



UZTRANSGAZ" JSC: ANALYSIS OF FINANCIAL STABILITY AND MEASURES TO STRENGTHEN IT

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Abstract:

This article analyzes the financial stability of “UZTRANSGAZ” JSC by evaluating its main financial indicators to assess the company’s current financial condition. It also proposes potential measures to mitigate financial risks and strengthen long-term stability. The analysis is conducted using key financial assessment methods, including liquidity, profitability, and efficiency ratios.

Keywords: Financial stability, economic condition, profitability, capital, asset, net profit, net income, debt, industry, oil and gas, transport, supply, export.

Introduction

Financial stability is the ability of an enterprise to fulfill its financial obligations fully and on time, to continue its operations using its own funds, and to navigate without encountering significant financial crises. It signifies the long-term profitability and the robust financial standing of an organization.

The primary indicators of financial stability include:

1. **Equity Ratio:** The proportion of the enterprise's own funds within its total capital.
2. **Debt Level:** The extent of the organization's dependence on borrowed funds.
3. **Liquidity Ratios:** The ability to cover short-term liabilities.
4. **Profitability:** The degree of profit generation.
5. **Cash Flows:** The balance between income and expenditure streams.



Financial stability plays a crucial role for enterprises and organizations, as a company's potential, status, and market position are directly linked to its economic condition. Consequently, the measures taken to enhance financial stability and economic security define the overall capacity and caliber of the organization. In this article, we examine the financial stability of "**UzTransgaz**" JSC, analyzing its current state and the measures implemented to strengthen its financial position.

Research Methodology

In determining and analyzing the financial stability and economic standing of "UzTransgaz" JSC, various economic indicators (net profit, assets, return on debt and equity, net income) and financial data were utilized. The study employed **SWOT analysis** and similar analytical methods. Based on these assessments, the necessary measures to be implemented were analyzed.

Analysis and Results

"UzTransgaz" **Joint Stock Company** is a major state-owned enterprise operating in the transportation, storage, and distribution of natural gas in the Republic of Uzbekistan. Established in 1992, its primary mission is to ensure the uninterrupted supply of natural gas to the regions of the Republic and export markets.

"UzTransgaz" JSC manages and maintains the main gas pipeline system in Uzbekistan. Additionally, the company is involved in the processing, storage in underground facilities, and export of natural gas. Its structure includes several regional branches and engineering enterprises.

As part of the reforms in the energy sector, the company is working towards achieving financial stability, increasing efficiency, and implementing modern management methods. The following table presents the key financial indicators of "UzTransgaz" JSC over the last 9 years[1]¹

¹ <https://new.openinfo.uz/ru>

Indicators	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net profit(%)	23,7	21,65	-13,32	2,54	-10,58	-20,11	-13,69	-13,07	57,7
The profitability of capital(%)	10,52	13,51	-14,17	7,19	-98,32	116,77	44,09	27,6	10715,33
The profitability of receivables (%)	7,89	10,02	-5,64	1,26	-5,53	-13,83	-8,14	-6,3	24,21
Loan proportion (%)	24,99	25,81	12,98	82,53	94,37	111,84	118,47	122,84	99,77
The proportion of loan to capital(%)	33,31	34,78	32,6	472,3	1677,22	-944,4	-641,45	-537,78	44152,07

The financial indicators presented in the table above define the economic standing of the enterprise. To ensure and strengthen financial stability, the company has been implementing various measures over the years.

The following data outlines the measures undertaken by "UzTransgaz" JSC to maintain financial stability:

- 1. Cost Optimization:** Enhancing resource efficiency by reducing production and service delivery costs.
- 2. Strengthening Financial Discipline:** Ensuring financial transparency through the improvement of accounting, auditing, and internal control systems.
- 3. Implementation of Modern Technologies:** Reducing expenditures and increasing revenue through energy-efficient and innovative technologies.
- 4. Attracting External Investment:** Executing investment projects in cooperation with local and international financial institutions.
- 5. Debt Management:** Reducing the debt burden and maintaining a stable credit portfolio and payment discipline.
- 6. Increasing Gas Supply Volumes:** Strengthening the revenue base by expanding gas exports in both domestic and foreign markets.
- 7. Improving Internal Management Systems:** Developing corporate governance, risk management, and performance-based management systems.

