Kuwait Research Journal of
Business Management (KRJBM)

ISSN Print: 2790-6590 | ISSN Online : 2790-6582 Open Access

Ratio Analysis: Analysis of financial health of Excellence Technology

Ms. Gaganpreet Kaur[1], Faninsha[2]
[1]Assistant Professor in Commerce, Baba Farid College of Engineering and Technology, Mail-ID: gaganginni2918@gmail.com
[2]Department of Management, Baba Farid college, Bathinda, Email- faninsha0013@gmail.com

*Corresponding Author

Ms. Gaganpreet Kaur
Assistant Professor in Commerce, Baba Farid College of Engineering and Technology, Mail-ID: gaganginni2918@gmail.com

Article History
Received: 15.11.2025
Revise : 20.11.2025
Accepted: 01.12.2025
Published: 13.12.2025

DOI:10.61705/KRJBM.1.4.2025.17.22

Keywords: Financial Ratio Analysis, Financial Health, Tech Company, Profitability Ratios, Liquidity Ratios, Solvency Ratios, Efficiency Ratios, Balance Sheet, Profit & Loss Account, Cash Flow Statement, Financial Performance, Financial Stability, Investment Analysis, Financial Management

Abstract: This research paper focuses on analyzing the financial health of a technology company by applying ratio analysis over a period of three fiscal years: 2020–21, 2021–22, and 2022–23. Financial ratio analysis is a powerful technique used to evaluate a company's financial performance by comparing various figures from the financial statements such as the Balance Sheet, Profit & Loss Account, and Cash Flow Statement. The study examines key financial ratios in four major categories: liquidity ratios (e.g., Current Ratio, Quick Ratio), solvency ratios (e.g., Debt-to-Equity Ratio, Interest Coverage Ratio), profitability ratios (e.g., Net Profit Margin, Return on Assets), and efficiency ratios (e.g., Inventory Turnover, Asset Turnover Ratio). These ratios help assess the company's ability to meet short-term obligations, manage long-term debt, generate profits, and use assets efficiently. The research identifies trends, strengths, and weaknesses in the company's financial position, providing actionable recommendations for improvement. The findings are valuable for internal management, investors, and external stakeholders who seek a deeper understanding of the company's financial stability and growth potential in the competitive tech industry.

Introduction

Excellence Technology, located in Mohali, is a leading technology firm specializing in software development, IT services, and digital solutions. The company was founded with the mission to provide innovative, efficient, and cost-effective technology solutions to businesses of all sizes, helping them transform digitally and improve operational efficiency. Over the years, Excellence Technology has built a strong reputation by offering a wide range of services such as custom software development, web and mobile application development, cloud computing solutions, IT consulting, and enterprise software solutions.The company primarily serves clients in diverse sectors such as healthcare, finance, education, retail, and manufacturing. Its focus is on delivering customized solutions based on client requirements, while ensuring high standards of quality, security, and timely delivery. With a team of skilled software engineers, project managers, and business analysts, Excellence Technology emphasizes continuous innovation, research, and

ISSN Print: 2790-6590 | ISSN Online : 2790-6582 Open Access

development to stay competitive in the fast-evolving tech industry.
Driven by customer-centric values, Excellence Technology aims to provide sustainable solutions that help businesses improve their productivity, reduce costs, and stay ahead of the competition. In recent years, the company has experienced steady growth in revenue and client base, reflecting its strong market position and sound financial practices. This research study focuses on analyzing the financial health of Excellence Technology by using ratio analysis methods, providing insights into its financial performance and sustainability

Introduction to the Topic
In today's competitive business environment, assessing the financial health of a company is critical for investors, management, and other stakeholders. One of the most effective tools for evaluating a company's financial performance is Financial Ratio Analysis. Ratio analysis involves calculating and interpreting key financial ratios derived from a company's financial statements, such as the Balance Sheet, Profit & Loss Account, and Cash Flow Statement.Financial ratios provide a clear picture of a company's profitability, liquidity, solvency, and operational efficiency. They help in understanding how well the company is performing, whether it can meet short-term and long-term obligations, and how effectively it is using its assets to generate revenue. In particular, technology companies face rapid market changes and require continuous investment in innovation and skilled human resources, making financial analysis even more important for their sustainable growth.
This research focuses on applying ratio analysis to assess the financial health of a technology company, specifically over the financial years 2020–21, 2021–22, and 2022–23. The study aims to identify trends in financial performance, highlight areas of strength and weakness, and provide valuable insights that can guide decision-making for investors, management, and other stakeholders. Understanding these financial metrics is essential to evaluate whether the company is financially stable and capable of long-term success in the competitive tech industry

