A STUDY ON WORKING CAPITAL MANAGEMENT AND FINANCIAL ANALYSIS OF CPCL

By

Ms. KANMANI

Roll No. 0803 MBA 0430

Reg No : 68108101590

PROJECT REPORT

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Bonafide Certificate

BONAFIDE CERTIFICATE

Certified that this project report title **"A STUDY ON WORKING CAPITAL MANAGEMENT AND FINANCIAL ANALYSIS OF CPCL "** is the bonafide work of **Mrs.KANMANI.R** who carried out the work under my supervision. Certified further that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on earlier occasion on the or any other candidate.

Signature of Student

Name : **Ms.KANMANI.R**

Roll No : **0803 MBA 0430**

Reg No : **: 68108101590**

Signature of Guide 5/2/10

PROF..K.R.AYYASWAMY

Designation : Professor

Kumaraguru College of Technology

Coimbatore – 641 006

Signature of Project-in-charge

Dr.S.V.DEVANATHAN

Designation : Professor & Lecturer

KCT Business School

Kumaraguru College of Technology

Coimbatore – 641 006

Submitted for the University Viva-Voce Examination held on 07-03-10

CERTIFICATE OF VIVA – VOCE EXAMINATION

This is to certify that Mrs. **Ms. KANMANI** (Roll 0803 MBA 0430, Reg#.**68108101590** has been subjected Viva-voce Examination held on 07-03-10 (Date) at _______(Time) at the Study centre Kumaraguru College of Technology, Coimbatore – 641 006.

KUMARAGURU COLLEGE OF TECHNOLOGY
KCT
STUDY CENTRE
COIMBATORE-6

07/03/10 AN
Internal Examiner

Name : Prof. K. R. AYYASWAMY

Designation : Professor

Address : Kumaraguru college of technology. coimbatore. 641 006.

07/03/10
07/03/10 AN
External Examiner

Name : Prof. K. RAMAMOORTH

Designation : Prof. & HEAD DEPT OF MBA

Address : COIMBATORE INSTITUTE OF MANAGEMENT & TECHNOLOGY, COIMBATORE.

Coordinator

Name : Dr. S. Sadasivam

Designation : Dean (Bio Technology)

Address : Kumaraguru College of Technology, Coimbatore.

DATE :- 07-03-10

Abstract

ABSTRACT

This working capital management and financial analysis explains and over view of the organization annual reports and its information. Management can be retrieval the particulars reports of the company. In the modern business environment finance plays a vital role in every organization. Financial management is an integral part of over all management and is mainly concerned with fund raising operations. At present most of the industrial undertakings are faced with the problem of effective utilization of resources.

To critically analyse the Working Capital requirement of CPCL . Evaluate the operating efficiency of CPCL. To measure utilisation of various assets with the turnover of the company.The study is being carried out, as it is necessary to identify the over utilisation or under utilisation of assets to the turnover of the company.

Corporate financial analysis is largely a study of the relationship among the various financial factors in a business, as disclosed by a single set of statements and a study on the trends of these factors shown in the series of statements of the company with future projections.

Hence financial analysis helps the management to make the best use of its financial strength and to spot out the financial weakness to take corrective actions. Thus it could be stated that it is a starting point for using any sophisticated forecasting and planning procedures.

At present there are 17 refineries operating in the country, 15 in the public sector unit, 1 in private sector. Out of the public sector refineries 7 refineries are owned by Indian Oil Corporation Limited, 2 each by Hindustan Petroleum Corporation limited and Chennai Petroleum Corporation Limited and one each by Bharat Petroleum Corporation limited, Kochi refineries limited, Bongaigon Refineries & Petrochemical Limited and Numaligsh Refinery Limited. The one Refinery in joint sector is Mangalore Refineries and Petrochemical Limited and one by private sector is Reliance Industries Limited.

The installed capacity of the Indian refineries is about 117 million tonnes per annum from which the product availability may be about 108 million tonnes. Taking into account the product availability from the fractionators of about 4.5 million tonnes, the total products availability would be about 113 million tonnes at 100% capacity utilization. While this is on overall basis, product like LPG is in deficit and other products are in surplus, which would necessitate operating refining capacity to match demand or export products depending on refinery economics and logistics.

Acknowledgment

ACKNOWLEDGEMENT

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I express my proud gratitude to our **Mr.Prof.S.V.DEVANATHAN, Project in charge,** and other members of Project Monitoring committee, KCT Study Centre, coimbatore.

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EXECUTIVE SUMMARY

NEED FOR THE PROJECT

- The study is needed to analyse the Working Capital Management of the Company.

- The study is being carried out, as it is necessary to identify the over utilisation or under utilisation of assets to the turnover of the company.

- Further, it is also necessary to identify the idle assets and non-utilisation of funds.

- It is necessary to identify the liquidity dimension of Working Capital and the Profitability.

- The study is being carried out to identify the Break-even point of Sales. This is necessary to ascertain Margin of Safety Position of the company.

- The study is needed to identify the Current Position of the company through Z-score Analysis.

Objectives

OBJECTIVES

The objective of the study is

- To study the Working Capital Management of CPCL by analyzing the profitability, Solvency and Liquidity position of the company
- To critically analyse the Working Capital requirement of CPCL .
- To evaluate the operating efficiency of CPCL.
- To measure utilisation of various assets with the turnover of the company.
- To project the future Sales, Profit and Working Capital requirements of CPCL.

Introduction

INTRODUCTION

In the modern business environment finance plays a vital role in every organization. Financial management is an integral part of over all management and is mainly concerned with fund raising operations. At present most of the industrial undertakings are faced with the problem of effective utilization of resources.

Corporate financial analysis is largely a study of the relationship among the various financial factors in a business, as disclosed by a single set of statements and a study on the trends of these factors shown in the series of statements of the company with future projections. It is the process of identifying the financial strength and weakness of the firm by properly establishing relationships between the items of the balance sheet and profit and loss account. They reflect a combination of recorded facts and accounting refers to the treatment of the information contained in the financial statements in a way so as to afford a full diagnosis of the profitability and financial position of the firm. User of the financial statement is the management, creditors, investors's etc.

The present study is an effort to analysis the financial performance of CPCL over a period of time suggests measures for the smooth running of business and projects the future with the help of the actuals.

Hence financial analysis helps the management to make the best use of its financial strength and to spot out the financial weakness to take corrective actions. Thus it could be stated that it is a starting point for using any sophisticated forecasting and planning procedures.

INDUSTRY PROFILE

At present there are 17 refineries operating in the country, 15 in the public sector unit, 1 in private sector. Out of the public sector refineries 7 refineries are owned by Indian Oil Corporation Limited, 2 each by Hindustan Petroleum Corporation limited and Chennai Petroleum Corporation Limited and one each by Bharat Petroleum Corporation limited, Kochi refineries limited, Bongaigon Refineries & Petrochemical Limited and Numaligsh Refinery Limited. The one Refinery in joint sector is Mangalore Refineries and Petrochemical Limited and one by private sector is Reliance Industries Limited.

The installed capacity of the Indian refineries is about 117 million tonnes per annum from which the product availability may be about 108 million tonnes. Taking into account the product availability from the fractionators of about 4.5 million tonnes, the total products availability would be about 113 million tonnes at 100% capacity utilization. While this is on overall basis, product like LPG is in deficit and other products are in surplus, which would necessitate operating refining capacity to match demand or export products depending on refinery economics and logistics.

COMPANY PROFILE

Chennai Petroleum Corporation Limited was incorporated on 30-12-1965 as a public limited company. CPCL's refinery was commissioned in 1969.

CPCL, widely known as MRL(Madras Refineries Ltd.), is a stand alone refiner with two refineries in Southern India - A 9.5 mmtpa (metric tonnes per annum) refinery at Manali, Chennai and another 1mmtpa at Narimanam. Its products include HSD, Kerosene, Petrol, Wax, lubricants and additives.

CAPACITY OF CPCL

CPCL operates two refineries at Manali, near Chennai with a capacity of 9.5 mmtpa and the Cauvery Basin Refinery (CBR), in Nagapattinam with 1mmtpa. The crude thruput touched around 10mmtpa of which 9.38 mmtp and Cauvery refinery 0.63mmtpa.

The performance for the first quarter of 2007-2008 had been good. The profit before tax had increased by over 53% and the profit after tax by 10% as compared to th same period in 2006-2007.

ISO CERTIFICATION

The Manali refinery was originally designed for processing 2.5mmtpa of Darius Crude. CPCL was the first refinery in India to obtain the ISO 9002 Quality System Certificate, on 1 - 9-94. The same was recertified in November 1997 and is valid till November 2000. The company is in the process of equipping itself for a smooth changeover to the new demands and requirements of ISO 9002,.

CPCL-CBR has added another feather to its ISO crown, by gaining the ISO 14001 accreditation for "Environmental Management System Certificaion" on 16- 9 - 98.

SHARE HOLDING PATTERN

No.	Name of the Holders	Percentage of holdings %
1	Indian Oil Corporation	51.81
2	National Iranian Oil Company	15.38
3	Banks & FIs	13.35
4	Mutual Funds4	4.66
5	Corporate Bodies	2.24
6	NRI's	1.44
7	FII's	1.16
8	Public	9.96

PRODUCTS OF THE COMPANY

The main products of the Company are :

1. Aviation Turbine Fuel (ATF)
2. Motor Spirit (Petrol)
3. Naptha
4. Superior Kerosene
5. High Speed Diesel
6. Lube Base Oil
7. Sofo Oil
8. Food Grade Hexane
9. LPG
10. Paraffin Wax
11. Furnace Oil
12. Bitumen
13. Sulphur

SAFETY AND HEALTH

The Corporation has been presented the "Safety Award" for the year 1999 by the British Safety Council. The award was presented in recognition & commendation of the services rendered by CPCL, for the cause of safety. Closed Circuit TV Network has been installed at the Manali Plant.

The comprehensive health programs at the center include: modification of stressful working conditions, periodic health examination of employees and health screening of employees for early evidence of asymptotic illnesses namely: hypertension, diabetes mellitus, etc.

VISION OF CPCL

CPCL will be a worl-class energy company. Well respected and consistently profitable, with a dominant presence in South India.

MISSION OF CPCL

To maximize profit through

1. The manufacturing and supply of petroleum products and
2. Other related business in a reliable, ethical and socially responsible manner.

PERFORMANCE & PROJECTS DURING 2006-07

Production:

The crude thruput for the year 2006-2007 was 6.82 Million Metric Tons which was higher than the previous year's crude thruput of 6.69 MMT. Chennai Petroleum Corporation Ltd's Manali refinery processed 6.18 mmt and CPCL's Cauvery Basin Refinery processed 0.64 mmt. The MOU ranking assessment for 2006-2007 for overall performance continued to be "excellent".

Demand:

The growth in demand for petroleum products continues to be low and during the year 2006-2007, the overall growth was only 1.4% with respect to sale of products from public sector oil companies. Kerosene and Naptha registered negative growth of 9.9% and 4.2% respectively.

Turnover:

The turnover for the year 2002-03 was the highest ever at Rs. 8630 crore as against Rs. 6273 crore in the previous year. The turnover was higher mainly due to increase in the average international prices of petroleum products in 2006-2007 compared to the previous year.

Profit:

The profit before interest, depreciation and tax for the year 2006-07 is Rs. 693 crores as against Rs. 296 crores during the year 2005-2006. The profit after tax during 2006-07 is Rs. 302.89 crore as against Rs. 64 crores during the last year. Higher refining margins and holding gains on the stocks facliltate the increase in profit.

The performance for the first quarter of 2006-2007 had been good. The profit before tax had increased by over 53% and profit after tax by 10% as compared to the same period in 2006-07.

Dividend:

The Board of Directors has recommended of 35%.

Projects:

TENTH PLAN (2006-11) PROJECTS

CPCL's X Plan outlay has been finalized as Rs. 2400 crore. As against the approved plan of Rs. 1000 crore for the year 2006-07, the actual was Rs. 1010.17 crore. For the year 2006-07, the outlay has been kept at Rs. 850 crores.

PROJECTS COMPLETED:

3.0 MMTPA Refinery Expansion cum Modernisation Project:

The project increased the refining capacity from 6.5mmtpa to 9.5mmtpa a increase of 46% in capacity at a total cost of Rs. 2360 crores.

Review of Literature

REVIEW OF LITERATURE

ANALYSIS OF WORKING CAPITAL MANAGEMENT

Working Capital may be regarded as a life-blood of a business. The analysis and interpretation of the working capital are an attempt to determine the liquidity dimension of working capital and profitability of the company.

Procedure for analysis and interpretation

The objectives of analysis of statements have to be thought about as the techniques of analysis are to be selected on the basis of objectives.

$ The assumptions, Principles, Practices etc, followed in the preparations of the working capital management are to be ascertained to understand their significance.

$ Additional data and information required as to be collected.

$ The data collected has to be presented in a logical sequence by rearranging and readjusting the different items.

$ The data is to be analyzed for making comparative statements for ascertaining averages and for estimating trends.

$ Facts gathered from analysis are to be interpreted by considering the general state of the market and economy also.

Techniques of Working Capital Analysis

$ Fund Flow Analysis

$ Comparative Financial statements

$ Common Measurement or Size statements

$ Networking Capital Analysis

$ Trend Analysis

Statistical Tools are

$ Z-score analysis

$ Regression Analysis

Fund Flow Analysis

It is a statement of sources and applications of funds. It is a technical device designed to analyse the changes in financial position of a business concern between two periods. This analysis is helping in judging credit worthiness, financial planning and budget preparation.

Comparative Financial Statements

These statements summarize and present related data for a number of years, incorporating therein changes in individual items of financial
statements. These statements normally comprise comparative balance sheets, Comparative Profit and Loss Account, comparative statements of change in total capital as well as in Working Capital. They help in making inter period and inter firm comparisons.

Common Size Statements

These statements indicate the relationship of various items with some common items. In the income statements the sales figure will be taken as base and other figures will be expressed as percentage of sales. Similarly, in the Balance sheet the total assets and liabilities will be taken as base and all other figures will be expressed as percentage of this total. The calculated percentage will be compared to corresponding percentages in other periods or other firms and meaningful conclusions are drawn.

