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**Original Article**

# A COMPARATIVE FINANCIAL PERFORMANCE OF MAJOR OIL AND GAS COMPANIES IN INDIA

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***Abstract:***

*Financial performance analysis is the process of identifying the firm's financial strengths and weaknesses. To evaluate a company's financial performance, a financial analyst must use particular techniques on various financial factors. One useful and popular tool is ratio analysis. A minimum of five ratios from the preceding five years must be examined in order to analyze financial success. The net profit margin, current ratio, inventory turnover ratio, debt to equity ratio and earning per share (basic) ratio of four oil and gas companies are examined in this research paper. The company's ratios were analyzed from march 2021 to march 2025. The researcher selected five companies- Indian Oil Corporation Limited (IOCL), Oil and Natural Gas Corporation (ONGC), Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL) - based on personal judgment.*

***Keywords: Financial Performance, Ratio Analysis, Net Profit Margin, Current Ratio, Inventory Turnover Ratio, Debt To Equity Ratio And Earning Per Share.***

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## Introduction:

An essential part of India's energy sector, the oil and gas sector support the country's enormous population and drives economic growth. India, the world's third-largest energy consumer, is largely

dependent on gas and oil to meet its rising energy needs. One of India's eight key industries, the oil and gas sector have a significant impact on the choices made by all other significant economic sectors. Given the strong correlation between India's energy consumption and economic growth, the country's need for gas and oil is expected to rise, making the industry highly attractive to investors. According to 2023, India was still the world's third-largest oil consumer. The industry includes a broad range of operations, such as marketing, distribution, production, refining, and exploration. A combination of multinational corporations, massive private sector firms, and state-owned businesses dominate it. These businesses work at every stage of the value chain, from exploration upstream to retail downstream. The upstream industry in India is concentrated on domestic production, although it confronts difficulties because of the country's small reserves and expensive exploration. Because of this, a significant portion of crude oil is imported, leaving India susceptible to changes in the price of crude oil globally. The downstream industry, on the other hand, is stronger, boasting a vast retail distribution network and sophisticated refining facilities. Government policy, international oil prices, and India's energy needs are all major factors in the financial performance of the nation's oil and gas corporations. In addition to making a substantial contribution to employment and national income, these businesses are vital to India's economy. The Indian government also affects the financial performance of oil corporations through taxation, subsidies, and gasoline pricing laws. These regulations might benefit customers while decreasing business profits.

**Objectives:**

1. To study the various ratios to measures financial performance.
2. To analyze the financial performance of selected oil and gas companies in India using ratio analysis technique.

**Research Methodology:**

**1. Methods of Data Collection:**

Secondary sources provide most of the information required for this paper. sources compiled from academic papers, books, journals, and the internet. The study will be conducted from March 2021 to March 2025, a period of five years.

**2. Sample Design;**

Based on judgment sample, the current study's researcher chose just four oil and gas companies, and they are:

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

**Review of Literature:**

**1. Dr. S. Suguna & Harish S (2024)** published research paper on, “Evaluating the Financial Performance of Bharat Petroleum Corporation Limited.” In this research paper researcher analyses the financial performance of Bharat Petroleum

Corporation Limited using Ratio analysis. According to the researcher, BPCL should make sure that its earnings are sufficient to comfortably cover its interest costs while maintaining a balance between debt and equity. Additionally, BPCL ought to prioritize efficiency, innovation, and good stakeholder communication. He suggested that, Effective communication with stakeholders, analysts, customers, and politicians is essential for BPCL to establish trust regarding its financial stability and strategic direction.

**2. S. Praveen & R. Arun Prakash (2024)** published research paper on, "A Study on Financial Performance of Indian Oil Corporation Limited." This study's primary goal was to analyze Indian Oil Corporation Ltd.'s financial performance over a five-year span, from the 2018 fiscal year to 2023. The study concluded that Indian Oil Corporation Ltd. has effectively managed its finances and resources based on an analysis of its financial performance. To boost its liquidity during difficult times, the business should focus on expanding its assets and obtaining more funding to settle its existing debts. The researcher suggested that the business should make smart choices in order to retain and grow its ratio for as long as possible and to sustain its earnings.

**3. Kareena Sant (2023)** published research article about, "Work-Life Balance of Oil & Gas Public Sector Employees in India: A Survey." An overview of the work-life balance of employees in the public sector of oil and gas is given in this article. A questionnaire is employed as the study tool to gather data, and a quantitative research approach is selected. Researcher concluded that, managing personal and professional responsibilities is one of the main issues of the modern era. There is little doubt that firms may enhance employee work stress, role-expectation issues, and work-family connections by tackling this issue and putting support groups and training sessions into place.

