Financial Performance of Public Sector Companies: With Special Reference to Indian Oil Corporation Limited & Hindustan Petroleum Corporation Limited

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ABSTRACT

Purpose: This study aims at the evaluation of financial performance of Indian Oil Corporation Limited (IOCL) and Hindustan Petroleum Corporation Limited (HPCL) over period 2011-12 to 2020-21. This study goes one step further to focus on the effect of key financial components e.g. Operating costs, Interest on fixed interest-bearing charges, Revenue tot operations, and Firm size on overall financial performance unlike the previous research, which dealt solely with financial ratios. Methodology: The research is based on secondary data i.e. annual reports published by both the companies. A multiple regression analysis is done for the dependent variable net profit and independent variables as net revenue from operations, operating costs, interest on fixed interest-bearing charges, working capital, long term debts, paid up share capital. The control variable applied is firm size. The significance and influence of these variables are determined by applying Fixed Effect Panel Least Square method. Findings: The study also signifies that net revenue from operations, working capital and firm size positively affect net profit but operating costs, interest on fixed (but interest bearing) costs and long term debts negatively impact it. Changes in financial performance are not influenced by paid up share capital. The model uses 97.79% of the variance of the net profit, and there exists a very strong linkage between the chosen financial components and profitability. Originality value: Traditional financial performance analysis is extended in this paper with firm specific cost structure and other operational elements resulting in a more holistic understanding of profitability drivers in public sector undertakings. Managerial Implications: Based on the evidence, both companies are suggested to apply stricter credit policies, improve inventory management systems, control operating expenses and put in place long term investment strategies that improve their financial sustainability and profitability. These insights can then be adopted by the policymakers and financial managers to formulate strategies that will enhance financial efficiency and enhance economic contributions of public sector enterprises.

Key Words: Net revenue from operations, working capital, firm size, operating costs, interest on fixed (but interest bearing) costs and long-term debts**.**

INTRODUCTION

Finance is the lifeblood of any business activity, not only for companies but also for every individual and for any economic activity. Finance plays a very important role in business, especially in companies. They should also be available at the right time. If they are not available on time, the business will be affected very badly. Credit provided on time, in appropriate composition, quality and quantity helps to improve the economic activities of enterprises. Lack of credit inhibits economic activities. Therefore, adequate finance is important for the normal course of trade.The firm's financial health needs to be measured over a period of time and there is a need to compare the performances of the firms with similar firms across the same industry or to compare industries and all this is facilitated through financial performance analysis. One of the crucial aspects of finance risk management is financial performance analysis, which means the extent to which the financial objectives of

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any entity have been achieved. It includes the measurement of any firm's policies and operations in monetary terms. The financial statement is analyzed and interpreted in such a manner that it facilitates the diagnosis of profitability and tries to find out whether the business is financially sound or not. Much can be learnt about business and performance and financial position through the analysis of its financial statement. Keeping in view the importance of financial statement analysis and the vast area that it covers, the present research work titled "Financial Performance of Public Sector Companies: With Special Reference to Indian Oil Corporation Limited & Hindustan Petroleum Corporation Limited" has been carried out.

LITERATURE REVIEW

Using financial statements to communicate financial information about a company is one of the most effective methods of communicating financial information. Accounting information systems must thus record and summarize financial data. However, no matter how professionally produced and presented, financial statements must be studied and understood in order to uncover the realities concealed within them and to improve decision-making capabilities. In an unusual twist, ratios and comparisons may be used to perform this type of evaluation and interpretation. This section will examine expert opinions on the role of ratio analysis, working capital management in business decisions, with specific emphasis on financial statement analysis.

"Financial analysis relies substantially on informed judgement," **Hermanson (1992:846)**. Percentages and ratios help compare and identify possible strengths and shortcomings. Finance should investigate the fundamental causes of changes and established trends." **D.C. Gohil (2006)** has attempted to study the financial performance of two major entities in the petroleum industry, namely IOCL and BPCL by trying to analyze the assets and liabilities. **Burange and Shruti Yamini (2009)** analyzed the performance of Indian Cement Industry and the experience of the boom on the account of overall growth of Indian Economy by the cement industry considering the expansion of investment and industrial activity in the cement sector.

Robert O. Edmister (2009) conducted research on "An Empirical Test of Financial Ratio analysis for Small Business Failure". This study developed and empirically tested a number of methods for analyzing financial ratios to predict the failure of small business.

