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"Comparative Analysis Of IOC Ltd And ONGC Ltd"

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ABSTRACT:-

The stability of a company's financial position is linked to its fundamentals. The fundamentals offer details about a company. A company's fundamentals are strong if it is growing profitably, at a healthy rate, has few debts, and has adequate cash on hand. To ascertain a company's fundamentals, one must do a thorough analysis of its financial statements rather than concentrating on the day-to-day variations in its stock price. Equity researchers usually utilize fundamental analysis to ascertain the intrinsic value of a company's shares. If the stock of a corporation trades for more than its fair value or intrinsic value, it is overvalued. If the price of a stock is lower than its intrinsic worth, it is considered undervalued. Nonetheless, the bulk of firms' share prices if you closely monitor the stock markets, it never aligns with the fair value. Day traders and other investors who want short-term investing opportunities often invest in those stocks regardless of the companies' long-term growth prospects. However, long-term investors usually ignore short-term share price volatility and choose to invest in companies with solid fundamentals. a variety of ratios, including gross profit, quick, debt-to-equity, and current ratios.

KEYWORDS: - analysis, intrinsic value, stock market, share price, current ratio, and gross profit ratio all type of ratio include

INTRODUCTION:-

Oil and Natural Gas Corporation (ONGC) and Indian Oil Corporation Limited (IOCL) are stalwarts within India's energy sector, serving as linchpins in the nation's pursuit of self- sufficiency and environmental sustainability. Established by the Indian government on August 14, 1956, ONGC, headquartered in New Delhi and under the auspices of the Ministry of Petroleum and Natural Gas, stands as the preeminent government-owned entity engaged in oil and gas exploration and production across the country. Acquiring Maharatna status in November 2010, ONGC commands a significant share of India's energy market, contributing approximately 70% of the nation's crude oil production and 84% of its natural gas output. Its operational reach extends far and wide, encompassing more than 11,000 kilometers of pipelines and exploration activities in 26 sedimentary basins. Furthermore, ONGC's global footprint is exemplified through its subsidiary, ONGC Videsh, which is actively involved in projects across 17 nations. Through astute investments in cutting-edge technologies such as Enhanced Oil Recovery (EOR) and Improved Oil Recovery (IOR), ONGC has managed to sustain production levels even in mature fields, ensuring a steady supply of hydrocarbons to meet India's energy demands. Conversely, Indian Oil Corporation Limited (IOCL) stands as another cornerstone of India's energy landscape, tracing its origins to the Ministry of Petroleum and Natural Gas and operating from its headquarters in New Delhi. As the largest government-owned oil company in India and ranked 212nd on the Fortune Global 500 list in 2021, IOCL commands a formidable presence in the market, holding sway over nearly half of the nation's petroleum product market share. The company's operations are multifaceted, spanning various sectors such as refining, marketing, research and development, and exploration. With 11 refineries boasting a combined annual refining capacity of 80.7 million tons, IOCL

plays a pivotal role in ensuring energy security for the nation. Its extensive pipeline network, stretching over 13,000 kilometres, facilitates the seamless distribution of finished products and crude oil across India's diverse geographic landscape. Despite their divergent areas of focus, ONGC and IOCL share common goals of driving innovation and sustainability within the energy sector. Both entities are committed to advancing technological frontiers to enhance efficiency and reduce environmental impact. For ONGC, this involves pioneering research in methods like EOR and IOR to optimize production from existing reservoirs and minimize environmental footprint.

Similarly, IOCL places a strong emphasis on research and development, particularly in areas such as biofuels and alternative energy sources, to diversify its energy portfolio and reduce reliance on fossil fuels. Moreover, both companies play pivotal roles in India's economic development and national security. ONGC's contributions to domestic energy production ensure a stable supply of hydrocarbons, reducing the nation's dependence on imports and bolstering its energy security. Similarly, IOCL's expansive refining capacity and distribution network play a critical role in meeting the energy needs of various sectors, ranging from transportation to agriculture, thus driving economic growth and development.

