Financial Statement Analysis of ONGC Ltd.

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ABSTRACT : *This study is conducted purely based on secondary data obtained through website of the specified private banks. By using the ratio analysis tool we can analyse the performance of ONGC Ltd and we can easily find out the strength and weakness of the company and their position in the market. Different ratios are used in this study and particularly those which are related to the financial statement for this purpose balance sheet of 2010-2013 of ONGC Ltd. are used and from them ratios are calculated so according to which we can easily compare the performance.*

KEYWORDS: *Balance sheet, Companies, Ratio analysis.*

I. INTRODUCTION

Ratio analysis is such a significant technique for financial analysis. It indicates relation of two mathematical expressions and the relationship between two or more things. Financial ratio is a ratio of selected values on an enterprise's financial statement. There are many standard ratios used to evaluate the overall financial condition of a corporation or other organization. Financial ratios are used by managers within a firm, by current and potential stockholders of a firm, and by a firm's creditor. Financial analysts use financial ratios to compare the strengths and weaknesses in various companies.

Essence of ratio analysis: Financial ratio analysis helps us to understand how profitable a business is, if it has enough money to pay debts and we can even tell whether its shareholders could be happy or not.
Financial ratios allow for comparisons:
[1] between companies
[2] between industries
[3] between different time periods for one company
[4] between a single company and its industry average

To evaluate the performance of one firm, its current ratios will be compared with its past ratios. When financial ratios over a period of time are compared, it is called time series or trend analysis. It gives an indication of changes and reflects whether the firm's financial performance has improved or deteriorated or remained the same over that period of time. It is not the simply changes that has to be determined, but more importantly it must be recognized that why those ratios have changed. Because those changes might be result of changes in the accounting polices without material change in the firm's performances.Another method is to compare ratios of one firm with another firm in the same industry at the same point in time. This comparison is known as the cross sectional analysis. It might be more useful to select some competitors which have similar operations and compare their ratios with the firm's. This comparison shows the relative financial position and performance of the firm. Since it is so easy to find the financial statements of similar firms through publications or Medias this type of analysis can be performed so easily. To determine the financial condition and performance of a firm, its ratios may be compared with average ratios of the industry to which the firm belongs. This method is known as the industry analysis that helps to ascertain the financial standing and capability of the firm in the industry to which it belongs. Industry ratios are important standards in view of the fact that each industry has its own characteristics, which influence the financial and operating relationships. But there are certain practical difficulties for this method. First finding average ratios for the industries is such a headache and difficult. Second, industries include companies of weak and strong so the averages include them also. Sometimes spread may be so wide that the average may be little utility. Third, the average may be meaningless and the comparison not possible if the firms with in the same industry widely differ in their accounting policies and practices. However if it can be standardized and extremely strong and extremely weak firms be eliminated then the industry ratios will be very useful.

Objectives of the study
[1] To study the financial performance of ONGC Ltd.
[2] To compare the financial performance of ONGC Ltd.

