

# Financial analysis of oil marketing companies

[Business](#), [Marketing](#)



? ANALYSIS OF OIL AND GAS MARKETING SECTOR- AN OVERVIEW OF ITS GROWTH OVER THE LAST FIVE YEARS (2001 - 2005) AUTHOR: Akhlaq Ahmad Enroll No. 111031-004 Cell no: 03215008455 BBA-6 (Morning) SUPERVISOR: Mr. Musbashir Sadiq Bahria Institute of Management & Computer Sciences, Bahria University Shangrila Road, Sector E-8, Islamabad ABSTRACT

Pakistan's economy is undergoing significant structural changes since 1999-2000. The real GDP growth is accelerating over the last five years. Over the next five years, 7-8 percent growth is targeted to be sustained, which will demand a huge rise in the energy use.

The energy sector in Pakistan comprises of oil, natural gas, power (hydro and nuclear) and coal. The oil and gas sector has a lot of potential in Pakistan. Pakistan is classified as low priority by foreign investors because of the unstable economic and political situation. However, efforts are being made by the Government to promote investment in the oil and gas sector, by various incentives such as liberal granting of exploration licenses, restructuring and reform of the oil and gas sectors, deregulation of prices, and privatization of selected assets.

The reform has enhanced transparency, making decision makers aware of the various The objective of this thesis is to analyze whether the Oil and Gas sector in Pakistan has really progressed and whether there are better opportunities for investment and growth in this sector now than there were in the past. For the purpose of determining the trend of growth in the Oil and Gas Sector, four Oil and Gas Marketing Companies (O&GMC) were selected and their financial data analyzed over a period of five years (2001 - 2005).

Financial data relevant to the sample companies was gathered from published accounts of the companies, in their annual reports. This data was condensed and summed up for the four companies and presented in tables and then used for analysis. The results were held to be representative of the entire Oil Marketing Sector and seem to show a marked trend of growth in the financial indicators reveal that there has been a marked improvement in the growth of this industry. ACKNOWLEDGMENT First of all I am very much thankful to ALLAH ALMIGHTY, who gave me strength & power to complete this task efficiently & effectively.

I am also very much thankful to my parents who gave me the basic knowledge of how to read & write, who also prayed for me every time, especially in the hour of need & trouble. Thanks to my most prestigious Supervisor Mr. Mubashir Sadik for providing me guidelines for each & every aspect. Thanks to Mr. Abdul Ahad Maud and Mr. Faisal Subhan who were very cooperative and considerate during the whole period of data collection. I am also very grateful to all those who helped me & gave me up-to-date information or any other information regarding this analysis while completing this task. Thank you in anticipation.

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Paying Ability<sup>59</sup> Figure 4. 4: Ratios for measuring the Long Term Debt Paying Ability<sup>61</sup> Figure 4. : Ratios for measuring the Long Term Debt Paying Ability<sup>63</sup> Figure 4. 6: Graphs to specify the growth of the oil & gas marketing companies<sup>65</sup> CHAPTER 1 INTRODUCTION Broad Problem Area/Background It is universally recognized that energy is one of the most important inputs for economic growth and national development. The consumption of energy is one of the critical indicators of the level of development of any country. Developed countries use more energy per unit of economic output and far more energy per capita than developing countries.

Economic growth is the key to this situation and for economic growth we need energy. Pakistan's economy is undergoing significant structural changes since 1999-2000. The real GDP growth is accelerating over the last five years. Over the next five years, 7-8 percent growth is targeted to be sustained, which will demand a huge rise in the energy use. The energy sector in Pakistan comprises of oil, natural gas, power (hydro and nuclear) and coal. The total primary energy supplies measured in terms of oil equivalent (toe) stood at 50. million tonnes in 2003-04. Oil and gas account for almost 80% of the energy sector of Pakistan with oil and gas being 29. 9 percent and 49. 7 percent respectively. In order to measure the growth of the energy sector the best proxy might be to evaluate the performance of the oil marketing companies. As these are the companies which are not only selling the oil based products which meet the major needs of the energy in Pakistan but also these companies are dealing in the recently made popular Compressed Natural Gas.