Prasanta Paul (2011) stated on the financial performance evaluation considering some of the selected NBFCs. In the study, five of the listed NBFCs are considered for the analyzation of comparative financial performance. Different type of statistical tools like standard deviation, arithmetic mean, correlation etc. are used extensively.

Amalendu Bhunia (2010) conducted a financial performance study of a pharmaceutical firm in order to understand how the management of finance plays a critical role in the success of the organization. The research was carried out over a twelve-year period, beginning in 1997-98 and concluding in 2008-09. **Sheela Christina (2011)** reported on "Financial Performance of Wheels India Ltd". Secondary data collection method is used for the analytical type of research design. Before conducting the study, validity and reliability is checked for the past five years.

Ghosh Santanu Kumar and Mondal Amitava (2009) conducted a study on the link between intellectual capital and financial performance in 70 Indian banks during a ten-year period from 1999 to 2008. The return on equity, return on assets, and assets turnover ratio of Indian banks were the financial performance metrics that were employed in this research. There was a big research on corporate planning in the Fortune 500 manufacturing businesses that was omitted from a meta-analysis published by **Noel Capon et al (1994)** on the influence of strategic planning on financial results. Finally, the findings revealed that there is a slight but significant positive association between strategic planning and performance, as demonstrated by the data.

Hemanta Saikia (2012) made an attempt that efficient performance is the most important requirement for the development of an industry which can boost industrial growth in an economy. He stated that financial performance is considered for the application of a technology. He concluded his study by stating that a policy regime that corrects the structural imbalance in Assam can create a better environment for the development of small-scale industries in Assam.

Robinson et al., (2015) stated that deficit in liquidity may lead to a decline in the company's energy thereby affecting the profitability. Thus, a high current ratio is always good indicating adequate liquidity and safety for assets financed by short-term debts.

Sinha, (2012) expressed that a high quick ratio reflects high liquidity of the company since this ratio considers only most liquid assets by excluding prepaid expenses and inventories from total current assets.

According to **Shin (2007)**, in a tumultuous economic environment, liquidity position is critical since any changes will result in changes in the banking network. The Basel Committee (2008) said that the liquidity level of commercial banks is critical to their long-term viability, and that the bank's main internal mission is to assure cash flow stability.

Morar, Adrian (2009) highlighted that Banks require liquidity to compensate for anticipated or unanticipated balance sheet variations and to provide the required assets for development. Liquidity refers to a bank's ability to deal effectively with deposit withdrawals and other due obligations, as well as the additional funding required for loans and investment portfolios. When a bank can access the required cash quickly and at a fair price (by raising debts, bonding, or selling assets), it has appropriate liquidity potential. The price of liquidity is determined by market conditions and market perceptions of the debtor's risk level.

Batrancea and Loan (2009) Liquidity management is one of the issues that have arisen since the start of the financial crisis. That is why we feel it is critical for each organization to have its own liquidity analysis methods with the goal of avoiding insolvency at any time. The research that we give is a guide to analyzing the liquidity status and preventing liquidity risk. We discuss the following topics: the idea of liquidity, liquidity administration, liquidity risk management, liquidity indicators, and techniques for assessing liquidity risk.

Hiadlovský et al., (2016) investigated the use of liquidity analysis in the financial management of tourist enterprises in Slovakia. The findings show a weak to moderate association between chosen liquidity and profitability parameters from 2011 to 2014. The appropriate management of liquidity, which reflects one aspect of business success, may help firms attain greatness.

Billah et al. (2015) studied the liquidity of Malaysian listed businesses. This research compared the application of cash flow measures to traditional liquidity ratios. Between these two ratios, there was a statistically significant difference. Cash flow ratios supplemented standard ratios in this study. Thus, it is advised to employ both types of ratios simultaneously when assessing a firm's financial health. "Liquidity" is defined as a company's capacity to satisfy its financial commitments when they become due, according to **Dansby (2000:826)**. **Needles (1996:787)**, on the other hand, defines liquidity as "a company's capacity to pay payments on time and satisfy unforeseen financial demands."

M Kumbirai, R Webb (2010) conducted a financial ratio study of the performance of commercial banks in South Africa. This report examined the performance of the commercial banking industry in South Africa over the five-year period 2005-2009. Financial ratios are used to assess the liquidity, profitability, and credit quality of South Africa's five largest commercial banks.

