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Performance of select Oil and Petroleum Companies in India with respect to Profitability and Liquidity Analysis

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Abstract

The paper compares the performance of select oil and petroleum companies in India. The performance explores with respect to profitability and liquidity analysis that covers a period of thirteen years from 2000-2001 to 2012-2013. The study mainly focuses on instability nature of finance and measures the financial soundness of the companies and performance of petro product in India. From the analysis, it may be concluded that some of the Oil and petroleum companies having fluctuating trend in the normal distribution of both ratios and directly affect on unfavorable of purchasing policies (Import), price competitions, there is a gap between demand and supply of product, failure with return on share holders' investment, uncontrollable expenses and low worth on earnings per share that seeks for profitability and liquidity of the company.

I. Introduction

OIL WAS FIRST produced in Titusville, Pennsylvania (USA) in 1859 by Edwin L Drake, who refined it into kerosene, which was then used as an illuminant. In the year of 20th century, kerosene, gas and electricity continued to compete as illuminants. While the use of gas an illuminant has virtually disappeared, a large population, especially in India, continues to use kerosene as illuminant. At the time of independence in 1947, the industry was controlled by international companies so; the industry meets as a scarcity of Indigenous expertise and technology (Satya, 2011). The petroleum industry is such an industry which has the largest earning capacity and high contribution of economic growth in India. The main functional areas of this industry are extraction of crude, refining crude, processing and

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ii. ONGC maintained a poor operating profit it was due to the long-term debt and inadequate profit on production. Therefore, the company should reduce debt capital; minimize their risk on production cost and proper maintenance on inventories.
iii. Essar and BPCL Ltd are having the lowest working capital comparing with other select Oil and Petroleum companies. So, it is suggested for these companies to frequently review on short-term liquidity issues, net working capital, loans and advances for improving the liquidity position.

5.2 *Conclusion*

From the analysis it may be concluded that select Oil and Petroleum companies have had greater fluctuation on profitability and liquidity position when compared with last decade. Its shows the clear picture that there is a gap between the demand and supply on product and consumption pattern in India. The final result shows the few Oil and Petroleum companies' profitability position is not satisfactory during the study period. Similarly, the analysis of liquidity ratios reveals that short-term liquidity, debtor's turnover ratio of the select Oil and Petroleum companies in India during the study period is satisfactory. From the overall observation it is clear that financial health of the company depends on the operating profit, net profit and working capital it will increase or decrease it will affect the profitability and liquidity of the company. Hence, respective companies will take necessary steps to minimize the risk on operating performance and short-term issues to improve profitability in forthcoming years.

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