

## THE SECTORAL DIFFERENCES BETWEEN THE FINANCIAL PERFORMANCE OF THE ROMANIAN COMPANIES

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### Abstract

*This paper presents a study on a sample of 31 Romanian companies listed on Bucharest Stock Exchange regarding the financial performance for a period of two years. They belong to different fields of activity. The theme is in the interest of investors in the capital market, but also researchers in the economic field because it highlights the areas with a high market share, but also which company has a superior position in its sector of activity.*

*I have come to the conclusion that the areas of interest to investors are the pharmaceutical, the petroleum and the energy industries.*

**Keywords:** performance, highest market share, domain of activity, Bucharest Stock Exchange, Romanian companies, return on equity, return on assets, return on sales

**Classification JEL :** M40, M41

### 1. Introduction and context of the study

The article presents a comparison between the Romanian companies listed on the Bucharest Stock Exchange on the basis of the performance criteria. The term performance has had several definitions in the history of the economy that conclude on the same idea. J. H. Iacob argues that ‘in achieving global performance, physical activity seeks productivity, market competitiveness and financial profitability’, but he also considers important the social aspect of the firm.

Several financial indicators have been taken into account so as to provide a fair image of companies on the stock market as such turnover, added value, average number of employees, equity capital, net income, work productivity, rate of return on assets, rate of return on equity and rate on sales for a period of 2 years.

The companies are from different fields of activity to see which business has a higher productivity and profitability. So in this article we will find answers to the following questions: **Which field of activity has the highest market share? Which area of activity has the most employees? Which field of activity is most profitable?**

### 2. Literature review

The concept of **performance** is defined from the perspective of several points of view as a multidimensional and interdisciplinary character being used in many fields of activity.

In the review of literature there is a diversity of meanings of performance on which performance can be defined and measured.

According to the authors *Lebas (1995)*, *Kaplan and Norton (1992)* ‘the **performance** can be expressed only as a set of parameters or indicators that are complementary, and sometimes contradictory, and that describe the process through which the various types of outcome and results are achieved’. The **performance** represents all the steps that managers take in order to carry out appropriate actions in the present for having an efficient company.

*Elie Cohen* considers a **close relationship between performance and efficiency** by tracking the company's results in terms of the resources used.

*A. Bourguignon* believes that **performance reflects the fulfillment of organizational goals**.

From another perspective, **performance means action**, a successful one. Thus, *Kaune (Armstrong, 2004)* states that ‘performance is what the individual leaves behind him and that goes beyond the intended purpose.’

The term of performance can also be defined differently depending on the position of the evaluator: whether it is outside or inside the organization. The operations of the company are a black box for the outsider, while the insider correlates performance with other internal factors. Also the **performance is subjective** because each one defines it in his own way.

Consequently, the word ‘**performance**’ can be defined as a ‘**suitcase word**’ according to *Bourguignon (Neely, 2003)* ‘in which everyone places the concepts that suit them, letting the context take care of the definition’. Thus, there may be multiple interpretations of the same reality that can generate ambiguity and waste of scarce resources instead of creating value for different stakeholders from the organization.

From another point of view the term of **performance** can be defined as **action – oriented** (obtaining performance) or as noun-oriented, that would emphasize the **performance** as an event (a **result**) or both simultaneously. In the same way *Corvellec (1994, 1995)* and *Bourguignon (1995)* state ‘**that performance refers simultaneously to the action, to the result of the action and to the success of the result compared to some benchmark.**’

There are numerous research articles with a similar theme on financial performance between different Romanian companies in different fields of activity.

*Siminica M. & all (2011)* present in the article ‘*A study regarding the return on equity of Romanian companies*’ the comparison of 40 companies listed on the Bucharest Stock Exchange in terms of the rate of return on equity because it is of interest to any investor who wants to invest in a company without taking unnecessary risks.

Another article related to this theme is ‘*A study on the return on equity for the Romanian industrial companies*’ (*Siminica M. & all, 2010*). In this paper it is described for 73 Romanian companies the return on equity with other indicators which express the way in which the managers have achieved the company's goals.

*Siminica M. & all (2012)* emphasize in the paper ‘*The Correlation between the Return on Assets and the Measures of Financial Balance for Romanian Companies*’ the difference of profitability of the Romanian companies in the economic crisis and the years before it on the basis of different indicators for 40 Romanian companies listed on Bucharest Stock Exchange for a period of 4 years between 2007 and 2010.

### 3. Methodology

For this study, I chose a sample of 31 Romanian companies listed on the Bucharest Stock Exchange because they seem to be representative of the Romanian economy. I have studied the financial and accounting situations reported for the years 2015 and 2016 and the **research methods** used are the following:

- **Rate method** - is a relevant tool in the company's internal analysis and evaluation process and it is also necessary for external financial analysis.

These rates help a complex assessment of the dysfunctional and performance of a business or a field of activity based on the variance of the data being valued over a certain period of time as the rates allow comparisons to be made in time and space.

In this case I have used **rates of return** to quantify the economic efficiency and profitability of specific firms and fields of activity.

$$R = \text{Effect} / \text{Effort} \text{ or } R = \text{Effort} / \text{Effect} (1)$$

- **Method of comparison of the economic results**, which studies the economic processes in terms of reference criteria called bases of comparison, establishing the deviations therefrom.

The basis of comparison is chosen depending on the purpose of the analysis: indicators in certain periods, indicators of other similar firms.