Lartey, et al, (2013) conducted an investigation on the relationship between liquidity ratios and financial performance. The results showed a reduction in the liquidity and profitability ratios of publicly traded banks, it also demonstrated that there is only a modest positive association between liquidity and profitability in the banking industry.

(Durrah et al., 2016) found that the liquidity rate in food industrial enterprises listed on the

Amman stock exchange varies from year to year (2012-2014). In a same vein, the profitability rate of food industrial enterprises listed on the Amman stock exchange increases from year to year (2012-2014). All liquidity ratios (current ratio, quick ratio, cash ratio, and defensive interval ratio) and gross profit margin were shown to have no association, according to the findings of the study. While there is a mild positive association between the current ratio and each operational profit margin and net profit margin, there is a strong positive relationship between the current ratio and net profit margin.

Angamuthu & Sivanandam (2012) they evaluate the long- and short-term solvency of cement companies between 2000-01 and 2009-10. The investigation shows that most cement production companies are not at risk of insolvency in meeting long-term commitments. A considerable reduction in short-term solvency level is observed for the majority of the firms as well as for all chosen enterprises when pooled together. Overall, this analysis predicts strong long-term solvency and enhanced short-term solvency for cement firms.

Puriboriboon (2020) examines the relationship between working capital (Cash Conversion Cycle and Quick ratio) and profitability as measured by Return on Assets (ROA) and Return on Equity (ROE), as well as the relationship between working capital and market value as measured by Price Earnings ratio (P/E) and Price per Book Value ratio (P/BV). The fast ratio has a large positive association with ROA, indicating that a firm with a high working capital requirement is also highly liquid. CCC also has a big impact on ROE, which means that the business has a short CCC, which will make the company more profitable. CCC also has a negative relationship with P/BV and P/E, which means that when a business has a shorter CCC, it makes the P/BV go up, which makes the P/E go down. In the same way that sales growth makes P/E go up, so does P/E.

Mabandla and Makoni (2019) studied the association between working capital management and firm financial performance using a sample of 12 of the 18 food and beverage companies listed on the Johannesburg Stock Exchange (JSE) in South Africa from 2007 to 2016. The dependent variable in their study was return on assets (ROA), whereas the independent variables were inventory conversion period (ICP), average collection period (ACP), and average payment period (APP), with the company's size, the current ratio (CAR), and the GDP serving as control variables. The output indicates a positive association between return on assets (ROA) and inventory conversion period (ICP), implying that the firms' assets and goods are sold at a high rate. Furthermore, the average payment period (APP) has a high positive return on assets (ROA), showing that the longer it takes for businesses to pay their obligations, the more lucrative they are. The average collection period (ACP) and return on assets (ROA) have a negative connection, meaning that firms have a limited time to recover cash from clients.

Toan, Nhan, Anh, and Man (2017) chose 34 of the 53 construction businesses listed on the Vietnam Stock Exchange to study the relationship between Working Capital Management and Profitability: Evidence in Vietnam. They chose among 306 financial reports that were made public between December 31, 2015 and January 1, 2007. Accounts receivable period (ARP), accounts inventory period (AIP), accounts payable period (APP), and cash conversion cycle (CCC) all have considerable negative effects on profitability, according to the research. Financial debt ratios (FD) on the other hand, have a large positive relationship with a company's profitability, which implies that as a company's leverage increases, so does its profit. Furthermore, the sales growth coefficient (Growth) is highly positive. To put it another way, as an organization's income grows, so does its profit.

There is a lot of research about the relationship between Working Capital Management and Profitability. **Iqbal, Ahmad, and Riaz (2014)** examined the link between Working Capital Management and Profitability by examining 50 financial reports of businesses listed on the Karachi Stock Exchange (KSE) from 1 January 2009 to 31 December 2009. They utilised gross

operating profit as the dependent variable and days accounts receivable, days accounts payable, days inventory, Cash Conversion Cycle (CCC), debt ratio, and fixed financial assets ratio as the independent variables. Iqbal, Ahmad, and Riaz discovered a substantial negative association between net operational profitability and days of accounts receivable, days of accounts payable, days of inventory, and CCC in a sample of Pakistani listed firms on the KSE. So, they came to the conclusion that WCM has a big impact on the profitability of the sample businesses on the KSE and is critical for shareholder value creation.