As this Oil and Gas sector represents more than 80% of the energy consumed in Pakistan so the companies which are dealing with the marketing of these fuels need to be assessed for their financial performance and results in the past few years. If these companies are showing growth we might assume that the energy sector is growing and the economy is on the right path. The first gas field was discovered in at Sui in 1952 and provides the basis for Pakistan's extensive gas network. Pakistan imports crude oil (it only produces 17% to 20% of what it needs), however is self sufficient in natural gas.

Of the companies that are being researched in the present study, Pakistan State Oil Company Limited (PSOCL) and Shell Pakistan are the main planks in the oil industry. Sui Northern Gas Pipelines Limited (SNGPL) and Sui Southern Gas Company (SSGC), distributes major portion of the natural gas. Pakistan declared 1997-98 an " Oil and Gas Year". As a result of offering incentives to potential investors, including foreign companies, some \$2. 5 billion of investment was attracted. Oil and Gas Consumption Figures? Oil

Consumption (In tones): 1999-00 2000-01 2001-02 2002-03 2003-04 17, 768, 000 17, 648, 000 16, 950, 000 6, 542, 000 13, 421, 000 Gas

Consumption 2003 ( In mmcft): 1999-00 2000-01 2001-02 2002-03 2003-04 712, 001 768, 068 872, 604 872, 264 1, 051, 418 Consumption of oil and gas

has been fairly steady throughout the 1990s with the gas consumption increasing at a rate of 4. 9 percent while the oil consumption increasing at a slightly reduced rate of 2. 5 percent. Until 1999, the government tightly controlled the oil and gas industries of Pakistan. No decision could be made

without referring to the higher authorities, and when decisions were made, they were often based on political as opposed to economic considerations.

Since early 2000, an ambitious pro-market reform program is being implemented, and gradually, the straightjacket under which the industry used to operate is being dismantled. As a result, the sector has changed dramatically over the last five years, and Pakistan now leads South Asia in sector reform (Economic Survey of Pakistan, 2004-05). The government actions have focused on promoting private investments in the upstream, deregulating most of the market for petroleum products, establishing a regulatory agency for the gas sector, and introducing market-related price caps for petroleum products.

The government's long term goal is to create a competitive, efficiently-run, financially smooth, and a largely privatized oil and gas sector providing supplies to a large share of population. It is important to note that a structural shift is taking place since 2000-01. The last five years have seen a positive trend towards greater gas consumption and a negative trend in the petroleum products consumption. Substantial progress has been made in the restructuring and reform of the oil and gas sectors, deregulation of prices, and privatization of selected assets.

The reform has enhanced transparency, making decision makers aware of the various aspects of the business. Rationale Oil and Gas is an important sector in Pakistan economy and it largely affects the GDP of Pakistan, therefore there is a great emphasis on exploration and marketing. The consumption of Oil was 16. 45 million tonnes in 2002-3 and consumption of



gas was 872, 264 million cubic feet. The acceleration in growth of energy consumption is not surprising when seen against a 15. 4 percent growth in large scale manufacturing and an 8. 5 percent growth in real GDP. Higher consumption of energy simply reflects the rising of economic activity in a country. Oil and natural gas are an integral part of the everyday life. Not only do they make the economy move, they heat and cool our homes and provide electricity. A large number of products are made from oil and gas, including plastics, life-saving medications, art silk, cosmetics, and many other items you may use daily. Even from Strategic point and defense view point Pakistan is dependent on oil and gas. Problem Statement

Oil and gas sector of Pakistan has changed dramatically over the last five years and Pakistan now leads South Asia in sector reform. The endeavors made to increase the oil and gas supplies need to be analyzed and companies encouraged. With this premise in mind four, Oil and Gas marketing companies have been selected to analyze their financial performance that would also indicate their success. Objectives of the study The objective of research study is to analyze the growth and development of the Oil and Gas Marketing Sector in Pakistan.

Currently according to the Board of Investment of Pakistan there are 26 (local and international) companies operating in upstream, 7 downstream companies, and 4 refineries. The focus of this analysis is on the progress of downstream companies that are based in Pakistan. Four leading downstream companies have been selected and their financial performance studied for a period of five years from 2001 to 2005 to see whether these companies are

financially stronger and what their rate of growth is and to determine reasons behind the growth. Research Questions 1.

