FINANCIAL PERFORMANCE ANALYSIS: A CASE STUDY OF INDUSTRIAL ENTERPRISE GOVERNANCE

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Abstract

This study explores the financial resilience of an industrial firm, emphasizing the vital significance of financial analyses in ensuring sustained operational viability. It presents a strategic framework for enduring prosperity through a thorough examination of financial statements and operational efficiency, highlighting the indispensable role of rigorous financial scrutiny in navigating contemporary business landscapes for sustained success across industries and economies. The study empirically investigates the efficacy of the margin vs turnover model through ratio analysis methodologies applied to the company's financial data. It reveals notable fluctuations in gross profit margins, spanning from 11.51 percent to 33.79 percent, and estimated asset turnovers, ranging between one and 20.6 percent, throughout the years 2019–2022, offering insights into the financial dynamics of the entity under scrutiny. Ensuring sustained success necessitates consistent attention to industry trends, enhancement of operational efficiency, and adherence to financial discipline, as evidenced by satisfactory ratios in borrowing, asset-to-liability, and interest coverage on the balance sheet, which also presents avenues for improvement.

Keywords: Financial Performance, Financial Analysis, Ratio Analysis, Financial Management, Accounting, Industrial Management

Authors' individual contribution: Conceptualization — A.S.; Methodology — A.S. and R.H.; Investigation — R.H.; Resources — A.S.; Writing — A.S.; Supervision — R.H.

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1. INTRODUCTION

Ensuring financial stability is imperative to sustain economic activities over the long term. The in-depth analysis of a company's financial standing and associated risks holds profound importance in the context of modern economies and the effective management of businesses. Financial stability entails the capability to facilitate economic processes, adeptly navigate risks, and absorb unexpected

shocks, embodying a robust and resilient foundation for sustainable economic well-being (Schinasi, 2004). The paramount importance of ensuring financial stability and adeptly managing risks is underscored as fundamental business strategies for any company striving for growth and development.

Aligned with the enterprise's business strategies, financial analyses are conducted at various stages, with the initial planning of the analysis constituting the inaugural step. This phase encompasses the delineation of the purpose, tasks, and overarching framework of the financial analysis. The preliminary questions guiding the research and analysis include:

RQ1: What is the purpose of the financial analysis?

RQ2: Which methods and resources will be employed?

RQ3: How much time will be allocated to the process?

In the subsequent stage, the information-gathering process is initiated. Individuals authorized for analysis commence the examination of the enterprise's financial statements, the profit and loss balance, and the overall dynamics of capital and cash. Simultaneously, the findings from surveys conducted among enterprise management, producers, consumers, and other pertinent information are also intended for incorporation in the analysis. In the phase of data processing, there is an evaluation of the reliability and sufficiency of the collected data, with the elimination of any identified deficiencies. Subsequently, diverse indicators and coefficients are computed based on this data, adhering to the analysis requirements, and relevant tables and graphs are then prepared.

In the analysis and evaluation stage, a comprehensive examination occurs, involving essential assessments derived from the indicators, coefficients, tables, and graphs calculated and prepared in the preceding stages. Concurrently, a meticulous review unfolds, delving into the principal characteristics of the economic and financial landscape of the enterprise, while concurrently conducting an in-depth analysis of its economic potential. In the final phase, the preparation and presentation of the analysis report adhere to rigorous standards. Following the established process, it is crucial to cyclically revisit the analysis, systematically updating results in accordance with the rules outlined above.

The enterprise's ability to finance and undertake development activities depends on macroeconomic and microeconomic indicators, with the life cycle influencing the chosen endeavors, and financing, a crucial process for survival and progress, is specifically focused on funding current assets for the enterprise's continuous operation (Kádárová et al., 2015). A comprehensive analysis of the financial situation of the enterprise encompasses multiple dimensions and indicators. These encompass a dynamic examination of the current state, composition, and ratio of the fixed and circulating funds of the enterprise, the identification of factors influencing the change in fixed and circulating funds, their sources of origin, an assessment of the alignment of production resources with demand, and an evaluation of the judicious utilization of borrowed funds, including bank loans, in an efficient and purposeful manner. Additionally, factors such as the study and assessment of the current state, structure, and dynamics of current assets within the realms of production and circulation are integral components of this analytical process. Examining approaches to the economic analysis of financial operational outcomes, the assertion is that analysis should extend beyond factor or profitability analysis as each absolute or relative indicator offers crucial insights into the financial condition and operational effectiveness of the enterprise; thus, employing a comprehensive array of indicators and a combined analytical approach provides the most thorough depiction of the current situation and future capabilities of the enterprise (Kuprina et al., 2019).

