cash Ratio

Table 8 Cash Ratio in crores (IOCL)

Particulars	2017-18	2018-19	2019-20
Investments	8399.32	8415.80	8086.39
Cash and Cash Equivalents	53.65	38.50	535.56
Total Current Liabilities	135882.28	153463.00	152906.80
Cash Ratio	0.062208	0.05509	0.056386963

Source: Own processing

Figure 1: Cash Ratio(IOCL)



Source: Own processing

A ratio above 1 means that a company will be able to pay off its current liabilities with cash and cash equivalents, and have funds left over.

So the above table shows that the company's cash ratio is less than one which means that the company is not having the sufficient funds to pay off its debt. Creditors prefer a high cash ratio, as it indicates that a company can easily pay off its debt

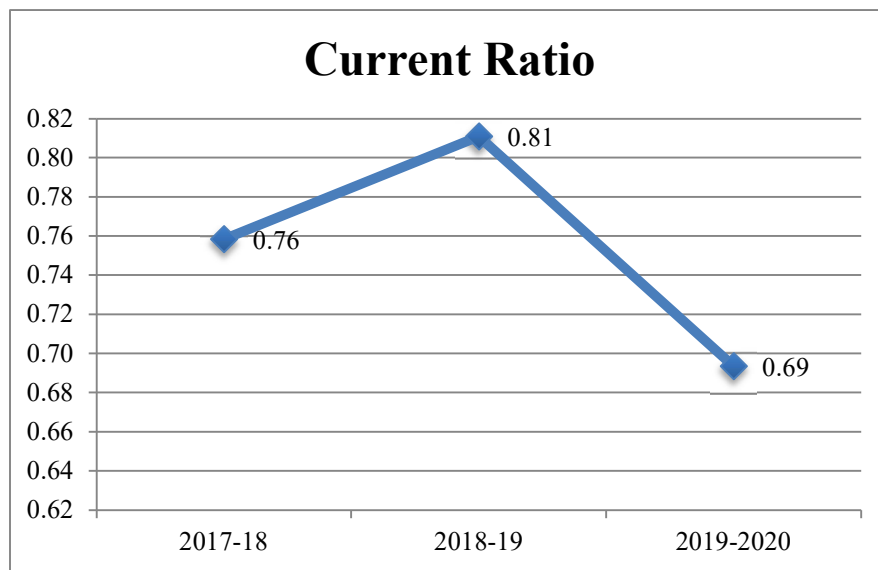
Current Ratio

Table 9 Current Ratio in crores (IOCL)

Particulars	2017-18	2018-19	2019-2020
Current Assets	103054.97	124443.12	106042.02
Current Liabilities	135882.28	153463.00	152906.80
Current Ratio	0.76	0.81	0.69

Source: Own processing

Figure 2: Current Ratio(IOCL)



Source: Own processing

If the current ratio result is greater than 1 it means that company has adequate current assets to settle its current liabilities. A high current ratio is generally considered favorable for the company. Creditors are more willing to extend credit to those who can show that they have the resources to pay obligations.

So from the analysis we found that the current ratio of the company is below 1 which indicates that the company doesn't have enough liquid assets to cover its short-term liabilities. In every year the company's current ratio is less than one which shows that company is not having adequate resources to pay the debts.

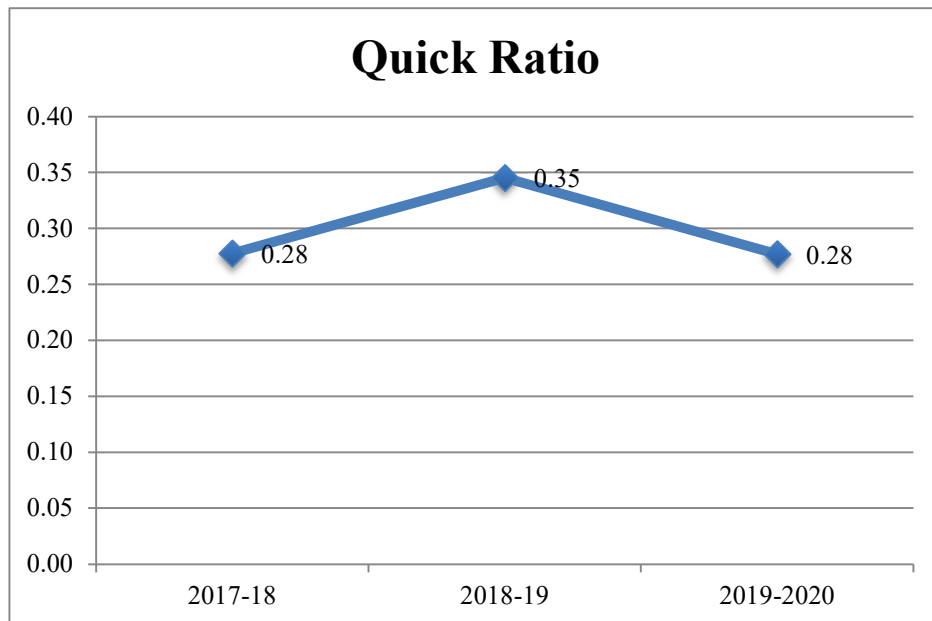
Quick Ratio

Table 10 Quick ratio in crores (IOCL)

Particulars	2017-18	2018-19	2019-2020
Current Assets	103054.97	124443.12	106042.02
Inventories	65313.21	71470.38	63677.62
Current Liabilities	135882.28	153463.00	152906.80
Quick Ratio	0.28	0.35	0.28

Source: Own processing

Figure 3: Quick Ratio (IOCL)



Source: Own processing

When a company has a quick ratio of 1, its quick assets are equal to its current assets. This also indicates that the company can pay off its current debts without selling its long-term assets. So from the analysis we found that the quick ratio of the company is less than 1 which means the company has to sell their long term asset to pay their current debt.

If a company has a quick ratio higher than 1, this means that it owns more quick assets than current liabilities.

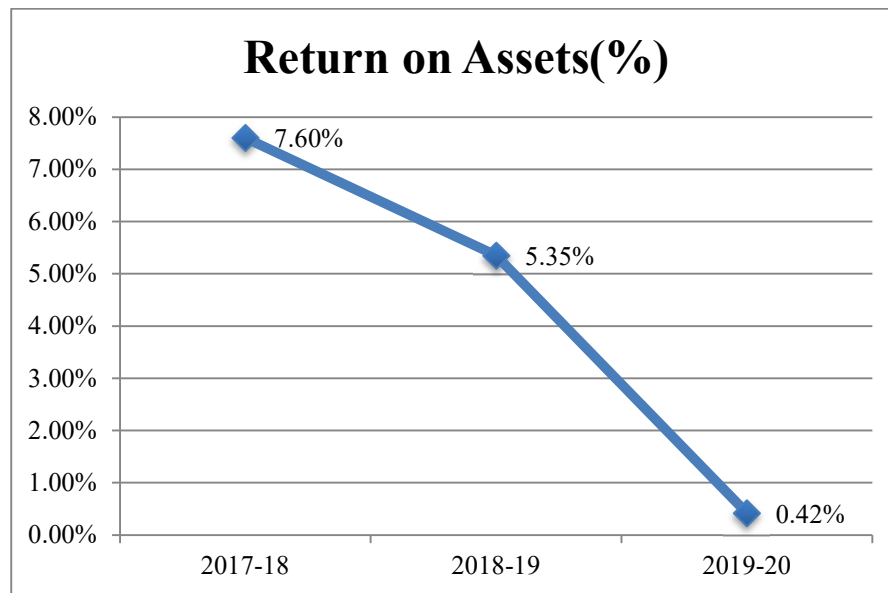
Return on Assets (%)

Table 11 Return on Assets (%) in crores (IOCL)

Particulars	2017-18	2018-19	2019-20
Net Income	21,346.12	16,894.15	1,313.23
Total Asset	280739.91	315707.72	311090.56
Return on Assets(%)	7.60%	5.35%	0.42%

Source: Own processing

Figure 4: Return on Assets (%) (IOCL)



Source: Own processing

An ROA that rises over time indicates the company is doing a good job of increasing its profits with each investment dollar it spends. A falling ROA indicates the company might have over-invested in assets that have failed to produce revenue growth, a sign the company may be in some trouble. The result of ROA indicates that in every year the returns on assets are deteriorating which means that the company is not performing well. This indicates that the company might not have invested properly.

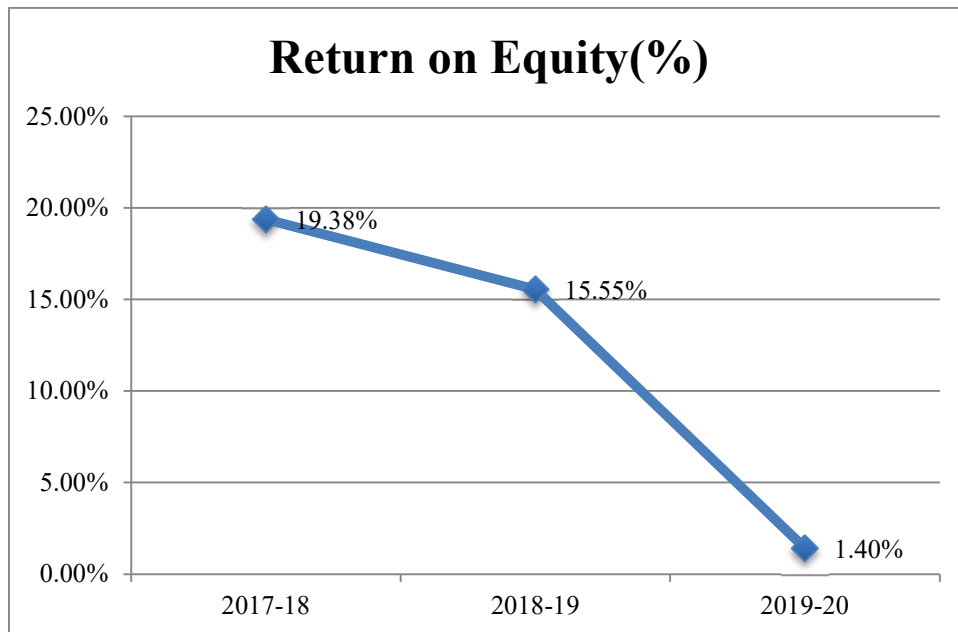
Return on Equity (%)

Table 12 Return on Equity (%) in crores (IOCL)

Particulars	2017-18	2018-19	2019-20
Net Income	21,346.12	16,894.15	1,313.23
Total Equity	110171.02	108657.51	93768.87
Return on Equity(%)	19.38%	15.55%	1.40%

Source: Own processing

Figure 5: Return on Equity (%) (IOCL)



Source: Own processing

A rising ROE suggests that a company is increasing its profit generation without needing as much capital. It is also a measure of efficiency.

So the table 12 shows that the return on equity is declining every year. It means the company is becoming less efficient and increasing shareholder value.

4.6 Analysis of financial position-the balance sheet

The analysis of financial position of company includes vertical and horizontal analysis of assets and liabilities.

4.6.1 Vertical analysis of the Balance sheet items (BPCL)

Vertical analysis is used for a proportional analysis of financial statements of particular items from the total, to tell their importance. It is useful for seeing proportion balance and changes in proportions in compare with other year.