What is the importance of Oil and Gas sector in Pakistan economy? 2. What is the growth scenario of Oil and Gas Marketing companies in Pakistan? 3. What is the financial performance of the selected Oil and Gas marketing companies during the research period (2001-2005)? 4. What conclusions can be drawn about the industry based on the financial performance of the selected companies? Limitations Limitations: This research study has certain limitations that are not easy for the researcher to overcome at this level. The general level of inflation has not been adjusted for.

Overall prices of oil have increased due to unavoidable natural phenomenon like war in Iraq and Hurricane Katrina. The profitability of the oil marketing companies could be due to increase in prices of petroleum and it may not be the true measure of their financial performance. Some secondary data was not easily available and was very difficult to obtain. As the research work was given to the researcher during the semester so the time constraint played its role. Despite time constraint, the researcher has conducted a comprehensive research.

The limited experience in the research field is also a matter of consideration. This is the first study that goes to researcher's credit. Hence, the researcher does not possess any experience in the field. CHAPTER 2 LITERATURE REVIEW The firm itself and outside providers of capital- creditors and investors -all undertake financial statement analysis. The type of analysis varies according to the specific interests of the party involved. Trade

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creditors (suppliers' owed money for goods and services) are primarily interested in the liquidity of a firm.

Their claims are short term, and the ability to pay these claims quickly is best judged by an analysis of firm's liquidity. The claims of bond bondholders, on the other hand are long-term. Accordingly, bondholders are more interested in the cash flow ability of the firm to service debt over a long period of time. They may evaluate this ability by analyzing the capital structure of the firm, the major sources and uses and uses of funds, the firm's profitability over time, and projections of future profitability over time, and projections of future profitability.

The purpose of financial statement analysis is to examine past and current financial data so that a company's performance and financial position can be evaluated and future risks and potential can be estimated. Financial statement analysis can yield valuable information about trends and relationships, the quality of a company's earnings, and the strengths and weaknesses of its financial position (Woelfel, 1989). Investors in a company's common stock are principally concerned with present and expected future earnings as well as with the stability of these earnings about a trend line.

As a result, investors usually focus on analyzing profitability. They would also be concerned with the firm's financial condition insofar as it affects the ability of the firm to pay dividends and avoid bankruptcy. Internally, management also employs financial analysis for the purpose of internal control and to better provide what capital suppliers seek in financial condition and performance from the firm. From an internal control stand

point, management needs to undertake financial analysis in order to plan and control effectively.

To plan for the future, the financial manager must assess the firm's present financial position and evaluates opportunities in relation to this current position. With respect to internal control, the financial manager is particularly concerned with the return on investment provided by various assets of the company and in the efficiency of asset management. Finally, to bargain effectively for outside funds, the financial manager needs to be attuned to all aspects of financial analysis that outside suppliers of capital use in evaluating the firm (Horne & Wachowicz, 2001).

Financial analysis of a company should include an examination of the financial statements of the company, including notes to the financial statements, and the auditor's report. The auditor's report will state whether the financial statements have been audited in accordance with generally accepted auditing standards. The report also indicates whether the statements fairly present the company's financial position, results of operations, and changes in financial position in accordance with generally accepted accounting principles. Notes to the financial statements are often more meaningful than the data found within the body of the statements.

The notes explain the accounting policies of the company and usually provide detailed explanations of how those policies were applied along with supporting details. Analysts often compare the financial statements of one company with other companies in the same industry and with the industry in which the company operates as well as with prior year statements of the

company being analyzed (Foster, 1999). Comparative financial statements provide analysts with significant information about trends and relationships over two or more years. Comparative statements are more significant for evaluating a company than are single-year statements.

The analysis of financial data employs various techniques to emphasize the comparative and relative importance of the data presented and to evaluate the position of the firm. These techniques include ratio analysis, common size analysis, study of difference in components of financial statements among industries, review of descriptive material, and comparisons of result with other types of data. The information derived from these types of analyses should be blended to determine overall position. No one type of analysis supports overall findings or serves all types of users.

Financial statement analysis is a judgmental process. One of the primary objectives is identification of major changes (turning points) in trends, amounts and relationships and investigation of the reasons underlying those changes. Often, a turning point may signal an early warning of a significant shift in the future success or failure of the business. The judgment process can be improved by experience and by the use of analytical tools. The components of financial statements, specially the balance sheet and the income statements, will vary by type of industry (Gibson, 1998).