This scientific study centers on the Ganja Aluminum Complex, the primary aluminum producer in Azerbaijan and the broader region. Employing the principles articulated in the research, the financial situation of this strategically significant enterprise is assessed. Emphasizing the imperative of conducting a financial analysis of Azerbaijan's modern aluminum industry, marked by continual growth since its inception and active participation in global markets, the study illustrates this analysis using a prominent enterprise as an example. To sustain a reliable supply of goods, particularly essential ones, to the public, ongoing scrutiny of enterprises' financial health is imperative to prevent financial crises and potential bankruptcies, necessitating a comprehensive understanding of assessment methods, metrics, factors influencing financial security, and the relevant levels of financial security for thorough evaluations (Delas et al., 2015).

The initial section of this study explores the economic and financial dynamics of the enterprise, focusing predominantly on aluminum's pivotal role within the global non-ferrous metallurgical sector. Noteworthy advancements in technology have significantly diminished energy consumption, leading to substantial economic gains. Critical to this success are strategies aimed at optimizing production processes, complemented by a demonstrated commitment to environmental stewardship through the adoption of dry gas-dust cleaning systems to mitigate harmful emissions. Future initiatives include expanding the product range and pursuing strategic acquisitions, positioning the enterprise for further global expansion. The main results section of this paper adopts a methodical approach to examine various dimensions of the enterprise's financial condition. It begins by scrutinizing fluctuations in property status over recent years, particularly emphasizing the decline in total long-term asset value despite increases in specific categories, alongside the growing importance of intangible assets. Throughout this section, reference is made to several tables providing quantitative data and financial metrics essential for evaluating different aspects of the enterprise's financial health, including property status fluctuations, liquidity, profitability, profitability ratios, and the development of a margin vs turnover model. Furthermore, forthcoming research endeavors are outlined, which will delve into the enterprise's balance sheet structure, borrowing ratios, asset-to-liability ratios, and interest coverage ratios, as well as an examination of tax and social security payments.

This study undertakes a comprehensive examination of the economic viability of the enterprise, scrutinizing financial data spanning consecutive years to identify changes in property status, fluctuations in liquidity, and trends in operational efficiency. By meticulously analyzing diverse ratios and models, it furnishes insights into the financial well-being of the enterprise, accentuating its strengths, and potential areas of concern, and offering recommendations to ensure continued prosperity. The research aim is to perform a comprehensive financial analysis of a newly established company with the aim of ensuring sustainable profitability.

The rest of this paper is structured as follows. Section 2 reviews the relevant literature. Section 3 analyses the methodology. Research findings are presented in Section 4. Section 5 concludes the paper.

2. LITERATURE REVIEW

Numerous scholarly investigations in the scientific literature have been dedicated to financial analysis and risk management, with a particular emphasis on the imperative nature of research in these domains, accentuated by the occurrence of financial problems. Since the latter half of the 20th century, this subject has been subject to more systematic examination within scientific domains. The scholarly work conducted by Elliott (1972) emphasized the heightened significance of discerning notable variances in financial performance between enterprises managed by owners as opposed to those overseen by professional managers, thus amplifying the potential consequences of various correlated strategies and methodologies.