Utilizing the financial indicators from **Table 1** and the economic data of the enterprise, we present a **SWOT analysis** in **Table 2** below, taking into account both base-year and chain-linked growth periods:

S(Strengths)	W(Weakness)	O(Opportunities)	T(Threats)
<p>Significant Profitability: Growth: In 2023, net profit (\$57.7%\$) and Return on Equity (ROE) (\$10715.33%\$) experienced a sharp increase, indicating a substantial surge in the company's earnings potential.</p> <p>Stable Investment Efficiency: Between 2020 and 2023, the Return on Equity remained consistently positive, reflecting the ongoing effectiveness of investments.</p> <p>Asset Management: In 2023, the Return on Assets (ROA) rose to \$24.21\%\$, signifying that the enterprise is utilizing its assets with increasing efficiency.</p> <p>Strategic Positioning: Possessing an extensive infrastructure and receiving strong state support renders the company strategically robust.</p>	<p>Period of Inefficiency: Between 2017 and 2022, both net profit and Return on Assets (ROA) remained negative, indicating financial inefficiency and excessively high operating costs during those years.</p> <p>Elevated Financial Risk: From 2020 to 2022, the debt ratio exceeded 100%, significantly heightening the company's financial risk profile.</p> <p>Lack of Financial Independence: During 2019–2022, the debt-to-equity ratio was either negative or excessively high, reflecting a critical lack of financial independence and a heavy reliance on external funding.</p> <p>Economic Sensitivity: The financial structure remains highly sensitive to macroeconomic fluctuations and economic instability.</p>	<p>New Investment Horizons: The sharp improvement in financial indicators in 2023 creates significant new investment opportunities for the company.</p> <p>Revenue Diversification: Expanding energy exports will ensure stable foreign currency inflows and strengthen the company's capital position.</p> <p>Efficiency through Modernization: There is a substantial opportunity to reduce operational costs and enhance margins by implementing new technologies and modernizing existing infrastructure.</p> <p>Strategic Transit Position: The company's strategic location within the Eurasian gas transit network provides a distinct competitive advantage in the regional market.</p>	<p>Liquidity and Solvency Risks: High levels of indebtedness may negatively impact the company's liquidity and its ability to meet payment obligations.</p> <p>Price Volatility: Fluctuations in energy sector prices pose a significant risk of destabilizing financial stability.</p> <p>External Market Dependency: Changes in political landscapes and international markets—specifically a heavy reliance on exports—threaten overall stability.</p> <p>Management Inefficiency: Weaknesses in internal governance could diminish the expected efficiency and returns on investments.</p>



As a result of the financial and managerial reforms implemented by "UzTransgaz" JSC, the following significant economic and industrial changes are being observed:

1. Strengthening Financial Stability: Net profit is increasing due to cost optimization and the expansion of the revenue base, creating opportunities to finance internal investment activities.

2. Growth in Gas Export Volumes: Active cooperation with foreign markets—specifically expanding exports to China, Kazakhstan, and other neighboring countries—is contributing to increased state budget revenues.

3. Technological Modernization: The introduction of modern monitoring and automated control systems on main gas pipelines has significantly reduced gas losses and emergency incidents.

4. Improved Energy Efficiency: The deployment of high-efficiency machinery and equipment has lowered energy consumption and overall production costs.

5. Execution of New Projects: Leveraging financial stability and foreign investment, new gas pipelines, compressor stations, and gas storage facilities are being constructed.

6. Job Creation and Human Capital Development: Expanding production volumes and new projects are creating jobs, while employees are consistently engaged in professional development courses.

These ongoing transformations contribute significantly not only to the oil and gas industry but also to the overall development of the national economy. These changes facilitate international partnerships, enhance export potential, and improve the level of gas supply to the population.

Conclusion and Recommendations

The preceding analysis indicates that although "UzTransgaz" JSC has navigated complex financial stages in recent years, the sharp positive growth in financial indicators in 2023 signals a recovering potential. In particular, the achievements in net profit and return on equity open significant opportunities for the future. However, risks associated with high indebtedness and financial instability persist. Therefore, it is advisable to implement the following recommendations:



1. **Strengthen Debt Reduction Policies:** This will ensure long-term financial sustainability.
2. **Efficient Investment Management:** This allows for maintaining stable equity returns and increasing profit margins.
3. **Digitalization and Automation of Internal Management:** These measures will reduce overhead costs and enhance operational efficiency.
4. **Enhance Diversification Strategy:** This will reduce over-reliance on exports and allow for full utilization of domestic market potential.
5. **Invest in Human Capital:** This will foster advanced management practices that ensure continuous growth.

The systematic implementation of these recommendations is expected to drive further positive evolution within "UzTransgaz" JSC.

To conclude, the systematic implementation of these recommendations is expected to drive the following positive transformations within "UzTransgaz" JSC:

1. **Profitability Stability:** The net profit margin is projected to be maintained consistently within the **20–30%** range, serving as a reliable financial benchmark for investors.
2. **Operational Efficiency:** Returns on capital and assets are expected to stabilize between **15–25%**, clearly reflecting the company's improved operational efficiency.
3. **Enhanced Solvency:** The debt-to-equity ratio is targeted to be reduced to **below 70%**, significantly increasing the company's liquidity and financial independence.
4. **Risk Mitigation:** A reduction in financial risk exposure will pave the way for the expansion of internal investment projects and infrastructure upgrades.
5. **Global Standing:** The company's reputation in the international market will grow, thereby strengthening its potential for strategic cross-border partnerships and long-term cooperation.

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