



AN ANALYTICAL STUDY OF FINANCIAL PERFORMANCE OF SELECTED PETROLEUM COMPANIES IN INDIA

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Abstract

In this study Analyse the financial analysis of petroleum companies in India. In order to study the financial strength and profitability of selected Indian petroleum companies, this study was performed. From 2019-20 through 2023-24, the top five listed firms by Market Capitalization are Reliance Industries Ltd., Oil and Natural Gas Corporation (ONGC), Petronet LNG, Oil India, Jindal Drilling. selected Ratios have been used to evaluate the financial and profitability positions of chosen firms, including current- ratio, Quick Ratio, the net profit ratio, and the return on invested capital. An ANOVA with a 5% level of significance was employed to test the hypotheses. The study's main conclusion is that Reliance Industries Ltd.'s Liquidity and Profitability performance is higher to those of other chosen petroleum companies.

Key words: *Liquidity, Profitability, Net profit Ratio, Return on capital, Current- ratio, Quick ratio, Petroleum Companies.*

Introduction

The eight foremost industries of India is the oil and gas sector, which has a huge impact on all further aspects of commercial policy. One of India's six main sectors is the oil and gas industry. The petroleum industry is vital to the economy's decision-making process. The Indian economy places great importance on economic growth. India's economic growth is directly correlated with the country's energy needs, which is estimated to increase demand for gas and oil. This industry plays a significant part in the transportation, processing, extraction, and discovery of petroleum products. two of the maximum significant goods produced by this industry are gasoline and fuel oil. The raw materials also include petroleum.

Literature Review

(Raja & Anandalakshmy, 2023) Have studied on financial analysis of selected oil and natural gas sector in India. This research study is Based on Secondary data that are collected from different source like newspaper,



journal, and other online sources and websites. The time span of this study from the year 2017-2018 to 2021-2022, a total of five years. This research is concerned with the data interpretation of various ratios, such as the Debt Equity Ratio, the capital Gearing ratio, Proprietary ratio, Fixed Assets Turnover Ratio, total - assets turnover ratio, Capital Employed to Fixed Assets ratio, Current- ratio, Quick Ratio, net - profit margin ratio among other things. The hypotheses were tested using the ANOVA test. finally we may conclude that the selected companies need to utilize the possible way to increase their financial analysis.

(Venkataraman & Subramaniam, 2022) Have studied An empirical analysis of financial Performance of Selected Oil Exploration and Production firms in India. Main objectives of present research study is to study the influence of Financial Ratio on the Profitability of selected oil exploration firms in India. Two types of test will be applied in this study. First is multiple Regression Analysis and second is ANOVA. Concluded of this study that the ratio provide positive impact has the significance contribution of the financial analysis of the selected sample”

“(Patel & Shah, 2017) Have studied on A Financial analysis Analysis of Selected Indian Cement Company. Present study is purely based on secondary data. This study take 5 years period from 2010-2011 to 2014-2015. This research study is analysed on financial analysis of selected cement companies in India. Main objectives of this study is to study Profitability of selected cement companies. The null hypothesis of this present study is there is no major difference in profitability of selected cement sector in India. And Alternative hypothesis is there is a significantly Difference in Profitability of selected cement industries for the study period.”

(Dhivya, Shobanapriya, Devika, Karthika, & Bakiyaraj, 2017) Have studied on the title of A Study on Financial analysis of Cement sector With Special Reference of ACC Limited. The Primary Objectives of this study that to study the financial analysis of cement industry with reference to selected sample. The secondary objectives of present study is to analyse the profitability, liquidity and operational condition of the selected sample. And another objectives is to study the financial structure of the selected firms. This study is mainly Based on Secondary data Base. This data is collected from the published annual reports and balance sheet given by the selected company. This study cover five years data from 2011 to 2015. Finally concluded present study is all over financial performance analysis is satisfactory of selected sample.”

“(Barot & Japee, 2021) Have studied on “A study on Financial analysis of Selected Telecom Companies in India.” Research objectives of present research study is to know and analyse financial performance analysis of Bharti Airtel and Vodafone Idea. This study is based on descriptive types research. Present study is mainly Based on secondary data. This Data is Collected from the years 2015-16 to 2019-20. Concluded of present research paper is over all five years study period Airtel’s financial analysis was good than the Vodafone idea’s company financial performance.”



RESEARCH METHODS

Research design gives outline of roadmap for reaching to the findings. This research paper analysed following objectives.