Table 13 Vertical analysis of Assets (BPCL)

Standalone Statement of Financial Position (in Cr.)						
Particulars	2017-18	%	2018-19	%	2019-2020	%
ASSETS						
Non-current assets						
a) Property Plant and Equipment	42775.79	42.68%	46259.18	40.01%	56687.98	44.82%
b) Capital Work-in-Progress	4043.71	4.03%	6702.63	5.80%	9108.09	7.20%
c) Investment Property	0.26	0.00%	0.24	0.00%	0.21	0.00%
d) Other Intangible Assets	201.84	0.20%	228.70	0.20%	262.93	0.21%
e) Intangible Assets Under Development	363.83	0.36%	363.10	0.31%	396.62	0.31%
f) Investment in subsidiaries, Joint ventures and associates	10144.19	10.12%	10305.60	8.91%	10561.62	8.35%
g) Financial Assets:-						
i) Investments	681.21	0.68%	610.30	0.53%	287.86	0.23%
ii) Loans	3091.38	3.08%	2515.66	2.18%	5442.94	4.30%
iii) Other Financial Assets	45.39	0.05%	45.27	0.04%	8.30	0.01%
h) income tax Assets(Net)	405.25	0.40%	449.40	0.39%	1381.25	1.09%
i) other non-current assets	1571.28	1.57%	1510.09	1.31%	1267.95	1.00%
Total Non-current Assets	63324.13	63.18%	68990.00	59.67%	85405.75	67.53%
Current assets						
a) Inventories	20873.75	20.83%	21544.65	18.63%	20421.06	16.15%
b) Financial Assets:-						
i) Investments	4995.18	4.98%	5075.89	4.39%	5208.54	4.12%
ii) Trade Receivables	5152.60	5.14%	6670.72	5.77%	5164.34	4.08%
iii) Cash and Cash Equivalentents	75.73	0.08%	78.49	0.07%	98.27	0.08%
iv) Bank Balances other than above	12.34	0.01%	16.92	0.01%	17.51	0.01%

v) Loans	70.95	0.07%	1628.88	1.41%	590.58	0.47%
vi) Other Financial Assets	4579.13	4.57%	9411.92	8.14%	6811.24	5.39%
c) Current Tax Assets (Net)	23.73	0.02%	-	0.00%	0.17	0.00%
d) Other Current Assets	1098.07	1.10%	1252.91	1.08%	1545.68	1.22%
Assets Held for Disposal	16.93	0.02%	956.87	0.83%	1205.84	0.95%
Total Current Assets	36898.41	36.82%	46637.25	40.33%	41063.23	32.47%
Total Asset	100222.54	100.00%	115627.2	100.00%	126468.98	100.0%

Source: Own processing based on the Standalone Statement of Financial Position of Bharat Petroleum Corporation Limited FY 2018-2020.

The table 13 indicates the Bharat Petroleum Corporation Limited's Standalone Statement of Financial Position which shows the changes in proportion of items from year to year. These changes can be observed in items like property, plant and equipment which include buildings, processing facilities, machinery and equipment. Therefore, we can say that during preceding three years, it has been observed that there is no major change in proportion of Property Plant and Equipment.

From the Table 13, we can see that property, plant and equipment are taking the biggest percentages from the non-current assets and all assets in total. In 2018 it took 43% of total assets, in the year 2019 it slightly decreased and took 40% and in the year 2020 it increased and took 44.82%.

In the year 2019-20, investments in joint venture represent as the biggest item on the company's balance with 10561.62croress and in the year 2016-17 the investments in joint venture have been reported lowest as compare to other years.

Table 14 Vertical analysis of Equity and Liabilities (BPCL)

Standalone Statement of Financial Position (in Cr.)						
Particulars	2017-18	%	2018-19	%	2019-20	%
EQUITY						
a) Equity Share Capital	1966.88	1.96%	1966.88	1.70%	1966.88	1.56%
b) Other Equity	32185.12	32.11%	34770.8	30.07%	31247.5	24.71%
Total Equity	34152.00	34.08%	36737.6	31.77%	33214.3	26.26%
LIABILITIES						
Non-Current Liabilities						
a) Financial Liabilities						
i) Borrowings	14758.22	14.73%	23628.5	20.44%	26272.7	20.77%
ii) Other Financial Liabilities	58.40	0.06%	56.48	0.05%	53.99	0.04%
b) Provisions	1366.19	1.36%	1509.86	1.31%	1574.12	1.24%
c) Deferred Tax Liabilities (Net)	4953.26	4.94%	6168.99	5.34%	5967.29	4.72%
d) Other Non-Current Liabilities	142.36	0.14%	284.01	0.25%	381.72	0.30%
Total Non-Current Liabilities	21278.43	21.23%	31647.9	27.37%	34249.8	27.08%
Current Liabilities						
a) Financial Liabilities						
i) Borrowings	8093.01	8.08%	3580.75	3.10%	17721.3	14.01%
ii) Trade Payables	13063.84	13.03%	17235.18	14.91%	12509.5	9.89%
iii) Other Financial Liabilities	17929.41	17.89%	19578.48	16.93%	22472.4	17.77%
b) Other Current Liabilities	4051.51	4.04%	4614.26	3.99%	3903.02	3.09%
c) Provisions	1515.16	1.51%	1746.96	1.51%	1831.00	1.45%
d) Current Tax Liabilities (Net)	139.18	0.14%	255.48	0.22%	32.80	0.03%
Total Current Liabilities	44792.11	44.69%	47011.1	40.66%	58470.2	46.23%
Liabilities included in disposal group held-for-sale	-	0.00%	230.55	0.20%	534.57	0.42%
Total Liabilities	66070.54	65.92%	78889.57	68.23%	93254.6	73.74%
Total Equity and Liabilities	100222.54	100.0 %	115627.2	100.0%	126468.98	100.0%

Source: Own processing based on the Standalone Statement of Financial Position of Bharat Petroleum Corporation Limited FY 2018-2020.

Vertical analysis makes it much easier to compare the financial statements of one company with another, and across industries. Table 14 represents vertical analysis of liabilities and equity of Bharat Petroleum Corporation Limited Company.

In the items which are under non-current liabilities the biggest part of total non-current liabilities takes a long-term debt (Borrowings). In 2019-20 Bharat Petroleum Corporation Ltd. had a big debt in amount of 26272.7 which takes 20.77% of total proportion of liabilities and equity.

As we can see short-term debt takes the biggest percentages from total current liabilities, in 2019-20 it was 17721.3 crores which is 14.01%. In 2017th it was 7.86%, in 2018 it was 8.08% and in 2019th it was 3.10%.

4.6.2 Horizontal analysis of the Balance sheet items (BPCL)

Table 15 Horizontal analysis of Assets (BPCL)

Standalone Statement of Financial Position (in Cr.)							
Particulars	2016-17	2017-18	%	2018-19	%	2019-2020	%
ASSETS							
Non-current assets							
a) Property Plant and Equipment	31278.66	42775.79	36.76%	46259.18	8.14%	56687.98	22.54%
b) Capital Work-in-Progress	11216.73	4043.71	-63.95%	6702.63	65.75%	9108.09	35.89%
c) Investment Property	0.40	0.26	-35.00%	0.24	-7.69%	0.21	-12.50%
d) Other Intangible Assets	158.25	201.84	27.55%	228.70	13.31%	262.93	14.97%
e) Intangible Assets Under Development	405.79	363.83	-10.34%	363.10	-0.20%	396.62	9.23%
f) Investment in subsidiaries, Joint ventures and associates	8548.45	10144.19	18.67%	10305.60	1.59%	10561.62	2.48%
g) Financial Assets:-							
i) Investments	692.66	681.21	-1.65%	610.30	-10.41%	287.86	-52.83%
ii) Loans	3783.65	3091.38	-18.30%	2515.66	-18.62%	5442.94	116.36%
iii) Other Financial Assets	35.14	45.39	29.17%	45.27	-0.26%	8.30	-81.67%
h) income tax Assets(Net)	126.78	405.25	219.65%	449.40	10.89%	1381.25	207.35%
i) other non-current assets	1485.00	1571.28	5.81%	1510.09	-3.89%	1267.95	-16.03%
Total Non-current Assets	57731.51	63324.13	9.69%	68990.00	8.95%	85405.75	23.79%
Current assets							
a) Inventories	19798.01	20873.75	5.43%	21544.65	3.21%	20421.06	-5.22%
b) Financial Assets:-							
i) Investments	5360.34	4995.18	-6.81%	5075.89	1.62%	5208.54	2.61%
ii) Trade Receivables	4758.18	5152.60	8.29%	6670.72	29.46%	5164.34	-22.58%
iii) Cash and Cash Equivalents	54.35	75.73	39.34%	78.49	3.64%	98.27	25.20%
iv) Bank Balances other than above	10.34	12.34	19.34%	16.92	37.12%	17.51	3.49%

v) Loans	70.65	70.95	0.42%	1628.88	2195.81%	590.58	-63.74%
vi) Other Financial Assets	3304.05	4579.13	38.59%	9411.92	105.54%	6811.24	-27.63%
c) Current Tax Assets (Net)	23.08	23.73	2.82%	-	0.00%	0.17	0.00%
d) Other Current Assets	879.12	1098.07	24.91%	1252.91	14.10%	1545.68	23.37%
Assets Held for Disposal	0.00	16.93	0.00%	956.87	5551.92%	1205.84	26.02%
Total Current Assets	34258.12	36898.41	7.71%	46637.25	26.39%	41063.23	-11.95%
Total Asset	91989.63	100222.54	8.95%	115627.25	15.37%	126468.98	9.38%

Source: Own processing based on the Standalone Statement of Financial Position of Bharat Petroleum Corporation Limited FY 2018-2020.

Table 15 shows the horizontal analysis of assets like property, plant and equipment and changes of their shares from the overall proportion and the significance of this item for the company. Above Table shows the changes in one line for three years (2017 – 2020).

From year 2017th to 2020th it has been found that the Property, Plant and Equipment decreased to 22.54% its mean that in 2020 Bharat Petroleum Corporation Limited does not expand their machinery and facilities but spend more money on their investments.

During last three years inventory increased by 5.43% in 2018, by 3.21% in 2019 and in 2020 this growth was at decline stage than the last three years, by -5.22%. In 2020, there has been decrease in inventory by -5.22% which shows that Bharat Petroleum corporation limited did worse converting inventory into money as in the previous year.

4.6.3 Horizontal analysis of Equity and Liabilities (BPCL)

Table 16 Horizontal analysis of Equity and Liabilities (BPCL)

Standalone Statement of Financial Position (in Cr.)							
Particulars	2016-17	2017-18	%	2018-19	%	2019-20	%
EQUITY							
a) Equity Share Capital	1311.25	1966.88	50.00%	1966.88	0.00%	1966.88	0.00%
b) Other Equity	28357.13	32185.12	13.50%	34770.80	8.03%	31247.50	-10.13%
Total Equity	29668.38	34152.00	15.11%	36737.68	7.57%	33214.38	-9.59%
LIABILITIES							
Non-Current Liabilities							
a) Financial Liabilities							
i) Borrowings	13776.44	14758.22	7.13%	23628.57	60.10%	26272.70	11.19%
ii) Other Financial Liabilities	63.40	58.40	-7.89%	56.48	-3.29%	53.99	-4.41%
b) Provisions	1353.15	1366.19	0.96%	1509.86	10.52%	1574.12	4.26%
c) Deferred Tax Liabilities (Net)	3501.71	4953.26	41.45%	6168.99	24.54%	5967.29	-3.27%
d) Other Non-Current Liabilities	81.76	142.36	74.12%	284.01	99.50%	381.72	34.40%
Total Non-Current Liabilities	18776.46	21278.43	13.33%	31647.91	48.73%	34249.82	8.22%
Current Liabilities							
a) Financial Liabilities							
i) Borrowings	7227.36	8093.01	11.98%	3580.75	-55.76%	17721.37	394.91%
ii) Trade Payables	11359.78	13063.84	15.00%	17235.18	31.93%	12509.54	-27.42%
iii) Other Financial Liabilities	20016.89	17929.41	-10.43%	19578.48	9.20%	22472.48	14.78%
b) Other Current Liabilities	3922.22	4051.51	3.30%	4614.26	13.89%	3903.02	-15.41%

c) Provisions	902.10	1515.16	67.96%	1746.96	15.30%	1831.00	4.81%
d) Current Tax Liabilities (Net)	116.44	139.18	19.53%	255.48	83.56%	32.80	-87.16%
Total Current Liabilities	43544.79	44792.11	2.86%	47011.11	4.95%	58470.21	24.38%
Liabilities included in disposal group held-for-sale	-	-	0.00%	230.55	0.00%	534.57	131.87%
Total Liabilities	62321.25	66070.54	6.02%	78889.57	19.40%	93254.60	18.21%
Total Equity and Liabilities	91989.63	100222.54	8.95%	115627.25	15.37%	126468.98	9.38%

Source: Own processing based on the Standalone Statement of Financial Position of Bharat Petroleum Corporation Limited FY 2018-2020.

Table 16 shows the horizontal analysis of liabilities and equity of Bharat Petroleum Corporation Limited. In the items which are under non-current liabilities the biggest part of total non-current liabilities takes another non-current liabilities which is 74.12% in 2018, 99.50% in 2019 and 34.40% in 2020. In 2019-20, Bharat Petroleum Corporation ltd. had a debt in amount of 26272.70 crores which takes 11.19% of total proportion of liabilities and equity.

As we can see short-term debt takes the biggest percentages from total current liabilities, in 2019-20 it was 17721.37croress which is 394.91%, in 2018 it was 11.98% and in the year 2019 it was -55.76%.