Networking Capital Analysis

Networking Capital Statement s is prepared to disclose net changes in Working Capital on two specific dates. It's current assets and current liability on the specified date to show net increase or decrease in Working Capital.

Trend Analysis

'Trend' signifies a tendency and as such the review and appraisal of tendency in accounting variables are nothing but Trend analysis. Trend analysis is carried out by calculating trend ratios or by plotting the accounting data on graph paper or chart. Trend analysis is significant for forecasting and budgeting. Trend Analysis discloses the changes in financial and operating data between specific periods.

Break-Even Point

The Break-Even Point is that point of activity where total revenues and total expenses are equal. It is the point of zero profit and zero loss. It is the level where the sales income will equal the some of its direct cost and its period expenses.

Statistical Tools

Z-Score Analysis

Z-Score reveals the efficiency of Working Capital Management. Edward I Aitman created Z-Score. Aitman found that 5 ratios could be combined to discriminate between the bankrupt and non-bankrupt companies. It is a good analytical tool.

Regression Analysis

This analysis helps to determine the future trend of the business. This is a widely used Statistical technique that helps to find approximate results. The usual regressiona line being used is y on x with formula yc= a+bx.

Research Methodology

RESEARCH METHODOLOGY

The project study mainly focuses on the critical assessment of the financial position of CPCL, and deals with financial statement analysis, financial planning and financial control.

Research Design:

The research design is purely and simply the frame work plan for a study that guides the collection and analysis of data. The function of researcher is to ensure that requires the data collected or accurate and economically.

Analytical research technique was adopted in the project. Generally analytical studies are designed to analysis some thing and it collects data for a definite purpose.

Primary data:

As part of strengthening the study, personal contacts are made with the officials and staff members of the finance department in the form of discussions and collection of reports.

Secondary data:

The data are collected from the annual reports, mainly balance sheet, income and expenditure and other brochures of the company.

Method of collection:

The data for the analysis was collected and gathered from the printed reports of CPCL like annual reports, official files, records and other available related materials.

Period of Study:

The study has been made for a period of five financial years from 2003-2008.

Scope of the study:

- The study finds out the operational efficiency of the organization and suggest the proper utilization and allocation of cash resources to improve the efficiency of the organization.
- The financial position of the organization will be further revealed through the adoption of various techniques available for analysis.
- These techniques reveal the measures that can adopt to improve the existing trend.

Limitation

LIMITATIONS

Limitations of the study:

ú The project study will be mainly based on information gathered from secondary data, mainly Balance Sheet and Profit & Loss A/c.

ú The whole study will be based on observation in the past, which can only be related to laws that operated in the past, as there is no evidence that the laws will continue to operate in future also.

ú Being the company is under the control of IOC and also under the indirect administration of government it is not possible to fix the prices for some of the major products produced. It is not in a position to enjoy the control of ownership.

ú The company after the phased dismantling of Administered Pricing Mechanism till 2002, had to face the challenges in international oil market during 2003-2008. The Iraq war also had a major impact on oil prices and ultimately on the profitability of the oil industry as a whole in India. Therefore five year period studied is subject to major fluctuations in term of profitablility.

Analysis & Interpretation

ANALYSIS AND INTERPRETATION

WORKING CAPITAL GROUP RATIOS

1. Current Assets to Total Assets Ratio

(Rs. in Lakhs)

Year	Current Assets	Total Assets	CA/TA
2003-2004	176713.14	302438.16	0.58
2004-2005	172673.84	291637.24	0.59
2005-2006	157667.36	275030.98	0.57
2006-2007	211078.23	333302.46	0.63
2007-2008	203573.14	461843.19	0.44

Mean = 0.56
Standard Deviation = 0.064

Correlation = 0.9

INTERPRETATION

This ratio indicates the proportion of Current Assets to the Total assets of the company. The current assets has been on the decreasing trend for the last five years. This is because of reduction in the maintenance of Other Current Assets of the company. Higher ratio indicates maintenance of sufficient cash balance and inventories. Lower ratio indicates lower level of inventory and cash balance.

2. Working Capital to Long-Term Debt

(Rs. in Lakhs)

Year	Working Capital	Long-Term Debt	WC/LDT
2003-2004	87550.55	100585.55	0.87
2004-2005	107961.68	115245.71	0.94
2005-2006	85728.81	125793.1	0.68
2006-2007	92078.00	197567.05	0.47
2007-2008	87592.87	236530.82	0.37

Mean = 0.67
Standard Deviation = 0.22

Correlation = 0.2

INTERPRETATION

This will indicate the amount of capital employed out of Short-term debt taken by the company. Higher ratio indicates effective utilization of debt whereas the lower ratio indicates diversion of funds to investments. The Company has borrowed in the year 2006-07 and 2007-08 to fund the 3MMTPA Project.

3. Working Capital to Total Assets

(Rs. in Lakhs)

Year	Working Capital	Total Assets	WC/TA
2003-2004	87550.55	302438.16	0.29
2004-2005	107961.68	291637.24	0.37
2005-2006	85728.81	275030.98	0.31
2006-2007	92078.00	333302.46	0.28
2007-2008	87592.87	461843.19	0.19

Mean = 0.29

Standard Deviation = 0.058

Correlation = 0.3

INTERPRETATION

This represents the amount of long-term resources used for the purchase of Current Assets, which also form part of the Total Assets. This is also a good indicator of total performance of the company in the industry as a whole.

4. Inventory to Current Assets

(Rs. in Lakhs)

Year	Inventory	Current Assets	Inventory/C.A.
2003-2004	96357.04	176713.14	0.55
2004-2005	85818.49	172673.84	0.50
2005-2006	7504.85	157667.36	0.048
2006-2007	120307.81	211078.23	0.57
2007-2008	120313.33	203573.14	0.59

Mean = 0.45

Standard Deviation = 0.20

Correlation = 0.9

INTERPRETATION

This ratio shows the component of inventory over Current Assets. This ratio could be compared with that of the industry to find out whether the company is maintaining the optimum inventory or not. Higher the inventory, higher will be the costs of locking up of funds. This will add up as a burden to the profitability of the company.

5. Inventory to Working Capital

(Rs. in Lakhs)

Year	Inventory	Working Capital	Inventory/WC
2003-2004	96357.04	87550.55	1.10
2004-2005	85818.49	107961.68	0.79
2005-2006	7504.85	85728.81	0.088
2006-2007	120307.81	92078.00	1.31
2007-2008	120313.33	87592.87	1.37

Mean = 0.93
Standard Deviation = 0.47

Correlation = 0.3

INTERPRETATION

This indicates the amount required to purchase of inventory to carry out the production process out of total available working capital. Higher ratio indicates higher amount consumption by inventory and Lower ratio indicates lower proportion of working capital has been utilized for purchase of inventory.

6. Current Liabilities to Total Liabilities

(Rs. in Lakhs)

Year	Current Liabilities	Total Liabilities	CL/TL
2003-2004	89162.59	304914.05	0.29
2004-2005	64712.16	304803.49	0.21
2005-2006	71938.55	302853.72	0.24
2006-2007	119000.23	446095.32	0.27
2007-2008	115980.27	513644.13	0.23

Note: Here the total liabilities include networth, short-term and long-term borrowings, and current liabilities.

Mean = 0.25
Standard Deviation = 0.029

Correlation = 0.8

INTERPRETATION

This indicates the proportion of current liabilities to the total liabilities of the company. Generally, current liabilities will be of short-term nature. This is mainly taken to meet or carry out the day-to-day requirements of the business. This includes credit granted by suppliers that will be limited to certain time period depending on the nature of business transaction. Current Liabilities are such liability that has to be met in the immediate future

SHORT-TERM SOLVENCY RATIOS

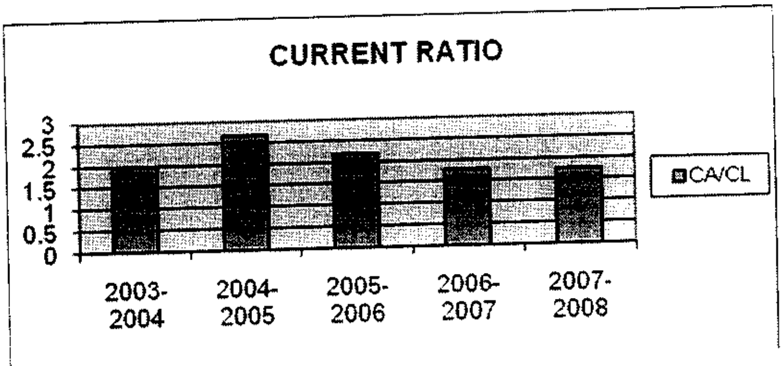
1. CURRENT RATIO

(Rs. in Lakhs)

Year	Current Assets	Current Liabilities	CA/CL
2003-2004	176713.14	89162.59	1.98
2004-2005	172673.84	64712.16	2.67
2005-2006	157667.36	71938.55	2.20
2006-2007	211078.23	119000.23	1.77
2007-2008	203573.14	115980.27	1.75

Note: Current Liabilities here includes provision also.

Mean = 2.07   Correlation = 0.9
Standard Deviation = 0.34



INTERPRETATION

The ideal ratio between Current Assets and Current Liabilities is 2:1. This is insisted because even if Current Assets are reduced to half i.e. 1, the creditors will be able to get their dues in full. Here, the ratio is showing a decreasing trend, though it indicates the efficient use of funds it is necessary to maintain ideal ratio. This trend may be due to rise in Production

2. QUICK RATIO

(Rs. in Lakhs)

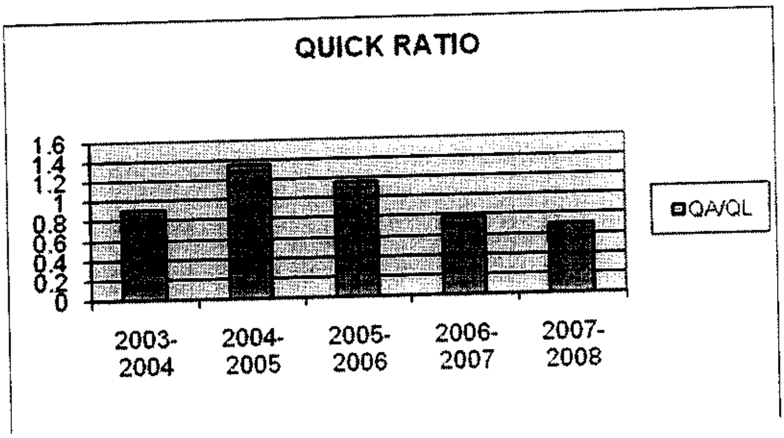
Year	Quick Assets	Quick Liabilities	QA/QL
2003-2004	80309.63	88617.5	0.91
2004-2005	86710.09	64237.04	1.35
2005-2006	81962.52	70512.39	1.16
2006-2007	90770.42	115805.58	0.78
2007-2008	83259.81	108930.29	0.7

Note: Quick Liabilities = Current Liabilities less Bank overdraft

Mean = 0.98

Standard Deviation = 0.24

Correlation = 0.3



INTERPRETATION

The ideal Quick Ratio is 1. This is a ratio between Quick Assets and Quick Liabilities. This ratio is showing a slightly decreasing trend. This is because of non-maintenance of sufficient amount of liquid cash and decrease of sundry debtors The phenomena is however temporary.

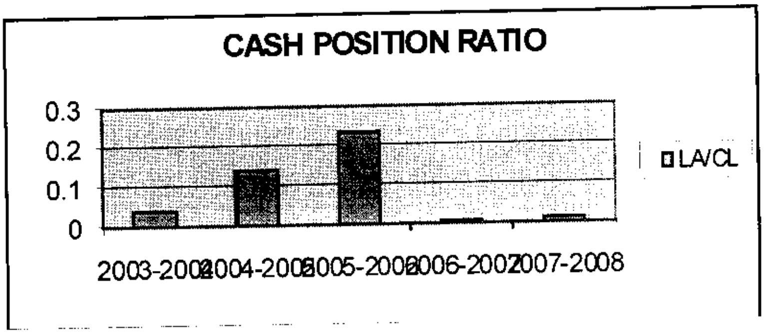
3. CASH POSITION RATIO

(Rs. in Lakhs)

Year	Liquid Assets	Current Liabilities	LA/CL
2003-2004	3472.49	89162.59	0.039
2004-2005	8737.72	64712.16	0.14
2005-2006	16584.45	71938.55	0.23
2006-2007	901.28	119000.23	0.0076
2007-2008	1242.89	115980.27	0.011

Mean = 0.086
Standard Deviation = 0.087

Correlation = 0.9



INTERPRETATION

The ideal Cash Position ratio is 0.75:1. This analysis shows that Cash and Bank balances have been maintained however prudentially for the past 5 years and has not defaulted any payment.

OVERALL SOLVENCY RATIO

1. DEBT RATIO

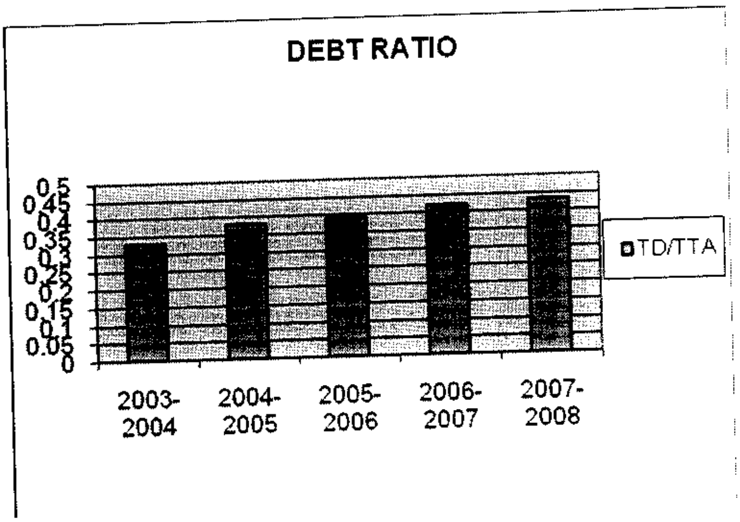
(Rs. in Lakhs)

Year	Total Debt	Total Tangible Assets	TD/TTA
2003-2004	100585.55	304914.05	0.33
2004-2005	115245.71	303369.29	0.38
2005-2006	125793.1	325835.21	0.39
2006-2007	197567.05	473224.74	0.42
2007-2008	236530.82	544162.3	0.43

Note: Here total debt includes networth, loans and current liabilities. The total tangible assets includes work-in-progress also.

