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# Evaluating Financial Performance using Ratio Analysis at Raha Oils Private Limited

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**Abstract--** Financial performance evaluation is a critical process for assessing the operational efficiency, profitability, and overall financial health of an organization. Ratio analysis is one of the most widely used tools in this regard, as it provides a quantitative basis for comparing financial statements over time and across companies. This study explores various financial ratios, including liquidity, solvency, profitability, and efficiency ratios, to determine the strengths and weaknesses of a firm's financial position. By analyzing these ratios, stakeholders such as investors, creditors, and management can make informed decisions regarding investments, credit, and strategic planning. The paper highlights the practical significance of ratio analysis in understanding financial stability, operational effectiveness, and long-term sustainability of businesses.

**Keywords--** Financial performance Ratio analysis, Profitability, Liquidity, Solvency, Operational efficiency

## I. INTRODUCTION

Evaluating financial performance is essential for understanding the overall health and sustainability of an organization in today's competitive business environment. While financial statements such as the balance sheet, income statement, and cash flow statement provide essential data, ratio analysis offers a practical method to interpret these figures by establishing meaningful relationships between them. Key financial ratios—including liquidity ratios, solvency ratios, profitability ratios, and efficiency ratios—help stakeholders such as investors, creditors, and management assess short-term and long-term financial stability, operational efficiency, and resource utilization. By analyzing these ratios, organizations can identify strengths and weaknesses, detect trends, benchmark performance against industry standards, and make informed decisions regarding investments, credit, and strategic planning, thereby ensuring long-term growth and sustainability.

## II. STATEMENT OF THE PROBLEM

Raha Oils Private Limited operates in a competitive edible oil industry with challenges like fluctuating raw material prices, low profit margins, and rising debt.

Despite its long market presence, its financial health has not been systematically evaluated. Without such analysis, stakeholders cannot gauge its efficiency or profitability. This study uses ratio analysis to assess its financial performance. It focuses on profitability, liquidity, solvency, and efficiency. The findings will help improve decision-making and strengthen financial stability.

## III. OBJECTIVES

- To analyze profitability trends and evaluate the company's ability to generate earnings from its sales and investments.
- To examine liquidity performance and determine the firm's capability to meet short-term financial obligations.

## IV. REVIEW OF LITERATURE

- *CRISIL (2025)*: Studies on edible oil companies highlighted persistent margin pressure and recommended effective cost control, debt management, and working-capital efficiency to sustain profitability.
- *Kaur and Bhatia (2023)*: Found that profitability in edible oil firms is heavily influenced by raw material costs, emphasizing the importance of cost and asset management—crucial for Raha Oils Pvt. Ltd.
- *Reddy and Narayan (2023)*: Confirmed that ratio analysis remains a reliable and effective tool for evaluating financial efficiency.
- *Kumar and Thomas (2023)*: Stressed the importance of maintaining balanced liquidity and leverage ratios for ensuring financial stability.
- *Karim and Ahmed (2021)*: Along with identified capital adequacy, asset quality, and cost control as major determinants of profitability.
- *Rahman and Kalam (2020)*: Emphasized the need to balance profitability and liquidity to achieve sustainable financial performance.



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- *Hasnat and Islam (2020)*: Found that private banks outperform public ones in profitability due to superior operational efficiency.

It aims to describe and interpret the company's financial condition based on data collected from its audited financial statements. The research uses secondary data from the company's balance sheets and profit & loss accounts for five financial years (2020–2024). Key financial ratios such as profitability, liquidity, ratios are analyzed to assess performance trends

**V. RESEARCH METHODOLOGY**

The study follows a descriptive research design, focusing on evaluating the financial performance of Raha Oils Private Limited through ratio analysis.

*Profitability:*

Years	Gross profit	Net profit	Operating profit
2020	6.85	0.23	0.19
2021	4.8	0.51	0.25
2022	6.3	0.17	1.24
2023	3.8	0.08	1.15
2024	3.6	0.31	1.05

The Gross Profit Ratio of Raha Oils Pvt. Ltd. declined from 6.85% in 2020 to 3.65% in 2024, showing reduced profitability due to rising production costs or pricing pressures. This downward trend indicates the need for better cost control and pricing strategies to sustain margins.

This indicates high expenses and weak cost control, emphasizing the need for improved efficiency to enhance profitability.

The Net Profit Ratio of Raha Oils Pvt. Ltd. stayed very low from 2020 to 2024, peaking at 0.51% in 2021 before dropping to 0.08% in 2023 and slightly recovering to 0.31% in 2024.

