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# IOC Limited's Cash Management Practices

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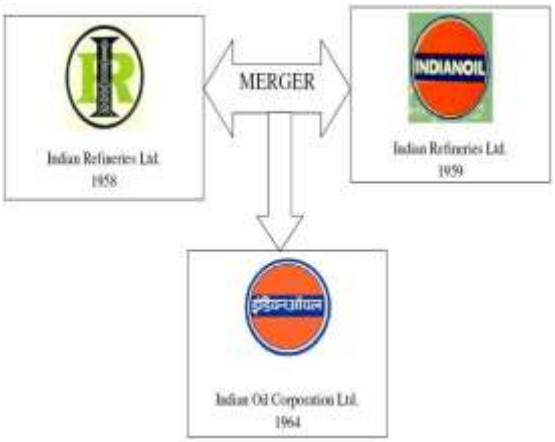
## ABSTRACT

***The Indian economy is through a dynamic period of substantial transformation and therefore important changes occur within the oil industry. A strategic consequence of the oil reform is the dismantling in 2002 of ADMINISTERED PRICING MECHANISM (APM) (under which the petroleum companies were assured of a reasonable return through controlled pricing).***

***Since the dismantling of APM, PSU companies are empowered to negotiate prices at which each other supplies goods and services. They work with OIL MARKETING COMPANIES (OMC). And three main petroleum PSUs under the s essentially a consortium of the above companies that supply the other company with goods and services if the assisted company does not have refineries or other facilities. This is done to avoid the transit costs that may occur when a company takes the product away from its refinery and hence to support the entire economy. This is because the PSUs also function for social welfare purposes. In this project, an in-depth research is being carried out on the accounting processes used for OMC transactions. The effect of OMC transactions on IOCL in the final quarter of 2008-2009 is also included. An in-depth study of the profitability of different goods is also carried out. It is examined which product is more lucrative when sold through OMC than via the retail channel.***

## INTRODUCTION

The Government of India chose to combine refining and distribution operations to promote better efficiency and seamless functioning. Indian Refineries and Indian Oil Company formed the gigantic Indian Oil Corporation Limited (IOCL) in Bombay on 1 September 1964. In 1967, the company's pipeline business was combined with the refinery section. The Indian Oil Research and Development Center was established in 1972. Assam Oil Company was nationalised in October 1981 and fusioned with IOCL as Assam Oil Division (AOD).




Indian Oil's ability to deal with ever-expanding refining and marketing activities gave the government confidence in taking over three of its main private petroleum firms in the 1970s. In 1981 Assam Oil Company and a 50% private ownership in Oil India Limited were acquired. This move brought the whole petroleum industry to a halt in the public sector.

### Today Indian Oil Corporation Limited:-

The profile and spread of Indian Oil across the nation and overseas may be examined in this section. You may also discover the present financial performance of Indian Oil, unique projects and causes, along with the renowned honours and accolades that have led to remarkable success.

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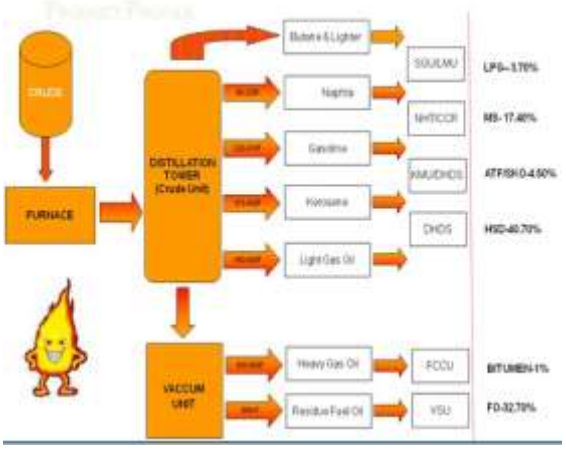
The first LPG pipeline in North India was just opened by Indian oil. There have been numerous milestones reached with Indian Oil the latest:

The Bongaigaon Refinery & Petrochemicals Ltd. (BRPL) 'historic fusion' with the parent firm Indian Oil came into effect on 25 March 2019. On 29 March 2011, BRPL was inaugurated as an Indian Oil Group Company.

