

Comparative Ratio Analysis of Oswal Pumps Limited

¹B.Rajeswari, ²Dr.K.PUSHPALATHA

¹Ph.D Research Scholar, ²Associate Professor and Head

¹²PG and Research Department of Commerce

¹²Chikkanna Government Arts College, Tirupur-641602, TamilNadu, India

Abstract—This paper examines the financial performance of Oswal Pumps Limited using comparative ratio analysis for 2024–25 and 2025–26. Ratios across liquidity, profitability, solvency, efficiency, and market performance are compared to assess changes in financial health. The results show that while the company achieved strong revenue and profit growth, liquidity and solvency improved significantly, but profitability and efficiency ratios declined due to rapid expansion and equity infusion. The study highlights the importance of asset utilization and cost management for sustaining shareholder returns.

I. Introduction

Financial ratio analysis is one of the most effective tools for evaluating corporate performance. By comparing ratios across different years, analysts can identify changes in liquidity, profitability, solvency, efficiency, and market strength. Oswal Pumps Limited, a leading manufacturer in the pump industry, has expanded rapidly in recent years. This paper compares its financial ratios for 2024-25 and 2025-26 to highlight the company's strengths, weaknesses and future prospects.

II. Review of literature

Rao (2021) examined the impact of rapid expansion on financial performance in the pump industry. He found that growth often improves solvency ratios by strengthening capital structures and reducing reliance on debt. However, efficiency ratios may temporarily weaken due to underutilization of newly acquired assets. This highlights the challenge of balancing expansion with effective asset utilization.

Kumar (2024) studied the role of compliance reforms and equity financing in capital-intensive industries. His findings suggest that while equity infusion improves solvency and strengthens shareholder confidence, it can compress profitability margins and reduce return on equity in the short term. This is particularly relevant for companies undergoing IPOs or large capital expansions, as seen in Oswal Pumps Limited.

Mehta (2025) focused on liquidity and profitability in the pump manufacturing sector. He observed that liquidity tends to remain strong due to advance payments and favorable working capital cycles. However, profitability margins are vulnerable to rising input costs, competitive pressures, and expansion related expenses. This underscores the importance of cost management in sustaining profitability.

Singh & Verma (2023) emphasized the critical role of efficiency ratios in asset-heavy industries. They argued that underutilization of new investments can distort returns in the short term, even if solvency and liquidity remain strong. Their study suggests that efficiency improvements are essential for translating capital expansion into sustainable shareholder value.

III. Need for the Study

The study is undertaken to evaluate the financial performance and overall financial health of Oswal Pumps Limited by comparing key financial ratios across 2024–25 and 2025–26. It aims to highlight the company's strengths and weaknesses in areas such as liquidity, profitability, solvency, efficiency, and market performance. This evaluation will provide insights that support more informed financial decision-making.

IV. Statement of the Problem

Oswal Pumps Limited has witnessed rapid growth and expansion in recent years, leading to substantial changes in its financial performance and capital structure. Although improvements in liquidity and solvency are evident, declining profitability and efficiency ratios raise concerns about the effective utilization of financial resources. This imbalance between growth and efficiency underscores the need to critically evaluate whether the company's expansion is sustainable and aligned with shareholder value creation. Therefore, the study focuses on analyzing and comparing the financial ratios of 2024–25 and 2025–26 to identify shifts in performance, assess strengths and weaknesses, and provide evidence based insights for enhancing financial efficiency and long-term stability.

V. Objectives of the Study

1. To analyze and compare the liquidity, profitability, solvency, efficiency, and market ratios of Oswal Pumps Limited for 2024–25 and 2025–26
2. To assess the changes in financial performance between the two years and interpret their implications for the company's overall financial position and future growth prospects.

VI. Research Methodology

This study is based on secondary data collected from the published financial statements of Oswal Pumps Limited for the financial years 2024–25 and 2025–26. The research adopts a comparative ratio analysis approach to evaluate the company's financial performance by examining key financial ratios under five major categories: liquidity, profitability, solvency, efficiency, and market performance.

VII. Analysis and interpretation

Table 1: Comparative Financial Ratio Analysis of Oswal Pumps Limited (2024-25 vs. 2025-26)

Category	Ratio	2024-25	2025-26
Liquidity Ratios	Current Ratio	18.50	33.80
	Quick Ratio	15.80	29.60
	Cash Ratio	9.80	18.40
Solvency Ratios	Debt-Equity Ratio	1.32	0.27
	Debt-to-Assets Ratio	13.80%	2.10%
	Interest Coverage Ratio	18.40	26.30
Efficiency Ratios	Asset Turnover Ratio	1.34	0.97
	Inventory Turnover Ratio	5.80	5.20
	Working Capital Turnover Ratio	2.35	1.68
	Fixed Asset Turnover Ratio	3.45	2.88
Profitability Ratios	Gross Profit Margin	36.20%	34.80%
	EBIT Margin	29.50%	25.70%
	Net Profit Margin	19.60%	18.00%
	Return on Assets (ROA)	26.20%	17.50%
	Return on Equity (ROE)	60.70%	22.40%
Market Ratios	Earnings Per Share (₹)	28.18	34.73
	Book Value Per Share (₹)	46.20	168.30

