Evaluating Financial Performance: A Five-Year Analytical Study of Consolidated Private Limited (2020–2025)

Ms. HEMA NITHYASRI O Student, School of Management Studies, Sathyabama Institute of Science and Technology Chennai, Tamil Nadu, South India.

Dr. JOYCE R Associate Professor, School of Management Studies, Sathyabama Institute of Science and Technology Chennai, Tamil Nadu, South India.

ABSTRACT:

This study provides a five-year longitudinal analysis of the financial performance of Consolidated Private Limited, a diversified company operating in retail, enterprise, and wellness segments. Using a range of financial analysis tools—such as ratio analysis, trend evaluation, working capital efficiency, and capital structure diagnostics—this research aims to measure the organization's financial health, profitability, and sustainability. Results indicate robust liquidity and solvency positions, rising profitability, and prudent capital structure, though some efficiency indicators warrant strategic recalibration.

KEYWORDS:

Financial analysis, Ratio analysis, Solvency, Profitability, Return on Equity, Current ratio, Net Present Value, Trend analysis

INTRODUCTION:

Financial Statement Analysis is the cornerstone of corporate health evaluation. For stakeholders—whether investors, creditors, or managers—understanding key financial indicators is crucial for sound decision-making. Consolidated Private Limited, headquartered in Coimbatore and established in 1971, has grown into a multifaceted business operating across multiple South Indian states. The purpose of this study is to assess how well the company managed its financial resources from FY 2020–21 to 2024–25.

The analysis of financial statements is an important aid to financial analysis. They provide information on how the firm has performed in the past and what is its current financial position. Financial analysis is the process of identifying the financial performance of the firm from the available accounting data and financial statements. The analysis is done by establishing relationship between the different items of financial statements. The focus of financial analysis is on key figures in the financial statements and the significant relationship that exists between them. The analysis of financial statements is a process of evaluating relationship between component parts of financial statements to obtain a better understanding of the firm's position and performance. Financial statement analysis is a process involving specific techniques for evaluating risks, performance, financial health of an organization.

OBJECTIVE OF THE STUDY:

Primary Objective:

To know about the financial performance of the Consolidated Private Limited.

Secondary Objective:

- To identify the patterns in financial performance over time
- To study the short term and long term solvency in Consolidated
- To find out the various financial ratios related to Consolidated.

SCOPE:

The scope of this study is limited to analyzing the financial performance of Consolidated Private Limited over the five-year period from 2020 to 2025. It focuses on interpreting the company's balance sheets and profit & loss accounts using key financial ratios such as liquidity, profitability, solvency, and efficiency indicators. The study also evaluates working capital management, capital structure, and investment feasibility through tools like NPV and payback period. All data used is secondary and derived from the company's audited reports. This analysis aims to provide insights into the company's financial strengths, identify trends, and assist in strategic financial planning.

REVIEW OF LITERATURE:

White, Sondhi & Fried (2021) In their updated edition of "The Analysis and Use of Financial Statements", the authors focused on how financial statement users should interpret accounting data in a post-COVID business environment. The book emphasized the need to go beyond standard ratio analysis, encouraging analysts to integrate market indicators, segment reporting, and non-financial metrics. This was especially important in 2020–21 when many companies experienced extraordinary losses or gains that distorted year-over-year comparisons.

Brigham & Houston (2022) In the widely used finance textbook "Fundamentals of Financial Management", Brigham and Houston provided refined frameworks for horizontal and vertical analysis of financial statements. They introduced modern examples where short-term liquidity and solvency ratios failed to reflect the true financial health of firms due to temporary shocks like the pandemic. Their work encourages contextual financial analysis instead of relying solely on raw numbers.

Tiwari, R. (2021) In the article "Impact of COVID-19 on Financial Performance: A Ratio Analysis Approach", published in the Indian Journal of Finance, Tiwari examined companies in hospitality and travel sectors to show how liquidity and profitability ratios fluctuated sharply during the pandemic. The study demonstrated the need for analysts to consider external shocks and abnormal periods while interpreting financial data, marking a shift from traditional linear trend analysis.

Kumar, A. & Sharma, P. (2023) Their paper "Digital Transformation in Financial Reporting", published in the International Journal of Accounting and Finance, investigated how companies are adopting tools like AI and Robotic Process Automation (RPA) to streamline financial data processing. The authors argued that automation improves the reliability of financial ratios and enhances the decision- making process through real-time data analysis and predictive modeling.

Khatri, L. (2023) In the research article "Evaluating Solvency Post-Crisis: A Case of NBFCs", Khatri analyzed NBFCs (Non-Banking Financial Companies) in India using Interest Coverage Ratio and Debt Service Coverage Ratio. Her findings indicated a sharp drop in these ratios in 2020–21, followed by recovery—showing how financial ratios capture recovery cycles effectively.

RESEARCH METHODOLOGY

RESEARCH DESIGN

This study used descriptive research. A descriptive research design can use a wide variety of research methods to investigate one or more variables. For this study descriptive research design is used. The nature of data collected for the study is secondary data. The secondary data involves the data obtained from Consolidated Private Limited.

SOURCES OF DATA

The nature of data collected for the study is secondary data. The secondary data means which have already been collected by someone else and which have already been passed through the statistical process. The secondary data involves the data obtained from Consolidated Private Limited. The data derived from the annual reports, magazines, websites and the internal auditing books.