### Profile of the product

Indian oil contributes for about 48% of the global share of petroleum products. Its goods include liquefied petroleum gas, fuel from air turbines, bitumen, high-speed diesel, grain and oil lubrication, petrochemicals and excellent kerosene and crude oil.

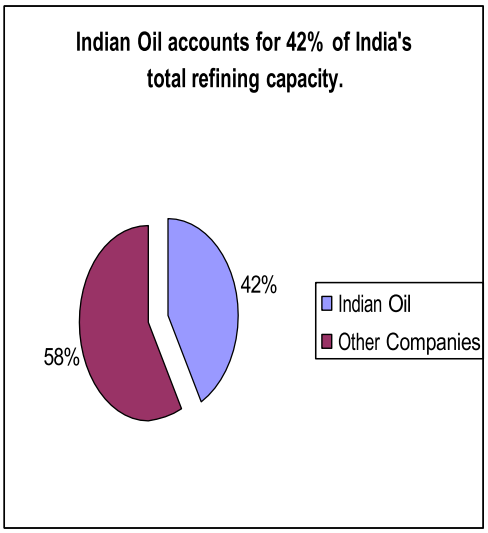



## Divisions at IOCL


1. Refining
2. Pipelines
3. Marketing
4. Research & Development

## Refining

India Oil owns 10 of the 18 refineries of India, with a total present capacity of 49.30 million barrels a year (MMTPA), or 990 thousand barrels a day at Digboi, Guwahathati, Barauni, Colli, Koyali, Haldia, Mathura, Panipat, Chennai, Naphtha and Bongaigaon (bpd). Indian Oil represents 42 percent of the entire refining capacity of India.




## Pipelines

The Indian Oil network of subway roads broke the threshold of 10,000 km, and had the greatest operating performance of 59.5 million tonnes. Crude oil pipelines have shown 6,7 percent increase of 38,2 million tonnes compared to the previous year. A record number of pipeline projects were launched during the year, most notably the Paradip-Haldia crude oil pipelines and Indian Oil's first Panipat pipeline, Jalandhar LPG. The Koyali - Ratlam product pipeline, ATF CPCL (Manali) to Chennai AFS pipeline, and ATF pipeline to New Bangalore International Airport are other developments commissioned during the year. Indian Oil controls

International Journal of Information Technology & Computer Engineering
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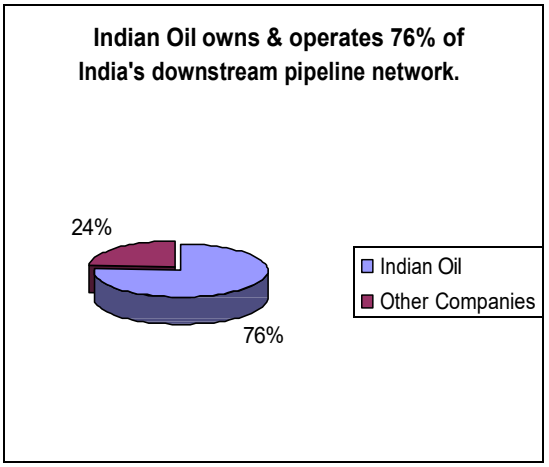
76% of the downstream pipeline network in India.





## Research & Development

The R&D Centre, which boasts state-of-the-art facilities, is a leader in tribology, refining processes, transport pipelines and fuel efficient appliances. Over 200 formulas from the top SERVO brand lubricants and grasses have been created for almost all imaginable applications - automotive, rail, industrial and marine. The Center has 124 national and international patents to its credit. The broad variety of SERVO brand lubricants, greases, coolants and brake fluids exceed strict international requirements and are certified by all major manufacturers of original equipment. SERVO has more than 60 national and international patents, 5 of which are from the United States.

## LITERATURE REVIEW

This chapter focuses with the study of petroleum industry literature. In this sector, many research have been conducted to assess its effect on society as a whole. Petroleum (energy) is the primary source for driving and maintaining the economy of a nation.