A form of the recent comparison method is *benchmarking* that performs direct comparisons between functional or operational processes of companies belonging to different sectors in order to identify sources of competitive advantage. In this paper, *performance benchmarking* can be identified, comparing its own performance (often financial and operational performance) with that of direct competitors producing the same products or services, but also *generic benchmarking*, which consists in making comparisons between different companies with similar processes in different sectors with the highest performance.

The **synthetic indicators** calculated for the 31 companies listed on Bucharest Stock Exchange are:

$$\text{Productivity of work (W)} = \text{Turnover} / \text{Average number of employees (2)}$$

This indicator is one of the qualitative indicators of commercial activity and it reflects the *efficiency of the work in the production process*. It should also be associated with other indicators for estimating the efficiency of a company's activity. Other factors that have a direct impact on the increasing of work productivity are the technological progress of the company, the qualification of the staff in order to keep up with better results with the same effort, but also an important factor of productivity is the size of commercial companies, by promoting the technical progress and the commercial attraction they exert in attracting new customers and increasing their sales volume.

$$\text{Return on Assets (ROA)} = \text{Operating profit} / \text{Total Assets (3)}$$

Return on assets measures the *profitability of a company in relation to its total assets* and the efficiency of management in utilizing economic resources. It also indicates the ability of a company to meet the financial interests of investors based on the use of resources financed from invested capital irrespective of source of origin.

$$\text{Return on equity (ROE)} = \text{Net profit} / \text{Equity (4)}$$

The rate on equity expresses the *efficiency of utilizing the equity* of the company, that is to invest the available capital that the shareholders have made by buying shares of the company.

Return on equity takes into account the pay policy, commercial policy (sales and purchases), financial investment policy, profit tax regime, asset depreciation regime. It is also one of the most important criteria for assessing managerial performance and is of interest to shareholders.

The rate of equity must meet certain conditions: the level of this rate of an enterprise should exceed the average of rate of equity at the level of the competitive sector or the profitability level of the main competitor, to be higher than the rate of assets, thus appearing the financial leverage effect of borrowing.

If the profitability achieved by a sector is higher, then it becomes more attractive to investors.

$$\text{Return on sales (ROS)} = \text{Operating profit} / \text{Turnover (5)}$$

Return on sales evaluates the *operational efficiency* of the business and highlights the company's business strategy, its ability to attract new customers by practicing competitive pricing and marketing quality products, offering the products required by the market, and managing production costs.

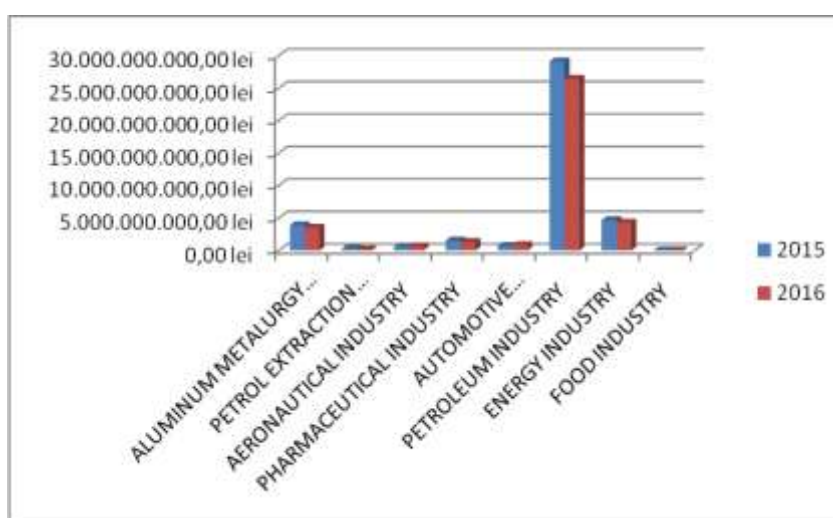
The factors influencing the return on sales level may be the economic environment, competition, the degree of risk of the sector of activity. The evolution of this rate is *interdependent*

with three main factors: sales structure (market studies to assess demand trends in the next period), sales prices (coverage of costs, but also competition prices), production costs (the aim is to reduce them as much as possible without affecting the quality of the products sold or the services provided).

#### 4. Results

The financial indicators are calculated for **31 Romanian companies listed on the Bucharest Stock Exchange** from different domains of activity for a period of 2 years. The fields of activity are varied as *aluminium metallurgy, petrol extraction, aeronautical industry, pharmaceutical industry, automotive manufacturing industry, petroleum industry, energy and food industries*.

The turnover is analyzed on the different fields of activity for the years 2015 and 2016 as shown in the **Figure no.1**.



**Figure no.1 Turnover by Industry**

Source: Author, based on the data collected from the financial statements of the companies - <http://www.bvb.ro/>

According to the figure shown above, regarding the turnover, between all the fields of activity, the *petroleum industry* had the *highest turnover* of 29.1 billion Lei in the year 2015, but in the following year it recorded a slight decrease to 26.4 billion Lei which results in a higher indebtedness of the firms and a decrease of the number of employees.

On the second place with a huge difference compared to the first field of activity is the energy industry with a turnover of 4.6 billion Lei. In 2016 it had a similar turnover of 4.3 billion Lei and also a decrease of the employees. A turnover similar to that of the energy industry is in the aluminium metallurgy field. In the year 2015 the turnover was 3.9 billion Lei and in 2016 was 3.5 billion Lei, with a slight decrease. So the decline in turnover meant a drop in the market share.

