

## **THE IMPACT OF CRISIS SITUATIONS ON THE FINANCIAL INDICATORS OF ROMANIAN COMPANIES**

**Dorotheea Beatrice Ruxandra Chiosea<sup>1\*</sup>, Camelia-Daniela Hațegan<sup>2</sup>**

*<sup>1)2)</sup> West University of Timișoara, Timișoara, Romania*

### **Abstract**

The society is always on move and to deal promptly with this dynamic, the only option of companies is rapid and continuous adaptation to changes even trying to transform certain challenges into opportunities. The purpose of the paper is to analyze the impact that the changes in the economic environment, from the last period, had on Europe, and then specifically on Romania. The unexpected situations that have happened in recent years, starting with the COVID 19 pandemic, then with the war between Russia and Ukraine, and in the last year, strong inflation rates and accentuated economic crises, are some of the topics analyzed in the paper, highlighting the effect that these events had on the economy. The paper contains theoretical approaches regarding the effects of inflation on the whole society, both on individuals and on economic entities. The research methodology is qualitative, carrying out a descriptive analysis of the financial information of five significant Romanian companies, through the main economic and financial indicators, in order to analyze the changes that took place at their level, in the period 2019-2022. The previously mentioned events will be briefly analyzed, as well as the possible measures taken at the national or global level. The results showed that both companies from production and trade of petroleum products were more affected by the COVID-19 pandemic than by the war in Ukraine, and the other three companies, in the field of industry, suffered an accumulation of consequences, the war aggravating the crisis generated by the pandemic. Whether it is transport, industry, services, or other branches of contemporary economy, they all need fuel, in larger or smaller quantities, depending on the field of activity. So, the fuel price changes affected the costs and implicitly the profitability of the companies, but for the entities in the field of trade with petroleum products, the crisis was an opportunity to evolve and become stronger in the market.

### **Keywords**

financial; indicators; information; crisis; industry; inflation;

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\* Corresponding author, **Dorotheea Beatrice Ruxandra Chiosea** – dorotheaa.chiosea99@e-uvv.ro

**JEL Classification**M40, M41

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**Introduction**

The world we live in is always changing, what yesterday seemed unusual to us, tomorrow may seem normal and commonplace. So, the only way to keep up with everything that is happening around is to adapt promptly. Among the major events that have happened recently worldwide, is the COVID 19 pandemic, a situation that has put the companies in front of unprecedented situations and brought us many challenges from all points of view (Aktar et al., 2021). Some of these still make their effects felt even after two years. Following this pandemic, the outbreak of the war between Russia and Ukraine followed, an event that changed again the financial and social environment. Measures taken by government and international organizations throughout this period have been adapted to the challenges, but as expected from the first sets of financial incentives released to support economies affected by the pandemic, they have also an unfortunate impact - generalized inflation. In Romania, the annual inflation rate was 2.6% in 2020, then the rate tripled, from 5.1% in 2021 to 13.8% in 2022, according to the Ministry of Development, Public Works and Administration ([https://www.dpfbl.mdrap.ro/rata\\_inflatiei.html](https://www.dpfbl.mdrap.ro/rata_inflatiei.html)). In accordance with European Central Bank, in Europe, the inflation rate in 2020 was 0.3%, then in 2021 raised to 2.6%, then the rate tripled to 9.2% in 2022. ([https://www.ecb.europa.eu/stats/macroeconomic\\_and\\_sectoral/hicp/html/index.ro.html](https://www.ecb.europa.eu/stats/macroeconomic_and_sectoral/hicp/html/index.ro.html)). Since both, the pandemic and the war, left serious marks among the population, from the impact at a psychological level, to the effects on their pockets, inflation being among the most serious consequences, I believe that the analysis of how they were affected some companies and how they reacted to this challenge, is a topic that deserves to be studied more thoroughly, because there are companies that have managed to turn these crises into opportunities, as we will conclude at the end.

According to scientific literature, inflation is a significant imbalance, present in the economy of countries, which manifests itself through a massive increase in prices and a simultaneous decrease in the purchasing power of the national currency. More simply, during periods of inflation, people buy fewer things than usual with the same amount of money. This phenomenon is primarily felt by companies, and then it is felt at the level of the population, among consumers. Being affected by the high prices of the suppliers, the businesses are forced in turn to increase the prices, the final consumers. According to a study by MetLife and the U.S. Chamber of Commerce (2022), 1 in 3 entrepreneurs confess that their main concern is inflation, which affects business development.

The paper continues with a literature review, that details theoretical aspects related to the subject of inflation and how it has left its mark on social and economic life in Europe, and then it will focus particularly on Romania. The case study concretely analyses the evolution of the economic-financial status of the five previously mentioned entities, respectively, two companies from the field of production and trade with petroleum products and three other companies from the field of industry, an analysis of the financial indicators being carried out, for the period 2019- 2022, analyzing an

ordinary year (2019), two years with the health crisis generated by the COVID 19 pandemic (2020-2021) and a post-pandemic year with a military conflict (2022), all these events having a significant impact on economy. Finally, conclusions, limitations and future research directions are presented.

### **1. Review of the scientific literature**

The COVID-19 pandemic and Russia's war against Ukraine have affected the global economy, including the energy sector. The pandemic has caused drastic fluctuations in energy demand, oil price shocks, disruptions in energy supply chains and difficulties in energy investing, while the war has brought energy price spikes and energy security challenges.

