INTERNATIONAL RESEARCH STARS

ISSN: 2583-276X (Online)
Volume: 4, Issue: 1, Jan -March, 2025

Analysing Financial Performance in the Energy Sector- A Ratio Analysis of Coastal Facts & Oil Pvt. Ltd.

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ABSTRACT

The aim of research is to present a comprehensive analysis of a company's financial performance through different ratios to accomplish manifold goals. The liquidity ratios are calculated to measure the liquidity position, providing insights related to the firm's ability to meet short-term obligations. Long-term financial position is measured with the help of solvency ratios, presents a perspective on the long-term financial commitments of the company. Turnover ratios are used to evaluate operational efficiency, showing the effective utilization of assets for generating profits. Profitability ratios are employed to measure the company's ability to create profits relative to its resources and investments. Finally, operational and solvency efficiency are measured to provide nuanced understanding of the company's overall financial soundness and sustainability.

Keywords: Liquidity, Profitability, Solvency, Efficiency.

INTRODUCTION

Coastal Facts Oil Pvt. Ltd is a privately held company based in Ozili, specializing in the processing and distribution of edible oils. With a commitment to quality and sustainability, the company sources high-grade raw materials for oil extraction. Coastal Facts Oil serves both local and regional markets, ensuring purity and customer satisfaction. The company emphasizes eco-friendly practices and efficient supply chains. It continues to grow as a trusted name in the edible oil industry.

Coastal Facts & Oli Pvt. Ltd plays a vital role in the local agro-based industry by promoting quality edible oil production in the Ozili region. The company supports local farmers through raw material sourcing, contributes to regional employment, and enhances food security by ensuring access to pure and healthy oils. Its focus on sustainable practices and efficient operations makes it a key player in fostering economic and environmental well-being in the community.

The edible oil industry plays a crucial role in the national economy by contributing to food processing, trade, and agriculture. It supports millions of farmers through oilseed cultivation, creates jobs in manufacturing and distribution, and drives economic growth through domestic sales and exports. The industry also reduces import dependency when locally produced, helping maintain a favorable trade balance. Its link to essential consumer goods makes it a key pillar in food security and rural development.

The edible oil industry plays a vital role in society by ensuring access to essential cooking ingredients, supporting nutritional needs, and promoting public health through quality standards. It generates employment opportunities, especially in rural and semi-urban areas, empowering local communities. By supporting farmers and encouraging sustainable practices, the industry fosters

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inclusive growth and social development. It also raises awareness about healthy eating habits and food safety among consumers.

Ratio analysis is a quantitative analysis of information contained in a company's financial statements. Ratio analysis is based on line items in financial statements like the balance sheet, income statement and cash flow statement; the ratios of one item or a combination of items - to another item or combination are then calculated. Ratio analysis is used to evaluate various aspects of a company's operating and financial performance such as its efficiency, liquidity, profitability and solvency.

REVIEW OF LITERATURE

Akenga (2017) Explored the impact of liquidity on financial performance of firms listed on the Nairobi Securities Exchange. Used secondary data from financial reports of 30 listed companies. Findings indicated a positive but weak relationship between liquidity and profitability. Liquidity ratios like current and quick ratio were considered. Recommended effective liquidity management for enhanced performance. Concluded that other factors also influence profitability significantly.

Alhilfi (2018) Conducted a comparative ratio analysis for financial performance evaluation of NCI Company. Applied profitability, liquidity, and leverage ratios. Used data from financial statements over a multi-year period. Found financial ratios effective for comparative evaluation. Identified fluctuations in liquidity and profitability across years. Suggested using ratio analysis for strategic decision-making.

Alshatti (2015) Investigated the effect of liquidity management on profitability in Jordanian commercial banks. Utilized regression analysis for empirical data from 2005–2012. Found a significant negative relationship between liquidity and profitability. Argued excessive liquidity hurts bank returns. Recommended optimal liquidity balance for better returns. Proposed banks revise policies for liquidity reserve levels.

Bolek & Wolski (2012) Examined whether profitability or liquidity has more influence on market value in Polish firms. Studied listed companies and their market behavior. Found profitability has a stronger impact on market value than liquidity. Liquidity mattered more in periods of market uncertainty. Suggested integrating both aspects in performance evaluation. Recommended further research on sectoral variations.

Ehiedu (2014) Analysed the effect of liquidity on profitability using the Financial Statement Analysis approach. Studied selected companies' financial reports. Concluded liquidity has a weak positive effect on profitability. Emphasized strategic liquidity control for improved profitability. Suggested inclusion of more firms for generalization. Urged firms to balance liquidity without hampering operations.