New organized methodologies have been proposed in response to the evolving financial and managerial landscape of the contemporary era. The indispensability of a stable financial system is underscored as a prerequisite for the sustained functionality of any economic institution or company. Enríquez-Díaz et al. (2021) offer academic insights into how businesses must adapt to the undeniable impact of climate change, proposing practical and theoretical perspectives that advocate for a redefinition of production processes and internal organizational structures in response to the evolving global situation. The edited book authored by Lemieux (2013) serves as an academic exploration of theoretical, technological, policy, and practical considerations in the realm of financial records management, appealing to researchers and advanced practitioners in finance. Chandra (2017) meticulously explores the foundational principles and methodologies of financial management, endeavoring to articulate the analytical processes essential for the assessment of a broad spectrum of financial decision-making situations. The publication adeptly elucidates the diverse concepts, tools, and techniques inherent in financial management, employing pertinent examples to enhance comprehension and application. According to Mertzanis (2014) financial markets, marked by intricate financial instruments and nuanced interactions among participants, meet the criteria justifying their classification as complex adaptive systems, aligning with recognized academic standards for complexity in financial systems analysis. Corelli (2014) provides a comprehensive guide to navigating financial markets, offering insights on seizing opportunities while effectively managing diverse risks, and highlighting the significance of understanding both quantitative analyses and the human factors influencing decision-making under pressure. With a comprehensive approach, Myšková and Hájek (2017) investigated the relationship between financial performance and the manner of information presentation in annual reports by U.S. firms. They employed two distinct methodologies: financial analysis, which evaluates financial ratios to ascertain firms' financial health, and linguistic analysis, which scrutinizes word choices and information presentation within the reports. Moreover, Delen et al. (2013) endeavored to investigate the correlation between financial performance and the manner of information presentation in annual reports of U.S. firms, employing financial and linguistic analysis. Their goals encompassed the development of customized word lists, evaluation of report clarity, comparison of presentations across firms varying in success levels, and appraisal of the applicability of the proposed word lists for financial analysis.

In the most recent period, a multitude of scientific literature has been generated concerning various research topics. Konstantinidis et al. (2022) scrutinize Greece's bottled water sector, which, following challenges post-COVID-19, is actively pursuing investments and strategic partnerships to bolster competitiveness. The study, centered on Greek bottled water manufacturers, evaluates economic parameters such as market share, profitability, sales, and loans to inform firms' strategic development choices. Al-Ibbini and Shaban (2023) explored the correlation between the legal liquidity ratio and profitability within Jordanian commercial banks, revealing a transient negative association in the short term but a positive one over a longer duration. Furthermore, factors such as bank size, age, and ownership structure emerged as significant determinants of profitability, underscoring the importance of preserving a well-balanced liquidity ratio to ensure both immediate stability and sustained profitability in the long run. Another research investigation in Oman focused on financial issues, specifically analyzing the cost, profitability, and structure of balance sheets (Al Kharusi et al., 2022).

A diverse range of financial risk assessment methods has been delineated in scientific literature, spanning expert judgment, statistical analysis, analytical calculations, and analog approaches. The selection of specific methods is contingent upon the information availability and managerial expertise. The risk assessment process involves three stages: 1) Identifying potential solutions to the problem; 2) Evaluating potential negative consequences, including economic, political, and moral aspects, resulting from decision implementation; and 3) Considering risk integrally, encompassing both quantitative and qualitative dimensions (Kazımlı & Quliyev, 2011; Abbasov, 2020).

3. METHODOLOGY

Theoretically, the financial condition of an enterprise refers to the status of its assets, liabilities, and capital accounts during a specific period (Müslümov & Kazımov, 2011). The financial condition of an enterprise, theoretically, encompasses its ability to finance regular activities and is distinguished by indicators such as the adequacy of essential financial safeguards, the appropriateness, and efficiency of financial resource placement, stability in financial relationships with other legal and natural entities, as well as solvency and financial stability. Through an analysis founded on these indicators, the enterprise's financial situation is assessed as either stable, unstable or in a crisis state. A proficient ability to make timely payments and support expanded activities signifies a favorable financial condition, while challenges in meeting financial obligations indicate the presence of underlying issues.