**4. Dr. Ajay Bhardwaj, Tofeek Haldarva & Pragnaben Gohil (2022)** Studied Job Satisfaction for Employees In ONGC. The objectives of this study are to examine the employees' motivation, job satisfaction, and unhappiness at Ankleshwar as well as their attitude toward their work. Through surveys, questionnaire preparation, in-person meetings with respondents, and information gathering, primary data will be gathered. 100 responses from ONGC personnel will be included in the survey's sample size. The researcher recommended that the matric pattern be decreased and the hierarchical structure be expanded in order to increase the number of non-executive workers and the scientific method of study may be used to analyze the HRM policies and programmers in depth.

**Important Ratios to Measures Financial Performance:**

There are several ways to evaluate the company's financial performance. One of the most important methods is ratio analysis. The relationship between two figures is expressed mathematically as a ratio. Ratio analysis is a mathematical method that finds and evaluates numerical relationships using financial data as a foundation. We examine

the following crucial ratios in order to analyze financial performance:

**1. Net Profit Margin:** One important financial measurement that shows how much of a company's total income is net profit is the net profit margin. This ratio shows how well a business turns income into real profit after deducting all expenditures, such as interest, taxes, and operational expenses. A more net profit margin indicates good cost control and a strong financial position, whereas a lower margin can indicate inefficiencies or excessive expenses. For investors, analysts, and management, the net profit margin is an essential tool since it evaluates the company's capacity to turn a profit in relation to sales.

**2. Current Ratio:** The working capital ratio, sometimes referred to as the current ratio, is a crucial liquidity statistic in financial research. It evaluates how well a business can use its short-term assets to pay off its short-term liabilities. It indicates whether a company has enough easily accessible funds to pay off its debts and other liabilities that are due in less than a year. This ratio is calculated using current assets and current liabilities. Current Liabilities are debts that a business must pay off within a year, whereas Current Assets are assets that a business anticipates turning into cash within a year. The ratio is used by businesses to track their working capital and make choices regarding inventory control, receivables collection, and loan repayment.

**3. Inventory Turnover Ratio:** One important financial indicator for assessing a company's inventory management effectiveness is the inventory turnover ratio. It measures the number of times a business sells and replaces its stock over a given time frame, usually a year. The average inventory divided by the cost of goods sold (COGS) yields the ratio. COGS stand for the direct expenses of manufacturing the products that a business sells, whereas average inventory is the mean value of inventory for a given time period, which is determined by dividing the start and end inventory values by two. A company can make well-informed judgments about pricing, marketing, and purchasing by analyzing this ratio.

**4. Debt to Equity Ratio:** One important financial statistic for assessing a company's capital structure and financial leverage is the debt-to-equity (D/E) ratio. It indicates the percentage of funding that comes from creditors as opposed to owners by comparing a company's total liabilities (debt) to its shareholder equity. Given that a company with a high D/E ratio is highly dependent on borrowed funds, which raises its financial responsibilities and danger of insolvency, particularly during an economic downturn, the ratio aids in assessing financial risk.

**5. Earnings Per Share (Basic):** A popular financial indicator called earnings per share (EPS) calculates how much of a company's net income is distributed to each outstanding share of common stock. It is crucial for evaluating financial performance on a per-share basis and acts as an indicator of a company's profitability. Basic EPS is typically calculated by dividing net income (after preferred dividends are subtracted) by the weighted average number of outstanding common shares. A company with a greater EPS is often more profitable, which may

attract investors and raise the price of the stock.

**Data Analysis & Interpretation:**

**1. Net Profit Margin:**

| Years | Indian Oil | ONGC | BPCL | HPCL |
|---|---|---|---|---|
| March 2021 | 5.77 | 16.51 | 8.18 | 4.57 |
| March 2022 | 4.04 | 36.53 | 2.42 | 1.82 |
| March 2023 | 0.98 | 26.86 | 0.39 | -2.03 |
| March 2024 | 5.11 | 31.25 | 5.95 | 3.38 |
| March 2025 | 1.71 | 26.60 | 3.01 | 1.69 |
| **Total** | **17.61** | **137.75** | **19.95** | **9.43** |
| **Average** | **5.87** | **27.55** | **3.99** | **1.886** |

The net profit margin of a few major oil and gas companies during the previous five years is displayed in the above table. During the study period, HPCL had the lowest average net profit margin at 1.886 percent, while ONGC had the highest at 27.55 percent. Throughout the research period, HPCL had the lowest net profit margin in march 2023, at -2.03 percent, and ONGC had the highest, at 31.25 percent, in march 2024.