Ghodrati and Ghanbari (2014) looked at the link between working capital and profitability for 68 Tehran Stock Exchange companies whose financial results were picked from 2008 to 2013. The relationship between the independent and dependent variables was investigated using linear regression. They utilised operational profit (NOP) as the dependent variable for the model study, while the independent variables were receivable accounts period (ACP), inventory flow (ITID), operation cycle (CCC), and debit payment period (APP). NOP is incompatible with ACP, ITID, and CCC, according to the findings of this study. In other words, increasing ACP, ITID, and CCC lowers NOP. The NOP and payable accounts period, on the other hand, have a positive association. The operating profit will rise if the payable accounts period is lengthened.

Deloof (2003) examined the relationship between WCM and corporate profitability in a sample of 1,009 large Belgian non-financial companies, between 1992 and 1996. The correlation and regression analysis approaches are used in the research. The results highlighted that there is a considerable negative association between the Belgian company's total operating income and accounts receivable, accounts payable, and inventory turnover days. As a result, the corporation must minimize the number of days it takes to collect accounts receivable and inventory to a manageable quantity. Moreover, accounts payable and earnings have an inverse connection.

Ponsian, Chrispina, Tago, and Mkiibi (2014) studied the influence of working capital management (WCM) on profitability in 30 manufacturing businesses listed on the Dar es Salaam Stock Exchange (DSE) from 2002 to 2012. The link and magnitude of the influence of WCM factors on profitability are investigated using regression analysis, specifically Ordinary Least Squares (OLS). The regression results show that the ACP coefficient and the company's profitability are negative when the gross operating profitability (GOP) is the dependent variable and the average collection period (ACP), inventory turnover days (ITD), average payment period (APP), and cash conversion cycle (CCC) are the independent variables. The average payment cycle is favourably connected with the firm's profitability since APP's company profit coefficient is positive. The company's profitability has improved as the payment time has been extended. Furthermore, regression shows that CCC and operating profitability are positively connected, but ITD is adversely correlated with profitability.

Viral & Viswanath (2011) indicating that as a result of risk shifting and limited debt rollover capacity, financial corporations raise short-term debt to fund asset acquisitions. Leveraged businesses sell assets to less leveraged enterprises to deleverage. Furthermore, asset–market liquidity is endogenous to the system-wide distribution of leverage. Less expensive short-term finance encourages more leveraged enterprises to enter. Deleveraging and rapid market and financing liquidity drying up are the results of unfavourable asset shocks in good times.

This is because profitability ratios show a firm's capacity to make money based on sales, assets, or equity (capital) invested. They are usually expressed as %. It reveals management's capacity to handle revenue, cost, and expense issues **(Lasher 1997:76)**.

On examining the extensive research conducted on evaluating the financial performance of business organizations, it is evident that lots of research was conducted using financial ratios, comparing liquidity with financial performance

or associating working capital with financial performance, but none of the research emphasized the elements or components such as operating costs, interest on fixed interest bearing charges, revenue from operations, and how the size of the firm can also affect the financial performance. As a result, the current study is an attempt not only to evaluate the financial performance of IOCL and HPCL using financial ratios such as liquidity ratios, solvency ratios, efficiency ratios, and profitability ratios, but also to identify the impact of key elements or components such as operating costs, interest on fixed interest bearing charges, revenue from operations, and firm size on the financial performance of both companies. For this purpose, the research would conduct multiple regression analysis considering net revenue from operations, operating costs, interest on fixed interest-bearing charges, working capital, long-term debts, and paid-up share capital as the independent variables, with net profit as the dependent variable. Furthermore, the size of the firm will be used to control the variables.

OBJECTIVES OF THE RESEARCH

To study the overall financial performance of Indian Oil Corporation Limited and of Hindustan Petroleum Corporation Limited during the study period from 2011-2012 to 2020-2021.

RESEARCH HYPOTHESES

The overall financial performance of Indian Oil Corporation Limited and of Hindustan Petroleum Corporation Limited were not significantly different during the study period from 2011-2012 to 2020-2021.

