Preface

Public Sector Enterprises (PSEs) have been playing a significant role in the economic development of India since independence. It has had a commanding presence in the country’s economy and has played a very useful role in the creation of infrastructure and furthering the goal of development in accordance with the dreams of late Prime Minister Pt. Jawarlal Nehru. Majority of people in our country still suffer from poverty, illiteracy and unemployment. Before independence, there was no scope for development on industries according to the wishes of the people because of the colonial government. It was realized from the beginning that, unrestricted expansion of private sector will lead to concentration of income and wealth in a few hands and uneven distribution of resources. Private sector enterprises work only for personal interest not for the interest of the people. Therefore, keeping in mind the several economic and social problems, the Government of India preferred the development of the public sector for upliftment of the whole country. It was believed that public sector would solve the social and economic problems of the nation and make the country a self-reliant one. The growth of public sector enterprises in India was mainly focused on the development of the infrastructure and core industries like Steel, Railways, Postage and Telegram, Petroleum, Shipbuilding, Defence, etc. However, the justification of continuance of the public sector in many fields has received critical question, especially when entrepreneurship has developed in many fields and sources of funding other than the Government has been forthcoming. The advent of liberalization and privatization in India along with the global sphere attracted more of private capital in the capital structure of the Public Sector Enterprises (PSEs) in India that lead to make them more competitive with the global counterparts. The oil & gas sector was not an exception to this policy and accordingly the PSEs in oil and gas Sector in India adopted measures in planning their capital structure to keep pace with the changing global scenario. Along with liberalization and privatization, the overall economy of India grew. The oil and gas sector encompasses activities such as exploration and development, refining, petrochemical, transportation and marketing of petroleum products and natural gas, etc. The adoption of liberalization and privatization in July 1991 changed the situation again, the Government started allowing the Indian oil and gas industry to go into private hands and also entered into the public-private joint ventures. The Government also eased the stringent regulatory process in the said industry. This gave a tremendous boost to the oil and gas industry in India. The industry began to grow at a tremendous pace. Also the demand for oil and gas products increased at an annual rate of about 5.5 per cent. The demand for oil and gas
products still continues to grow, and there is a great potential for investors to invest in the sector and gain valuable returns while meeting the increasing demands for the oil and gas products. This sector plays a pivotal role in the country’s rapid economic growth by contributing over 15 per cent of the Gross Domestic Product (GDP). It’s also the largest foreign exchange earner contributing about 17 per cent of the total exports from India. Oil accounts for about 34 per cent of India's total energy consumption and has been growing gradually as a share of the country’s fuel mix in recent years. The demand for natural gas on the other hand, as per the Planning Commission is set to increase from 179 mmscmd to 280 mmscmd over the next decade. Considering the high priority of our Government to enhance energy security of country and making petroleum products available to common man at affordable prices, Ministry of Petroleum and Natural Gas has adopted multi-pronged strategy. Stable crude oil prices are the first requirement for sustained economic development of our country. The oil and gas sector in India is particularly favourable for foreign investment because the industry is one of the fastest growing segments, and it has shown a staggering growth rate of around 13 per cent in the recent past. Apart from the tremendous growth rate in Indian oil and gas sector today, it also boosts the technology of international standards, easy availability of infrastructure at very cheap rates, high demands for petroleum products and increased spending habits of the middle class people. All these factors make investments in the Indian oil and gas sector an attractive proposition for foreign investors. Another very important reason why the Indian oil and gas sector is very good option for investment is that the future of oil and gas industry in India promises great potential for development. The fast economic growth of India and the various developmental activities taking place presents India with opportunities in the future to be a dominant player globally in the export of oil and gas products.

India imports nearly 75 per cent of its crude oil requirement with a huge outflow in foreign exchange. The indigenous production has stagnated around 34 per cent of total requirement of petroleum oil. The current oil production from Barmer field is a significant step towards achieving energy security in our country. At its peck, the crude oil production from this block will be about 20 per cent of the current crude oil production of the country and it will save 7 per cent of the crude oil import bill and reduce import dependence. Therefore, it is extremely important to ensure that the domestic oil and gas companies continuously strive to improve their performances in order to save the vast amount of foreign exchange, which is being spent on the imports of crude oil and various petroleum products.
The question of efficient performance by the oil and gas companies became more significant after the government decision to dismantle the administered price mechanism in the petroleum sector from April, 2002 to accelerate the process of on-going economic reforms. Hence, it is the time that the oil and gas companies in India prepare themselves to meet the challenges of liberalization, globalization and competition from the multinational companies. At present, there are more than 12 companies in the public sector engaged mainly in producing, refining and selling oil and gas products in India. The oil and gas companies in India have been organized as Government Companies U/S 617 of the Companies Act 1956. Some of the companies are included in the list of Global Fortune-500 Companies List-2011 because of their capacity outlay, turnover and profit, etc. Even after opening the oil and gas sector as private sector companies the Government of India has decided to retain the public sector oil and gas companies under its control in the larger national interest.