Economies -- all economies -- run on energy. Energy is needed to produce food and manufacture goods, power machines and appliances, transport raw materials and finished products, and provide heat and light. The more energy available to a society, the better its prospects for sustained

growth; when energy supplies dwindle, economies grind to a halt and the affected populations suffer (Klare, 2005). Since World War II, economic growth around the world has been fueled largely by abundant supplies of hydrocarbons -- that is, by petroleum and natural gas.

Since 1950, worldwide oil consumption has grown eightfold, from approximately 10 to 80 million barrels per day; gas consumption, which began from a smaller base, has grown even more dramatically. Oil and gas will account for 65% of world energy in 2025, a larger share than at present; and because no other source of energy is currently available to replace them, the future health of the global economy rests on our ability to produce and consume more and more of these hydrocarbons (U. S Department of Energy, 2004).

Petroleum refers to crude oil and natural gas or simply oil and gas, found in petroleum reservoirs generally thousands of feet below the surface.

Exploratory wells are drilled to discover petroleum wells, while development wells are drilled to produce a portion of previously discovered oil and gas.

Estimated volumes of recoverable gas within the reservoir are called oil and gas reserves (Brock, Jennings & Feiten, 1990). The oil and gas sector or the

petroleum industry has the following four major segments: 1. Exploration and Production or E&P where oil and gas companies explore for underground reservoirs, and produce the discovered oil and gas using drilled wells. This thesis focuses on this sector of the oil and gas industry. 2. Hydrocarbon processing which includes oil refineries and gas processing plants. 3.

Transport, Distribution and Storage by which petroleum is moved from the

producing well areas to crude oil refineries and gas processing plants. Oil is moved by pipeline, truck, barge or tanker and Natural gas is moved by pipeline. 4. Retail/Marketing which ultimately markets in various ways the refined products.

CHAPTER 3 METHOD Sample For the sample selection of four marketing companies, out of the population of 7 companies listed in the KSE, the criteria used were: 1. Share Capital of the company 2. Sales Revenue 3. Distribution data of the companies Based on these criteria the four companies selected that are operating in Pakistan were the following: Pakistan State Oil Company Limited (PSOCL) Pakistan State Oil Company Limited (PSOCL) is the market leader in Pakistan having 73% of the share of Black Oil Market and around 59% of the share of White Oil market.

It is engaged in the import, storage, distribution and marketing of various petroleum products including Fuel oil, HSD, Jet Oil, petro-chemicals, LPG and CNG. Shell Pakistan Limited (SPL) The Shell brand name enjoys a 100-year history in this part of the world, dating back to 1899. Shell Pakistan has been taking a keen interest in expanding recently which shows the confidence in the economic growth and progress in the oil and gas sector. Shell is at present controlling approximately 30% share of the white oil products presently and during the last financial year the Capital Expenditure amounted to Rs 1. billion. Sui Northern Gas Pipelines Limited (SNGPL) Sui Northern Gas Pipelines Limited (SNGPL, is the largest integrated gas company serving more than 2 million consumers in North Central Pakistan through an extensive network in Punjab and NWFP. The Company has over

41 years of experience in operation and maintenance of high-pressure gas transmission and distribution systems. It has also expanded its activities to undertake the planning, designing and construction of pipelines, both for itself and other organizations.

SNGPL operates in that region of the nation which has a rapidly growing demand for natural gas and power generation due to significant industrial development. Sui Southern Gas Company (SSGC) Sui Southern Gas Company (SSGC) is Pakistan's leading integrated gas Company. The company is engaged in the business of transmission and distribution of natural gas besides construction of high pressure transmission and low pressure distribution systems SSGCL transmission system extends from Sui in Balochistan to Karachi in Sindh comprising over 2780 KM of high pressure pipeline ranging from 12 - 24" in diameter.

The distribution activities covering over 650 towns in the Sindh and Balochistan are organized through its regional offices. An average of about 234, 553 million cubic feet (MMCFD) gas was sold in 2001-2002 to over 1. 7 million industrial, commercial and domestic consumers in these regions through a distribution network of over 22, 890 Km. Type of Study This study aims to analyze the financial statements of oil and gas marketing companies and then generalize the result for the whole industry. Thus due to the purpose of the study it is classified as descriptive study.