- (1) To measure Liquidity Position of Selected Petroleum Companies in India.
- (2) To know Profitability position of selected Petroleum Companies in India.

Hypotheses Of the Study

H_0 = there is no Significant Difference in current- ratios among selected petroleum Companies during the Study Period.

H_0 = There is no Significant difference in quick ratios among selected petroleum companies During the Study period.

H_0 = There is no significant Difference in net profit ratios among selected petroleum Companies During the study period.

H_0 = There is no Significant Difference in return on capital employed ratios among selected petroleum companies During the Study period.

The period of the research study has been considered as 2019-20 to 2023-24 which consists of five years' time period. for the Study scope have been two types first is functional scope and second one is geographical scope. Functional scope of the present study has been considered as financial analysis of petroleum companies. For the identification of liquidity and profitability ratios based on its respective ratio have been selected. Mainly geographic area is India and it's also included those area in which companies providing their goods and services.

This study included top five petroleum companies like Reliance, ONGC (Oil and Natural Gas Corporation), Petronet LNG, Oil India and Jindal Drilling based on Net Sales as on (13 June 2024). The sampling technique is non probability in which judgemental sample method has been selected.

Data is key tool for Getting to the Objective of the study, This study secondary source of Data has been collected from published Annual Report of the company and relevant websites of the companies.



RESULTS AND DISCUSSION

Current- ratio

Years	RELIANCE	ONGC	PETRONET LNG	OIL INDIA	JINDAL DRILLING
2019-20	0.5	0.67	2.91	1.73	1.33
2020-21	1.04	0.86	3.93	0.95	1.15
2021-22	1.11	0.98	3.18	1.32	1.33
2022-23	1.12	1.29	4.08	1.88	1.47
2023-24	1.09	1.58	3.1	1.01	1.65
Avg.	0.97	1.08	3.44	1.38	1.39
Max	1.12	1.58	4.08	1.88	1.65
Min	0.5	0.67	2.91	0.95	1.15

Source: www.moneycontrol.com

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 average current- ratio of Reliance Ltd is 0.97 and the year 2022-23 the current- ratio is 1.12 is highest compare to preceding years and year of 2023-24. ONGC limited is uptrend of current- ratio of the year 2019-20 to 2023-24. Petronet LNG indicated mix trend during the study period. Oil India showed average current- ratio is 1.38. In Jindal Drilling maximum current- ratio is 1.65 for the year 2023-24 and minimum ratio is 1.15 for the year 2020-21.

Quick Ratio

Years	RELIANCE	ONGC	PETRONET LNG	OIL INDIA	JINDAL DRILLING
2019-20	0.39	0.45	2.71	1.51	1.19
2020-21	0.86	0.63	3.77	0.81	1.04
2021-22	0.88	0.77	2.97	1.07	1.19
2022-23	0.91	1.09	3.69	1.55	1.37
2023-24	0.74	1.32	2.75	0.85	1.56
Avg.	0.76	0.85	3.18	1.16	1.27
Max	0.91	1.32	3.77	1.55	1.56
Min	0.39	0.45	2.71	0.81	1.04

Source: www.moneycontrol.com



The Above Table indicated Quick- Ratio of selected petroleum Companies in the period of 2019-20 to 2023-24. Quick ratio specified dealings a Companies Ability to pay its Current responsibilities without requiring to Sell its Inventory or get further financing. In the Reliance ltd average Quick ratio is 0.76 in the year 2022-23. In ONGC ltd show increasing trend during the study period. Petronet LNG is highest quick Ratio is 3.77 for the year 2020-21 which shows the better liquidity and financial health. Oil India and Jindal Drilling indicated the zig-zag trend for the study period. Petronet LNG ltd shows good liquidity position comparison to other oil and gas firms during the study period.