4.7 Analysis of financial performance

4.7.1 Horizontal analysis of Income statement (BPCL)

Table 17 Horizontal analysis of Standalone Statement of Income (BPCL)

Standalone Statement of Income (In Cr.)						
Particulars	2017-18	%	2018-19	%	2019-20	%
I. Revenue From Operations	277,162.23	14.51%	337,622.53	21.81%	327,580.78	-2.97%
II. Other Income	3,010.88	15.77%	2,983.60	-0.91%	3,081.31	3.27%
III. Total Income (I+II)	280,173.11	14.52%	340,606.13	21.57%	330,662.09	-2.92%
IV. Expenses:						
Cost of Materials Consumed	81,467.45	20.32%	119,419.22	46.59%	113,229.30	-5.18%
Purchases of Stock-in-Trade	125,462.73	9.84%	146,974.06	17.15%	143,164.25	-2.59%
Changes in Inventories of Finished Goods, Stock-in-trade and Work-In Progress	320.60	-105.75%	-1,703.06	-631.21%	-456.62	-73.19%
Employee Benefits Expense	3,430.98	0.04%	3,664.18	6.80%	3,691.45	0.74%
Finance Costs	833.25	68.04%	1,318.96	58.29%	2,181.86	65.42%
Depreciation, Amortization expense	2,648.48	40.03%	3,189.28	20.42%	3,786.89	18.74%
Excise Duty	40,849.13	2.54%	40,347.48	-1.23%	43,197.83	7.06%
Other Expenses	13,962.48	20.38%	16,956.39	21.44%	18,115.26	6.83%
Total Expenses (IV)	268,975.10	15.14%	330,166.51	22.75%	326,910.22	-0.99%
V. Profit before Exceptional Items and Tax (III-IV)					3,751.87	0.00%
VI. Exceptional Items					1,080.83	0.00%
VII. Profit before Tax (V+VI)	11,198.01	1.41%	10,439.62	-6.77%	2,671.04	-74.41%
VIII. Tax Expense:						
Current Tax	2,110.00	-4.52%	2,079.00	-1.47%	201	-90.33%
Deferred Tax	1,434.66	58.57%	1,316.48	-8.24%	400.68	-69.56%
Short/(Excess) provision of earlier years	-265.99	139.11%	-87.88	-66.96%	-613.83	598.49%
IX. Profit For The Year (VII-VIII)	7,919.34	-1.49%	7,132.02	-9.94%	2,683.19	-62.38%

Source: Own processing based on the Standalone Statement of Income of Bharat Petroleum Corporation Limited FY 2018-2020.

Horizontal analysis (also known as trend analysis) is a financial statement analysis technique that shows changes in the amounts of corresponding financial statement items over a period of time. It is a useful tool to evaluate the trend situations. In above analysis, 2016 is the base year and 2017 is the comparison year. All items on the balance sheet and income statement for the year 2017 have been compared with the items of balance sheet and income statement for the year 2016. Similarly, the same has been done for other remaining years.

The table 17 represents how the profit changed from 2018 to 2019 and what components influenced it. For assessing the increase or decrease of the profit the analysis of few totals from the income statement is necessary. As to the total revenues, Table 17 shows that revenues were growing during past two years, for example in 2018 it grew by 14.51%, in 2019 by 21.81% while in 2020 it is decreased by -2.97%.

Apart from this, we have analyzed the profit and loss statement of BPCL and we have also identified what was the reason of decrease in the profit for year by year.

4.7.2 Vertical analysis of the Income statement (BPCL)

Table 18 Vertical analysis of Revenues (BPCL)

Standalone Statement of Income (In Cr.)						
Particulars	2017-18	%	2018-19	%	2019-20	%
I. Revenue From Operations	277,162.23	99%	337,622.53	99%	327,580.78	99.07%
II. Other Income	3,010.88	1%	2,983.60	1%	3,081.31	0.93%
III. Total Income (I+II)	280,173.11	100.00%	340,606.13	100.00%	330,662.09	100.00%

Source: Own processing based on the Standalone Statement of Income of Bharat Petroleum Corporation Limited FY 2018-2020.

The table 18 shows that under revenues, Bharat Petroleum Corporation limited has only two items and as it was already described in analyzing of the revenue the biggest part takes revenue from operations. During three years of analyzing, the revenue from operations took around 99% as it includes major sales of product and crude and in the last year i.e. 2020 it constitutes 99.07%. The change in other revenues does not really affect total revenues as other revenues accounts for a really small percentage of total revenues.

Table 19 Vertical analysis of Expenses (BPCL)

Standalone Statement of Income (In Cr.)						
Particulars	2017-18	%	2018-19	%	2019-20	%
IV. Expenses:						
Cost of Materials Consumed	81,467.45	30%	119,419.2	36%	113,229.30	34.64%
Purchases of Stock-in-Trade	125,462.73	46%	146,974.0	44%	143,164.25	43.79%
Changes in Inventories of Finished Goods, Stock-in-trade and Work-In Progress	320.60	0%	-1,703.06	-1%	-456.62	-0.14%
Employee Benefit Expense	3,430.98	1%	3,664.18	1%	3,691.45	1.13%
Finance Costs	833.25	0%	1,318.96	0%	2,181.86	0.67%
Depreciation, Amortization expense	2,648.48	1%	3,189.28	1%	3,786.89	1.16%
Excise Duty	40,849.13	15%	40,347.48	12%	43,197.83	13.21%
Current Tax	2,110.00	1%	2,079.00	1%	201	0.06%
Deferred Tax	1,434.66	1%	1,316.48	0%	400.68	0.12%
Short/(Excess) provision of earlier years	-265.99	0%	-87.88	0%	-613.83	-0.19%
Other Expenses	13,962.48	5%	16,956.39	5%	18,115.26	5.54%
Total Expenses (IV)	272,253.77	100.00%	333,474.11	100.00%	326,898.07	100.00%

Source: Own processing based on the Standalone Statement of Income of Bharat Petroleum Corporation Limited FY 2018-2020.

The table 19 indicates that in the year 2017 cost of materials consumed has the biggest share of percentage from total expenses.

The salaries, wages, bonus, contribution to provident & other funds, voluntary retirement compensation, staff welfare expenses are covered under the head of employee benefits expenses which is increased to 1.13% in the year 2019-20 as compared to past three years.

Beside this, from the analysis it has been found that the finance cost is stagnant over the preceding three years as there are no major changes in proportion of the finance cost.

Here, other expenses includes expenses of stores, spares and consumables, power and fuel , freight charges, transportation charges, demurrage. As it has been observed that there is a slight increase in other expenses as it is 5% in the year 2018, 5% in the year 2019 and in 2020 it is increased by 0.54% which is 5.54%.

Similarly, the depreciation & amortization expense is also stagnant from past three years. Moreover, the depreciation on Property, Plant & Machinery is calculated by the company using straight-line method.

4.8 Selected ratios of financial analysis (BPCL)

The current ratio, quick ratio, cash ratio, ROE and ROA were calculated for the company, covering years from 2017-2020.

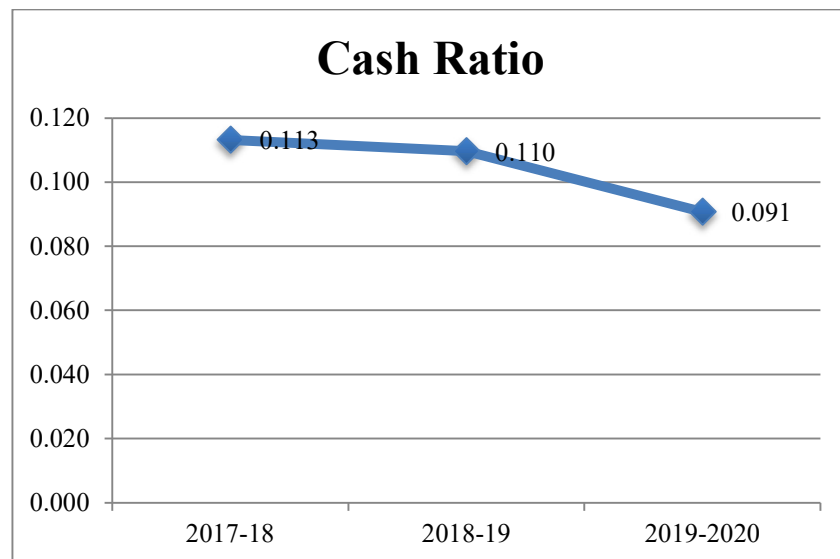
Cash Ratio

Table 20 Cash ratio in crores (BPCL)

Particulars	2017-18	2018-19	2019-2020
Investments	4995.18	5075.89	5208.54
Cash and Cash Equivalents	75.73	78.49	98.27
Total Current Liabilities	44792.11	47011.11	58470.21
Cash Ratio	0.113	0.110	0.091

Source: Own processing

Figure 6: Cash Ratio (BPCL)



Source: Own processing

The cash ratio is most commonly used as a measure of a company's liquidity. If a company's cash ratio is less than 1, there are more current liabilities than cash and cash equivalents. It means insufficient cash on hand exists to pay off short-term debt.

The table 20 shows that the company's cash ratio is less than one which means that the company is not having the sufficient funds to pay off its debt or current liabilities with cash.

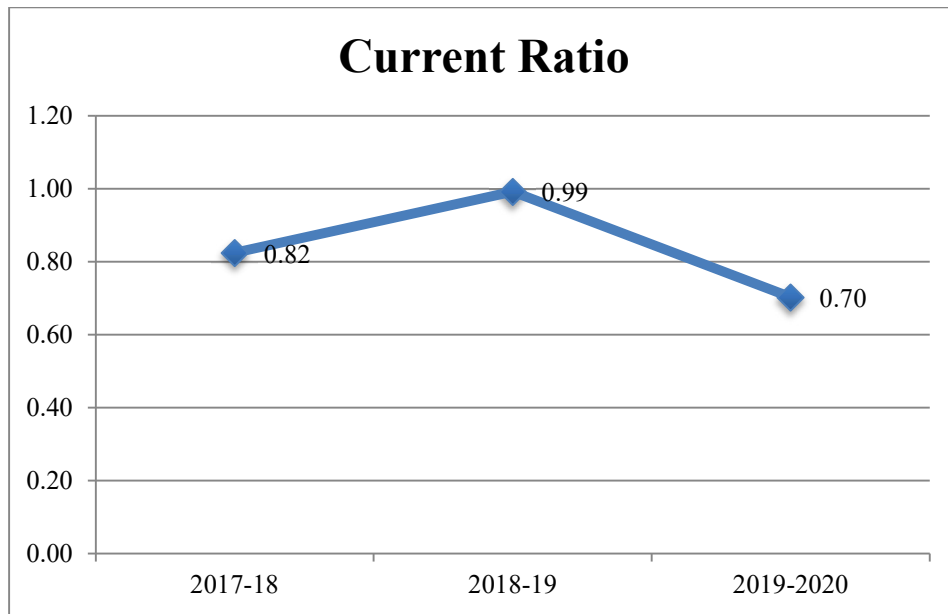
Current Ratio

Table 21 Current ratio in crores (BPCL)

Particulars	2017-18	2018-19	2019-2020
Current Assets	36898.41	46637.25	41063.23
Current Liabilities	44792.11	47011.11	58470.21
Current Ratio	0.82	0.99	0.70

Source: Own processing

Figure 7: Current Ratio (BPCL)



Source: Own processing

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

So from the analysis we found that the current ratio of the company is below 1 which indicates that the company doesn't have enough liquid assets to cover its short-term liabilities. In every year the company's current ratio is less than one which shows that company is not having adequate resources to pay the debts.