Source: secondary source

Interpretation

The comparative ratio analysis reveals significant changes in the financial performance of Oswal Pumps Limited between the years 2024-25 and 2025-26

Liquidity ratios improved considerably, with the current ratio increasing from 18.50 to 33.80, the quick ratio from 15.80 to 29.60, and the cash ratio from 9.80 to 18.40. These results indicate an exceptionally strong short-term liquidity position and the company's ability to meet current obligations comfortably. However, the unusually high liquidity levels may also suggest that a substantial portion of current assets remains idle, highlighting the need for more effective working capital utilization.

Solvency ratios also showed marked improvement during the period. The debt-equity ratio declined significantly from 1.32 to 0.27, while the debt-to-assets ratio fell from 13.80% to 2.10%. At the same time,

the interest coverage ratio improved from 18.40 to 26.30, reflecting a stronger capacity to service debt obligations. These changes indicate a healthier capital structure, lower financial risk, and greater long-term financial stability.

In contrast, efficiency ratios recorded a decline in FY2026. Asset turnover decreased from 1.34 to 0.97, inventory turnover from 5.80 to 5.20, working capital turnover from 2.35 to 1.68, and fixed asset turnover from 3.45 to 2.88. The decline suggests that the newly acquired assets and increased working capital have not yet been fully utilized to generate revenue. As the company's expansion projects become operational, these ratios are expected to improve.

Similarly, profitability ratios experienced moderate declines. Gross profit margin reduced from 36.20% to 34.80%, EBIT margin from 29.50% to 25.70%, and net profit margin from 19.60% to 18.00%. Return on Assets (ROA) declined from 26.20% to 17.50%, while Return on Equity (ROE) dropped significantly from 60.70% to 22.40%. Although the company reported higher absolute profits, increased operating costs, asset expansion, and equity infusion compressed profitability ratios and reduced returns on invested capital.

Despite the decline in profitability and efficiency, market performance remained strong. Earnings Per Share (EPS) increased from 2024-25 and 2025-26 Rs.28.18 to 2024-25 and 2025-26 Rs. 34.73, indicating improved earnings available to shareholders. Book Value per Share substantially from Rs. 46.20 to Rs. 168.30.

VIII. Findings

1. Liquidity position improved significantly during FY2025–FY2026. The Current Ratio increased from 18.50 to 33.80, the Quick Ratio from 15.80 to 29.60, and the Cash Ratio from 9.80 to 18.40, indicating a strong ability to meet short-term financial obligations.
2. Solvency strengthened considerably as the Debt-Equity Ratio declined from 1.32 to 0.27 and the Debt-to-Assets Ratio decreased from 13.80% to 2.10%. At the same time, the Interest Coverage Ratio improved from 18.40 to 26.30, reflecting a stronger capacity to meet interest commitments.
3. Efficiency ratios declined during the study period. The Asset Turnover Ratio fell from 1.34 to 0.97, Inventory Turnover Ratio from 5.80 to 5.20, Working Capital Turnover Ratio from 2.35 to 1.68, and Fixed Asset Turnover Ratio from 3.45 to 2.88, indicating lower utilization of assets following business expansion.
4. Profitability ratios showed a moderate decline. The Gross Profit Margin decreased from 36.20% to 34.80%, the EBIT Margin from 29.50% to 25.70%, and the Net Profit Margin from 19.60% to 18.00%. Similarly, Return on Assets (ROA) fell from 26.20% to 17.50%, while Return on Equity (ROE) declined from 60.70% to 22.40%, reflecting the impact of increased assets and equity.

5. Market performance remained positive. The Earnings Per Share (EPS) increased from Rs.28.18 to Rs.34.73, while the Book Value Per Share shows substantially from Rs.46.20 to Rs.168.30, indicating growth in shareholder value.

IX. Suggestions

1. Utilize excess liquidity effectively by investing surplus funds in productive assets and growth opportunities to improve overall returns.
2. Improve asset utilization by ensuring that existing and newly acquired assets are used efficiently to enhance operational performance.
3. Strengthen cost control measures to reduce operating expenses and maintain healthy profit margins.
4. Maintain a balanced capital structure by effectively managing debt and equity to ensure long-term financial stability and maximize shareholder value.
5. Conduct regular financial performance reviews using ratio analysis to identify performance gaps, support informed managerial decisions, and achieve sustainable business growth.

X. Conclusion

The comparative analysis shows that Oswal Pumps Limited has achieved remarkable improvements in liquidity and solvency, strengthening its financial stability. However, declining efficiency and profitability ratios highlight challenges in resource utilization and cost management during expansion. Despite these concerns, strong market indicators such as rising EPS and book value per share reflect investor confidence. Overall, the company's financial position is stable, but sustainable growth will depend on better utilization of assets, effective cost control, and strategic deployment of resources to balance expansion with profitability.

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