Financial Performance Analysis of Hindustan Petroleum Corporation Limited

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Abstract- *The oil and gas sector is a significant player among India's eight major industries, as it plays a critical role in shaping the decisions for other essential segments of the economy. With a consumption volume ranked only behind China and the USA, India stands as the world's third-largest consumer of gasoline.The entire oil sector, including Hindustan Petroleum Company Limited (HPCL), saw a widespread fall in demand for petroleum products in the aftermath of the Covid19 epidemic. Following the COVID-19 epidemic, HPCL is gradually making a comeback.A company's financial performance serves as a gauge of how well it can employ its resources in its core activities of generating income. It is clear from a careful reading of many literature studies that there has been a lot of research done on the financial performance analysis of petroleum companies prior to the COVID-19 outbreak. The majority of the secondary data sources used in this study. The researcher used data from the five-year period between 2017–18 and 2021–22 to analyse HPCL's financial performance. Ratio analysis is a method used to assess a company's financial performance by looking at its profitability, liquidity, solvency, and efficiency before and after the epidemic.This methodology provides insights into the company's financial health and can help identify areas that require improvement or optimization.This analysis shows that HPCL gets highly affected by the Covid-19 Pandemic in the area of Liquidity, Efficiency, and Profitability, and get lowly affected in the area of Solvency and Earning capacity. But in every aspect, the company's recovery from the pandemic is in a positive manner.*

Keywords- Financial performance, Covid-19 pandemic, HPCL, Ratio analysis.

I. INTRODUCTION

The oil and gas sector is a vital component of India's economy and is classified as one of its eight core industries. It wields significant influence in shaping decisions for other major sectors of the country. India ranks as the third-largest fuel consumer globally, trailing only China and the USA. Despite this, India currently consumes just 6% of the primary energy generated worldwide, and its per-capita energy consumption remains below the global average.From FY 2001–2002, India has been a net exporter of petroleum products. Since August 2009, India has also been the largest exporter of petroleum products in Asia.The Ministry of Petroleum and Natural Gas has been given a total budgetary allocation of INR 8,939.86 crore for the fiscal year 2022–23.India is predicted to have an 11% share of the world's oil consumption and a 500% increase in gas demand, making it a desirable location for investment and cooperation. Many public sector companies are owned and successfully run by the government under this Oil and Gas industry. As there is a huge never-ending demand for the products of this never-ending business, Investors will be on the safer side in the share market.

HPCL, which is based in Mumbai, India, specializes in the refining of oil and gas. Since 2018, the majority ownership of the company has been held by the Oil and Natural Gas Corporation (ONGC).HPCL has been recognized as the 367th largest corporation in the world on the 2016 Fortune Global 500 list. The company was incorporated in 1974 and the Indian Government announced the acquisition of HPCL by ONGC on July 19, 2017. ONGC subsequently acquired the entire 51.11% stake on January 30, 2018, thus becoming the majority owner. The company offers a range of products including petroleum, natural gas, LNG, lubricants, and petrochemicals.As of March 2022, companies total Revenue is ₹352,352 crore. The current Net Worth of HPCL is 38677.04 crore.In the wake of the Covid19 pandemic, the entire oil industry, including Hindustan Petroleum Corporation Limited (HPCL), saw a general decline in demand for petroleum products. In March and April 2020, there was a sharp decline in crude oil prices, which then partially recovered.In April 2020 compared to April 2019, sales were down by 62% and 55%, respectively. In June 2020 compared to June 2019, sales were up by about 85%. Hence after the covid 19 pandemic, HPCL is slowly recovering in a positive way. This Research is on the Analysis of the financial performance of HPCL during the Covid 19 pandemic and also on Post pandemic (2017-22).

STATEMENT OF THE PROBLEM

Financial performance is a crucial measure of a company's ability to efficiently utilize its resources to generate revenue from its primary operations. It also serves as a broad indication of the company's overall financial health in the long term. By examining a company's financial performance, investors can gain insight into its overall health and stability. Financial performance also offers a quick overview of the economic situation and management effectiveness. Finance is the bedrock of all business activities, making financial performance a vital aspect of any company's success.In my opinion **“Finance is like water for human beings. Without water, humans will not survive likewise Without Finance the business will not survive”**. As a result, it is crucial to use the company's financial statement to analyze its financial performance.

