

A Comparative Study on the Financial Performance of Selected Indian Petroleum Companies

Ms. T. P. SUVETHA

Assistant Professor, Department of Commerce Business Analytics, Dr. N.G.P. Arts and Science College, Coimbatore, Tamil Nadu, India.

suvetha.p@drngpasc.ac.in

Mr. ASWANTH. M

B.com.BA., Dr. N.G.P Arts and Science College, Coimbatore

aswanthraam@gmail.com

ABSTRACT

The petroleum industry is a vital contributor to India's economic growth and energy security. This study presents a comparative analysis of the financial performance of selected Indian petroleum companies, namely Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited, Hindustan Petroleum Corporation Limited, Oil and Natural Gas Corporation, Nayara Energy Limited and Reliance BP Mobility Limited. The objective is to evaluate their financial efficiency, profitability, liquidity, and solvency over a five-year period.

The study is based on secondary data obtained from published annual reports and financial statements. Analytical tools such as ratio analysis, and comparative financial statements are employed to assess key indicators including Net Profit Margin, Current Ratio, and Debt–Equity Ratio.

The findings reveal notable differences in profitability, capital structure, and operational efficiency among the selected companies, influenced by ownership patterns, scale of operations, and strategic management practices. The study concludes that effective financial management and strategic planning are essential for sustaining competitiveness in India's dynamic petroleum sector.

Keywords: Financial Performance, Indian Petroleum Industry, Comparative Analysis, Liquidity Ratios, Solvency, IOCL, ONGC, Reliance, Nayara Energy.

INTRODUCTION

The petroleum industry in India is a strategic pillar of the national economy, driving industrial growth, transportation, and power generation in one of the world's largest energy-consuming nations. The sector comprises strong Public Sector Undertakings such as Indian Oil Corporation, Bharat Petroleum, Hindustan Petroleum, and Oil and Natural Gas Corporation, alongside private players like Reliance Industries and Nayara Energy, operating across upstream, midstream, and downstream segments. Growth is driven by urbanization, rising incomes, and infrastructure development, while key trends include digital transformation and a shift toward sustainable and eco-friendly energy solutions. Despite challenges such as crude oil price volatility, regulatory compliance, and intense competition, the industry maintains a positive outlook supported by innovation, expanding rural markets, and increasing energy demand.

STATEMENT OF PROBLEM

The petroleum industry in India, a cornerstone of the national economy, has entered a phase of unprecedented turbulence. While urbanization and rising demand provide a backdrop for growth, the sector is currently grappling with a "triple threat": intense competition from private entrants, geopolitical volatility, and the structural pressures of a global energy transition.

Despite the industry's strategic importance, there is a critical gap in understanding how these external shocks translate into internal financial distress. Recent years have revealed a troubling trend of strained liquidity, evidenced by weakening current and quick ratios, and sluggish asset utilization, where inventory and fixed asset turnover have failed to keep pace with market shifts. Furthermore, the reliance on elevated leverage (high debt-to-equity) and fluctuating interest coverage ratios has created a precarious environment for long-term solvency.

The core of the problem lies in the disparity of resilience: while private players have demonstrated agility in navigating post-pandemic recovery, Public Sector Undertakings (PSUs) appear to be hit harder, showing significant inconsistency in profitability metrics such as NPM, ROE, and EPS.

OBJECTIVES OF THE STUDY

- To analyze the liquidity position of the selected companies.
- To examine the solvency position and long-term financial stability of the selected companies.

REVIEW OF LITERATURE

Kapoor (2023) highlights the strategic shift of Indian oil firms toward integrating renewable energy to balance fossil fuel profitability with long-term sustainability and investor appeal.

Bhattacharya (2022) notes that government-mandated price caps often lead to under-recoveries, significantly weakening the liquidity and financial health of public sector OMCs like IOCL, BPCL, and HPCL.

Das (2022) emphasizes that financial ratio analysis serves as a vital survival indicator for petroleum companies, especially for firms like ONGC that maintain low debt to mitigate exploration risks.

Arora (2020) concludes that the adoption of digitalization and business analytics is a key differentiator for private sector players in improving asset management and maintaining higher profit margins.

Mehta & Jain (2016) observe that while Indian petroleum giants operate on a massive scale, their profitability is consistently challenged by high raw material costs and fluctuating refining margins.

RESEARCH METHODOLOGY

The research methodology for this study involves a quantitative approach using secondary data from annual reports, financial statements, and industry publications. Selected petroleum companies, representing various scales of operation, will be analyzed over a specific period using key financial ratios like profitability, liquidity, solvency, and efficiency metrics.

Statistical tools and graphical representations will aid in interpreting trends and comparing performance across the sector. While focusing on financial data, the study will acknowledge limitations such as the necessary reliance on secondary sources. This structured approach aims to provide deep insights into the financial performance of India's petroleum industry, supporting informed decision-making for stakeholders.