In India government committees for pricing, demand, marketing, consumption and petroleum products are formed on a regular basis. "The Petroleum and Natural Gas Standing Committee" (2015) presented a 'Pricing of Oil Products' report.

The history of the price of oil dates back to the late 1920s. During that time, private businesses marketed foreign products - kerosene in particular. Neither the government nor the businesses have exercised any artificial pricing restrictions that are let to float. This condition lasted until the Second World War. Oil firms established pricing pools for key goods throughout the war and post war years (1939-1948). The first effort to control oil prices was under a process established between the Government of India and Burmah Shell in 1948 on the Valued Stock Account (VSA) system.

The International Energy Agency has also shown its interest in the Indian Energy Sector, a study "Petroleum Pricing in India: where all the grants went?" (2006), has shed some insight on India's subsidy system. This paper states that, while the price of gasoline and diesel is subsidised, it is very expensive in India. In India, price of oil products is often viewed as a black hole of subsidies. Economists and oil businesses worry about the state budgets, the financial performance of oil firms and the demand-side management effect of these subsidies. However, the problem of the price of petroleum products in India is more complicated on closer examination than the one-way flow of subsidies portrayed in the news. The answer to this question is: how high are subsidies?

Contrary to popular perceptions, India's fuel and diesel retail prices are, notwithstanding subsidies, quite high. Indeed, overall government (central and state) taxes and levies on petroleum goods considerably surpass those items' yearly budgetary subsidies.

Marketing costs for petroleum products are very substantial and play a major influence in determining the final price of these goods. This was examined by a committee of the Indian authorities and produced the "Marketing Cost for Petrol and Diesel (2016)" study. The following points have been examined primarily by the Committee:

• Government decision on the application of the Trade Parity principle with a decrease in the fuel and diesel tariff from 10 percent to 7.5 percent.

• Audited actuals for the 2015-16 financial year with regard to Dr Rangarajan Committee's and Trade Parity's recommendations.

ISSN 2347–3657
Volume 11, Issue 4, Dec 2023

• IOC, BPC, HPC, and ONGC representatives may also be co-opted to the group, if required.

• The price formula developed on the basis of these results would be presented for approval.

In collaboration with the public sector oil marketing companies, PPAC has developed and asked the petrol (motor spirit) and diesel (high-speed diesel) companies to provide marketing figures for 2005-06 under several headings that were prevalent at the time the Price Mechanism Administrated.

In 2012, the government issued the administrated price mechanism but, since they are mass-consuming fuels, which are used mainly by "economicly poorer sectors of society," it was determined to continue to subsidise PDS and home LPGs. The aid for these two items was funded from the budget on a flat rate basis and was to be phased down in three to five years. During this time, the Oil Marketing Companies (OMCs) were required to modify their retail sales prices in accordance with worldwide pricing. This has been examined and the report of the Committee on

## Oil products pricing and taxation (2016).

A literature study of OMC transactions and references by well-known writers to different publications on the topic has been conducted. Several research articles have also been published in different publications. In Chapter 2 this was addressed in depth. The study of these books and papers showed a thorough knowledge of the alliances and the dynamics and of their aim. Thus a firm basis for the effective execution of the project was established.

## DATA COLLECTION

When obtaining the fundamentals of alliances via the literary review process, I examined the original agreement signed by the OMCs after APM was dismantled in 2012. This agreement was the foundation for all dealings from now on. It included the different accounting rules to be followed because it is very complicated and includes a lot of components. It became reasonable to take the real data after obtaining knowledge of the accounting rules.

The largest part of the data has been gathered through the OMC software (which is in turn was integrated with SAP). Since the study was intended to evaluate the effect of OMC transactions in the final quarter of the 2018-2019 fiscal year, the data were collected on such transactions. Basically, these statistics were the RTP (refinery transfer price) and the import parity prices (IPP). No information was provided in the SAP on the cost prices of the different goods. Therefore, the data on business costs and retail prices were gathered from the valuation department as well as pricing at the Yusuf Sarai office.

## LIMITATIONS

1. The research takes data for the Bijwasan terminal alone. If the research been conducted out across the northern area, different findings would have been achieved.

2. The comparison between the current year data and the outcomes of the previous year would have been a better comprehension and estimate. But statistics from the previous year were not readily accessible.

