A PRAGMATIC FINANCIAL PERFORMANCE ANALYSIS OF HINDUSTAN PETROLEUM CORPORATION LIMITED

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Abstract

The Oil and gas sectors play an active role in the political and economic scenario of the globe. India stands fourth place in oil and petroleum consumption and import after United Sates, China and Japan. India is taking effective and efficient steps to develop its various renewable energy sources (EIA June 2014). The financial performance is the blue print of the financial affairs of a business concern. And, it reveals how a business has prospered under the leadership of its management. The survey of various review of literature indicates that, many studies have been conducted to analysis of financial performance of petroleum industry. This study is based on secondary data. Researcher has taken the data of fifteen years from 2000- 01 to 2014-15 for the analysis of financial performance of Hindustan Petroleum Corporation Limited Since 2000.The main emphasis in this study has been given to evaluate the financial performance of Hindustan Petroleum Corporation Limited with respect to measure the impact of liquidity, solvency and efficiency ratio on return on capital employed. In this study, researcher analysis the impact of liquidity, solvency and efficiency ratio on return on investment. Moreover, for testing the hypotheses of the study researcher run multiple regression analysis on SPSS.

Keywords: Financial Performance, Multiple Regression Analysis

Introduction

The Oil and gas sectors play an active role in the political and economic scenario of the globe. It caters 60% of the world's energy needs. World's primary energy demand is met by crude oil, coal, natural gas, nuclear energy and hydroelectricity contributing 38%, 29%, 25%, 2% and 6% respectively and 1% is coming from solar, wind, wood, wave, tidal and geothermal sources. India stands fourth place in oil and petroleum consumption and import after United Sates, China and Japan. India is taking effective and efficient steps to develop its various renewable energy sources (EIA June 2014). It is estimated that oil and natural gas occupy the first and second positions respectively and it will be the world's top two energy resource by 2040. Global demand for natural gas will be more than

60 per cent of level and it will be the fastest growing major fuel source over this period. The incremental demand for oil and natural gas is expected from developing countries like India and China where oil consumption is expected to grow at the rate of 3.8 percent and 2.4 percent respectively. Hence an attempt has been made to study the financial health of selected oil and natural gas companies in India.

Financial Performance: Concept

The financial performance is the blue print of the financial affairs of a business concern. And, it reveals how a business has prospered under the leadership of its management. It shows that the act of performing the financial activity of the organization. In other words, we can say that the financial objective of the firm has been achieved or not. In broader sense, it is a process of measuring the result of a firm's policies and operations in a monetary term. The financial performance is also useful for the measurement of the overall financial health of the organization over a given period of time. This technique is also play a vital role for the comparison with other industry. Therefore, financial statements are significant analytical tools for the manager of the business. Moreover, the finance is the base for every business activities. Hence, it is essential to analyze the financial performance of the company with their financial statement.

In my opinion, **"Finance is the Oxygen for the business. As life is not possible on the Earth without Oxygen, same as business could not survive without the finance". Hindustan Petroleum Corporation Limited: A Profile**

The birth name of Hindustan Petroleum Corporation Limited was known as Standard Vacuum Refining Company of India Limited as on July 5th, 1952. After spent a decade of their progress the company name was changed to ESSO Standard Refining Company of India Limited in 31st March, 1962. In the year 1974, the Hindustan Petroleum Corporation Limited comes into being after the takeover and merger of erstwhile ESSO Standard and Lube India Limited.Whereas, the Caltex Oil Refining India Ltd was taken over by Government of India in 1976 and Kosan Gas Company, was the concessionaries of HPCL in the domestic LPG market, were merged with Hindustan Petroleum Corporation Limited in the year 1978 and 1979 respectively. The Hindustan Petroleum Corporation Limited is a Government of India Enterprise with a Navratna Status**,** and a Forbes 2000 and Global Fortune 500 company**.** It had originally been incorporated as a company under the Indian Companies Act 1913. It is listed on the Bombay Stock Exchange and National Stock Exchange India.The Hindustan Petroleum Corporation Limited has an annual sales / income from operations of Rs2,17,061.11Crores during FY 2014-15, having about 20% Marketing share in India among PSUs and a strong market infrastructure.