II. RESEARCH METHODOLOGY

In this present study, an attempt has been made to evaluate and compare the financial performance of ONGC Ltd and both of the companies are related with the private sector. The study is based on secondary data and the details are collected through websites, magazines and journals. The time period of study is four years 2010 to 2013. Ratio analysis was applied to analyse the performance of these companies.
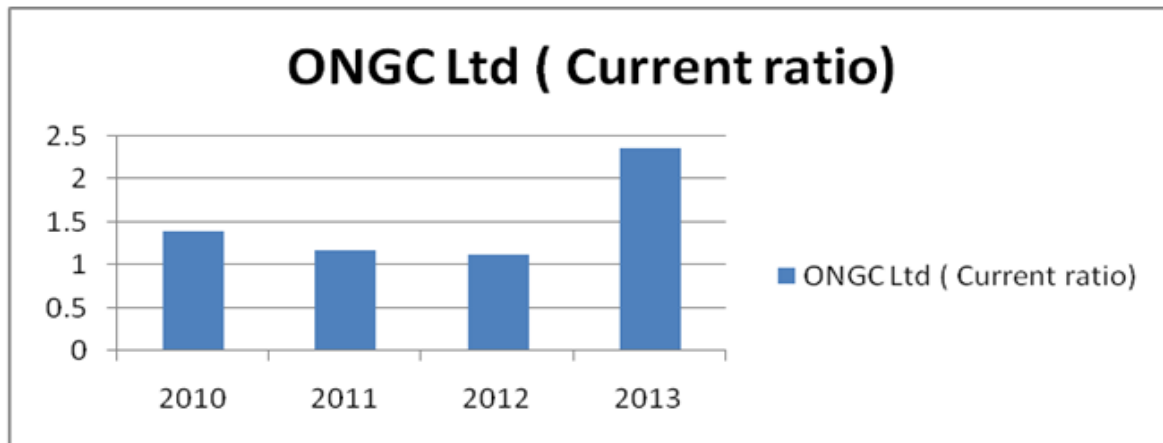
Following Ratios are used for this Study.
[1] Current Ratio.
[2] Debt equity ratio.
[3] Inventory turnover ratio.
[4] Fixed asset turnover ratio.
[5] Net operating profit per share.
[6] Return on capital employed.
[7] Dividend payout ratio.
[8] Earnings per share.

DATA ANLYSIS

Current ratio

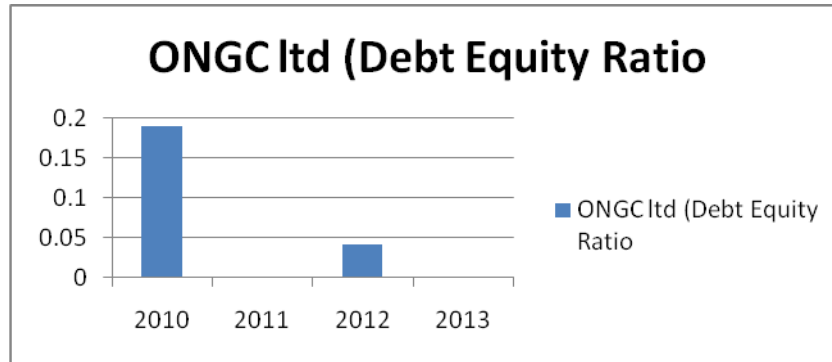| Particulars	2010	2011	2012	2013
ONGC Ltd.	1.39	1.17	1.13	2.37

Source : Dion Global Solutions Limited

From the above graph and table it is clear that Current ratio of ONGC Ltd decreasing in 2011 and 2012 but it increased more than double from 2012 in year 2013. It indicates the company's ability to meet the short term debts.

Debt Equity ratio.

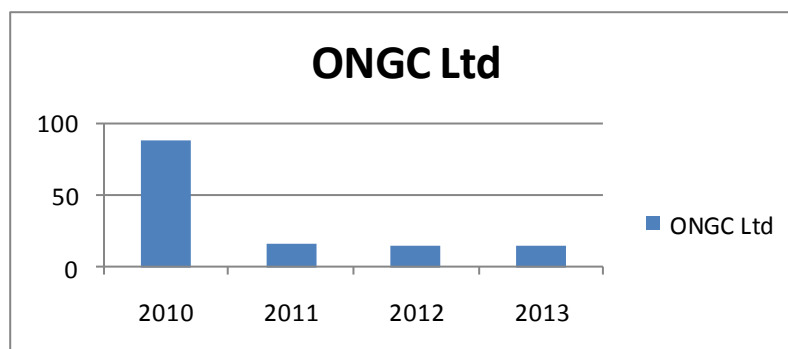| Particulars	2010	2011	2012	2013
ONGC Ltd.	0.19	-------	0.04	------------

Source: Dion Global Solutions Limited

From the above table it is clear that the debt equity ratio of ONGC Ltd goes downward from 2010 to 2011. Again it is increased in 2012 and decreased in 2013. Debt-to-equity ratio (D/E) indicating the relative proportion of shareholders' equity and debt used to finance a company's assets.