Since the main effect of the crises felt in recent years, worldwide, is inflation, in the following, we will detail from a theoretical point of view, what this phenomenon means, as well as how it made its presence felt in the life of everyday of the population, but also at the level of companies.

In Europe, the phenomenon of inflation has become a certainty since the fall of 2021, when the European Commission (EC) submitted to the member states a series of recommendations with the aim of ensuring companies and the population against the increase in the price of energy products, consisting of immediate measures, among which I take care count various subsidies, temporary reductions of certain taxes and specific taxes for vulnerable consumers, etc. "One of the main reasons for the increase in inflation is the growing demand for natural resources as the economy starts to recover in 2021." (Elbahasawy & Ellis, 2022). The war will exacerbate supply chain problems and drive-up commodity prices even more. Energy-dependent sectors, especially oil refining and power generation, transport services, chemical metallurgy, will be the first to suffer as Europe uses Russia as a resource provider (Seckute, 2022). An embargo on Russian energy resources could lead not only to higher prices, but also to rationalization of energy consumption (Prohorovs, 2022).

Regarding Romania's economic situation, the COVID-19 pandemic had a significant impact on it, because even before this health crisis, our economy was not very prosperous, so such a blow, led to an economic recession whose effects, the economy still feels (Achim et al., 2022). The pandemic affected all fields of economy to some extent, data from the National Institute of Statistics showing that the industry sector suffered the most consequences, followed by the private services sector. The most representative declines were recorded in hospitality, tourism and arts and entertainment. The most important consequences that entrepreneurs experienced during the health crisis were decreased sales, temporary suspension of activity, reduced activity, delays in paying suppliers and closing of some companies.

According to a study realized by Cristian Băhnăreanu (2020) the national economy faced the recession at the beginning of 2020, growing by only 0.3% in the 1st quarter of 2020, compared to 1.2% in the 4th quarter of 2019, thus placing itself among the three European countries that reported a positive quarterly trend. The increase was supported by domestic demand, with retail trade increasing by 9.1%, as a consequence of the

positive condition before the impact of the pandemic on the labor market and the more relaxed conditions in the field of credit. Although the construction sector grew by 32.6%, the industrial sector decreased by 5.9%, mainly due to the negative impact that the pandemic had on the flow of international trade.

The impact of the pandemic on the Romanian economy was much stronger in the second quarter of 2020, due to the reduction/suspension of activity in most sectors. On a national level, the labor market was drastically impacted by the measures adopted by the competent authorities to prevent and counter the spread of the coronavirus, so that at the end of May 2020, there were over 1 million individual employment contracts suspended or terminated: in the manufacturing industry, over 243,000 contracts and in the retail trade/repair of motor vehicles and motorcycles, over 169,000, and in the hotel and restaurant sector 99,000 suspended contracts.

Among the measures taken by the government to deal with these negative effects, we mention: an aid scheme with the aim of reducing the unfavorable impact on economic entities operating in the tourism sector, accommodation, food structures or travel agencies. This scheme involves the granting of non-refundable state aid, in order to cover 20% of the difference between the turnover achieved in 2019 and that achieved in 2020, as a result of the decrease in turnover related to the period in which the activity economic operators was affected by the first wave of the COVID-19 pandemic. At the same time, another way of help was technical unemployment, with the state assuming to pay 75% of the amount of the gross salary, the main advantage of the companies being that they keep their employees, without having to support salary expenses.

The increase in the prices of raw materials and other materials, the increase in the price of utilities, in contrast to the decrease in consumption, have generated extensive problems for business chains in the Romanian economy, but there is another key component that has turned the economy upside down: the increase in the barrel of oil, as a result of the armed conflict between Russia and Ukraine. The impact of growth is felt both in the population and in the business environment, because this growth is a factor that generates inflation, which is one of the biggest dangers to an economy.

Among the population, this impact is reflected in a decline in purchasing power, resulting from substantial increases in the prices of energy, transport, food, and so on, in correlation with the slower pace of wage growth. The uncontrolled and chaotic liberalization of the energy market from 2022 generated significantly higher costs, leading to a chain price increase. Since the cost of energy, as well as that of fuel, is found in the price structure of all goods and services produced and traded in the national economy, an increase in this cost brings with it price increases, which can easily get out of control.

Because of inflation, many companies operating in more sensitive sectors, such as trade, construction, or the food industry, have significantly reduced their stock of goods in order to protect themselves from the effects of price increases. In the mentioned market segments, the average inventory turnover has decreased from 120 to 30-45 days, and the traded volumes have decreased by 40-60%. As a reaction to this situation, many

manufacturers have taken the decision to produce certain goods only on order, in the JIT (Just in Time) system, avoiding creating stocks. From the perspective of customers, for some, this system can be unfavorable, because it involves a certain waiting time, which before this crisis, did not exist, as suppliers had stocks for most products.

Another sensitive side, along with the speed of inventory turnover, is that of supplier credit, or commercial credit, as it is also called, which has decreased significantly in many sectors, due to the increase in the feeling of mistrust in the business environment. Therefore, the payment of a considerable advance, or even the full payment of the products, is increasingly demanded, a situation that puts many customers in difficulty. According to a study by Moneycorp, 47% of companies say that the time to collect invoices, compared to 2021, has increased significantly, while only 19% see an improvement in payment behavior (Ruiz Estrada and Koutronas, 2022).

