



PROFILE AND SALES PERFORMANCE OF SELECTED OIL AND NATURAL GAS COMPANIES IN INDIA

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ABSTRACT

The Indian economy in 2014-15 has emerged as one of the largest economies with a promising economic outlook on the back of controlled inflation, rise in domestic demand, increase in investments, decline in oil prices and reforms among others. Petroleum and natural gas are contributing more than 40 percent of the country's conventional energy supply. The sector plays a critical role in determining India's energy security. Profile and Performance parameters of selected oil and natural gas companies have been presented in this study. Sales are the most important determinant for the development of the business. Oil and Natural Gas sales policy helps to increase the sales of the business. In oil and natural gas sector, the companies have to face some fluctuations in the sales due to pricing policy followed by the Government of India. Fluctuations in oil and natural gas prices adversely affect the revenues and sales. These fluctuations in price may lead to increase or decrease the financial risk of the sector. The present research work tries to analyse the sales performance of selected companies. For the study, a sample of six companies from oil and natural gas sector in India with a total asset more than 30,500 crores in the year 2013-14 has been selected. The study period is from 2004-05 to 2013-14. For analysing the sales performance of selected companies Trend analysis is used. To ascertain the trends of selected companies, 2005 has been taken as base year. Sales index of all sample companies has shown an increasing trend except OIL.

KEYWORDS : Hindustan Petroleum Corporation Ltd., OIL, Sales index, Profile, Performance parameters

INTRODUCTION

Oil and natural gas companies are of strategic importance and play a vital role in influencing decisions across other important spheres of the economy in India. It is one of the six core industries. The first oil industry was established in 1899 by the Assam Oil company to produce oil. The role of oil and natural gas sector in India in terms of GDP is very significant as it is one of the biggest contributors to both the Central and State Treasuries. India was seen as a market not as a producer. The Government's participation has made the oil and gas sector in the country a better target of investment. It attracts both foreign and domestic investment. To develop the oil and natural gas sector, Indian government is offering incentives in areas such as power tariff, concessional rate of interest on loans, subsidies for investment, tax, backward areas and land cost. For mega projects government is offering special incentives packages.

NEED OF THE STUDY

The study aims to present the profile and the performance parameters of selected oil and natural gas companies in General. It further aims to analyse sales performance of oil and natural gas companies in India specifically. The study has used the financial facts of the selected companies from 2004-05 to 2013-14.

SAMPLING DESIGN

The companies which have invested more than 30,500 crore in "Total Assets" during the year 2013-14 have been selected. They have been listed below.

Sl. No.	Company Name	Total Assets as on 31.03.2014
1	GAIL (India) Limited	51,321.36
2	Oil and Natural Gas Corporation Limited	2,20,651.67
3	Indian oil corporation	1,58,016.09
4	Bharat Petroleum Corporation Limited	53,385.12
5	Hindustan Petroleum Corporation Limited	61,309.46
6	Oil India Limited	30,628.13

OBJECTIVES OF THE STUDY

The following are the main objectives of the study:

- To present the profile of selected oil and natural gas companies in India
- To show the performance parameters of selected oil and natural gas companies during 2013-14.
- To analyse the sales performance of selected oil and natural gas companies in specific.

METHODOLOGY

The present study is based on secondary data and is collected from the compilation made by the Capitaline, Prowess, moneycontrol, indiastata, annual reports of selected companies, annual report of

ministry of oil and natural gas for a period of 10 years starting from 2004-05 to 2013-14. To analyse sales performance of selected companies Trend analysis is used.

PROFILE OF SELECTED COMPANIES

Profiles of the selected companies for the present study are presented below.

GAIL

GAIL (India) Limited which was incorporated in August 1984 as a Central Public Sector Enterprise (CPSE) under the ministry of Petroleum and Natural Gas (PNG), is one of the seven Maharatna Public Sector Undertakings. It is India's largest company dealing with marketing and transportation of Natural Gas, involved across the entire natural gas value chain including pipeline infrastructure and LNG terminals. The company was initially given the responsibility of construction, operation and maintenance of the Hazira – Vijaypur – Jagdishpur (HVJ) pipeline project. It was one of the largest cross-country natural gas pipeline projects in the world. Originally this 1800km long pipeline was built at a cost of Rs.17 billion and it laid the foundation for development of market for natural gas in India.