Review of Literature

A research paper authored by **M. Yameen and I. Ahmad** (2015) entitled, "Impact of Corporate Governance Practices on Financial Performance of Hindustan Petroleum Corporation Limited". They have tested the role corporate governance practices for the improvement of the operating performance, financial efficiency and shareholder's wealth in the organization. And, also found that that the corporate governance has positive impact on the overall financial performance of Hindustan Petroleum Corporation Limited.

A research paper inscribed by **Artta Bandhu Jena** (2015) entitled, "Profitability Analysis: A Study of Hindustan Petroleum Corporation Limited". In his study, he has focused on to analysis of the profitability position, financial system, profit margin and expenses ratio. He has found that the overall profitability position is good and suggested that HPCL is required good strategies for maintaining the profitability in future. In specific, the researcher has covered the Petroleum Industry of India in related with the financial performance of the petroleum industry.

An article authored by **Harvinder Singh and Praveen Kumar** (2014) entitled, "Capital Structure Analysis of Oil Industry-An Empirical Study of HPCL, IOCL & BPCL". The researchers in the study mainly focus on capital structure and to examine the performance of debt and equity among the same companies. Various ratios have been used to analysis the capital structure like debt equity ratio, proprietary ratio, solvency ratio, fixed interest coverage ratio, and financial leverage ratio. The researchers have found that these companies are performing well and suggested to raise capital with the help of debt capital rather than share capital because these companies having high rate of earning and reserves as compared to rate of interest . For the same study, these can maximize the shareholders wealth.

An article authored by **Pratik P. Valand** (2014) entitled, "The challenges and Future Prospects of India's Petroleum Product Refineries". In his research study, he has mainly focus on key challenges of petroleum industry in India. A research paper inked by **Muhammad Taqi** (2013) entitled, Financial Appraisal and Analysis of Minerals and Metals Trading Corporation (MMTC).In his study, he has measure the financial performance with the help of liquidity ratios, profitability ratios and activity ratios. In the liquidity ratios, researcher has taken current ratio, liquid ratio, cash position ratio and working capital turnover ratio. In the field of profitability ratios, he has focused on gross profit ratio, operating profit ratio, net profit ratio, return on shareholders' fund and return on capital employed. Moreover, in the case of activity ratios, current study covers inventory turnover ratio, debtors turnover ratio, fixed assets turnover ratio, total assets turnover ratio. In order to analysis the financial performance of MMTC researcher has used various statistical tools i.e. student t test and spearman's rank correlation test. The normality of the data has been checked through descriptive statistics. On the other hand the one sample t test has been applied to check the significant difference in various financial ratios of MMTC with the help of SPSS 20. And, growth in various ratios is judged through one sample t test at 95% degree of significant.

An article authored by **Sugandharaj Kulkarni** (2011) entitled, "A Study on fundamental Analysis of ONGC" the present study examined the economic factors which directly or indirectly affect the performance of ONGC. According to his study fundamental means economic health of a company. The fundamental analysis has done into deep rather than day to day movement in its share price. Those who are equity investors, they are interested to know about the intrinsic value of a company stock. As per the study a logical and systematic approach to estimate the future profits and company performance depends not only on its own efforts but also on the industry and economic factors.

Research Gap

From the above review of empirical works, it is clear that the researcher has approached the various aspects of analysis of financial performance. The survey of various review of literature indicates that, many studies have been conducted to analysis the financial performance of petroleum industry. But, researcher couldn't came to across to evaluate the financial performance of Hindustan Petroleum Corporation Limited with respect to measure the impact of liquidity, solvency and efficiency ratio on return on capital employed. Therefore, to cover the gap in the earlier studies, the present is undertaken to give an insight into the financial performance of Hindustan Petroleum Corporation Limited by attempting to offer a detailed examination of the profitability, liquidity, solvency and efficiency and, identifying the relationship between liquidity, solvency and efficiency with profitability in this study.