This Research is mainly based on analyzing the financial performance of the HPCL by using Ratio Analysis which is one of the main types or ways of financial performance analysis.

II. REVIEW OF LITERATURE

A Research Paper by **IzarAhmad**(2016) entitled “Analysis of Financial Performance of Hindustan Petroleum CorporationLimited”. In order to assess the financial performance of HPCL, a comprehensive analysis was conducted, including an evaluation of the company's liquidity, solvency, efficiency, and profitability. The analysis spanned a 15-year period from 2000 to 2015 and utilized both ratio analysis and multiple regression analysis. Through this examination, it was determined that the company's ability to meet current obligations was unsatisfactory and that profitability exhibited significant fluctuations. In light of these findings, it was recommended that management prioritize efforts to improve profitability and adhere to standard norms of liquidity within the company.

A Research paper by **Ajay Maheshwari**(2017) entitled “Impact of Working Capital Management on Liquidity, Profitability,and Risk: A Case Study of Hindustan Petroleum CorporationLimited (HPCL)”. The researcher's primary objective is to investigate the relationship between profitability and liquidity, and profitability and risk by utilizing simple and multiple regression equations based on least-squares principles. The research focuses on a time period from 2006 to 2016. The results indicate a positive correlation between liquidity and a firm's profitability. The findings suggest that companies should invest in current assets to achieve greater liquidity, which will result in increased profitability. Additionally, the study recommends that companies should maintain a reasonable level of risk and working capital to ensure greater profitability.

A Research Paper by **Dr. Satya Ranjan Doley**(2018) entitled “Profitability Analysis Of Hindustan Petroleum Corporation Limited And Bharat Petroleum Corporation Limited: A Comparative Study”. To analyzethis organization profitability, the researcher used eight ratios. The ratios utilized are the gross profit ratio, net profit ratio, operating profit ratio, return on gross capital employed ratio, operating ratio, interest coverage ratio, total assets turnover ratio, and operating expense ratio. found that throughout the course of five years, Bharat Petroleum Corporation Limited's ratios are greater than those of Hindustan Petroleum Corporation Limited (2012-2017). Over the same time period, only Hindustan Petroleum Corporation Limited's operating ratio was higher than Bharat Petroleum Corporation Limited's.

A Research Paper by **M.Yameen and I. Ahmad** (2015) entitled, “Impact ofCorporate Governance Practices on Financial Performance of Hindustan PetroleumCorporation Limited”. A study was conducted to analyze the impact of corporate governance principles on an organization's operational efficiency, financial success, and shareholder wealth. The research findings suggest that implementing corporate governance principles has a positive impact on Hindustan Petroleum Company Limited's overall financial performance.

A Research Paper by **HarvinderSingh and PraveenKumar** (2014) entitled,“Capital Structure Analysis of Oil Industry-An Empirical Study of HPCL, IOCL & BPCL”.The primary goal of the study was to compare the debt and equity performance of various firms in order to analyse their capital structures. To examine the capital structure, they used a variety of financial statistics, including the debt-to-equity ratio, proprietary ratio, solvency ratio, fixed interest coverage ratio, and financial leverage ratio. The researchers discovered that the organisations performed well because their rates of income and reserves were higher than their rates of interest. The researchers suggested employing loan capital rather than share capital to raise money, which might potentially boost the wealth of the owners.

A Research Paper by **Khatik, S.K. and Thakur. V**(2017) entitled,"Profitability Position Of OilAnd Natural Gas Corporation Limited".After careful analysis, it has been found that operational profits are advantageous for the company, its management, and its stakeholders. Conversely, the return on invested capital provides benefits to external stakeholders.

A Research Paper by **Sugandharaj Kulkarni** (2011) entitled, “A Study onfundamental Analysis of ONGC”.In this study, an analysis was conducted on the economic factors that have a direct or indirect impact on ONGC's performance. The study found that "fundamental" refers to the financial stability of a company. In order to gain insight into the share price movements beyond the daily fluctuations, a fundamental analysis was performed. Investors who hold equity in a company are interested in understanding the intrinsic value of its shares. The research highlighted the importance of a systematic and logical approach to estimating future earnings and corporate success, which is not solely dependent on a company's efforts but also on prevailing market and industry conditions.