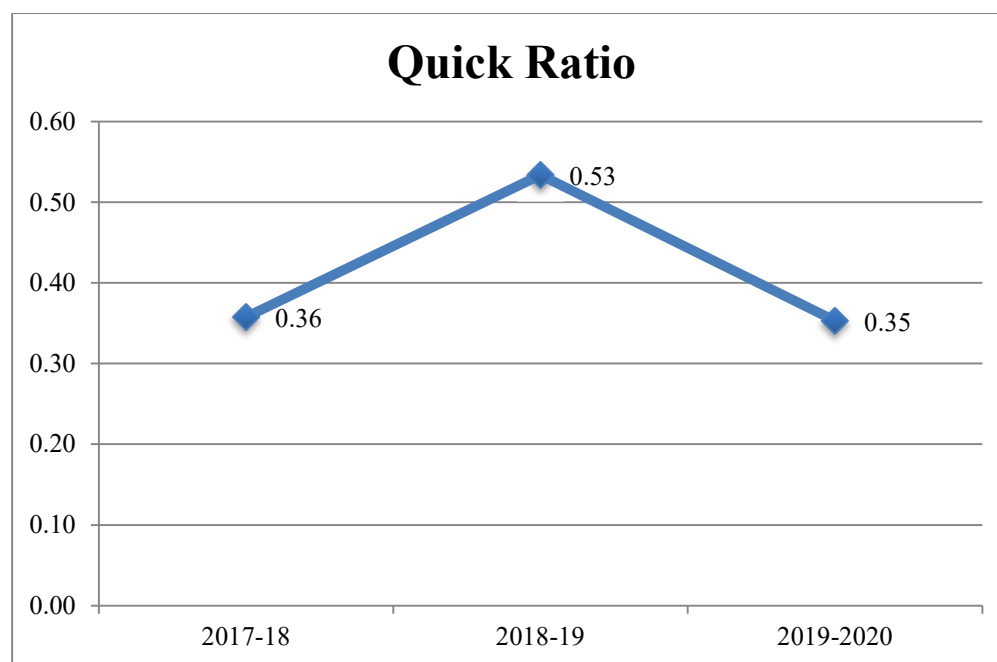
Quick Ratio

Table 22 Quick ratio in crores (BPCL)

Particulars	2017-18	2018-19	2019-2020
Total Current Assets	36898.41	46637.25	41063.23
Total Current Liabilities	44792.11	47011.11	58470.21
Inventories	20873.75	21544.65	20421.06
Quick Ratio	0.36	0.53	0.35

Source: Own processing

Figure 8: Quick Ratio (BPCL)



Source: Own processing

A company that has a quick ratio of less than 1 may not be able to fully pay off its current liabilities in the short term. So from the analysis we found that the quick ratio of the company is less than 1 which means the company has to sell their long term asset to pay their current debt.

A decline in this ratio can be attributable to an increase in short-term debt, a decrease in current assets, or a combination of both.

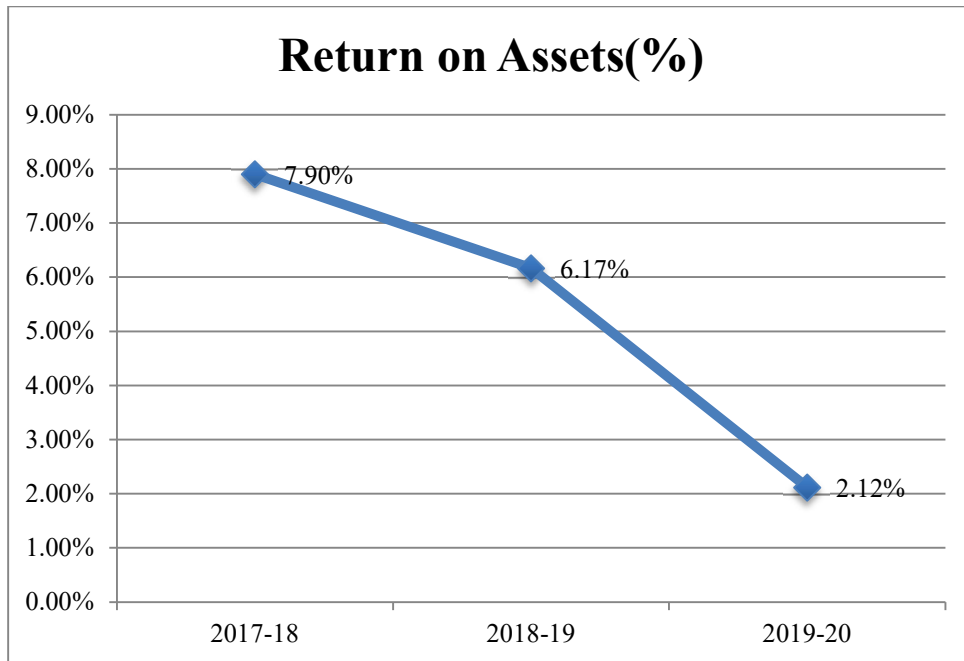
Return on Assets (%)

Table 23 Return on Assets (%) in crores (BPCL)

Particulars	2017-18	2018-19	2019-20
Net Income	7,919.34	7,132.02	2,683.19
Total Asset	100222.54	115627.25	126468.98
Return on Assets(%)	7.90%	6.17%	2.12%

Source: Own processing

Figure 9: Return on Assets (%) (BPCL)



Source: Own processing

An ROA that rises over time indicates the company is doing a good job of increasing its profits with each investment dollar it spends. The result of ROA indicates that in every year the returns on assets are deteriorating which means that the company is not performing well. This indicates that the company might not have invested properly.

A falling ROA indicates the company might have over-invested in assets that have failed to produce revenue growth, a sign the company may be in some trouble.

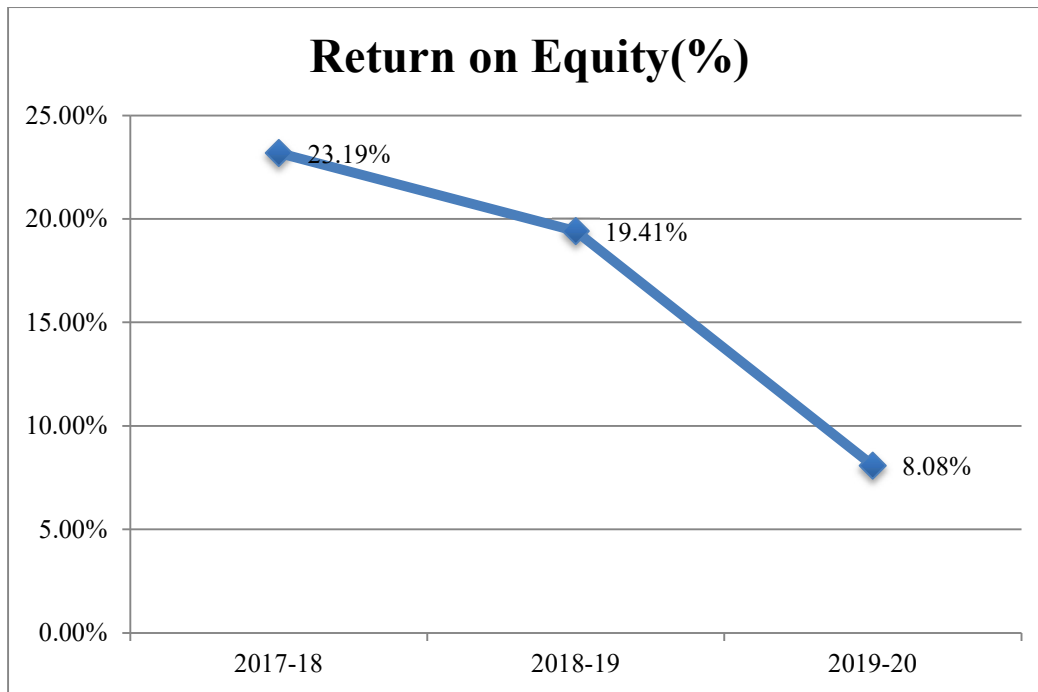
Return on Equity (%)

Table 24 Return on Equity (%) in crores (BPCL)

Particulars	2017-18	2018-19	2019-20
Net Income	7,919.34	7,132.02	2,683.19
Total Equity	34152.00	36737.68	33214.38
Return on Equity(%)	23.19%	19.41%	8.08%

Source: Own processing

Figure 10: Return on Equity (%) (BPCL)



Source: Own processing

ROE is a measure of efficiency. Here, the above table shows that the return on equity is declining every year. It means the company is becoming less efficient and increasing shareholder value. This can show whether a company's management is making good decisions in order to generate income for shareholders.

5 Results and Discussion

Assessment of the company's financial position and performance is based on the practical part of the thesis. The assessment of the financial position of the company is based on data from the balance sheet; the financial performance is based on the Income statement. Factors influencing the profit can be internal (revenues and expenses of the company) and external (for example law regulations or exchange rate changes in the national currency).

5.1 Comparative assessment of the financial position of IOCL and BPCL

The financial position of Indian Oil Corporation Limited and Bharat Petroleum Corporation Limited is analyzed by vertical and horizontal analysis of balance sheet.

In case of IOCL, the vertical analysis showed that the most significant assets in company are the non-current assets as the property, plant & equipment are 40% of total assets which is followed by financial assets which consists of investment of nearly 14%. Further, the most significant assets in IOCL are non-current assets as they hold 63% of total assets of the company. (See Table 1). Beside this, the most important sources of financing under the head of liabilities are short-term debts with 13.11% of total equity and liabilities. Moreover, the other equity is a major source of financing for IOCL within equity which includes reserves and surplus.

While the vertical analysis of BPCL indicated that the most important assets in the company are the non-current assets of property, plant & equipment, which are nearly 43% of total assets, followed by financial assets (about 3.08%) which contain loans. The non-current assets (around 63%) (See Table 3), are the most significant assets in company in comparison to other assets. The most significant sources of financing are long-term debts (Borrowings) within liabilities and reserve & surplus (other equity) within equity (see Table 4).

If we compare vertical analysis of both IOCL & BPCL then it has been observed that BPCL has strong assets base with property, plant & equipment of 43% of total assets, whereas IOCL is performing well in terms of liabilities as it has less proportion of non-current liabilities (around 12%) & Current liabilities (around 48%) as compare to BPCL (See Table 4).

The horizontal analysis of IOCL showed that the biggest changes in assets were seen in current assets like inventories, cash & cash equivalents (see Table 3). However, the vertical analysis showed that these amounts are not as significant in the total assets. Within liabilities, the most important item is a long-term debt which is decreasing in 2018 but increasing again in remaining years. The biggest change is in other financial liabilities and in trade payable within current liabilities. As to the changes in equity (See Table 4), share capital has not changed in preceding two years. Reserve and surplus (the most significant item in equity) has been decreasing from the past two years.

The horizontal analysis showed that the biggest changes in assets were seen in current assets like trade receivables and short-term loans. (See Table 15) But the vertical analysis showed that these amounts are not as significant in the total assets. Within liabilities the most important item is long-term debt which is increasing in 2019 and decreasing in 2020. Beside this, the biggest change has been witnessed in short-term debt which is decreasing in 2019 and increasing again in 2020. The major change is also seen in trade payables within current liabilities. There has been no major change in shareholder's equity during past two years. However, the reserves and surplus (other equity) has been decreasing over the years. (See Table 16)

The comparative Horizontal analysis of IOCL and BPCL indicates that BPCL is performing well as it has strong assets base along with the lower proportion of liabilities in comparison to IOCL. The horizontal analysis proved there were big changes in some items during the analyzed years, but these items were not significant on the total assets or total liability or equity amounts. The only significant amount where changes happened is the long-term debt. Long-term debt was steadily increasing over the monitored years. As both the companies have a high amount of long-term and short-term liabilities, problems can be related to the increase in interest rates. Interest rates on some of the loans may be linked to floating international and Indian base rates.

5.2 Comparative assessment of the financial performance of Indian Oil Corporation Limited and Bharat Petroleum Corporation Limited

The financial performance of the company was analyzed by vertical and horizontal analysis of the statement of profit or loss.

The vertical analysis showed that the most important operating expenses are Transportation expenses and Purchases of natural gas and liquid of the total Expenses, followed by taxes (other than income tax). The company uses transportation of natural gas by trunk and low a pressure special pipeline which has the biggest share in transportation expenses. The company also uses rail and tankers to transport stable gas condensate and other related liquefied petroleum products which also accounts for huge share in transportation expenses. The horizontal analysis showed that the biggest changes happened at the Exploration expenses but they are not significant amounts. Changes in fair value of financial instruments and foreign exchange gains (losses) are the item where the biggest changes happened, but the amounts are not significant and the company cannot control the change of these items. Volatile exchange rates of the national currency and unstable lending conditions drop in hydrocarbon prices, precarious financial position of contractors and oil and gas equipment suppliers may affect the performance of the company, as it is reported in the annual report of the company.

5.3 Factors influencing the profit

The company achieved profit in all years of its existence. Factors influencing the profit can be internal and/or external. It is important to take into account the industry specifics as well.

The company operates in a highly competitive environment related to areas like obtaining subsoil licenses and acquisition of companies holding subsoil licenses, selling gas in the Indian and global markets, access to transportation infrastructure, which has technological limitations, influence of the state regulation of gas prices, environmental and safety regulations related to the industry. The profit is affected by the development of revenues and expenses.