3. Only the purchase and sale of products are examined here since the hospitality and secure accounting are supplied about equal and therefore the impact of such transactions on the balance sheet is deemed insignificant given the enormous volumes transacted.

4. HPCL and BPCL are deemed to be in the consortium solely since IBP fused into IOCL in 2017.

## FUTURE PROJECT SCOPE

This project may be further taken into account by eliminating the following restrictions. The research may be carried out throughout India and for the whole financial year. This gives a better view of the activities of the OMCs.

## OBJECTIVES

· Serving national oil and associated sector interests in line with and in accordance with public policies.

- Ensure continuous and seamless supply of petroleum products via refining, shipping and marketing operations of crude oil, and offer enough support for consumers in the effective conservation and use of petroleum products.

A: Improve self-sufficiency in the refining of crude oil and develop competence in the construction of pipelines for crude oil and oil products.

· To further improve marketing and reseller networks in order to provide clients with secure services throughout the nation.

· Optimize refining capacity use and maximise the output of distillate and the gross refining profit. Maximizing the use of existing efficiency and productivity improvement facilities.

Taking advantage of new business possibilities in the fields of oil exploitation & production, petrochemicals, natural gas and downstream opportunities abroad to create greater growth through merger, procurement, integration and diversification.

· To instil strong "core values" among the workers and to constantly upgrade skills to make full use of new business possibilities.

· Developing operating synergies with subsidiaries and joint ventures and always working for the benefit of society as a whole throughout the hydrocarbon value chain.

## THE PROJECT PURPOSE

The liberalisation gave IOCL a great deal of autonomy, particularly given NAVRATNA status. With all these factors in mind, the aims of the project are as follows:

• Analyze, according to the agreement, the different accounting processes for OMC transactions

— Identify the effect on IOCL for the final quarter of the financial year of the OMC Transactions (2018-2019).

Identify the different goods that are lucrative if they are placed in retail for the OMC.

## COMPANY PROFILE

During FY 2018-19, HPCL, a Fortune 500 company, generated yearly sales of Rs 1,31,802 (US$ 25,618 million) and had a marketing share of around 20% in India. The equivalent figures for FY 2017-18 are: Rs 1,03,837 Crores (USD 25,142 million).

HPCL has two big refineries in Mumbai (West Coast) and Vishakapatnam (South Coast), each with a capacity of 5.5 million metric tonnes per year (MMTPA) (Eastern Coast). HPCL owns 16.95 percent of the equity in the Mangalore refinery, which has a capacity of 9 MMTPA and is one of the world's most advanced. In addition, HPCL and Mittal Energy Investments Pvt. Ltd. are establishing a refinery in Bhatinda, Punjab, as a joint venture.

HPCL also owns and operates the country's largest Lube Base Oils, which have a capacity of 335 TMT and meet worldwide requirements. More than 40% of India's total production of Lube Base Oil is produced in this Lube Refinery.

13 Zonal offices in significant cities and 90 Regional offices, supply and delivery facilities comprising of terminals, air service stations, LPG bottling facilities and in-house relay depots, retail outlets, Lube and LPG make up HPCL's large marketing network. Every aspect of the company's performance has improved over the past few decades. From 5.5 MMTPA in 1984/85 to 13 MMTPA, refining capacity is increasing.

From Rs 2687 Crores in 1984-85, the financial turnover increased to an astounding Rs 1,31802 Crores in 2018-19.

## Essar Oil

## Reliance Petroleum

As one of India's largest private sector firms, Reliance Industries Limited, Reliance Petroleum Limited was established (RIL). As a result, RPL has become a subsidiary of RIL. Chevron Corporation USA, via its wholly-owned subsidiary Cchevron India Holdings Pte Limited, owns a 5 percent stake in RPL as part of their strategic engagement with RPL (Chevron).

An annual refining capacity of 27 million tonnes is available at Reliance Industries Limited's Jamnagar

ISSN 2347–3657
Volume 11, Issue 4, Dec 2023

Refinery Complex in Gujarat (540,000 barrels per day).