ONGC

Oil and Natural Gas Corporation is a Maharatna CPSE oil company. In the industry ranking list, ONGC stands at 23, globally, under the Oil and Gas operations industry. It is the leading player in upstream sector, accounting for 75 percent of country's oil output. ONGC is the major player of E&P in India. It is the country's most profitable company. It contributes 72 percent of India's total production of crude oil and 48percent of natural gas extraction and production. ONGC has established more than 7 billion tonnes of in-place hydrocarbon reserves in the country. It has discovered six production basins out of seven basins in India. It produces more than 1.27 Million Barrels of Oil Equivalent per day⁸³.

IOC

Indian Oil Corporation Limited is India's flagship Maharatna national oil company. It ranked 11 in Business India's list of super 100 companies. IOC is India's largest company by sales with a turnover of Rs.4149.09 billion and profit of Rs.50.05 billion for the year 2012- 13. It is the highest ranked Indian company in the latest Fortune „Global 500 listings, ranked at the 88th position. It focused mostly in the downstream sector owning around half of India's refineries. By venturing into Renewable and Nuclear Energy, the company has grown and evolved itself from a pure petroleum refining and marketing company to a full-fledged energy company.

BPCL

Bharat Petroleum Corporation Limited is a Navratna and Government of India Undertaking which came into existence on 24th January, 1976.

It is an integrated oil company in the downstream sector engaged in refining of crude oil and marketing of petroleum products. It has been ranked 225th in the Fortune Global 500 rankings of the world's biggest corporations for the year 2012. It has Refineries at Mumbai and Kochi with a combined refining capacity of 21.5 MMTPA. It is the second largest oil marketing company with market sales of 34.MMT and market share of 23.4 per cent.

HPCL

Hindustan Petroleum Corporation Limited is a Navratna and a Global Fortune 500 company, ranked at 260 with an annual gross sales of Rs.2,32,188 crore during 2013-14 and having a strong presence in Refining and Marketing in India with about 21 percent marketing share and 18 percent refining capacity in the PSU category in the country. HPCL has the second largest share of product pipelines in India with a pipeline network of more than 2,500 km for transportation of petroleum products.

OIL

Oil India Limited was incorporated as private limited company in 1959. In 1981 it became a wholly owned Union Government Enterprise. It is a Navratna company under the Ministry of PNG, Government of India. OIL is the second largest national oil and gas company in India as measured by total proved plus probable oil and natural gas reserves and production. It has carved a niche as a premier Indian national oil company engaged in the upstream sector with a share of 10 percent of Crude oil production and over 6 percent of Natural gas production. OIL is engaged in the business of exploration, development and production of crude oil and natural gas, transportation of crude oil and production of LPG.

Financial Performance of Selected Companies

Table-1

Performance Parameters	GAIL	ONGC	IOC	BPC L	HPCL	OIL
Authorised Capital(Rs./Crore)	2000.00	15000.00	6000.00	450.00	350.00	2000.00
Paid up Capital(Rs./Crore)	1268.48	4278.00	2427.95	361.54	338.63	240.45
Govt. equity in the PSU(%age)	57.35	69.23	78.92	54.93	51.11	78.43
Gross Turnover(Rs./Crore)	40281.00	76887.00	40995.69	22239.37	188130.95	9863.23
PAT(Rs./Crore)	3654.00	25123.00	3954.62	1311.27	911.43	3446.92
Debt equity ratio(Ratio)	0.25	0.00	1.30	1.54	0.66	0.00
Reserves & Surpluses(Rs./Crore)	20356.00	108679.00	55448.75	14552.32	12783.51	1748.89
Networth(Rs./Crore)	21449.00	111784.00	57876.70	14913.86	13123.00	1772.134
Dividend paid / payable(Rs./Crore)	1104.00	8342.00	1213.98	397.70	287.83	1142.15
Dividend as a %age of PAT(%age)	30.20	33.20	30.70	30.33	31.58	33.14
EPS(Rs.)	29.00	29.36	16.29	36.27	26.92	57.34
Total outstanding loan(Rs./Crore)	5347.00	4500.00	75447.29	22993.69	29831.24	1013.00