**2. Current Ratio:**

| Years | Indian Oil | ONGC | BPCL | HPCL |
|---|---|---|---|---|
| March 2021 | 0.73 | 0.86 | 0.93 | 0.70 |
| March 2022 | 0.76 | 0.98 | 0.76 | 0.70 |
| March 2023 | 0.75 | 1.29 | 0.77 | 0.59 |
| March 2024 | 0.69 | 1.58 | 0.88 | 0.61 |
| March 2025 | 0.67 | 1.40 | 0.82 | 0.60 |
| **Total** | **3.6** | **6.11** | **4.16** | **3.2** |
| **Average** | **0.72** | **1.222** | **0.832** | **0.64** |

The above table shows the current ratio for selected oil and gas companies in India over the last five years. During the research period, HPCL had the lowest average current ratio (0.64) and ONGC had the highest (1.222). During the research period, ONGC reached the highest current ratio in march 2024 while HPCL earned the lowest current ratio in march 2023.

**3. Inventory Turnover Ratio:**

| Years | Indian Oil | ONGC | BPCL | HPCL |
|---|---|---|---|---|
| March 2021 | 4.84 | 8.03 | 8.69 | 8.15 |
| March 2022 | 3.25 | 0.40 | 4.40 | 2.17 |
| March 2023 | 4.06 | 0.48 | 6.30 | 3.81 |
| March 2024 | 6.84 | 0.40 | 5.26 | 4.01 |
| March 2025 | 6.93 | 12.04 | 9.99 | 12.03 |
| **Total** | **25.92** | **21.35** | **34.64** | **30.17** |
| **Average** | **5.184** | **4.27** | **6.928** | **6.034** |

The inventory turnover ratio for the last five years of selected oil and gas companies is displayed in the above table. During the study period, BPCL had the highest average inventory turnover ratio (6.928 times), while ONGC had the lowest average inventory turnover ratio (4.27 times).

**4. Debt to Equity Ratio:**

| Years | Indian Oil | ONGC | BPCL | HPCL |
|---|---|---|---|---|
| March 2021 | 0.87 | 0.07 | 0.39 | 1.16 |
| March 2022 | 0.84 | 0.03 | 0.49 | 1.12 |
| March 2023 | 0.98 | 0.03 | 0.69 | 2.33 |
| March 2024 | 0.66 | 0.02 | 0.25 | 1.47 |
| March 2025 | 0.75 | 0.03 | 0.29 | 1.38 |
| **Total** | **4.1** | **0.18** | **2.11** | **7.46** |
| **Average** | **0.82** | **0.036** | **0.422** | **1.492** |

The debt to equity ratio for a few chosen oil and gas companies during the previous five years is displayed in the above table. During the study period, HPCL had the highest average debt to equity ratio (1.492 times), while ONGC had the lowest average debt to equity ratio (0.18 times). During the research period, ONGC had the lowest debt-to-equity ratio in march 2024, showing 0.02 times, and HPCL had the highest debt-to-equity ratio in march 2023, showing 2.33 times.

**5. Earnings Per Share (Basic):**

| Years | Indian Oil | ONGC | BPCL | HPCL |
|---|---|---|---|---|
| March 2021 | 23.78 | 8.94 | 96.44 | 70.57 |
| March 2022 | 26.34 | 32.04 | 41.31 | 44.94 |
| March 2023 | 5.98 | 30.86 | 8.78 | -63.26 |
| March 2024 | 28.77 | 32.21 | 125.21 | 103.58 |
| March 2025 | 9.41 | 28.31 | 31.07 | 34.61 |
| **Total** | **94.28** | **132.36** | **302.81** | **190.44** |
| **Average** | **18.856** | **26.472** | **60.562** | **38.088** |

The above table shows the earning per share (basic) of selected oil and gas companies from march 2021 to march 2025. The average EPS of Indian oil is less (18.856) and average EPS of BPCL is more (60.562) during study period.

**Conclusion:**

Significant differences in the financial performance of the major oil and gas firms may be seen when looking at net profit margins during the last five years. The strong profitability and operational effectiveness of ONGC, in contrast to HPCL's relatively low margins, point to difficulties with pricing, cost control, and market positioning over the reviewed period. There have been significant changes in short-term liquidity positions during the past five years, according to a review of current ratios for a few Indian oil and gas companies. ONGC was in a stronger

position to fulfill its immediate obligations as compared to other companies. Among the chosen companies, BPCL showed the most effective inventory management over the study period. As a result of strong demand, efficient inventory management, and optimized operating efficiency, BPCL was able to sell and restock its inventory more frequently than its competitors. The average debt to equity ratio of ONGC is lower than that of other companies. The average debt to equity ratio for all firms excluding HPCL is typically less than 1, and a good debt to equity ratio is frequently less than 1. It indicates that the majority of the funding for all oil and gas companies comes from stock and shareholder cash. A greater EPS indicates that the business is more profitable and that its shareholders are receiving greater earnings per share. When compared to other selected oil and gas companies, BPCL's average earnings per share is higher. This implies that BPCL exceeded other companies in terms of profitability per share, which would have improved earnings performance for its stockholders at the time.

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