The financial situation of an enterprise is subject to temporal shifts, influenced by changes in supply, production, sales, investment, and financial activities (Al-Ibbini & Shaban, 2023; Konstantinidis et al., 2022; Al Kharusi et al., 2022). These variations encompass modifications in the volume, sources, structure, and demand for the enterprise's financial resources. The overarching evolution in the financial situation is, therefore, shaped by the dynamic nature of these processes. The financial condition of the enterprise is intricately linked to the outcomes of its supply chain, production, sales, investment, and financial initiatives. Consequently, it can be inferred that the analysis of the financial situation and associated risks plays a pivotal role in ensuring the stability of the enterprise's financial position. The primary aim of this analysis is to promptly identify and address deficiencies in the financial activities of the enterprise while simultaneously revealing potential opportunities for improving its financial situation and solvency.

Ratio analysis is a vital tool for assessing a company's financial health, providing insights into its performance and stability. Liquidity ratios, analogous to an organism's need for water, gauge a company's ability to meet short-term obligations. Profitability ratios, likened to an engine's fuel, reveal how effectively a company generates profits from sales and assets. Leverage ratios, representing fuel consumption, show the company's reliance on borrowed funds and its ability to meet long-term obligations without compromising financial health. These analyses collectively offer a comprehensive understanding of a company's resilience, efficiency, and overall financial viability. In examining profitability ratios, viewing the company as an engine highlights profitability as the essential fuel sustaining its operations.

The analysis using the margin vs turnover model appraises the capacity for profitability through the examination of two crucial financial indicators: Profit margin and inventory turnover. This model delivers a valuable initial evaluation of a company's potential profitability and the effectiveness of its inventory management. Jansen et al.'s (2012) research introduces a diagnostic methodology for evaluating earnings management, leveraging an analytical approach centered on changes in asset turnover and profit margin. This methodology establishes a systematic and thorough framework for identifying and comprehending potential manipulations in financial reporting practices.

Adapt the selection in accordance with the particular ratios and variables that hold the greatest relevance to the analysis and industry under consideration. Jewell and Mankin (2012), Andrés et al. (2009), Panigrahi and Vachhani (2021), and other researchers have defined the return on equity (ROE) model and conducted comprehensive financial analysis on this model. Meiryani et al. (2023) utilized secondary data from financial statements and annual reports of mining companies listed on the Indonesia Stock Exchange, employing multiple linear regression analysis to assess the impact of corporate governance entities on the growth of return on assets.

Financial risk pertains to the potential of facing monetary losses in an investment or business venture, and some prevalent and distinct types of financial risks encompass credit risk, liquidity risk, and operational risk (Hayes, 2023). In theoretical discussions on financial risks, several indicators are suggested for identifying such risks (Hunziker, 2019).

Table A.1 (see Appendix) displays a variety of key indicators utilized for detecting financial risks. It presents an exhaustive collection of financial ratios utilized for assessing multiple dimensions of a company's performance, categorized into liquidity, turnover, profitability, leverage, and growth.

Essentially, conducting ratio analysis is akin to performing a comprehensive financial check-up for a company, enabling the assessment of its strengths and weaknesses, identification of potential risks and opportunities, and ultimately providing a gauge of its overall health and future prospects. By synthesizing insights from each category, a well-rounded picture of the company's financial landscape emerges, empowering informed decision-making.

4. RESEARCH FINDINGS

Founded on evaluations conducted through methodological approaches, this study endeavors to elucidate several principal outcomes arising from a thorough analysis of the financial circumstances surrounding the Ganja Aluminum Complex.

4.1. The general business overview of the enterprise

An analysis of the enterprise's economic and financial condition reveals aluminum's global preeminence in non-ferrous metallurgical industries, ranking first in both production and consumption. It secures the second position in the broader metallurgical industry, following steel. The complex, boasting a production capacity of 50–55,000 tons, encompasses essential components such as anode processes, electrolysis, metal casting and continuous rolling, pressure processing, and dyeing plants. Currently, the complex produces over 53,000 tons of primary aluminum, alongside approximately 50,000 tons of semi-finished coils representing various brands and their derived products. The implementation of advanced technological

