

Analysis of Profitability, Liquidity and Solvency of Navratna Oil Companies (With Special Reference to Hindustan Petroleum Organization Ltd and Bharat Petroleum Organization Ltd)

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Abstract

Money related investigation can be characterized as a prepare that assesses commerce, budgets, ventures and substances. This assessment is done with the reason of deciding the appropriateness for speculation by a trade. Ordinarily, the most reason of monetary examination remainstowardsscrutinize the productivity, fluidity and dissolvability of a commerce; every corporate is conducted primarily to gain benefits. The sum of benefit earned measures the proficiency of a trade. Profitability alludes to a firm's capacity to win income and maintain its development in long-term and short-term. The victory of the company more often than not depends on its returns earned, keeping the liquidity prospects in see. Ordinarily, it could be a troublesome errand to tradeoff between the liquidity but imperils the productivity. On other hand, dissolvability alludes to an enterprise's capacity to meet its long-term money related commitments.

Keywords: Profitability, Liquidity, Affluence, Trend Analysis

Statement of the Problem

The relationship between profitability also liquidity has remained a source of contradiction among specialists, analysts, proficient budgetary investigators and indeed administrations of profit-oriented businesses. Subsequently, sees on the real relative significance of each in trade endeavors have proceeded to vary. Liquidity administration and productivity are very imperative issues within the development and survival of commerce and the capacity to handle the trade-off between the two a source of concern for monetary directors. Liquidity administration and productivity are exceptionally crucial within the headway, survival, supportability, development and execution. Advantage does not interpret to liquidity in all cases. A company may be beneficial without fundamentally being fluid. Hence, liquidity ought to be overseen in arrange to get an ideal level, that's, a level that dodge overabundance liquidity which may decipher to destitution of thoughts by administration.

Targets of the Ponder

The following are the Important Objectives

- To analyze the trend and growth of preferred oil enterprises.
- In the direction of examine the profitability position and its slant concerning chosen oil companies.
- To analyze the liquidity position and its slant of chosen oil companies.
- To consider the dissolvability position of the chosen oil companies.

Audit of Writing

The audit of writing leads the way analysts for discovering way awareness of strategy utilized, restriction of distinctive open assessment methods and catalogue, clear illustration and compromise concern the clashing comes about. Other than this, the survey about exploratory ponders investigates the roads for future and display explore endeavors related to the topic. In instance regarding clashing besides unforeseen comes about, these explore can take the plus of information their investigators basically through the medium of their conveyed works. A number based on inquire approximately considers have been passed out on particular perspectives of execution evaluation every investigator, financial examiners and academicians in India and overseas. Distinctive creators have analyzed execution in numerous viewpoints. An audit of these examinations is imperative cutting-edge orchestrate to develop an approach that can be utilized within the setting of the ponder of Hindian car commerce. Thus, every display subdivision overviews the experimental considers related with diverse points belonging to view of Money related Productivity.

Pany (1991) has looked for to distinguish components which impact corporate budgetary execution. Vital mechanical hallmarks which have been utilized side by side mechanical organization examiners as the determinants of financial execution are concentration, showcase share, industry development, inquire almost and headway use, notice concentrated, and estimate of firms within the fabrication. These characteristics may allow firms to be in a higher position to execute their methodologies successfully and productivity. Subsequently, firms may reflect prevalent execution on account of favorable mechanical hallmark.

ArttaBandhu Jena (2015)" in their study an attempt was made the Hindustan Petroleum Organization Ltd (HPCL) from the accessible bookkeeping information and monetary explanations. That think about points at analyzing the in general budgetary productivity of the HPCL by utilizing different monetary instruments. Encourage, to degree the viability of the above-mentioned company proportion investigation strategies has been utilized as instrument to supply appropriate proposals and suggestions for this think about. That ponder with respect to productivity examination of HPCL, it is found that it is exceptionally troublesome assignment to preserve perfect proportions in such a huge organization. There are different micro and macro affecting the proportion investigation like credit approach, stock administration framework, generation cycle, etc., but it is exceptionally imperative to oversee it incircumstances.

Mohd. Yameen and Izhar Ahmad (2015) in their study an attempt was made the objective of the think about is to judge the effect of corporate administration hones on the shareholders riches and money related execution of the organization. The inquire about technique is based on the auxiliary source of data. In arrange to assess the budgetary execution and effect of corporate administration on shareholders riches the different theories have been formulated which are tested thought test and proportion investigation. The analysts have found that the corporate administration hones have a positive effect on shareholders riches as well as monetary execution of the organization. The think about corers a period of 16 years which shows 8 a long time study some time recently and 8-year consider after the execution of the corporate administration.

Methodology

Hypothesis Survey

Those following hypotheses are formulated in order to test profitability, liquidity, and solvency of selected companies

- H1 - There's no noteworthy relationship between real and slant esteem of benefit of/selected companies.
- H2 - There's no critical relationship between genuine and slant esteem of liquidity of chosen companies.
- H3 - There's no critical relationship between genuine and drift esteem of dissolvability of chosen companies.

Sample Selection

To perform the research study, a sample of two companies Hindustan Petroleum Corporation Ltd and, Bharat Petroleum Corporation Ltd from, Indian Navrathna oil companies has been purposively selected.