The most significant expenses influencing the profit are transportation expenses and purchases of natural gas and liquid. The company is using a special equipment to avoid leakage of petroleum and related theft to it, which is expensive and the depreciation affects the expenses but it is necessary as it can mitigate future losses and enhance profits.

5.4 The main possible problem areas:-

There are some possible problem areas which may affect the company's performance.

- long-term debts from borrowings – the risk is related to the possible increase of interest rates and credit risk
- exchange rate losses – the risk is related to the exchange rate changes of the national currency
- transportation – the risk is related to the dependence on monopoly of suppliers of transport services
- country specific – the risk is related to the change in national laws, including tax laws, licensing requirements, environmental and safety requirements, influence of the state on gas prices, sanctions from other countries

5.5 Comparative assessment of selected financial ratios of IOCL and BPCL

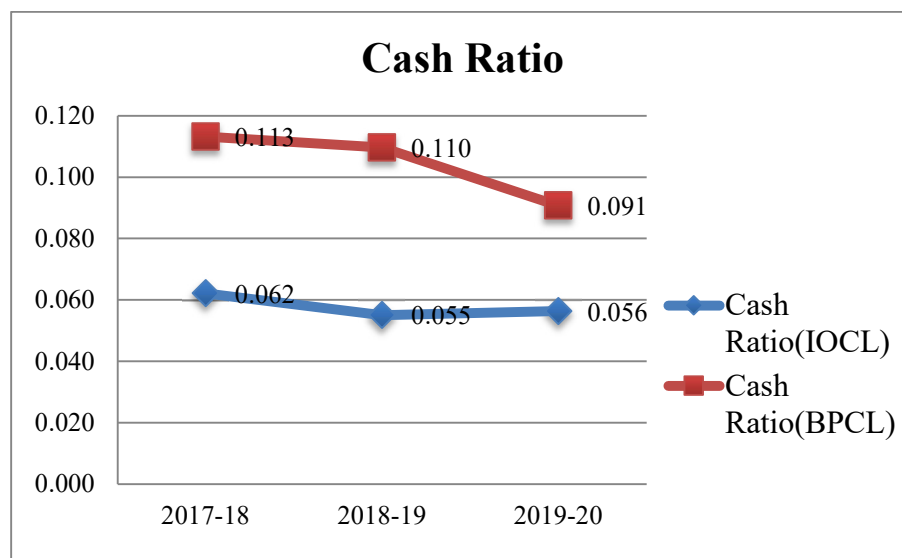
Cash Ratio

Table 25 Cash ratio in crores (IOCL & BPCL)

Particulars	2017-18	2018-19	2019-20
Cash Ratio(IOCL)	0.062	0.055	0.056
Cash Ratio(BPCL)	0.113	0.110	0.091

Source: Own processing

Figure 11: Cash Ratio (IOCL & BPCL)



Source: Own processing

The cash ratio indicates that whether the company has enough cash to meet its short-term debt obligations. It is generally used to measure the company's liquidity. If the company has cash ratio less than 1 that means the company has more current liabilities as compare to cash and cash equivalents.

Here, the current ratio of BPCL is 0.113 in 2017-18, 0.110 in 2018-19 and 0.091 in 2019-2020. While IOCL has the cash ratio of 0.062 in 2017-18, 0.055 in 2018-19 and 0.056 in 2019-2020 which shows that BPCL is having good amount of cash in order to pay its short-term debt obligations.

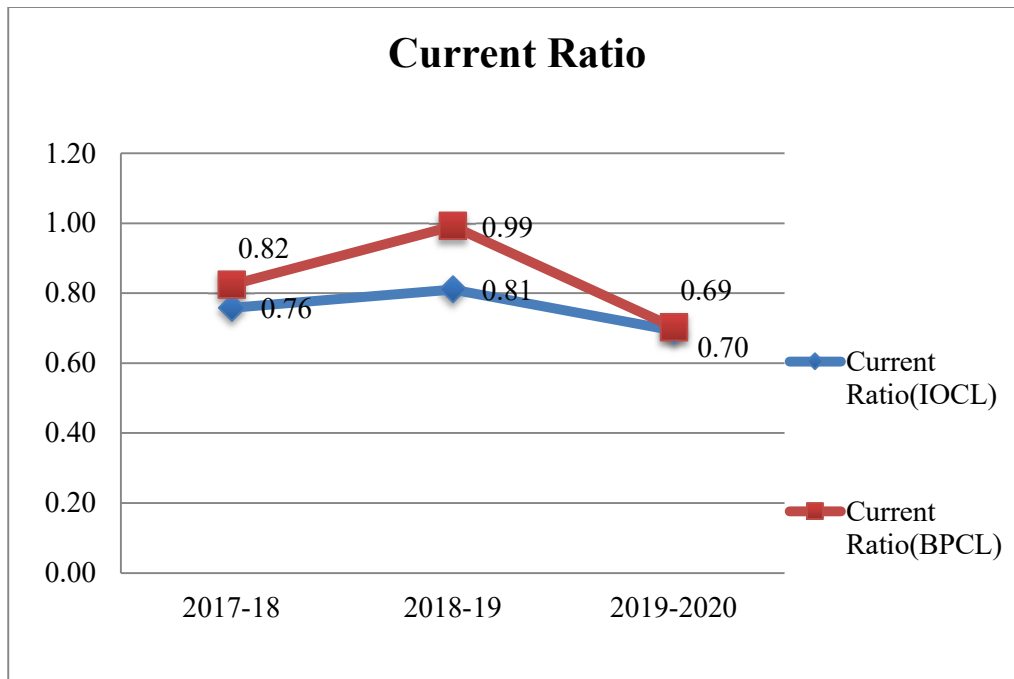
Current Ratio

Table 26 Current ratio in crores (IOCL & BPCL)

Particulars	2017-18	2018-19	2019-2020
Current Ratio(IOCL)	0.76	0.81	0.69
Current Ratio(BPCL)	0.82	0.99	0.70

Source: Own processing

Figure 12: Current Ratio (IOCL & BPCL)



Source: Own processing

If the current ratio result is greater than 1 it means that company has adequate current assets to settle its current liabilities. A high current ratio is generally considered favorable for the company. Creditors are more willing to extend credit to those who can show that they have the resources to pay obligations.

As per analysis, it has been observed that the current ratio of BPCL is comparatively better as compare to IOCL during the consecutive three years. This indicates that BPCL has strong asset base for paying their debt obligations and for fulfilling their future liabilities.

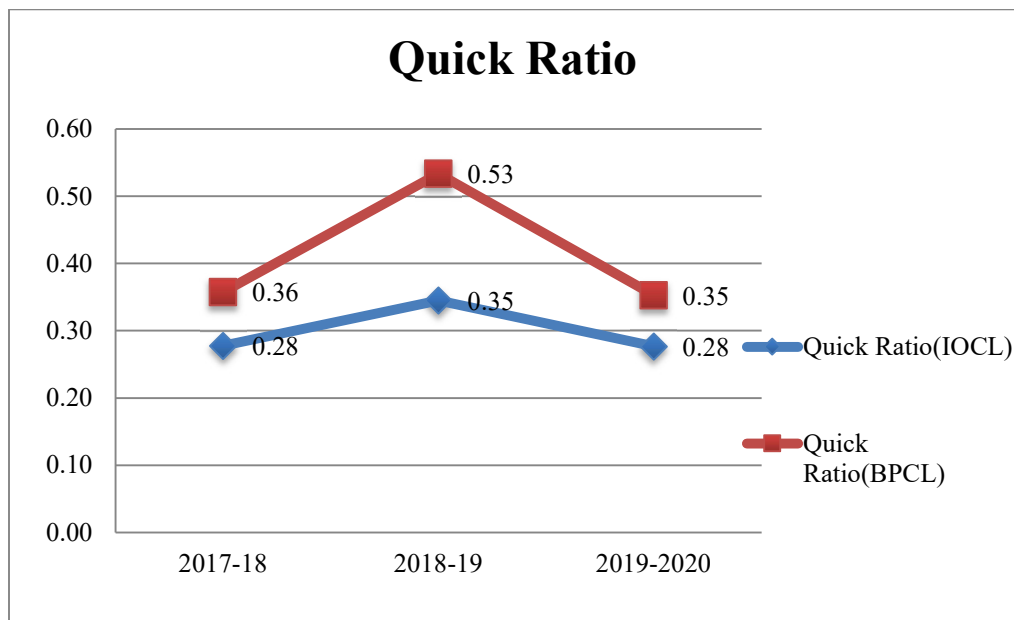
Quick Ratio

Table 27 Quick ratio in crores (IOCL & BPCL)

Particulars	2017-18	2018-19	2019-2020
Quick Ratio(IOCL)	0.28	0.35	0.28
Quick Ratio(BPCL)	0.36	0.53	0.35

Source: Own processing

Figure 13: Quick Ratio (IOCL & BPCL)



Source: Own processing

A company that has a quick ratio of less than 1 may not be able to fully pay off its current liabilities in the short term because the decline in this ratio can be attributable to an increase in short-term debt, a decrease in current assets, or a combination of both.

So from the analysis we found that the quick ratio of both the companies is less than 1 which means the company has to sell their long term asset to pay their current debt. The BPCL is performing well in terms of quick ratio in comparison to IOCL as the company has quick ratio of 0.36 in 2017-18, 0.53 in 2018-19 and 0.35 in 2019-2020 respectively.

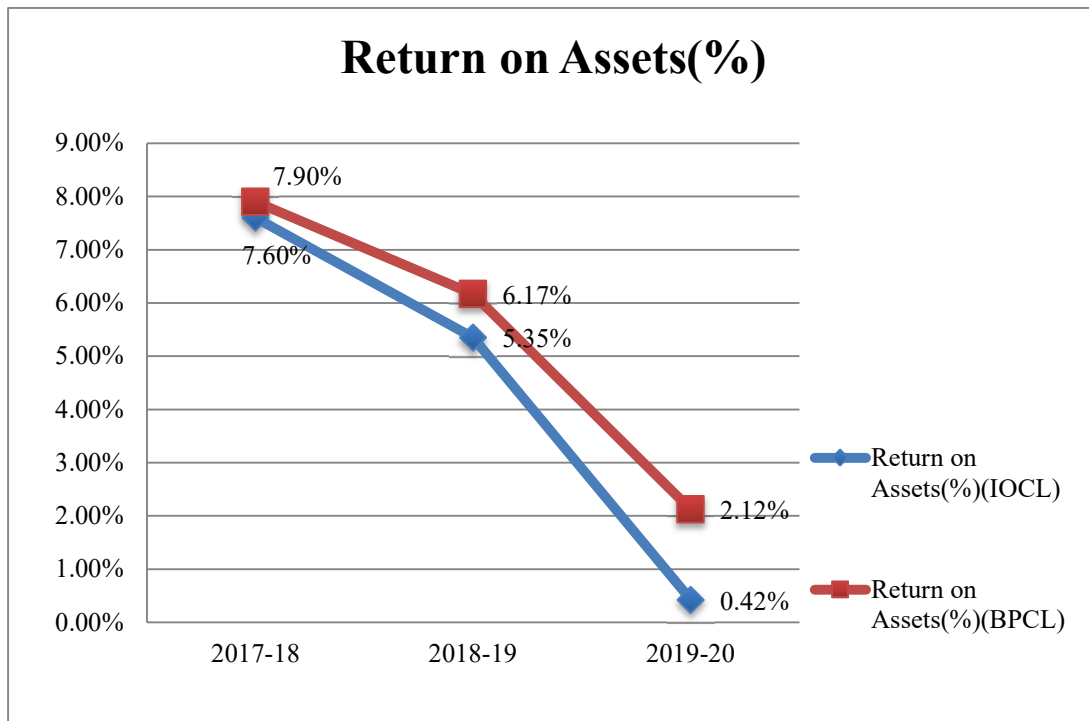
Return on Assets (%)

Table 28 Return on Assets (%) in crores (IOCL & BPCL)

Particulars	2017-18	2018-19	2019-20
Return on Assets(%) (IOCL)	7.60%	5.35%	0.42%
Return on Assets(%) (BPCL)	7.90%	6.17%	2.12%

Source: Own processing

Figure 14: Return on Assets (%) (IOCL & BPCL)



Source: Own processing

An ROA that rises over time indicates the company is doing a good job of increasing its profits with each investment dollar it spends. The result of ROA indicates that in every year the returns on assets are deteriorating which means that the company is not performing well. This indicates that the company might not have invested properly.

Here, from the analysis it has been found that BPCL is decreasing over the years. However, BPCL is having good return on assets as compare to IOCL.