methods has notably reduced energy consumption from the established global norm of 14,000 kWh per ton of aluminum, resulting in economic profits and a notable achievement in achieving greater production with reduced energy consumption. Additionally, production optimization methods play a crucial role in shaping the enterprise's financial landscape. The installation of dry gas-dust cleaning systems underscores the enterprise's commitment to environmental responsibility, capturing 98.5% of harmful gases generated in the technological process. This dedication to stringent environmental standards positions the enterprise for global business expansion and provides a competitive advantage. Complementary to this, the enterprise has conducted comprehensive studies on green management and embraced structural eco-design models, further solidifying its commitment to environmentally sustainable practices (Hasanov & Safarli, 2023). Moreover, an additional facet of the inquiry involves dedicated research on sustainability, specifically addressing future innovative projects and the integration of environmentally friendly technologies within the industry (Safarov & Hasanov, 2024). The Ganja Aluminum Complex mainly sells its products, known as Azeral, to the U.S., Europe, and several Asian countries through exports. With a workforce of approximately 1200 individuals, the complex specializes in the production of rolls categorized under series 1, 3, 5, and 8. These products serve various industries, including electric power, automobile, food, construction, and machine-building. Looking ahead, the complex envisions significant development prospects, aiming to exceed an annual production of 100,000 tons of primary aluminum. The expansion of the product portfolio is anticipated to include aluminum semi-finished products for diverse applications, electrotechnical wires, sandwich panels, construction materials, door-window profiles, and various machine components. Additionally, future plans incorporate the strategic acquisition of final products, contributing to a holistic and diversified outlook for the enterprise.

4.2. Analysis of the economic potential of the enterprise

An examination of the obtained statistical data enables a comprehensive analysis of the alterations in the property status of the enterprise over the past four years.

Table 1 depicts the fluctuations in the property status of the enterprise from 2019 to 2022. Despite a 6.4-fold increase in the value of intangible assets and a 7.5% rise in the value of land, buildings, and equipment, the total value of long-term assets experienced an 8.1% decline. This shift is attributed to the heightened depreciation costs of land, buildings, and equipment, which exceeded the increase in their values by more than 2.5 times. Therefore, it is pertinent to consider the impact of depreciation costs on the enterprise's overall financial assessment. Throughout the analyzed period, the growth rate of intangible assets consistently surpassed that of tangible assets, indicating a progressive qualitative shift in the enterprise's asset structure. This transformative trend, unaffected by price fluctuations, implies a substantial evolution in the composition of the enterprise's property.

Table 1. Fluctuations in the property status of the enterprise from 2019 to 2022

Asset details	*2019*	*2020*	*2021*	*2022*	*Increase/Decrease (+/–, %)*
Long-term assets	215658787,97	221449404,63	204871296,86	198,010,629.68	–8.1
Intangible assets	33275,16	44275,16	89536,26	213938.16	542.9
Amortization of intangible assets	26061,29	32176,72	55639,04	89315.44	242.7
Land, building, equipment	237615831,78	245809154,29	249069776,65	255,518,811.25	7.5
Depreciation of land, buildings, equipment	21964257,68	24371848,10	44232377,01	57,879,796.67	163.52

Note: Data collection was conducted at the Finance and Accounting office of Azeraluminium company through individual appointments arranged in advance.
Source: I. Akbarov (personal communication, November 6, 2023).

Utilizing the data gathered for the examination and evaluation of the enterprise's financial position, it has become possible to assess numerous liquidity ratios and indicators related to financial stability.

Table 2 provides details regarding the dynamics of liquidity and financial stability ratios. The enterprise's liquidity experienced a notable oscillation. In 2021, both current and cash ratios exhibited substantial increases of 134.89% and 178.08%, respectively, followed by subsequent decreases of 6.08% and 20.3% in 2022.

Table 2. Dynamics of liquidity and financial stability indicators

Ratio details	*2020*	*2021*	*2022*	*Increase/Decrease (+/–, %)*
Current ratio	3.64	9.10	8.55	134.89
Cash ration	0.73	2.04	0.655	–10.3
Debt ratio	0.14	0.12	0.87	521.42
The ratio of bank loans to liabilities	0.0	0.02	0.0	0.0
The ratio of fixed assets to net worth	0.77	0.62	0.55	–28.5

Source: I. Akbarov (personal communication, November 6, 2023).