The national consumption of electricity decreased by 4% without the same period of the previous year, as a result of the increase in the consumption of the population by 4.3% and the decrease in the consumption in the economy by 6.3%. In general, the demand for electricity decreased and was expected to remain at the same level as a result of the fact that offices, factories and other users of it had their activity suspended (Agerpres, 2021, INS 2021).

In the conditions of increasing challenges in the economy, the rapid restructuring of troubled businesses will make the difference between the continuity of the economic activity of the companies and bankruptcy. Analyzing the performance of business partners must be a priority, along with unlocking the money invested in assets not essential to the operational process, such as land, warehouses, vehicles, commercial premises, or various equipment for secondary functions. From another perspective, this situation is an opportunity for investors with financial availability, who now have the opportunity to take over assets such as those previously mentioned, at extremely low costs, somewhat taking advantage of the fact that some companies are no longer able to face the challenges of the environment economic, thus resorting to restructuring procedures. Companies must monitor their cash and expenses very carefully, trying to reduce the average period of collection of receivables, which is also reflected in the decrease in the terms of payment of suppliers.

## **2. Research methodology**

The research methodology is qualitative, carrying out a descriptive analysis of the financial information of five significant Romanian companies, through the main economic and financial indicators, to analyze the changes that took place at their level, in the period 2019-2022.

A series of liquidity, risk, activity, and profitability indicators will be analyzed throughout the 4 years of analysis. The following, (table no.1) will summarize the indicators used, along with their definition and calculation formulas, and later they will be interpreted for all five companies, and then some conclusions will be formulated

based on the study carried out. The data were collected manually from the annual financial statements of the five companies, for the entire analyzed period.

**Table no. 1. Description of the analyzed indicators**

Indicators	Definition	Formula
<b>Liquidity indicators:</b>		
Current liquidity indicator	expresses how many times current liabilities are included in current assets	Current assets / Short term debts
Immediate liquidity indicator	reflects the firm's ability to meet its short-term obligations by converting current assets into cash	(Current assets – Inventories) / Short term debts
<b>Risk indicators:</b>		
Indicator of the degree of indebtedness	expresses how many times borrowed capital is included in equity and reflects the financial structure of the company at the final of financial exercise	Borrowed capital / Equity
Interest coverage indicator	reflect how many times interest expenses can be covered from earnings before interest and tax	Earnings before interest and tax / Interest expenses
<b>Activity indicators:</b>		
Number of storage days	indicates the number of days the goods are stored in the company	Inventories / Turnover
Speed of rotation of customer flows	expresses the number of days until the date on which debtors pay their debts to the company and thus shows the effectiveness of the company in collecting its receivables	Trade receivables / Turnover
Rotational speed of supply credits	expresses the number of credit days that the company obtains from its suppliers	Trade payables / Turnover
Rotation of fixed assets	expresses the efficiency of fixed assets management by examining the amount of turnover generated by their exploitation	Turnover / Fixed assets
Rotation of total assets	expresses the effectiveness of total asset management by examining the amount of turnover generated by the company's assets	Turnover / Total assets
<b>Profitability indicators:</b>		
Return on equity	represents the profit that the company earns on a unit of invested resources	Earnings before interest and tax / (Total assets – Current debts)
Financial rentability	represents the profit that the company obtains from its own invested sources.	Net profit / Equity

Indicators	Definition	Formula
Gross sales margin	is the amount of money a company retains after incurring the direct costs associated with producing the goods it sells and the services it provides.	Gross profit / Turnover

*Source: author's own work*

### 3. Results and discussions

The comparative analysis will be carried out between two companies active in the field of petroleum products trading and three companies from the industrial sphere. OMV Petrom S.A. is the largest energy company in Southeast Europe, Romgaz S.A. is the largest producer and main supplier of natural gas in Romania. The other three companies which are operating in the industry field, are Turbomecanica S.A. (Romanian company producing turbine engines for aviation and dynamic systems for helicopters), ALRO S.A. (one of the largest aluminum producers in Europe) and Compa S.A. (automotive industry).

These companies were chosen because were considered relevant to the study of how crisis situations have affected them, either positively or negatively. The companies in the field of production and trade of petroleum products are among the most representative of those in our country, and their analysis can be extrapolated also in the case of smaller entities operating in the same field. As for the companies active in the manufacturing industry, they are also in the top of the companies in their field of activity, but from the analysis of their financial statements it appears that even they suffered from the events of recent years, and if they were affected, with even more so the smaller entities, have had bad consequences caused by the recent crises. We considered them relevant because, being large companies and in key fields, their results contribute significantly to the overall result at the national level.

In (table no. 2) are presented the results of the calculations of the main indicators taken into account, being calculated for the data of the companies in the sphere of trade in petroleum products, and in (table no. 3) are presented the results for the companies in the field of the manufacturing industry.

