



Analysis Of The Financial Situation Of Energy Enterprises

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ABSTRACT

This article assesses the periodic changes in key indicators and their expectations based on financial reporting data of the “Uztransgaz” organization, an important link in the energy system.

Keywords:

analysis, financial condition, assets, capital, liabilities,
financial result, profit (loss), liquidity, solvency.

Introduction. Stability in the economy of Uzbekistan and positive trends in the standard of living of the population are further increasing the demand for energy resources. Unfortunately, it is impossible to meet these demands with the current available capacities. Therefore, serious attention is being paid to the sector and its development today. The fact that the main part of the external debt is directed to this sector and improving the infrastructure is a vivid expression of this. However, despite this, not everyone is able to feel the positive changes in the energy system in the same way. As a result, important questions about the system and its efficiency remain open.

We must admit that unless drastic measures are taken to solve the problems that have accumulated over the years in the energy sector, it will be difficult to solve the existing problems in the short and near term. This is because in developed countries that have solved this problem to a certain extent, unfortunately, permanent solutions are becoming increasingly complicated due to geopolitical situations. We should not forget that the world energy sector is also heading towards a crisis. Unless alternative solutions are found in the near future, it will not be possible to satisfy the growing demand of

consumers with the existing oil and gas reserves.

In the following article, we set the goal of analyzing the financial situation of “Uztransgaz” JSC, an important link in the energy system, in recent years, as well as its important changes, trends, and analytical conclusions. Of course, these analytical conclusions were drawn directly based on the information on the organization’s website and databases on information platforms.

Review of literature on the topic. Oil and gas supply is the most important component of the energy system. Enterprises in this system, as objects of strategic importance, require unconventional approaches to research. Also, the requirements for standardization of their activities are fundamentally different from those of other industry enterprises [1].

The industry enterprises have a complex, interconnected organizational structure, namely: geological exploration; exploration; mine commissioning; production; supply and distribution [2].

“Uztransgaz” JSC, as an important link in the entire energy system, has set itself the complex task of providing the domestic market with natural gas, as well as increasing the export and

transit potential of the Republic of Uzbekistan [3].

Analysis of the financial condition of enterprises included in the oil and gas system has its own characteristics compared to other sectors of the economy. The processes of gas extraction and sale are carried out mostly with state participation and through stock exchange trading [4].

The most important feature in assessing the financial condition of gas producers and suppliers is also determined by the long-term

duration of processes related to the efficiency and payback of investment capital [5].

Research methodology. This study used classical methods of analyzing the financial and economic activities of energy enterprises, their efficiency and effectiveness, as well as special methods of economic analysis: horizontal; vertical; trend; coefficient; comparative analysis.

Analysis and results. Gas production indicators of the Republic of Uzbekistan can be monitored based on the following table. This data is compiled for 2017-2023.

Table 1
Analysis of dynamic indicators of gas production and consumption

	Years						
	2017	2018	2019	2020	2021	2022	2023
Extraction volume, million cubic meters	56642,2	61585,5	60711,9	49768,2	53802	51678,4	46710,4
Consumption volume, million cubic meters	46065,3	48343,1	49711	46057,5	51883,9	48563,7	47559,9
Consumption volume per capita, thousand cubic meters	1,42	1,52	1,47	1,18	1,25	1,18	1,17

From the above data, it can be seen that in recent years, gas production indicators, especially the volume of natural gas consumption per capita, have been sharply declining. At all levels of consumption, the volume of demand is growing by 3-5 percent per year.

Uzbekistan has already achieved gas production of 44.6 billion cubic meters by the end of 2024. Also, Uzbekneftegaz forecasts a reduction in gas production to 26.5 billion cubic

meters in 2025¹. This is 2.8 billion less than the forecast for 2024 and 5.7 billion cubic meters less than in 2022. These indicators, of course, will also seriously affect the financial condition of system organizations. Trends in the system, in turn, affect the economy and the quality of life of the population.