In the above context, comparative studies of the financial performances of the selected public sector oil and gas companies in India have been undertaken in the areas of capital structure and leverage, liquidity management, profitability and efficiency in total cost management, efficiency in asset management, internal resource generation, contribution to the central exchequer and value addition, etc. to identify the strengths and weaknesses pertaining to them so as to develop the overall strategies to make them competitive with the global counterparts in the areas of making them self-sufficiency in crude oil production, generating power against the oil and gas products pricing hike in the global market and fetching the economy a boost to be a self-reliant one, etc.

The primary purpose of the present study is to analyse and evaluate the financial performance of selected public sector oil & gas companies in India during the period from 2000-01 to 2011-12. The study is based on the secondary data available from the published annual reports of the companies under study, various issues of public enterprise survey published by the Department of Public Enterprises, Government of India, New Delhi. Financial appraisal of the best performing utility would set a benchmark in Indian context for the industry. Analysis of financial performance has been done by adopting various tools and techniques of analysis such as ratio analysis, which is regarded as the time tested method of appraising the financial performance of corporate enterprises and statistical techniques such as percentages, averages, correlation, etc. The data for the study have been obtained from the published annual reports of the selected public sector oil and gas companies in India during the study period from 2000-01 to 2011-12.
The study has been presented in eight chapters followed by bibliography and appendix. The first chapter encompasses introduction, objective, data base and methodology, scope and limitation of the study. The second chapter covers the historical background of the selected companies under study, literature review of the study and identification of research gap. The third chapter describes introduction, financial structure and capital structure, analysis of long term funds and factors affecting the requirement of long term funds of the selected public sector oil and gas companies in India during the study period from 2000-01 to 2011-12. This chapter also deals with the gearing of capital, operating leverage, financial leverage, financial break-even point and total leverage. This chapter again highlights the proportion of debt capital to total capital in the capital structure of the selected public sector oil and gas companies in the years to come to sustain and grow in the present competitive and changing environment. Chapter four deals with the analysis of performance of liquidity management of the selected public sector oil and gas companies in India during the study period from 2000-01 to 2011-12. The performance indices which have been considered are performance index (PI), utilization index (UI) and efficiency index (EI). In this chapter an attempt has been made to measure the impact of working capital management on profitability by computing the associations between the selected measures relating to the working capital management and return on capital employed (ROCE) during the selected study period. In this chapter an attempt has also been undertaken to throw some light on the efficiency of selected performance indices of the selected public sector oil and gas companies in India during the study period from 2000-01 to 2011-12. Chapter five has described the concepts of profitability and efficiency, analysis of profitability in relation to sales revenue and in relation to investment and relationship between liquidity and profitability of the selected public sector oil and gas companies in India during the study period from 2000-01 to 2011-12. This chapter also emphasizes the impact of total cost management on financial performance of the selected public sector oil and gas companies in India during the study period. Chapter six presents the analysis of the efficiency of asset management of the selected public sector oil and gas companies in India for the study period from 2000-01 to 2011-12. Again, on the basis of the performances in managing various assets, ranks have been assigned to the selected public sector oil and gas companies in India to adjudge the better performing company and to identify the causes of better performance. Chapter seven deals with the analysis of internal resource generation, analysis of the amount contributed to the Central Exchequer and value addition by the selected public sector oil and gas companies in India during the study period from 2000-01 to 2011-12. Again, financial performance has been analyzed through some
value added ratios during the selected study period. The last and final Chapter highlights the presentation of the summary of the study, suggestions and conclusion of the study.

The study has highlighted some relevant issues, which can be used for formulation of appropriate policies and strategies in the light of the globalization and liberalization of the Indian economy. It is thus observed that the selected public sector oil and gas companies in India have been rendering their commendable performances in the overall economic development of India to achieve self-reliant economy as far as possible. However, it is expected that the public sector oil and gas companies in India should run and operate their business activities in a more compact manner to significantly contribute to the central exchequer for raising necessary fund for public expenditure programmes to be undertaken by the Government of India to accelerate the pace of socio-economic growth process in the country to alleviate poverty and to eliminate the regional disparities in the economy, etc.

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