LITERATURE GAP

It is evident from the abovementioned examination of empirical studies that the researcher has handled the many elements of financial performance analysis. A literature review reveals that numerous studies have investigated the financial performance of the petroleum industry. However, none of these studies evaluated the impact of the Covid-19 pandemic on the liquidity, solvency, and efficiency of **Hindustan Petroleum Company Limited**. To address this gap in previous research, this study aims to conduct a comprehensive analysis of HPCL’s profitability, liquidity, solvency, and efficiency during and after the pandemic period by utilizing ratio analysis of the previous five years (2017-2022).

OBJECTIVE OF THE STUDY

1. To analyze Hindustan Petroleum Company Limited's financial performance in terms of liquidity, solvency, earnings, efficiency, and profitability.
2. To measure and evaluate the performance of HPCL during and after the Covid-19 pandemic period in respect of profitability, liquidity, earnings, solvency, and efficiency of the company.

III. METHODOLOGY OF THE STUDY

This research utilizes Secondary Data.This research analyses the financial performance of Hindustan Petroleum Company Ltd before, during, and after the Covid-19 epidemic using data from five years, from 2017–18 to 2021–22. While the pandemic year is 2020, this research also covers the three years prior—2017–18 to 2019–20—to enable the researcher to assess and gain a better knowledge of HPCL's financial performance before, during, and after the epidemic (2020-22). The non-financial data have been left out of this research. The researcher's own firsthand research yielded the information, which was then published on the websites of Hindustan Petroleum Company Limited's annual reports. Ratio analysis will be used in this study to examine the company's liquidity, solvency, effectiveness, earnings, and profitability. Both the current ratio and the quick ratio will be used to assess liquidity. The debt to equity ratio and the interest coverage ratio will be looked at in terms of solvency. The inventory turnover ratio and asset turnover ratio will be used to calculate efficiency. The return on equity, return on capital invested, return on asset, and net profit ratios will be used to evaluate profitability. The examination of earnings per share, dividends per share, and price earnings ratio will also be used to look into the company's earning potential.

Liquidity ratios-Liquidity refers to a corporation's capacity to meet its immediate obligations promptly.

Quick ratio-The quick ratio indicates how well a company can meet its short-term obligations with its readily available liquid assets, without relying on selling inventory or obtaining additional financing. If you can promptly turn an asset into cash, it is liquid. An acceptable current financial situation is often thought to be one with a quick ratio of 1 to 1. Quick Ratio = Current Assets – (Stock + Prepaid Expenses) / Current Liabilities

Current ratio-The current ratio is calculated by dividing a company's current assets by its current liabilities. This ratio provides a quick snapshot of the company's financial health and its ability to meet short-term obligations. A current ratio of 2:1 is considered a satisfactory benchmark for most organizations. Current Ratio = Current Assets / Current Liabilities.

Solvency ratio-The capacity of a business to fulfill its long-term debts or commitments is referred to as "solvency".

Interest coverage ratio-The interest coverage ratio evaluates a corporation's capacity to meet its interest payment obligations as per the contract. It shows the correlation between a company's earnings before interest and taxes (EBIT) or operating profit and its fixed interest rates on loans.Interest Coverage Ratio = EBIT / Interest Charges

Debt to Equity ratio-The debt-to-equity ratio is a measure of the relative amounts of debt and equity employed by a company to finance its assets. Another name for this ratio is the external-to-internal equity ratio. Debt-Equity Ratio = Debt / Equity

Efficiency ratios-A firm invests money on a variety of assets in order to increase sales and profit. Also, the amount of sales is strongly impacted by how well assets are handled. The better the asset management, the higher the sale and profit amount.

Asset turnover ratio-is a metric that measures the effectiveness of a company in generating revenue relative to its asset costs. This ratio is commonly utilized to evaluate a business's ability to utilize its assets efficiently to generate income. Assets Turnover Ratio = Sales / Total Assets

Inventory turnover ratio-is a metric that measures a company's ability to efficiently produce and sell its products. It shows how average inventories and the cost of products sold are related. A high inventory turnover ratio is a sign of excellent inventory control and implies that the business is managing its inventory well.Inventory Turnover Ratio = Costs of Goods Sold / Average Inventory

Profitability ratio-A company is said to be profitable if it can produce enough money to cover its liabilities. A financial performance substitute is how profitability is defined. Also, it is one of the key goals of the organization's administration.