In conclusion, ONGC and IOCL stand as pillars of India's energy sector, driving innovation, sustainability, and economic development. Through their relentless pursuit of excellence and commitment to technological advancement, these companies continue to play instrumental roles in shaping India's energy landscape and ensuring a brighter, more sustainable future for the nation and its citizens.

LITERATURE REVIEW:-

Bhavesh A. Prabhakar, Dr. Gurudutta P. Japee (2023**)** an analytical study of Abuja cements ltd. And acc ltd. based on various profitability measurements The Indian cement industry plays a vital role in the country's economic development, contributing significantly to the country's GDP and providing employment to millions of people. The current analytical study focuses on two Major players in the industry, Ambuja cements ltd. and ACC ltd. The main objective of these study to measure the profitability based on sales and related to overall return on assets / investments of Ambuja cements ltd. and ACC Ltd. The study analyses the financial statements of both companies for the period of December 2017-2021 using various profitability ratios (EBITDA margin ratio, EBIT margin ratio, net profit margin ratio, and return on capital Employed and return on assets) and also use statistical analysis. (Average, minimum, maximum, standard deviation, coefficient of variation and compound annual growth rate). In summary, Ambuja cements ltd. Appears to be more profitable in terms of EBITDA margin ratio, EBIT margin ratio, and net profit margin ratio. However, ACC ltd. appears to be more effective in generating returns from its capital investments and using its assets to Generate profits. The coefficient of variation is relatively high for the net profit margin ratio and EBIT margin ratio for ACC ltd. and it is relatively high for the ROCE for Ambuja cements ltd., indicating a greater degree of variation In these ratios compared to the other ratios. The EBIT margin ratio and net profit margin ratio for both companies show a steady increase in their growth rates, while the ROCE and ROA ratios show a slight increase in their growth Rates. The study provides useful insights for investors and other stakeholders interested in analyzing the profitability of these companies. Jitesh Ramani, Dr. Arvind Saxena(2023) working capital analysis of fertilizer companies in India. India, a major agricultural nation with a large population, leads in food grain consumption. Fertilizers have a rich history in Indian agriculture, playing a key role in improving crop production. They're like a lifeline for farms, enhancing yield. Understanding different types of fertilizers is vital for farming success. This study focuses on the financial health of fertilizer companies, much like how a healthy body needs blood. Effective working capital management is crucial for a company's survival. In this research, we explore the working capital and growth of India's Fertilizer Company, considering inventory management, working capital correlation, and financial ratios. pappu damodaram 2021-“significance of petroleum industries and global oil crises impact on Indian economy”- Many companies count presently on merchandise by primitive oil, as well as insufficient oil solutions may endanger a different country’s development and so increase living costs. By the elevated ingestion of oil by producing parts of the world has got raised the marketplace demand and price for oil in the community marketplace. The prediction of world-wide energy make use of through the OECD as well as non-OECD countries concerning 2018 and 2030 displays and buildup of 11.2% as well as 71% correspondingly to get oil by the present energy methods.

Hence, this paper presents the hypothetical analysis of petroleum industry in India. Kristian S. 2016 Gould- Human Reliability Analysis in Major Accident Risk Analyses in the Norwegian Petroleum Industry-, Major accidents in the petroleum industry can have severe consequences for people and the environment, as seen in recent cases such as the Deep-water Horizon. Human factors have been shown to play an important role both

in the cause and mitigation of these accidents. However, major accident risk analyses in the oil and gas industry has previously not included assessments of human reliability. As part of our company's overall safety strategy, we have recently made an effort to apply human reliability assessments in major accident risk analyses of offshore activities such as drilling and production of oil. This paper outlines our strategy for use of human reliability assessment, our experiences from practice, and methodological challenges that must be improved for it to become established in the offshore petroleum industry.