The table 1 shows the performance parameters of selected oil and natural gas companies during 2013-14. ONGC has highest paid up Capital of Rs.4278 Crore and lowest paid up Capital by OIL about Rs.240.45 Crore. IOC, GAIL, BPCL and HPCL have paid up capital of Rs.2427.95 Crore, Rs.1268.48 Crore, Rs.361.54 Crore and Rs.338.63 Crore respectively. Highest Government equity in the public sector unit was in IOC (78.92 percent) and OIL (78.43 percent) and lowest was made in HPCL (51.11 percent). IOC has maximum gross turnover of Rs.4,09,956.97 Crore and OIL has minimum gross turnover of Rs.9,863.23 Crore. ONGC has the highest profit after tax of Rs.25,123 Crore, BPCL has maximum debt equity ratio of 1.54 among the sample companies, which indicates that they have to take effective measures to reduce their debt. ONGC has paid highest dividend to its shareholders of Rs.8,342 Crore. ONGC protects the shareholders wealth. OIL has highest earnings per share of Rs.57.34. IOC has highest outstanding loan Rs.75,447.29 Crores among the sample companies.

SALES PERFORMANCE OF SELECTED COMPANIES

The following table shows the sales trends of the selected oil and

natural gas sector for the present study from 2004-05 to 2013-14.

TABLE 2						
Trends in Sales Performance of Sample Companies						
(Values in Percentage)						
YEAR	GAIL	ONGC	IOC	BPCL	HPCL	OIL
2005	100.00	100.00	100.00	100.00	100.00	100.00
2006	105.45	103.28	125.53	133.34	117.97	141.90
2007	111.23	117.97	123.59	126.19	126.02	97.17
2008	112.30	105.67	113.44	113.24	115.72	112.80
2009	131.40	106.34	122.00	119.48	117.29	119.15
2010	103.94	94.15	88.30	90.44	87.51	130.52
2011	129.99	114.03	122.95	124.19	124.05	122.63
2012	124.24	112.00	119.33	136.24	131.71	84.93
2013	117.60	108.35	111.31	112.65	114.62	100.86
2014	120.91	101.07	105.81	108.13	107.65	96.63
MEAN	115.71	106.28	113.22	116.39	114.25	110.66
S D	10.37	6.76	11.50	13.72	12.35	16.85
C.V	8.96	6.36	10.16	11.79	10.81	15.23

The table 2 reveals that the sales index of all sample companies had shown an increasing trend from the base year levels to a maximum level of 120.91 (2013-14) in GAIL, 108.13 (2013-14) in BPCL, 107.65(2013-14) in HPCL, 105.80 (2013-14) in IOC and 101.07 (2013-14) in ONGC, except OIL, it shows decreasing trend from the base year levels to a maximum level of 96.63 (2013-14). Majority of the years the sales index had increased above the base year during the study period in all the companies.

Sales index of GAIL had increased above the base year level for 9 years. ONGC, IOC, BPCL and HPCL had increased above the base year level for 8 years. The table 3.15 shows that the trends in sales of sample companies have exhibited an upward trend fluctuation in all the companies. The mean value of sales index had come to nearly 119.49 in BPCL, 117.45 in HPCL, 116.42 in IOC, 115.71 in GAIL, 110.66 in OIL and 107.09 in ONGC. It is evident from the above table that the C.V of sales index measure is 15.23 percent in OIL, 8.93 percent in BPCL, 7.30 percent in HPCL, 6.92 percent in IOC, 8.96 percent in GAIL and 5.28 percent in ONGC. It is clear from the study that the sales index of ONGC and GAIL are more consistent. Other sample companies BPCL, HPCL, IOC and OIL are less consistent in sales index.

CONCLUSION

Profiles and performance parameter of Indian Oil and Natural Gas Companies have been presented. Detailed study pertaining to the topics trends in sales performance of selected oil and natural gas companies presented. Sales index of all sample companies has shown an increasing trend except OIL. Majority of the years the sales index had increased above the base year. It is clear from the study that the sales index of ONGC and GAIL are more consistent. Other sample companies BPCL, HPCL, IOC and OIL are less consistent in sales index.

¹Indian Economic Survey 2014-15 Highlights, 27 Feb 2015, KPMG FLASH NEWS, KPMG IN INDIA, IES 2014-15.

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