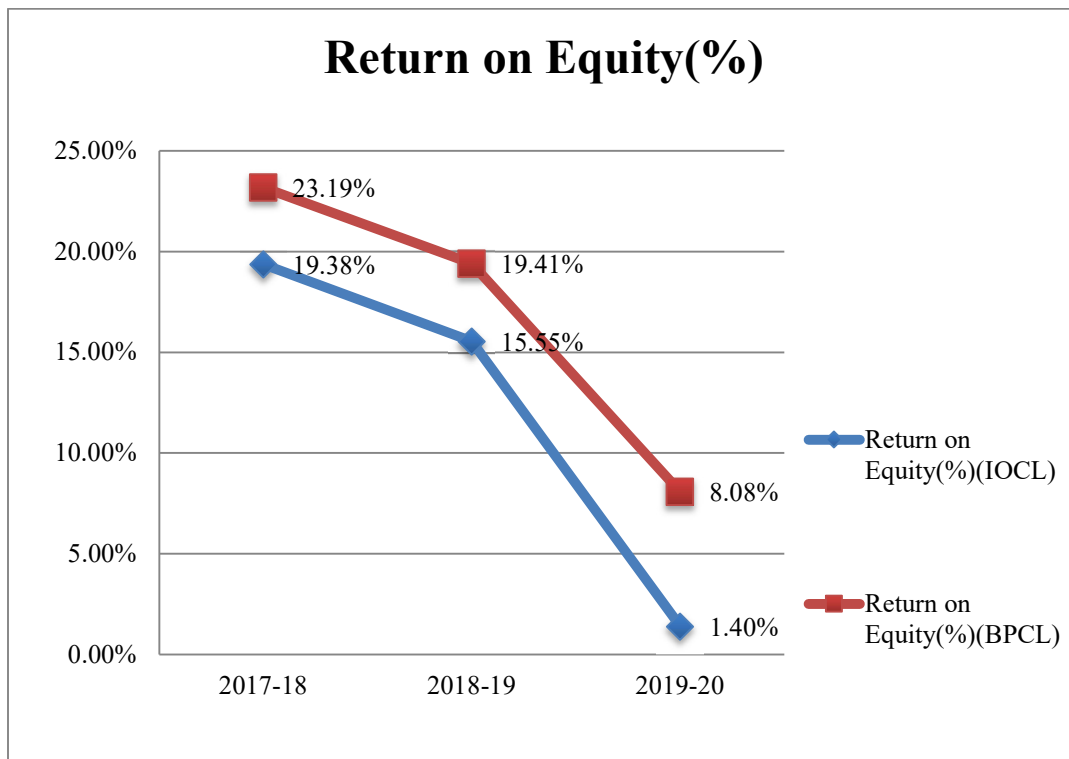
Return on Equity (%)

Table 29 Return on Equity (%) in crores (IOCL & BPCL)

Particulars	2017-18	2018-19	2019-20
Return on Equity(%) (IOCL)	19.38%	15.55%	1.40%
Return on Equity(%) (BPCL)	23.19%	19.41%	8.08%

Source: Own processing

Figure 15: Return on Equity (%) (IOCL & BPCL)



Source: Own processing

I

ROE is used to measure the efficiency of company. It shows whether a company's management is making good decisions in order to generate income for shareholders.

As per analysis, return on equity is in decreasing trend for both the companies in preceding three years. Bharat Petroleum Corporation Limited is generating good income for its shareholders as compare to Indian Oil Corporation Limited.

6 Conclusion

The aim of this thesis was to assess the financial position and performance of chosen Indian companies by analyzing the company's financial statements with focus on the representation and changes of the reported assets, liabilities, expenses and revenues for a chosen period and to identify the potential financial problems and the most significant factors influencing the profit.

The financial position of the company can be assessed by analyzing the company's balance sheet, the financial performance by analyzing the company's income statement. The balance sheet reports the company's assets, equity and liabilities at a given date. The income statement (statement of profit or loss) reports the company's expenses, revenues and profit for a given period of time.

The thesis deals with an important Indian natural gas crude oil producer companies, Indian oil corporation limited and Bharat Petroleum Corporation limited. The Published annual reports of the company were used for the practical part and the conclusions of the thesis. The thesis analyzed the accounting periods of 2017 – 2020.

The analysis of the financial position of the company showed that the most significant assets are the non-current assets, mainly the Plant, property and equipment item. The most significant liabilities are long-term debts. Long-term debts were gradually decreasing.

The profit of the company is affected by the development of revenues and expenses within the company and also by the country-specific and industry specific regulations.

7 References

1. (2018). Oil & Gas Industry in India Legal, Regulatory and Tax. Nishith Desai Associates. pp. 1-28.
2. ALEXANDER, J. Financial Planning & Analysis and Performance Management. USA : John Wiley & Sons, Inc. Hoboken, 2018, 640 p., ISBN-13: 978-1119491484
3. ARORA, R.K. Financial Accounting: Fundamentals, Analysis and Reporting. New Delhi : Wiley India Pvt., 2017, 552 p., ISBN-13: 978-8126575701
4. Dr V. Sugumar, Mrs. N. Prema. (2019). A Study on Financial Performance of Indian Oil Corporation in India. International Journal for Research in Applied Science & Engineering Technology (IJRASET). Volume 7 Issue I, pp.875-878.
5. Dr. R. Bansal, Dr. S. Mishra, S. K. Kar (2016). A Comparative Financial Performance Analysis: Study of Indian and Global Oil Companies. Retrieved May 26, 2016, from <https://www.researchgate.net/publication/270825409>
6. ELLIOTT B. Financial Accounting and Reporting. Harlow UK : Pearson, 2019, 928 p., ISBN-13 : 978-1292255996
7. India. Ministry of Corporate Affairs, Government of India. Indian Accounting Standards, available online
8. KAUR, P., SINGH, B., BHATTACHARYA, A.M. Comparative Analysis of Indian GAAP, IFRS AND IND AS. Journal of Business and Management, 2019, vol. 21, Issue 3, pp. 55-68, p-ISSN: 2319-7668
9. KPMG. Ind AS Accounting and disclosure guide. India: KPMG, 2019, 771 p., ISBN N/A, available online
10. MAYNARD, J. Financial Accounting, Reporting, and Analysis. UK:OUP Oxford, 2017, 936 p., ISBN-13 : 978-0198745310
11. Pawan Kumar, Dr. V. K. Gupta & Dr. Anil Kumar Goyal. (2013). Financial Analysis of Indian Oil Corporation Limited, volume no. 4, Issue no. 07, pp.46-52, Retrieved July,2013,fromhttps://www.reseearchgate.net/publication/338829507_FINANCIAL_ANALYSIS_OF_INDIAN_OIL_CORPORATION_LIMITED
12. RAMCHANDRAN, K. How to Analyze Financial Statements. New Delhi : McGraw HillEducation India, 2017, 128 p., ISBN-13: 978-9351344858

8 Appendix

Appendix 1-Major Oil Producers in World

COUNTRY NAME	BPD(BARRELS PER DAY)	SHARE OF GLOBAL PRODUCTION
United States	19.51 million bpd	19%
Saudi Arabia	11.81 million bpd	12%
Russia	11.49 million bpd	11%
Canada	5.50 million bpd	5%
China	4.89 million bpd	5%
Iraq	4.74 million bpd	5%
United Arab Emirates	4.01 million bpd	4%
Brazil	3.67 million bpd	4%
Iran	3.19 million bpd	3%
Kuwait	2.94 million bpd	3%

Source: <https://www.ig.com/en/trading-strategies/world-s-biggest-oil-producers-200722.amp>, own proceeding

As per the above table, 19% of the oil is produced by US which is highest among all other countries. Beside this Saudi Arabia, Russia and Canada are also the major oil producing countries.

Appendix 2 Standalone Statement of Financial Position of 31 December 2020 and 31 December 2019

BALANCE SHEET AS AT 31ST MARCH 2020

	Note no.	As at 31/03/2020	As at 31/03/2019
₹ In Crores			
I. ASSETS			
(1) Non-current Assets			
(a) Property, Plant and Equipment	2	56,687.98	46,259.18
(b) Capital Work-In-Progress	3	9,108.09	6,702.63
(c) Investment Property	4	0.21	0.24
(d) Other Intangible assets	5	262.93	228.70
(e) Intangible Assets Under Development	6	396.62	363.10
(f) Investments in Subsidiaries, Joint Ventures and Associates	7	10,561.62	10,305.60
(g) Financial Assets			
(i) Investments	8	287.86	610.13
(ii) Loans	9	5,442.94	2,515.66
(iii) Other Financial Assets	10	8.30	21.96
(h) Income Tax Assets (Net)	11	1,381.25	449.40
(i) Other Non-current Assets	12	1,267.95	1,533.40
		<u>85,405.75</u>	<u>68,990.00</u>
(2) Current Assets			
(a) Inventories	13	20,421.06	21,544.65
(b) Financial Assets			
(i) Investments	14	5,208.54	5,075.89
(ii) Trade Receivables	15	5,164.34	6,670.72
(iii) Cash and Cash Equivalents	16	98.27	78.49
(iv) Bank Balances other than Cash and Cash Equivalents	17	17.51	16.92
(v) Loans	18	590.58	1,628.88
(vi) Other Financial Assets	19	6,811.24	9,433.33
(c) Current Tax Assets (Net)	20	0.17	-
(d) Other Current Assets	21	1,545.68	1,231.50
		<u>39,857.39</u>	<u>45,680.38</u>
(3) Assets held-for-sale and Assets included in disposal group held-for-sale	22 (a)	<u>1,205.84</u>	<u>956.87</u>
TOTAL ASSETS		<u>1,26,468.98</u>	<u>1,15,627.25</u>
II. EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	23	1,966.88	1,966.88
(b) Other Equity	24	31,247.50	34,770.80
Total Equity		<u>33,214.38</u>	<u>36,737.68</u>
Liabilities			
(1) Non-current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	25	26,272.70	23,628.57
(ii) Other Financial Liabilities	26	53.99	56.48
(b) Provisions	27	1,574.12	1,509.86
(c) Deferred Tax Liabilities (Net)	28	5,967.29	6,168.99
(d) Other Non-current Liabilities	29	381.72	284.01
		<u>34,249.82</u>	<u>31,647.91</u>
(2) Current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	30	17,721.37	3,580.75
(ii) Trade Payables			
a. Total outstanding dues of Micro Enterprises and Small Enterprises		67.17	52.04
b. Total outstanding dues of creditors other than Micro Enterprises and Small Enterprises	31	12,442.37	17,635.50
(iii) Other Financial Liabilities	32	22,472.48	19,126.12
(b) Other Current Liabilities	33	3,903.02	4,614.26
(c) Provisions	34	1,831.00	1,746.96
(d) Current Tax Liabilities (Net)	35	32.80	255.48
		<u>58,470.21</u>	<u>47,011.11</u>
(3) Liabilities included in disposal group held-for-sale	22 (b)	<u>534.57</u>	<u>230.55</u>
Total Liabilities		<u>93,254.60</u>	<u>78,859.57</u>
TOTAL EQUITY AND LIABILITIES		<u>1,26,468.98</u>	<u>1,15,627.25</u>
Significant Accounting Policies	1		
Notes forming part of Financial Statements	44-72		

For and on behalf of the Board of Directors

As per our attached report of even date
For and on behalf of

Sd/-
D. Rajkumar
Chairman and Managing Director
DIN: 00872597

CVK & Associates
Chartered Accountants
ICAI FR No.101745W

Borkar & Muzumdar
Chartered Accountants
ICAI FR No.101569W

Sd/-
N. Vijayagopal
Director (Finance)
DIN: 03621835

Sd/-
V. Kala
Company Secretary

Sd/-
A.K. Pradhan
Partner
Membership No. 032156

Sd/-
Kaushal Muzumdar
Partner
Membership No. 100938

Place: MUMBAI
Date: 03rd June 2020

Appendix 3 Standalone Statement of Income of 31 December 2020 and 31 December 2019

