

A Review of Financial performance of Coal India Limited Based on Ratio Analysis (FY 2024–25)

RISHABH DEV SHARMA¹, JYOTISH KUMAR², CHANDAN DAS³, RAJENDRA KUMAR RAUT⁴, PRAVEEN KUMAR SAHU⁵

¹*Department of Commerce Rani Durgavati Government College, Salhewara, District: Khairagarh–Chhuikhadan–Gandai (KCG), Chhattisgarh, India*

²*Department of mathematics, Rani Durgavati Government College, Salhewara*

³*Department of sociology, Rani Durgavati Government College Salhewara*

⁴*Department of economics, Rani Durgavati Government College Salhewara*

⁵*Department of political science, Rani Durgavati Government College Salhewara*

Corresponding Author: Rishabh Dev Sharma

Abstract—The present review paper evaluates the financial performance of Coal India Limited for the financial year 2024–25 using ratio analysis based on published financial statements. Financial statement analysis plays a vital role in commerce and financial management by providing insights into liquidity, profitability, solvency, and operational efficiency of firms. The study is descriptive and analytical in nature and is entirely based on secondary data obtained from the annual report of Coal India Limited and previously published research studies. One representative ratio from each major category—Current Ratio, Net Profit Margin, Debt–Equity Ratio, and Inventory Turnover Ratio—has been calculated and interpreted step by step using standard accounting formulas. The findings reveal that Coal India Limited maintained strong liquidity and high profitability with a highly conservative capital structure during FY 2024–25. However, efficiency ratios indicate moderate performance due to sector-specific operational constraints. The study identifies significant research gaps related to sustainability-linked financial performance and optimal capital structuring, thereby providing scope for future research.

Keywords— Financial Statement Analysis, Ratio Analysis, Liquidity, Profitability, Coal India Limited, Review Paper

I. INTRODUCTION

Financial statement analysis is a fundamental aspect of commerce and financial management, as it enables stakeholders to evaluate the financial health, efficiency, and sustainability of business enterprises. According to Pandey (2015), financial analysis helps in assessing liquidity, profitability, and solvency positions by establishing meaningful relationships

among accounting figures. Among various analytical tools, ratio analysis is considered one of the most effective techniques for interpreting financial statements due to its simplicity and analytical usefulness (Khan & Jain, 2018).

Ratio analysis assists investors, managers, creditors, and policymakers in understanding a firm's operational efficiency and financial stability. Brigham and Houston (2019) emphasized that financial ratios provide insights into short-term solvency, long-term financial risk, and earning capacity of firms. In the context of public sector enterprises, ratio analysis is particularly important because such organizations are expected to balance financial efficiency with socio-economic objectives (Reddy, 2020).

Coal India Limited, as India's largest coal-producing public sector undertaking, plays a crucial role in national energy security and industrial development. The financial year 2024–25 is significant due to increased production targets, policy reforms in the energy sector, and growing concerns related to environmental sustainability (Singh & Verma, 2022). In this context, an updated review of the financial performance of Coal India Limited based on recent financial statements becomes academically relevant.

II. OBJECTIVES OF THE STUDY

The present review paper has been undertaken with the following objectives:

1. To review the financial performance of Coal India Limited using financial statement analysis.

2. To examine key financial ratios relating to liquidity, profitability, solvency, and operational efficiency for FY 2024–25.
3. To synthesize findings from earlier studies on the financial performance of Coal India Limited and other public sector enterprises.
4. To identify research gaps and suggest areas for future research.

III. RESEARCH METHODOLOGY

The study is descriptive and analytical in nature and is based entirely on secondary data. Data have been collected from the annual report of Coal India Limited for the financial year 2024–25, published research articles in peer-reviewed journals, and standard textbooks on financial management. The methodology involves calculating and interpreting selected financial ratios using standard formulas. The emphasis is on analytical review rather than primary data collection, which is consistent with the nature of a review paper.

IV. REVIEW OF LITERATURE

Several studies have applied ratio analysis to evaluate the financial performance of corporate enterprises and public sector undertakings in India. Pandey (2015) highlighted the importance of liquidity and profitability ratios in assessing short-term financial strength. Brigham and Houston (2019) noted that ratio analysis facilitates comparison of performance across firms and time periods.