RESEARCH DESIGN AND DATA COLLECTION METHOD RESEARCH DESIGN

The research design is the logic or master plan for a study that outlines how it will be carried out. It shows how each of the study's essential components the samples or groups, the measurements, the treatments or programming, and so on work together to attempt to answer the research questions. An architectural plan is like a research design. The research design can be defined as the implementation of logic in a series of procedures to maximize the accuracy of data for a specific research topic. The researcher must employ easily available information and statistics, analyze them, and then critically evaluate the content in this study utilizing an analytical research approach.

POPULATION:-

- All of the listed companies in the petroleum industry could be considered the population for this study.
- Bharat Petroleum Corporation limited
- Coal India Limited
- GAIL(India) limited
- Hindustan petroleum Corporation limited
- Indian oil Corporation Limited
- NTPC Limited
- Oil & natural gas Corporation Limited
- Power Grid Corporation of India Limited
- Steel Authority Of India limited

SAMPLING:-

As the research is based on secondary data. In this study out of Navratna Companies We have taken two companies by the using random Sampling method.

DATA COLLECTION TECHNIQUES:-

For Our research Study We selected secondary data source. With the use of this data we can do evaluation. Some of Secondary data source are as below.

- Annual report of the company
- Statistical statement provided by petroleum companies Various Company websites

DATA ANALYSIS TOOLS AND TECHNIQUES:-

- For undertaking economy analysis economic indicators are used as tools. The economic indicators taken into consideration.
- For the Analyses the Data of Trend and Ratios we Will use MS Excel

OBJECTIVES:-

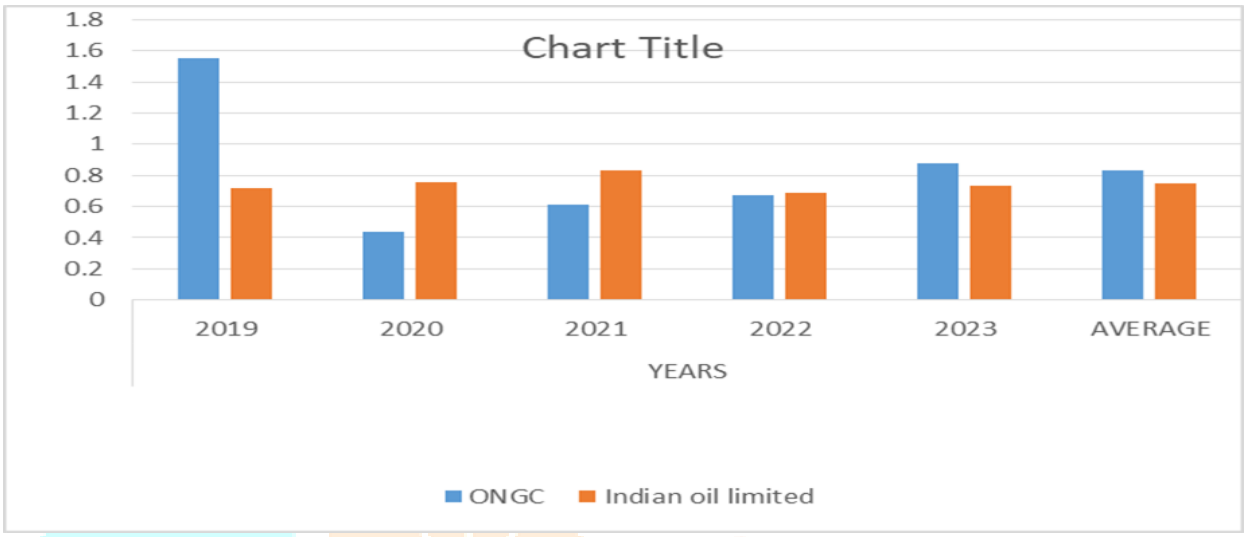
- To Analyze Financial Efficiency of IOC Ltd. (Indian Oil Corporation) and ONGC Ltd. (Oil and Natural gas Corporation).
- To compare the financial Performance of the IOC Ltd .and ONGC Ltd.
- To Evaluate the Profitability & Liquidity of IOC Ltd. and ONGC Lt

RESULT

CURRENT RATIO:

The current ratio represents the connection between current assets and current liabilities. It aims to assess a firm's ability to meet its current obligations. To calculate this ratio, use the formula below.