Procedure Base Year and Period of Analysis For the analysis, 2001 has been taken as the base year, and the performance in the next five years has been compared with the base year. Analysis Methods The analysis of financial



data uses various methods to evaluate the relative importance of the data that was presented in financial statements of a firm. The methods used in the analysis of the marketing sector of Pakistan are a blend of Ratio analysis Common size analysis Ratio Analysis The following ratios were used on the composite data of five years: 1.

Liquidity Ratios related to the liquidity of short term assets and short term debt paying ability were Working Capital Current Ratio Sales to Working Capital 2. Profitability Ratios measure the ability of a firm to generate earnings. The ratios used were: Total Asset Turnover Operating Income Margin Return on Total Equity Return on Investment Gross Profit Margin Net Profit Margin 3. Debt Ratios that measure the long term debt paying ability of the firm used were: Debt Ratio Debt to Equity Ratio Fixed charge coverage 4. Market Value Ratios that measure the return that is being given to the stockholders were: Earning per share

Dividend per share Dividend Payout These financial ratios were calculated for each of the years from 2001 to 2005 and then plotted to see the general trend. They were then studied to identify various turning points in the trends, and to see the underlying reasons behind the changes in trends that were occurring. Common Size Analysis A common size analysis expresses comparisons in percentages. For the financial data there was -Horizontal and vertical analysis of the following balance sheet items, using 2001 as a base year (horizontal) and total assets as base (vertical): Fixed asset

Capital work in progress Long term investments Current assets Reserves & surplus Equity and liabilities were shown as a percentage of total liabilities. -

Horizontal and vertical analysis of the following Profit and Loss items with 2001 as a base year (horizontal) and Net Sales as base (vertical):

Financial Charges Operating expense Gross Profits Taxes Profit before Tax

CHAPTER 4 RESULTS AND DISCUSSION

Table 4. 1: Pakistan State Oil Company Limited Balance Sheets (2001-2005)

Table 4. 2: Pakistan State Oil Company Limited Income Statements (2001-2005)

	2001	2002	2003	2004	2005
Sales (Net)	43305.67	133136.52	172445.77	161537.98	212503.65
Cost of Sales	136933.58	126359.13	163490.58	152346.86	198757.32
Gross Profit	6372.09	6777.39	8955.19	9191.12	13746.33
Operating Expenses	2367.97	2210.69	2750.26	4223.43	5443.58
Operating Profit	4004.12	4566.7	6204.93	4967.69	8302.75
Financial Charges	778.7	979.22	274.78	189.08	370.7
Other income	225.94	1549.77	279.17	1484.36	1294.34
Profit Before Taxation	3451.36	5137.25	6209.32	6262.97	9226.39
Taxation	1200	1949	2179	2181	2183
Profit After Taxation	2251.36	3188.25	4030.32	4081.97	7043.39

Table 4. : Pakistan State Oil Company Limited Vertical Common Size of Balance Sheets (2001-2005)

	2001	2002	2003	2004	2005
Current Assets	81.44%	74.84%	69.41%	74.60%	78.22%
Fixed Assets (Gross)	21.99%	24.10%	29.01%	25.40%	21.78%
Depreciation	11.02%	11.90%	13.96%	12.51%	12.08%
Fixed Assets (Net)	10.97%	12.21%	15.05%	12.89%	9.70%
Capital work in Progress	2.28%	2.72%	3.53%	2.76%	2.39%
Long Term Investment & Deposits	5.32%	10.23%	12.01%	9.75%	9.69%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%
Current Liabilities	63.63%	62.39%	55.40%	59.72%	62.92%
Deferred Taxation	0.00%	.44%	1.15%	1.33%	1.21%
Long Term Liabilities	3.82%	1.85%	3.05%	2.53%	2.63%
Total Liabilities	67.45%	65.69%	59.60%	63.58%	66.05%

76% Paid-Up Capital 4. 74% 4. 36% 5. 30% 4. 04% 3. 29% Reserves & Surplus 27. 80% 29. 96% 35. 09% 32. 38% 29. 95% Total Liabilities & Capital 100. 00% 100. 00% 100. 00% 100. 00% 100. 00% Analysis: The vertical common size of the B/S of PSO shows that the current as well as fixed assets are pretty much the same and there is major improvement in long term investment & deposits while on the liability side again the current and long term liabilities are pretty much constant.