Objectives of the Study

1. To evaluate the financial performance of Hindustan Petroleum Corporation Limited in respect of liquidity, Solvency, Efficiency and Profitability.
2. To measure the impact of Liquidity, Solvency and Efficiency on Return on Investment.

Hypotheses of Study

In order to measure the impact of Liquidity, Solvency and Efficiency on Return on Investment of the Hindustan Petroleum Corporation Limited the following hypotheses have been formulated:

Ho1: There is no significant impact of Current Ratio on ROCE.

Ho2: There is no significant impact of Liquid Ratio on ROCE.

Ho3: There is no significant impact of Debt Equity Ratio on ROCE.

Ho4: There is no significant impact of Long Term Debt Equity Ratio on ROCE.

Ho5: There is no significant impact of Interest Coverage Ratio on ROCE.

Ho6: There is no significant impact of Inventory Turnover Ratio on ROCE.

Ho7: There is no significant impact of Debtors Turnover Ratio on ROCE.

Methodology of the Study

This study is based on secondary data. Researcher has taken the data of fifteen years from 2000-01 to 2014-15 for the analysis of financial performance of Hindustan Petroleum Corporation Limited Since 2000. The non-financial data has been excluded in this study. Researcher has personally collected the data from the various sources like published annual reports of the Hindustan Petroleum Corporation Limited since 2000 from its websites. In this study, researcher used multiple regression analysis for the testing of the hypotheses.In order to measure the impact of liquidity, solvency and efficiency on return on investment. The researcher has taken return on capital employed as a dependent variable under return on investment. The independent variable in liquidity, solvency and efficiency ratios are selected as current ratio, quick ratio, debt-equity ratio, long term debt equity ratio, interest coverage ratio, debtor turnover ratio, inventory turnover ratio respectively on the basis of previous studies. Moreover, the researcher has tested the hypotheses with the help of multiple regression analysis on SPSS.

Liquidity Ratio: The liquidity refers to the ability of a business concern to meet its current obligations without any delay.

Current Ratio: It is calculated by dividing the current assets by current liabilities. It measures the short term financial condition of the firm. The ratio of 2 to 1 is considered satisfactory for the organization.

Current Ratio = Current Assets / Current Liabilities

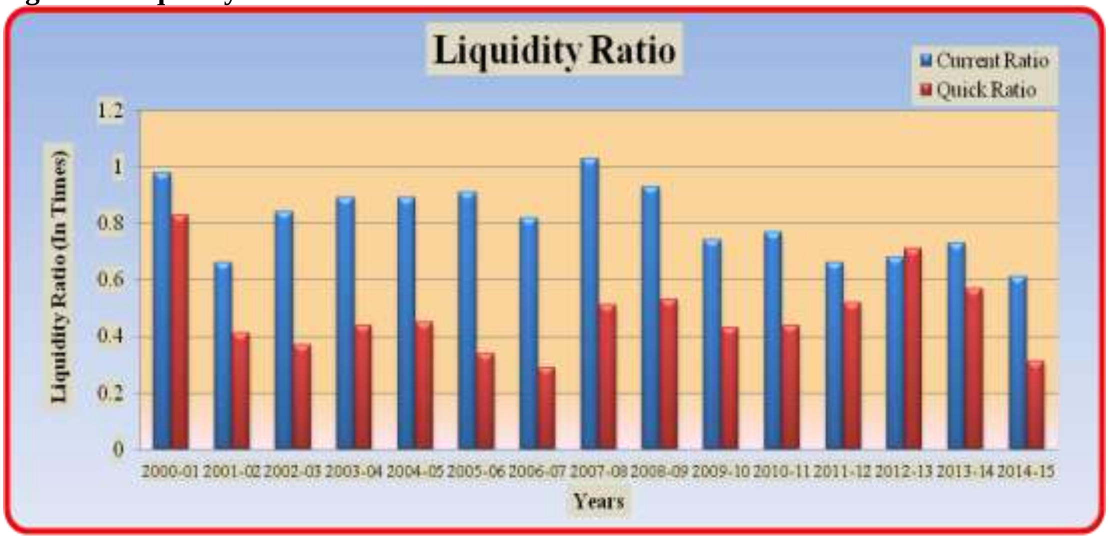
Quick Ratio: The quick ratio indicates the relationship between liquid assets and current liabilities. An asset is liquid if it can be converted into cash immediately. Generally, a quick ratio of 1 to 1 is considered to represent a satisfactory current financial condition. Quick Ratio = Current Assets – (Stock + Prepaid Expenses) / Current Liabilities

