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Financial Performance of ONGC Tripura Asset and ONGC India -A Comparative Study

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Tripura is one of the main exertion centres of ONGC in the North-Eastern region. Tripura is the frontal forth belt of the Assam basin situated between the regions of commercial Oil & Gas reserves of upper Assam and the Gas bearing Sylhet region of Bangladesh. The study is based on the ONGC Tripura Asset which is in operation at Agartala. The study aims to analyse the performance and the financial stability of the ONGC Tripura asset, and also compares the performance growth level with the ONGC India. The study is based on three years of data for the financial year 2015-16 to 2017-18. The outcome of the study discusses the financial performance of the organisations resulting from ratio analysis.

Keywords: *Tripura, Financial Performance, ONGC, Comparative Ratio Analysis, organisations.*

Introduction

Organisational decision making necessitates accurate analysis and interpretation of the financial statements. Generally financial statements are prepared for the purpose of periodical review or assessment of progress made by management. Measuring financial performance through financial statements is crucial for taking actions. For every financial expert employed in framing financial statement, there are dozens of people interested in analysing and using such statements, particularly financial statements and income statements. These people include creditors, bankers, investors, executives and the general public. A carefully prepared financial statement should be interpreted in the same way for the valuable results. Along with the rapid growth of accounting, there has been a continuous improvement in the methods used in the analysis of financial statements. These methods usually establish meaningful relationships between the assorted parts of a statement.

Presently ONGC is having 11 Gas fields in Tripura. The ratio of exploration of Gas in Tripura is 2:1 (drilled 164 wells in Tripura and out of which 76 wells are yielding Gas). The Average success ratio of ONGC Tripura is around 7:1. Gas reserves are approximately 32 billion cubic metres. The consumers of Tripura ONGC Assets are: ONGC Tripura Power Company, NEEPCO, MONARCHAK, RAMCHANDRANAGAR, BARAMURA, TNGCL, ROKHIA, CITY GAS, and TNGCL IGC.

Table No. 1: Gas Fields in Tripura

Sl. No.	Gas Fields	Year of Discovery
1	Baramura	1975
2	Gojalia	1982
3	Manikyanagar	1983
4	Konaban	1986
5	Agartala Dome	1987
6	Tichna	2000
7	Sonamura	2004
8	Kunjaban	2007
9	Sundulbari	2007
10	Tutamura	2008
11	Khubal	2009

Source: ONGC Tripura Asset, Annual Report

Literature Review:

Literature review founds that, the author makes both intra firm as well as inter firm comparative analyses by taking five years data of HPCL (Hindustan Petroleum Corporation limited) from 2012 to 2017 and on the financial performance of HPCL with BPCL (Bharat Petroleum Corporation ltd), ESSAR (Essar oil ltd), GAIL (Gas Authority of

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India ltd) and IOC (Indian Oil Corporation). Applying ratio analysis technique the study verifies that HPCL is performing better compare to many other highly performing firms of the same industry. HPCL is incessantly generating its resources both financially as well as in terms of fixed assets etc. It is continuously expanding and taking up several projects which indicating towards the better performance of the entity (Pudi, 2018).

Present study aims to make a comparative analysis on financial performance of Islamic and conventional banks of Pakistan. It is based on convenient sampling technique. Islamic banks (Mezan Bank Ltd, Bank Islamic and Albaraka) and conventional banks (Faysal Bank, KASB and Bank of Khyber) have been selected for the period 2007 to 2009. Using paired sample t-test and ratio analysis the study found that Islamic banks are performing better with high growth and profitability compared to conventional banks. The study also shows that Islamic banks are more liquid over conventional banks and optimally utilising its resources to derive more benefits (Usman & Khan, 2012).

Here the author attempts to analyse merge effect on financial performance of banking and financial institutions in Nepal. As a sample six banks and financial institutions has been considered along with 120 respondents for primary and secondary data respectively. Ratio analysis and t-test has been used to analyse the data. This study found that merger impacts performance certainly when larger and stable parties such as commercial banks act as bidders as opposed to the merger between smaller banking and financial institutions, mainly other than commercial banks as bidder. The loan quality extensively deteriorates after merger in most of the cases and profitability measured in terms of ROA and ROE is adversely affected. Therefore, the study concluded that merger should not be considered as the definite way out to overcome the market challenges (Shrestha, Thapa & Phuyal, 2017).