This pattern suggests a temporary surge succeeded by a modest contraction in short-term and immediate liquidity. However, a cause for concern surfaced with the debt ratio, skyrocketing by an extraordinary 625.00% in 2022. This sharp rise raises apprehensions about the enterprise's reliance on debt and poses questions about its long-term financial stability. Conversely, the ratio of fixed

assets to net worth demonstrated a consistent decline of 19.48% in 2021 and a further 11.29% in 2022, indicating a departure from heavy reliance on fixed assets and suggesting a potential shift towards a more flexible asset allocation strategy. Unraveling the underlying factors steering these trends and understanding their enduring implications for the enterprise's financial well-being necessitates further in-depth investigation.

4.3. Analysis and evaluation of the efficiency of the enterprise's financial and economic activity

To gauge the outcomes of the enterprise's production activities, particularly its profitability, it is imperative to analyze the dynamics of its profit and loss account.

Table 3 demonstrates the dynamics of the profit and loss account of the enterprise spanning from 2019 to 2022. Throughout the years 2019 to 2022, the company observed an upward trajectory in sales, cost of sales, and operating income, consequently leading to increased gross and net profits. Particularly noteworthy is the 30% boost in sales, serving as a fundamental driver for a substantial 138.6% escalation in total profit. It is essential to highlight that 2020 marked a deviation from this positive trend, with a decrease in both sales revenue and operating income compared to the preceding year, 2019. However, subsequent years exhibited a recovery from this dip. This deviation in 2020 can be primarily attributed to the widespread global impact of the COVID-19 virus pandemic.

Table 3. Dynamics of the profit and loss account of the enterprise spanning from 2019 to 2022

Financial performance	*2019*	*2020*	*2021*	*2022*	*Increase/Decrease (+/–, %)*
Income from sales	203197292	171400335	251661190	264286117	30.0
Cost of sales	–179812060	–147161884	–166614926	208491422.2	15.9
Gross profit	23385232.7	24238450.9	85046264.3	55794694.75	138.6
Other operating income	4220172.42	3451164.85	6814190.3	1270793.2	–69.9
Operating income	2950260.28	2170183.51	42276706.7	30186350.28	923.2
Profit before income tax	2950260.28	2170183.51	42276706.7	30186350.28	923.2
Net profit for the year	2950260.28	2170183.51	42276706.7	30186350.28	923.2

Source: I. Akbarov (personal communication, November 6, 2023).

Regarding risk analysis and assessment, the computation of specific profitability ratios and an in-depth examination of their dynamics hold paramount importance.

Table 4 illustrates the dynamics of enterprise profitability ratios over the period from 2019 to 2022. The enterprise underwent a striking financial evolution from 2019 to 2022. The gross profit soared by an impressive 83.4%, showcasing proficiency in extracting profit from each revenue dollar. Meanwhile, the net profit margin witnessed an astonishing surge of 506.67%, indicating expert management of operational costs. This efficiency was further evident in a substantial 609.1% increase in earnings before interest, taxes, depreciation, and amortization (EBITDA) margin, highlighting notable operational profitability before accounting for financial considerations. Remarkably, even long-term assets demonstrated their potential as profit drivers, experiencing a significant 742.86% increase in return and illustrating strategic utilization. In summary, the enterprise has effectively decoded the formula for profitability, transforming into a formidable financial powerhouse.

Table 4. Dynamics of enterprise profitability ratios over the period from 2019 to 2022

Performance metrics	*2019*	*2020*	*2021*	*2022*	*Increase/Decrease (+/–, %)*
Gross profit margin	11.51	14.27	33.79	21.11	83.4
Net profit margin	1.5	1.3	16.8	9.1	506.67
EBITDA margin	0.11	0.14	0.17	0.78	609.1
Return on long-term assets	1.4	1.0	20.6	11.8	742.86

Source: I. Akbarov (personal communication, November 6, 2023).

Derived from the given dataset, a trustworthy margin vs turnover model has been developed, and the subsequent results will be elucidated for academic scrutiny. Plotting gross profit margin against estimated asset turnover annually yields a scatter plot depicting the interplay between pricing power and operational efficiency.

Table 5. Margin vs turnover model result

Year	*Gross profit margin (%)*	*Estimated asset turnover (RLTA)*
2019	11.51	1.4
2020	14.27	1.0
2021	33.79	20.6
2022	21.11	11.8

Source: Authors' finding.

