

A Study On Profitability And Solvency Position Of Bharat Petroleum Corporation Ltd In India

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Abstract:

The oil and gas industry is amongst the six core industries in India. This industry is a major factor for the growth being witnessed in the Indian economy today. The natural gas and petroleum sector, which is inclusive of refining, transportation, and marketing of these products, contributes about 15% to India's GDP. This paper aims to know the profitability position and to measure the solvency position of Bharat petroleum limited in India. The study limited to ten years from 2009-2010 to 2018-2019. The result of the study reveals that the profitability position of the company is satisfactory during the study period.

Keywords

Oil and gas, Profitability, Solvency, Bharath petroleum limited.

I.INTRODUCTION

The **oil and gas industry in India** dates back to 1889 when the first oil deposits in the country were discovered near the town of Digboi in the state of Assam. The natural gas industry in India began in the 1960s with the discovery of gas fields in Assam and Gujarat. As on 31 March 2018, India had estimated crude oil reserves of 594.49 million tonnes (MT) and natural gas reserves of 1339.57 billion cubic meters (BCM). India imports 82% of its oil needs and aims to bring that down to 67% by 2022 by replacing it with local exploration, renewable energy and indigenous ethanol fuel. India was the third top net crude oil (including crude oil products) importer of 205.3 Mt in 2018.

OBJECTIVES OF THE STUDY

- To Measure the profitability position of Bharath Petroleum Corporation.
- To identify the solvency position of Bharath Petroleum Corporation.

A. Sampling Method

The study is based on convenience sampling method.

B. Period of the study

The period of this study covered ten years from 2009 – 2010 to 2018-2019.

C. Data Collection

The data used in this study are secondary in nature, The Financial data of the companies belonging to the oil and gas companies are taken from the capitaline.

II. REVIEW OF LITERATURE

Vera and Elena (2016) Deals with the financial planning of oil and gas company activities including capital structure optimization. One of the main tasks of up-to-date financial management is to optimize the capital structure of an organization and minimize the weighted average cost of capital. The applied method in capital structure optimization affects the research quality results, as well as management decisions. Based on his given research it is much more profitable for the company to raise debt funds up to 40% of the structure than to finance its activities based only on its own resources. To determine the objective optimal capital structure, it is equitable to use all presented models. This makes it possible for the company to maximize the market value of its shares and profitability in the current economic conditions.

Vijayalakshmi(2017) Financial performance is done to evaluate capability, stability and profitability of the company. Financial analysis helps investors to appraise whether they should

invest in a particular company or not. The main objective of this study is to know the short term and long term financial position of the company and to know the profit level of the company. It is analyzed using short term, long term and profitability ratios for the period 2011- 2016, based on the secondary data that is balance sheet and profit/loss account. The company has to stabilize its income without much increase in operating expenses.

III. PROFILE OF THE COMPANY

Bharat Petroleum Corporation Ltd (BPCL) operates in the petroleum industry in India. The company operates in a single segment – Refinery and Marketing activities, which includes Downstream petroleum sector. They are also engaged in the Exploration and Production of Hydrocarbons (E&P). BPCL on a regular basis imports their LPG requirements mainly from the Middle East. Occasional there are import requirements of Gasoil, Kerosene, Gasoline and Base Oil. The company refineries consist of Mumbai Refinery, Kochi Refinery, Numaligarh Refinery and Bina Refinery. BPCL exports Fuel Oil and Naphtha and Base Oil (Group II).

BPCL is a public sector undertaking with the Government of India holding 54.93% stake as on 30 September 2017. On 11 September 2017, Government of India conferred BPCL with Maharatna status.

Bharat Petroleum Corporation Ltd was incorporated on November 3, 1952 as a private limited company with the name Burmah Shell Refineries Ltd. The company began their work on the marshland of Trombay at Bombay. The refinery on 454 acres of land at village Mahul went on-stream on 30th January 1955, one year ahead of schedule. In January 24, 1976, Burmah Shell Group of Companies was taken over by the Government of India to form Bharat Refineries Ltd. In August 1, 1977, the company was renamed as Bharat Petroleum Corporation Ltd. The company was also the first refinery to process newly found indigenous crude (Bombay High), in the country.

During the year 2009-10, the Mumbai refinery processed the Nigerian crude oil – Agbami for the first time. The company started operations at its Bina refinery in the central Indian state of Madhya Pradesh by launching their crude distillation unit, or CDU. The CDU at Bina was commissioned on June 29, 2010. Kerosene and cooking gas have been 334ispatched to

the marketing terminal. An oil refinery's CDU is the main unit where crude is separated into different petroleum products.

In August 2010, Indian Oil Corporation Ltd, Bharat Petroleum Corporation Ltd and Hindustan Petroleum Corporation Limited entered into a memorandum of understanding (MoU) with Gujarat State Petroleum Corp Ltd to form a joint venture for trunk gas pipelines. In February 2011, the company signed an initial agreement with the provincial government of Rajasthan to sell fuel products from the state's proposed refinery.

IV. DATA ANALYSIS

The collected data have been analyzed by making use of Ratio analysis, Mean, Standard deviation, Co-efficient of variation, Compound annual growth rate, Skewness, Kurtosis.

Ratio Analysis of Bharat Petroleum Corporation Ltd

YEAR	GPR	NPR	DER	CTR	FATR
2009-2010	2.96	1.36	1.70	9.30	8.91
2010-2011	2.67	1.11	1.35	10.79	9.48
2011-2012	1.78	0.64	1.54	14.21	12.76
2012-2013	2.48	1.15	1.43	14.44	14.39
2013-2014	3.15	1.57	1.04	13.37	13.66
2014-2015	4.17	2.14	0.58	10.60	11.72
2015-2016	6.49	3.79	0.58	6.90	8.12
2016-2017	6.39	3.99	0.77	6.82	6.43
2017-2018	5.89	3.40	0.68	6.93	5.49
2018-2019	4.58	2.40	0.78	8.09	6.39

MEAN	4.06	2.16	1.05	10.15	9.74
S D	1.72	1.20	0.43	3.03	3.23
CV	0.42	0.56	0.41	0.30	0.33
CAGR	4.48	5.82	-7.47	-1.38	-3.23
SKEWNESS	0.36	0.49	0.36	0.33	0.17
KURTOSIS	-1.47	-1.33	-1.69	-1.56	-1.55

V. FINDINGS

The mean value of GPR is 4.06, NPR is 2.16, DER is 1.05, CTR is 10.15 and FATR is 9.74. The coefficient of variation value of GPR is 0.42, NPR is 0.56, DER is 0.41, CTR is 0.30 and FATR is 0.33. The value of skewness and kurtosis less than the mean value for the above calculating ratios

CONCLUSION

Profitability ratios are a type of financial ratios that are used to assess a business's ability to generate earnings relative to its revenues, operating costs, balance sheet assets, and shareholders' equity over time. In this study the profitability position of Bharat Petroleum Corporation Ltd., is satisfactory. Solvency ratios are used to measure the extent to which company assets are financed by debt. They are used to assess a company's ability to meet its debt obligations. The higher the debt, the higher financed from long term external source.

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LIST OF ABBREVIATION

GPR – GROSS PROFIT RATIO

NPR – NET PROFIT RATIO

DER – DEBT EQUITY RATIO

CTR – CAPITAL TURN OVER RATIO

FATR – FIXED ASSET TURN OVER RATIO

SD – STANDARD DEVIATION

CV – CO - EFFIECENT OF VARIATION

CAGR – COMPOUND ANNUAL GROWTH RATE