The *food industry* had the *lowest turnover*: 3.9 million Lei in 2015 and 3.5 million Lei in 2016 due to low sales compared to the other fields of activity.

In terms of the *average number of employees*, most employees work in the *petroleum industry* during the whole analyzed period: 27,724 employees in 2015 and 26,240 employees in 2016. The *smallest number* of employees was in the *food industry*: 209 in 2015 and 206 in the following year. The other fields of activity had a number of employees ranging from 1,000 to 4,000 employees.

Another relevant indicator is the *net profit*. In some areas of activity, the net profit realized had *negative values* due to investments made and long-term bank loans. A domain of activity was *aluminium metallurgy* with -13 million Lei in the year 2015 but in 2016 it had a positive value of

52.6 million Lei which means that companies in this field managed to cover part of their investment and bank loans.

The domain of *petrol extraction* had *negative values* both in 2015 (-114.7 million Lei) and in 2016 (-111.2 million Lei) because the companies used bank credits to finance their investments in technological capital.

The *largest net profit* was registered by the *petroleum industry*: 1 billion Lei in 2015 and 2.5 billion Lei in 2016. This meant good sales policy and good internal resource management by supporting their own investments from the companies in this field.

The first calculated financial indicator is *work productivity*. According to the **Table no.1**, the *highest values* were in the field of *energy industry*: 1.113 million Lei in 2015 and 1.033 million Lei in 2016 and reflected the efficiency in the production process. Similar values had *petroleum industry*: 1.050 million Lei in 2015 and 1.008 million Lei in 2016. The *minimum values* are found in the *food industry*, for example 189 thousand Lei in 2015 and 171 thousand Lei in 2016.

**Table no.1 Indicators of Profitability Rates by Industries**

Type of industry	Wok Productivity		Return On Assets		Return On Equity		Return On Sales	
	2015	2016	2015	2016	2015	2016	2015	2016
ALUMINUM METALURGY INDUSTRY	859.711	757.401	4,7%	4,4%	-0,7%	2,8%	4,5%	4,9%
PETROL EXTRACTION INDUSTRY	279.179	211.499	-6,1%	-26,2%	-81,5%	-724,7%	-8,8%	-54,8%
AERONAUTICAL INDUSTRY	180.124	194.240	3,3%	2,8%	3,9%	2,5%	8,7%	6,9%
PHARMACEUTICAL INDUSTRY	434.989	390.387	9,0%	11,5%	10,7%	12,8%	9,1%	12,9%
AUTOMOTIVE MANUFACTURING INDUSTRY	231.492	266.747	4,6%	6,0%	6,3%	11,0%	5,5%	6,0%
PETROLEUM INDUSTRY	1.050.849	1.008.382	2,0%	4,8%	2,6%	6,4%	4,2%	11,8%
ENERGY INDUSTRY	1.113.467	1.033.655	4,1%	3,5%	4,9%	3,6%	13,0%	11,8%
FOOD INDUSTRY	189.077	171.259	-13,9%	-12,8%	-25,4%	-22,0%	-8,0%	-9,0%

Source: Author, based on the data collected from the financial statements of the companies -

<http://www.bvb.ro/>

The *return on assets* from the *pharmaceutical domain of activity* had the *highest value* of 9.0% in 2015 compared to the other fields which means that the companies from this domain earned income based on their investment in operating equipment.

In the 2016 the ROA increased to 11.5% and maintains the highest value among domains of activity which means a good use of economic resources.

The *lowest value* of return on assets in 2015 was -13.9%. The *food industry* had this negative value because of poor management and inefficient use of resources. In 2016 the lowest value of return on assets was of -26.2% in the *field of petrol extraction*.

The *return on equity* of the companies analyzed fluctuates a lot, with a minimum value of -81.5% in 2015 and -724.7% in 2016 and a maximum value of 10.7% in 2015 and 12.8% in 2016. *Petrol extraction industry* has had *negative percentages* at return on equity. In 2015 this was -81.5% and in 2016 -724.7%. The indicator reflects a low trust from long-term shareholders and they are not rewarded for the assumed risk.

The domains of activity with positive values of return on equity are aeronautical industry, pharmaceutical industry, automotive manufacturing industry, petroleum and energy industries. In the *pharmaceutical domain* are the *highest percentages*. In 2015 the ROE was of 10.7% and in 2016 was 12.8%. This indicator highlights increased confidence from creditors and long-term shareholders to companies in this field.

Another important indicator calculated to highlight business performance by industry is *return on sales* (ROS).

Comparing all sectors of activity it results that the *energy field* had the *highest value* of return on sales in 2015 (13.0%) showing how efficiently the companies turned sales into profit. In the year 2016 the *highest percentage* was of 12.9% in the *pharmaceutical domain*. This field with a large increase from 9.1% to 12.9% in only one year, this highlights that this area is becoming more and more efficient and profitable for investors. Other areas that have had a positive ROS are:

aluminium metallurgy (4.5% - 2015, 4.9% - 2016), aeronautical industry (8.7% - 2015, 6.9% - 2016), automotive manufacturing industry (5.5% - 2015, 6.0% - 2016), petroleum industry (4.2% - 2015, 11.8% - 2016), energy industry (13% - 2015, 11.8% - 2016).

The *food and the petrol extraction industries* had *negative percentages* in both the years under analysis.

Further I will analyze the indicator of *work productivity for each sector of activity*.