CURRENT RATIO = CURRENT ASSETS / CURRENT LIABLITIES

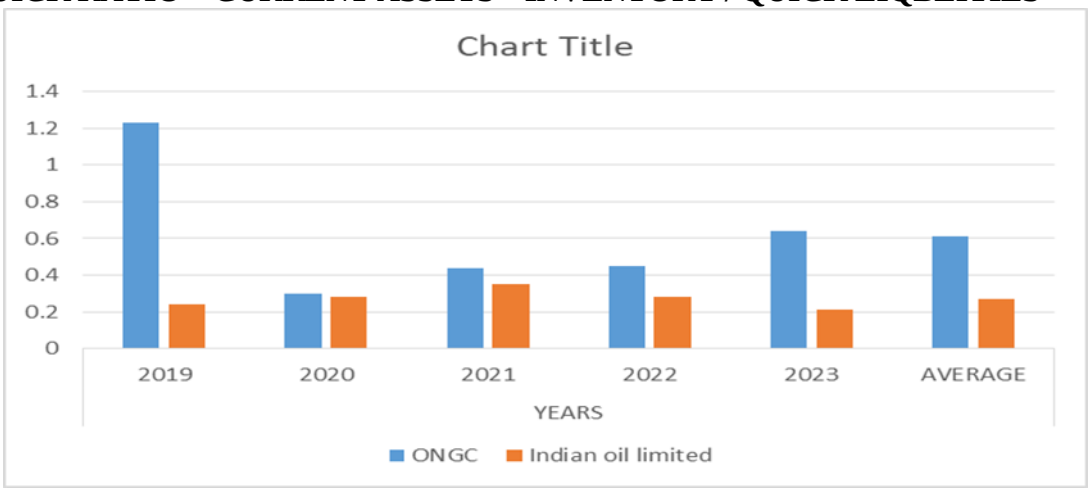


The chart below shows the current ratios for the five organizations described above, calculated using data from 2019 to 2023. A 2:1 current ratio is considered ideal. ONGC has the highest current ratio of the two companies. As a result, it is evident that the ratio has greatly lowered, suggesting more efficient resource allocation, whereas the other company's ratio is the lowest; if it is less than 2, its liquidity is weak. It implies that it may be unable to satisfy its obligations if they become due in the near future.

QUICK RATIO:

The Quick Ratio is also known as the Acid Test or Liquid Ratio. It exists along with the present ratio. The acid test ratio is a more stringent test that analyses if a corporation will be able to repay its short- term obligations when they become due. The quick ratio establishes the relationship between due. The following formula is used to compute this ratio.