Below we will analyze the financial situation, efficiency and results of JSC "Uztransgaz", one of the largest subjects of the energy system.

Table 2
Analysis of the volume of assets of "Uztransgaz" JSC and its changes

Assets	The beginning of the period	The end of the period	Difference +,-
Long-term assets	7656	7669	-13
Current assets	26737	24503	-2234
Including			

¹ <https://www.gazeta.uz/oz/2024/12/20/gas-uzbekneftegaz/>

Commodity material reserves	8099	7507	-592
Debt obligations	18049	16735	-1314
Funds	589	261	-328
Total assets	34393	32172	-2221

During the current period, the volume of assets of "Uztransgaz" JSC decreased by 2221 trillion soums. A decrease was observed in all types of assets.

The same situation can be seen in the sources of financing of "Uztransgaz" JSC, that is, in its financial capacity.

That is, we considered it necessary to focus on one important aspect, the value of the main fixed assets, an important structural unit in the structure of the company's assets, and its current state.

Table 3
Analysis of the main assets of JSC "Uztransgaz" and their condition

Indicators	At the beginning of the period	At the end of the period	Difference
Initial value of fixed assets, million soums	12314	12509	+195
Depreciation value of fixed assets, million soums	10524	11028	+504
Residual value of fixed assets, million soums	1789	1481	-308
Depreciation rate of fixed assets	0.85	0.88	+0.03
Availability coefficient of fixed assets	0.15	0.12	-0.03

The changes in the joint-stock company during the current period amounted to only 139 billion soums. The depreciation level of fixed assets increased from 0.85 to 0.88 in total value, while the serviceability ratio correspondingly declined from 0.15 to 0.12. This indicates that, given the current technical condition of the fixed assets, it is not possible to ensure continuous

and efficient operational performance. Immediate measures must be taken to prevent a potential technical crisis. Under such conditions, even a projected annual increase in demand of 3–5 percent would not only fail to meet forecasted demand but would also be insufficient to maintain the current level of operations.

Table 4
Analysis of sources of financing of assets of "Uztransgaz" JSC

Passives	At the beginning of the period	At the end of the period	Difference +,-
Source of own funds	-7856	72	+7928
Obligations	42249	32100	-10149
Long-term loans and debts	10393	9845	-548
Short-term loans and debts	249	298	+39
Creditors' obligations	31607	21957	-9650
Total liabilities	34393	32172	-2221

Based on the data from the 2023 financial results of "Uztransgaz" JSC, it can be

observed that the company's capital decreased by 2,221 trillion soums during the reporting

period. The most concerning aspect is that the company's internal sources of financing, namely its equity, turned negative. The primary reason for this situation is the company's consecutive losses in recent years.

At the beginning of the period, when the company's total assets amounted to 34,393

trillion soums, its liabilities stood at 42,249 trillion soums. By the end of the period, these indicators changed such that total assets decreased to 32,172 trillion soums, while liabilities amounted to 32,100 trillion soums. Based on these figures, the net asset value can be calculated as follows.

Table 5
Net Asset Analysis of "Uztransgaz" JSC

Indicators	At the beginning of the period	At the end of the period	Difference +,-
Assets	34393	32172	-2221
Liabilities	42249	32100	-10.149
Net Assets Shareholders' Equity	-7856	+72	+7928

An interesting trend was observed in the change in net assets. The amount of liabilities exceeded the amount of assets. The deficit at the beginning of the period amounted to -7856 trillion soums, but by the end of the period the excess of assets over liabilities amounted to 72 billion soums. The assessment of the ratio of equity and debt in financing assets has become an unnecessary step. This is because long-term liabilities were involved in financing assets in excess of the amount related to long-term assets. The company will have to additionally explain that the difference was directed to

financing current assets. The contribution of private capital in financing assets was negative. The balance sheet of "Uztransgaz" JSC can be expressed as follows:

To the beginning of the period $34393 < 42249 = -7856$

To the end of the period $32172 > 32100 = +72$

Interesting trends can be observed in the activity efficiency and effectiveness of JSC "Uztransgaz".

