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"Financial Performance Analysis of Selected Indian Petroleum Industries: A Comparative Study"

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Abstract:

Analysing the financial performance and gaining concrete expertise about many firm components were the study's primary goals. It made it easier for me to comprehend the many levels of organizations and become acquainted with a practical problems organization system. Data were collected from the official websites of the selected companies and they published their balance sheet and annual reports. In this research the financial ratios: Liquidity ratio, Efficiency ratio, Profitability ratios were used. In addition to being provided in tabular form, all ratios are represented by table format and by line graph. Among them, the ONGC did the best. The quick ratio is the next financial ratio. The data indicates that ONGC ranks first in it as well. According to the efficiency ratio, ONGC had the lowest assets turnover ratio and HPCL the highest. The inventory turnover ratio also showed the similar results, with ONGC having 6.8% and HPCL having 38.75%. Profitability is the most crucial ratio. HPCL had the greatest EPS (159.73), while IOCL had the lowest (70.64). With the exception of return on capital employed, HPCL did well in every ratio. Each rendition of data is shown as a percentage.

Key Words: *Current ratio, quick ratio, Inventory turnover, Asset turnover ratio, EPS, Return on capital employed ratio, Indian Petroleum Industries*

INTRODUCTION:

The oil and gas sector constitutes one of the eight core sectors in India, which has a significant role to play in influencing policy decisions across all economic domains. The need for oil and gas is expected to increase, thus making the sector more attractive as far as investments are concerned; India's economic growth has a strong correlation with energy demand. As of 2022, India maintained its place as the 3rd largest oil consumer in the world.

In order to meet the growing demand, the government has implemented a number of policies. It has allowed 100% foreign direct investment (FDI) in a number of industry sectors, including natural gas, petroleum products, and refineries.

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The need for oil for production and transportation is rising as a result of rapid economic growth and increased output. Crude oil consumption is expected to grow at a CAGR of 5.14% to 500 million tonnes by FY40 from 202.7 million tonnes in FY22.

About 70% of India's crude oil and 84% of its natural gas production are attributed to ONGC, an integrated oil and gas corporation with dynamic internal capabilities in all facets of exploration and production. The Maharatna will undoubtedly become India's energy anchor thanks in large part to its methodical and comprehensive approach.

Indian Oil has made significant investments in alternative energy and sustainable development initiatives, and it is completely in line with India's goals to transition to clean energy. Diversification into alternative, renewable energy options will include commercializing a patented, cost-effective process and enzyme for producing 2G ethanol from agricultural waste, producing ethanol from refinery off-gases, and developing a novel bio-methanation process for turning organic waste into biogas. The company also plans to increase its portfolio of wind and solar energy from the current 222 MW to 260 MW by 2020.

HPCL plays a crucial role in meeting the energy needs of the country, ensuring the availability of high-quality petroleum products to consumers across diverse sectors. It operates in a dynamic and competitive industry, adapting to market changes and contributing to India's economic growth.

LITERATURE REVIEW:

- (Kushalappa, 2013): IOCL is the largest OMC in relation to its size, volume, and the amount of crude oil it processes. The other two largest oil marketing businesses in the country, HPCL and BPCL, may, nevertheless, be receiving higher valuations from the market. All three are government owned and operate a huge nationwide network of gas stations and fuel pumps that play a major role in the nation's progress and development. Consequently, it can be said that IOCL is the company with the strongest financial standing overall.
- (Hooda, 2018): Due to India's heavy reliance on oil, businesses in the oil sector are particularly exposed to global concerns, which negatively impact their financial situation. With a 35 percent share of the refining capacity, IOCL oversees one of the biggest pipeline networks in the world, one of the biggest petroleum marketing and distribution networks in Asia, and it plays a role in the social and economic development of a nation. It is suggested that the relevant ministry take steps to encourage greater use of its current capacity in order to meet every citizen's energy needs based on the study's findings.