Return on capital employed-is a financial metric that measures the profitability and efficiency of a company by analyzing the relationship between earnings and the amount of capital invested. This ratio is critical for assessing a company's overall profitability and effectiveness.

Return on asset-reflects the relationship between a company's net profit after taxes and the assets employed to generate that profit. This financial metric measures the effectiveness of a company's use of assets to generate profits. Return on Assets = Net Profit after Tax / Average Total Assets

Return on equity-It calculates the return on the company's equity and preference shareholders' initial investments. It specifies return on owners' funds, to put it another way.

Net profit ratio-The relationship between the company's net sales and net profit after tax is explained by the net profit. Also, it shows how well the business is managed in terms of production, sales, administration, and other operations.Net Profit Ratio = Net Profit after Tax / Net Sales x 100

Earnings ratio- speaks about the company's returns for its shareholders or investors.

Earnings per share-The total amount of dividends corresponding to every single outstanding share of a particular corporation are shown as the Dividend Per Share (DPS). With a high degree of precision, investors may forecast the income they can anticipate from a company on a per-share basis using the dividend per-share formula.Earnings Per Share= (Net Income – Preferred Dividends) / (Weighted Average of Shares Outstanding).

Dividend per share-The total amount of dividends corresponding to every single outstanding share of a particular corporation are shown as the Dividend Per Share (DPS). With a high degree of precision, investors may forecast the income they can anticipate from a company on a per-share basis using the dividend per-share formula.Dividend Per Share = Total Dividends Paid / Shares Outstanding

Price earnings ratio-It reflects the premium that investors are ready to pay over the company's earnings per share. A high P/E ratio is often seen favorably since it indicates that the market has great hopes for the company's possible future earnings. As a result, there may be more prospects for investing and the stock of the company may be worth more on the market.P/E Ratio = Market Price per Share/Earnings Per Share

IV. FINDINGS AND ANALYSIS

Table no 1 – Showing Liquidity ratios

LIQUIDITY RATIOS		
Year	**Current Ratio**	**Quick Ratio**
2017-18	0.78	0.39
2018-19	0.76	0.40
2019-20	0.65	0.32
2020-21	0.70	0.24
2021-22	0.70	0.20

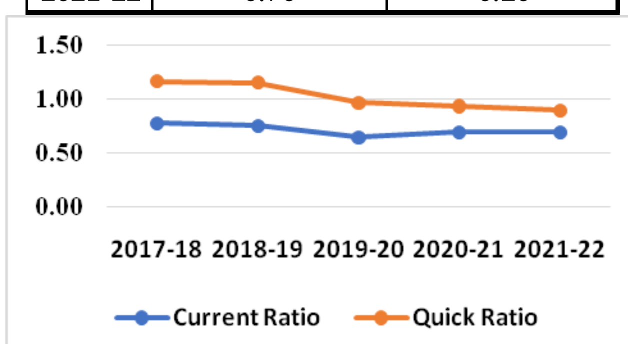

Figure 1
[Source Taken from Annual Reports Of HPCL]

Analysis: According to standard financial analysis, the recommended Ideal Ratios for the current ratio and Quick

Ratio are 2:1 and 1:1 respectively. Nonetheless, it is clear from a close examination of Table no. 1 that the company's current ratios and quick ratios fall short of these advised standards. The study period in the year 2017–18 saw the present ratio at its peak (0.78), and the study period in the year 2019–20 saw it at its lowest (0.65).However, the maximum and minimum quick ratio values are 0.40 and 0.20, respectively, in the years 2018-19 and 2021-22.Analysis revealed that HPCL's liquidity position does not adhere to the required standards for the liquidity ratio. Also found that after the pandemic year (2020-21), the current ratio remains constant but the quick ratio declined in the next year (2021-22). This suggests that the business is significantly dependent on its inventory and may be seriously short on other liquid assets.The graph of the current ratio and quick ratio from 2017-18 to 2021-22 is shown in Figure 1.