In 2019, lower average values on both axes imply a moderate level of pricing power and asset utilization. Advancing to 2020, slight increases in both margins suggest potential improvements. The significant upswing in gross profit margin and a higher asset turnover in 2021 indicate exceptional pricing power and optimal asset utilization, contributing to the attainment of the highest net profit margin. However, decreases in both margins in 2022 raised concerns about a potential reduction in pricing power and less efficient asset utilization compared to the preceding year.

The observed positive trend in profitability likely results from effective cost-reduction strategies, increased revenue through new products or market expansion, improved operational efficiency, and strategic utilization of long-term assets. For sustained success, it is imperative to uphold this momentum, monitor industry trends, invest in ongoing efficiency improvements, and conduct detailed analyses to understand the specific drivers of profitability growth. A scrutiny of the enterprise's balance sheet structure reveals

satisfactory levels of borrowing ratios, asset-to-liability ratios, and interest coverage ratios. Simultaneously, an investigation into tax, social security, and other payments highlights instances where delays or tardy approvals have resulted in additional interest payments and fines, emphasizing the necessity to fortify financial discipline within the enterprise.

This scholarly investigation delves into the financial condition of a relatively young enterprise, providing insights into its early fiscal trajectory and laying the foundation for future research and improved financial management practices despite the limitations of a restricted four-year timeframe. This research underscores the increasing significance of financial assets such as brand reputation and intellectual property, indicating a critical area for future exploration across various industries. The significant rise in the debt ratio initiates inquiries into debt management strategies for swiftly growing enterprises, setting the groundwork for subsequent examinations into the factors shaping this pattern and advocating for optimal approaches. Additionally, the research introduces the margin vs turnover model as a pioneering analytical instrument to evaluate pricing power and operational efficiency, proposing its potential applicability across varied sectors and company sizes for improved decision-making and the fostering of financial discipline, which the study underscores as imperative for enduring prosperity.

5. CONCLUSION

Performing a comprehensive financial assessment of a strategically significant heavy industry company is imperative for ensuring the robustness and viability of its operations, particularly considering its pivotal role in the economic landscape of Azerbaijan. This comprehensive examination of the enterprise's financial trajectory from 2019 to 2022 reveals a substantial transformation, solidifying its stature as a formidable financial powerhouse. The notable improvements in gross profit, net profit margin, EBITDA margin, and return on long-term assets signify a strategic focus on profit maximization, propelled by effective cost management, revenue expansion, operational efficiency, and astute utilization of long-term assets. According to the margin vs turnover model model, the firm experienced a significant upturn in profitability, as indicated by the increased net profit margin from 2019 to 2021. This improvement is likely attributed to the synergistic effects of heightened pricing power and improved asset utilization. However, the observed decline in both margins in 2022 raises concerns, necessitating a thorough investigation into potential causes and the development of strategic approaches for the future.

This research underscores the notable financial resurgence of the enterprise, concurrently identifying areas warranting continual improvement. Through the adoption of sound financial practices and the ongoing refinement of mechanisms driving profitability, the enterprise is strategically positioned for sustained growth and prosperity. Summarizing the conducted analyses, it is evident that the financial situation of the enterprise is stable, with sufficient financial resources for normal operations and development. Nevertheless, attention should be directed towards the increasing trend of amortization costs for land, buildings, and equipment, alongside the trajectory of bank loans in relation to liabilities. Further scrutiny is needed to clarify the reasons for significant fluctuations in sales income and operating income over the years. Strengthening financial discipline and implementing appropriate measures in these domains are deemed imperative. This article emphasizes the significance of financial assets in shaping an enterprise's overall value, prompting future research to explore their impact across diverse industries. It underscores the importance of assets in determining enterprise value and offers valuable insights into effectively navigating the economic landscape, especially for new businesses. Recognizing the growing significance of assets enables new companies to prioritize strategic investments and implement effective debt management strategies, fostering sustainable growth and long-term success.

The paper is constrained by its focus on a single company and a limited time frame. Future investigations should encompass multiple industries, extend the duration of analysis, and incorporate non-financial factors to achieve a more comprehensive understanding.