- (Karthick, 2024): Examining Indian Oil Corporation Limited's financial data from the balance sheet and profit and loss account, it is clear that the business experienced a decline in 2019–20 but recovered quickly in the years that followed. It is evident that more or less profitability is dependent on efficient use of resources and cost reduction. The business could further raise shareholder capital to finance its operations and pay down its debt.
- (Vaghela, 2024): Jindal Drilling, Oil India, and Petronet LNG all have excellent quick ratios, which indicates strong liquidity relative to other businesses and that the companies have sufficient current assets to cover current liabilities. When the quick ratio for Reliance and ONGC companies is less than one, it means that the companies don't have enough liquid assets to cover their liquid obligations. All of the companies exhibit a zigzag trend in their net profit ratio. In 2021–2022, ONGC's net profit ratio reaches its peak. When compared to other chosen companies, Jindal Drilling Company has the lowest net-profit ratio. When compared to all other firms, Oil India Ltd.'s average net-profit ratios are good. When compared to other chosen companies, Petronet LNG has the highest average return on capital.
- (Pirog, 2012): An increase in the price of crude oil tends to make the oil sector extremely profitable. The rise in business profitability might be seen as a windfall since changes in the global price of oil typically reflect broader economic conditions, political events, and the opening of new markets. On the other hand, the returns obtained during times of high oil prices could be viewed as the reverse of the lower returns obtained during times of low prices. Since the 1970s, the price of oil has neither been consistently high nor low. The corporations' capital expenditures have not been successful in growing their natural gas and oil production. They've been effective in giving their stockholders returns.
- (Mboroto, 2013): Petroleum companies fared better in the post-merger/acquisition era than in the pre-merger/acquisition era, according to the analysis and findings. The statistical importance of the merger or acquisition on both ROA and the total asset ratio supports the idea that it had a major effect on ROA, the overall standard measure of financial performance. However, it was believed that mergers and acquisitions had a negligible positive impact on the petroleum companies' liquidity and solvency. This implies that the financial performance significantly improved, as evidenced by the notable rise in ROA.

Research Methodology:

The research design provides a framework for arriving at the conclusions. The following goals were examined in this study paper.

(1) To assess the liquidity position of a subset of Indian petroleum companies.

(2) To calculate the efficiency ratio of a subset of Indian petroleum companies.

(3) To ascertain the profitability status of particular Indian petroleum companies.

Hypothesis:

-H0: There is no significance difference among liquidity ratios of the selected Petroleum companies.

H1: There is a significance difference among liquidity ratios of the selected Petroleum companies.

-H0: There is no significance difference among Profitability ratios of the selected Petroleum companies.

H1: There is a significance difference among Profitability ratios of the selected Petroleum companies.

-H0**:** There is no significance difference among efficiency ratios of the selected Petroleum companies.

H1: There is a significance difference among efficiency ratios of the selected Petroleum companies.

Purpose of the research:

to conduct a comparative analysis of the financial performance of a subset of Indian oil and gas firms.

• to evaluate the financial health of a few Indian petroleum businesses in the public and private sectors.

- To analyse the listed Indian oil and gas companies' financial performance.
- To gauge how profitable the listed Indian oil and gas companies are.
- To assess the efficiency of the Indian oil and gas companies listed.
- To assess the identified Indian petroleum companies' solvency.

Sample Design:

Population: Petroleum industries of India.

Sample: For this study 4 Public Petroleum Industries have been taken.

1. **Oil and Natural Gas Corporation Limited (ONGC)**
2. **Indian Oil Corporation Limited (IOCL)**
3. **Bharat Petroleum Corporation Limited (BPCL)**
4. **Hindustan Petroleum Corporation Limited (HPCL)**

Time period of the study: The study is conducted grounded on the fiscal statement of Petroleum Companies for a period of 5 years. (2019 to 2023)

Sources of Data:

Since this study relies on secondary data, all information gathered from company annual reports, budgets, statistical reports, financial statements, balance sheets, profit and loss accounts, and their schedules is used to accomplish the desired goals.

Tools used for Analysis:

Financial Tools:

- Liquidity ratios: current ratio, quick ratio.
  (Current ratio=CA/CL, Quick ratio= cash+ marketable security+ amount receivable /CL)
- Efficiency ratios: asset turnover ratio, inventory turnover ratio
  (Asset turnover ratio= net assets/average total assets, Inventory turnover ratio= cogs/ average inventory)
- Profitability ratios: EPS, return on capital employed ratio.
  (EPS= NET profit/total no of shares, return on capital employed ratio=EBIT/Cap EPS*100)

Data Analysis:

1. **Liquid Ratio**

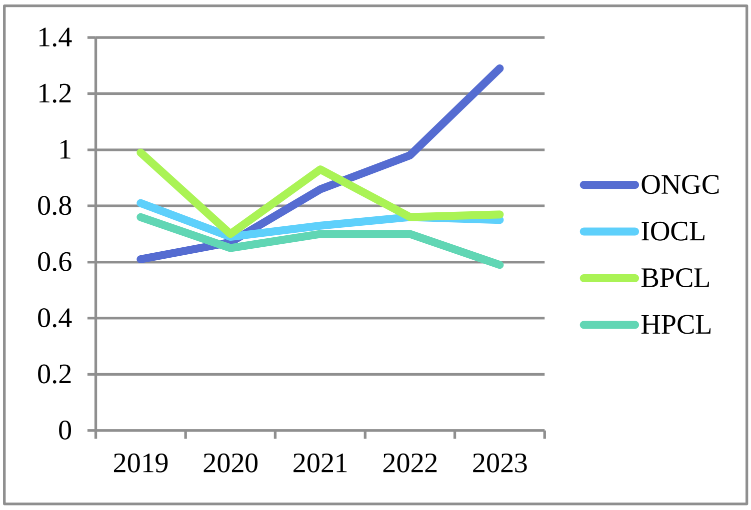
- **Current Ratio**:

Years/companies	ONGC	IOCL	BPCL	HPCL
2019	0.61	0.81	0.99	0.76
2020	0.67	0.69	0.70	0.65
2021	0.86	0.73	0.93	0.70
2022	0.98	0.76	0.76	0.70
2023	1.29	0.75	0.77	0.59
Average	0.88	0.75	0.83	0.68

(Source: Money control) (Table 1)

INTERPRETATION:

Above table showed current- ratio for the time period of 2019-20 to 2023-24 for selected companies. Current ratio showed proportion of Current Assets to current liabilities. The standard current- ratio is 2:1. Above table we can see that lowest current- ratio of HPCL Ltd is 0.59year of 2023-24 and the year 2023-24 the current- ratio is 1.29 is highest of all. ONGC limited is uptrend of current- ratio of the year 2019-20 to 2023-24.



(Line graph 1)

- **<u>Quick ratio:</u>**

Years/companies	ONGC	IOCL	BPCL	HPCL
2019	0.44	0.35	0.53	0.40
2020	0.45	0.28	0.35	0.32
2021	0.63	0.21	0.44	0.24
2022	0.77	0.19	0.26	0.20
2023	1.09	0.18	0.24	0.19
Average	0.68	0.24	0.36	0.27

(Source: Money control) (Table 2)

INTERPRETATION:

The Quick-Ratio of a few chosen petroleum companies from 2019–20 to 2023–2024 was shown in the above table. A company's ability to meet its current obligations without having to liquidate its inventory or secure further funding is indicated by the quick ratio. ONGC Ltd.'s highest average quick ratio is 0.68. Over the course of the investigation, ONGC Ltd. showed a growing tendency. For 2022–2023, ONGC's greatest quick ratio, 1.09, indicates improved liquidity and sound financial standing. For the studied period, BPCL and HPCL Drilling showed a zigzag pattern. When compared to other oil and gas companies throughout the research period, ONGC Ltd. exhibits a strong liquidity position. IOCL is trending downward; numerous improvements are required to eradicate it.

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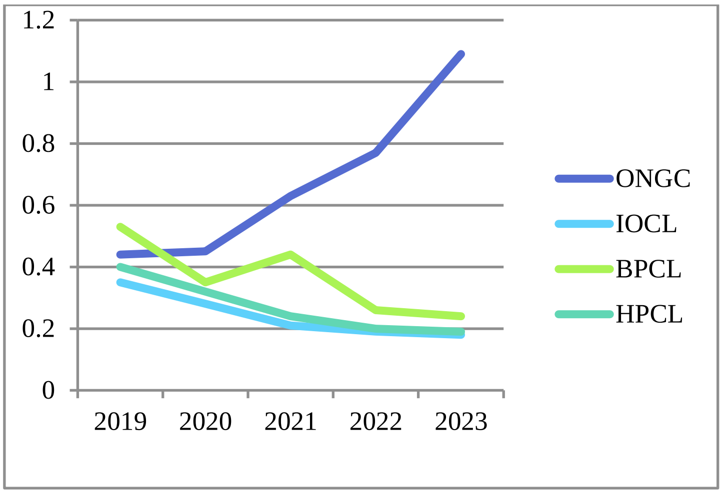


(Line graph 2)

2. **Efficiency ratios:**

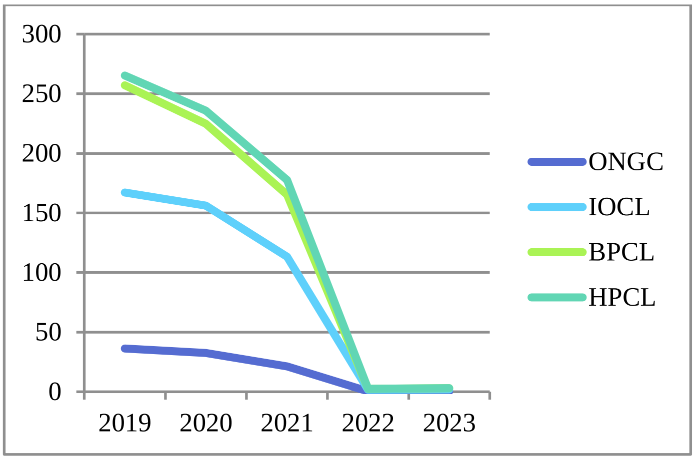
- **<u>Asset turnover ratio</u>**:

Years	ONGC	IOCL	BPCL	HPCL
2019	36.26	167.14	257.09	265.26
2020	32.41	156.11	224.86	235.73
2021	21.38	113.17	165.38	177.53
2022	0.34	1.66	2.49	2.49
2023	0.41	2.08	3.04	2.89
Average	18.16	88.03	650.43	681.59

(Source: Money control) (Table 3)

INTERPRETATION:

Above table of Asset turnover ratio showed for the time period of 2019-20 to 2023-24 for selected companies. This ratio measures the efficiency with which a company uses its assets to produce sales. Companies with the highest asset turnover ratio are more efficient. Above table we can see that Asset turnover ratio of HPCL Ltd 265.26is highest in the year of 2019-20 and average 681.59 is also highest. All the companies' asset turnover ratios are in downtrend.



(Line graph 3)

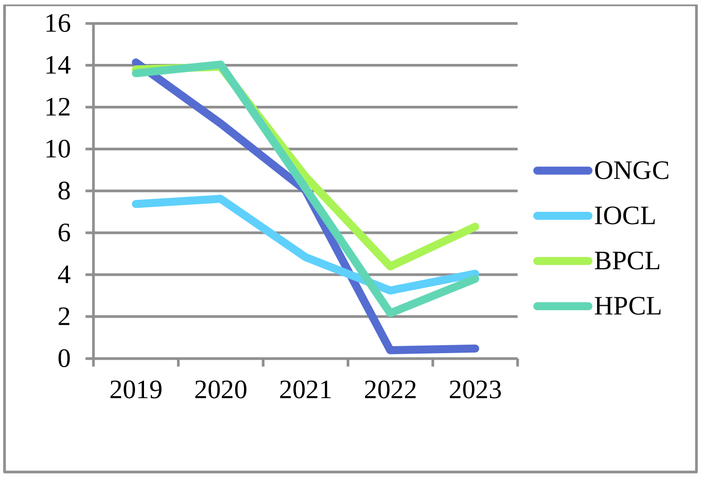
- **Inventory turnover ratio:**

Years	**ONGC**	**IOCL**	**BPCL**	**HPCL**
2019	14.14	7.38	13.80	13.63
2020	11.23	7.63	13.93	14.04
2021	8.03	4.84	8.69	8.15
2022	0.40	3.25	4.40	2.17
2023	0.48	4.06	6.30	3.81
Average	6.8	23.19	9.42	38.75

(Source: Money control) (Table 4)

INTERPRETATION:

The inventory turnover ratio for a selection of enterprises from 2019–20 to 2023–24 was displayed in the above table. The inventory turnover ratio is a financial number that shows how often a company rotates its stock over a given period of time. Businesses can improve their pricing, production, marketing, and purchasing decisions by using the inventory turnover ratio. It is among a number of widely used efficiency ratios that businesses can use to gauge how well they use their resources. A company's efficiency increases with its inventory turnover ratio. HPCL hits the top in average of inventory turnover ratio and ONGC sets at bottom.



(Line graph 4)

3. **Profitability ratios:**

- EPS:

Years	ONGC	IOCL	BPCL	HPCL
2019	20.86	17.89	36.26	39.56
2020	10.69	1.43	13.64	17.31
2021	8.94	23.78	96.44	70.57
2022	32.04	26.34	41.31	44.94
2023	30.86	5.98	8.78	-63.26
Average	78.702	70.64	189.41	159.73

(Source: Money control) (Table 5)

INTERPRETATION:

Above table showed EPS for the time period of 2019-20 to 2023-24 for selected companies. A company's profitability is gauged by its earnings per share (EPS), It displays the earnings for each outstanding share of common stock. It is computed by dividing the net income of the business by the total number of shares that are in circulation. A corporation is thought to be more profitable if its EPS is higher. BPCL has the highest average EPS among others companies. Lowest EPS in 2023-24 of HPCL is in minus 63.26.