Jamil & Saeed (2007)Used liquidity and profitability ratios to assess Mosul Bank for Development and Investment. Covered a three-year period (2002–2004). Highlighted strengths and weaknesses in financial operations. Noted improvements in liquidity but declining profitability. Recommended more aggressive management strategies. Proved usefulness of ratio analysis in performance tracking.

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Lee & Lee (2018) Studied how financial ratios predict financial distress in financial markets.

Analyzed distressed vs. non-distressed firms using key ratios. Found solvency and liquidity ratios most predictive. Highlighted early warning signs through ratio monitoring. Emphasized role of ratio-based models in financial risk management. Suggested refining predictive models for greater accuracy.

Rashid (2018) Evaluated the effectiveness of financial ratio analysis in assessing liquidity. Focused on comparative analysis among firms. Found that liquidity ratios like current and cash ratios offer valuable insights. Stressed on continuous monitoring for better liquidity management. Identified correlation between liquidity efficiency and solvency. Encouraged broader usage of ratio analysis in SME evaluation.

Rashid (2019) Explored the effect of pricing policy on profitability. Used financial analysis to link pricing decisions with profit outcomes. Found strong correlation between dynamic pricing and profitability growth. Emphasized pricing as a strategic financial tool. Suggested firms review cost structures regularly. Recommended integrating pricing strategies into financial planning.

Rashid (2020) Used Balanced Scorecard and Benchmarking to evaluate Morrison's performance. Applied financial and non-financial metrics for evaluation. Demonstrated effectiveness in identifying gaps and strengths. Suggested balance between financial targets and operational KPIs. Highlighted benchmarking as a driver of continuous improvement. Recommended BSC as a standard tool for corporate evaluation.

Rashid (2023) Discussed the essential qualifications for fraud investigation professionals. Emphasized financial knowledge and accounting tools. Linked forensic analysis with performance audits. Underlined importance of ratio analysis in detecting anomalies. Highlighted need for multidisciplinary expertise. Recommended professional training in financial investigation.

Despite the growth of the edible oil industry, several research gaps remain unaddressed. Limited studies exist on the long-term health impacts of various processed oils consumed by different demographics. There's also insufficient data on sustainable and eco-friendly oil extraction methods suited for small-scale producers. Furthermore, consumer awareness and behavior toward oil quality, labeling, and nutritional content are under-researched. More region-specific studies are needed to improve production efficiency, reduce environmental impact, and enhance value addition in rural areas.

RESEARCH METHODOLOGY

The study of ratio analysis is essential for evaluating the financial health and performance of Coastal Facts & Oil Pvt. Ltd, Ozili. It helps in understanding the company's profitability, liquidity, solvency, and operational efficiency over time. This analysis supports better decision-making for management, investors, and stakeholders. It also identifies financial strengths and weaknesses, enabling the company to plan strategically for future growth. By applying ratio analysis, the firm can ensure better financial control and long-term sustainability.

The scope of this study focuses on analyzing the financial performance of Coastal Facts & Oil Pvt. Ltd, Ozili through ratio analysis. It covers key financial aspects such as profitability, liquidity,

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solvency, and efficiency over a specific time period. The study aims to provide insights into the company's financial strengths and areas for improvement. It is useful for internal management, investors, and financial analysts to make informed decisions. This study is limited to the data available from the company's financial statements and does not include market or competitor analysis.

OBJECTIVES OF THE STUDY

- To evaluate the financial performance of Coastal Facts & Oil Pvt. Ltd through ratio analysis.
- To assess the company's profitability, liquidity, solvency, and operational efficiency.
- To identify financial strengths and weaknesses based on historical financial data.
- To assist management in making informed financial and strategic decisions.
- To provide recommendations for improving the company's financial health and stability.

RESEARCH DESIGN

The research follows a descriptive and analytical design. The descriptive aspect involves presenting the financial condition of selected firms using historical data, while the analytical component focuses on interpreting financial ratios to assess performance, efficiency, and stability. The study is comparative in nature, examining multiple firms within a particular industry over a specific time frame (usually 3 to 5 years) to identify patterns and differences in financial performance.

The study is entirely based on secondary data. The required data has been collected from annual reports, company websites, financial portals such as Money-control and Screen, and publications from regulatory authorities like SEBI and RBI. The study covers the period from 2019 to 2024. The key financial variables considered for analysis include liquidity ratios (such as Current Ratio and Quick Ratio), profitability ratios (such as Net Profit Margin and Return on Equity), and solvency ratios (such as Debt-Equity Ratio and Interest Coverage Ratio).