SCOPE AND LIMITATIONS

- The study focuses on the financial performance of six major petroleum companies in Indian oil corporation, Bharat Petroleum Corporation, Hindustan Petroleum Corporation, Oil and Natural Gas Corporation, Reliance BP Mobility Ltd, and Nayara Energy Ltd. providing a comparative analysis of their financial health over a five-year period.
- It evaluates key financial metrics such as liquidity and solvency offering insights into operational and financial strategy.

LIQUIDITY RATIO

Liquidity is a very critical part of a business. Liquidity is required for a business to meet its short-term obligations. Liquidity ratio is a measure of the ability of a company to pay off its short-term liabilities. Liquidity ratios determine

how quickly a company can convert the assets and use them for meeting the dues that rises. The higher the ratios, the easier the ability to clear the debts and avoid defaulting on payments.

TYPES OF LIQUIDITY RATIO

- Current Ratio
- Quick Ratio

CURRENT RATIO

The current ratio measures a company's ability to pay off its current liabilities (payable within one year) with its total current assets such as cash, accounts receivable, and inventories. Calculations can be done by hand or using software such as Excel. The higher the ratio, the better the company's liquidity position:

Current Ratio= Current Assets/Current Liabilities

CURRENT RATIO OF SELECTED PETROLEUM COMPANIES

Year	IOCL	BPCL	HPCL	ONGC	RPL	NAYARA
2021	0.73	0.92	0.70	0.86	1.31	0.55
2022	0.75	0.80	0.70	0.98	0.82	0.71
2023	0.74	0.77	0.59	1.20	0.31	0.94
2024	0.69	0.88	0.61	1.58	0.85	1.13
2025	0.66	0.82	0.59	1.40	0.95	1.40
MIN	0.66	0.77	0.59	0.86	0.31	0.55
MAX	0.75	0.92	0.7	1.58	1.31	1.4
AVERAGE	0.714	0.838	0.638	1.204	0.848	0.946
SD	0.037815	0.060992	0.057184	0.295093	0.358497	0.336348

INTERPRETATION

The data confirms a structural divide in the industry: while ONGC maintains a protective liquidity buffer, the major oil marketing companies (IOCL, BPCL, and HPCL) operate on lean margins. The stability of IOCL versus the volatility of RPL highlights the different risk appetites between public and private sector management in India’s petroleum landscape.

QUICK RATIO

The Quick Ratio, also known as the Acid-Test Ratio, is a financial metric used to evaluate a company's short-term liquidity and its ability to meet its immediate financial obligations without relying on the sale of inventory. It is a more stringent measure than the Current Ratio because it excludes inventory.

Quick Ratio= Current Ratio - Inventories/ Current Liabilities

QUICK RATIO OF SELECTED PETROLEUM COMPANIES

Year	IOCL	BPCL	HPCL	ONGC	RPL	NAYARA
2021	0.73	0.43	0.24	0.63	1.08	0.25
2022	0.75	0.25	0.20	0.76	0.74	0.30
2023	0.74	0.24	0.20	1.08	0.19	0.56
2024	0.64	0.29	0.21	1.32	0.74	0.71
2025	0.66	0.30	0.20	1.09	0.85	0.83
MIN	0.64	0.24	0.2	0.63	0.19	0.25
MAX	0.75	0.43	0.24	1.32	1.08	0.83

AVERAGE	0.704	0.302	0.21	0.976	0.72	0.53
SD	0.050299	0.075961	0.017321	0.277723	0.327185	0.25229

INTERPRETATION

The Quick Ratio confirms that the industry is split between ONGC’s "Cash-First" model and the OMCs’ "Inventory-First" model. While ONGC is the safest from a pure solvency standpoint, the OMCs prove that in a high-turnover industry, lean liquidity is a calculated operational choice rather than a sign of weakness—provided the supply chain remains uninterrupted.

SOLVENCY RATIO

Solvency refers to the ability of an enterprise to meet its long-term financial commitments. In the petroleum industry, where companies often take on massive debt to fund exploration, drilling, and infrastructure, solvency ratios are the primary indicators of a firm's survival and creditworthiness.

TYPES OF LIQUIDITY RATIO

- Debt to Equity Ratio
- Interest Coverage Ratio

DEBT TO EQUITY RATIO

The Debt-to-Equity (D/E) Ratio is a key solvency metric that compares a company’s total liabilities to its shareholder equity. It measures financial leverage, showing how much a business relies on lenders versus its owners to fund operations.