Table no 2. Results for OMV Petrom and ROMGAZ

	OMV Petrom				ROMGAZ			
	2019	2020	2021	2022	2019	2020	2021	2022
<b>I. Liquidity indicators:</b>								
Current liquidity indicator	2,36	2,42	2,08	3,03	3,65	4,34	3,62	1,56
Immediate liquidity indicator	0,73	2,06	1,87	2,66	0,73	3,48	3,14	1,44
<b>II. Risk indicators:</b>								
Indicator of the degree of indebtedness	0,01	0,00	0,00	0,00	0,00	0,00	0,00	0,11
Interest coverage indicator	71,32	8,72	131,87	111,92	-	739,077	561,613	3.318,090
<b>III. Activity indicators:</b>								
Number of storage days	35,1	50,3	27,6	21	72,1	87,1	61,5	7,7
Speed of rotation of customer flows	75,5	106,9	97,4	64,4	105,4	131,6	142,5	37,5
Rotational speed of supply credits	47,7	64,3	44	27,1	9,3	15,2	14	3
Rotation of fixed assets	0,6	0,4	0,7	1,9	1	0,7	1,2	1,2
Rotation of total assets	0,4	0,3	0,4	0,9	0,5	0,4	0,4	0,9
<b>IV. Profitability indicators:</b>								
Return on equity	0,08	0,01	0,45	0,22	0,16	0,16	0,22	0,53
Financial rentability (%)	11,02	4,32	8,18	26,28	14,74	16,51	21,83	25,27
Gross sales margin (%)	17,02	2,14	18,96	21,32	24,70	35,58	37,26	31,10

Source: author's own work

#### Interpretation of OMV Petrom indicators:

The **liquidity** of the company, according to the scientific literature, must be included in the interval (1-2), and within the analyzed company, the liquidity exceeds the upper threshold of the interval, having various fluctuations, throughout the 4 years. The minimum, so the most favorable value, is reached in 2021, due to an increase in current assets in a much higher proportion than short-term liabilities. And the maximum is reached in the following year, the year in which the military conflict in Ukraine broke out, a year in which short-term liabilities tend to remain constant, but current assets increase by 39% from the previous year, mainly due to the increase of cash. In terms of immediate liquidity, the best value is also reached in 2021, a sign that the entity can cover its short-term debts, mainly from receivables and liquidity. In conclusion, from the point of view of liquidity, in 2021, the second year of the pandemic, the company managed to units resources in the most efficient way in the debt ratio.

The company's risk indicators have favorable values, so the entity does not face risks of being unable to pay its debts to its creditors. The debt ratio is 0 in the 4 years, and the



interest coverage indicator has very good values in 2019 and 2021, but suffers a decrease in 2020, the first year of the pandemic, because of the increasing of operating expenses, so the decreasing of profit from exploitation.

The management of the financial department that was in charge of preparing the preliminary simplified consolidated financial statements declares in this report that the company monitors the military conflict in Ukraine and possible sanctions or counter-sanctions, its consequences. At the same time, they claim that the interruption of the supply of goods from Russia to Europe could lead to additional increases in energy tariffs in Europe. "The geopolitical context driven by the ongoing conflict in Ukraine did not have a material negative impact on the preliminary simplified consolidated financial statements as of December 31, 2022. This was due to exceptionally high commodity prices and was supported by our capital position throughout of the value chain". ([https://byb.ro/infocont/infocont23/SNP\\_20230202073126\\_OMV-Petrom-Noutati-Investitori-T4-2022.pdf](https://byb.ro/infocont/infocont23/SNP_20230202073126_OMV-Petrom-Noutati-Investitori-T4-2022.pdf))

The company's activity indicators: the number of days of storage is acceptable, because the goods are stored in the unit, on average 30 days. Thus, the company does not face the risk of recording hard-to-sell or slow-moving stocks. The ratio between the speeds of rotation of debits - customers, respectively of credits - suppliers, is an unfavorable one for the entity in the first 3 years of analysis, improving in the last year. The reason for this gap is given by the fact that the company has difficulties in terms of managing credit granted to customers, therefore, receivables become more difficult to collect, and the credit granted by suppliers to the entity is lower than the credit that the company in turn grants his customers. Regarding the speed of rotation of assets (both fixed and total), its values are low, compared to the range specified above, a sign that the entity needs to work on the efficiency with which it manages the assets.

Profitability indicators: the return on capital employed has low values at the beginning of the analysis period, due to the high value of invested capital (equity and long-term debt), in relation to the value of gross profit. The maximum profitability is reached in 2021, 45%, against the background of the increase in profit and the decrease of the invested capital. It then drops to 22% in 2022 because of the outbreak of military conflict, at which point the company appears to have boosted investment to meet growing demand for fuel and at the same time to protect itself against the uncertainty it faced all entities. If we look at financial profitability, changes in its structure are based on changes in net profit. The lowest value of the indicator is recorded in 2020, at the beginning of the pandemic, when the possibilities of moving people were restricted due to the state of alert/emergency, and implicitly, fuel purchases decreased significantly. As expected, in the year 2022, the profitability is at the maximum value, from the analyzed period, because the fuel prices increased and the demand was also increasing, due to the concern of the population that even higher prices were to come, so they were concerned to create stocks, even if the prices were already much higher than before. The gross margin from sales reaches its maximum in 2022 as well, with the company recording a 165% higher turnover than the previous year and a 169% increase in profit compared to 2021.

Interpretation of ROMGAZ indicators:

Liquidity, similar to the previously analyzed company, exceeds during the years of analysis the upper value of the interval in the scientific literature, except for the year 2022, when it is included in that interval. The maximum is reached in 2020 due to the increase of current assets in relation with the increase in short-term debts. The minimum is reached in 2022 because debts increase substantially, and assets decrease by 55% compared to 2021. Immediate liquidity reaches its maximum in 2020 and the minimum in the previous year, these extremes being outside the recommended range (1-2), but in any case, we can observe that the entity is able to cover its short-term debts, mainly from receivables and liquidity.