In the *aluminum metallurgy industry*, the work productivity had *high values*, so the enterprise Alro S.A. had the highest level of 964.8 thousand Lei in 2015, but it dropped to 873.7 thousand Lei in 2016. A similar value in the year 2015 had the company Alum Tulcea of 910.4 thousand Lei and in 2016 it was 782.1 thousand Lei.

The firm T.M.K. Artrom also had high values: 711.4 thousand Lei in 2015 and 584.2 thousand Lei in 2016.

The lowest values in this sector were registered by Alumil Rom Industry S.A., having in the year 2015 320.9 thousand Lei and it had a slight increase in 2016 being of 325.4 thousand Lei, due to the decrease of the number of employees. In 2015 it had 185 employees and in 2016 178 employees.

In the oil extraction industry in 2016 there were decreasing values compared to 2015, as follows: on one hand, Dafora Company had in the year 2015 the value of 390.4 thousand Lei and in 2016 it was of 195.8 thousand Lei, due to the increase of the number of employees up to 250 from 223 and their training so that they became productive and on the other hand, Craiova Drilling Company had values close to those of Dafora Company, namely in 2015 – 234.1 thousand Lei and in 2016 – 195.7 thousand Lei. Rompetrol Well Services had the lowest values of this indicator, namely 176.5 thousand Lei in 2015 and 169.9 thousand Lei in 2016.

*Small values* were also recorded in the *aeronautical industry*, but they were on the rise.

I.A.R. Brasov Enterprise had the value of work productivity: 416.8 thousand Lei in 2015 and 481.3 thousand Lei in 2016, which means that the efficiency of the work in the production process had improved through the measures taken by the company's management through a policy appropriate for streamlining the process.

Incremental values in 2016 were registered by the companies Aerostar S.A. (2015 – 198.7 thousand Lei and 2016 – 207.2 thousand Lei) and Turbomecanica S.A. (2015 – 171.1 thousand Lei and 2016 – 193 thousand Lei).

The company which had the lowest values in the field of activity in 2015 of 62.3 thousand Lei and in 2016 of 56.8 thousand Lei was Romaero Bucharest.

*High values* of work productivity have also been noted in the *pharmaceutical industry*.

On one hand, Zentiva S.A. Company had the highest value in 2015 of 798.4 thousand Lei and in 2016 of 851.9 thousand Lei, which, as observed, is on the rise. This indicates an increase in work efficiency in the production process.

On the other hand, Farmaceutica Remedia S.A had a value of 657.1 thousand Lei in 2015 and in 2016 it decreased dramatically to 257.3 thousand Lei, due to changes in the drug market and the division of sales and distribution divisions that had a direct impact on sales.

Another firm that had a slight decrease between the two years was Ropharma SA. In 2015 the work productivity was 523.6 thousand Lei and 470.7 thousand Lei in 2016, which denotes the slowing of labour efficiency in the production process.

Antibiotics Iasi S.A. and Biofarm S.A. registered slight increases in 2016 compared to 2015. Antibiotics had in 2015 the value of 227.5 thousand Lei and in 2016 it was of 231.1 thousand Lei and Biofarm values were: 379.9 thousand Lei in 2015 and 392.5 thousand Lei in 2016.

Sintofarm had the lowest levels of labour productivity: in 2015 was of 147.2 thousand Lei and 144.7 thousand Lei in 2016.

In the automotive manufacturing industry the values are close. Compa S.A. and Uamt S.A. Companies had the highest values in the industry. Compa SA had in 2015 the value of 275.6 thousand Lei and in 2016 an increase to 326.8 thousand Lei. Uamt S.A. had the value of 212.4 thousand Lei in 2015 and 249.9 thousand Lei in 2016. The other companies: Altur (2015 – 155.9 thousand Lei; 2016 - 135.5 thousand Lei) and Autonova Satu Mare (2015 -123.1 thousand Lei;

2016 -122.1 thousand Lei) have had similar negative values; it is corroborated by the decrease in turnover.

In the petroleum industry, Rompetrol Refinery had the highest value of work productivity, namely in 2015 it was of 8364.1 million Lei and in 2016 it was of 8086.9 million Lei and this shows a good efficiency in the production process. Omv Petrom S.A. had in 2015 the value of 878.4 thousand Lei and in 2016 it registered a decrease reaching to 870.8 thousand Lei.

Petrolexportimport S.A. (2015 – 77.1 thousand Lei; 2016 – 67.1 thousand Lei) and Romgaz had decreasing values in 2016 compared to 2015 due to the wrong policies applied compared to other competitors.

S.N.T.G.N. Tranzgaz S.A. registered a slight tendency to increase labour productivity in 2016 to 375.1 thousand Lei compared to 2015 to 331.6 thousand Lei.

*High productivity values* have also been highlighted in the *energy sector*. C.N.T.E.E. Transelectrica had a value of 1349.6 million Lei in 2015 and in 2016 a slight decrease to 1229.6 million Lei, due to technological progress. Nuclearelectrica had the following values: 860.3 thousand Lei in 2015 and 820.9 thousand Lei in 2016.

In the *food industry*, Lactate Natura S.A. Targoviste had higher values of work productivity as Bucovina S.A. Scheia.

The others indicators will be analyzed within each domain of activity.

### *I. Aluminium Metallurgy Industry*

An indicator to which shareholders have to give the greatest importance is the assets return, which measures the efficiency of the use of assets, in terms of profit.