It is possible to process a wide variety of crudes, ranging from light to heavy (18-45 degree API) from sweet to very heavy (with sulphur content from 0 to 4.5 percent ).

The RPL commenced crude processing on December 25, 2018. There is now a synchronisation and start-up of the secondary processing units. As soon as possible, the whole refinery complex will be operating at capacity.

RPL is the world's sixth-largest crude processing refinery, processing 580,000 barrels of petroleum annually (92,000 m3) per day (BPSD). According to the Nelson Complexity Index, the financial services industry will have the highest level of complexity (14.0). The polypropylene facility will produce 0.9 million metric tonnes of polypropylene per year.

The refinery project is being funded by a mix of equity and debt at a cost of Rs 270,000 million. The cost of capital for this refinery is less than $10,000 per barrel per day, which is much lower than the normal cost of capital for new refineries during the last several years. Refinery capital expenses in OECD nations range from US $15,000 to 20,000 per barrel per day, according to the International Energy Agency (IEA). If the refinery's enormous complexity is taken into account, the RPL's low initial cost becomes more more enticing.

## Pricing of oil products in India

The nation has historically functioned under a petroleum pricing mechanism. The oil firms were instructed how much they should sell and at what price the government was administering/regulating, i.e. the pricing and the amount sold. This method is built on the retention pricing idea, which offers the oil refineries, oil marketing firms and pipelines a net return of 12 per cent post-tax. Under this approach, the oil firms are guaranteed a set amount of profitability subject to their achievement of their specific use of the capacity. Upstream businesses, notably ONGC, petroleum and GAIL, are likewise subject to a price retention principle and have set returns guaranteed.

A price strategy imposed on petroleum products guarantees that goods needed by vulnerable sectors of society, such as kerosene, or products required in the manufacture of fertilisers such as naphtha, may be supplied at subsidised rates.

In order to gain a better perspective, let us look rapidly at the process for selling the four major oil products utilised in India: oil, diesel, kerosene and LPG.

## Oil (motor spirit)

Previously, the price of petrol was always greater than that of other combustibles owing to government regulation (like diesel). Tank price was maintained at Rs 33 per litre while at Rs 17 per litre for diesel.

Furthermore, both petrol and diesel have been one of the most taxed commodities by State taxes on sales and customs charges and excise duties throughout the years.

All these variables have resulted in a general increase in diesel consumption and use in comparison with petrol. Fuel represents a sale of 9.3m tonnes, but the profits on petrol sales are greater than diesel.

## Diesel (high speed)

This is the greatest sale of 85 percent of automobile fuels among fuels.

There are two kinds of turnover: wholesale for state-owned businesses, such as rail and transportation, and retail pumps for heavy-duty vehicles and agriculture.

This is the market that has attracted most of the major local and foreign petroleum firms to see their further development.

## Top Kerosene Oil

This is distributed via different state governments' public distribution systems (PDS) and retail shops. Due to its broad use, the government has and will continue to provide subsidies for PDS kerosene.

LPG Ltd. (Liquefied Petroleum Gas)

ISSN 2347–3657
Volume 11, Issue 4, Dec 2023

This is one of the fastest expanding sectors of oil businesses and the customer base and throughout the years the product is being distributed / penetrated.

Some of the APM goals are mentioned below:

1. Optimize refining and marketing infrastructure by considering all oil company's facilities as a shared industry infrastructure, accessible via hospitality agreements to oil businesses, thus elimination of unnecessary investment duplication.

2. Make all goods accessible at a consistent price for all refineries to minimise the cross travel of products and energy expenses connected with them.

3. To guarantee ongoing product/crude supply to refiners, recognising import requirements whenever indigenous production shortfalls arise.

4. Ensure that returns to petroleum firms are appropriate in accordance with operational efficiency and that adequate resources are also produced to allow the sector to build up infrastructures to meet increasing demands.

5. To guarantee stable pricing by isolating the local market from foreign price instability.

6. To accomplish the socio-economic goals of government via the cross-subsidization of goods by guaranteeing the availability of specific items at subsidised prices for lower segments of society and priorities in industry.