Mean = 0.39
Standard Deviation = 0.035

Correlation = 0.9



INTERPRETATION

This ratio indicates that overall solvency position of the company is good. Though the ratio is low, it slightly showing an increasing trend that may be due to fluctuations prevailing in the money market and in the overall interest of the Company to reduce the overall weighted average cost of Capital.

LONG-TERM SOLVENCY RATIO

1. FIXED ASSET RATIO

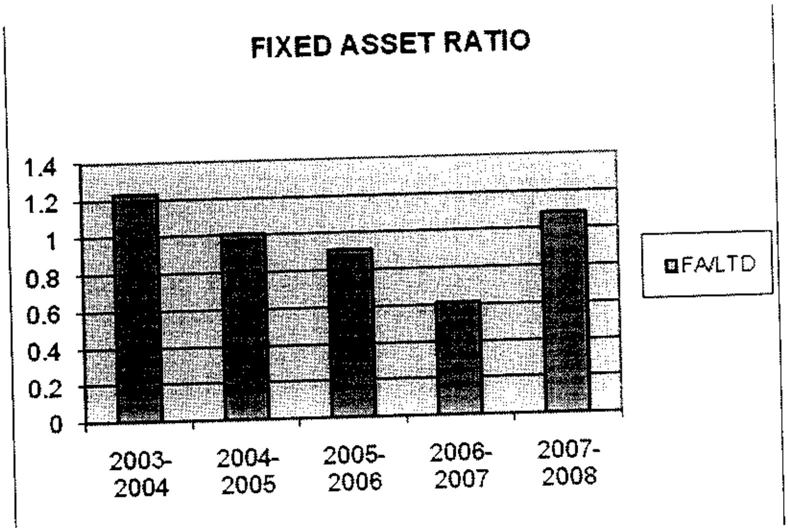
(Rs. in Lakhs)

Year	Fixed Assets	Long-Term Debt	FA/LTD
2003-2004	123926.87	100585.55	1.23
2004-2005	117060.36	115245.71	1.01
2005-2006	114201.89	125793.1	0.91
2006-2007	119827.06	197567.05	0.61
2007-2008	257073.25	236530.82	1.09

Note: Long-term debt means secured loans and unsecured loans.

Mean = 0.97
Standard Deviation = 0.21

Correlation = 0.3



INTERPRETATION

An ideal Fixed Assets Ratio is 0.67. Ratio more than `1' indicates that fixed assets are purchased either with both equity and short term funds or with any one of the mode of financing. Here, the ratio is slightly more than 1 which indicates the pumping of funds from any of the sources as mentioned above.

2. DEBT EQUITY RATIO

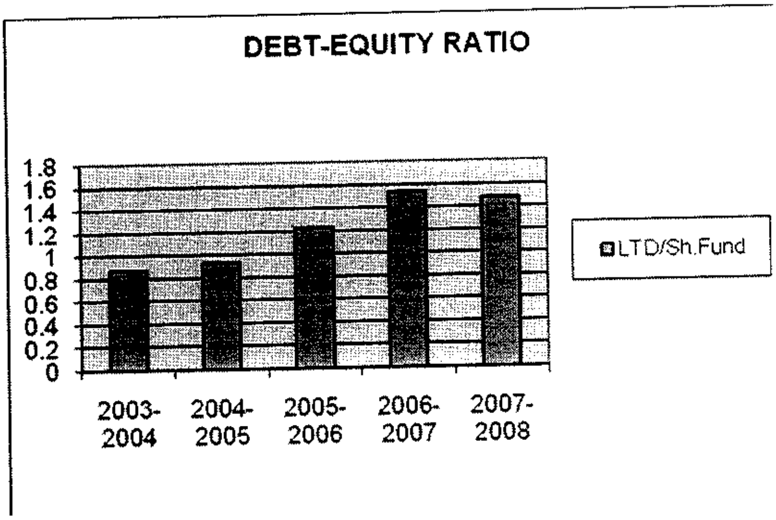
(Rs. in Lakhs)

Year	Long-Term Debt	Shareholder's Funds	LTD/Sh.Fund
2003-2004	100585.55	115165.91	0.87
2004-2005	115245.71	123411.42	0.93
2005-2006	125793.1	103190.73	1.22
2006-2007	197567.05	129333.46	1.53
2007-2008	236530.82	160991.77	1.47

Note: Shareholder's Funds and Networth are same.

Mean = 1.204
Standard Deviation = 0.27

Correlation = 0.7



INTERPRETATION

The ideal Debt-Equity Ratio is 1. In this analysis, it shows that for the past three years the ratio is more than 1 and increasing slightly year by year. This is because of rise in borrowings to fund the rising cost of Raw Material and for the 3MMTPA expansion Refinery.

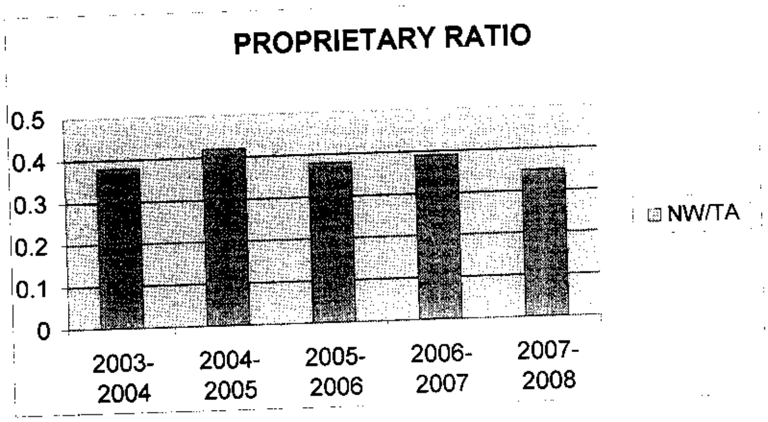
2. PROPRIETORY RATIO

(Rs. in Lakhs)

Year	Networth	Tangible Assets	NW/TA
2003-2004	115165.91	302438.16	0.38
2004-2005	123411.42	291637.24	0.42
2005-2006	103190.73	275030.98	0.38
2006-2007	129333.46	333302.46	0.39
2007-2008	160991.77	461843.19	0.35

Note: Tangible assets include investments, current assets and fixed assets excluding work-in-progress.

Mean = 0.384 Correlation = 0.9
Standard Deviation = 0.022



INTERPRETATION

The ideal ratio is 0.5. For the last five years the ratio is moderate and the financial position of the company is fair. Hence it is advisable to rise the shareholder's funds of the company in the long run.

3. CAPITAL GEARING RATIO

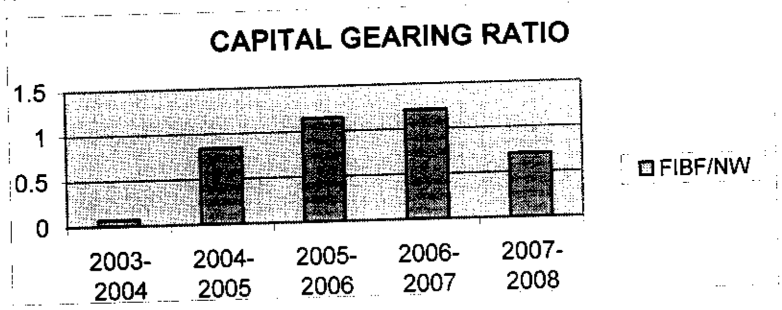
(Rs. in Lakhs)

Year	Fixed Interest Bearing Funds	Networth	FIBF/NW
2003-2004	79425.21	115165.91	0.069
2004-2005	104035.71	123411.42	0.84
2005-2006	118124	103190.73	1.14
2006-2007	156872.4	129333.46	1.21
2007-2008	112229.4	160991.77	0.70

Note: Fixed interest bearing funds include unsecured loans, fixed deposits and others.

Mean = 0.79 Correlation = 0.2

Standard Deviation = 0.41



INTERPRETATION

The capital structure of the company is increased during 2005-2006, 2006-2007 and decreased during 2007-08. The low gearing ratio indicates overcapitalization. This is because of rise in borrowings to fund the procurement of Raw Material and for the 3MMTPA Expansion Refinery.

TURNOVER RATIOS

1. Debtor's Turnover Ratio

(Rs. in Lakhs)

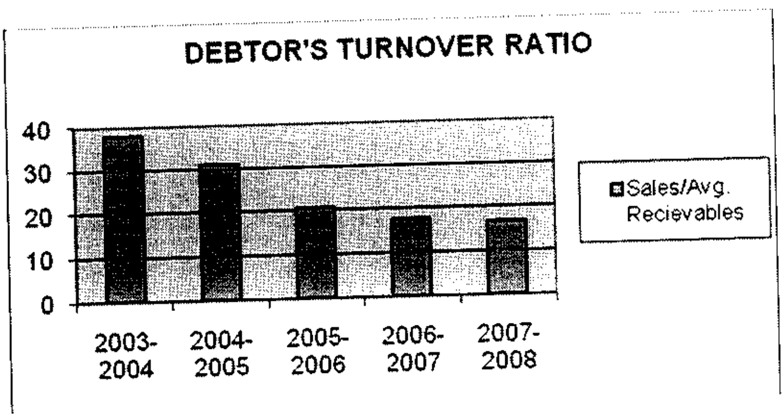
Year	Sales	Average Recievables	Sales/Avg. Recievables
2003-2004	551429.09	14504.91	38.02
2004-2005	713262.28	22954.92	31.07
2005-2006	627308.67	30501.04	20.57
2006-2007	862995.08	48906.84	17.65
2007-2008	947596.46	56759.48	16.69

Note: Average receivables include opening debtors plus closing debtors divided by 2.

Mean = 24.8

Correlation = 0.9

Standard Deviation = 8.35



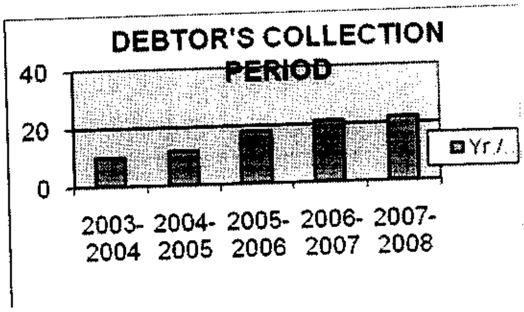
Debtor's Collection period

(in Days)

Year	Days in a Year	Debtor's Turnover Ratio	Yr./DTO
2003-2004	365	38.02	9.6
2004-2005	365	31.07	11.75
2005-2006	365	20.57	17.74
2006-2007	365	17.65	20.68
2007-2008	365	16.69	21.87

Mean = 16.33
Standard Deviation = 4.86

Correlation = 1



INTERPRETATION

The turnover for the past five years is decreasing and the collection period is increasing which implies that payment by debtors is delayed. This is because of increase in credit period for the major customers like IOC who is lifting almost 95% of their products.

2. Creditors Turnover Ratio

(Rs. in Lakhs)

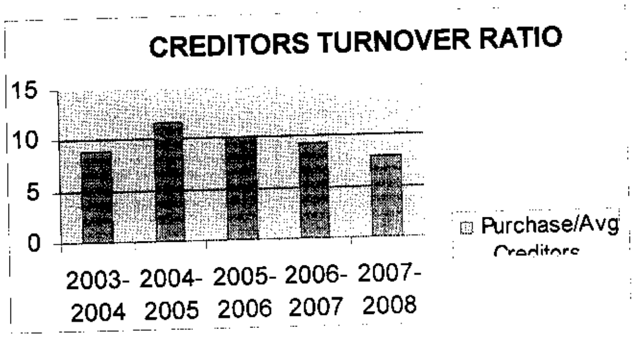
Year	Purchase	Average Creditors	Purchase/Avg. Creditors
2003-2004	497888.08	56594.67	8.80
2004-2005	628630.94	53579.19	11.73
2005-2006	558658.42	55809.94	10.01
2006-2007	724122.91	77785.64	9.31
2007-2008	768150.85	96024.94	7.99

Note: Average creditors include opening creditors plus closing creditors divided by 2.

Mean = 9.57

Standard Deviation = 1.27

Correlation = 0.6



Creditor's Collection Period

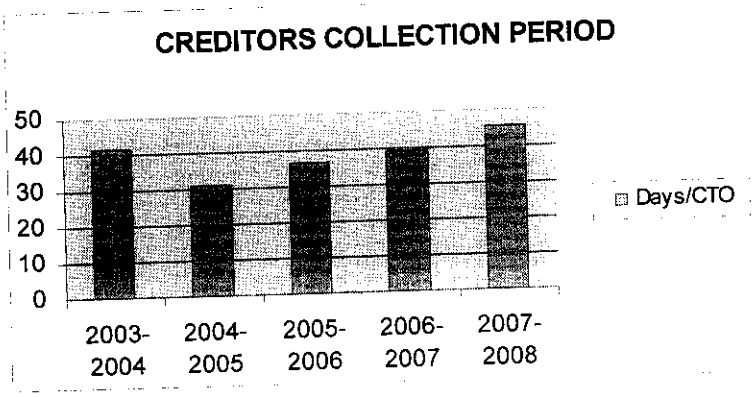
(in Days)

Year	Days in a Year	Creditor's Turnover Ratio	Days/CTO
2003-2004	365	8.80	41.48
2004-2005	365	11.73	31.12
2005-2006	365	10.01	36.46
2006-2007	365	9.31	39.21
2007-2008	365	7.99	45.68

Mean = 38.79

Standard Deviation = 4.88

Correlation = 0.6



INTERPRETATION

This analysis is showing decreasing turnover and increasing number of days in collection period. A lower ratio and high number of days indicate delayed payment to creditors. Depending on the liquidity position of the company, the kind of payables turnover desirable is planned.