From the point of view of risk, the entity is very well positioned, having no borrowed capital in the first 3 years of analysis, only in 2022 resorting to loans. Consequently, even from the point of view of interest coverage, the company does not present any problem, so it does not require additional comments, but it is still worth pointing out that the gross profit registers a significant increase in 2022, doubling compared to the previous year.

The company's activity indicators: although in the years 2019-2021, the company shows a fairly high number of storage days, it is substantially recovered in the year 2022, registering a turnover much higher than the other years. According to the report on the Preliminary Financial Results of 2022, the company estimates a group turnover of 13.4 mil. RON lei, compared to 5.9 mil. RON, achieved in 2021. This increase is a consequence of both the increase by 124.61% of the level of revenues from the sale of natural gas, both those produced by the company and those purchased with the aim of being resold, as well as the increase of the level of revenues from the sale of electricity, by 313.75%, but also from the 80.51% increase in consolidated revenues from storage services. The ratio between the speeds of rotation of debits - customers, respectively of credits - suppliers, is unfavorable for the entity during the analyzed period. The reason for this gap is given by the fact that the company has problems related to the control of the credit granted to customers and as a result the receivables are more difficult to collect, and the credit granted by suppliers to the entity is lower than the credit that the company, give to its customers. Regarding the turnover rate of assets, both fixed assets and total assets, the trends are similar, suffering various fluctuations in the 4 years analyzed. In this case also, the values are low, so the company should improve its asset management in order to generate a higher turnover from their exploitation.

Profitability indicators: the return on capital employed is increasing throughout the analyzed period, reaching a maximum of 53% in 2022 because of the increasing profit and the decrease of invested capital. Financial profitability is also increasing, with 2022 being the most profitable year, with profit increasing by 29% compared to the previous year. As for the gross margin from sales, it is increasing in the first 3 years, and in the last year, due to the change in the turnover, the margin decreases by almost 14 percent, because the profit does not increase proportionally. The reason why the profit does not increase as much is because although the income (turnover) increases, the expenses also increase, so the profit does not change substantially.

*From the point of view of liquidity*, the indicators of both companies increase in the first two years, decrease in the third, and the year 2022 makes the difference in their trend: respectively, in the case of OMV Petrom, liquidity increases at the same rate as the increase of the current assets and at ROMGAZ decreases due to the increase in short-term liabilities and the drastic decrease in current assets. Compared to the interval mentioned in the scientific literature, from the point of view of liquidity, OMV Petrom is better than ROMGAZ.

*Regarding the risk indicators*, the two companies are very safe, they do not face significant risks. In this sphere, ROMGAZ has better stability, because in the first 3 years of analysis it has no loans, managing to finance itself only from its own sources.

*Regarding the activity indicators*, OMV has a relatively constant number of storage days, on average 30 days, while ROMGAZ stores goods for a much longer period, in the first 3 years, recovering in the last year, due to the increased growth of the turnover and the drastic decrease of the stocks. From this point of view, I consider that OMV is more stable, and with the increase in its turnover, the level of stocks also increases. In both firms, the year 2022 has the lowest number of storage days, another sign that this year the firms in this sphere have done very well, having record turnovers, above average sales and keeping the goods for a short time marketed. The ratio between the speeds of rotation of debits - customers, respectively of credits - suppliers is unfavorable in both companies, especially in the case of ROMGAZ. The idea of crediting that was mentioned in the theoretical part is also proven in this case, as can be seen, the minimum period of crediting from suppliers is reached in 2022, the year with the highest degree of uncertainty. The speed of asset turnover, for both companies, raises issues of asset management, a sector in which entities should take measures to improve.

*Regarding the profitability indicators*, it can be seen that both companies are profitable, managing to take advantage of the opportunities that appeared on the market as a result of the crisis situations we went through. From the point of view of return on capital employed, ROMGAZ is in first place, recording a return of over 15% every year, in 2022 even reaching 40%. OMV Petrom is also profitable, its maximum profitability being in the year 2021. The financial profitability evolves in the same trend, in the year 2022 reaching approximately the same level, of 25% in both companies. The gross margin from sales also has fluctuations, it should be noted that within OMV it suffers a decrease in 2020, but recovers in the following years, reaching 21% in 2022. ROMGAZ maintains its margin above 20% in all 4 years.