## Dismantling of APM

The prices of kerosene & LPG are now established on the basis of import parity prices, while petrol & diesel are based on the commercial parity pricing model. Where a product cannot be manufactured domestically, the cost of providing it on the local market would be the landed cost, i.e. the international price parity plus insurance and freight cost + customs tax. In a scenario (like in India) where local manufacturing is present, the import parity price may be regarded as the competitive international price, which sets the domestic price ceiling. Notional costs include free on-board prices, ocean cargo, insurance, currency rates, tariffs, transit and port losses. Notional charges are $2/bbl. The concept of import parity really allows Indian refineries to import at inflated rates, which do not relate to the true cost of manufacturing in the nation. The conceptual approach of pricing oil products exceeds OMC losses. It is essential to distinguish between "losses" and "under-recoveries" of oil corporations. The latter has to do with the hypothetical price the businesses would charge if they were allowed to do so. The commercial parity pricing methodology for diesel and petrol is a weighted average of 80:20 import parity and export parity prices. The trade parity price takes account of India's development as an exporter of goods such as petrol and diesel.

Oil corporations purchase petroleum products at commercial parity from their own refineries which mostly mirror world pricing. The government does, however, control the sale of oil products in India, and the PSU oil marketers are obliged to offer their goods at a cheap cost. However, the government covers approximately 76% of losses in the present subsidy system through petroleum bonds and discounts from up-stream petroleum companies, notably ONGC, GAIL and OIL, while 24% are borne by the petroleum companies. Instead of underrealizing the sale of sensitive petroleum products, the government has issued special oil bonds to petroleum marketing companies at certain periods.

## Oil Marketing Companies under recovery

Under the overall recovery of petroleum marketing companies (OMCs), crude prices have risen. The following table displays the number of recoveries for various petroleum products over the last several years.

| Under Recovery | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|
| PDS Kerosene | 9480 | 14384 | 17883 | 19102 |
| Domestic LPG | 8362 | 10246 | 10701 | 15523 |
| Petrol | 150 | 2723 | 2027 | 7332 |
| Diesel | 2154 | 12647 | 18776 | 35166 |
| Total | 20146 | 40000 | 49387 | 77123 |

## 1. RATIO LIQUIDITY

Liquidity refers to a company's capacity to fulfil its commitments short-term, typically a year. This is done by comparing the short-term obligations of a business (the ones that can readily be turned into cash).

Generally speaking, the higher the coverage of liquid assets in the short term, the better it is for the business as it sends a signal that it can pay its obligations, which are due shortly and yet finance its continued operations.

International Journal of Information Technology & Computer Engineering
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Volume 11, Issue 4, Dec 2023

On the other hand, an investment firm with a poor coverage rate may raise worry since it might be an indication that it will find it difficult to operate and fulfil its commitments.

The greatest difference is the kind of assets utilised in the computation. Although each ratio includes current assets, the more conservative ratios omit some current assets because they cannot be transformed quickly into cash.

## CASH RATIO

**Formula:**

$$\text{Cash ratio} = \frac{\text{Cash} + \text{Cash equivalents} + \text{Invested funds}}{\text{Current liabilities}}$$

It is an indication of the liquidity of a business that further refines both the current ratio and the rapid ratio by evaluating the amount of cash, cash or invested money in the current assets to meet present obligations.

More cash, the business is better placed to pay its short-term obligations.

## SIGNIFICANCE OF COMPARATIVE PROFIT AND LOSS STATEMENT FOR YEAR 2015 AND 2016

Total Gross Sales grew by 21.58%. Discounts and commissions rose by 26.62 percent, with excise taxes increasing by 26.92 percent, resulting in a 20.99 percent rise in net sales over the previous year.

Total income grew by 26.50 percent. But the overall cost increased by 27.23% due to an increase of 2800% in interest payments on short-term subsidiary loans; amortisation of intangible investments by 144.66%; short-term interest payments from banks by 94.95% and fixed-time loan interest payments from banks/financial institutions/other by 73.48%.But interest on deposit fell by (26.71%) and interest on loans from others declined by (69.74 percent ).

• Profit before tax rose by 12,60%. But profits after tax rose by 0.48% owing to a rise of 57.13% in current tax and a delay of 237.94% in tax.