Reddy (2020) observed that Indian public sector enterprises generally maintain higher liquidity due to conservative financial policies. Singh and Verma (2019) found that profitability of PSUs is largely influenced by scale of operations and cost management. Studies specifically related to Coal India Limited indicate strong liquidity and profitability supported by assured demand from the power sector (Sharma, 2021). Kumar and Patel (2023) reported that the company follows a highly conservative capital structure with very low leverage, ensuring long-term financial stability. However, most studies are based on data prior to 2023, indicating the need for updated reviews using recent financial statements.

V. RESULTS AND DISCUSSION: RATIO-WISE ANALYSIS (FY 2024–25)

5.1 Financial Data Used for Ratio Calculation (₹ in Crore)

Particulars	Amount
Current Assets	1,52,000
Current Liabilities	58,000
Revenue from Operations	1,46,000
Net Profit (PAT)	35,500
Total Debt	9,000
Shareholders' Equity	1,25,000
Cost of Goods Sold	88,000
Average Inventory	22,000

Source: Annual Report of Coal India Limited (FY 2024–25)

5.2 Liquidity Analysis – Current Ratio

Formula:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Calculation:

$$= \frac{1,52,000}{58,000} = 2.62:1$$

Discussion:

A current ratio of 2.62:1 indicates a strong liquidity position, suggesting that the company is capable of meeting its short-term obligations comfortably. The ratio exceeds the conventional benchmark of 2:1, reflecting efficient working capital management and substantial cash reserves. However, excessively high liquidity may also indicate conservative utilization of funds.

5.3 Profitability Analysis – Net Profit Margin

Formula:

$$\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Revenue from Operations}} \times 100$$

Calculation:

$$= \frac{35,500}{1,46,000} \times 100 = 24.3\%$$

Discussion:

The net profit margin of 24.3% reflects high profitability and strong operational efficiency. This performance can be attributed to economies of scale,

controlled production costs, and consistent demand from the power and steel sectors. Compared to many public sector enterprises, the company exhibits superior earning capacity.

5.4 Solvency Analysis – Debt–Equity Ratio

Formula:

Debt–

$$\text{Debt–Equity Ratio} = \frac{\text{Total Debt}}{\text{Shareholders' Equity}}$$

Calculation:

$$\frac{9,000}{1,25,000} = 0.072 : 1 = 0.07 : 1$$

Discussion:

A debt–equity ratio of 0.07:1 indicates an extremely low level of financial leverage. This reflects a highly conservative capital structure and minimal long-term financial risk. While such a structure ensures stability, it may also limit the benefits of financial leverage in capital-intensive industries.

5.5 Efficiency Analysis – Inventory Turnover Ratio

Formula:

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

Calculation:

$$\frac{88,000}{22,000} = 4 \text{ times}$$

Discussion:

An inventory turnover ratio of 4 times indicates moderate efficiency in inventory management. The relatively lower turnover can be attributed to industry-specific factors such as transportation constraints, storage requirements, and regulatory stock norms in the coal mining sector.

5.6 Summary of Calculated Ratios

Ratio Category	Ratio	Value
Liquidity	Current Ratio	2.62 : 1

Profitability	Net Profit Margin	24.3%
Solvency	Debt–Equity Ratio	0.07 : 1
Efficiency	Inventory Turnover Ratio	4 times

VI. RESEARCH GAP

The review reveals limited studies covering post-2023 financial performance of Coal India Limited. Moreover, existing literature largely ignores sustainability-linked financial indicators and comparative analysis with other energy-sector enterprises. These gaps provide scope for future empirical and interdisciplinary research.

VII. CONCLUSION

The ratio-based review of financial statements for FY 2024–25 indicates that Coal India Limited maintained strong liquidity, high profitability, and excellent solvency. However, moderate efficiency ratios highlight operational constraints inherent in the coal mining sector. Overall, the study concludes that Coal India Limited remained financially robust during the review period, though future research should focus on sustainability and optimal capital structuring in the context of energy transition.

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