Table 1: Liquidity Ratio (In Times)

Year	Current Ratio	Quick Ratio
2000-01	0.98	0.83
2001-02	0.66	0.41
2002-03	0.84	0.37
2003-04	0.89	0.44
2004-05	0.89	0.45
2005-06	0.91	0.34
2006-07	0.82	0.29
2007-08	1.03	0.51
2008-09	0.93	0.53
2009-10	0.74	0.43
2010-11	0.77	0.44
2011-12	0.66	0.52
2012-13	0.68	0.71
2013-14	0.73	0.57
2014-15	0.61	0.31

Annual Reports of HPCL from 2000-01 to 2014-15

Figure 1: Liquidity Ratio



Source: Drawn from Table 1

Analysis

The table no. 1 shows that the current ratio of the company is below the standard norms of the current account ratio i.e. 2:1 and quick ratio i.e. 1:1. In the year 2007-08, the current ratio is recorded highest during the study period i.e. 1.03 and 0.61 is lowest in the year 2014-15. On the other hand in terms of quick ratio the maximum and minimum is 0.83 and 0.29 in the year 2000-01 and 2006-07 respectively. With the help of analysis researcher has found that the liquidity position of the HPCL is not meeting with the standard norms of the liquidity ratio. The figure 1 displays the graph of the current ratio and quick ratio from 2000-01 to 2014-15. On the X-axis the value of ratios are plotted and on the Y-axis. Moreover, the figure indicates the actual position of the current and liquid ratio.

Solvency Ratio: The word "solvency" refers to the ability of a concern to meet its long term debts or obligations.

Debt-Equity Ratio: The debt-equity ratio indicates what proportion of debt and equity is using to finance its assets. The debt-equity ratio is also known as external to internal equity ratio. Debt-Equity Ratio = Debt / Equity

Interest Coverage Ratio: This ratio measures the firms' ability to make contractual interest payments. It defines the relationship between operating profit or earnings before interest and taxes to fixed interest charges on loan (Khan and Jain 2005). Interest Coverage Ratio = EBIT / Interest Charges

Long term Debt-Equity Ratio: It indicates the relationship between long term debt to equity. Long term Debt-Equity Ratio = Long term Debt / Equity

Table 2: Solvency Ratio (In Times)

Year	DER	LTDER	ICR
2000-01	0.55	0.24	0.45
2001-02	0.54	0.21	5.21
2002-03	0.2	0.09	16.38
2003-04	0.22	0.05	51.62
2004-05	0.26	0.02	20.69
2005-06	0.76	0.51	2.67
2006-07	1.1	0.9	5.43
2007-08	1.59	1.19	2.15
2008-09	2.12	1.79	1.53
2009-10	1.84	1.02	3.61
2010-11	1.99	1.1	3.37
2011-12	2.09	0.48	1.55
2012-13	2.36	0.65	1.67
2013-14	2.13	1.04	3
2014-15	1.06	0.93	6.87