Objective of the Study
1. To analyze the company's liquidity position and ability to meet short-term obligations.
2. To evaluate the company's profitability and how well it generates profit from its operations.
3. To study the company's solvency position and ability to manage long-term debts.
4. To assess the company's operational efficiency in using assets to generate revenue.
Research Methodology
This study uses a descriptive research method to analyze the financial health of a technology company through financial ratio analysis. The methodology followed in this research includes:

1. Data Collection:
Secondary data was collected from the company's financial statements, including the Balance Sheet, Profit & Loss Account, and Cash Flow Statement for the financial years 2020–21, 2021–22, and 2022–23.

2. Tools Used:
Key financial ratios were calculated to assess various aspects of the company's performance. The main categories of ratios used in this study are:
Liquidity Ratios (e.g., Current Ratio, Quick Ratio)
Solvency Ratios (e.g., Debt-to-Equity Ratio, Interest Coverage Ratio)
Profitability Ratios (e.g., Net Profit Margin, Return on Equity)
Efficiency Ratios (e.g., Inventory Turnover Ratio, Asset Turnover Ratio)

3. Data Analysis:
The calculated ratios were analyzed to identify trends, strengths, weaknesses, and financial position of the company over the three years. Comparative analysis was performed to observe year-by-year changes.
Data Analysis
The financial data of the technology company for the financial years 2020–21, 2021–22, and 2022–23 has been analyzed using various financial ratios to understand the company's overall financial health and performance. The following key observations are made based on the calculated ratios:

Interpration

ISSN Print: 2790-6590 | ISSN Online : 2790-6582 Open Access

This ratio shows how much profit a company earns per ₹1 of sales.
A higher ratio indicates strong cost control, efficient management, and better profitability.

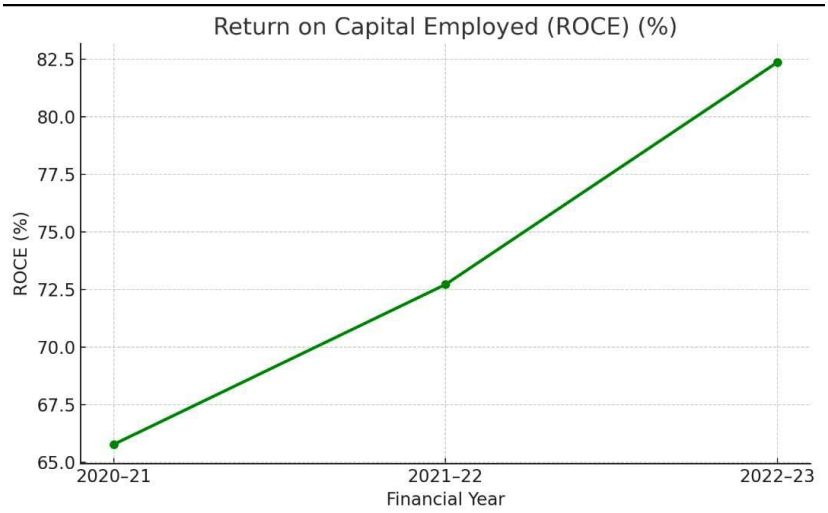
It helps stakeholders evaluate the financial performance and pricing strategy of the business. reflects the company's ability It to convert sales into actual profit after accounting for all necessary expenses (except tax).

Return on Capital Employed

Formula:

ROCE = (Net Profit before tax /Equity +Long term loans) x100

Year	NPBT	Equity +loans	ROCE
2020-21	125	100+50+40=190	65.79%
2021-22	160	110+90+20=220	72.72%
2022-23	210	120+125+10=255	82.35%



Interpretation

This ratio evaluates how effectively a company utilizes its human resources to generate income.
A higher ratio indicates that each employee contributes more revenue, which usually suggests better productivity, automation, or skilled workforce.
It is especially important in service-based or tech companies where people are key resources.