Inventory Turnover ratio.

Particulars	2010	2011	2012	2013
ONGC Ltd.	87.82	16.59	14.81	14.55

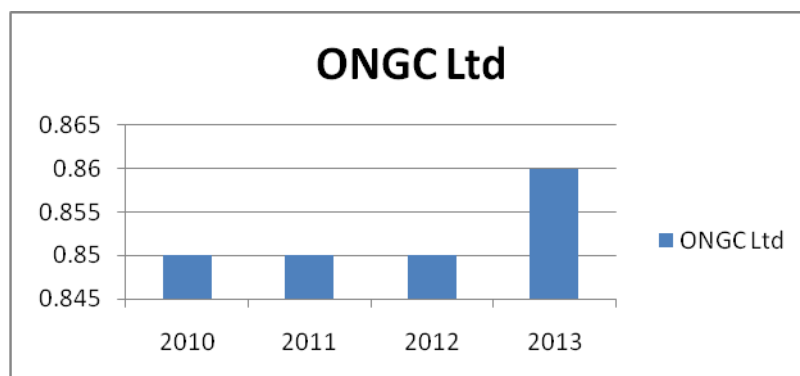Source: Dion Global Solutions Limited

From the above graph and table it is clear that Inventory turnover ratio of ONGC Ltd is high in 2010. It shows the company's efficiency in turning its inventory into sales. A low turnover rate indicates poor liquidity.

Fixed asset turnover ratio.

Particulars	2010	2011	2012	2013
ONGC Ltd.	.85	.85	.85	.86

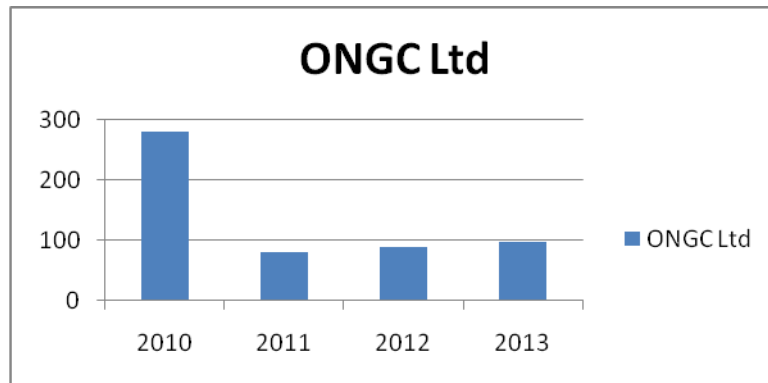Source: Dion Global Solutions Limited

From the above table and graph it is clear that the ratio of ONGC Ltd were same in the year 2010, 2011 and 2012.

Net operating profit per share.

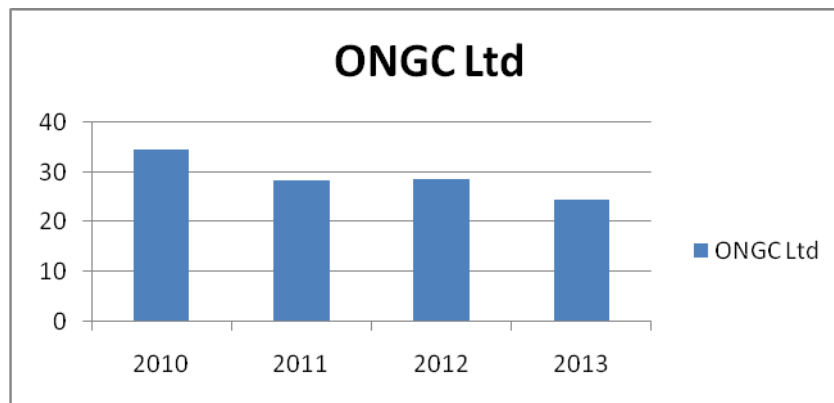| Particulars	2010	2011	2012	2013
ONGC Ltd.	281.70	79.88	89.43	97.02

Source: Dion Global Solutions Limited

From the above table and graph it is clear that net operating profit per share of ONGC Ltd is good in 2010.