QUICK RATIO = CURRENT ASSETS – INVENTORY / QUICK LIQBLITIES

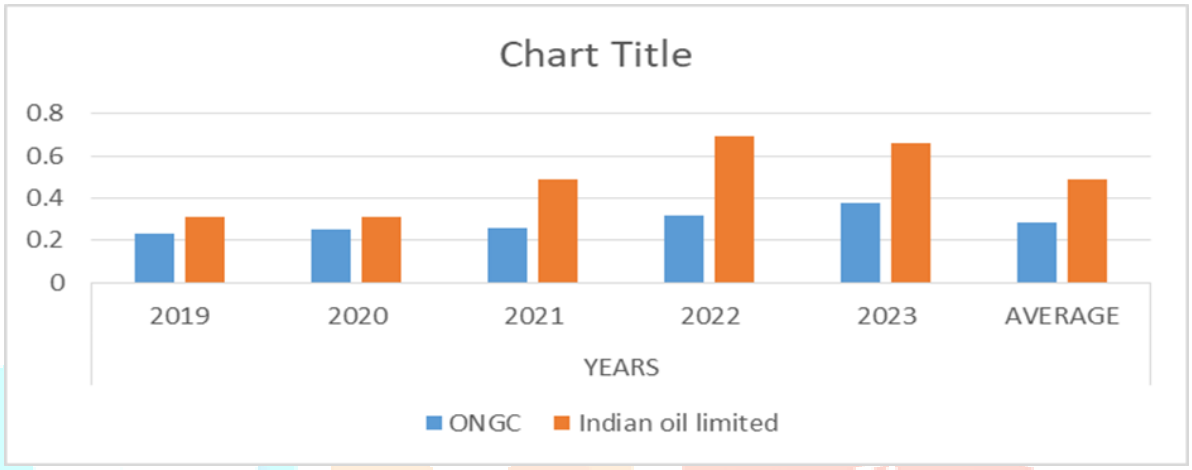


A quick ratio of 1:1 is considered acceptable. Both companies' ratios are less than one. The company has a high quick ratio, which allows it to explore investing extra cash in more profitable ventures or returning it to shareholders in the form of increasing dividend payments. A company with a quick ratio less than 1 may be unable to fully pay off its current liabilities in the short term, but a company with a fast ratio more than 1 can immediately eliminate its current liabilities

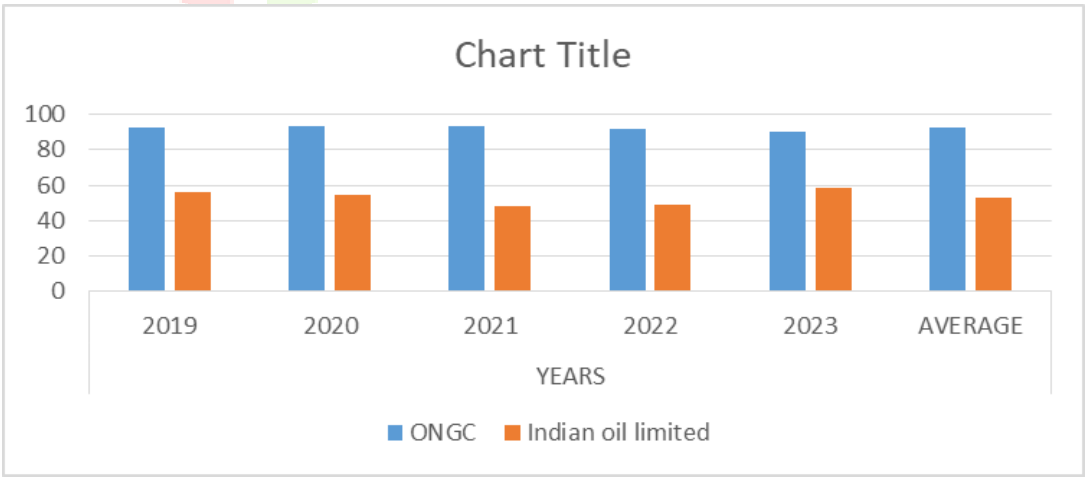
DEBT EQUITY RATIO:

This ratio is also known as external - Internal Equity Ratio. This ratio is used to determine the firm's liabilities to creditors in relation to the funds invested by its owners. The optimal Debt to Equity Ratio is 1:1. This ratio also compares all external liabilities to owner-recorded claims. It could be calculated as.