3. Working Capital Turnover Ratio

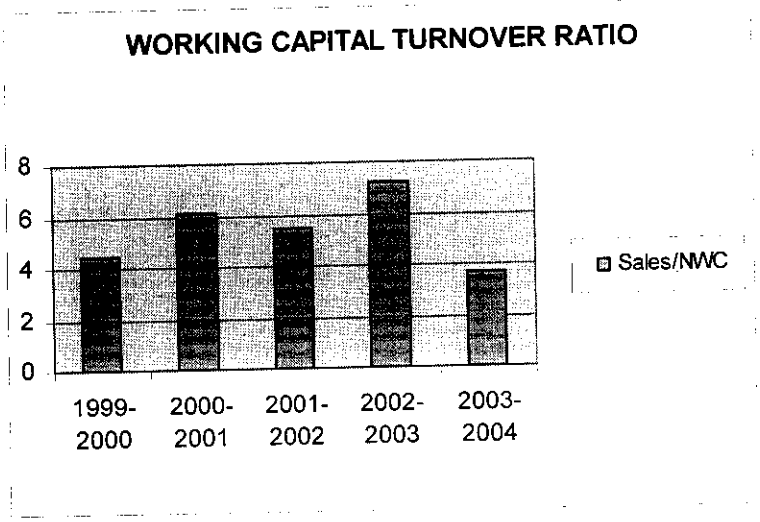
(Rs. in Lakhs)

Year	Sales	Net Working Capital	Sales/NWC
2003-2004	551429.09	87550.55	6.30
2004-2005	713262.28	107961.68	6.61
2005-2006	627308.67	85728.81	7.32
2006-2007	862995.08	92078.00	9.37
2007-2008	947596.46	87592.87	10.82

Note: Net Working Capital means Current Assets minus Current Liabilities.

Mean = 8.08
Standard Deviation = 1.74

Correlation = 0.5
Covariance = 21.53%



INTERPRETATION

This analysis helps to measure effective utilization of Working Capital. The lower ratio for the current year indicates lower investment of Working Capital and more Profit. The investment of Working Capital is high in the year 2006-07. For the remaining years, it is moderate.

4. Fixed Assets Turnover Ratio

(Rs. in Lakhs)

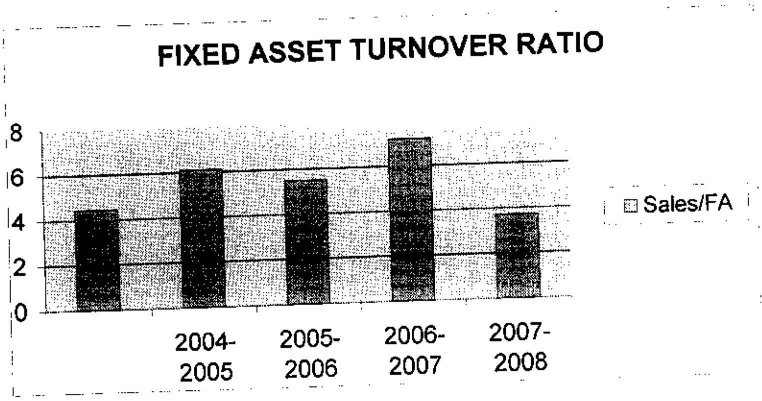
Year	Sales	Fixed assets	Sales/FA
2003-2004	551429.09	123926.87	4.45
2004-2005	713262.28	117060.36	6.09
2005-2006	627308.67	114201.89	5.49
2006-2007	862995.08	119827.06	7.20
2007-2008	947596.46	257073.25	3.69

Note: Here Fixed Assets does not include work-in-progress.

Mean = 5.38

Standard Deviation = 1.23

Correlation = 0.9



INTERPRETATION

This indicates the efficient utilization of Fixed Assets to the profitability of the business concern. In this analysis the high ratio in the year 2004-05 indicates effective utilization of the Assets and decreasing ratio for the last three years is indicating underutilization of Fixed Asset. This is because of the expansion project being implemented in a phased manner and production is being stabilized in 2008-09.

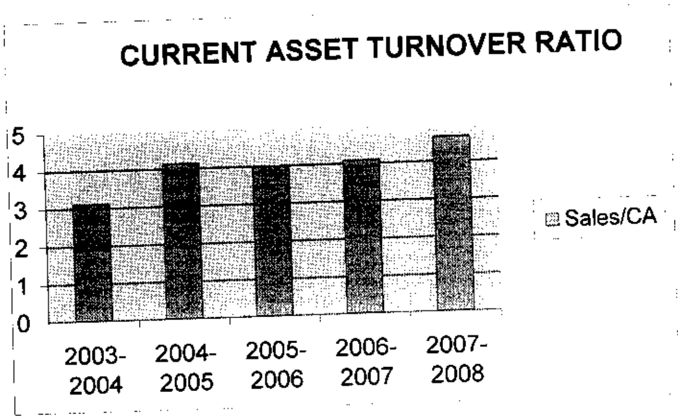
5. Current Asset Turnover Ratio

(Rs. in Lakhs)

Year	Sales	Current Assets	Sales/CA
2003-2004	551429.09	176713.14	3.12
2004-2005	713262.28	172673.84	4.13
2005-2006	627308.67	157667.36	3.98
2006-2007	862995.08	211078.23	4.09
2007-2008	947596.46	203573.14	4.65

Mean = 3.99
Standard Deviation = 0.49

Correlation = 0.6



INTERPRETATION

The increasing trend for the last two years indicates the effective utilization of Current Assets to the profitability of the business. The ratio for the year 2005-06 is very low which is only a temporary phenomena.

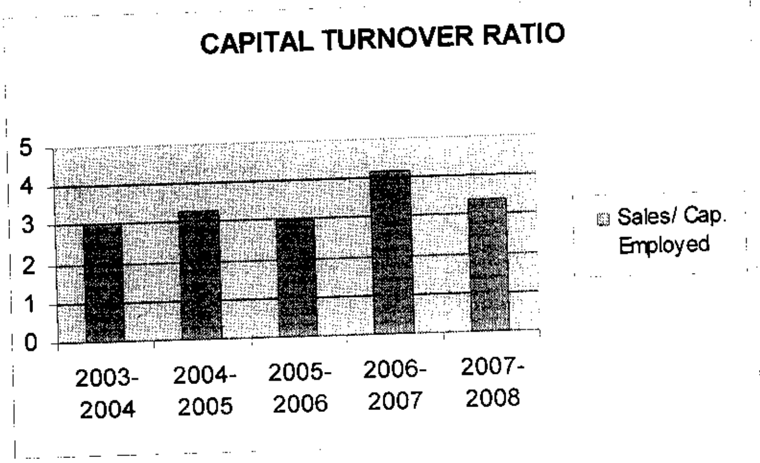
6. Capital Turnover Ratio

(Rs. in Lakhs)

Year	Sales	Capital Employed	Sales/ Cap. Employed
2003-2004	551429.09	182657.75	3.02
2004-2005	713262.28	218249.73	3.27
2005-2006	627308.67	212476.37	2.95
2006-2007	862995.08	205917.88	4.19
2007-2008	947596.46	278285.59	3.41

Mean = 3.37
Standard Deviation = 0.44

Correlation = 0.7



INTERPRETATION

This analysis shows the constant usage of Capital in the year 2003-2004, 2004-05 and 2007-08. The ratio is very low in the year 2005-06 due to shut down of the refinery for a part of the year .

7. Inventory Turnover Ratio

(Rs. in Lakhs)

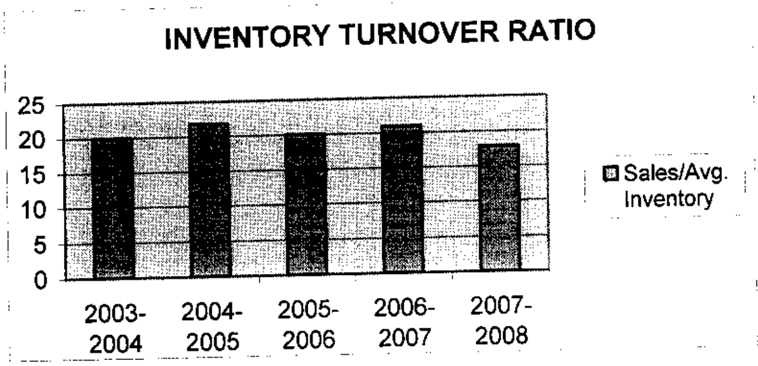
Year	Sales	Average Inventory	Sales/Avg. Inventory
2003-2004	551429.09	27574.91	19.99
2004-2005	713262.28	32717.91	21.80
2005-2006	627308.67	31275.14	20.06
2006-2007	862995.08	41295.17	20.89
2007-2008	947596.46	53122.37	17.84

Note: Average inventory includes opening stock plus closing stock divided by 2.

Mean = 20.12

Correlation = 0.1

Standard Deviation = 1.31



INTERPRETATION

This analysis shows constant ratio in the year 2005-06, 2006-07 and decreased in the year 2007-08 indicating increase in crude prices which is not avoidable. The quantity of crude stock however is maintained at the reasonable levels.

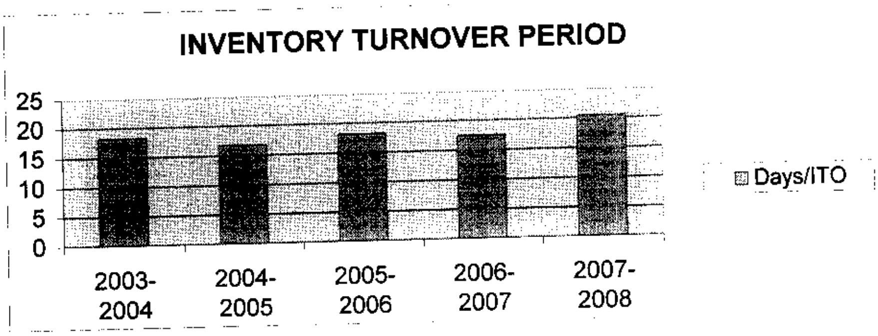
8. Inventory Turnover Period

(in Days)

Year	Days in a Year	Inventory Turnover Ratio	Days/ITO
2003-2004	365	19.99	18.26
2004-2005	365	21.80	16.74
2005-2006	365	20.06	18.2
2006-2007	365	20.89	17.47
2007-2008	365	17.84	20.46

Mean =18.23
Standard Deviation =1.25

Correlation = 0.3



INTERPRETATION

The general objective is to increase the stock velocity as much as possible or in effect decrease the days or months for which items remain in stock. The current year ratio is high indicating the locking up of more capital due to increase in crude prices.

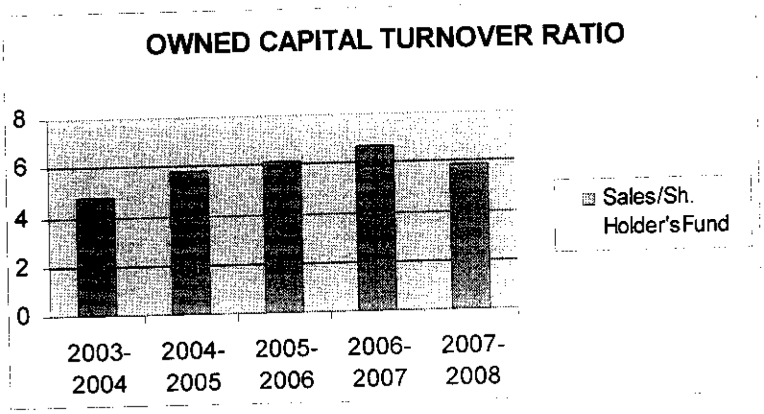
9. Owned Capital Turnover Ratio

(Rs. in Lakhs)

Year	Sales	Shareholder's Fund	Sales/Sh. Holder's Fund
2003-2004	551429.09	115165.91	4.79
2004-2005	713262.28	123411.42	5.78
2005-2006	627308.67	103190.73	6.08
2006-2007	862995.08	129333.46	6.67
2007-2008	947596.46	160991.77	5.89

Mean = 5.84
Standard Deviation = 0.9

Correlation = 0.9



INTERPRETATION

This analysis indicates the utilization of shareholder's fund in relation to sales. The ratio has increased gradually from 2004-05 and remained almost constant at 2006-07 with slight variation. However, it decreased in 2007-08 reflecting underutilization of shareholder's funds towards the profitability of the concern.

The accretion to Net worth of the Company over the years has been invested in the 3 MMTPA Refinery, the production of which is stabilizing in the year 200-09.

PROFITABILITY RATIOS

1. **Return on Shareholder's Fund**

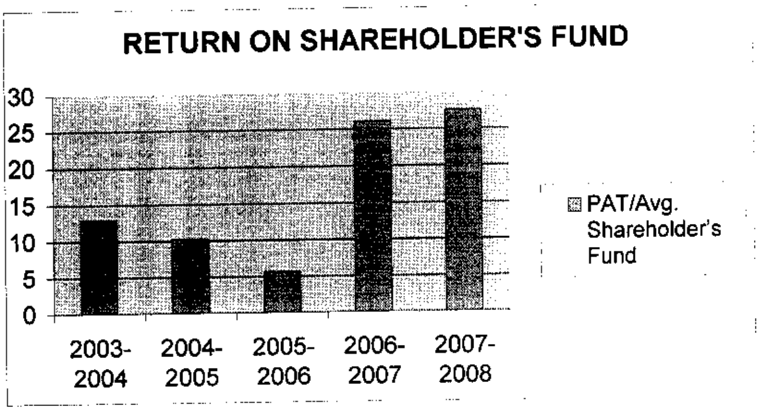
(Rs. in Lakhs)

Year	PAT	Avg. Shareholder's Fund	PAT/Avg. Shareholder's Fund *100
2003-2004	14314.34	110725.86	12.93
2004-2005	12243.13	119288.67	10.26
2005-2006	6371.19	113301.08	5.62
2006-2007	30288.82	116262.09	26.05
2007-2008	40004.62	145162.62	27.56

Note: Average shareholder's fund means opening fund and closing fund divided by 2.

