

FINANCIAL PERFORMANCE OF SELECTED OIL COMPANIES IN INDIA

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ABSTRACT

The Indian oil sector occupies a strategic position in the national economy because petroleum products support transportation, manufacturing, agriculture, infrastructure and household consumption. This study examines the financial performance of selected major oil sector companies in India, with emphasis on profitability, revenue, operational efficiency, margins and the effect of changes in the international energy environment. The study considers Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL), Oil and Natural Gas Corporation Limited (ONGC) and Reliance Industries Limited (RIL). Secondary information has been drawn primarily from annual reports and government petroleum-sector publications. Financial indicators are interpreted comparatively rather than treating revenue alone as a measure of performance. The study finds that oil-sector profitability is highly sensitive to crude prices, refining margins, marketing margins, product demand, foreign-exchange movements, inventory effects and government policy. Public-sector companies demonstrate scale, extensive infrastructure and strong domestic market presence, while private-sector integrated businesses benefit from diversification and operational flexibility. The study also highlights the increasing importance of energy transition, petrochemicals, natural gas, renewables and digitalisation for long-term financial resilience. The findings suggest that sustainable performance will depend on cost efficiency, prudent capital allocation, diversification and the ability to manage volatility while maintaining energy security.

Keywords: Oil Sector, Financial Performance, Profitability, Revenue, Refining, Marketing, ONGC, IOCL, BPCL, HPCL, Reliance Industries.

1. INTRODUCTION

India is one of the world's major energy-consuming economies, and petroleum remains a critical component of its energy mix. The oil industry includes exploration and production, crude-oil refining, transportation, storage, marketing, petrochemicals and related energy services. The sector therefore has both commercial and strategic importance. Financial performance in this industry cannot be assessed only through sales because high turnover can coexist with weak margins when crude prices, taxes, inventory costs or refining spreads move unfavourably.

Indian oil companies operate under substantially different business models. ONGC is primarily an upstream exploration and production enterprise, while IOCL, BPCL and HPCL are strongly represented in refining and petroleum marketing. Reliance Industries has a highly integrated energy business combined with major non-energy businesses. These differences influence profitability, asset intensity, cash flows and risk exposure.

Government petroleum-sector data show substantial variation in profit after tax across oil companies over recent financial years. For example, the Petroleum Planning and Analysis Cell reported standalone PAT of ₹40,526 crore for ONGC, ₹39,619 crore for IOCL, ₹26,674 crore for BPCL and ₹14,694 crore for HPCL in FY 2023-24.

The present study evaluates selected companies using profitability and operating indicators and discusses the structural factors influencing their results. It also considers the implications of energy transition and diversification for future financial performance.

2. OBJECTIVES OF THE STUDY

- To examine the financial performance of selected oil-sector companies in India.
- To compare revenue, profitability and operating performance across selected companies.
- To identify major factors affecting the financial performance of oil companies.
- To assess the importance of refining, marketing, upstream production and diversification.
- To identify challenges and opportunities affecting the future financial sustainability of the sector.

3. SCOPE OF THE STUDY

The study focuses on major Indian oil and energy companies with significant upstream, downstream or integrated oil operations. The selected companies are IOCL, BPCL, HPCL, ONGC and Reliance Industries Limited. The analysis primarily uses recent annual-report information and government petroleum-sector data, supported by selected historical comparisons. The study is financial and analytical in nature and does not attempt to provide an investment recommendation.

4. RESEARCH METHODOLOGY

The study is based on secondary data. Major sources include company annual reports, investor disclosures and publications of the Petroleum Planning and Analysis Cell (PPAC), Ministry of Petroleum and Natural Gas, Government of India. Published financial information has been interpreted using descriptive and comparative

analysis. Key indicators include revenue, profit after tax, EBITDA, operating margins, refining throughput, sales volume and segment performance.