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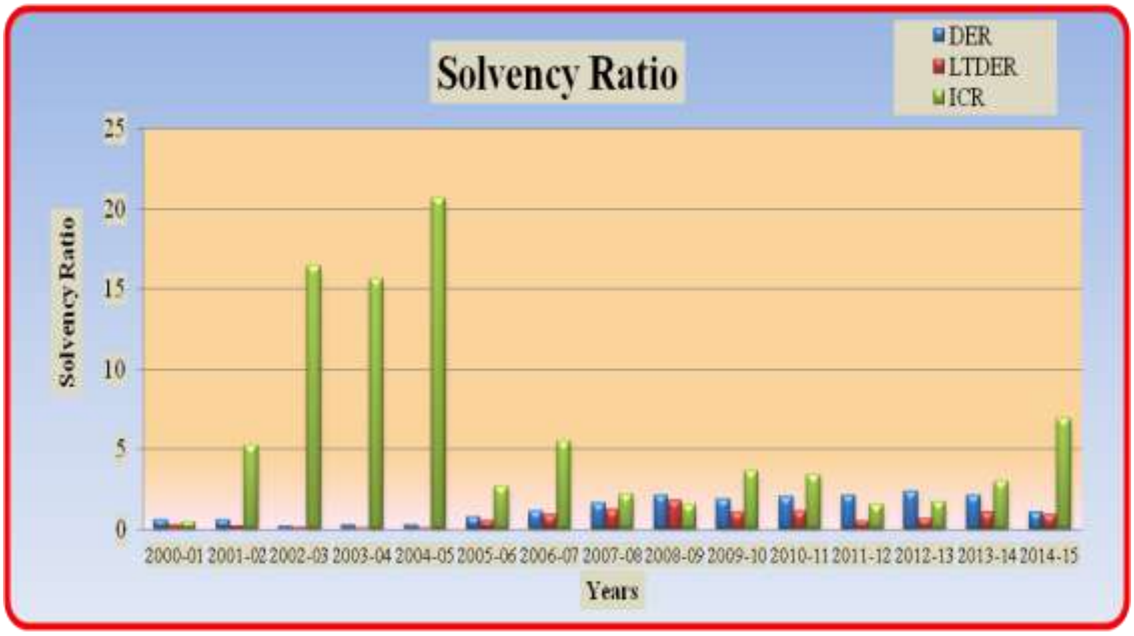
Analysis

The table no. 2 reveals that the debt-equity ratio recorded highest in the year 2012-13 i.e. 2.36 and lowest is found in the year 2002-03. Moreover, on the basis of research data researcher found after 2006-07 the debt-equity ratio remains above the 1 to 1 ratio. The increasing trend of debt-equity ratio shows that the company is using more debt in the business with some fluctuations.On the other hand, in the case of long term debt equity ratio remains below 2 in times. The highest ratio was recorded in 2008-09 i.e. 1.79. But, in the year 2004-05 the long term debt equity ratio was very low. Which indicates the less used of long term in the business.Moreover, in the case of interest coverage ratio high ratio is considered beneficial for the long term creditors. The ICR was very high in the year 2003-04 i.e. 51.62. It shows a very high interest of payment is made to lenders. Higher ratio attracts more outsider funds. But, in the year 2000-01 the ICR was very low i.e.0.45. Meanwhile, after 2004-05 researcher found that the ICR in very fluctuating mood.

The figure 2 display the graph of the debt-equity ratio, long term debt-equity ratio and interest coverage ratio from 2000-01 to 2014-15. On the X-axis the value of ratios are plotted and on the Y-axis years are shown.

Figure 2: Solvency Ratio



Source: Drawn from Table 2

Efficiency Ratio: Funds are invested in many assets in a business to make sales and generate profits. And, the efficiency of an assets are managed directly affect the volume of sales. The greater the amount of sale and profit indicates the better management of assets.

Inventory Turnover Ratio: The inventory turnover ratio shows the efficiency of the firm in order to production of the firm and selling of its product. It indicates the relationship between costs of goods sold and average inventory. Moreover, a high inventory turnover ratio indicates good inventory management.