Debt-to-Equity Ratio = Total Debt / Shareholders' Equity

DEBT TO EQUITY RATIOS OF SELECTED PETROLEUM COMPANIES

Year	IOCL	BPCL	HPCL	ONGC	RPL	NAYARA
2021	0.85	0.62	1.10	0.07	0	0.62
2022	0.84	0.81	1.11	0.02	0	0.46
2023	0.98	0.86	2.32	0.02	0.57	0.26
2024	0.65	0.37	1.46	0.01	0.55	0.27
2025	0.75	0.41	1.37	0.02	0.37	0.25
MIN	0.65	0.37	1.1	0.01	0	0.25
MAX	0.98	0.86	2.32	0.07	0.57	0.62
AVERAGE	0.814	0.614	1.472	0.028	0.298	0.372
SD	0.12300406	0.22367	0.49977	0.02387	0.28297	0.16362

INTERPRETATIPON

The D/E ratios confirm a structural hierarchy in the Indian petroleum landscape. While ONGC prioritizes total financial autonomy and zero risk, HPCL accepts high financial gearing as a trade-off for operational scale. The shift toward lower debt in RPL and Nayara indicates a broader industry trend where private players are seeking to insulate themselves from credit market volatility by prioritizing equity over debt.

INTEREST COVERAGE RATIO

The Interest Coverage Ratio measures a company's ability to pay interest on its debt using operating profits (EBIT). In the volatile petroleum sector, a ratio above 1.5 indicates financial safety and stable dividends, while a lower ratio signals a high risk of default when oil prices or margins drop.

Interest coverage Ratio = Earnings before Interest and Taxes (EBIT) / Interest Expense

INTEREST COVERAGE RATIOS OF SELECTED PETROLEUM COMPANIES

Year	IOCL	BPCL	HPCL	ONGC	RPL	NAYARA
2021	10.60	18.03	16.57	8.41	29.50	0.87
2022	7.57	8.10	9.43	18.39	13.84	1.76
2023	2.40	1.69	-4.59	20.30	-12.63	6.90
2024	8.14	15.37	8.61	13.99	21.57	8.52
2025	2.82	10.35	3.91	11.16	18.20	5.99
MIN	2.4	1.69	-4.59	8.41	-12.63	0.87
MAX	10.6	18.03	16.57	20.3	29.5	8.52
AVERAGE	6.306	10.708	6.786	14.45	14.096	4.808
SD	3.56401178	6.3953	7.8059	4.9311	16.003	3.32982

INTERPRETATIPON

The findings confirm that ONGC operates with a level of solvency that is unparalleled in the Indian petroleum sector. While players like Nayara are on a path of improvement, the negative coverage years for HPCL and RPL serve as a reminder of the inherent financial risks in the downstream sector, where high leverage combined with volatile operating income can quickly lead to financial stress.

FINDINGS

Liquidity Divide: The study reveals a structural divide in the industry; while ONGC maintains a protective liquidity buffer with an average current ratio of 1.204, major oil marketing companies (IOCL, BPCL, and HPCL) operate on much leaner margins, often with current ratios below 1.0.

Cash vs. Inventory Models: The Quick Ratio confirms a split between ONGC's "Cash-First" model (Average: 0.976) and the OMCs' "Inventory-First" model, where companies like HPCL maintain very low quick ratios (Average: 0.21), suggesting heavy reliance on inventory for short-term stability.

Solvency and Leverage: There is a clear structural hierarchy in financial leverage. ONGC prioritizes total financial autonomy with a near-zero Debt-to-Equity ratio (Average: 0.028), while HPCL accepts high financial gearing (Average: 1.472) to maintain operational scale.

Private Sector Agility: Private players like Reliance (RPL) and Nayara Energy show a trend toward lower debt to insulate themselves from market volatility, although they have experienced negative interest coverage years, highlighting the risks of volatile operating income.

Operational Resilience: Public Sector Undertakings (PSUs) appear to be hit harder by external shocks and government-mandated price caps, leading to significant inconsistency in profitability metrics compared to the agility shown by private entrants

SUGGESTION

Strategic Liquidity Buffers: Oil marketing companies (OMCs) like IOCL and HPCL should consider increasing their liquidity buffers to move away from a strictly "lean" operational model, which leaves them vulnerable to supply chain interruptions.

Debt Reduction for PSUs: Highly leveraged firms, particularly HPCL, should focus on balancing their capital structure by reducing reliance on debt to mitigate the risks associated with high financial gearing.

Digitalization and Analytics: Following the example of successful private players, companies should adopt business analytics and digitalization to improve asset management and maintain higher profit margins.

Diversification into Renewables: Companies should accelerate the strategic shift toward integrating renewable energy to balance fossil fuel profitability with long-term sustainability and investor appeal.

Risk Mitigation: Firms must develop robust financial management strategies to navigate "triple threats" such as geopolitical volatility and the global energy transition.

CONCLUSION

The comparative analysis of selected Indian petroleum companies reveals that ONGC stands out as the most financially stable player, characterized by unparalleled solvency, a "cash-first" liquidity approach, and minimal debt reliance. In contrast, the downstream sector—represented by IOCL, BPCL, and HPCL—faces ongoing challenges with lean liquidity and high leverage, making them more susceptible to price caps and market shocks. While private players like Nayara are showing improvement in their debt profiles, the inherent volatility of the industry continues to pose risks to interest coverage and long-term stability. Ultimately, the study concludes that effective financial management and strategic planning are essential for sustaining competitiveness in India's dynamic and turbulent petroleum sector.

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