



ORIGINAL RESEARCH PAPER

Management

“STUDY ON PROFITABILITY AND LIQUIDITY ANALYSIS OF O.N.G.C. AND OIL INDIA: AN INDIAN PERSPECTIVE”

KEY WORDS: Profitability, liquidity, PBDIT, PBIT, PBT, RONE, CR, QR, ITR, DPR and ERR

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ABSTRACT

Oil drilling and Exploration Industry play a vital role in development of any country. In present research paper an attempt has been made to study the financial performance of two selected units of Oil Drilling and Exploration Industry i.e. O.N.G.C. and Oil India with special reference to profitability and liquidity. The present study covers the five-year period of both units. Profitable ration is measured in terms of PBDIT, PBIT, PBT, Net profit and RONE, Liquidity ratio is measured in terms of current ratio, quick ratio, ITR, DPR and ERR for the time period 2015 to 2019. It can be said from the research study that profitability and liquidity position of O.N.G.C. is better than Oil India.

INTRODUCTION

Oil Drilling and Exploration is crucial to the development of modern economy and is considered to be backbone of human civilization. The level of per capita consumption of Oil is treated as an important index of the level of socio-economic development and living standard of the people in any country. It is a product of a large and technological complex industry having strong forward and backward linkages in terms of material flows and income generation. Oil Drilling and Exploration Industry was the vanguard in the liberalization of industrial sector and has made rapid strides since then. The current global Oil Drilling and Exploration Industry is in its best position in comparison to last decades. The supreme crisis has lead to the recession in economy of different countries, which may lead to have a negative effect on whole Oil Industry in coming years. However, Oil production and consumption will be supported continuous economic growth. Therefore, its financial performance is vital for development of any nation. Profitability and liquidity analysis of O.N.G.C. Oil India could play a significant role in this regard.

2. Review of Literature:

(Al-Homaidi et al., 2021) has made the empirical study to investigate the factors that affect the profitability of 1308 companies listed on Bombay Stock Exchange (BSE) during the period of 2011 to 2018. The author has concluded that the companies has the strong relationship with the profitability by the ROE of the company. The results also reveal that company efficiency and firm size have a positive association with firms' profitability measured by ROE and EPS.

(Kirkham, 2012) has conducted the study using the traditional ratios for measuring the liquidity position of the companies. Author has also done the computation between the traditional ration and the cash flow ratio for getting the result of liquidity analysis. For the study author has taken 25 companies from the same industry over the time period of 5 years. The author concludes that there is a difference alive between the traditional liquidity ratio and cash flow ratio.

3. Research Methodology:

- 3.1 Objectives of the study
- 1. To analyzed liquidity position of selected Companies.
- 2. To study profitability of selected Companies.
- 3. To make suggestions of improvement of financial soundness.

4. Analysis and Interpretation of Data: -

Table 4.1 Profitability Ratios of ONGC and Oil India with T-Value

YEAR	2019	2018	2017	2016	2015	Mean	S.D	T-value	TV	Ho/H1
PBDIT										
ONGC	53.12	52.81	49.71	50.61	46.33	50.51	7.55	0.19	2.77	Ho
OIL INDIA	50.37	50.63	50.31	51.01	49.26	50.31	0.42			

3.2 Hypothesis of the study

- H₀1: There is no significant difference in PBDIT of O.N.G.C. and Oil India.
- H₀2: There is no significant difference in PBIT of O.N.G.C. and Oil India.
- H₀3: There is no significant difference in PBT of O.N.G.C. and Oil India.
- H₀4: There is no significant difference in net profit of O.N.G.C. and Oil India.
- H₀5: There is no significant difference in RONE of O.N.G.C. and Oil India.
- H₀6: There is no significant difference in current ratio of O.N.G.C. and Oil India.
- H₀7: There is no significant difference in quick ratio of O.N.G.C. and Oil India.
- H₀8: There is no significant difference in inventory turnover ratio of O.N.G.C. and Oil India.

3.3 Sampling Plan: - Oil drilling and exploration sector is very wide as the researcher as selected only two companies. Namely O.N.G.C and Oil India for the present research paper, so that the research study can be completed in time.

3.4 Period of data collection: The time period for data collection is for five years i.e is from 2015 to 2019. the logic for selecting this time duration is complete available require data for the said time period.

3.5 Sources of data collection: The present research study is based purely on secondary data. The secondary data has been collected from publish annual report of selected companies.

3.6 Techniques of data collection:Ratio analysis is the techniques apply for the present research paper. Basically, too ratios have been calculated.

- A. Profitability Ratio
- B. Liquidity Ratio

3.7 Analysis and interpretation data: Require data has been collected from for publish annual reports of selected companies. Collected have been tabulated in suitable tables and data presented in the tables has been analyzed and interpreted by applying ratio analysis. Mean and S.D have been calculated. Hypotheses have been tested by applying T-Test.

PBIT										
ONGC	38.72	35.78	34.02	36.3	32.51	35.46	4.98	-3.25	2.77	Ho
OIL INDIA	39.47	38.71	38.84	41.36	41.74	40.02	39.65			
PBT										
ONGC	36.45	34	32.45	30.43	32.5	33.18	4.98	0.4	2.77	Ho
OIL INDIA	28.51	34.81	22.56	35.23	38.25	31.87	39.65			
NET PROFIT										
ONGC	24.37	23.47	23.03	20.81	21.39	22.61	2.18	0.31	2.77	Ho
OIL INDIA	18.85	25.03	16.28	23.57	25.75	21.89	17.07			
ROCE										
ONGC	13.16	10.31	9.64	9.73	12.26	11.02	2.54	1.61	2.77	Ho
OIL INDIA	9.33	9.55	5.32	9.23	11.66	9.39	8.32			

(Sources: Annual Report of O.N.G.C and Oil India from 2015 to 2019)

Above table shows that

- PBDIT was ranging from 46.33% to highest 53.12% in ONGC and 49.26% to 51.01% in oil India during 2015-2019. Mean of PBDIT of both companies is almost same.
- PBIT was ranging from 32.51% to highest 38.72% in ONGC and 38.71% to 41.74% in oil India during 2015-2019. Mean of PBIT of oil India is higher than ONGC.
- PBT was ranging from 30.43% to highest 36.45% in ONGC and 22.56% to 38.25% in oil India during 2015-2019. Mean

of PBT of ONGC is higher than Oil India.