Mean = 16.48
Standard Deviation = 8.76

Correlation = 0.5



INTERPRETATION

This analysis is viewed from the point of shareholder. The ratio is high in the year 2006-07 and 2007-08 indicates an effective utilization of shareholder's fund to the profitability of the company. The ratio is very low in 2005-06 due to shut down of the Refinery. For the year 2003-04 and 2004-05 the ratio is moderate.

2. **Return on Investment (ROI)**

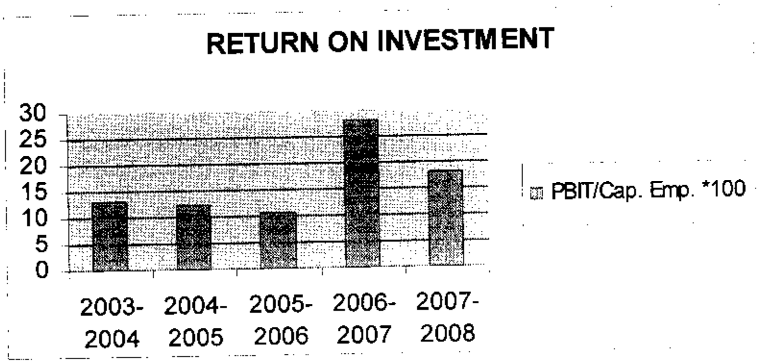
(Rs. in Lakhs)

Year	PBIT	Total Capital Employed	PBIT/Cap. Emp. *100
2003-2004	27766.72	211477.42	13.13
2004-2005	27889.88	225022.04	12.39
2005-2006	21697.05	199930.7	10.85
2006-2007	59461.1	211905.06	28.06
2007-2008	61905.98	344666.12	17.96

Note: Capital employed includes fixed assets and working capital.

Mean = 16.48
Standard Deviation = 6.26

Correlation = 0.7



INTERPRETATION

This ratio shows a decreasing trend for the first 3 years indicating the inefficient use of capital employed. There is sudden increase in the use of capital efficiently in the year 2006-07 and decreased in the year 2007-08 which are mainly due to fluctuating prices of both raw material and finished products, the movement of which are not in tandem to each other.

3. **Return on Capital Employed**

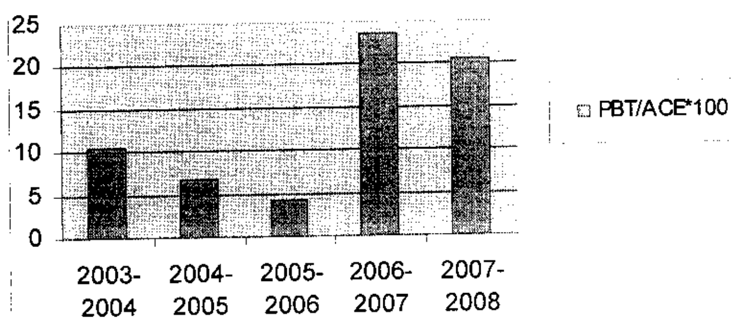
(Rs. in Lakhs)

Year	PBT	Average Capital Employed	PBT/ACE*100
2003-2004	19168.67	182657.75	10.49
2004-2005	14743.54	218249.73	6.76
2005-2006	8888.51	212476.37	4.18
2006-2007	48795.92	205917.88	23.69
2007-2008	57226.22	278285.59	20.56

Mean = 13.14
Standard Deviation = 7.67

Correlation = 0.2

RETURN ON CAPITAL EMPLOYED



INTERPRETATION

This analysis shows that the capital employed is efficiently in the year 2006-07 and 2007-08. The decrease is due to shut down of the refinery due to acute water shortage. Here the capital employed is taken on average basis to include the change taken place between the year.

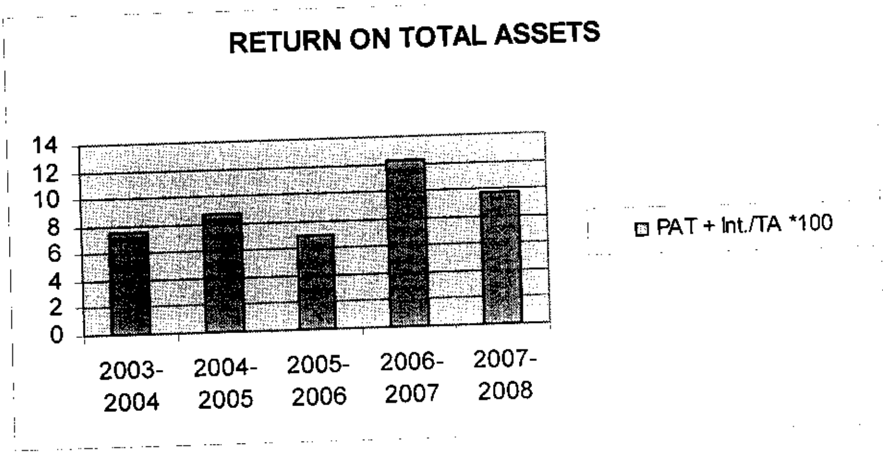
4. Return on Total Assets

(Rs. in Lakhs)

Year	PAT + Int.	Total Assets	PAT + Int./TA *100
2003-2004	22912.39	302438.16	7.58
2004-2005	25389.47	291637.24	8.71
2005-2006	19179.73	275030.98	6.97
2006-2007	40954	333302.46	12.29
2007-2008	44684.38	461843.19	9.68

Mean = 9.05
Standard Deviation = 1.87

Correlation = 0.9



INTERPRETATION

This ratio is used to analyze the productivity of the Total Assets to the profit of the company. Higher ratio indicates more productivity of the total Assets. Lower ratio was due to shut down of the refinery in 2005-06.

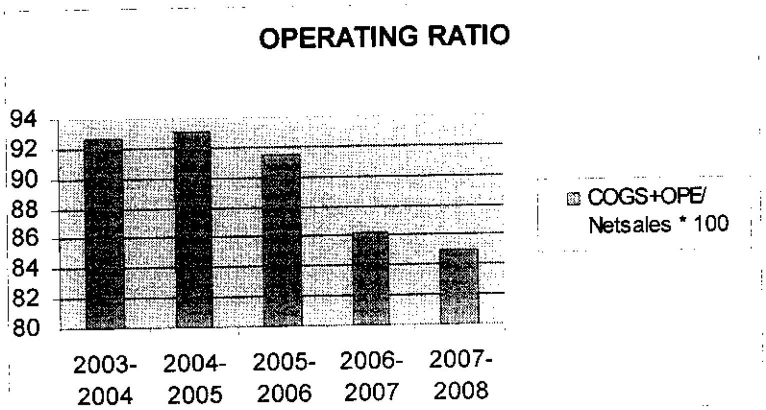
5. Operating Ratio

(Rs. in Lakhs)

Year	COGS + OPE	Netsales	COGS+OPE/ Netsales * 100
2003-2004	510816.82	551429.09	92.64
2004-2005	664144.02	713262.28	93.11
2005-2006	573992.37	627308.67	91.50
2006-2007	743670.63	862995.08	86.17
2007-2008	805781.03	947596.46	85.03

Mean = 89.69
Standard Deviation = 3.39

Correlation = 1



INTERPRETATION

This analysis helps to identify the expenditure incurred in production, sales and distribution of output. It indicates the operational efficiency of the concern. The lower ratio in the year 2006-07 and 2007-08 indicates the more operational efficiency. The higher ratio in the year 2003-2004 and 2004-05 shows the inefficiency of the concern. The ratio of the year 2005-06 shows the efficiency of the business operation as moderate.

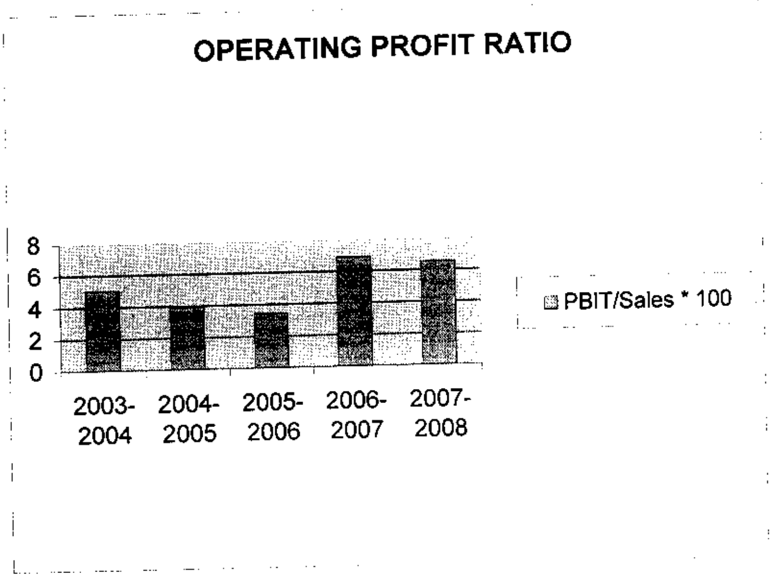
6. Operating Profit Ratio

(Rs. in Lakhs)

Year	PBIT	Sales	PBIT/Sales * 100
2003-2004	27766.72	551429.09	5.04
2004-2005	27889.88	713262.28	3.91
2005-2006	21697.05	627308.67	3.46
2006-2007	59461.1	862995.08	6.89
2007-2008	61905.98	927596.46	6.53

Mean = 5.17
Standard Deviation = 1.37

Correlation = 0.9



INTERPRETATION

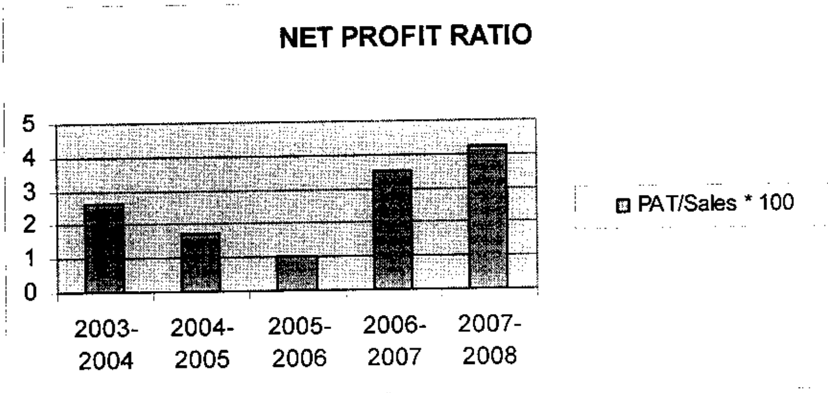
This analysis is used as a measure of management's efficiency in running the routine operations of the business. The higher ratios in the year 2006-07 and 2007-08 indicate the higher efficiency and the lower ratios in the year 2004-05 and 2005-06 indicate lower efficiency.

7. Net Profit Ratio

(Rs. in Lakhs)

Year	PAT	Sales	PAT/Sales * 100
2003-2004	14314.34	551429.09	2.60
2004-2005	12243.13	713262.28	1.72
2005-2006	6371.19	627308.67	1.02
2006-2007	30288.82	862995.08	3.51
2007-2008	40004.62	947596.46	4.22

Note: Here, the profit taken for calculation is Profit after tax.
Mean = 2.614 Correlation = 0.7
Standard Deviation = 1.16



INTERPRETATION

This analysis measures the efficiency of business operations from owner's point of view. The operation of business is inefficient in the year 2004-05 and 2005-06. It started showing an increasing trend from the year 2006-07 and 2007-08. The current ratio indicates good business operations.

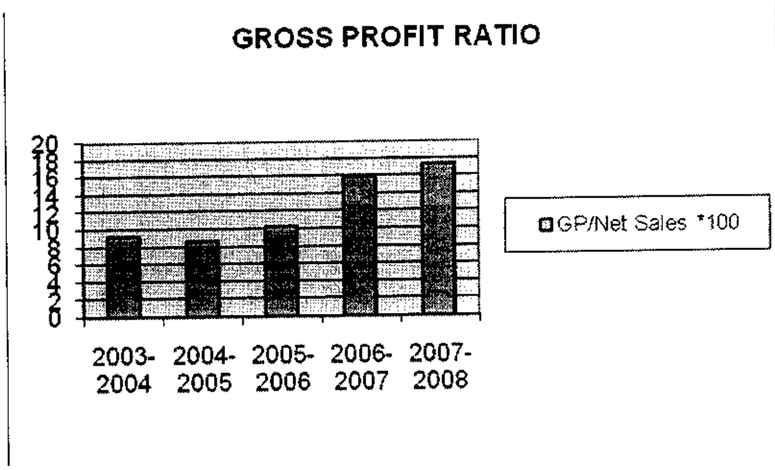
8. Gross Profit Ratio

(Rs. in Lakhs)

Year	Gross Profit	Net Sales	GP/Net Sales *100
2003-2004	51023.78	551429.09	9.25
2004-2005	62309.03	713262.28	8.74
2005-2006	64177.26	627308.67	10.23
2006-2007	136746.61	862995.08	15.85
2007-2008	164976.97	947596.46	17.41

Note: Here the Gross profit means cost of goods sold minus sales.

Mean = 12.30 Correlation = 0.9
Standard Deviation = 3.60



INTERPRETATION

This ratio reveals the ability of the company to adequately cover its fixed interest charges, operating expenses, dividends and transfer to reserves. For the past 5 years, the Gross Profit Ratio shows an increasing trend indicating the increase in sales mix, the proportion of profit with higher gross profit margin.