The Operating Profit Ratio of Raha Oils Pvt. Ltd. improved from 0.19% in 2020 to 1.24% in 2022, showing better expense control. However, the slight decline to 1.05% by 2024 indicates rising operating costs or reduced efficiency in recent years.

Years	Return on asset	Return on equity
2020	0.49	3.79
2021	3.35	2.18
2022	1.25	2.51
2023	0.40	1.68
2024	1.49	0.61

The Return on Assets (ROA) of Raha Oils Pvt. Ltd. declined sharply from 49.43% in 2020 to 0.41% in 2023, with a slight recovery to 1.50% in 2024. This trend indicates that asset growth has not been matched by profit generation, showing reduced efficiency in using assets. The company needs to enhance asset utilization and operational efficiency to improve overall returns.

The Return on Equity (ROE) of Raha Oils Pvt. Ltd. declined from 3.79% in 2020 to 0.62% in 2024, indicating reduced profitability for shareholders. This drop suggests that despite growth in equity, profits have not increased proportionally, reflecting lower efficiency in utilizing shareholders' funds and highlighting the need to improve overall profitability.



**LIQUIDITY:**

Years	Current ratio	Quick ratio	Cash ratio
2020	3.4	6.27	0.17
2021	9.2	2.18	0.54
2022	6.28	2.52	0.7
2023	4.25	1.69	0.28
2024	11.21	0.40	0.03

The Current Ratio of Raha Oils Pvt. Ltd. fluctuated notably, rising from 3.72 in 2020 to 11.20 in 2024. While this indicates strong liquidity, the excessively high ratio suggests possible underutilization of current assets and inefficient working capital management.

The Quick Ratio of Raha Oils Pvt. Ltd. fell sharply from 6.26 in 2020 to 0.40 in 2024, indicating weakened liquidity and reliance on inventory to meet short-term liabilities. This decline highlights the need for better cash management and stronger liquid asset reserves.

The Cash Ratio of Raha Oils Pvt. Ltd. stayed very low from 2020 to 2024, dropping to just 0.03 in 2024. This reflects poor immediate liquidity and potential risk in meeting short-term obligations, emphasizing the need for stronger cash management.

**VI. FINDINGS**

- **Profitability Decline:** The Gross Profit Ratio decreased from 6.85% in 2020 to 3.6% in 2024, indicating rising production costs and pricing pressure.
- **Weak Net Profit Margin:** The Net Profit Ratio remained very low, showing that high expenses and weak cost control are reducing overall profitability.
- **Fluctuating Operating Profit:** Operating Profit Ratio initially improved but later declined, suggesting inconsistent operational efficiency.
- **Reduced Return on Assets (ROA):** ROA fell sharply from 49.43% in 2020 to 1.50% in 2024, reflecting poor asset utilization.
- **Falling Return on Equity (ROE):** ROE dropped from 3.79% to 0.62%, showing that profits are not keeping pace with the growth in shareholders' equity.

- **Liquidity Imbalance:** The Current Ratio rose significantly, but the Quick and Cash Ratios declined, suggesting excess idle assets and weak short-term cash flow management.
- **High Financial Leverage:** The company's increasing debt dependency poses risk to financial stability.
- **Overall Efficiency:** Operational and financial performance show inconsistency, pointing to the need for stronger financial control and strategic management.

**VII. SUGGESTIONS**

- **Improve Cost Management:** Adopt cost-reduction strategies in production and supply chain to enhance profit margins.
- **Enhance Asset Utilization:** Use fixed assets more effectively by increasing production output and optimizing idle resources.
- **Strengthen Cash Flow:** Maintain a balanced liquidity ratio by improving cash inflows and reducing dependency on receivables.
- **Reduce Debt Dependence:** Gradually lower the debt-to-equity ratio to decrease financial risk and interest burden.
- **Focus on Marketing and Expansion:** Expand market reach beyond regional boundaries and invest in digital marketing to boost sales.
- **Adopt Technological Upgrades:** Introduce modern processing and packaging technologies to improve efficiency and reduce operational costs.
- **Diversify Product Portfolio:** Introduce refined, organic, or health-oriented edible oils to attract new customers and improve profitability.



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- *Strategic Financial Planning:* Implement better budgeting, forecasting, and ratio monitoring to ensure financial discipline and stability

#### VIII. CONCLUSION

The financial analysis of Raha Oils Pvt. Ltd. reveals moderate liquidity but weak profitability and efficiency. The company has maintained market presence and operational continuity but faces challenges in managing costs, optimizing assets, and sustaining returns to shareholders. The declining ROE and ROA indicate that the company must strengthen its operational and financial strategies. By focusing on cost control, debt reduction and product diversification.

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