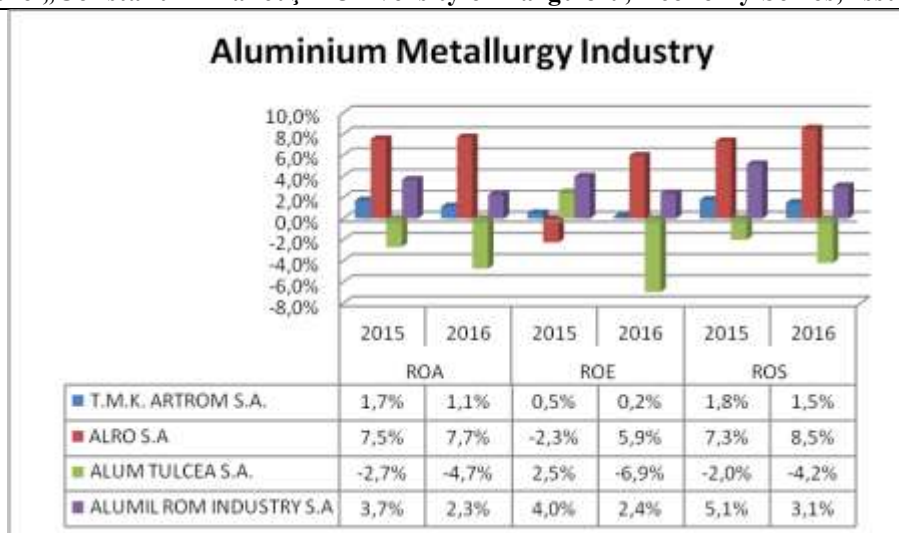
In the aluminum metallurgy sector, Alro S.A. had the highest percentage of the ROA indicator in the analyzed period. In 2015, the percentage was of 7.5 and the year 2016 showed a slight increase, reaching 7.7%, the increase reflects a good economic performance of the company. In the same sector of activity Alum Tulcea throughout the analyzed period had negative percentages of ROA. In 2015 it was of -2.7%, and -4.7% in 2016, which means that economic resources have not been used efficiently.

Also the other companies recorded decreases in this indicator, but remained positive, which indicates that they do not use the assets of the companies efficiently.

In terms of return on equity, Alumil Rom Industry SA had the highest value of 4.0% in 2015, but dropped down to 2.4% in 2016.

In contrast, Alro had a sharp increase in ROE from -2.3% in 2015 to 5.9% in 2016, which signifies greater attraction for investors.

In terms of ROS also Alro Company had the highest values in 2015 and 2016, meaning a good business strategy but also increasing the sales volume through the correct policy of the marketed prices.



**Figure no.2 Profitability Ratios in the Aluminium Metallurgy Industry**

Source: Author, based on the data collected from the financial statements of the companies - <http://www.bvb.ro/>

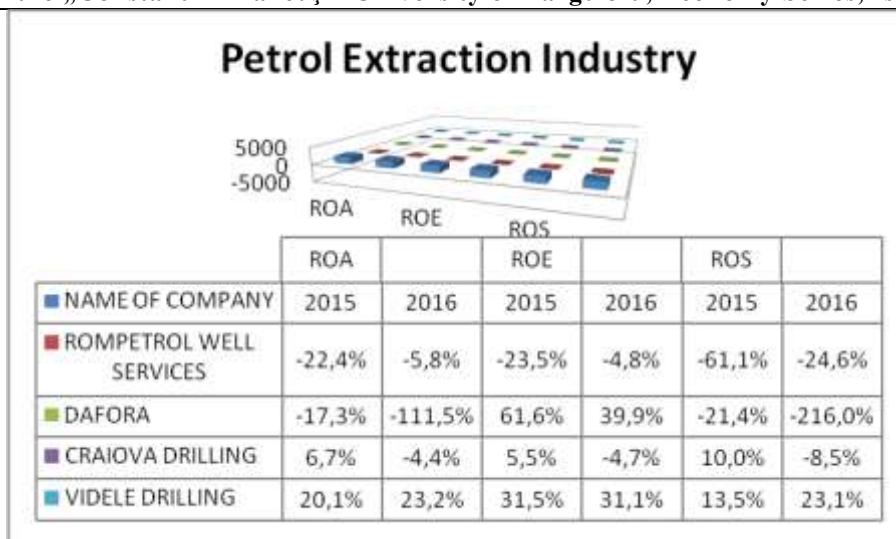
## II. Petrol Extraction Industry

In this sector of activity ROA had high values. An example of this is Videle Drilling, which registered 20.1 percent in 2015 and 23.2 percent in 2016, highlighting the company's good management in efficient resource utilization.

The rest of the companies recorded negative ROA values resulting in inefficient use of resources in this industry.

The next indicator calculated was the return on equity, which highlights the good use of investments and economic resources for Rompetrol Well Services. On the one hand, in 2016 Rompetrol improved its position on the market by attracting new customers; this is highlighted by the rate on sales being in 2016 of -24.6%. On the other hand, Dafora and Craiova Drilling Companies recorded significant decreases, due to poor strategies of management.





