

Investments in Petroleum Industry Abnormally Normal: A Case Study Based on Petroleum and Natural Gas Companies in India

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Abstract : The oil market during 2014-2015 in India with large price fluctuations is very confusing to individual investor. The drop in oil prices supported stocks of some oil marketing companies (OMCs) like Bharat Petroleum Corporation, Hindustan Petroleum Corporation (HPCL) and Indian Oil Corporation etc their shares rose 84.74%, 128.63% and 59.16%, respectively. Lower oil prices, and lower current account, a smaller subsidy burden are the reasons for outperformance. On the other hand, lower crude prices giving downward pressure on upstream companies like Oil and Natural Gas Corp. Ltd (ONGC) and Reliance Petroleum (RIL) Oil India Ltd (OIL). Not having clarity on a subsidy sharing mechanism is the reason for downward trend on these stocks. Shares of ONGC and RIL have underperformed so far in 2015. When the oil price fall profits of the companies will effect, generate less money and may cut their dividends in Long run. In this situation this paper objective is to study investment strategies in oil marketing companies, by applying CAPM and Security Market Line.

Keywords : petrol industry, price fluctuations, sharp single index model, SML, Markowitz model

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