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APPENDIX

Table A.1. Key indicators used to identify financial risks

No.	*Key indicators*	*Description*
1	**Liquidity ratios**	
1.1	Current ratio	Current assets/Current liabilities
		Current assets = cash + cash equivalents + accounts receivable + finished goods + securities sold + prepaid expenses
		Current liabilities = payables + creditor payables + accrued expenses + unearned revenue + current portion of long-term debt + other current liabilities
1.2	Cash ratio	Cash and cash equivalents/current liabilities
1.3	Quick liquidity ratio	(current assets – inventories – prepayments)/current liabilities
		(cash + cash equivalents + marketable securities + accounts receivable)/current liabilities
2	**Turnover (activity) ratios**	
2.1	Average turnover of the finished product	Number of days in the cycle/turnover of the finished product
		Finished goods turnover = cost of goods sold/numerical average of finished goods
		Average finished product = (beginning finished product + ending finished product)/2
		Beginning finished goods = (cost of goods sold + ending finished goods balance) – purchase costs
		Ending finished goods = beginning finished goods + net purchases – cost of goods sold
2.2	Average collection time	365 days/receivables turnover ratio
		Accounts receivable turnover ratio = net credit sales/average accounts receivable
2.3	Average payment period	= average accounts payable/(total credit purchases/number of days in period)
		Average accounts payable = (beginning + ending accounts payable)/2
2.4	Cash conversion period	1) time of sale of the finished product + 2) days of sale – 3) unpaid days
		1) = (average finished product/cost of goods sold) * 365
		2) (average receivable/total credit sales) * 365
		3) (average amount of receivables/cost of goods sold) * 365
2.5	Turnover capital	Turnover capital = current assets – current liabilities
2.6	Sales/Assets	Assets = liabilities + equity
		Equity = total assets – total liabilities
3	**Profitability ratios**	
3.1	Gross profit margin	(revenue – cost of goods sold)/revenue * 100
		Cost of goods sold = beginning inventory + purchases during the period – ending inventory
3.2	Net profit margin	= ((R – COGS – OE – O – I – T) / R) * 100
3.3	EBITDA margin	EBITDA/sales revenue
		EBITDA = operating income + depreciation + amortization
3.4	Return on average assets	Net income/total assets
		Total assets = (beginning + ending assets)/2
3.5	The average ROE	Net income / average shareholder's equity
		(average equity = last year's equity + current year's equity)/2
3.6	Proceeds from operations (PFO)/Sales	PFO = (net income + depreciation + amortization + loss on sale of property) – profit on sale of property – interest income
4	**Leverage ratios**	
4.1	Total debt/Equity ratio	Total liabilities/total share capital
		Stockholders' equity = total assets – total liabilities
		Shareholders' equity = authorized capital + retained earnings – treasury stock
4.2	EBITDA/(short-term loans + interest)	
4.3	Bank loans/Obligations	
4.4	Fixed assets/net worth	Fixed assets = total fixed assets – accumulated depreciation
		Net worth = total assets – total liabilities
4.5	Financial debt/EBITDA ratio	= ((current liabilities + long-term liabilities) – (cash + cash equivalents))/EBITDA
5	**Growth rates**	
5.1	Asset growth	GR = (P2 – P1) / P1
5.2	Bank loan growth	
5.3	Sales growth	G = (S2 – S1) / S1 * 100
5.4	Increase in net profit	
6	**Balance sheet — financial highlights**	
6.1	Total assets	
6.1.1	Cash and banks	
6.1.2	Trade receivables – S/T	
6.1.3	Finished products and advances	
6.1.4	Real estate, plant, equipment, and unfinished buildings (fixed assets)	
6.1.5	Other	
6.2	General obligations	
6.2.1	Bank loans	
6.2.2	Trade debts	
6.2.3	Debts payable to related parties	
6.2.4	Other obligations	
6.2.5	Capital	
7	**Cash flow**	
7.1	Sources of operating funds	
7.2	Non-operating sources of funds	
7.3	Non-operational use of funds	
7.4	Net increase/Decrease in cash	

Source: Authors' finding.