· The final (proposed) dividend rose by 25 percent. However, the overall reserve fell by (23.92%) which is not a positive indication for the business.

Total gross sales rose by 20.58%. Commission and discounts grew by 26.54% and excise duty rose by 20.14%, resulting in net sales increasing by 20.57% year-on-year.

Total revenues grew by 22.05 percent. Total spending has, however, risen by 21.49 percent owing to an increase of 317.95 per cent in interest payments on banks' short-term loans by 58.28 per cent, an amortisation of 80.5% on intangible assets.

· But interest payments on short term subsidiary loans declined (89.65%) and interest payments on public deposits declined (59.37%) – a positive indication for the business.

Profit before tax has grown by 56.35%. However, profit after tax grew by 52.57%, owing to a rise of 30.53% in current tax and 618.97% in late tax.

• But the benefit tax on the fringe fell by (31.84 percent ).

· Final dividend (submitted) raised by 6.16%. And the general reserve rose by 87.80%, which for the business is a positive indication. So the business did extremely well this year 2017 and 2018.

Total sales grew by 12.10 percent. Commission and discounts rose by 13.61% and excise duty grew by 7.80%, with net sales increasing by 12.55% during the last year.

Total revenues rose by 15.53%. However, overall spending rose by 15.45% since interest payments on loans from others increased by 202.74% and interest payments for banks' short-term loans by 19.07%.

Ta But the short-term loan interest paid by the subsidiaries has declined by (100 percent), the interest payments by public deposit (74.35 percent) and the interest payments by banks/financial institutions/others have down by (74.35 percent) (35.70 percent ).

• Profit before tax has fallen by (3.85 percent ). However, profit after tax fell by (7.15 percent), owing to a 46.06 percent rise in current taxes.

But the marginal benefit tax declined by (26.57%) and the late tax by (99.38 percent ).

• Capital dividend (submitted) reduced by (57.69 percent ). But the overall reserve fell (86.21%), which is not a good indication for the business. So the business didn't do well.

Comparative balance sheet interpretation for March 2015 & 2016

· No increase in shareholdings. Reserves and surpluses have risen by 13.37%, reflecting an increase in earnings. It has strengthened the financial condition of the business.

ISSN 2347–3657
Volume 11, Issue 4, Dec 2023

The total fixed assets grew by 6.93%. It's because the plant and machinery and building are increasing. Intangible assets rose by 34.98%

THER Investment grew by 161.41 percent.

Current assets and liabilities have risen correspondingly by 15.13% and 16.57%. This implies that current liabilities have risen by 1.44% over existing assets. It resulted in an increase in working capital of 11.85%, which was funded by a loan increase.

The current assets have grown by 66.73%, the inventory by 24.47% and debtors by 17.74% due of a rise in the cash and bank balance.

• Current liabilities rose as the number of Sundry creditors increased.

§ The loans and unsecured loans secured rose 212.83% and 25.5%, respectively, over the previous year owing to increases in banks' and financial institutions' loans and advances.

Interpretation of the March 2016 and 2017 comparable balance sheet

· No increase in capital stock. The equity share distributed under the 'Share Capital Suspense Account' to shareholders of the previous IBP amounts to Rs 24,36 Crore as per the amalgamation plan as at 31 March 2017.

· Reserves and Surplus have risen by 19.65%, which is higher than 13.37% of the previous year, reflecting profit growth. It has strengthened the financial condition of the business. For the business, this is a positive indication.

Fixed assets grew by 32.99 percent. And immaterial assets have grown by 119.94%.

iv Investments rose by 37.66%, a positive indication for the business.

Current assets and current liabilities respectively rose by 7.05% and 15.69%. This implies that current liabilities have grown by 8.64 percent above current assets. It has led to lower working capital (13.46 percent ).

• Current assets have risen due of a growth of 2357.52% in the other current assets, cash and bank balance of 24.42%, and loans and advances of 25.07%.

• The company's secured loans dropped by (27.22%) while unsecured loans rose by 15.04%

Interpretation of the March 2017 & 2018 comparable balance sheet

• Share capital rose by 2.08%. It has strengthened the financial condition of the business. And Share Capital Suspense account declined (100 percent) to 2,43,62,106 Rs. ten equity shares each given as fully-payable to share capital shareholders of the former IBP Co. Ltd. in accordance with the merger scheme.