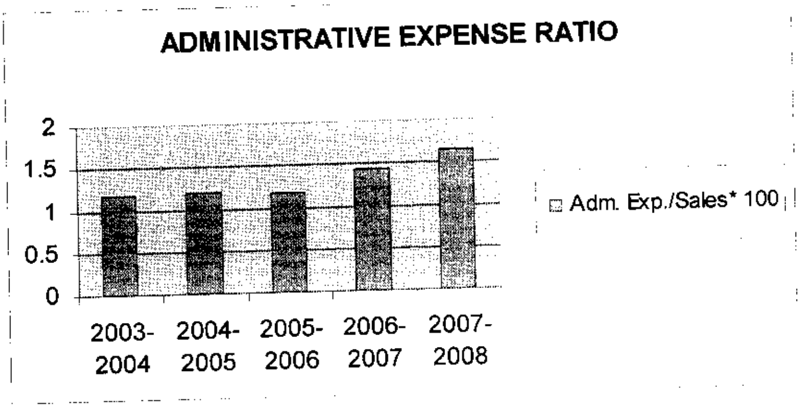
9. Administrative Expenses Ratio

(Rs. in Lakhs)

Year	Administrative Expenses	Net Sales	Adm. Exp./Sales* 100
2003-2004	6508	551429.09	1.18
2004-2005	8538	713262.28	1.19
2005-2006	7410	627308.67	1.18
2006-2007	12349	862995.08	1.43
2007-2008	15522	947596.46	1.64

Mean = 1.32
Standard Deviation = 0.18

Correlation = 1



INTERPRETATION

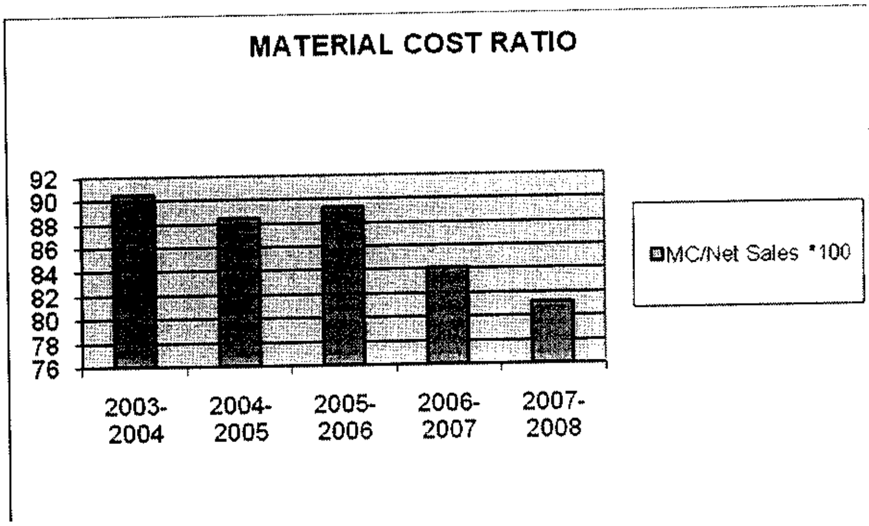
This ratio is also known as supporting ratio. This analysis enables to save expenditure over different items. For the past 5 years the expenditure remained constant with gradual increase. The current year ratio is moderate.

10. Material Cost Ratio

(Rs. in Lakhs)

Year	Material Cost	Net Sales	MC/Net Sales *100
2003-2004	498770.49	551429.09	90.45
2004-2005	630675.65	713262.28	88.42
2005-2006	559807.38	627308.67	89.24
2006-2007	725030	862995.08	84.01
2007-2008	768605.45	947596.46	81.11

Note: Material cost includes raw material consumed plus wharfage cost.
Mean = 86.65 Correlation = 1
Standard Deviation = 3.52



INTERPRETATION

This analysis reveals the cost incurred for materials to achieve the profitability of the business. The decreasing trend of ratio for the last two years indicates low expense on material in comparison to the profitability of the company.

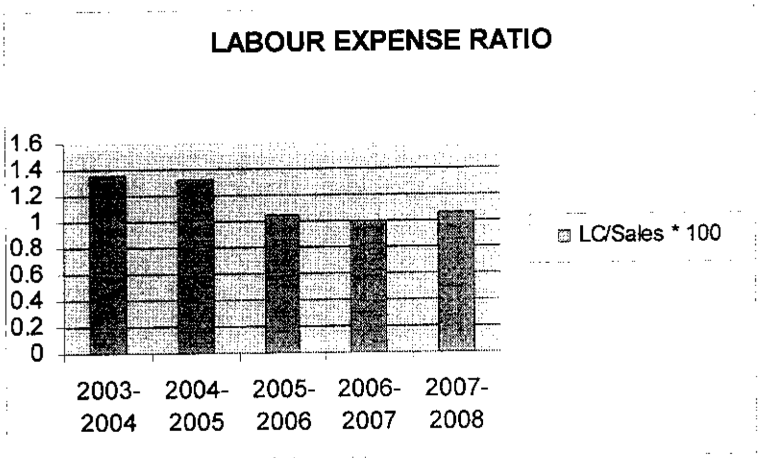
11. Labour Expense Ratio

(Rs. in Lakhs)

Year	Labour Cost	Sales	LC/Sales * 100
2003-2004	7451	551429.09	1.35
2004-2005	9473	713262.28	1.33
2005-2006	6565.68	627308.67	1.05
2006-2007	8654.29	862995.08	1.00
2007-2008	10030.62	947596.46	1.06

Mean = 1.16
Standard Deviation = 0.15

Correlation = 0.8



INTERPRETATION

This analysis indicates the Labour Cost incurred to achieve the profitability of the business. In the year 2003-2004 and 2004-2005, the labour expenses were higher to the sales of the business. For the last 3 years, the ratio is more or less the same.

12. **Dividend Cover Ratio**

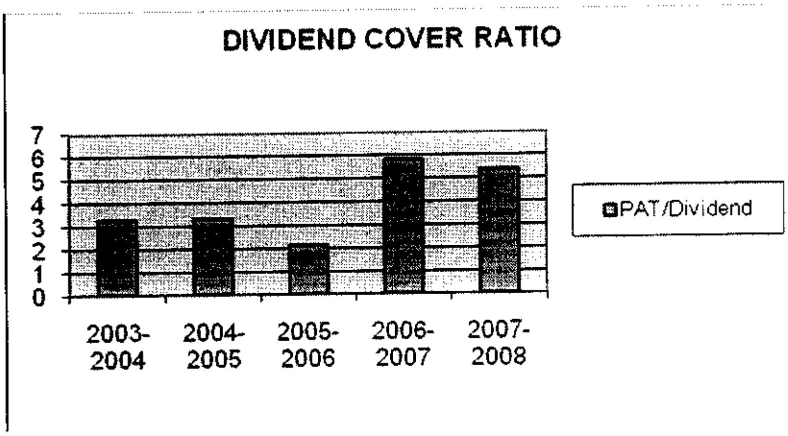
(Rs. in Lakhs)

Year	PAT	Dividend	PAT/Dividend
2003-2004	14314.34	4413.07	3.24
2004-2005	12243.13	3705.30	3.30
2005-2006	6371.19	2980.07	2.14
2006-2007	30288.82	5215.14	5.81
2007-2008	40004.62	7446.13	5.37

Mean = 3.97

Standard Deviation = 1.39

Correlation = 1



INTERPRETATION

The Board of Directors may use their discretion to decide the dividend to be paid to equity shareholders and the balance will be carried forward to the Profit and Loss appropriation Account. The company paid good dividend to its shareholders in the year 2006-07 and 2007-08 due to considerable increase in the profit.

13. Interest Cover Ratio

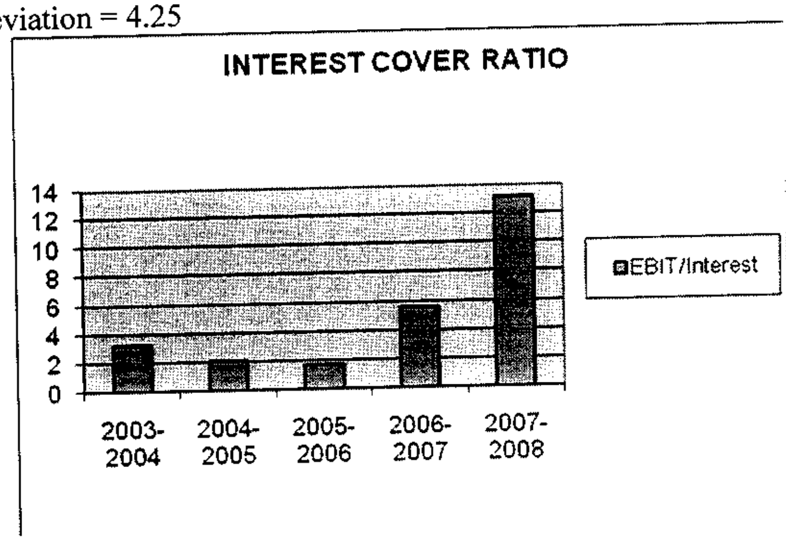
(Rs. in Lakhs)

Year	EBIT	Interest	EBIT/Interest
2003-2004	27766.72	8598.05	3.23
2004-2005	27889.88	13146.32	2.12
2005-2006	21697.05	12808.54	1.69
2006-2007	59461.1	10665.18	5.58
2007-2008	61905.98	4679.76	13.22

Note: The interest here means the interest paid by the company on borrowings taken by it.

Mean = 5.17 Correlation = 0.5

Standard Deviation = 4.25



INTERPRETATION

This ratio highlights the ability of the business to meet its commitment to pay interest and to raise additional funds in future. The ratio is very low in 2005-06 indicating the high risk of the company to meet its commitment. The ratio for the year 2007-08 is high indicating the better position for long-term creditors and the company's risk is lower.

14. Debt Service Coverage Ratio

(Rs. in Lakhs)

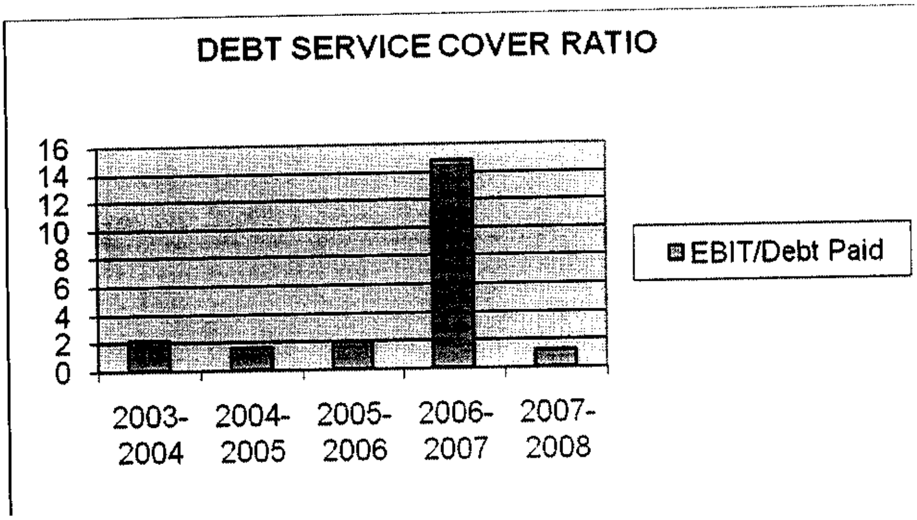
Year	EBIT	Debt Paid	EBIT/Debt Paid
2003-2004	27766.72	13157.4	2.11
2004-2005	27889.88	17418.66	1.60
2005-2006	21697.05	11006.4	1.97
2006-2007	59461.1	4023.05	14.78
2007-2008	61905.98	51142.8	1.21

Note: the debt paid here means the loans repaid by the company.

Mean = 4.334

Correlation = 0.9

Standard Deviation = 5.23



INTERPRETATION

This ratio reveals the ability of the company to meet its repayment obligations. The ratio is very high in the year 2006-07 indicating the low repayment taken place in that year. For all the other years, the repayment ratio is moderate to the earnings made by the company.

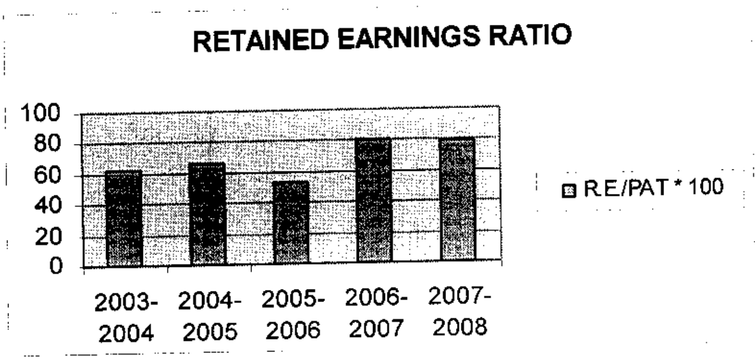
15. Retained Earnings Ratio

(Rs. in Lakhs)

Year	Retained Earnings	PAT	R.E./PAT * 100
2003-2004	8878.91	14314.34	62.03
2004-2005	8159.89	12243.13	66.65
2005-2006	3391.12	6371.19	53.23
2006-2007	24405.49	30288.82	80.58
2007-2008	31604.45	40004.62	79.00

Mean = 68.30
Standard Deviation = 10.34

Correlation = 1



INTERPRETATION

It is statutory to retain atleast 20% of Net Profit before declaring the dividend. This ratio shows the proportion of earnings retained out of current year profit. The proportion is very low in the year 2005-06 and increased suddenly in the year 2006-07 and decreased slightly in the year 2007-08.