METHODOLOGY

The time period of the present research work will be limited to ten years only starting from 2011-12 to 2020-21. Two public sector undertakings Indian Oil Corporation Limited and Hindustan Petroleum Corporation Limited were considered for the present research work. The research will be mainly based on secondary data (published annual reports). Statistical techniques like percentage, averages, and Multiple Regression analysis have been applied. The individual items of profit and loss accounts and balance sheet of Indian Oil Corporation Limited and of Hindustan Petroleum Corporation Limited for the study period from 2011-2012 to 2020-2021 have also been regrouped so that proper analysis of operational performance and financial strength can be done.

DATA ANALYSIS

The study applied a multiple regression model to analyze panel data where net profit is the dependent variable and net revenue from operation, operating cost, interest on fixed interest-bearing charges, working capital, long-term debts and paid-up share capital are the independent variables. Moreover, size is used to control the variables.

$$NP = \alpha_0 + \beta_0 (NRFO_{it}) + \beta_1 (OC_{it}) + \beta_2 (IFIC_{it}) + \beta_3 (WC_{it}) + \beta_4 (LTD_{it}) + \beta_5 (PUSC_{it}) + \beta_6 (SIZE_{it}) + \mathcal{E}_{it}$$

Abbreviations

NP = Net profit
NRFO = Net Revenue from Operations
OC = Operating Cost
IFIC = Interest on Fixed Interest-Bearing Charges
WC = Working Capital
LTD = Long-Term Debts
PUSC = Paid-up Share Capital
SIZE = Size (Total assets)
α = Intercept
β = Constant term
$\mathcal{E}$ = Error
I = Target companies
t = Times

Initially Redundant Fixed Effect Test (Likelihood Ratio) was applied to check whether Pooled Ordinary Least Square (Pooled OLS) will be more appropriate or Fixed Effect Panel Least Square will be more appropriate. The results of Redundant Fixed Effect Test (Likelihood Ratio) indicated that Fixed Effect Panel Least Square is more appropriate for this

model as Cross-section F and Cross-section Chi-square's p-value results were less than 0.05 indicating significant difference (Table. 1).

Table No. 1: Redundant Fixed Effects Tests

Equation: Overall Financial Performance

Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.6562	(1,11)	0.0539
Cross-section Chi-square	7.0594	1	0.0079

Cross-section fixed effects test equation:

Dependent Variable: NP

Method: Panel Least Squares

Sample: 2012 2021

Periods included: 10

Cross-sections included: 2

Total panel (balanced) observations: 20

Variable	Coefficient	Std. Error	t-Statistic	Prob.
NRFO	0.101513	0.0518	1.96	0.0736
OC	-0.14347	0.0484	-2.964	0.0118
IFIC	-3.117	0.5995	-5.2	0.0002
WC	0.360451	0.0553	6.5174	0.0000
LTD	-0.28158	0.0358	-7.857	0.0000
PUSC	0.15114	0.4075	-0.371	0.7172
SIZE	0.218456	0.0178	12.289	0.0000
C	6229.096	1956.9	3.1831	0.0079
R-squared	0.968636	Mean dependent var		7225.5
Adjusted R-squared	0.95034	S.D. dependent var		7236.3
S.E. of regression	1612.578	Akaike info criterion		17.898
Sum squared resid	31204893	Schwarz criterion		18.297
Log likelihood	-170.982	Hannan-Quinn criter.		17.976
F-statistic	52.94337	Durbin-Watson stat		1.8154
Prob(F-statistic)	0.0000			

MULTIPLE REGRESSION ANALYSIS

Multiple regression was used to test for a relationship between the independent and dependent variables the model created with Fixed Effect Panel Least Square method as shown in Table 2. From Table 2 , the equation can be written as

NP = -618.349 + 0.117959NRFO - 0.16168OC – 2.8246IFIC + 0.412351WC – 0.32608LTD – 0.51187PUSC + 0.272601SIZE

The R^2 shows that Net Revenue from Operations (NRFO), Operating Cost (OC), Interest on Fixed Interest-Bearing Charges (IFIC), Working Capital (WC), Log-Term Debts (LTD), Paid-up Share Capital and Size explains 97.79% of Net Profit (NP). F-statistics that was used for testing the reliability of the whole equation (Model Fit) indicated F-value as 61.02208 and p-value as 0.0000, confirming that the model is fit. The results of table no 7.14 clearly indicates that all independent variable influences Net profit (NP) except for Paid-up share capital. The Durbin-Watson value is 2.4678 indicates that the model does not have a problem with Autocorrelation.