The study uses purposive selection of major companies because they represent different parts of the Indian oil value chain. Figures from different companies should be interpreted carefully because business mix, accounting consolidation, segment structure and exposure to crude prices are not identical. The analysis therefore emphasizes trends and business drivers rather than mechanically ranking companies by a single ratio.

A limitation is that oil-sector earnings can change materially between reporting periods because of international crude prices, refining cracks, foreign-exchange movements, inventory gains or losses and regulatory changes. Consequently, a longer time horizon is more informative than one year's profit figure.

5. PROFILE OF SELECTED COMPANIES

- ❖ Indian Oil Corporation Limited is one of India's largest integrated downstream energy companies, with substantial refining, pipeline, marketing and petrochemical operations. Its extensive network gives it significant exposure to domestic petroleum demand and refining economics.
- ❖ Bharat Petroleum Corporation Limited is a major public-sector oil marketing company with refining and marketing activities. Its financial results are influenced by crude procurement costs, refining margins, fuel sales, inventory effects and marketing economics.
- ❖ Hindustan Petroleum Corporation Limited operates across refining, marketing, pipelines and related energy activities. Its financial performance is affected by refinery utilisation, product margins and the domestic petroleum market.
- ❖ Oil and Natural Gas Corporation Limited is India's major public-sector upstream company. Its financial performance is therefore more directly influenced by oil and gas production volumes and price realisations than that of downstream marketing companies.
- ❖ Reliance Industries Limited has an integrated Oil-to-Chemicals business and an Oil and Gas segment, while also operating major consumer and digital businesses. Its diversification means that consolidated financial performance is not determined by oil alone.

6. FINANCIAL PERFORMANCE OF THE INDIAN OIL SECTOR

- The financial performance of oil companies is cyclical and closely connected with global commodity markets. Upstream companies generally benefit from higher crude and gas realisations, whereas refiners may benefit from favourable refining spreads but can face pressure when crude prices rise faster than product prices. Marketing companies are also influenced by domestic pricing policy, inventory movements and the timing of margin recovery.
- PPAC data illustrate the volatility. Combined PAT of the three major PSU downstream oil marketing companies—IOCL, BPCL and HPCL—was ₹80,986 crore in FY 2023-24, compared with only ₹1,138 crore in FY 2022-23.

- The same PPAC data show that ONGC's PAT was ₹40,526 crore in FY 2023-24 compared with ₹38,829 crore in FY 2022-23, while Oil India Limited's PAT was ₹5,552 crore in FY 2023-24.
- For IndianOil, FY 2024-25 revenue from operations was ₹8,45,513 crore and net profit was ₹12,962 crore. In FY 2025-26, revenue increased to ₹8,86,224 crore while net profit rose sharply to ₹36,802 crore, with the company attributing the improvement mainly to higher refining and marketing margins.

7. COMPARATIVE PROFITABILITY ANALYSIS

Company	PAT FY 2023-24 (₹ crore)	Business orientation
ONGC	40,526	Upstream oil & gas
IOCL	39,619	Refining & marketing
BPCL	26,674	Refining & marketing
HPCL	14,694	Refining & marketing
RIL*	42,042	Integrated / diversified

*RIL figure is standalone PAT reported in the PPAC table. The figures are not directly equivalent to consolidated profits and are presented for analytical comparison.

The comparison shows that scale and business structure strongly influence reported profits. ONGC benefits from upstream exposure, while the three public-sector marketing companies depend heavily on refining and marketing performance. Reliance's integrated model provides additional flexibility because its energy businesses are supported by a diversified corporate portfolio.

Profitability should be considered together with capital intensity. Oil companies require large investments in refineries, pipelines, exploration assets, storage, retail networks and environmental compliance. A company may therefore report high absolute profit while still requiring substantial capital to maintain or expand productive capacity.

8. REVENUE AND OPERATIONAL PERFORMANCE

Revenue in the oil sector is strongly influenced by crude and product prices as well as sales volumes. Consequently, revenue growth does not automatically mean better profitability. A decline in product prices can reduce revenue even when physical sales rise, while higher prices can increase revenue without improving margins.