DEBT EQUITY RATIO = TOTAL DEBT / NETWORTH



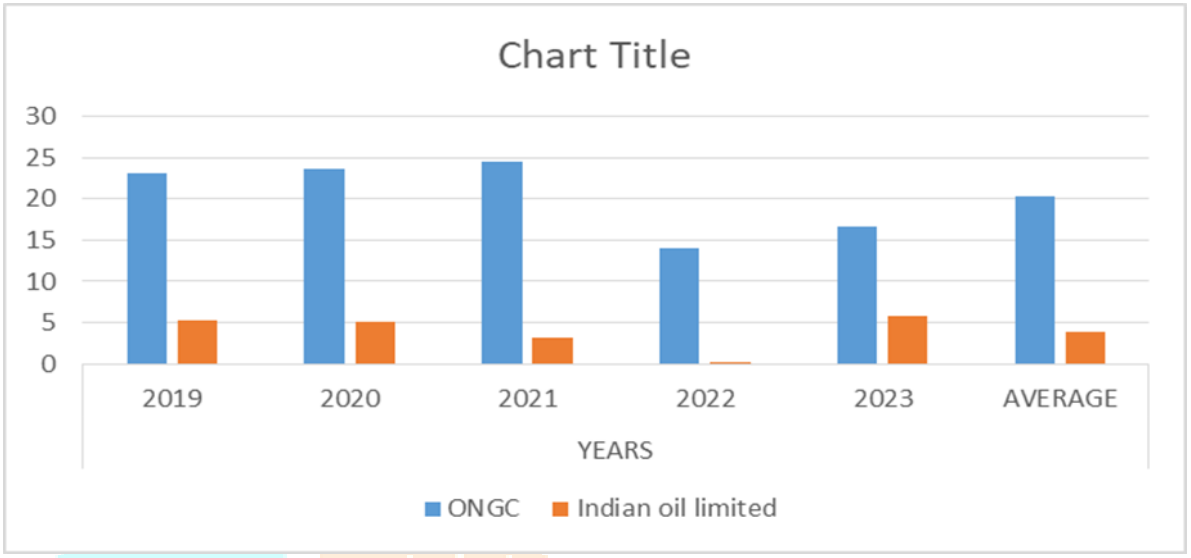
According to research, lower debt-to-equity ratios indicate less risk. A larger debt-to-equity ratio is undesirable since it indicates that the organization becomes more dependent on external lenders, putting it at greater risk, particularly at higher interest rates. Typically, it is preferable to have a debt-to-equity ratio of less than 1.0. If both companies have a debt equity ratio of less than 1.0, it shows that the company is obtaining more of its funding by borrowing money, which exposes the company to possible danger if debt levels are excessive.



GROSS PROFIT RATIO:-

The gross profit ratio defines the link between gross profit and net sales. This ratio is computed by dividing gross profit by total sales. It is usually expressed as a percentage. To determine this ratio, the following formula is employed.

GROSS PROFIT RATIO = GROSS PROFIT / NET SALES * 100



As per the above-mentioned facts, ONGC has a gross profit ratio of 92%, which is good. Indian Oil Limited's gross profit ratio ranges between 50% and 70%, reflecting that the company is healthy when considering the costs associated with manufacturing its products and services. In short, the higher the figure, the more efficient management is at earning profit for every dollar of cost involved.

NET PROFIT RATIO:

Net profit ratio is also termed as sales margin ratio (or) profit margin ratio (or) net profit to sales ratio. This ratio reveals the firm's overall efficiency in operating the business. Net profit ratio is used to measure the relationship between net profit (either before or after taxes) and sales. This ratio can be calculated by the following formula.

NET PROFIT RATIO = PAT / NET SALES *100

ONGC has a higher net profit margin than Indian Oil Limited. A good net profit margin can be attributed to operational efficiency and company gearing levels. Indian Oil Limited's net profit margin is declining, resulting in a loss, hence investors may be hesitant to invest in those companies.

RETURN ON SHAREHOLDERS FUND:

The return on capital employed ratio evaluates the link between profit and capital employed. This ratio is also known as the return on investment ratio. The phrase return refers to profits or net profits. The word "capital employed" refers to all investments made in the firm.