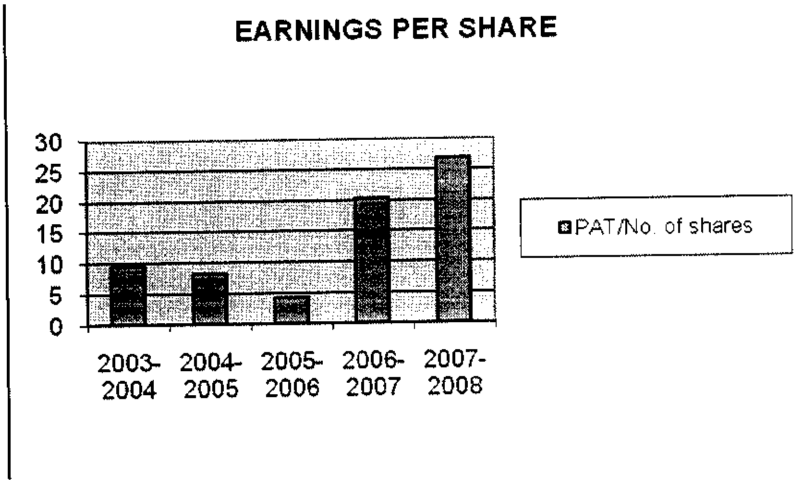
16. Earnings Per share

(Rs. in Lakhs)

Year	PAT	No. Of Equity shares	PAT/No. of shares
2003-2004	14314.34	149131100	9.6
2004-2005	12243.13	149131100	8.21
2005-2006	6371.19	149131100	4.27
2006-2007	30288.82	149131100	20.31
2007-2008	40004.62	148943200	26.86

Mean = 13.85
Standard Deviation = 8.40

Correlation = 0.6



INTERPRETATION

This analysis reflects the capacity of the concern to pay dividend to its equity shareholders. This analysis determines the market price from the owner's point of view. The increasing trend for the last two years indicates good point to invest in the company from the investor's point of view.

17. Price Earnings Ratio

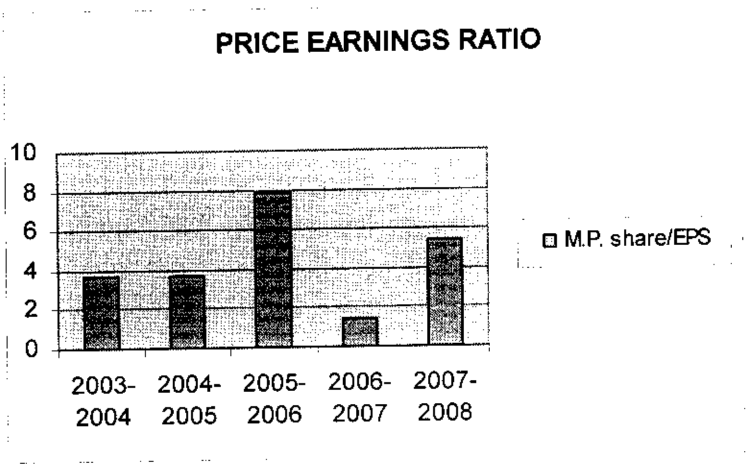
(Rs. in Lakhs)

Year	Market Price Per Share	Earnings Per Share	M.P. share/EPS
2003-2004	35.00	9.6	3.65
2004-2005	29.95	8.21	3.65
2005-2006	33.70	4.27	7.89
2006-2007	29.95	20.31	1.47
2007-2008	145.55	26.86	5.42

Note: Here market price per share here indicates year ending share market price of Mumbai Stock Exchange

Mean = 4.42
Standard Deviation = 2.14

Correlation = 0.3



INTERPRETATION

This ratio indicates earnings per share reflected by the Market Price. This ratio helps the investor to analyze whether to invest in shares at particular market price or not. The market price of the share in the 2005-06 is high and decreased very low in the year 2006-07 and the price is moderate in the year 2007-08.

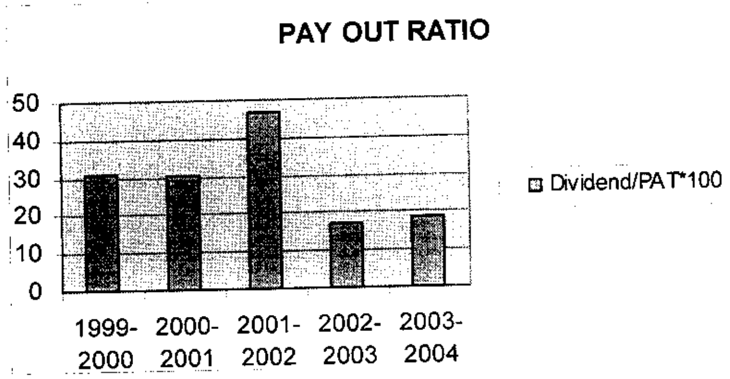
18. Pay Out Ratio

(Rs. in Lakhs)

Year	Dividend	PAT	Dividend/PAT*100
2003-2004	4413.07	14314.34	30.82
2004-2005	3705.30	12243.13	30.26
2005-2006	2980.07	6371.19	46.77
2006-2007	5215.14	30288.82	17.22
2007-2008	7446.13	40004.62	18.61

Mean = 28.74
Standard Deviation = 10.65

Correlation = 1



INTERPRATATION

This analysis indirectly throws light on the financial policy of the management in ploughing back The company maintained a good pay out ratio with continuous increase from the year 2003-2004 to 2005-2006.There is sudden decrease in the ratio from the year 2006-07 and 2007-08 because of conservation decision policy of management.

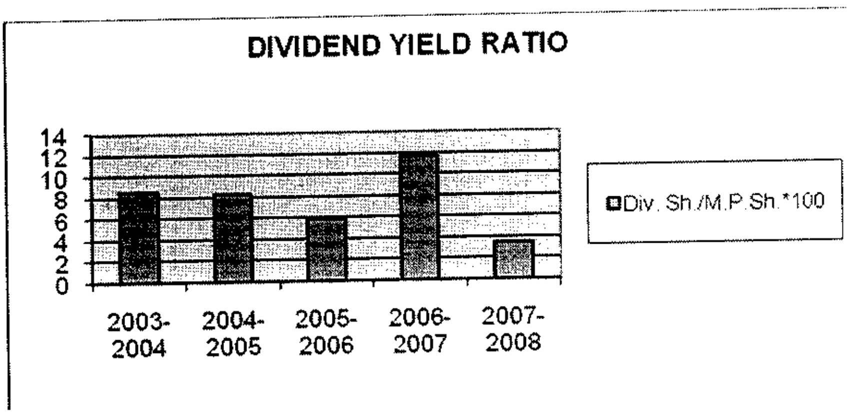
19. Dividend Yield Ratio.

(In Rs.)

Year	Dividend per Share	Market Price per Share	Div. Sh./M.P.Sh.*100
2003-2004	3.0	35.00	8.57
2004-2005	2.5	29.95	8.35
2005-2006	2.0	33.70	5.93
2006-2007	3.5	29.95	11.65
2007-2008	5.0	145.55	3.44

Mean = 7.60
Standard Deviation = 2.77

Correlation = 0.3



INTERPRETATION

This is useful from investor's point of view. This ratio reveals the dividend income to the market value of the shares. This helps those investors who are interested in dividend income.

LEVERAGE RATIOS

1. Operating Leverage Ratio

(Rs. in Lakhs)

Year	Contribution	EBIT	C/EBIT * 100
2003-2004	31610.27	27766.72	1.14
2004-2005	57191.98	27889.88	2.05
2005-2006	38701.16	21697.05	1.78
2006-2007	128591.92	59461.1	2.16
2007-2008	167867.74	61905.98	2.71

Mean = 1.97
Standard Deviation = 0.51

Correlation = 0.9

INTERPRETATION

It defines the tendency of the Operating Profit with sales. The high ratio in the year 2006-07 and 2007-08 indicates changes taken place in operating income and sales. The low operating ratio in the year 2003-2004, 2005-06 is considered good as it increases the safety. The ratio is moderate during the current period.

2. Financial Leverage Ratio

(Rs. in Lakhs)

Year	EBIT	EBT	EBIT/EBT
2003-2004	27766.72	19168.67	1.45
2004-2005	27889.88	14743.54	1.89
2005-2006	21697.05	8888.51	2.44
2006-2007	59461.1	48795.92	1.22
2007-2008	61905.98	57226.22	1.08

Mean = 1.62
Standard Deviation = 0.50

Correlation = 0.9

INTERPRETATION

This ratio shows the changes that have taken place in the income as a result of change income. The ratio shows a increasing trend for the first three years and decreased suddenly in the year 2006-2007 and decreased further in the year 2007-2008. This is due to increase in sales and PBT.

3. **Combined Leverage Ratio**

(Rs. in Lakhs)

Year	Operating Leverage	Financial Leverage	OL x FL
2003-2004	1.14	1.45	1.65
2004-2005	2.05	1.89	3.87
2005-2006	1.78	2.44	4.34
2006-2007	2.16	1.22	2.64
2007-2008	2.71	1.08	2.93

Mean = 3.09
Standard Deviation = 0.95

Correlation = - 0.7

INTERPRETATION

This is the combination of Operating Leverage Ratio and Financial Leverage Ratio. The combined ratio shows an increasing trend for the first three years. It decreased in the year 2006-2007 due to the changes in income over expenditure. However, the best combination is low operating leverage with high financial leverage.

STRUCTURAL GROUP RATIOS

1. **Fixed Assets to Total Assets**

(Rs. in Lakhs)

Year	Fixed Assets	Total Assets	FA/TA
2003-2004	123926.87	302438.16	0.41
2004-2005	117060.36	291637.24	0.40
2005-2006	114201.89	275030.98	0.42
2006-2007	119827.06	333302.46	0.36
2007-2008	257073.25	461843.19	0.56

Mean = 0.43
Standard Deviation = 0.068

Correlation = 0.9

INTERPRETATION

This ratio indicates the proportion of Fixed Assets to the Total Assets of the company. The ratio for the first three years is almost constant indicating consistency in the maintenance of asset. The ratio has decreased in the year 2006-2007. This may be due to depreciation incurred or sale of assets. It has increased in the year 2007-08 due to acquisition of new assets.

2. Fixed Assets to Average Capital Employed

(Rs. in Lakhs)

Year	Fixed Assets	Average Capital Employed	FA/ACE
2003-2004	123926.87	182657.75	0.68
2004-2005	117060.36	218249.73	0.54
2005-2006	114201.89	212476.37	0.54
2006-2007	119827.06	205917.88	0.58
2007-2008	257073.25	278285.59	0.92

Mean = 0.65
Standard Deviation = 0.14

Correlation = 0.1

INTERPRETATION

This ratio indicates the proportion of Fixed Assets to the Average Capital Employed by the company. Here, the average value is taken to include the changes taken place between the years. Higher ratio indicates higher utilization of assets and lower ratio indicates underutilization of assets to the profitability of the business.

3. Debt to Capital Employed

(Rs. in Lakhs)

Year	Debt	Average Capital Employed	Debt/ACE
2003-2004	100585.55	182657.75	0.55
2004-2005	115245.71	218249.73	0.53
2005-2006	125793.1	212476.37	0.59
2006-2007	197567.05	205917.88	0.96
2007-2008	236530.82	278285.59	0.85

Mean = 0.70
Standard Deviation = 0.18

Correlation = 0.6

INTERPRETATION

This ratio indicates employment of funds for production activities. Lower ratio indicates lower utilization of funds. This indicates lying of more funds without putting in to use. The interest being paid for those funds will become unnecessary expense. Higher ratio indicates effective utilization of funds for productive purposes.

4. Capital Employed to Total Liabilities

(Rs. in Lakhs)

Year	Average Capital Employed	Total Liabilities	ACE/TL
2003-2004	182657.75	304914.05	0.59
2004-2005	218249.73	304803.49	0.72
2005-2006	212476.37	302853.72	0.70
2006-2007	205917.88	446095.32	0.46
2007-2008	278285.59	513644.13	0.54

Mean = 0.60
Standard Deviation = 0.12

Correlation = 0.2

INTERPRETATION

This ratio indicates proportion of capital employed to networth, borrowings and current liabilities incurred by the company. Higher proportion indicates effective utilization and lower proportion indicates underutilization.

5. Debt to Total Liabilities

(Rs. in Lakhs)

Year	Debt	Total Liabilities	Debt/TL
2003-2004	100585.55	304914.05	0.33
2004-2005	115245.71	304803.49	0.38
2005-2006	125793.1	302853.72	0.42
2006-2007	197567.05	446095.32	0.44
2007-2008	236530.82	513644.13	0.46

Mean = 0.41
Standard Deviation = 0.046

Correlation = 0.6

INTERPRETATION

Debt includes short-term and long-term borrowings made by the company whereas the Total Liability includes networth, current liabilities and also debt. Higher ratio indicates higher proportion of borrowings made by the company. Lower ratio indicates low proportion of borrowings by the company.

6. **Fixed Assets to Networth**

(Rs. in Lakhs)

Year	Fixed Assets	Networth	FA/Networth
2003-2004	123926.87	115165.91	1.08
2004-2005	117060.36	123411.42	0.95
2005-2006	114201.89	103190.73	1.11
2006-2007	119827.06	129333.46	0.93
2007-2008	257073.25	160991.77	1.60

Mean = 1.134
Standard Deviation = 0.24

Correlation = 0.7

INTERPRETATION

Networth includes Shareholder's Funds, Reserves and Surplus less Miscellaneous Expenditure. Higher ratio indicates effective utilization of assets to the networth and lower ratio indicates underutilization of assets.

PROFIT ALLOCATION RATIOS

1. **Income Tax Provision to Net Profit**

(Rs. in Lakhs)

Year	Income Tax Provision	Net Profit	I.T./NP
2003-2004	4854.33	14314.34	0.34
2004-2005	2500.41	12243.13	0.20
2005-2006	2517.32	6371.19	0.39
2006-2007	18507.1	30288.82	0.61
2007-2008	17221.6	40004.62	0.43

Mean = 0.394
Standard Deviation = 0.13

Correlation = 0.8

INTERPRETATION

This analysis indicates Income Tax provision over Net Profit. Higher ratio indicates maintenance of high provision in proportion to profit. Lower ratio indicates maintenance of low provision in proportion profit. This is analyzed from Profit after Tax figure.

2. Income Tax Provision to Profit Before Taxes

(Rs. in Lakhs)

Year	Income Tax Provision	PBT	IT/PBT
2003-2004	4854.33	19168.67	0.25
2004-2005	2500.41	14743.54	0.17
2005-2006	2517.32	8888.51	0.28
2006-2007	18507.1	48795.92	0.38
2007-2008	17221.6	57226.22	0.30

Mean = 0.28
Standard Deviation = 0.068

Correlation = 0.8

INTERPRETATION

This analysis indicates provision for taxes before tax is deducted form profit. Here, higher ratio indicates higher profit and lower ratio indicates lower profit. In the year 2004-05 the ratio decreased indicating maintenance of low tax policies by the company and increased consecutively for the last three years reflecting changes in Government Policies regarding taxation.