IndianOil's FY 2025-26 operational results illustrate the importance of volumes and utilisation. Its crude throughput reached 75.451 million tonnes and petroleum-product sales exceeded 105 million tonnes, while refinery utilisation reached 107.4% of installed capacity.

Reliance Industries' FY 2024-25 Oil-to-Chemicals revenue increased 11.0% to ₹6,26,921 crore, but O2C EBITDA declined 11.9% to ₹54,988 crore because of weaker transportation-fuel cracks and low downstream chemical margins.

9. RELIANCE INDUSTRIES: INTEGRATED ENERGY PERFORMANCE

Reliance Industries provides an important private-sector comparison because its energy operations are integrated with petrochemicals and supported by non-energy businesses. In FY 2024-25, consolidated revenue increased 7.1% to ₹10,71,174 crore, EBITDA increased 2.9% to ₹1,83,422 crore and PAT increased 2.9% to ₹81,309 crore.

Within the energy portfolio, the Oil-to-Chemicals business experienced pressure on margins despite higher revenue. In contrast, the Oil and Gas segment recorded 3.2% revenue growth and 4.9% EBITDA growth in FY 2024-25.

Diversification is also a major feature of Reliance's financial model. Because the consolidated company includes digital services and retail alongside energy, overall earnings are less dependent on a single commodity cycle. This provides a useful contrast with companies whose earnings are concentrated in petroleum operations.

10. FACTORS AFFECTING FINANCIAL PERFORMANCE

- Crude oil prices: Changes in international crude prices affect procurement costs, inventory valuation, upstream realisations and refining economics.
- Refining margins: Gross refining margins influence the profitability of refineries and can change rapidly with global product supply and demand.
- Marketing margins: Domestic fuel demand, pricing mechanisms, competition and inventory costs influence marketing profitability.
- Production volumes: Upstream companies depend on production levels, reserve quality, field uptime and new-field development.
- Foreign exchange: Because crude and petroleum products are globally traded, exchange-rate movements can affect costs, liabilities and realisations.
- Government policy and taxation: Excise duties, VAT, pricing policy and regulations influence the final economics of petroleum products.
- Capital expenditure: Large investments can strengthen future capacity but may also increase financing requirements and depreciation.
- Energy transition: Electric mobility, renewable energy, biofuels, green hydrogen and natural gas are changing long-term demand expectations.

11. ROLE OF REFINING AND MARKETING

Refining and marketing are central to India's downstream oil economy. Refiners convert crude into transportation fuels and other products, while marketing networks connect these products with consumers. High refinery utilisation can improve fixed-cost absorption and throughput, but profitability still depends on product cracks and crude costs.

Indian public-sector companies possess extensive retail networks and infrastructure, giving them scale advantages and strategic importance. However, scale does not eliminate financial volatility. The large movement in combined

OMC profitability reported by PPAC demonstrates that downstream earnings can change substantially between years.

The future competitiveness of downstream companies will increasingly depend on refinery complexity, energy efficiency, petrochemical integration, premium fuels, aviation fuel, lubricants and alternative-energy businesses. Companies that use existing infrastructure for a broader energy portfolio may be better positioned to manage changes in fuel demand.

12. UPSTREAM PERFORMANCE AND RESOURCE MANAGEMENT

Upstream profitability is influenced by production volume, reserve replacement, operating costs and realised prices. ONGC's scale and resource base provide strategic advantages, but mature fields and the cost of developing technically challenging reserves create long-term operational challenges.

Reliance's Oil and Gas segment demonstrates the importance of production growth and operational reliability. In FY 2024-25, the segment reported ₹25,211 crore revenue and ₹21,188 crore EBITDA, with higher gas and condensate production supporting performance despite lower price realisations.

For upstream companies, financial sustainability therefore requires continued exploration, improved recovery rates, technological capability and disciplined development of new fields. Gas production also has strategic relevance because natural gas can support industrial and power-sector demand during the energy transition.