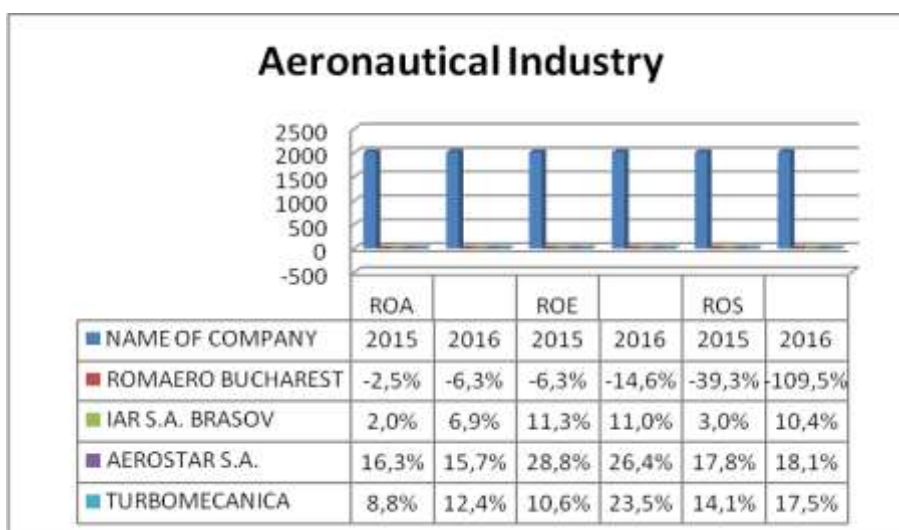
**Figure no.3 Profitability Ratios in the Petrol Extraction Industry**

Source: Author, based on the data collected from the financial statements of the companies - <http://www.bvb.ro/>

### III. Aeronautical Industry

The companies I.A.R. Brasov, Aerostar and Turbomecnica had recorded normal ROA, while Romaero recorded negative values of ROA, in 2015 it was of -2.5% and in 2016 it was of -6.3%, being a more pronounced decrease of this indicator due to inefficiency of using the economic resources.

According to the **figure no.4**, the Aerostar S.A Enterprise had the highest values in the years 2015 and 2016 at all indicators. This emphasizes the good management in using investments, economic resources and a competitive strategy of the business in order to develop the company at all level management.



**Figure no.4 Profitability Ratios in the Aeronautical Industry**

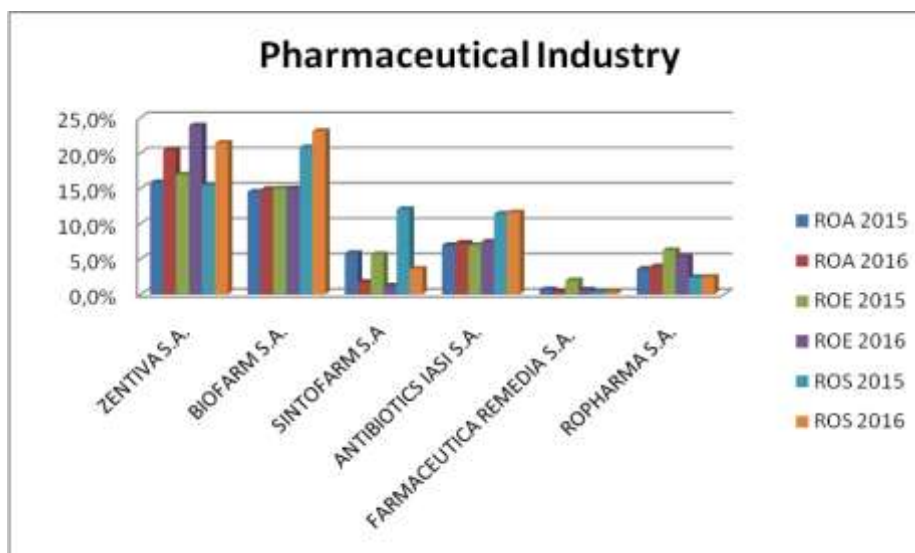
Source: Author, based on the data collected from the financial statements of the companies - <http://www.bvb.ro/>

### IV. Pharmaceutical Industry

Companies from the pharmaceutical field recorded positive ROA values over the review period.

Zentiva had the highest value in both years for ROA (15.8% in 2015 and 20.5% in 2016), but also for the other indicators (ROE in 2015 was of 16.9% and in 2016 it was of 23.9%; ROS in 2015 was 15.4% and in 2016 it was 21.4%) which means that it is a growing company which strengthens its position on the market by increasing its market rating.

Biofarm S.A. had also high values around 14% for all indicators and increased from 2015 to 2016 by improving the use of invested capital and market strategy. The other firms had lower values in 2015 and 2016 due to their investments in more equipment. The company with the lowest values in this period is Farmaceutica Remedia. In 2015 the ROA was of 0.6%, in 2016 it was of 0.4%; ROE was in 2015 of 1.9% and in 2016 it was of 0.6% and ROS was in both years 0.3%.