Table no 2- showing Solvency ratios

SOLVENCY RATIOS		
Year	Debt To Equity Ratio	Interest Coverage Ratio
2017-18	0.82	17.24
2018-19	0.89	13.86
2019-20	1.33	3.38
2020-21	1.16	16.57
2021-22	1.12	13.51

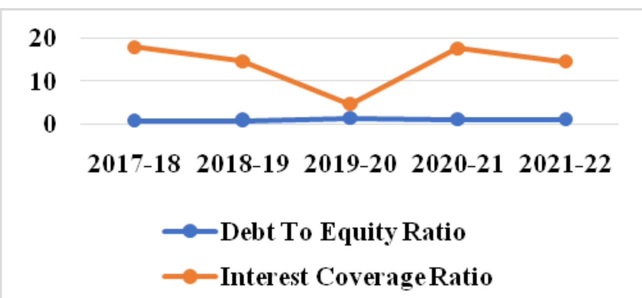

Figure 2
[Source Taken from Annual Reports of HPCL]

Analysis: The debt-to-equity ratio was highest in the year 2019-20, at 1.33, and lowest in the year 2002–2003, according to Table No. 2. The debt-to-equity ratio continues to be higher than 1 to 1 after 2019-20, according to research data. The debt-to-equity ratio's rising trend indicates that, with some fluctuations, the company is using more debt to finance its operations. Also found that after the pandemic year (2020-21), the company started using more debt as compared to before the pandemic period (2017-19). In the case of the Interest coverage ratio, The higher in the year 2017-18 i.e.17.24, and the lowest in the year 2019-20 i.e. 3.38.A higher interest coverage ratio indicates that the company is in a stronger financial position, as it has the ability to meet its interest obligations and attract more external funding. Also found that during and after the pandemic, The interest coverage ratio is in a good stage. Hence investors are not get affected after the pandemic period. In overall, the solvency of the company is slowly recovering from the pandemic in a fluctuating manner.The graphs of the debt-to-equity ratioand interest coverage ratio from 2017-18 to 2021-22 are shown in Figure 2.

Table no 3- Showing Efficiency Ratios

EFFICIENCY RATIOS		
Year	Inventory Turnover Ratio	Asset Turnover Ratio (%)
2017-18	11.91	2.53
2018-19	13.63	2.65
2019-20	14.04	2.35
2020-21	8.15	1.77
2021-22	2.17	0.02

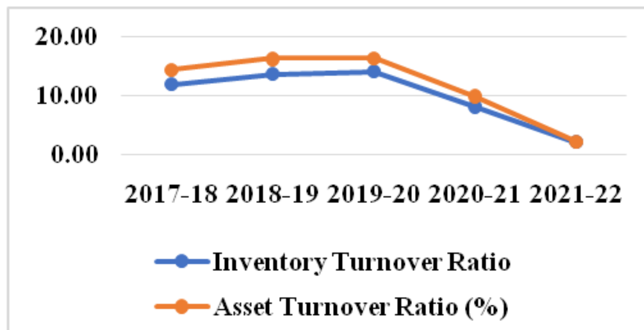

Figure 3
[Source Taken from Annual Reports of HPCL]

Analysis: In the case of the inventory turnover ratio, a high ratio denotes effective inventory control. The ITR is at its highest in the 2019–20 fiscal year, or 14.04. The ITR is at its lowest in 2021–2022, or 2.17. In the case of the Asset Turnover Ratio, the highest is the 2018-19 fiscal year, or 2.65 and the lowest is in the 2021-22 fiscal year, or 0.02. Overall after the pandemic (2020), the company declines in using its assets and raw materials in an effective way. Figure 3 shows the graphical representation of the efficiency ratios of this research.

Table no 4- Showing Profitability Ratios

PROFITABILITY RATIOS				
Year	Net Profit (%)	Return on Equity (%)	ROCE (%)	Return On Assets (%)
2017-18	2.68	28.27	22.33	8.04
2018-19	2.09	22.00	19.73	6.23
2019-20	1.15	8.15	6.63	2.25
2020-21	4.51	28.00	20.93	7.94
2021-22	1.66	17.61	10.43	4.71

[Source Taken from Annual Reports Of HPCL]

Analysis: Table 4 reveals that the Net profit ratio is highest in 2020-21i.e at 4.51 and lowest in 2019-20, the Return on equity ratio is highest in 2017-18i.e at 28.27 and lowest in 2019-20i.e at 8.15, the Return on capital employed ratio is highest in 2017-18i.e 22.33 and lowest in 2019-20i.e 6.63, and Return on assets ratio is highest in 2017-18i.e 8.04 and lowest in 2019-20i.e 2.25. And also found that during the pandemic year (2020-21) the profitability of the company is in a good stage but in the next year (2021-22) it loses nearly half of its profitability which clearly resembles the covid 19 pandemic affects the profitability of the company and it's still in recovering condition. Figure 4 shows the graphical representation of the profitability ratios of this research.