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2020

Particulars	Note No.	₹ in Crores	
		2019-20	2018-19
Income			
I) Revenue from operations	36	3,27,580.78	3,37,622.53
II) Other income	37	3,081.31	2,983.60
III) Total Income (I + II)		3,30,662.09	3,40,606.13
IV) Expenses			
Cost of materials consumed	38	1,13,229.30	1,19,419.22
Purchases of stock-in-trade	39	1,43,164.25	1,46,974.06
Changes in inventories of finished goods, stock-in-trade and work-in-progress	40	(456.62)	(1,703.06)
Excise duty expense		43,197.83	40,347.48
Employee benefits expense	41	3,691.45	3,664.18
Finance costs	42	2,181.86	1,318.96
Depreciation and amortization expense	2,4,5	3,786.89	3,189.28
Other expenses	43	18,115.26	16,956.39
Total Expenses (IV)		3,26,910.22	3,30,166.51
V) Profit before Exceptional Item & Tax (III - IV)		3,751.87	10,439.62
VI) Exceptional Item (Refer Note No. 69)		1,080.83	-
VII) Profit before Tax (V - VI)		2,671.04	10,439.62
VIII) Tax expense	28		
1) Current tax		201.00	2,079.00
2) Deferred tax		400.68	1,316.48
3) Short / (Excess) provision of earlier years		(613.83)	(87.88)
Total Tax expense (VIII)		(12.15)	3,307.60
IX) Profit for the period (VII - VIII)		2,683.19	7,132.02
X) Other Comprehensive Income			
(i) Items that will not be reclassified to profit or loss			
(a) Remeasurements of defined benefit plans		(284.47)	(212.16)
(b) Equity instruments through Other Comprehensive Income-net change in fair value		(322.27)	(71.08)
(ii) Income tax relating to items that will not be reclassified to profit or loss		108.75	81.64
Other Comprehensive Income (X)		(497.99)	(201.60)
XI) Total Comprehensive Income for the period (IX + X)		2,185.20	6,930.42
XII) Basic and Diluted Earnings per Equity share (Face value ₹ 10)	54	13.64	36.26
Significant Accounting Policies	1		
Notes forming part of Financial Statements	44 to 72		

For and on behalf of the Board of Directors

As per our attached report of even date
For and on behalf of

Sd/-
D. Rajkumar
Chairman and Managing Director
DIN: 00872597

CVK & Associates
Chartered Accountants
ICAI FR No.101745W

Borkar & Muzumdar
Chartered Accountants
ICAI FR No.101569W

Sd/-
N. Vijayagopal
Director (Finance)
DIN: 03621835

Sd/-
V. Kala
Company Secretary

Sd/-
A.K. Pradhan
Partner
Membership No. 032156

Sd/-
Kaushal Muzumdar
Partner
Membership No. 100938

Place: MUMBAI
Date: 03rd June 2020

Annual Report 2019-20

Appendix 4 Standalone Statement of Financial Position of 31 December 2018 and 31 December 2017

BALANCE SHEET AS AT 31ST MARCH 2018

		₹ in Crores	
	Note no.	As at 31/03/2018	As at 31/03/2017
I ASSETS			
(1) Non-current assets			
(a) Property, Plant and Equipment	2	42,775.79	31,278.66
(b) Capital work-in-progress	3	4,043.71	11,216.73
(c) Investment Property	4	0.26	0.40
(d) Other Intangible assets	5	201.84	158.25
(e) Intangible assets under development	6	363.83	405.79
(f) Investments in Subsidiaries, Joint Ventures and Associates	7	10,144.19	8,548.45
(g) Financial Assets			
(i) Investments	8	681.21	692.66
(ii) Loans	9	3,091.38	3,783.65
(iii) Other financial assets	10	45.39	35.14
(h) Income Tax Assets (Net)	11	405.25	126.78
(i) Other non-current assets	12	1,571.28	1,485.00
		<u>63,324.13</u>	<u>57,731.51</u>
(2) Current Assets			
(a) Inventories	13	20,873.75	19,798.01
(b) Financial Assets			
(i) Investments	14	4,995.18	5,360.34
(ii) Trade receivables	15	5,152.60	4,758.18
(iii) Cash and cash equivalents	16	75.73	54.35
(iv) Bank Balances other than Cash and cash equivalents	17	12.34	10.34
(v) Loans	18	70.95	70.65
(vi) Other financial assets	19	4,579.13	3,304.05
(c) Current Tax Assets (Net)	20	23.73	23.08
(d) Other current assets	21	1,098.07	869.49
		<u>36,881.48</u>	<u>34,248.49</u>
(3) Assets held for sale	22	16.93	9.63
TOTAL ASSETS		<u>1,00,222.54</u>	<u>91,989.63</u>
II EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	23	1,966.88	1,311.25
(b) Other Equity	24	32,185.12	28,357.13
Total Equity		<u>34,152.00</u>	<u>29,668.38</u>
Liabilities			
(1) Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	25	14,758.22	13,776.44
(ii) Other financial liabilities	26	58.40	63.40
(b) Provisions	27	1,366.19	1,353.15
(c) Deferred tax liabilities (Net)	28	4,953.26	3,501.71
(d) Other non-current liabilities	29	142.36	137.29
		<u>21,278.43</u>	<u>18,831.99</u>
(2) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	30	8,093.01	7,227.36
(ii) Trade payables	31	13,063.84	11,359.78
(iii) Other financial liabilities	32	17,929.41	19,103.42
(b) Other current liabilities	33	4,051.51	3,866.69
(c) Provisions	34	1,515.16	1,815.57
(d) Current Tax Liabilities (Net)	35	139.18	116.44
		<u>44,792.11</u>	<u>43,489.26</u>
Total Liabilities		<u>66,070.54</u>	<u>62,321.25</u>
TOTAL EQUITY AND LIABILITIES		<u>1,00,222.54</u>	<u>91,989.63</u>
Significant Accounting Policies	1		
Notes forming part of Financial Statements	44 to 67		

For and on behalf of the Board of Directors

As per our attached report of even date
For and on behalf of

Sd/-
D. Rajkumar
Chairman and Managing Director
DIN: 00872597

Sd/-
R. Ramachandran
Director (Refineries)
DIN: 07049995

CVK & Associates
Chartered Accountants
ICAI FR No.101745W

Borkar & Muzumdar
Chartered Accountants
ICAI FR No. 101569W

Sd/-
K. Sivakumar
Chief Financial Officer

Sd/-
M. Venugopal
Company Secretary

Sd/-
A.K. Pradhan
Partner
M. No. 032156

Sd/-
B.M. Agarwal
Partner
M. No. 033254

Place: Mumbai
Date: 29th May 2018



Bharat Petroleum Corporation Limited

Appendix 5 Standalone Statement of Income of 31 December 2018 and 31 December 2017

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2018

Particulars	Note No.	₹ in Crores	
		2017-18	2016-17
I. Revenue from operations	36	277,162.23	242,047.82
II. Other income	37	3,010.88	2,600.68
III. Total Income (I + II)		280,173.11	244,648.50
IV. Expenses			
Cost of materials consumed	38	81,467.45	67,710.71
Purchases of stock-in-trade	39	125,462.73	114,220.09
Changes in inventories of finished goods, stock-in-trade and work-in-progress	40	320.60	(5,577.61)
Excise duty expense		40,849.13	39,837.25
Employee benefits expense	41	3,430.98	3,429.46
Finance costs	42	833.25	495.87
Depreciation and amortization expense	2,4,5	2,648.48	1,891.32
Other expenses	43	13,962.48	11,598.62
Total Expenses (IV)		268,975.10	233,605.71
V. Profit before tax (III - IV)		11,198.01	11,042.79
VI. Tax expense	28		
1) Current tax		2,110.00	2,210.00
2) Deferred tax		1,434.66	904.73
3) Short / (Excess) provision of earlier years		(265.99)	(111.24)
Total Tax expense (VI)		3,278.67	3,003.49
VII. Profit for the period (V - VI)		7,919.34	8,039.30
VIII. Other comprehensive income			
(i) Items that will not be reclassified to profit or loss			
(a) Remeasurements of defined benefit plans		37.44	(77.52)
(b) Equity instruments through Other Comprehensive Income- net change in fair value		(11.44)	185.04
(ii) Income tax relating to items that will not be reclassified to profit or loss		(16.89)	24.91
Other Comprehensive Income (VIII)		9.11	132.43
IX. Total Comprehensive Income for the period (VII + VIII)		7,928.45	8,171.73
X. Basic and Diluted Earnings per Equity share (Face value ₹ 10)	54	40.26	40.87
Significant Accounting Policies	1		
Notes forming part of Financial Statements	44 to 67		

For and on behalf of the Board of Directors

As per our attached report of even date
For and on behalf of

Sd/-
D. Rajkumar
Chairman and Managing Director
DIN: 00872597

Sd/-
R. Ramachandran
Director (Refineries)
DIN: 07049995

CVK & Associates
Chartered Accountants
ICAI FR No.101745W

Borkar & Muzumdar
Chartered Accountants
ICAI FR No. 101569W

Sd/-
K. Sivakumar
Chief Financial Officer

Sd/-
M. Venugopal
Company Secretary

Sd/-
A.K. Pradhan
Partner
M. No. 032156

Sd/-
B.M. Agarwal
Partner
M. No. 033254

Place: Mumbai
Date: 29th May 2018

Appendix 6 Standalone Statement of Financial Position of 31 December 2020 and 31 December 2019

STANDALONE FINANCIAL STATEMENTS

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2020

Particulars	Note No.	₹ in Crore	
		2019-2020	2018-2019
I. Revenue From Operations	23	5,66,948.64	6,05,932.34
II. Other Income	24	3,571.39	3,128.51
III. Total Income (I+II)		5,70,520.03	6,09,060.85
IV. Expenses			
Cost of Material Consumed	25	2,47,077.03	2,60,679.61
Excise Duty (Includes ₹ 77048.34 crore (2019: ₹ 70950.54 crore) included in Revenue from Operations)		80,693.19	79,231.08
Purchases of Stock-in-Trade		1,79,535.49	1,79,955.50
Changes in Inventories of Finished Goods, Stock-in-trade and Stock-in-Process	26	(6,410.43)	(3,011.13)
Employee Benefits Expense	27	8,792.65	11,102.17
Finance Costs	28	5,979.45	4,311.03
Depreciation and Amortization on:			
a) Tangible Assets		8,631.73	7,410.58
b) Intangible Assets		134.37	103.71
		8,766.10	7,514.29
Net Loss on de-recognition of financial assets at amortised cost		5.73	3.29
Other Expenses	29	39,471.29	37,048.09
Total Expenses (IV)		5,62,910.50	5,83,933.93
V. Profit / (Loss) before Exceptional Items and Tax (III-IV)		7,610.53	25,126.92
VI. Exceptional Items (Refer Point No. 9 of Note - 45)		(1,304.64)	-
VII. Profit / (Loss) before Tax (V-VI)		(3,694.11)	25,126.92
VIII. Tax Expense (Refer Point No. 10 of Note - 46):			
Current Tax		(165.89)	5,100.94
(Includes ₹ 262.88 crore (2019: ₹ 28.06 crore) relating to prior years)			
Deferred Tax		(4,841.44)	3,131.83
(Includes ₹ 773.09 crore (2019: ₹ 544.62 crore) relating to prior years)			
IX. Profit / (Loss) For The Year (VII-VIII)		1,313.23	16,894.15
X. Other Comprehensive Income:	30		
A (i) Items that will not be reclassified to profit or loss		(1,056.28)	(1,962.00)
A (ii) Income Tax relating to items that will not be reclassified to profit or loss		165.33	(463.51)
B (i) Items that will be reclassified to profit or loss		647.98	155.25
B (ii) Income Tax relating to items that will be reclassified to profit or loss		(166.35)	(34.11)
XI. Total Comprehensive Income for the Year (IX+X) (Comprising Profit) / (Loss) and Other Comprehensive Income for the Year		(5,096.09)	14,569.73

STANDALONE FINANCIAL STATEMENTS

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2020

Particulars	Note No.	₹ in Crore	
		2019-2020	2018-2019
XII. Earnings per Equity Share (₹):	32		
(1) Basic		1.43	17.89
(2) Diluted		1.43	17.89
Face Value Per Equity Share (₹)		10	10
Significant Accounting Policies, Estimates & Judgements	1A & 1B		
Accompanying Notes to Financial Statements	2-48		

For and on behalf of Board of Directors

Sd/-
(Sanjiv Singh)
Chairman
DIN - 05280701

Sd/-
(S.K. Gupta)
Director (Finance)
DIN - 07570195

Sd/-
(Kamal Kumar Gwalani)
Company Secretary
ACS - 13737

As per our attached Report of even date

For G. S. MATHUR & CO.
Chartered Accountants
Firm Regn. No. 008744N

For K. C. MEHTA & CO.
Chartered Accountants
Firm Regn. No. 106237W

For SINGHI & CO.
Chartered Accountants
Firm Regn. No. 302049C

For V. SINGHI & ASSOCIATES
Chartered Accountants
Firm Regn. No. 311017E

Sd/-
(Rajiv Kumar Wadhawan)
Partner
M. No. 091007

Sd/-
(Vishal P. Doshi)
Partner
M. No. 101533

Sd/-
(Shrenik Mehta)
Partner
M. No. 063769

Sd/-
(Aniruddha Sengupta)
Partner
M. No. 051371

Place: New Delhi
Date: 24 June 2020

Appendix 7 Standalone Statement of Income of 31 December 2020 and 31 December 2019