Table no 3. Results for TURBOMECANICA, ALRO and COMPA

	TURBOMECANICA				ALRO				COMPA			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
<b>I. Liquidity indicators:</b>												
Current liquidity indicator	2,08	2,54	2,52	2,55	0,83	2,48	2,99	1,89	2,07	1,79	1,98	1,99
Immediate liquidity indicator	0,31	1,57	1,18	1,31	0,24	1,46	1,33	1,12	1,13	1,08	1,02	1,08
<b>II. Risk indicators:</b>												
Indicator of the degree of indebtedness	0,00	0,00	0,00	0,00	0,35	0,78	0,92	0,47	0,20	0,17	0,21	0,18
Interest coverage indicator	14,65	10,6	9,68	5,95	-0,49	5,90	5,98	8,11	40,87	24,35	15,01	2,36
<b>III. Activity indicators:</b>												
Number of storage days	177,2	91,2	165,6	150,2	85,2	74,1	82	104,9	51,5	61,2	73,8	66,8
Speed of rotation of customer flows	18,4	132,5	92,7	111,3	8,3	85,7	24,6	69,7	59,2	91,5	73,1	75,5
Rotational speed of supply credits	26,6	5,4	14,7	17,5	22,6	49,5	31,4	14,2	45,3	64,9	57,7	54,9
Rotation of fixed assets	1,9	1,6	2	2	2	1,8	2,6	2,9	1,5	1	1,4	1,5
Rotation of total assets	0,9	0,8	0,7	0,7	1,2	0,9	1,2	0,9	1	0,7	0,9	0,9
<b>IV. Profitability indicators:</b>												
Return on equity	0,30	0,15	0,12	0,11	-0,03	0,15	0,10	0,33	0,06	0,03	0,03	0,01
Financial rentability (%)	26,74	12,32	9,74	9,93	20,62	28,61	3,28	23,43	6,89	2,85	3,03	0,51
Gross sales margin (%)	24,14	14,84	12,22	11,24	-1,31	12,82	6,65	21,90	4,94	3,30	2,97	0,90

Source: author's own work

#### Interpretation of Turbomecanica indicators:

The company's liquidity suffers some slight fluctuations, around the upper value of the interval in the scientific literature, respectively (1-2), the maximum being reached in 2022 in the case of current liquidity, due to the more accelerated growth of current assets, in relation to term debts short, which also grow, but more slowly. Compared to the first year of analysis, the amount of current assets increased by 78%, while short-term liabilities increased by only 45%, a sign that the entity manages to manage this ratio between current assets and current liabilities well.

From the point of view of risk, the company does not present significant risks, having no long-term bank loans, in the four years analyzed, but from the study of the annual reports, it appears that it resorted to a leasing contract in order to purchase new production equipment and it is also financed by short-term loans. With these exceptions, the company finances its activity from its own sources. Interest expenses are related to short-term loans and leasing, mainly, these being financed on the basis of gross profit.

The company's activity indicators: the number of storage days reaches its maximum in the analyzed period, in 2019, when the goods are stored in the entity for 177 days, in the following year, being the lowest value of the indicator, of only 91 days. This may also be based on the fact that due to the restrictions from the pandemic and as a result of the state of emergency, not as much was produced, but was sold from stock, because it can be seen that the turnover is also in a slight increase compared to the previous year. From this point of view, the year 2020 was a beneficial one for the entity, it stated in the 2020 annual report "The company carried out a comprehensive analysis and concluded that the COVID-19 pandemic did not have a significant influence on the company's activities and, also on accounting policies". Regarding the correlation between the speeds of rotation of debits - customers, respectively credits - suppliers, only in 2019 the ratio is a favorable one, in the next 3 years analyzed, the company having a gap between the collection period of customers and the time of payment of debts to suppliers. The year with the most pronounced gap is 2020, when the amount of trade receivables increases substantially, and the value of trade debts decreases, but not as sharply as the receivables change. From this point of view, I consider that 2020 is an unfavorable year for the company, because due to the uncertainty and risks we faced during the pandemic, the suppliers did not grant it a more generous credit, but only for about 5 days, but the company extended credit to its customers for about 130 days, facing an acute gap. In the following analyzed years, the gap is being adjusted, a sign of the end of the pandemic, and the early period of the war, did not affect the company's relationship with its suppliers and customers as much, compared to the beginning of the COVID-19 pandemic. Regarding the turnover rate of assets, it does not undergo drastic changes during the analyzed period.

Profitability indicators: the return on capital employed decreases from one year to another, due to the decrease in gross profit and the increase in invested capital. Financial profitability also decreases from one year to another, reaching the minimum value in 2021, due to the decrease in net profit, as well as the increase in the equity component. And the gross margin knows a successive decrease in the four years of analysis, because although the turnover is increasing, the gross profit from sales does not increase in proportion to it. Therefore, from the point of view of profitability and profitability, the company does not have a favorable situation, being inevitably affected by the events of recent years. Even if compared to the previously interpreted indicators, the entity does not seem to have suffered much, apparently, from the perspective of the financial indicators, the situation is not too favorable.

Interpretation of ALRO indicators:

The liquidity of company is increasing in the first three years of analysis, due to the increase in current assets, in a higher proportion than short-term liabilities. In the first year there is an imbalance, in that the current assets are lower than the short-term liabilities, but later the imbalance is adjusted. The increase in current assets is mainly due to the increase in the inventory component, the number and cash equivalents, but also other current financial assets, in the category of which we include various subsidies. The most favorable value, compared to the interval in the specialized literature, is reached in 2022, respectively 1,89. Liquidity immediately known relatively the same fluctuations as current liquidity, except in 2021.

The risk indicators of the company have an increasing trend in the first three years analyzed, in the fourth, the indicator of the degree of indebtedness experienced a decrease, and the one regarding interest coverage, a sharp increase. The dynamics of the first three years, in the case of the two indicators, is due to the more pronounced increase of the borrowed capital, in relation to the own capital. In the fourth year, the borrowed capital decreases, and the own capital increases, so the company begins to finance itself more from its own sources than from loans. And the interest coverage ratio improves significantly in 2022 as gross profit grows exponentially, while interest expenses, while also growing, do not grow in the same proportion.