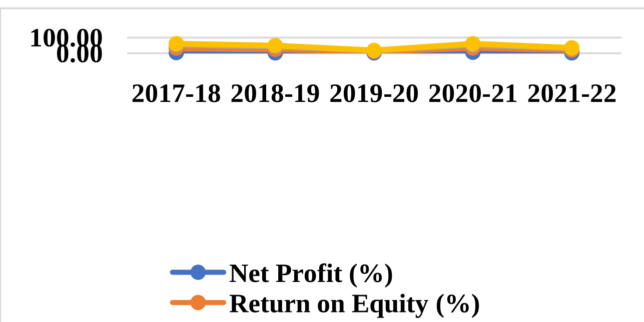

Figure 4

Table no 5- Showing Earning Ratios

EARNING RATIOS			
Year	Earning Per Share	Dividend Per Share	Price Eearning Ratio
2017-18	47.37	17.00	7.28
2018-19	43.91	15.90	6.46
2019-20	17.32	9.75	10.98
2020-21	70.57	22.75	3.32
2021-22	51.36	14.00	5.24

[Source Taken from Annual Reports Of HPCL]

Analysis: Table 5 reveals that Earning per share is highest in 2020-21i.e 70.57 and lowest in 2019-20i.e 17.32, Dividend per share is highest in 2020-21i.e 22.75 and lowest in 2019-20i.e 9.75, and price earning ratio is highest in 2019-20i.e 10.98 and lowest in 2020-21i.e 3.32. Found that during the pandemic Earning per share is high but in the next year its declined by 30 % which is considered as a good ratio even though there is a decline. The same scenario is also applicable to the dividend per share which declines by 40% in the next year of the pandemic. But in the case of price earning ratio, the company recovering from the pandemic in a positive way. Overall, the Earning capacity of the company is very shortly after the pandemic and also is fastly recovering in a positive way. Figure 5 displays the graphical representation of the earnings ratios of the company from 2017-22.

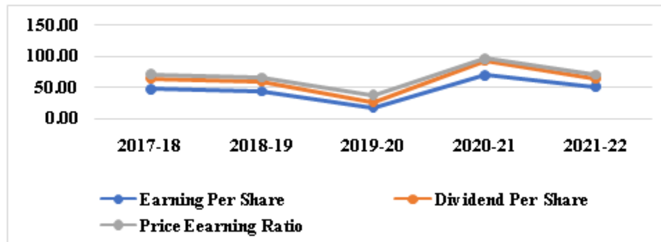

Figure 5

V. CONCLUSION AND SUGGESTIONS

In India as well as in other countries, Oil and Gas products are the most important products which have a greater impact on the daily livelihood of people in the country. This product has never-ending demand among the people till the electrical industry takes a position in the Transportation field. Among the Petroleum industry in India, HPCL is one of the recognized and successful corporations in India. This research about HPCL reveals that the company is focused on rendering services on one end and earning profits on another end.Yet, a review of the company's financial performance reveals that its capacity to fulfill its present obligations is not adequate.This analysis shows that HPCL gets highly affected by the Covid-19 Pandemic in the area of Liquidity, Efficiency, and Profitability, and get lowly affected in the area of Solvency and Earning capacity. But in every aspect, the company's recovery from the pandemic is in a positive manner. And also suggested that the company's management should spend more time focusing on the area of efficiency and profitability which need fast recovery in the upcoming years.Current assets or liabilities for the business could both rise. In order to boost profitability, management needs to concentrate on effectively managing the cost of sales in addition to other direct and indirect expenses.By keeping a close eye on these costs, the company can optimize its operations and minimize unnecessary expenditures, ultimately leading to increased profitability.Also suggested that the company should continue maintaining its Earning positions in an effective manner.

LIMITATIONS OF THE RESEARCH

1. This research is based on secondary data.
2. This research covers a period of five years only.
3. This research does not compare financial performance with other companies.
4. Data has been arranged as per own requirement.
5. This research reveals only insights about HPCL.

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