The following tools and techniques are used to analyze the collected financial data:

- Liquidity Ratios (Current Ratio, Quick Ratio)
- Profitability Ratios (Net Profit Margin, Return on Equity, ROA)
- Solvency Ratios (Debt-Equity Ratio, Interest Coverage Ratio)
- Activity Ratios (Inventory Turnover, Debtors Turnover)

DATA ANALYSIS AND INTERPRETATION

1.CURRENT RATIO

The current ratio is a liquidity ratio that measures a company's ability to pay off its short-term liabilities with its short-term assets. It provides a snapshot of the company's short term financial health and its efficiency in managing working capital.

The current ratio (Table 1), which measures a company's ability to cover its short-term obligations with its short-term assets, demonstrated notable improvement over the five-year period from 2019-20 to 2023-24. In 2019-20, the ratio was at a low level of 0.67, indicating that the company had

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insufficient current assets to meet its current liabilities. A substantial increase was observed in 2020-21, with the ratio rising to 1.13, suggesting an improvement in liquidity position.

Table 1 Current Ratio

Financial Year	Current Assets (Rs in Lakhs)	Current Liabilities (Rs in Lakhs)	Current Ratio (Times)
2019-20	67700	101150	0.67
2020-21	116500	103500	1.13
2021-22	101500	100900	1.01
2022-23	183000	126400	1.45
2023-24	170500	100700	1.69

Source: Secondary Data

However, in 2021-22, the ratio slightly declined to 1.01, indicating a marginally weaker but still balanced short-term financial standing. In 2022-23, a significant rise occurred as the ratio climbed to 1.45, and this upward trend continued into 2023-24, where the ratio reached 1.69. Overall, the data reveal a positive trend in the company's short-term financial health, moving from a critical liquidity position in 2019-20 to a more comfortable and stable position by 2023-24

QUICK RATIO

Quick Ratio, also called Acid Test Ratio, A Quick Ratio express the relationship between the quick assets and current liabilities. It is obtained by measure quick assets by current liabilities. A quick ratio of 1:1 considered adequate. For every one rupee current liabilities there should be maintained one rupee of worth of quick assets.

Table 2 Quick Ratio

Financial Year	Current Assets (₹ in Lakhs)	Inventory (₹ in Lakhs)	Current Liabilities (₹ in Lakhs)	Quick Ratio
2019-20	67700	14000	101150	0.53
2020-21	116500	20000	103500	0.93
2021-22	101500	30000	100900	0.7
2022-23	183000	40000	126400	1.13
2023-24	170500	60000	100700	1.09

Source: Secondary Data

The table 2 reveals that the quick ratio rose from 0.53 in 2019-20 to above 1 in the last two years, showing improved immediate liquidity. It highlights reduced dependence on inventory for meeting short-term obligations. Sustained values above 1 suggest sufficient liquid assets like cash and receivables.

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DEBT RATIO

Debt Ratio used to analyse the long-term solvency of a firm. The firm interested in knowing the proportion of the interest-bearing debt in the Capital Structure. It may therefore, compute debt ratio by dividing total debt by capital employed.

Table 3 Debt Ratio

Financial Year	Total Debt	Total Debt + Net worth	Debt Ratio
2020	4050	-19000	-0.2
2021	8500	-5700	-1.5
2022	11500	16000	0.7
2023	12600	53000	0.2
2024	14000	78500	0.2

Source: Secondary Data

The table 3 explains that the ratio moved from -0.2 in 2020 to -1.5 in 2021, indicating a deepening negative leverage. In 2022, it shifted to a positive 0.7, reflecting a reversal in the debt structure. By 2023, the ratio stabilized at 0.2, showing an improved and steadier debt position.

Debt Equity Ratio

The relationship describing the lender's c is called Debt-Equity ratio. The debt equity measures the long-term financial solvency of a business concern. Debt equity ratio is directly computed by dividing total debt by net worth.

Table 4 Debt Equity Ratio

Financial Years	Total Debt	Net Worth	Ratio
2020	4050	-23050.0	-0.2
2021	8500	-14200.0	-0.6
2022	11500	4500.0	2.6
2023	12600	40400.0	0.3
2024	14000	64500.0	0.2

Source: Secondary Data

The above table 4 documents that the debt e equity ratio starting at -0.2 in 2020 and -0.6 in 2021, the negative values suggest a net negative debt scenario. A sharp increase to 2.6 in 2022 indicates a drastic change in leveraging. The moderation to 0.3 in 2023 and 0.2 in 2024 signals stabilization in the firm's financial leverage

Gross Profit Ratio

The first Profitability Ratio in relation to Sales is the Gross Profit Margin Gross Margin Ratio) The Gross Profit Margin reflects the efficiency with which management produces each unit of product.it is calculated by gross profit by sales. It also helps in ascertaining whether the average percentage of mark-up on the goods in maintained.