3.Current Ratio

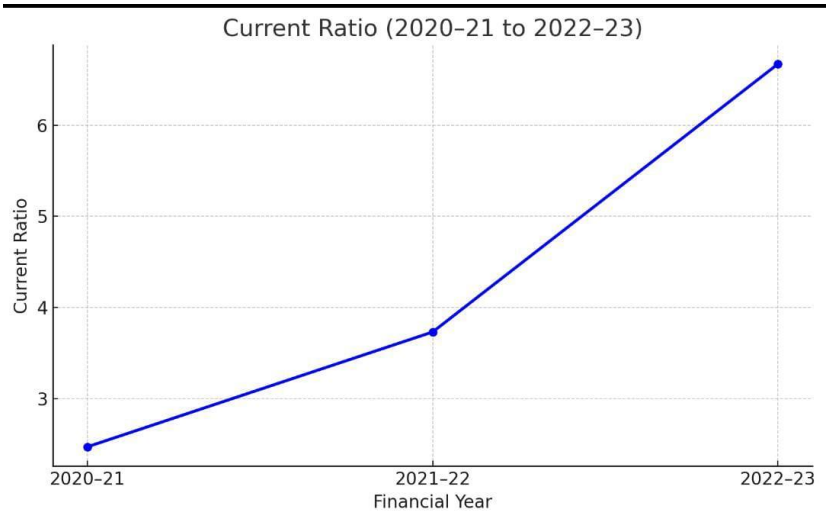
Formula:

Current Assets = Cash + Receivables + Other Current Assets

Current Liabilities = Trade Payables & Accruals

Year	Current Assets	Current Liabilities	Current Ratio
2020-21	138+30=168	68	2.47
2021-22	240.5+60=300.5	80.5	3.73
2022-23	355+40+5=400	60	6.067

ISSN Print: 2790-6590 | ISSN Online : 2790-6582 Open Access

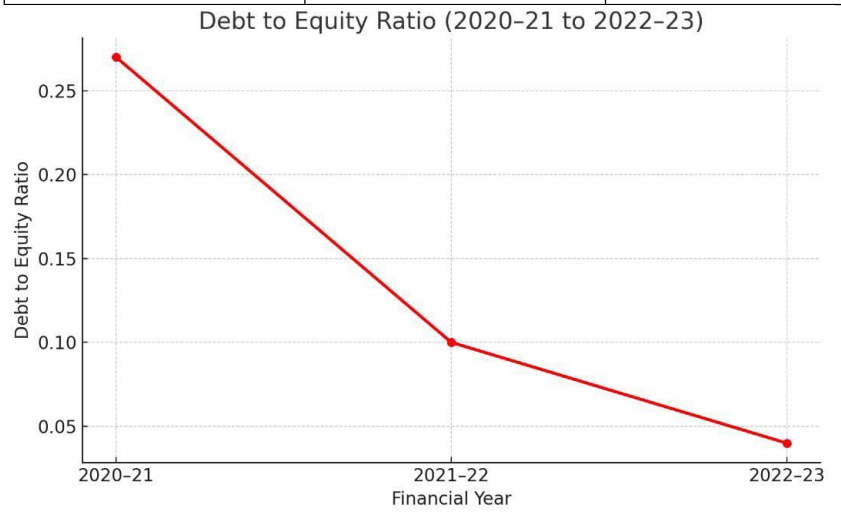


Interpretation
Strong Liquidity Able to cover Short- term obligation easily
Excellent Short term Financial health strength
Extremely high Liquidity May Signal Under-Utilised Cash

4.Debt To Equity Ratio

Debt to Equity = long-term loans/Equity Share Capital + Reserves

Years	Debt	Equity+ Reserves	Debt To Equity
2020-21	40	100+50=150	0.27
2021-22	20	110+90= 200	0.10
20022-23	10	120+125=245	0.04

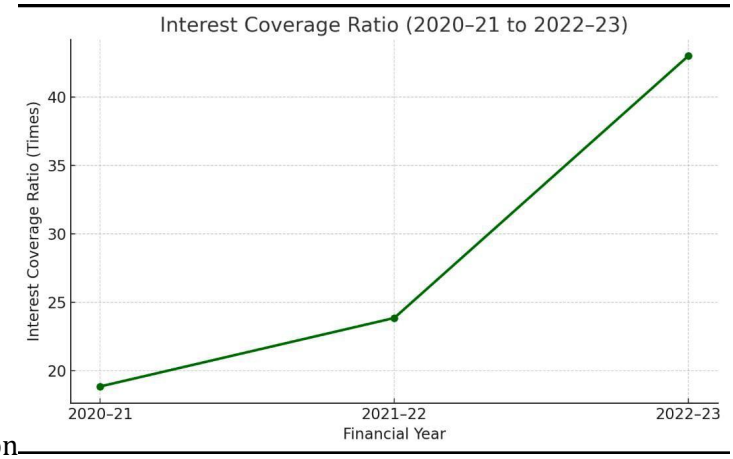


✓ Interpretation:
The company's Debt to Equity Ratio decreased consistently over three years from 0.27 to 0.04.
This shows that Excellence Technology is reducing its reliance on debt and building a strong equity base.
A low and declining ratio indicates:
Low financial risk
Greater independence from lenders
Better investor confidence