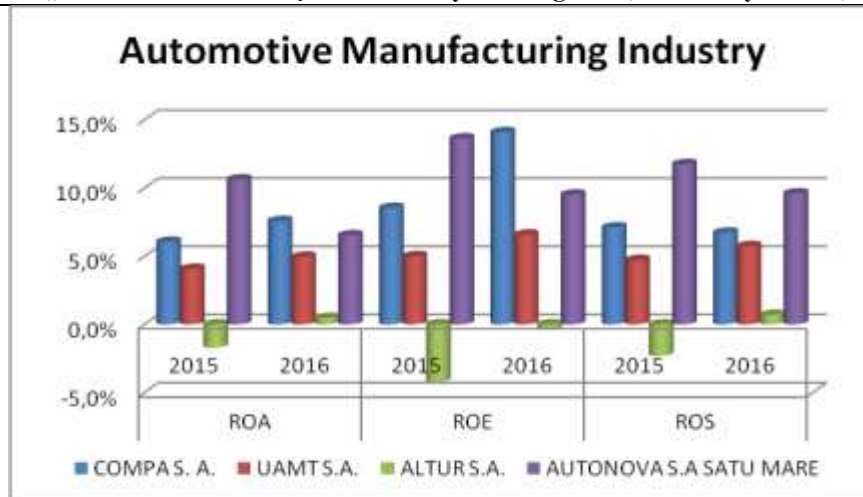


**Figure no.5 Profitability Ratios in the Pharmaceutical Industry**

Source: Author, based on the data collected from the financial statements of the companies - <http://www.bvb.ro/>

#### V. Automotive Manufacturing Industry

In the automotive manufacturing industry ROA values are normal for this type of activity. The only company that had negative values for all indicators was Altur S.A., perhaps due to investment in technological equipment. The companies with the highest values of ROE and ROS were Compa S.A. and Autonova S.A. Satu Mare which means good operational efficiency and use of equity. In 2016 these values dropped significantly.



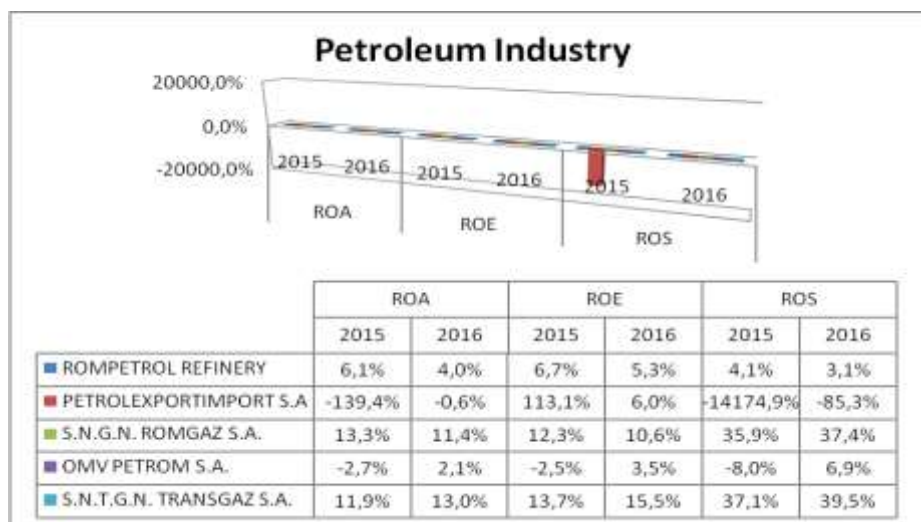
**Figure no.6 Profitability Ratios in the Automotive Manufacturing Industry**

Source: Author, based on the data collected from the financial statements of the companies - <http://www.bvb.ro/>

## VI. Petroleum Industry

In the petroleum industry one can notice Petrolexportimport S.A which had a huge progress, this can be seen through the ROA indicator. In 2015 it was of -139.4% reaching in the year 2016 the value of -0.6% due to a very good use of the economic resources and it managed to reward investors for the assumed risk. This is reflected also in other indicators.

The companies: Rompetrol Refinery, Romgaz S.A. and Transgaz S.A. have registered normal values. A huge step had been made by OMV Petrom that had passed from negative values in 2015 to positive values for all three indicators in 2016, which means an appropriate policy on all levels of management starting with production and ultimately with the strategy of selling products.

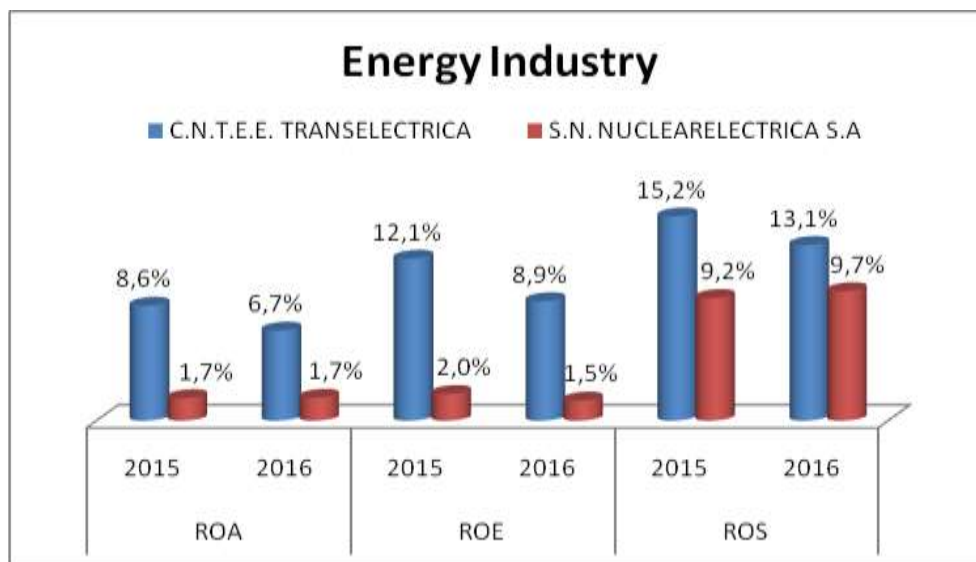


**Figure no.7 Profitability Ratios in the Petroleum Industry**

Source: Author, based on the data collected from the financial statements of the companies - <http://www.bvb.ro/>

## VII. Energy Industry

In the energy industry, Transelectrica Company had the ROA of 8.6% in 2015, following a slight decrease until 2016 where it was of 6.7%, while Nuclearelectrica Company had lower ROA percentages. In both years was of 1.7%, which was maintained due to good management. With regard to return on equity and return on sales Transelectrica Company had the highest values in the two years, as it can be seen in the chart below, but they have seen a decrease in the percentage due to the weakness of attracting new clients, but in 2016 Nuclearelectrica had the ROS of 9.7%, which means better placement on the market by attracting new customers.