3. Proposed Dividend to PBT

(Rs. in Lakhs)

Year	Proposed Dividend	PBT	Div./PBT
2003-2004	4413.07	19168.67	0.23
2004-2005	3705.30	14743.54	0.25
2005-2006	2980.07	8888.51	0.34
2006-2007	5215.14	48795.92	0.11
2007-2008	7446.13	57226.22	0.13

Mean = 0.212
Standard Deviation = 0.68

Correlation = 1

INTERPRETATION

This ratio reflects the proportion of dividend approved in light of profit. The higher ratio in the year 2005-06 indicates approving of higher dividend proportion despite the low profit made by the company in that year. The lower ratio for the last two years indicates the proportion of dividend approved by the company is not in line with profits made during that year.

4. Total Provisions to Net Profit

(Rs. in Lakhs)

Year	Total Provisions	Net Profit	Total Prov./NP
2003-2004	25948.01	14314.34	1.81
2004-2005	15534.03	12243.13	1.27
2005-2006	6726.82	6371.19	1.06
2006-2007	17618.40	30288.82	0.58
2007-2008	10591.39	40004.62	0.26

Mean = 0.996
Standard Deviation = 0.54

Correlation = 0.3

INTERPRETATION

This ratio reflects total provisions to be made by the company in proportion to net profit achieved by the company. In the year 2003-2004, the proportion is more because of stringent policy measure adopted by the company. It has decreased considerably in the last four years indicating some relaxation in government policies.

Z-SCORE ANALYSIS

Z-SCORE ANALYSIS FOR THE YEAR 2003-2008

Z = Financial Health score

X1= Working Capital / Total assets * 100

X2= Retained earnings / Total assets * 100

X3= Earning before interest and tax / Total assets * 100

X4= Net worth / Total liability * 100

X5= Sales / Total assets * 100

Year	*X1*	*X2*	*X3*	*X4*	*X5*
2003-2004	*28.95*	*2.94*	*9.18*	*38.0*	*182.33*
2004-2005	*37.0*	*2.8*	*9.56*	*42.32*	*244.58*
2005-2006	*31.17*	*1.23*	*7.89*	*37.52*	*228.00*
2006-2007	*27.63*	*7.32*	*17.84*	*38.8*	*258.92*
2007-2008					

Year	*0.012X1 + 0.014X2 + 0.033X3 + 0.006X4 + 0.010X5*	*Z-SCORE VALUE*
2003-2004	*0.*	
2004-2005		
2005-2006		
2006-2007		
2007-2008		

Findings

FINDINGS

The main observations from the financial statements are:

1. Liquidity, which reflects the organization ability to meet its short-term obligation, is satisfactory.

2. Profitability indicates the efficiency and the effectiveness in which the operation of the organization is carried on. Here the profitability in both the cases of operations and investments are seems to be satisfactory.

3. Profit for the year 2007-2008 of the company has increased. It is due to sudden increase in sales of the company and also increases in income from other sources and also decreases in the interest amount.

4. The average collection period of the company shows an increasing trend. This due to rise in the credit period policy given by the company to its debtors. From the year 2005-2006 the credit period has been changed from 3 days to 15 days. For some Petrochemicals products even 30 days credit is given.

5. The return on capital employed and circulated in the business is increased suddenly. The company's long term financial position is sound since its debt equity is satisfactory.

6. The company is financial sound for the last three years and there is a positive way of increase in the financial position of the company.

7. The company's fixed assets contributes more than 50% of the total assets and it is revealed that the loan funds contribute a major portion and the company's has more reserves & surplus to meet the future contingencies.

8. It is found that Break Even Point of the company shows an increasing trend because of higher fixed cost and P/V ratio also reflects the fluctuating trends because of changes in the Contribution due to varying price levels of both crude oil and finished products.

9. Margin of Safety seems to be satisfactory. This is due to increase in sales at the same time the company achieves the BEP at early stage itself. So this is the indicator for having better margin of safety.

10. It is found from the analysis that the company has changed its policy after Administered Pricing Mechanism(APM). This effect has been mainly focused on Loans & Advances. Two items namely "stock of crude oil on load with others &includes deposits made towards crude oil received on loan" have been eliminated from the year 2003-2004 in line with industry's practice.

11. It is found that there is an increase in Reserves & Surplus and also indicate that there is an increase in total resources of the company, which will contribute to a major constituents for the company in future.

12 There is a sudden decrease in maintaining the cash balance, which could be a year-end phenomenon. There is a prudent investment / portfolio management being forward in the company.

13 The working capital turn over ratio indicates that the company is sufficient in utilizing the current assets.

14 A part of working capital is from long-term funds.

15 The working capital is sufficient during the period of the study and it not suffering from inadequacy.

16 It is projected from the regression analysis that there will be a decrease in profits for the forth-coming years that may, be due to changes in the government policy, wild fluctuation in crude oil prices etc. Due to the sample constraint, the number of years taken for study being five years this analogy may not be however sustainable.

RECOMMENDATIONS

1 The company may maintain the same Debt- Equity ratio in future. So that it can increase the EPS.

2 The company may to reduce its inventory holding period by using the inventory management techniques such as EOQ and ABC analysis.

3 The credit policy can be reviewed once again. So that the funds that are not locked up in debtors. This will also increase the cash balances of the company.

4 The company may go for raising of capital which may be cheaper. It is also advantageous for the company to have sufficient funds to meet its working capital requirements rather than going for bank borrowings.

5. For their new products, it is better to choose too cheaper. An alternative proposal of External Commercial Borrowings will be cheaper for the company based on terms and conditions of the foreign fluctuations etc.

Conclusion

LEVERAGE RATIO

				Strucrual Group Ratio						Project AllocatonRatios		
Year	Oper. Lever. Ratio	Join LR	Comb LR	FA./ TTLA	FA -ACE	Debt. Cop. Emploiyed	Capital empl TTL Liabilitie	FA - Network		Income Tax Prov NP	Proposal Divident PBT	TTL Provision - Net Proff.
2003-04	1.14	1.45	1.65	0.41	0.68	0.55	0.33	1.08	0.34	0.25	0.23	1.81
2004-05	2.05	1.89	3.87	0.4	0.54	0.53	0.38	0.95	0.2	0.17	0.25	1.27
2005-06	1.78	2.44	4.34	0.42	0.54	0.59	0.42	1.1	0.396	0.28	0.34	1.06
2006-07	2.16	1.22	2.64	0.36	0.58	0.96	0.44	0.93	0.61	0.38	0.11	0.58
2007-08	2.71	1.08	2.93	0.56	0.92	0.85	0.46	1.6	0.43	0.3	0.13	0.26

TURNOVER RATIOS

Year	Rutum on sha Journal	ROI	Return on capital employed	Ret on TTAS	Opening Ratio	Opr. Project Ratio	Net PROJECT Ratio	Gross project ratio	Addinal exp.	Mar.cost R	Labour exp.ratio	Divided Cov.Rati	Inter cover ratio	Debt service cover ratio	Retained earning Ratio	Earning Per share	Price earning Ratio	Pay out ratio	Divided yiled ratio
2003-04	12.93	13.13	10.49	7.58	92.64	5.04	2.6	9.25	1.18	90.45	1.35	3.24	3.23	2.11	62.03	9.6	3.65	30.82	8.57
2004-05	10.26	12.39	6.76	8.71	93.11	3.91	1.72	8.74	1.19	88.42	1.33	3.3	2.12	1.6	6.65	3.65	3.65	30.26	8.35
2005-06	5.62	10.85	4.18	6.97	91.5	3.46	1.02	10.23	1.18	89.24	1.05	2.14	1.69	1.97	53.23	7.89	7.89	46.7	5.93
2006-07	26.05	28.06	23.69	12.29	86.17	6.89	3.51	15.85	1.43	84.01	1	5.81	5.58	14.78	80.58	1.47	1.47	17.2	11.65
2007-08	27.56	17.96	20.56	9.68	85.03	6.53	4.22	17.41	1.64	81.11	1.06	5.37	13.2	1.21	79	5.42	5.42	18.61	3.44

TURNOVER RATIOS

	Deb. TR	Deb.Col.Period	Cr. Tr	Cr. Coll. Period	WE TR	FA TR	FA TR	CA TR	IN TR	INV. TR	Owened Capital. T.O	
4	38.02	9.6	8.8	41.48	6.3	4.45	3.12	0.02	19.99	18.26	4.79	
5	31.07	1.75	1.73	31.12	6.61	6.09	4.13	3.27	21.8	16.74	5.78	
6	20.57	17.74	10.01	36.46	7.32	5.49	3.98	2.95	20.06	18.2	6.08	
7	17.65	20.68	9.31	39.21	9.37	7.2	4.09	4.19	20.89	17.47	6.67	
8	16.69	21.87	7.99	45.68	10.82	3.69	4.65	3.41	17.84	20.46	5.89	

Working capital Group Ratio						Short term solvency ratio				Long - Term Solvency Ratio			
C.A.- TTL AR	WC Short Term Dept	WC-TTL Ass.	Inv. - CA	Inv. - WC	Cl.-TTL Lia								
0.58	0.87	0.29	0.55	1.1	0.29	1.98	0.91	0.039	0.33	1.23	0.87	0.38	0.069
0.59	0.94	0.37	0.5	0.79	0.21	2.67	1.35	0.14	0.38	1.01	0.93	0.42	0.84
0.57	0.68	0.31	0.048	0.088	0.24	2.2	1.16	0.23	0.39	0.91	1.22	0.38	0.14
0.63	0.47	0.28	0.57	1.31	0.27	1.77	0.78	0.0076	0.42	0.61	1.53	0.39	1.21
0.4	0.37	0.19	0.59	1.37	0.23	1.75	0.7	0.011	0.43	1.09	1.47	0.35	0.7

Balance Sheet

Balance sheet as at March 31, 2003 -- March 31-2008

	Schedule		March 31, 2003
SOURCES OF FUNDS			
1. **Shareholders' Funds:**			
a) Capital	A	14900.39	
b) Reserves and Surplus	B	114627.65	
			129528.04
2. **Loan Funds:**			
a) Secured Loans	C	17500.00	
b) Unsecured Loans	D	180067.05	
			197567.05
3. **Deferred Tax Liability (Net)**			27324.00
Total			354419.09
APPLICATION OF FUNDS			
1. **Fixed Assets**			
a) Gross Block	E	226518.60	
b) Less: Depreciation		106691.54	
c) Net Block		119827.06	
d) Capital Work-in-Progress	F	139922.28	
			259749.34
2. **Investments**	G		2397.17
3. **Current Assets, Loans and Advances:**			
a) Inventories	H	120307.81	
b) Sundry Debtors	I	61635.06	
c) Cash and Bank Balances	J	901.28	
d) Other Current Assets - Interest accrued on Investments / Bank Deposits		10.41	
e) Loans and Advances	K	28223.67	
		211078.23	
4. **Less: Current Liabilities and Provisions:**			
a) Current Liabilities	L	101381.83	
b) Provisions	L-I	17618.40	
		119000.23	
5. **Net Current Assets (3-4)**			92078.00
6. **Miscellaneous Expenditure** (to the extent not written off or adjusted)	L-II		194.58
Total			354419.09
7. **Statement of Significant Accounting Policies**	Q		
8. **Notes on Accounts**	R		
9. **Other Schedules forming part of Accounts**	S to X		
10. **Balance Sheet Abstract and Company's General Business Profile**	Y		
11. **Cash Flow Statement**	Z		

(M.S. Ramachandran)
Chairman

(S.V. Narasimhan)
Managing Director

(K. Narayanan)
Director (Finance) i/c

(V.
Com

As per our attached report of even date

for B.V. Rao & Co.
Chartered Accountants
B.A.S.P. Ranga
Partner

for M. Th
Chartered
A.
Pa

Chennai
May 24, 2003

Profit & Loss Acco

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2003 – March

	Schedule		March 31, 2003
INCOME			
1. Sale of Products		864911.28	
Less: Commission and Discounts		1259.78	
2. Company's use of own Products			863651.50
3. Net claim from / (surrender to) Industry Pool Accounts			337.50
4. Increase / (Decrease) in Stocks			(993.92)
5. Interest and other Income	M		17703.76
Total Income	N		4039.19
EXPENDITURE			884738.03
1. Purchase of products for resale			
2. Manufacturing, Admn., Selling & Other Expenses			335.57
3. Duties	O		757017.89
4. Depreciation and Amortisation			57478.05
5. Interest Payments on :			10201.93
a) Fixed period loans from Banks/ Financial Institutions / Others			
b) Short Term Loans from banks		9514.70	
c) Public Deposits		57.53	
d) Others		808.24	
		284.71	
Total Expenditure			10665.18
PROFIT FOR THE YEAR			835698.62
Income / (Expenses) pertaining to previous years (Net)			49039.41
PROFIT BEFORE TAX	P		(243.49)
Provision for Tax (net)			48795.92
- Current year			
- Previous year		16110.19	
		(13.66)	
PROFIT BEFORE DEFERRED TAX			16096.53
Provision for Deferred Tax			32699.39
PROFIT AFTER TAX			2410.57
DISPOSABLE PROFIT			30288.82
APPROPRIATIONS			30288.82
Proposed Dividend			
Dividend Distribution Tax			5215.14
General Reserve			668.19
			24405.49
6. Earning Per Share (Rupees) (Basic & Diluted)			30288.82
7. Statement of Significant Accounting Policies			20.31
8. Notes on Accounts	Q		
9. Other Schedules forming part of Accounts	R		
10. Balance Sheet Abstract and Company's General Business Profile	S to X		
11. Cash Flow Statement	Y		
	Z		

(M.S. Ramachandran)
Chairman

(S.V. Narasimhan)
Managing Director

(K. Narayanan)
Director (Finance) i/c

(V. Sri
Compan

As per our attached report of even date

for B.V. Rao & Co.
Chartered Accountants
B.A.S.P. Ranga
Partner

for M. Thom
Chartered Ac
A. Roza
Partne

Chennai
May 24, 2003