13. ENERGY TRANSITION AND FUTURE FINANCIAL SUSTAINABILITY

The Indian oil sector is gradually moving from a petroleum-only model toward a broader energy model. Companies are investing in renewable power, biofuels, green hydrogen, gas, petrochemicals, charging infrastructure and other low-carbon businesses. This transition is financially important because traditional fuel demand may eventually grow more slowly even while India continues to require substantial petroleum products in the medium term.

The challenge is to invest in new businesses without weakening returns from the existing asset base. Excessive diversification can reduce capital efficiency, while insufficient diversification can increase long-term transition risk. Therefore, companies need a balanced capital-allocation strategy.

IndianOil's recent reporting illustrates this direction: the company describes its strategy as strengthening its core while accelerating its shift toward green energy. Its FY 2025-26 results combined record operational performance with continued diversification efforts.

14. FINDINGS OF THE STUDY

- The Indian oil sector demonstrates substantial financial volatility because earnings are influenced by global crude prices and refining margins.
- Absolute profit differs considerably among companies because of differences in business model, scale and exposure to upstream or downstream activities.

- Public-sector oil marketing companies benefit from large domestic networks and infrastructure but remain exposed to refining and marketing-margin cycles.
- ONGC's financial performance is more closely linked to upstream production and oil and gas price realisations.
- Reliance Industries benefits from integration and diversification, reducing dependence on petroleum alone.
- Revenue growth should not be treated as equivalent to profitability; margin and cash-flow indicators provide a better assessment.
- High capacity utilisation and strong sales volumes can support profitability, but market margins remain decisive.
- Energy transition is becoming an important strategic and financial issue for all major oil companies.
- Capital expenditure must be balanced between maintaining existing petroleum assets and building future-energy businesses.
- Operational efficiency, technological investment and diversification are likely to be major determinants of long-term financial resilience.

15. SUGGESTIONS

- Oil companies should strengthen cost control and operational efficiency across refining, exploration and marketing.
- Companies should improve integration between refining and petrochemical operations to capture higher-value products.
- Investment decisions should be evaluated using long-term cash-flow returns rather than revenue growth alone.
- Upstream companies should accelerate enhanced oil recovery, exploration technology and efficient field development.
- Downstream companies should expand premium products, lubricants, aviation fuel and petrochemical value chains.
- Companies should gradually build renewable, biofuel, gas and low-carbon businesses while protecting the financial strength of existing operations.
- Greater digitalisation can improve predictive maintenance, supply-chain management, customer service and retail efficiency.
- Risk-management systems should address crude-price volatility, currency risk and geopolitical disruptions.
- Financial reporting should clearly communicate segment profitability, capital employed and transition-related investments.
- Companies should maintain disciplined leverage and liquidity so that large capital projects remain financially sustainable.

16. CONCLUSION

The financial performance of oil-sector companies in India is shaped by a combination of commodity-market conditions, operating efficiency, business structure and government policy. The comparative evidence shows that no single indicator can adequately explain performance. Revenue measures scale, but profitability and margins reveal how effectively that scale is converted into earnings.

The selected companies illustrate different sources of financial strength. ONGC benefits from upstream operations and resource assets. IOCL, BPCL and HPCL derive major advantages from refining, marketing infrastructure and domestic demand. Reliance Industries demonstrates the value of integration and diversification across energy and non-energy businesses.

Recent results also show that operational performance and profitability can move differently. Reliance's O2C revenue increased in FY 2024-25 while its EBITDA declined, demonstrating margin pressure despite higher sales.

Overall, Indian oil companies remain financially important and strategically significant. Their future performance will depend on maintaining efficient petroleum operations while progressively developing diversified energy portfolios. Companies that combine strong balance sheets, operational excellence, disciplined investment and credible energy-transition strategies are likely to be better positioned for sustainable long-term performance.

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