The reserves & surplus have been increasing with the passage of time. Table 4. 4: Pakistan State Oil Company Limited Vertical Common Size of Income statement (2001-2005)

	2001	2002	2003	2004	2005
Sales (Net)	100. 00%	100. 00%	100. 00%	100. 00%	100. 00%
Cost of Sales	95. 55%	94. 91%	94. 81%	94. 31%	93. 53%
Gross Profit	4. 45%	5. 09%	5. 19%	5. 69%	6. 47%
Operating Expenses	1. 65%	1. 66%	1. 59%	2. 61%	2. 56%
Operating Profit	2. 79%	3. 43%	3. 60%	3. 08%	3. 91%
Financial Charges	0. 54%	0. 74%	0. 16%	0. 12%	0. 17%
Other income	0. 16%	1. 16%	0. 16%	0. 92%	0. 61%

Profit Before Taxation 2. 41% 3. 86% 3. 60% 3. 88% 4. 34% Taxation 0. 84% 1. 46% 1. 26% 1. 35% 1. 03% Profit After Taxation 1. 57% 2. 39% 2. 34% 2. 53% 3. 31% Analysis: The detailed analysis of the I/S of PSO shows that the oil marketing company has been able to slightly reduce its cost of sales which has resulted in a significant increase in the gross profit while the operating profit has also shown an increase as the operating expenses have increased but in a lesser proportion. The financial charges have been drastically cut down due to a better financial performance.

There has been a marked improvement in the other income which shows that the company has increased its sources of income and all this has resulted in higher profits. Table 4. 5: Pakistan State Oil Company Limited Horizontal Common Size of Balance Sheets (2001-2005)

	2001	2002	2003	2004	2005
Current Assets	100%	0.001%	-8.54%	28.90%	65.98%
Fixed Assets (Gross)	100%	19.269%	41.53%	62.56%	71.13%
Depreciation	100%	17.468%	35.91%	59.74%	89.36%
Fixed Assets (Net)	100%	21.078%	47.18%	65.40%	52.81%
Capital work in Progress	100%	30.150%	66.47%	70.52%	81.58%
Long Term Investment & Deposits	100%	109.346%	142.40%	158.6%	214.84%
Total Assets	100%	8.811%	7.30%	40.72%	72.81%
Current Liabilities	100%	6.701%	-6.57%	32.08%	70.88%
Deferred Taxation	100%	47200%	37250%	56425%	63018%
Long Term Liabilities	100%	-47.371%	-14.53%	-7.05%	18.70%
Total Liabilities	100%	5.958%	-5.19%	32.63%	71.02%
Financed By Paid-Up Capital	100%	0.000%	20.00%	20.00%	20.00%
Reserves & Surplus	100%	17.237%	35.44%	63.87%	86.15%
Total Liabilities & Capital	100%	8.811%	7.30%	40.72%	72.81%

Analysis: The horizontal common size of the B/S of PSO significantly tells that the current assets have increased substantially mainly due to the increase in sales.

Another important aspect to note is the great deal of increase in the long term investments which is due to various new projects that have been undertaken and this shows that the company is expanding. The increase in current liabilities is mainly due to the increase in credit sales and also because a significant portion of long term loans has been converted into current portion while the increase in long term liabilities is mainly due to the increase in employee benefits which again shows that the company has been

doing very well. Another good indicator of the good performance is the increase in the reserves & surplus section of the B/S.

Table 4. 6: Pakistan State Oil Company Limited Horizontal Common Size of Income statement (2001-2005)

	2001	2002	2003	2004	2005
Sales (Net)	100%	107.09%	120.33%	112.72%	148.29%
Cost of Sales	100%	97.72%	119.39%	111.26%	145.15%
Gross Profit	100%	106.36%	140.54%	115.24%	115.73%
Operating Expenses	100%	96.42%	116.14%	107.36%	129.88%
Operating Profit	100%	104.05%	154.96%	124.06%	107.36%
Financial Charges	100%	75.1%	64.71%	75.72%	52.40%
Other income	100%	585.92%	23.56%	556.97%	472.87%
Profit Before Taxation	100%	48.84%	79.91%	81.46%	167.33%
Taxation	100%	62.41%	81.58%	81.75%	81.92%
Profit After Taxation	100%	41.61%	79.02%	81.31%	212.85%

Analysis:  
The horizontal common size of the I/S clearly indicates the drastic improvement in the sales which is almost around 50% while due to a lesser increase in the cost of sales the gross profit is up by over 115%. The financial charges have been reduced to more than 50% and a huge increase in other sources of income has led to higher profit before taxation.