The author here examined financial statement analysis in Tamil Nadu Newsprint and Papers ltd to comprehend the liquidity position, for that financial statements of last five years from 2012-2017 has been considered. Using ratio analysis as a tool, common size balance sheet and comparative balance sheet the study found that the performance of the company is positively increasing every year. Sales turnover is also showing rising trend along with good reserve and reputation. The study is giving positive indications about the mentioned concern but at the same time emphasis given on efficient and effective management to reach the new height (Sassikala, 2018). Similar type of study has been done by the author on financial performance of sugar industry at Ammundi, Vellore. Period undertaken for the study is 2013-2017. Using ratio analysis as technique the study shows that company's financial performance over the year is positive. It also indicates towards profitability and good liquidity position of the concern, which is very important for decision making for future growth (Srinivasan, 2018).

Objective of the Study

- To make a comparative analysis of ONGC Tripura Asset with ONGC India based on financial performances.

Methodology

The study is descriptive in nature mainly based on secondary data, related to financial aspects of ONGC Tripura Asset and ONGC India. The data has been collected from published and unpublished sources on the subject from the office of ONGC Tripura Asset, journals, articles, related books, and financial report of the company. Period undertaken for the study is 2015-16 to 2017-18. For the purpose of analysis of collected data and to reach meaningful inferences in line with the stated objective, ratio analysis (mathematical) technique has been used. Different visual presentation techniques such as bar chart, line chart, and column chart have also been used in order to accompany the interpretation of the study.

Data Analysis & Interpretation

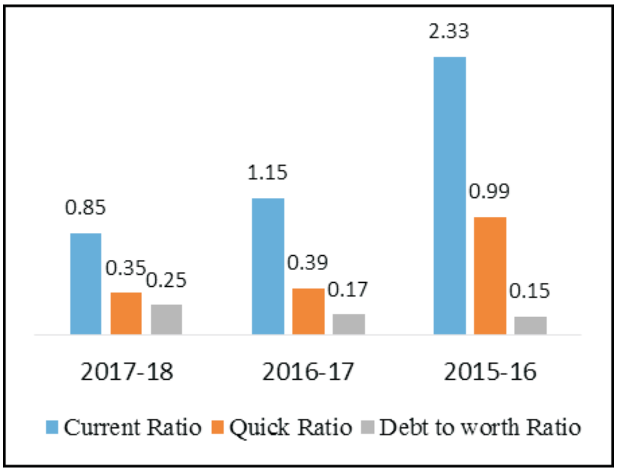
The study has been analysed based on the financial performance of ONGC Tripura Asset and ONGC India. Different ratios such as efficiency, liquidity, profitability and solvency have been used to evaluate various aspects of company's operational and financial performances to draw correct interpretation.

Table No. 2: Liquidity Ratio

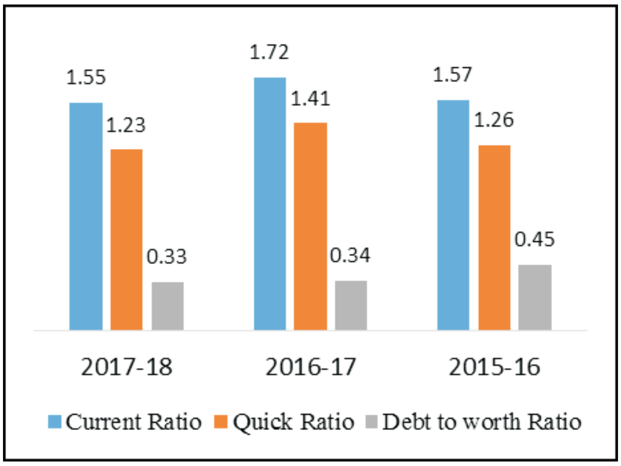
	ONGC Tripura Asset			ONGC India		
	2017-18	2016-17	2015-16	2017-18	2016-17	2015-16
Current Ratio	0.85	1.15	2.33	1.55	1.72	1.57
Quick Ratio	0.35	0.39	0.99	1.23	1.41	1.26
Debt to Worth Ratio	0.25	0.17	0.15	0.33	0.34	0.45

Source: Calculated (based on data from ONGC Tripura Asset & www.moneycontrol.com)