Return on capital employed

Particulars	2010	2011	2012	2013
ONGC Ltd.	34.54	28.38	28.56	24.60

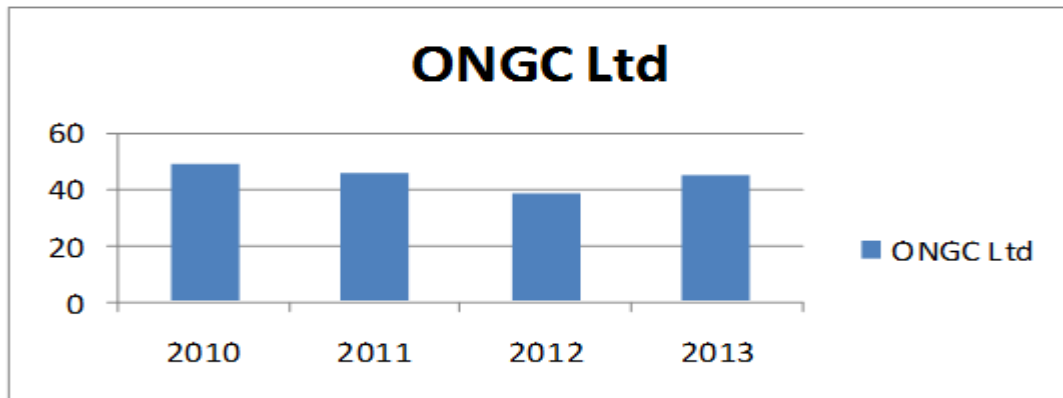Source: Dion Global Solutions Limited

From the above table and graph we are able to tell that ONGC Ltd return on investment is better in 2010

Dividend payout ratio net profit.

Particulars	2010	2011	2012	2013
ONGC Ltd.	49.02	45.98	38.49	45.05

Source: Dion Global Solutions Limited

This ratio identifies the percentage of earnings (net income) per common share allocated to paying cash dividends to shareholders. From the above table it is clear that Dividend payout ratio of ONGC Ltd were high in 2010 and 2011.

Earnings per share.

Particulars	2010	2011	2012	2013
ONGC Ltd.	78.39	22.12	29.36	24.46

Source: Dion Global Solutions Limited
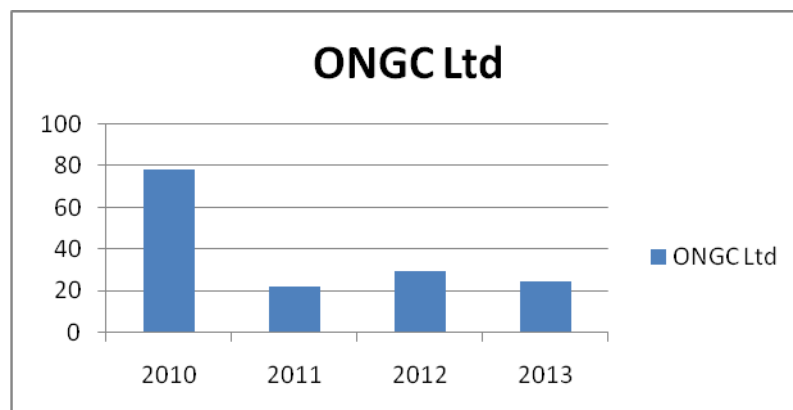
From the above table and graph it is clear that an earnings per share of ONGC Ltd was better in 2010.

III. CONCLUSION

After analysing the above ratio it is clear that the position of ONGC Ltd is better in 2010. In above 8 ratios which we see through graph and table it is shown that in 6 ratios of ONGC Ltd company is performing better in 2010 while in other years position according to the ratios was not so good.

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