TOOLS FOR ANALYSIS

- Ratio Analysis (Current Ratio, ROE, Debt-Equity, etc.)
- Trend Analysis (Revenue, PAT, Assets)
- Comparative Financial Statements
- NPV and Payback Period Calculations
- CAGR Analysis

DATA ANALYSIS:

CURRENT RATIO:

Current Ratio for the period of 2020-2025

Year	Current asset	Current liability	Current ratio
2020-21	418,487,499	11,12,84,665	3.76:1
2021-22	445,801,440	11,27,73,624	3.95:1
2022-23	449,921,815	11,57,25,987	3.88:1
2023-24	495,268,145	11,75,23,131	4.21:1
2024-25	448,927,347	12,15,06,564	3.69:1

Interpretation:

The current ratio remains consistently well above the ideal benchmark of 2:1, indicating a very strong liquidity position. This means Consolidated Pvt. Ltd. has ample short-term assets to cover its liabilities, showing low liquidity risk.
However, excessively high ratios (like 4:1) could also indicate underutilized current assets, suggesting potential inefficiency in resource deployment (e.g., idle cash or overstocking).

Inference:

The ratio consistently exceeds the ideal 2:1 benchmark (peaking at 4.21:1), signifying excellent short-term liquidity. However, very high values may indicate idle assets or underutilized resources.

DEBT-EQUITY RATIO:

Debt- Equity for the period of 2020-2025

Year	Debt	Equity	Debt-Equity Ratio
2024-25	3,00,00,000	66,35,20,783	0.05:1
2023-24	3,50,00,000	62,37,45,014	0.06:1
2022-23	4,00,00,000	52,99,95,828	0.07:1
2021-22	4,50,00,000	49,85,27,817	0.08:1
2020-21	5,00,00,000	44,24,02,834	0.10:1

Interpretation:

The Debt-Equity Ratio decreased steadily from 0.10 in 2020-21 to 0.05 in 2024- 25,reflecting a low reliance on borrowed funds. This suggests that the company has been actively reducing its debt burden and strengthening equity. A declining ratio implies greater financial stability and reduced interest obligations. With increasing equity levels and declining debt, the capital structure is becoming more conservative and investor-friendly. This also lowers financial risk in uncertain market conditions.

Inference:

Steady decline from 0.10 to 0.05 implies a strong equity base and decreasing dependence on external borrowing. Financial risk is low, and creditworthiness is high.

NET PROFIT MARGIN:

Net profit margin for the period of 2020-2025

Year	Net profit	Revenue	Margin(%)
2024-25	26,88,94,224	95,74,25,632	28.09
2023-24	25,43,69,660	92,58,43,546	27.48
2022-23	25,55,46,257	91,90,12,356	27.80
2021-22	29,62,78,242	90,91,23,456	32.59
2020-21	17,92,01,248	89,15,69,997	20.10

Interpretation:

Net Profit Margin rose steadily from 20.10% in 2020-21 to 28.09% in 2024-25, reflecting improved overall profitability. The consistent upward trend indicates effective cost control, reduction in financial costs, or efficient management practices. A rising margin with nearly flat revenue suggests internal efficiency gains. This ratio proves that the business is not just growing but doing so profitably. It's a positive signal to shareholders and potential investors.

Inference:

Increased from 20.10% to 28.09%, reflecting superior cost management and improved overall efficiency. A positive signal for investors.

NET PRESENT VALUE:

Net Present Value for the period of 2020-2025

Year	Cash flow(PAT)	Discount factor @10%	Present value of cash flow
2020-21	17,92,01,248	0.9091	16.29
2021-22	29,62,78,242	0.8264	24.50
2022-23	25,55,46,257	0.7513	19.19
2023-24	25,43,69,660	0.6830	17.38
2024-25	26,88,94,224	0.6209	16.70

Total present value of cash inflow 94.06

Initial investment 24.20

Npv **69.86 crores**

Interpretation:

Since NPV is positive (₹69.86 Cr)**,** this investment/project is financially viable and profitable based on a 10% discount rate.

Inference:

Positive NPV of ₹69.86 Cr confirms financial viability of the project.

FINDINGS:

- The **Current Ratio** was consistently above the ideal benchmark of 2:1, ranging between 3.90:1 to 4.46:1. This shows a strong capacity to meet short- term liabilities.
- The **Debt-Equity Ratio** declined over the years from 0.10 in FY21 to 0.05 in FY25, indicating a gradual reduction in external debt and an increasing reliance on equity. This improves long-term solvency and reduces financial risk.
- The **Net Profit Margin** has consistently remained strong, growing from 20.10% in FY21 to 28.09% in FY25. This reflects effective cost management and operational efficiency.
- The **Net Present Value (NPV)** of future cash flows was calculated at ₹69.86 Cr, indicating that the project is financially viable and value-accretive at a 10% discount rate.

CONSLUSION:

The analysis of Consolidated Private Limited's financial performance over the five- year period presents a positive outlook. The company demonstrates robust profitability, strong liquidity, and a conservative approach to debt management, all of which point toward a financially sound and well-managed organization.Overall, the company is in a strong financial position to pursue growth, withstand economic fluctuations, and continue delivering value to its stakeholders. It is recommended that the company leverage its financial strengths to explore new avenues for growth,adopt modern technology, and continually refine its financial strategies to sustain long-term success.

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