- Net Profit was ranging from 20.81% to highest 24.37% in ONGC and 16.28% to 25.75% in oil India during 2015-2019. Mean of Net profit of ONGC is higher than Oil India.
- ROCE was ranging from 9.64% to highest 13.16% in ONGC and 5.32% to 11.66% in oil India during 2015-2019. Mean of ROCE of ONGC is higher than Oil India.

Testing of hypothesis:-

According to T-Test, H₀ is accepted for PBDIT, PBIT, PBT, Net profit and ROCE.

Table 4.2 Liquidity Ratios of ONGC and Oil India with T-Value

YEAR	2019	2018	2017	2016	2015	Mean	S.D	T- value	TV	H ₀ /H ₁
CR										
ONGC	0.61	0.44	1.55	1.72	1.57	1.17	0.36	-3.38	2.77	H ₀
OIL INDIA	1.4	1.85	3.56	6.32	3.72	3.37	3.76			
QR										
ONGC	0.44	0.3	1.23	1.41	1.26	0.92	0.26	-3.43	2.77	H ₀
OIL INDIA	1.25	1.61	3.23	5.88	3.46	3.08	3.37			
ITR										
ONGC	14.14	12.7	12.6	13.78	13.9	13.42	0.51	11.07	2.77	H ₀
OIL INDIA	11.26	9.88	8.67	9.75	9.45	9.8	0.88			
DPR										
ONGC	35.91	38.92	53.17	30.47	45.83	40.86	78.11	-3.23	2.77	H ₀
OIL INDIA	50.17	63.98	96.55	56.58	47.89	63.03	390.17			
ERR										
ONGC	64.09	61.08	46.83	69.53	54.17	59.14	78.11	3.23	2.77	H ₁
OIL INDIA	49.83	36.02	3.45	43.42	52.11	36.96	390.17			

(Sources: annual report of O.N.G.C and Oil India from 2015 to 2019)

Above table shows that

- CR was ranging from 0.44 to highest 1.72% in ONGC and 1.4% to 6.32% in oil India during 2015-2019. Mean of CR of oil India is higher than ONGC.
- QR was ranging from 0.30% to highest 1.41% in ONGC and 1.25% to 5.88% in oil India during 2015-2019. Mean of QR of oil India is higher than ONGC.
- ITR was ranging from 12.6% to highest 14.14% in ONGC and 8.67% to 11.26% in oil India during 2015-2019. Mean of ITR of ONGC is higher than Oil India.
- DPR was ranging from 30.47% to highest 53.17% in ONGC and 47.89% to 96.55% in oil India during 2015-2019. Mean of DPR of oil India is higher than ONGC
- ERR was ranging from 46.83% to highest 69.53% in ONGC and 3.45% to 52.11% in oil India during 2015-2019. Mean of ERR of ONGC is higher than Oil India.

Testing of hypothesis:

According to T-Test, H₀ is accepted for CR, QR, ITR, and DPR. According to T-Test, H₁ is accepted for ERR.

5. Major Findings of the study:

1. PBDIT is higher in ONGC than Oil India during 2019 and 2018. but higher in oil India than ONGC during 2017, 2016 and 2015. Thus, there is mix trend of PBDIT.
2. PBIT higher in oil India than ONGC during 2015 to 2019. Thus, there is upward trend of PBIT in Oil India than

ONGC.

3. PBT and Net Profit is higher in ONGC than Oil India during 2019 and 2017 But higher in Oil India than ONGC during 2018, 2016 and 2015. Thus, there is mix trend of PBT and Net Profit.
4. ROCE higher in ONGC than Oil India during 2015 to 2019. Thus, there is upward trend of ROCE in ONGC than Oil India.
5. CR and QR is higher in oil India than ONGC during 2015 to 2019. Thus there is upward trend of CR and QR in Oil India than ONGC.
6. ITR and DPR is higher in oil India than ONGC during 2015 to 2019. Thus there is upward trend of ITR and DPR in Oil India than ONGC.
7. RONE is higher in ONGC than Oil India during 2015 to 2019. Thus there is upward trend of DPR in ONGC than Oil India.

6. SUGGESTION:

1. There is need of stability for PBDIT for the both selected companies.
2. ONGC needs to increase PBIT so that both companies can show upward trend.
3. There is need of stability for PBT for the both selected companies.
4. There is need of stability for Net Profit for the both selected companies.
5. Oil India needs to increase RONE so that both companies can show upward trend.
6. CR of ONGC is less than ideal CR 2:1 during entire study

period and in oil India During only 2019 and 2018 so both companies try to maintain an Ideal CR in future.

7. QR of ONGC is very less during entire study period and in oil India during only 2019 and 2018 so both companies try to maintain higher QR in future.
8. ITR of oil India is less than ONGC during entire study period so oil India needs to improve ITR in future.
9. DPR of oil India greater than ONGC during entire study period so ONGC needs to Improve DPR in future.
10. ERR of ONGC higher than Oil India during entire study period so oil India needs to Improve ERR in future.

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