Table 6
Analysis of financial results and their changes in JSC "Uztransgaz" (2022-2023)

Indicators	Previous year	Reporting year	Difference +,-
Net sales proceeds	16588	13500	-3088
Cost of goods sold	17223	7811	-9412
Gross profit from sales	-635	+5689	+6324
Period costs	-717	-1684	+967
Other income from the main activity	+919	+7300	+6381
Main activity result	-433	+11305	+10872
The result of financial activity	-1735	-3515	+1780
Net profit	-2168	+7790	+9958

The performance of the joint-stock company in the current period can be assessed somewhat positively. The company, which has

been operating at a loss for several years, ended the current year with a profit. Explaining the changes in the figures is a rather complicated

process. Because it is impossible to explain without explanations, notes and notes that must be provided to the financial statements on the reasons for the change.

In "Uztransgaz" JSC, during the current period, the net revenue from sales decreased compared to the previous year, while cost savings of 9,412 trillion SOUMS were achieved in terms of the cost of goods sold. This change, of course, requires additional explanations.

If this result (+5689) was achieved by reducing the cost of goods sold, it must be recognized that this is impossible. Responsibility for the accuracy of the

information on the open database, open.info.uz, and the website belongs solely to the company itself.

State-owned enterprises ended 2021 with a loss of 2.51 trillion soums, and 2022 with a loss of 2.17 trillion soums. However, the fact that "Uztransgaz" JSC ended 2023 with a net profit of 7.7 trillion soums requires a deep investigation and a systematic study of the reasons.

By analyzing the solvency and balance sheet liquidity of "Uztransgaz" JSC, we assess the current state of its financial condition and stability and its important future expectations.

Table 7
Solvency and liquidity analysis of "Uztransgaz" JSC

Indicators	At the beginning of the period	At the end of the period	Difference +,-
Cash and short-term financial investments	589	261	-328
Debt obligations	18049	16735	-1314
Commodity material reserves	8099	7507	-592
Current liabilities	31856	22255	-9689
Absolute solvency	0.018	0.011	-0.007
Intermediate solvency	0.585	0.763	+0.178
General solvency	0.893	1.101	+0.208

At the beginning of the reporting period, the joint-stock company recorded a critical result on all three indicators of solvency. By the end of the reporting period, the intermediate and total indicators were slightly positive, and this situation is considered a risky indicator in relation to the required standards of solvency. Extreme negative situations can be observed in terms of relative and absolute expressions of liquidity. That is, the enterprise is experiencing serious difficulties due to economic insolvency and insolvency.

Conclusion. What are the positive analytical conclusions, below, we consider it necessary to provide some controversial, but not yet alternative, proposals and recommendations for improving the financial condition of system enterprises, their efficiency and effectiveness. First, we need to transition the system to operate on the basis of market mechanisms and

rules. In this regard, first of all, it is necessary to remove system enterprises from ineffective state management, introduce the private sector into the sector, strengthen investment flows, form a competitive environment, transition to energy efficiency, form an effective control mechanism, digitalization, and liberalize prices, and establish a consistent policy.

Second, it is necessary to study the situation, opportunities, and threats through a deep analysis of system enterprises, and draw clear, well-calculated conclusions on increasing the efficiency of activities in the sector, and develop a plan of work that will be implemented urgently and step by step;

Thirdly, any properly selected organizational mechanism, technological solution, management and control will not give the expected results, if accountability, audit, strategic economic levers at the level of

international requirements are not established in the field;

Fourthly, it is necessary to establish such a system of regulation, control, and promotion of consumption that encourages the establishment of a conscious, understood, cultured form of ensuring energy efficiency.

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