STANDALONE FINANCIAL STATEMENTS

BALANCE SHEET AS AT MARCH 31, 2020

Particulars	Note No.	₹ In Crore)	
		March 31, 2020	March 31, 2019
ASSETS			
Non-current Assets			
a) Property, Plant and Equipment	2	1,31,752.76	1,17,331.22
b) Capital Work-in-Progress	2.1	28,134.10	22,460.52
c) Intangible Assets	3	1,929.04	1,376.61
d) Intangible Assets Under Development	3.1	1,603.65	1,438.44
e) Financial Assets			
i) Investments	4		
Equity Investment in Subsidiaries, Joint Ventures and Associates		17,578.24	17,958.51
Other Investments		13,473.93	23,465.37
ii) Loans	5	3,241.87	2,292.17
iii) Other Financial Assets	6	295.12	205.66
f) Income Tax Assets (Net)	7	4,186.76	1,347.65
g) Other Non-Current Assets	8	2,863.07	3,903.38
		2,05,048.54	1,91,477.73
Current Assets			
a) Inventories	9	63,877.62	71,470.58
b) Financial Assets			
i) Investments	4	8,086.39	8,518.09
ii) Trade Receivables	10	12,844.09	15,457.83
iii) Cash and Cash Equivalents	11	538.58	38.31
iv) Bank Balances other than above	12	53.58	49.34
v) Loans	5	1,069.67	1,364.74
vi) Other Financial Assets	6	15,829.76	21,337.08
c) Current Tax Assets (Net)	7	86.28	486.60
d) Other Current Assets	8	3,841.46	3,985.52
		1,05,804.41	1,22,707.89
Assets Held for Sale	13	237.61	227.40
		1,06,042.02	1,22,935.29
TOTAL ASSETS		3,11,090.56	3,14,413.02
EQUITY AND LIABILITIES			
EQUITY			
a) Equity Share Capital	14	9,181.04	9,181.04
b) Other Equity	15	84,587.83	99,476.47
		93,768.87	1,08,657.51

STANDALONE FINANCIAL STATEMENTS

BALANCE SHEET AS AT MARCH 31, 2020

Particulars	Note No.	₹ In Crore)	
		March 31, 2020	March 31, 2019
LIABILITIES			
Non-Current Liabilities			
a) Financial Liabilities			
i) Borrowings	16	49,250.64	34,666.38
ii) Other Financial Liabilities	17	789.58	616.03
b) Provisions	18	918.05	883.66
c) Deferred Tax Liabilities (Net)	19	1,413.14	10,823.07
d) Other Non-Current Liabilities	20	2,042.48	1,598.09
		64,413.89	53,587.21
Current Liabilities			
a) Financial Liabilities			
i) Borrowings	21	63,486.08	48,593.55
ii) Trade Payables	22		
A. Total outstanding dues of Micro and Small Enterprises		232.47	235.24
B. Total outstanding dues of creditors other than Micro and Small Enterprises		25,018.11	37,147.35
iii) Other Financial Liabilities	17	42,550.71	43,973.77
b) Other Current Liabilities	26	12,050.98	15,060.50
c) Provisions	18	9,587.47	10,137.89
		1,52,906.80	1,52,168.30
TOTAL EQUITY AND LIABILITIES		3,11,090.56	3,14,413.02
Significant Accounting Policies, Estimates & Judgements	1A & 1B		
Accompanying Notes to Financial Statements	2-48		

For and on Behalf of Board of Directors			
Sd/- (Sanjiv Singh) Chairman DIN-05280701	Sd/- (S.K. Gupta) Director (Finance) DIN-07570165	Sd/- (Kamal Kumar Gwalani) Company Secretary ACS-13737	
As per our attached Report of even date			
For G. S. MATHUR & CO. Chartered Accountants Firm Regn. No. 008744N	For K. C. MEHTA & CO. Chartered Accountants Firm Regn. No. 106237W	For SINGHI & CO. Chartered Accountants Firm Regn. No. 302049E	For V. SINGHI & ASSOCIATES Chartered Accountants Firm Regn. No. 311017E
Sd/- (Rajiv Kumar Wadhawan) Partner M. No. 091007	Sd/- (Vishal P. Doshi) Partner M. No. 101533	Sd/- (Shrenik Mehta) Partner M. No. 063769	Sd/- (Aniruddha Sengupta) Partner M. No. 051371

Place: New Delhi
Date: 24 June 2020

Appendix 8 Standalone Statement of Financial Position of 31 December 2018 and 31 December 2017



BALANCE SHEET AS AT MARCH 31, 2018

(₹ in Crore)

Particulars	Note No.		March-2018	March-2017
ASSETS				
Non-current Assets				
a) Property, Plant and Equipment	2	112,887.65		106,900.73
b) Capital Work-in-Progress	2.1	13,860.99		10,223.36
c) Intangible Assets	3	1,039.67		978.76
d) Intangible Assets Under Development	3.1	487.44		514.46
e) Financial Assets				
i) Investments	4			
Equity investment in Subsidiaries, JV's and Associates		13,724.65		13,166.76
Other Investments		25,364.29		26,942.43
ii) Loans	5	2,031.01		1,096.83
iii) Other Financial Assets	6	3,764.56		3,455.63
f) Income Tax Assets (Net)	7	1,291.33		5.47
g) Other Non-Current Assets	8	3,233.35		3,434.27
			177,684.94	166,718.70
Current Assets				
a) Inventories	9	65,313.21		62,240.87
b) Financial Assets				
i) Investments	4	8,399.32		7,195.41
ii) Trade Receivables	10	10,116.52		8,502.37
iii) Cash and Cash Equivalents	11	53.65		52.86
iv) Bank Balances other than above	12	27.71		33.64
v) Loans	5	467.51		1,747.93
vi) Other Financial Assets	6	15,288.16		9,639.38
c) Current Tax Assets (Net)	7	2.04		-
d) Other Current Assets	8	3,225.17		3,022.76
		102,893.29		92,435.22
Assets Held for Disposal	13	161.68		59.35
			103,054.97	92,494.57
TOTAL			280,739.91	259,213.27
EQUITY AND LIABILITIES				
EQUITY				
a) Equity Share Capital	14	9,478.69		4,739.34
b) Other Equity	15	100,692.33		94,989.38
			1,10,171.02	99,728.72
LIABILITIES				
a) Financial Liabilities				
i) Borrowings	16	18,717.60		20,312.04
ii) Other Financial Liabilities	17	570.96		461.92
b) Provisions	18	2,023.32		2,926.98
c) Deferred Tax Liabilities (Net)	19	12,019.57		6,759.23
d) Other Non-Current Liabilities	20	1,355.16		712.04
			34,686.61	31,172.21

BALANCE SHEET AS AT MARCH 31, 2018

(₹ in Crore)

Particulars	Note No.	March-2018	March-2017
Current Liabilities			
a) Financial Liabilities			
i) Borrowings	21	36,807.56	30,072.76
ii) Trade Payables	22	33,106.05	30,134.29
iii) Other Financial Liabilities	17	40,815.69	36,348.12
b) Other Current Liabilities	20	10,991.38	12,775.47
c) Provisions	18	14,161.60	18,924.73
d) Current Tax Liabilities (Net)	7	-	56.97
TOTAL		135,882.28	128,312.34
		280,739.91	259,213.27
Significant Accounting Policies, Estimates & Judgements Accompanying Notes to Financial Statements	1A & 1B 2-49		

For and on Behalf of Board of Directors

Sd/-
(Sanjiv Singh)
Chairman
DIN - 05280701

Sd/-
(A. K. Sharma)
Director (Finance)
DIN - 06665266

Sd/-
(Kamal Kumar Gwalani)
Company Secretary
ACS - 13737

As per our attached Report of even date

For S. K. MEHTA & CO.
Chartered Accountants
Firm Regn. No. 000478N

For V SANKAR AIYAR & CO.
Chartered Accountants
Firm Regn. No. 109208W

For CK PRUSTY & ASSOCIATES
Chartered Accountants
Firm Regn. No. 323220E

For V. SINGHI & ASSOCIATES
Chartered Accountants
Firm Regn. No. 311017E

Sd/-
(CA. ROHIT MEHTA)
Partner
M. No. 091382


Sd/-
(CA. G SANKAR)
Partner
M. No. 046050

Sd/-
(CA. CHANDRAKANTA PRUSTY)
Partner
M. No. 057318

Sd/-
(CA. ANIRUDDHA SENGUPTA)
Partner
M. No. 051371

Place of Signature: New Delhi

Date: 22nd May 2018

INTEGRATED ANNUAL REPORT			
 IndianOil	STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2018 (₹ in Crore)		
Particulars	Note No.	March-2018	March-2017
I. Revenue From Operations	23	5,06,427.59	4,45,441.90
II. Other Income	24	3,414.62	4,200.62
III. Total Income (I+II)		5,09,842.21	4,49,642.52
IV. Expenses:			
Cost of Materials Consumed	25	188,780.12	156,950.55
Excise Duty		82,388.89	85,499.75
Purchases of Stock-in-Trade		152,117.55	141,925.49
Changes in Inventories of Finished Goods, Stock-in-trade and Stock-In Process	26	2,327.50	(15,259.80)
Employee Benefits Expense	27	10,079.41	9,718.92
Finance Costs	28	3,448.44	3,445.43
Depreciation and Amortization on :			
a) Tangible Assets		6,994.57	6,161.81
b) Intangible Assets		72.44	61.16
		7,067.01	6,222.97
Net Loss on de-recognition of Financial Assets at Amortised Cost		7.96	4.68
Other Expenses	29	31,061.05	34,813.29
Total Expenses (IV)		4,77,277.93	4,23,321.28
V. Profit before Tax (III-IV)		32,564.28	26,321.24
VI. Tax Expense:			
Current Tax		7,276.45	7,460.29
[includes ₹ 318.87) crore (2017: ₹ 126.24 crore) relating to prior years]			
Deferred Tax		3,941.71	(245.45)
[includes Nil (2017: ₹ 425.66 crore) relating to prior years]			
VII. Profit For The Year (V-VI)		21,346.12	19,106.40
VIII. Other Comprehensive Income:	30		
A (i) Items that will not be reclassified to profit and loss		208.15	4,537.97
A (ii) Income Tax relating to items that will not be reclassified to profit and loss		358.66	181.18
B (i) Items that will be reclassified to profit and loss		(232.42)	247.75
B (ii) Income Tax relating to items that will be reclassified to profit and loss		62.97	(99.41)
IX. Total Comprehensive Income for the Year (VII+VIII) (Comprising Profit/ (Loss) and Other Comprehensive Income for the Year)		21,743.48	23,973.89

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2018

(₹ in Crore)

Particulars	Note No.	March-2018	March-2017
X. Earning per Equity Share (₹):	32		
(1) Basic		22.52	20.16
(2) Diluted		22.52	20.16
Face Value Per Equity Share (₹)		10	10
Significant Accounting Policies, Estimates & Judgements Accompanying Notes to Financial Statements	1A & 1B 2 - 49		

For and on Behalf of Board of Directors

Sd/-
(Sanjiv Singh)
Chairman
DIN - 05280701

Sd/-
(A. K. Sharma)
Director (Finance)
DIN - 06665266

Sd/-
(Kamal Kumar Gwalani)
Company Secretary
ACS - 13737

As per our attached Report of even date

For S. K. MEHTA & CO.
Chartered Accountants
Firm Regn. No. 000478N

For V SANKAR AIYAR & CO.
Chartered Accountants
Firm Regn. No. 109208W

For CK PRUSTY & ASSOCIATES
Chartered Accountants
Firm Regn. No. 323220E

For V. SINGHI & ASSOCIATES
Chartered Accountants
Firm Regn. No. 311017E

Sd/-
(CA. ROHIT MEHTA)
Partner
M. No. 091382

Sd/-
(CA. G SANKAR)
Partner
M. No. 046050

Sd/-
(CA. CHANDRAKANTA PRUSTY)
Partner
M. No. 057318

Sd/-
(CA. ANIRUDDHA SENGUPTA)
Partner
M. No. 051371

Place: New Delhi

Dated: 22nd May, 2018