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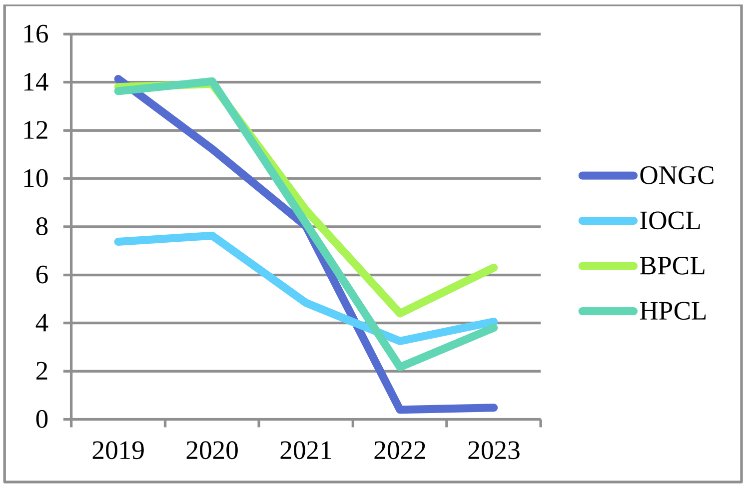


(Line graph 5)

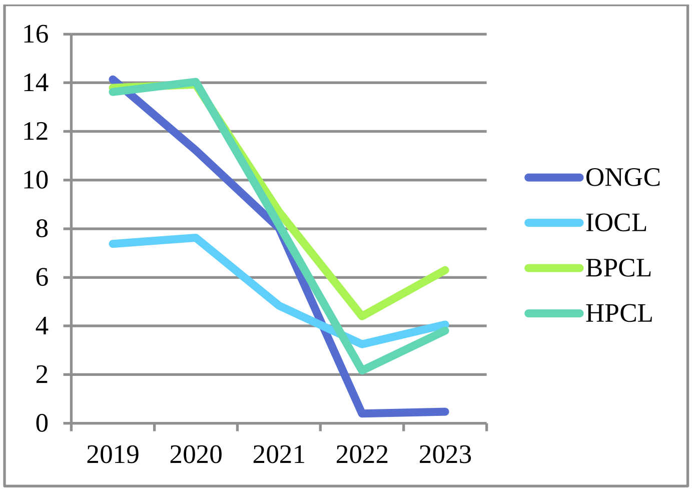
- **Return on capital employed ratio (%):**

Years	**ONGC**	**IOCL**	**BPCL**	**HPCL**
2019	16.61	18.14	17.19	21.48
2020	10.96	8.59	8.79	6.41
2021	6.12	17.90	20.37	21.91
2022	14.43	17.65	17.53	11.55
2023	19.12	7.59	7.63	-12.07
Average	51.94	63.8	65.41	9.86

(Source: Money control) (Table 6)

INTERPRETATION:

The return on capital employed ratio for the chosen enterprises from 2019–20 to 2023–24 was displayed in the above table. A financial metric known as return on capital employed (ROCE) can be used to assess a company's profitability and capital efficiency. In other words, this ratio can be used to assess how well a company is generating revenue from the capital it spends. When evaluating a company for investment, financial managers, stakeholders, and possible investors may utilize a number of profitability ratios, including ROCE. In BPCL Drilling average maximum Return on capital employed ratio is 65.41 and average minimum ratio is 9.86 of HPCL.



(Line graph 6)

Conclusion:

The outcomes that follow are the result of the research study that was conducted. All firms must have efficient and effective financial performance in order to thrive and increase their profitability. Analysing financial performance is crucial for determining an organization's revenue and potential risks.

Analysing the financial performance and gaining practical knowledge about many firm ingredients were the study's primary goals. It made it easier for me to comprehend the many organizational levels and become acquainted with a real-world organization system. Information was gathered from the yearly statement and balance sheet.

Both a table and a line graph have been used to depict the current ratios. The ONGC performed the best of all the groups. The next financial statistic is the quick ratio. Additionally, the study reveals that ONGC has a high ranking. Based on the efficiency ratio, ONGC had the lowest assets turnover ratio and HPCL the highest. Comparable outcomes were also observed in the inventory turnover ratio, where HPCL had 38.75% and ONGC had 6.8%. Profitability is by far the most important ratio. IOCL had the lowest EPS at 70.64, while HPCL had the highest at 159.73. With the exception of return on capital employed, all ratios demonstrated HPCL's strong performance. ONGC and IOCL require further enhancements.

The results of the analysis indicate that the company has to increase its efficiency. The study's conclusions indicate that in order to maximize its use of resources, the company needs to increase productivity.

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