Title Reserves and Surplus grew by 18,50 percent, which is 19,65 percent lower than in the previous year, reflecting the rise in earnings. It has strengthened the financial condition of the business. For the business, this is a positive indication.

• Fixed assets fell by (1.75%) owing to a reduction in plant and equipment and ferroviaire sidings. And immaterial assets have fallen by (6.79 percent ).

iv Investments rose by 7.72 percent, a positive indication for the business.

Current assets and current liabilities rose correspondingly by 35.51 and 16.39%. Current assets are higher than current liabilities, i.e. 19.12%. It resulted in a rise of 96.23% in working capital. It plainly shows that the company's operating capital is not adequately handled.

• Current assets rose by 129.09% because inventories were raised by 25.25%, debts by 1.18% and other current assets by 1.90%..

· The company's secured loans rose by 13.12%, and non-secured loans by 35.94%.

## ANALYSIS SWOT

The company's downstream industry monopolies have been going on for a long time, but with the changing time, increasing numbers of private and international businesses join the field, IOC is facing competition. But it has an advantage over them with the huge distribution and pipeline network. The following study sheds light on the different aspects of Indian Oil's current situation.

## STRENGTHS

A. The strongest player

B. Experience

C. Network of pipelines

D. Infrastructure distribution

E. Reach Rural

ISSN 2347–3657
Volume 11, Issue 4, Dec 2023

## WEAKNESSES

A. Control of the Government

B. Wide size

C. The impression of people

D. Market share of retail

## OPPORTUNITIES

A. More income

B. Modernization

C. Increased infrastructure

## THREATS

A. Competition tastes

B. Wars of Price

C. Competitors better equipped

## Conclusion

As government petroleum firms are obliged to sell petroleum products at subsidised rates, every rise in crude oil prices entails extra hardship for the companies' so-called recoveries. The oil firms thus reduce expenses by:- · Reducing stocks of fuel for the daily reduction of working capital · Process a big quantity of sour crude oil that is cheaper than sweet crude oil

- Increased use of refinery capacity.
- A liquidating petroleum bonds.
- Download additional funds.

The current PSU market share in the oil industry is 98.85% for diesel and 96.8% for petrol, showing the near elimination of competition from the private sector as a result of private firms' avoidance of the subsidy package. In addition, oil marketing firms' under-recoveries are somewhat offset by strong refining margins and to some degree by Government oil bonds and discounts from upstream companies like ONGC & GAIL. Refining margins may remain high as a result of the worldwide scarcity of petrol and diesel and the increased usage of refineries. Refining margins continue to grow almost in conjunction with crude oil.

The current subsidy sharing system is thus considered to be beneficial for all petroleum marketing firms and because of this formulation; oil marketing companies will have just 10% of the gross underrecoveries of 24%.

In the future, the success of state-run OMCs will continue to rely on government assistance. Consequently, the Government has adopted a decision in favour of Oil Marketing Companies to increase crude oil and price of oil products, with a view to reducing the burden of their recoveries.

## Suggestion

1. Promote Private companies' participation in the oil industry

The private sector was eventually permitted to sell petroleum products as part of petroleum sector reforms. Several private domestic businesses have invested significantly in establishing retail stations. The biggest private business in India, Reliance presently runs more than 1,000 retail locations and aims to develop over 5,000. Because retailers face the option of continually encountering losses if they priced their products on a par with subsidised public retailers, or raising prices and losing market share, a number of private sector companies put forward further plans for expansion and are even negotiating a total exit from the retail sector. Moreover, many private companies have delayed investments other than those intended for export in the refinery industry. In the natural gas sector, which suffers from a very similar set of problems, the uncertainty regarding the long-term policy of the government and the experiences of several private foreign investors and domestic workers have already made international companies cautious of entering India's downstream petroleum sector. This is hardly comforting for a nation that wants to expand by more than 8 percent yearly in the next 20 years. Therefore, it appears essential to include private players in the subsidiary package.

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