Activity indicators: the number of days in storage is an average of 86 days, in the four years analyzed, the minimum being reached in 2020, against the background of the decrease in both stocks and turnover, a fact that is explained in the company's annual report, it claims that global sales in 2020 were lower than in 2019, mainly due to a lower level of orders as a result of the COVID-19 pandemic, which significantly affected the entire industry worldwide starting from the second quarter of 2020. The ratio between the speeds of rotation of debits - customers, respectively of credits - suppliers, fluctuates from one year to the next, the first year and the third year having a favorable ratio, the company collecting its receivables in a shorter span of days than they have to pay their own suppliers. In the first year of the pandemic, and in the year in which the military conflict broke out in Ukraine, the company is having difficulties in collecting its receivables, and it has to pay its suppliers faster than before, a fact that is due to the uncertainty generated by the two events, but also the lack of credit granted by suppliers. As for the speed of asset rotation, it has an increasing trend, except for 2020 when it suffers a slight decrease, due to the sharper decrease in turnover.

The company's profitability indicators: the return on capital employed is negative in the first year of analysis, gradually increasing in the following years, due to the increase in the component of assets minus current liabilities, but also the gross profit, which in 2022 increases significantly. The financial return is also negative in the first year, but in the following year it reaches its maximum, from the analyzed period, against the background of the recording of profit and the increase of equity. The gross margin from sales starts from a negative value, maximizing in 2022, due to the sharp increase in gross profit from sales, even if the turnover decreases slightly this year.

Interpretation of COMPA indicators:

The company's liquidity mainly falls within the range in the scientific literature, in the first year slightly exceeding its upper limit. Fluctuations in current liquidity are based on the more pronounced change in short-term liabilities, in relation to current assets, and if they are compared to fluctuations in immediate liquidity, we can see that stocks have the same trend as current assets, so they affect them the most, changing - similar throughout the analyzed period.

The company's risk indicators show a low risk, because the company manages to finance itself mainly from its own sources, registering a relatively low level of debt. Given that interest-generating loans are also used, interest expenses are quite significant, especially in 2022, with an amount of up to 42% of gross profit.

Activity indicators: the number of storage days has an increasing trend in the first three years, because of the pandemic, as the management also specifies in the annual report, at the beginning of it, starting in April, over a period of three months, the company's activity was suspended almost entirely, and starting from August, the activity was resumed, reaching at the end of the year approximately the same level as the period before the pandemic. In 2022, the number of storage days drops slightly to 68.81, with the minimum remaining at 51.55 in 2019. The ratio between the speed of rotation of debits - customers, respectively of credits - suppliers, is unfavorable in all four years analyzed, a sign that the company has problems related to the management of the credit granted to its customers, and, as a consequence, receivables are more difficult to collect, and the credit granted by suppliers to the entity is lower than the credit that the company, in turn, grants to its customers. The turnover rate of assets experiences the same fluctuations both in relation to total assets and at the level of fixed assets, the minimum being reached in 2020, because, as I specified above, the company's activity was suspended for a good period of time.

The company's profitability indicators: the return on capital employed registers low values in the analyzed period, reaching the minimum value in 2022, as a consequence of the military conflict in Ukraine. Regarding this subject, in the annual report, the management mentions that 2022 was a difficult year, under the influence of factors that could not be controlled or eliminated. Their effects had a negative impact both on the company's activity and turnover, but especially on the company's profitability indicators, especially in the second part of 2022. Financial profitability is also decreasing in the four years analyzed, with net profit falling in 2022 by 556% compared to the first year analyzed. The COVID-19 pandemic, combined with the military conflict in Ukraine, accelerated the transformation process of the automotive industry and, consequently, the decrease in demand for internal combustion engine components, especially Diesel, so that from this point of view, the company's activity was impacted. Certainly, the gross margin on sales also suffered the same negative fluctuations, decreasing by 4 percent compared to 2019, mainly due to the decrease in gross profit on sales.

*The liquidity of the three companies* from the sphere of the manufacturing industry, previously analyzed, is mainly placed in the upper part of the range (1-2), the lowest being in ALRO, in 2019. With the exception of this year, the values of the indicator are above 1, so the three analyzed companies have good liquidity. As components that influence the level of liquidity, within Turbomecanica and COMPA, current assets fluctuate more over the four years, and at ALRO, short-term liabilities are the ones that mainly change liquidity.

*From the point of view of the risk indicators*, all three companies have a low risk, in terms of the degree of indebtedness, but as a result of the events that happened during the analyzed period, the companies face other risk categories, such as the risk of non-payment receivables, late payments to suppliers, activity-related risks, etc. Regarding the analyzed risk, the least risky is Turbomecanica, because it has no borrowed capital during the four years, financing itself entirely from its own resources or short-term loans.