Table No. 2: Fixed Effect Panel Least Square

Dependent Variable: NP (Net Profit) **Method: Panel Least Squares (Fixed Effect)** **Sample: 2012 2021** **Periods included: 10** **Cross-sections included: 2** **Total panel (balanced) observations: 20**				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
NRFO	0.117959	0.046	2.5655	0.0263
OC	-0.16168	0.0432	-3.742	0.0033
IFIC	-2.8246	0.542	-5.211	0.0003
WC	0.412351	0.0541	7.627	0.0000
LTD	-0.32608	0.0375	-8.685	0.0000
PUSC	0.051187	0.394	-1.299	0.2205
SIZE	0.272601	0.0295	9.2322	0.0000
C	-618.349	3606.3	-0.171	0.8670
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.977964	Mean dependent var		7225.5
Adjusted R-squared	0.961937	S.D. dependent var		7236.3
S.E. of regression	1411.784	Akaike info criterion		17.645
Sum squared resid	21924461	Schwarz criterion		18.093
Log likelihood	-167.453	Hannan-Quinn criter.		17.733
F-statistic	61.02208	Durbin-Watson stat		2.4678
Prob(F-statistic)	0.0000			

LIMITATIONS OF THE STUDY

Because of the dynamic nature of influences that effect the research study, every study has its own set of limits and limitations. For example, new experiments, new ideas, and new

inventions occur on a daily basis, all of which have a significant impact on research studies. As a result, the reliability of research studies conducted during a given period is hampered, and they lose their significance over time due to changes in the social, physical, and economic environments in which the research is conducted. In this light, there are several limitations to our research investigation.

The data utilized in this analysis is entirely based on secondary sources, namely financial statements derived from the annual reports of Indian Oil Corporation Limited and Hindustan Petroleum Corporation Limited for the years 2012-2021. As a result, the study will invariably involve such constraints that are acquired from secondary data. A key weakness of the study is the lack of sufficient literature and material. Some restrictions are also unavoidable as a result of the data being gathered and sub grouped according to the study's needs.

EXPECTED OUTCOME

In India, Public Sector Undertakings plays an important role in economic growth and economic development. Thus, the present research work will help us to understand the financial performance of the two Public Sector undertaking viz., Indian Oil Corporation Limited and of Hindustan Petroleum Corporation Limited and how well they are contributing in the development of the Countr

SUGGESTIONS

The purpose or goal of this research is to examine and evaluate the financial operations and performance of the Indian Oil Corporation Limited and Hindustan Petroleum Corporation Limited. As a result, a variety of financial analysis methods were used to accomplish this objective. However, the study goal extends beyond only analyzing and evaluating financial operations; it also includes suggestions for ways and actions to enhance the operations of companies so that they might strive for greater results in the future. The following recommendations are made to the organizations with this viewpoint in mind and are based on observations and conclusions.

i. It's important for both companies to have a strict credit policy so that money is recovered from debtors promptly and that the likelihood of bad debts is minimized.
ii. Both the companies should make every effort to pay their current liabilities/bills on time. Because, in addition to the financial strength of the organization, the capacity to pay liabilities is a worry for any institution. An institution's goodwill can only be sustained if it is able to satisfy its obligations to outsiders. This might be done with current assets or by making alternative arrangements such as obtaining government subsidies or funding.
iii. Both firms should aim to raise more share capital, because borrowed money should only be used or worthwhile when the company's earnings exceed its cost of capital, and they should minimize debt capital by lowering the quantity of inherent finances from outside sources.
iv. Both companies should try to come up with effective long-term policies for making investments in the business, which in turn will have a positive effect on the business.
v. As inventory is larger than working capital throughout the research period, both companies should endeavour to minimize their inventory. Inventory levels should be lowered to minimize spoilage, theft, loss due to price changes, and loss due to technological changes. There is a requirement for more working capital, which can be accomplished by the issuance of shares.
vi. Both companies should make a concerted effort to minimize their cost of goods sold, which is a significant restraint on their profitability. The cost of goods sold may be decreased by lowering the components that comprise it, such as the amount of storage and spare parts required, the

amount of gasoline and electricity needed, the cost of custom work, and the cost of fabrication.

vii. Both companies should make every effort to keep control over their operating expenses, which would otherwise be a huge stumbling block to their profitability.

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