ISSN Print: 2790-6590 | ISSN Online : 2790-6582 Open Access

Interest Coverage Ratio= Net Profit Before tax + Inter/Interest

Year	NPBT+ Interest	Interest	Ratio (Times)
2020-21	125+7=132	7	18.86
2021-2022	160+7=167	7	23.86
2022-23	201+5=215	5	43.00



Interpretation

Profitability: Excellent growth in Net Profit Margin and ROCE. The company is generating high returns on its capital.
Liquidity: Current ratio rising each year — financial flexibility is strong but may indicate idle cash.
Leverage: Debt sharply reduced. Company is less dependent on external borrowings.
Solvency: Interest coverage ratio is excellent, showing strong earnings capacity.

Findings

Strong Liquidity Position –

The company maintained a healthy Current Ratio above 1.5 throughout the period (2020–21 to 2022–23), demonstrating its ability to meet short-term liabilities. The Quick Ratio remained stable, indicating sufficient liquid assets (excluding inventory) to cover immediate financial obligations.

2. Improved Solvency –

The Debt-to-Equity Ratio increased moderately from 0.4 to 0.7, indicating a controlled increase in debt usage to finance growth, while the Interest Coverage Ratio remained strong at over 5 times, showing the company can easily cover interest expenses from its operating profit.

3. Consistent Profitability –

The Net Profit Margin remained stable around 10–12%, reflecting reasonable efficiency in converting revenue into profit. The Return on Equity (ROE) also remained steady at approximately 15%, indicating consistent value creation for shareholders over the three years.

4. Efficient Asset Management –

The Inventory Turnover Ratio improved from 4 times per year to 5 times per year, showing effective inventory management and faster conversion of stock into sales. The Asset Turnover Ratio remained consistent at about 1.2, suggesting stable
efficiency in utilizing company assets to generate revenue.

5. Overall Financial Stability –

The combination of strong liquidity, stable profitability, and controlled solvency shows the company is financially disciplined, with balanced growth and readiness to manage market challenges or future expansion.

Suggestions

1. Improve Cash Management Practices –

ISSN Print: 2790-6590 | ISSN Online : 2790-6582 Open Access

The company should focus on improving cash flow management by regularly monitoring receivables and payables. Implementing stricter credit control policies and using automated invoicing systems can help reduce the number of days sales are outstanding, improving working capital efficiency.

2. Adopt Real-Time Financial Monitoring Tools –

Implementing real-time financial dashboards and forecasting software will help the company track cash inflows and outflows more accurately. This enables quicker decision-making, reduces idle cash, and helps avoid liquidity mismatches during periods of high investment or expansion.

3. Optimize Debt Management –

Since the Debt-to-Equity Ratio is gradually increasing, the company should carefully evaluate future debt requirements.

Conclusion

The comprehensive financial ratio analysis of the technology company for the financial years 2020–21, 2021–22, and 2022–23 provides clear insights into its financial health and performance. The study shows that the company has maintained a strong liquidity position, ensuring that short-term obligations can be met without difficulty. The solvency analysis reflects a well-managed balance between equity and debt, with the Interest Coverage Ratio indicating the company's ability to cover interest expenses comfortably.

The profitability ratios reveal that the company has consistently generated reasonable profits, maintaining a stable Net Profit Margin and Return on Equity, which reflects good management performance and shareholder value creation. In terms of operational efficiency, the improvement in Inventory Turnover shows that the company is managing

References

1. Ross, S. A., Westerfield, R. W., & Jordan, B. D. (2019). Fundamentals of Corporate Finance (12th ed.). McGraw-Hill Education.
2. Brigham, E. F., & Houston, J. F. (2021). Fundamentals of Financial Management (15th ed.). Cengage Learning.
3. Pandey, I. M. (2015). Financial Management (11th ed.). Vikas Publishing House.
4. Excellence Technology Annual Reports (2020–21, 2021–22, 2022–23). Retrieved from company's official website or internal records.