Net profit Ratio (in Percentage)

Years	RELIANCE	ONGC	PETRONET LNG	OIL INDIA	JINDAL DRILLING
2019-20	9.17	13.98	7.6	21.3	12.11
2020-21	13	16.51	11.33	20.2	2.3
2021-22	9.22	36.53	7.76	26.75	15.4
2022-23	8.36	26.86	5.4	31.84	21.83
2023-24	7.86	29.28	6.7	26.78	18.49
Avg.	9.52	24.63	7.75	25.37	14.03
Max	13	36.53	11.33	31.84	21.83
Min	7.86	13.98	5.4	20.2	2.3

Source: www.moneycontrol.com

Above table indicated net profit ratio of petroleum companies during the period of 2019-20 to 2023-24. net profit ratio indications association between net Profit and sales. In the Reliance ltd highest net profit ratio is 13 in the year 2020-21. In ONGC of the year 2021-22 net profit ratio is highest compare to all year. In concern with Average Net Profit in Reliance has 9.52, ONGC has 24.63, Petronet LNG has 7.75, Oil India has 25.37 and in Jindal Drilling 14.03, For the study period. In ONGC maximum Net profit Ratio has been 36.53 in 2021-22 and lowest has 13.98 in 2019-20. In all Companies is Mix trend of Net profit Ratio for the period of study. Overall Net profit Ratio of ONGC is good related to other selected companies.



Return on Capital Employed (in Percentage)

Years	RELIANCE	ONGC	PETRONET LNG	OIL INDIA	JINDAL DRILLING
2019-20	8.84	10.96	22.03	7.03	3.94
2020-21	5.82	6.12	25.52	4.01	2.68
2021-22	8.24	14.43	26.06	12.69	7.84
2022-23	10.21	19.12	23.89	19.17	12.68
2023-24	9.54	14.11	24.12	17.71	11.57
Avg.	8.53	12.95	24.32	12.12	7.74
Max	10.21	19.12	26.06	19.17	12.68
Min	5.82	6.12	22.03	4.01	2.68

Source: www.moneycontrol.com

We can show Return On Capital Employed of selected companies during the 2019-20 to 2023-24. Return on Capital Employed deals with how efficiently a company can make Profits from its invested capital determined by comparing net operating profit to capital employed. Average return on capital of Reliance is 8.53%. In ONGC highest return is 19.12% for the Year 2022-23 and lowest is 6.12% in the year 2020-21. Petronet LNG shows mix trend of returns for the study period. In Oil India maximum return is 19.17% and lowest is 4.01%. Jindal Drilling shows zig-zag trend of returns during the period of present study. In concern with Average Return On Capital Employed highest percentage has 24.32% and lowest percentage has 7.74% possessed by Petronet LNG and Jindal Drilling respectively.

One Way ANOVA as Statistical Tool

Ratio	F – Value	F- Crit	P- Value	H₀ - Accept/Reject
Current- Ratio	37.56483	2.866081	4.92E-09	H ₀ – Rejected
Quick Ratio	41.128	2.866081	2.22E-09	H ₀ – Rejected
Net Profit Ratio	9.902238	2.866081	0.000138	H ₀ – Rejected
Return on Capital Employed	12.07233	2.866081	3.75E-05	H ₀ – Rejected

Source: calculated from MS Excel

The One-Way ANOVA test for chosen liquidity and profitability ratio is shown in the above table. It is indicated that null hypothesis has been Rejected at the 5% level of significance in current- ratio calculation because the calculated value (37.56483) is higher than the table value (2.866081). This means that there is a statistically significant difference in current- ratio among selected petroleum companies over the course of



study. The calculated value of Quick Ratio, Net-Profit ratio and Return on Capital Employed ratio is greater than the table value, it shows that the Null Hypothesis has been Rejected and that there is a statistically significant different in the Quick ratio, net-profit ratio and Return on Capital Employed ratio among selected petroleum Businesses during the study period.

in the concern with Current- ratio the ideal ratio is 2:1 the Petronet LNG Company satisfied the standard so it indicated the Liquidity performance of company are very good. Reliance industries ltd shows not good liquidity position of the year 2019-20 compare to other selected companies. In overall lowest liquidity situation of reliance and highest liquidity position shown by Petronet LNG in the study period.

CONCLUSION

In Quick-ratio of Petronet LNG, Jindal Drilling and Oil India companies is very good it means good liquidity position compare to other companies and also shows the companies has an efficient Current Assets to pay current liabilities. In Reliance and ONGC companies quick ratio is less than one it indicated that the companies Have not enough Liquid Assets to pay liquid liabilities. In Net-Profit ratio all the companies shows zig-zag trend. In ONGC the net profit-ratio is highest in the year 2021-22. In Jindal Drilling Company has lowest Net - profit ratio match to other selected companies. average net-profit Ratios of Oil India ltd has good compare to all other companies. Average Return on Capital employed of Petronet LNG is highest compare to other selected companies. All the organization shows zig-zag return trend for the study period.

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