Inventory Turnover Ratio = Costs of Goods Sold / Average Inventory

Debtors Turnover Ratio: A firm sells their goods and services for cash as well as credit. Basically, to sell goods and services in credit is a kind of marketing tools in the hands of the companies.

Debtor Turnover Ratio = Credit Sales / Average Debtors

Investment Turnover Ratio: It defines how efficiently a company is using their debt and equity to generate revenues. Higher the ratio indicates more efficient the company. The company can raise capital in ways one is to issue shares and borrow money from creditors. Debt includes both long as well as short term securities.

Investment Turnover Ratio = Revenues / Equity + Debt

Fixed Assets Turnover Ratio: It is an activity ratio that explain how an efficient manner a company using their fixed assets in generating revenues.

Fixed Assets Turnover Ratio = Net Revenue / Average Fixed Assets

Total Assets Turnover Ratio: The total asset turnover ratio evaluates the capability of a firm to use their assets to smoothly generate sales.

Total Assets Turnover Ratio = Net Sales / Total Assets

Assets Turnover Ratio: It defines the value of a company's sales generated relative to the value of its assets. The asset turnover ratio often used as an indicator of the efficiency with which a company is deploying its assets in generating revenue. Assets Turnover Ratio = Sales / Total Assets

Table 3: Efficiency Ratios (In Times)

Year	ITR	DTR	IVR	FATR	TATR	ATR
2000-01	11.63	76.57	12.93	7.08	4.44	4.77
2001-02	11.05	59.04	12.67	5.98	4.39	4.16
2002-03	9.56	59.11	10.84	7.17	6.05	5.69
2003-04	9.58	55.31	10.95	7.44	5.46	5.89
2004-05	10.63	58.73	11.84	8.15	5.68	6
2005-06	9.18	58.53	10.14	8.23	4.65	5.49
2006-07	11.14	60.42	12.31	7.92	4.47	5.05
2007-08	9.47	63.44	9.47	5.35	3.83	4.4
2008-09	15.31	63.23	15.31	6.22	3.74	4.11
2009-10	9.28	45.87	9.28	4.32	3.28	3.23
2010-11	8.68	52.33	8.68	4.53	3.57	3.78
2011-12	9.17	57.35	9.17	5.37	4.4	4.56
2012-13	12.58	48.64	12.58	5.63	4.49	4.76
2013-14	12.38	42.93	12.38	5.29	4.77	4.79
2014-15	16.75	45.57	16.75	4.33	6.29	5.16

Annual Reports of HPCL from 2000-01 to 2014-15

Figure 3: Efficiency Ratio

Source: Drawn from Table 3

Analysis

The efficiency ratios estimated that how effectively a firm is using its assets. In the case of ITR, a high inventory turnover ratio indicates good inventory management. The ITR is maximum in the year of 2014-15 i.e. 16.75. The ITR is lowest in the year of 2010-11 i.e. 8.68. Regarding IVR researcher found fluctuating trends in the ratio. Meanwhile, the debtor turnover ratio is recorded satisfactory. Moreover, the fixed assets to turnover ratio, total assets to turnover ratio and assets turnover ratio highest recorded 8.23, 6.29 and 5.89 in the year 2005 -06, 2014-15 and 2003-04 respectively. In all the efficiency ratios we couldn't found uniformity in the management of the assets. It means unevenly these ratios managed very efficiently and effectively.

The figure 3 shows the efficiency ratios of Hindustan Petroleum Corporation Limited.

Profitability Ratios: The profitability of a company can be defined as its capability to generate income which exceeds its liabilities. The profitability is defined as a substitution of financial performance. And, it is one of the main objectives of the management of the organization.

Gross Profit Ratio: It defines the relationship between gross profits to net sales.