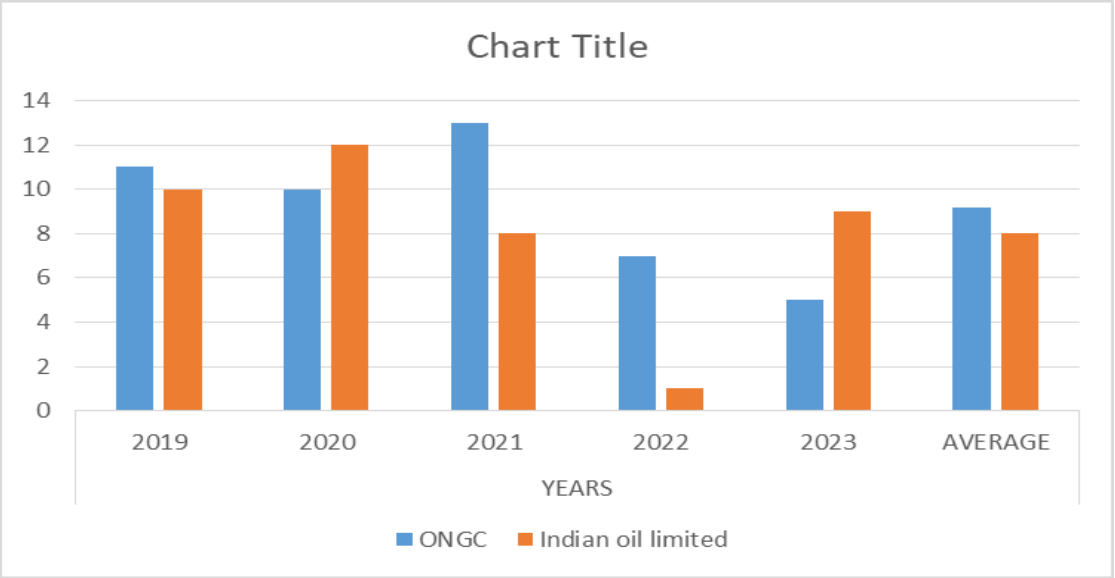
RETURN ON SHAREHOLDER'S FUND = PAT/ SHAREHOLDER'S FUND*100

According to the data, Indian Oil Limited has a shareholder fund. So the investor wanted to invest in this company. ONGC provides lower returns on shareholder funds, hence investors may be hesitant to invest in these organizations.

RETURN ON ASSETS RATIO:

The return on assets ratio, also known as the return on total assets, is a profitability ratio that calculates the net income generated by total assets during a given period by comparing net income to the average total assets. In other words, ROA measures how efficiently a company can manage its assets to generate profits over time. The following formula is used to compute ROA.

RETURN ON ASSETS RATIO = NOPBIT/AVERAGE TOTAL ASSETS



The return on total assets ratio measures how well a company's investments generate value, making it an important efficiency measure for businesses. According to the data, ONGC has a strong return on assets ratio. It indicates the corporation may earn more money with a lower investment. India Oil Limited has an 8% return on assets ratio, which is a reasonable return on assets.

CONCLUSION:-

The study concluded that ONGC regularly has the highest current ratio among the five organizations, demonstrating efficient resource allocation. In contrast, the other company's continually low ratio signals insufficient liquidity, which could jeopardize its capacity to satisfy short-term obligations. A fast ratio less than 1 indicates probable difficulties in paying off short-term loans rapidly, but a higher ratio may indicate prospects for investments or dividends. Lower debt-to-equity ratios indicate lower financial risk, whereas ratios greater than one indicate increasing reliance on borrowed funds, which can be dangerous. ONGC has a high gross profit ratio of 92%, indicating great profitability, whereas Indian Oil Limited's 50% to 70% range suggests good cost control. Despite ONGC's increased profitability, Indian Oil Limited's falling profit margin raises concerns regarding potential Losses harm investor trust. Investors may choose Indian Oil Limited because of its better return on shareholder capital, whereas ONGC provides lower returns, thereby reducing its appeal. ONGC's high return on assets ratio indicates efficient investment returns, although Indian Oil Limited's 8% ratio is still deemed decent. I conclude the the ongc has better performance and an investor can invest in shares of the once for the long term growth.

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