*Regarding the activity indicators*, the number of storage days fluctuates quite a lot within the three companies, the highest number of storage days being registered at Turbomecanica, in 2019, respectively 177 days. The fewest storage days in the four years are within COMPA, the smallest period being recorded in 2019, 51 days. In the case of Turbomecanica and COMPA, the second year of the pandemic was more difficult from the point of view of the number of days of storage, a sign that during this period they did not have much stock turnover, so not many sales. The same situation is encountered, within ALRO, in 2022, because of the war in Ukraine, which, as was mentioned in their annual report, affected the company's activity quite a lot. The ratio between the speeds of rotation of debits - customers, respectively of credits - suppliers, in all three companies, is mainly unfavorable, they have difficulties in managing the correlation of receipts with payments. As a result of the mistrust and uncertainty caused first by the COVID-19 pandemic, then by the military conflict in Ukraine, suppliers have been increasingly reluctant to extend trade credit to their customers, so as can be seen, if in 2019, in the case of Turbomecanica and ALRO, the ratio was a favorable one, with the occurrence of the mentioned events, the ratio becomes unfavorable, the three companies being forced to pay their suppliers faster than they collect from their customers, a fact that generated serious problems and difficulties in liquidity management. The asset turnover rate is in the range (1-2) within the three companies, with possibilities for its improvement in the future. The highest rotation speed is registered within ALRO, being over 2, in three of the analyzed years.

*The profitability indicators of the three companies:* The return on capital employed has the maximum value within the ALRO company, in 2022, respectively 33%. All three companies prove to be profitable in total, suffering various fluctuations in the indicators throughout the four years analyzed. Mainly, profitability fluctuates due to the difference between total assets and current liabilities, in the case of Turbomecanica and COMPA, and in the case of ALRO, it changes as a result of the evolution of gross profit. From the point of view of financial profitability, the second year of the pandemic turns out to be the most unfavorable, for Turbomecanica and ALRO, and for COMPA, the year 2022.



The gross margin from sales also experiences various developments in the analyzed interval, the highest values of it registering in Turbomecanica. The post-pandemic period and the beginning of the war also turns out to be less favorable for the analyzed companies, the minimum being recorded in 2022 at COMPA, 0.90%.

It can be concluded by saying that the events of the past years have left multiple consequences at the level of companies, in general, but also within those that we studied in more detail, previously. The study reveals that companies in the manufacturing industry suffered more than those in the oil sphere, as they were directly affected by the increases in fuel and electricity prices, and companies in the oil production and trade sector, even if they bought the raw material more expensively or the goods, they sold their products more expensively, so they were not as affected as the consumer companies.

### **Conclusions**

The unexpected outbreak of the COVID 19 pandemic in 2020 generated many difficulties in developing the economic and social level on a global level, thus raising a multitude of difficulties for the worldwide economy and a series of challenges as a result of the shocks experienced at the social level (closure of activities, social distancing physical, limitations of freedom of movement). At the same time, the health crisis has also brought changes to the level of energy consumption worldwide because of the blockades imposed by various countries. The economic entities that, prior to this crisis, had a well-defined territorial footprint, well-defined networks and were stable on the market, did not suffer such a big shock as that experienced by small or newly established entities, regardless of the field in which they operated.

As many economic chains were trying to recover from the health crisis, facing energy price increases, the outbreak of the war in Ukraine deepened the crisis even more. The war in Ukraine has contributed to increasing the level of uncertainty in the economy and business. Thus, almost half of British companies identified the war in Ukraine as the most important source of uncertainty for their businesses. The most important determinants of business uncertainty are energy use, demand, and trade according to a survey of UK firms (Yotzov et al., 2022). Energy consumption growth was slowed because of the war, which caused significant problems for energy markets, especially for Europe's energy policy, having a major impact on EU's energy mix.

The crisis situations of recent years have left traces from the psychological level to the level of the financial position both among the population and within the companies. In front of them, the companies have transformed these consequences into opportunities. The two entities in the sphere of oil trade, OMV Petrom and ROMGAZ, managed to cope with the situation, becoming even more profitable than before. As the management of OMV Petrom itself mentions, the company did not suffer as a result of the military conflict, and even managed to maximize its financial return compared to the last 4 years. Unfortunately, as expected from the companies that consume fuels, electricity, gas, to the final consumers of the products, everyone has been much more affected by the increase in the price of a barrel of oil.

As the previous analysis also highlighted, companies from the industrial sphere and beyond have experienced decreases in profitability, difficulties in managing relationships with customers/suppliers, even liquidity problems, in some cases. Before the war, the energy markets from Europe were in a deep state of crisis, with prices at record highs and very low supplies. The energy price had a major significance on the performance and sustainability of most companies, the majority of them considering the excessive increase in the cost of energy and raw materials as the main risks in terms of short-term development of operational activity.

The natural gas market became more efficient after the Russian invasion of Ukraine, according to Aslam et al. (2022) whose research suggests that companies active in the energy market became more stable and stronger after the invasion.

Therefore, both crises initially appeared as opportunities for low-carbon energy transitions: thus, the pandemic, by showing the extent of lifestyle and behavior change in a short period and the role of policy measures based on previous studies, and the war by highlighting the need for greater energy diversification and dependence on local sources of renewable energy (Behnam et al., 2022).

No crisis comes without leaving traces and consequences, the two unexpected situations, which I analyzed during the paper, left marks on economic life both nationally and worldwide. From the results obtained, it can be seen that there were companies that managed to take advantage of these crises and turn them into opportunities to evolve and improve their financial performance, but on the other hand, the vast majority suffered, from to the production chain, to the final consumer.

This study has its limitations, because of the small number of companies taken in the sample, this limitation leads to a future direction of research in which more companies from the same field of activity could be included, as well as a comparison of the financial indicators of companies from several European countries.

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