Gross Profit Ratio = Gross Profit / Net Sales x 100

Operating Ratio: The operating ratio defines the association between cost of goods sold and other operating expenses divided by net sales. The ratio evaluated the cost of operations per rupee of sale.

Operating Ratio = Operating Cost / Net Sales x 100

Operating Profit Ratio: The operating profit ratio defines the relationship between operating profit and sales.

Operating Profit Ratio = Operating Profit / Sales x 100

Net Profit Ratio: The net profit explains the association between net profit after tax and net sales of the firm. Moreover, it indicates the efficiency of the management of the company in terms of manufacturing, selling, administrative and the different activities of the firm. Net Profit Ratio = Net Profit after Tax / Net Sales x 100

Return on Investment: When profitability ratios are computed with the help of investments is known as return on investment. According to literature there are three broad categories of return on investment are:

(i) Return on Assets

(ii) Return on Capital Employed

(iii) Return on Shareholders' Equity

Return on Assets: It defines the relationship between net profit after tax and assets are used in the business to generate profits. The return on assets is used to evaluate the profitability of the assets of a firm.

Return on Assets = Net Profit after Tax / Average Total Assets

Return on Capital Employed: It indicates the relationship between profits and the capital employed. It is the key ratio to measure the overall profitability and efficiency of a business. ROCE = NOPAT – (WACC x Capital Employed)

Return on Shareholders' Equity: It measures the return on the owners i.e. preference and equity shareholders' investment in the firm. In other words, it defines return on owners' funds.

Table 4: Profitability Ratios (In Percentage)

Year	OPR	PBIT	GPR	NPR	ROCE
2000-01	3.78	2.78	3.91	2.43	17.12
2001-02	4.47	3.14	4.39	1.98	16.92
2002-03	5.74	4.54	5.97	3.15	31.15
2003-04	6.26	5.06	6.61	3.69	30.41
2004-05	3.49	2.39	3.75	2.11	15.89
2005-06	1.14	0.17	1.33	0.56	2.75
2006-07	2.8	2.01	2.85	1.74	11.41
2007-08	1.77	0.94	0.95	1.08	6.23
2008-09	2.63	1.83	1.84	0.45	9.48
2009-10	3.08	1.98	2	1.21	9.91
2010-11	2.49	1.42	1.43	1.15	7.93
2011-12	2.31	1.34	1.35	0.51	8.48
2012-13	2.06	1.09	1.1	0.43	7.31
2013-14	2.34	1.35	1.35	0.77	8.54
2014-15	2.74	1.77	1.78	1.31	14.68

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Figure 4: Profitability Ratio

Source: Drawn from Table 4

Analysis

The table no. 4 reveals that the operating profit ratio was highest in the year 2003-04 i.e. 6.26. Then it starts declining and reaches up to 1.14 in the year 2005-06. It may happen due fall in the sales.

The gross profit ratio shows a very high fluctuation trend of HPCL since 2000-01. The highest ratio of GPR is recorded in the year 2003-04 i.e. 6.61. After this year the GPR is started to decline and touched 0.95 in the year 2007-08. It may be due to the rise of cost of goods sold.

In the case of net profit ratio the highest NPR is recorded in the year 2003-04. It also not shows a good result for the company. The net profit ratio remains less than 1% in various years.

The ROCE indicates the return on investment. The high ratio is considered beneficial for the company. The highest ROCE is found in the year 2002-03 i.e. 31.15. On the other hand, the lowest ROCE was recorded in the year 2005-06 i.e. 2.75.