Graph 1: Liquidity Ratio of ONGC Tripura Assets



Graph 2: Liquidity Ratio of ONGC India



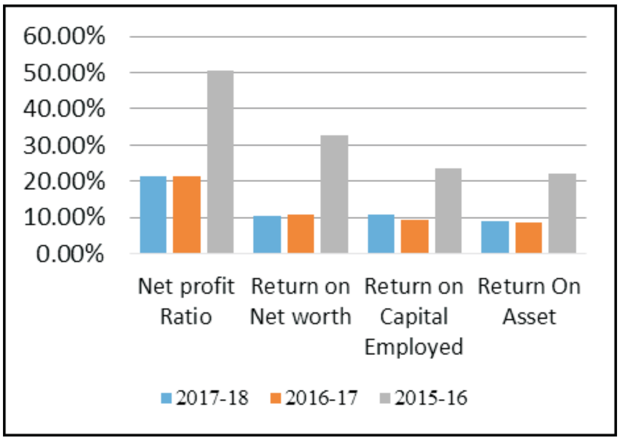
Generally, a higher liquidity index indicates that a company is more liquid and has better coverage of outstanding debts. On the other hand higher current ratio leads to greater volume of current assets more than the specified norm denotes that the firm possess excessive current assets than the required, depicts idle funds invested in the current assets.Comparing ONGC Tripura asset and ONGC India the flow of current ratio of Tripura asset shows decreasing trend, which is not at all good sign for the company. Similarly quick ratio also shows negative trend. It may also considered that the liquid assets of the company in Tripura cannot be easily translated into cash to meet out the urgent financial commitments, whereas the debt worth ratio indicates that the debt amount of Tripura asset was increased but in very less volume. So the study indicates that ONGC India is in a good position compare to ONGC Tripura Asset also there is stable deviation in the liquid ratios of ONGC India compare to ONGC Tripura Asset.

Table No. 3 Profitability Ratio

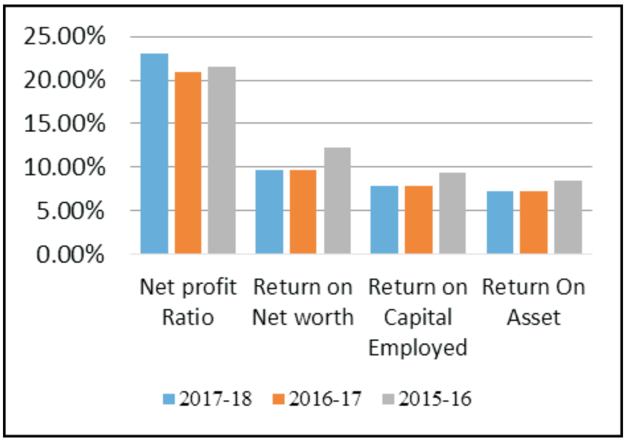
	ONGC Tripura Asset			ONGC India		
ONGC Tripura Asset	2017-18	2016-17	2015-16	2017-18	2016-17	2015-16
Net profit Ratio	21.32%	21.26%	50.74%	23.04%	20.97%	21.59%
Return on Net worth	10.46%	10.76%	32.73%	9.70%	9.74%	12.26%
Return on Capital Employed	10.88%	9.20%	23.48%	7.85%	7.91%	9.39%
Return On Asset	9.13%	8.44%	22.12%	7.24%	7.27%	8.52%

Source: Calculated (based on data from ONGC Tripura Asset & www.moneycontrol.com)

Graph 3: Profitability Ratio of ONGC Tripura Asset



Graph 4: Profitability Ratio of ONGC India



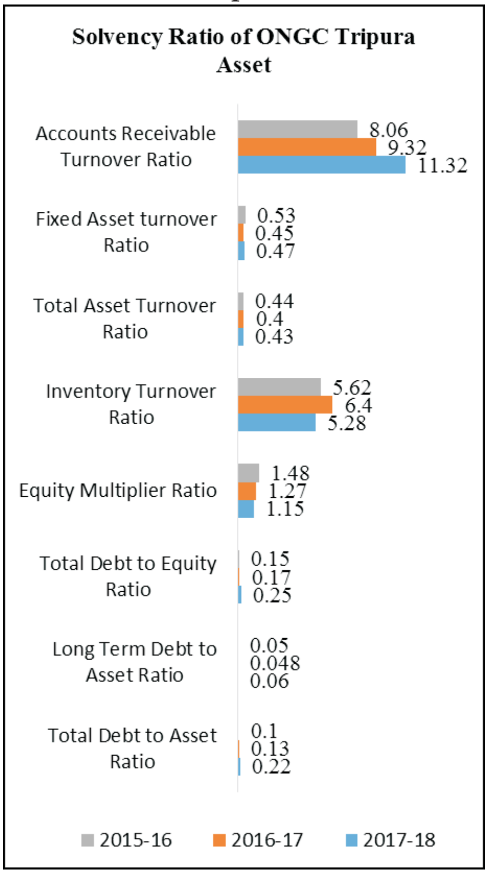
The analysis of profitability index is to measure the company's performance. The profitability of the company is very important for stakeholders. Table 2 portrait that net profit margin of the companies declines from 2015-16 to 2017-18 in a huge percentage, which indicate that the company overall performance was not up to the mark. The return on net worth ratio also decreases which implies the inappropriate utilization of the shareholder fund for earning profit. Similarly the return on capital employed and return on asset of the Tripura asset was also decreases, which directly affects the net profit of the company. But at the same time the study may draw one significant observation from the above analysis of Return on capital employed is that in Tripura it is quite more than all India's performance of the company, which depicts that in the state of Tripura either less capital is invested which yields high return or company efficiently using its capital. In other words, the ratio measures how well a company is generating profits from its capital.
Based on the analysis of mentioned profitability ratios (i.e.Net profit ratio, Return on net worth, return on capital employed and return on asset), the study indicates that in both the cases of ONGC India & ONGC Tripura asset the overall profitability ratio's decline during 2015-16 to 2017-18 in large volume. But the performance of ONGC Tripura Asset is comparatively better to ONGC India, which is a good indicator.