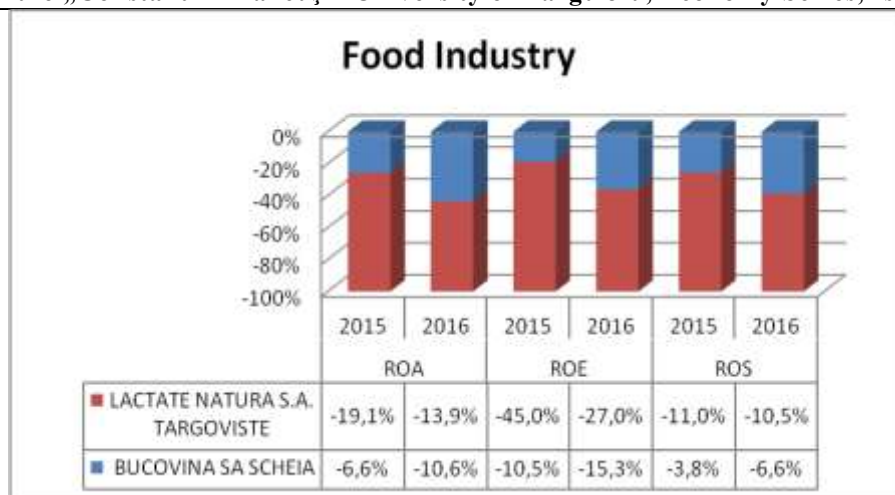


**Figure no.8 Profitability Ratios in the Energy Food**

Source: Author, based on the data collected from the financial statements of the companies - <http://www.bvb.ro/>

### VIII. Food Industry

The firms registered negative values for all three indicators: return on assets, return on equity and return on sales in the period analyzed which highlights the poor management strategy of both firms regarding the inefficient use of resources, declining work productivity in production, and lack of operational efficiency.



**Figure no.9 Profitability Ratios in the Food Industry**

Source: Author, based on the data collected from the financial statements of the companies - <http://www.bvb.ro/>

## 5. Conclusions

In this article I have analyzed eight domains of activity based on certain performance indicators such as return on assets, return on equity, return on sales and work productivity. Based on this study, I have come to the conclusion that the areas of activity with a stable market share are the pharmaceutical, energy and petroleum industries. The areas of activity with *efficiency in the production process* are the *energy and petroleum industries*.

On the one hand, on the basis of other important indicators the *pharmaceutical field* has the *highest profitability in relation to its total assets*, a good management in using economic resources and an increased confidence from creditors and long-term shareholders. They are rewarded for the assumed risks.

On the other hand, the *field of energy* is the *most efficient in terms of sales by converting sales into profit*.

From the detailed analysis on the eight domains of activity, there can be noticed some companies in each field in terms of performance, as follows:

- In the aluminum metallurgy industry, Alro S.A. Company was the most efficient firm in the production process, it was a attraction for investors and also had a good marketing strategy for products;
- In the oil extraction industry, Dafora Company had in that period the highest values of work productivity; but Videle Drilling Company had good management in efficient resource utilization. The return on equity highlights the good use of investments and economic resources for Rompetrol Well Services. Rompetrol improved its position on the market by attracting new customers, this is evidenced by the rate on sales;
- In the aeronautical domain, I.A.R. Brasov improved best the efficiency of the work in the production process through the measures taken by the company's management; the Aerostar S.A Enterprise had a good management in using investments, economic resources and a competitive strategy of the business in order to develop the company at all level management.
- In the pharmaceutical area, Zentiva S.A. Company had the highest values for all indicators, which indicates an increase in work efficiency in the production process and a growing company that strengthened its position on the market by increasing its market rating;
- In the automotive manufacturing industry, Compa S.A. Company had the highest values of work productivity. Also Compa S.A. and Autonova S.A. Satu Mare Companies had good operational efficiency and use of equity;



- In the petroleum industry, Rompetrol Refinery had a good efficiency in the production process. Also Petrolexportimport S.A. had made a huge progress regarding the return on assets due to a very good use of the economic resources and it managed to reward investors for the assumed risk. Another company with a huge progress was O.M.V. Petrom that had passed from negative values in 2015 to positive values for all three indicators in 2016, which means an appropriate policy on all levels of management starting with production and ultimately with the strategy of selling products.
- In the energy sector, C.N.T.E.E. Transelectrica had good values for all indicators (work productivity, return on assets, return on equity and return on sales) which means a good management of company.
- In the food industry, the both firms registered negative values for all three indicators: return on assets, return on equity and return on sales in the period under analysis which highlights the poor management strategy of both firms regarding the inefficient resource use, declining work productivity in production, and lack of operational efficiency.

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