Hypotheses Testing

Table: Multiple Regression Analysis: Model Summary and Coefficient Table

Model summary

R	R^2	Adjusted R^2	SE of the Estimate	Sig F change.
0.888	0.788	0.567	0.5361	0.052

Notes
Independent variables: CR, LR, DER, LTDER, ICR, DTR, ITR.
Dependent Variables: ROCE

Coefficient Table

Model	Unstandardized Coefficient		Standardized Coefficient	t- value	Sig. (p-Value)	Collinearity		
	B	Std. Error	Beta			Tolerance	VIF	Null Hypothesis
(Constant)	35.165	26.648		1.320	0.228			Supported
CR	-44.775	28.245	-0.697	-1.585	0.157	.156	6.394	Supported
LR	26.208	21.275	0.463	1.232	0.258	.214	4.671	Supported
DER	-11.041	7.063	-0.701	-1.563	0.162	.065	5.481	Supported
LTDER	11.44	10.641	0.714	1.076	0.318	.069	4.538	Supported
ICR	**0.438**	**0.166**	**0.704**	**2.641**	**0.033**	.426	2.348	**Not Supported**
DTR	0.213	0.321	0.222	0.663	0.529	**.271**	**3.694**	Supported
ITR	-0.707	1.109	-0.203	-0.638	0.544	.300	3.336	Supported

Results

Effect of multiple ratios on return of capital employed

In measuring the effect of multiple ratios i.e. (impact of Current Ratio, Liquid Ratio, DER, LTDER, ICR, DTR, ITR on return on capital employed (ROCE), it was found from model summary of the multiple regression analysis that the correlation coefficient between all the predictors and outcome variable explaining the strength of association by 88.8% (R = 0.888), followed by coefficient of determination which is explaining 78.8 % variance (R2 = 0.788), which means the proportion of variance on ROCE is explained by the predictors (multiple ratios) and moreover the Adjusted coefficient of determination is explaining the variance by 56.7 % (Adjusted R2 = 0.567) respectively, which indicates the modified explanatory power of Current Ratio, Liquid Ratio, DER, LTDER, ICR, DTR, ITR on Return on capital employed (ROCE) is 56.7%. Further, in measuring the individual effect of the independent variables Current Ratio, Liquid Ratio, DER, LTDER, DTR, ITR on return on capital employed (ROCE) was found statistically insignificant with (p value > 0.05) except ICR, which is significant with (p value = 0.033). Therefore, all hypotheses (Ho1, Ho2, Ho3, Ho4, Ho6, Ho7) were supported by the available data and Ho5 is not supported. Hence, all the null hypotheses were accepted except ICR, as shown in table 1.

Limitations of the study

- The current study mainly based on secondary data.
- In the present study all the aspects of financial performance are not taken into account.
- The data has been arranged as per their own requirements.
- The present study covers the period of fifteen years only.
- This study gives the insight of HPCL only.
- In this study, researcher does not compare the financial analysis with other firm of the petroleum industry.

Abbreviations

CR = Current Ratio

QR = Quick Ratio

DER = Debt Equity Ratio

LTDER = Long Term Debt Equity Ratio

ICR = Interest Coverage Ratio

DTR = Debtors Turnover Ratio

ITR = Inventory Turnover Ratio

PR = Proprietary Ratio

ROCE = Return on Capital Employed

OPR = Operating Profit Ratio

PBIT = Profit before Interest and Tax

GPR = Gross Profit Ratio

NPR = Net Profit Ratio

ITR = Inventory Turnover Ratio

DTR = Debtors Turnover Ratio

IVR = Investment Turnover Ratio

FATR = Fixed Assets Turnover Ratio

TATR = Total Assets Turnover Ratio

ATR = Asset Turnover Ratio

Conclusion and Suggestions

The present study reveals that HPCL came into existence with the objectives of earning profit on one side and rendering the services towards society on the other side. However, an analysis of financial performance shows that the company's ability to meet its current obligations is not satisfactory. Meanwhile, the management of company should focus on profitability. In the case of profitability ratios researcher found a very high fluctuations. In the light of above conclusion it is suggested that company should pay attention towards the management of liquidity position also. The current and quick ratios were not found with the standards norms of the liquidity ratio. The company may either increase its current assets or reduce current liabilities. In order to enhance the profitability the management should focus on to control cost of sales and other direct and indirect expenses. Moreover, to improve the operating efficiency of the company the management should focus on turnover ratios.

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