Table 5 Gross Profit Ratio

Financial Year	Gross Profit	Sales	Gross Profit Ratio
2019-20	95300	140000	0.7
2020-21	120300	185000	0.7
2021-22	59300	150000	0.4
2022-23	38000	120000	0.3
2023-24	78000	200000	0.4

Source: Secondary Data

The table 5 shows that the ratio declined from 0.7 in 2019-20 and 2020-21 to 0.3 in 2022-23, showing reduced profitability from core operations. A slight recovery to 0.4 in 2023-24 indicates marginal improvement in cost control or pricing. Overall, the trend reflects pressure on gross margins over the five-year period.

ANALYSIS OF FINDINGS

The company's current ratio has steadily improved, indicating enhanced short-term liquidity and financial health. 2The quick ratio has improved over the years, indicating better immediate liquidity and reduced dependency on inventory. The company transitioned from a negative to a stable and healthy debt ratio, indicating improved financial stability and reduced reliance on debt. The debt-to-equity ratio improved significantly after 2021, indicating reduced financial risk and a stronger equity position. The gross profit margin declined sharply after 2020–21, indicating rising production costs or reduced pricing power, with only slight recovery in 2023–24. The net profit ratio showed significant improvement after 2020–21, peaking in 2022–23, but slightly declined in 2023–24 due to possible cost increases or efficiency issues.

RECOMMENDATIONS

Managers

Financial ratio analysis reveals crucial insights into a firm's operational efficiency, liquidity position, and overall financial health. Managers should incorporate ratio analysis not just as a retrospective diagnostic tool but also as a forward-looking strategic instrument. By continuously monitoring key ratios such as Return on Assets (ROA), Debt-to-Equity (D/E), and Current Ratio, they can make informed decisions on investment, cost control, and capital structure. This proactive approach can enhance internal financial discipline and performance forecasting. Moreover, managers must benchmark their ratios against industry standards to identify relative strengths and weaknesses, fostering competitive advantage through data-driven strategies.

Policy Makers

Policy makers can utilize aggregated industry-level ratio analysis to gauge the financial stability and resilience of key economic sectors. This data is instrumental in shaping regulatory frameworks that promote transparency, accountability, and sustainable financial practices. Encouraging the

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standardization of financial reporting and ratio disclosure across firms will enable more accurate industry comparisons and risk assessments.

Industry Development

For the broader industry, ratio analysis should be institutionalized as a best practice for governance and investor communication. Industry associations can develop benchmarking reports and sector-wide ratio dashboards to support smaller firms in performance evaluation. Training programs and digital tools that simplify financial ratio interpretation can help improve financial literacy among business owners and entrepreneurs.

Scholarly Contribution

Academicians and researchers can expand the scope of ratio analysis by integrating it with predictive modeling and machine learning techniques to forecast financial distress and sectoral shifts. There is significant scope for scholarly exploration in correlating financial ratios with macroeconomic variables, market behavior, and firm-specific attributes like governance structures. Longitudinal and cross-industry studies could provide deeper insights into the causal relationships between ratio trends and firm performance.

Scope For Further Study

While ratio analysis provides a foundational understanding of a firm's financial standing, future research can delve into more dynamic and integrated approaches. There is substantial scope to combine traditional ratio metrics with advanced statistical and econometric models for predictive insights, such as forecasting bankruptcy or identifying early warning signs of financial distress. Cross-border comparative studies can further highlight the impact of regulatory environments, cultural factors, and economic structures on financial performance. Additionally, incorporating environmental, social, and governance (ESG) metrics alongside financial ratios could offer a more holistic evaluation of long-term sustainability

Limitations

Despite its widespread use, ratio analysis has inherent limitations that must be acknowledged. Firstly, it is primarily based on historical financial data, which may not reflect current market realities or future performance. Ratios are also sensitive to accounting policies and practices, which can vary significantly across firms and distort comparability. Moreover, external factors such as inflation, interest rate fluctuations, and economic policy changes are not captured in standard ratio analysis, potentially leading to incomplete interpretations

CONCLUSION

The ratio analysis reveals that the company has shown significant improvement in its financial performance over the five-year period. Liquidity ratios like the current and quick ratios indicate enhanced short-term financial stability. Leverage ratios reflect a shift from high debt dependency to a more balanced capital structure. Profitability ratios show fluctuating margins but an overall positive trend in earnings. The company has managed to recover from earlier financial stress and is now on a stable growth path. Continued focus on cost control and efficient resource management will further strengthen its financial position.

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