Table 4. 7: Shell Pakistan Limited Balance Sheets (2001-2005)

	2001	2002	2003	2004	2005
Current Assets	6470.64	7145.22	6149.68	7912.63	12725.13
Fixed Assets (Gross)	6027.49	6705.37	7554.29	8708.5	9569.78
Accumulated Depreciation	2189.29	2738.78	3290.57	3852.84	4532.53
Fixed Assets (Net)	3838.20	3966.59	4263.72	4855.21	5037.25
Capital Work in Progress	464.52	534.61	564.44	544.07	582.38
Long Term Investment & Deposits	1294.68	186.27	1998.93	2032.22	1988.13
Total Assets	12068.				

04 11832. 69 12976. 77 15344. 13 20332. 89 Liabilities Current Liabilities  
 6470. 65 5934. 76 7029. 83 9042. 39 11951. 06 Long Term Liabilities 66. 84  
 47. 51 77. 86 43. 49 48. 22 Deferred Taxation 141 29. 24 17. 26 126. 42 20.  
 74 Financed By Paid-Up Capital 350. 66 350. 66 350. 66 350. 66 350. 66  
 Reserves & Surplus 038. 89 5470. 52 5501. 16 5781. 87 7962. 21 Total  
 Liabilities & Equity 12068. 04 11832. 69 12976. 77 15344. 13 20332. 89  
 Table 4. 8: Shell Pakistan Limited Income Statements (2001-2005) 2001  
 2002 2003 2004 2005 Sales (Net) 65725. 15 69042. 05 77822. 82 79180. 35  
 98526. 62 Cost of Sales 61628. 48 64164. 23 72049. 47 72973. 11 89684. 58  
 Gross Profit 4096. 67 4877. 82 5773. 35 6207. 24 8842. 04 Operating  
 Expenses 2486. 67 3292. 92 3794. 36 3806. 01 4609. 77 Operating Profit  
 1610. 00 1584. 90 1978. 99 2401. 23 4232. 27 Financial Charges 50. 27 46.  
 76 51. 48 224. 33 596. 55 Other Income 191. 72 154. 46 110. 32 12. 02 22.  
 33

Profit Before Taxation 1630. 45 1572. 44 1899. 91 2188. 92 3658. 05  
 Taxation 574. 42 509. 62 644. 91 680. 91 1197. 19 Profit After Taxation  
 1056. 03 1062. 81 1255. 00 1508. 01 2460. 86 Table 4. 9: Shell Pakistan  
 Limited Vertical Common Size of Balance Sheets (2001-2005) 2001 2002  
 2003 2004 2005 Current Assets 53. 62% 60. 39% 47. 39% 51. 57% 62. 58%  
 Fixed Assets (Gross) 49. 95% 56. 67% 58. 21% 56. 75% 47. 07%  
 Accumulated Depreciation 18. 14% 23. 15% 25. 36% 25. 11% 22. 29% Fixed  
 Assets (Net) 31. 80% 33. 52% 32. 86% 31. 64% 24. 77% Capital Work in  
 Progress 3. 85% 4. 52% 4. 35% 3. 55% 2. 86% Long Term Investment &  
 Deposits 0. 73% 1. 57% 15. 40% 13. 24% 9. 78% Total Assets 100. 00% 100.  
 00% 100. 00% 100. 00% 100. 00% Current Liabilities 53. 62% 50. 16% 54.

17% 58. 93% 58. 78% Long Term Liabilities 0. 55% 0. 40% 0. 60% 0. 28% 0.  
24% Deferred Taxation 1. 17% 0. 25% 0. 13% 0. 82% 0. 10% Financed By  
Paid-Up Capital 2. 91% 2. 96% 2. 70% 2. 29% 1. 72% Reserves & Surplus 41.  
75% 46. 23% 42. 39% 37. 68% 39. 16% Total Liabilities & Equity 100. 00%  
100. 00% 100. 00% 100. 00% 100. 00% Analysis: Vertical common size of  
the B/S of Shell Pakistan shows that the company has been pretty much  
maintaining its proportion of all the assets, liabilities