Table No.4: Solvency Ratio

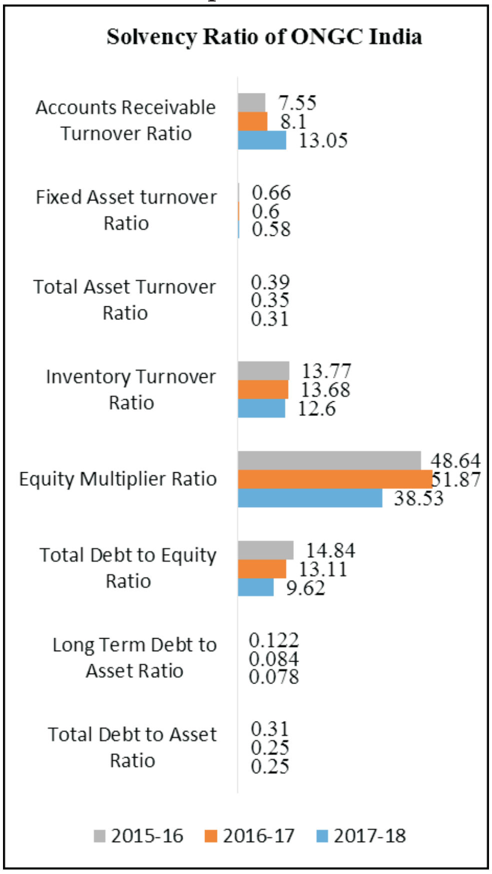
	ONGC Tripura Asset			ONGC India		
ONGC Tripura Asset	2017-18	2016-17	2015-16	2017-18	2016-17	2015-16
Total Debt to Asset Ratio	0.22	0.13	0.1	0.25	0.25	0.31
Long Term Debt to Asset Ratio	0.06	0.048	0.05	0.078	0.084	0.122
Total Debt to Equity Ratio	0.25	0.17	0.15	9.62	13.11	14.84
Equity Multiplier Ratio	1.15	1.27	1.48	38.53	51.87	48.64
Inventory Turnover Ratio	5.28	6.4	5.62	12.6	13.68	13.77
Total Asset Turnover Ratio	0.43	0.4	0.44	0.31	0.35	0.39
Fixed Asset turnover Ratio	0.47	0.45	0.53	0.58	0.6	0.66
Accounts Receivable Turnover Ratio	11.32	9.32	8.06	13.05	8.1	7.55

Source: Calculated (based on data from ONGC Tripura Asset & www.moneycontrol.com)

Graph 5



Graph 6



The solvency ratio is a key measure used to measure a company's ability to meet its debt and other obligations. The analysis of the different solvency ratio like debt to asset ratio, long term debt to asset ratio, and the total debt to equity ratio indicates that the company increases every year their debt amount but in less volume in case of ONGC Tripura Asset, which ultimately increases the operational risk of the company, also may effects the profit level. But on the other hand after analyzing the equity multiplier ratio, it shows that the company (Tripura asset) has less dependence on debt financing for creation of assets. Relating to inventory turnover ratio it is found that changes are minor and close to each other, which indicates that management system for the inventory of the company is good that's why the inventory turnover took place very frequently. Finally, debtors turnover ratio, shows that in every financial year the collection of money from debtors is prompt (2017-18= 11.32 times, in 2016-17=9.32 times 2015-16=8.06 times) similarly in case of ONGC India too indicates that the solvency position of the company is good.

Conclusion

The Oil and Natural Gas Corporation (ONGC) limited is well known and highly profitable PSU based company in the country. It is known for its hard work and unique ideas. ONGC has efficient man power and provides good facilities to its stakeholders. Although the overall performance of ONGC Tripura asset can be considered as satisfactory, but during the study it is found that ONGC Tripura asset slow down its performance in current years. So it is needed to upgrade level of performance, competence to reach the new height.

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