Information Collection

The display ponder is basically based on auxiliary information. The information was collected, from distributed sources just like the distributed yearly reports of companies which have been collected from the official site of the chosen Indian oil companies, different books, periodicals, diaries, proposition and websites. The papers displayed by specialists in different conferences have moreover been surveyed.

Tools Used

The financial performance in the light of profitability, liquidity and solvency from the point of view of administration, owners and lenders, the various tools like ratio analysis, arithmetic cruel, standard deviation, coefficient of fluctuation, compound, yearly development rate, trend analysis and chi square test have been extensively used...

Findings

a) Operational Analysis

1. The operating profit margin ratio of Bharat Petroleum Corporation Ltd had highest mean, followed by Hindustan Petroleum Corporation Ltd
2. Net profit margin ratio, of Bharat Petroleum Corporation Ltd had highest mean, and followed by Hindustan Petroleum Corporation Ltd.
3. The operating expenses ratio of Bharat Petroleum Corporation Ltd had highest mean, followed by Hindustan Petroleum Corporation Ltd

b) Profitability

1. In ROCE Hindustan Petroleum Ltd had highest mean, followed by Bharat Petroleum Corporation Ltd.
2. The return on total assets, of Bharat Petroleum operation Ltd had highest mean, followed by Hindustan Petroleum Corporation Ltd

c) Assets Management

1. The total assets turns of Bharat Petroleum Corporation Ltd Had highest mean, followed by Hindustan Petroleum Corporation Ltd.

2. The working capital turnover ratio of Hindustan Petroleum Corporation Ltd had highest mean, followed by Bharat Petroleum Corporation Ltd.
3. The inventory turns of Bharat Petroleum Establishment Ltd had highest mean, followed by Hindustan Petroleum Corporation Ltd.

d) Profitability Resource

1. The return on shareholders' fund of Bharat Petroleum Corporation Ltd had highest mean, followed by Hindustan Petroleum Corporation Ltd.
2. In earning per share Bharat Petroleum Company Ltd had highest mean, followed by Hindustan Petroleum fabrication Ltd.

e) Distortions of Earnings

1. Those dividend per share, of BPCL had highest mean, and followed by Hindustan Petroleum Corporation Ltd.
2. The dividend yield ratio of Bharat Petroleum Corporation Ltd had highest mean, followed by Hindustan Petroleum Corporation Ltd.

f) Market Indicators

1. The price earnings ratio of Hindustan Petroleum Corporation Ltd had highest mean, followed by Bharat Petroleum Corporation Ltd

g) Liquidity

1. The current ratio of Hindustan Petroleum Corporation Ltd had highest mean, followed by Bharat Petroleum Corporation Ltd.
2. The quick ratio of Bharat Petroleum Corporation Ltd had highest mean, followed by Hindustan Petroleum Corporation Ltd.

h) Leverage

1. The debt-equity ratio of Hindustan Petroleum Corporation Ltd had highest mean, followed by Bharat Petroleum Corporation Ltd.
2. The debt to assets ratio of Hindustan Petroleum Corporation Ltd had highest mean, followed by Bharat Petroleum Corporation Ltd.

Trend Analysis

1. The least square trend values of net profit are showed an average annual decrease of both selected oil companies. The H0 was accepted for Hindustan Petroleum Enterprise Ltd and Bharat Petroleum Organization Ltd.
2. The least square trend values of ROCE is showed one average annual decrease of both selected oil companies. The H0 was rejected of Hindustan Petroleum Organization Ltd and Bharat Petroleum Enterprise Ltd.
3. Least square trend values of liquid ratio are showed an average annual increase of Hindustan Petroleum Corporation Ltd and Bharat Petroleum Corporation Ltd has decreased value.
4. The least square trend values of debt-equity ratio are showed an average annual increase in Hindustan Petroleum Corporation Ltd and Bharat Petroleum Corporation Ltd has decreased value. The H0 was accepted for both companies.

Suggestions

The following suggestions were offered through this study for the better performance of the selected units.

1. Taken a toll bookkeeping and fetched review ought to be made obligatory in oil industries and they ought to be called to get ready taken a toll sheet in conjunction with their yearly money related statement.
2. It is recommended that still there's require for oil item businesses to embrace creating and offering wide seethe items, to receive superior advertise methodology, by diminishing fetched and reexamining offering costs to improve the esteem of turnover so as to go ahead within the competitions.
3. The selected oil companies ought to keep up the palatable and great working benefit, net profit, current and speedy proportions to pay current liabilities in time and profit the short-term showcase use. But the both companies would also improve the short-term liquidity position and fulfill to partners.
4. The long-term dissolvability position of the company was palatable. The company needs to follow standard standards to preserve a sound dissolvability position.
5. The company ought to minimize their costs, so that they can keep up their liquidity position in a secure zone.

Resolution

In this study an attempt has been made to analysis the overall financial performance of the organization, i.e. Hindustan Petroleum Corporation Limited and Bharat Petroleum Corporation Limited. The study showed that comparatively Bharat Petroleum Corporation Limited showed better performance in all aspects of financial performance than Hindustan Petroleum Corporation Limited. However, both companies have to improve in their liquidity position. Some of the suggestions are made through this study for the better performance of selected companies. Early implementations of suggestions made through this study will leads to better performance of selected company in future.

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