



# Financial Performance Analysis of Femtosoft Technology Private Limited

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## ABSTRACT

Financial performance analysis is a critical aspect of evaluating a company's financial health, efficiency, and long-term sustainability. This study focuses on analyzing the financial performance of Femtosoft Technology Private Limited over a period of five years from 2020–21 to 2024–25. The research examines key financial indicators using ratio analysis, comparative statements, common size analysis, and trend analysis.

The findings reveal that the company has experienced significant growth in assets and capital base, supported largely by internal funding. The liquidity position remained strong in the initial years but showed signs of pressure in later years due to rising current liabilities. A notable increase in receivables indicates higher credit sales, which may impact cash flow management. Additionally, declining turnover ratios suggest inefficiency in asset utilization.

The study concludes that while the company has strong growth potential, improvements in working capital management, receivables control, and operational efficiency are essential for achieving sustainable financial performance.

**KEY WORDS:** Financial Performance, Ratio Analysis, Trend Analysis, Comparative Analysis, Common Size Analysis, Liquidity, Efficiency, IT Sector



## INTRODUCTION

Financial performance analysis is an essential tool used to evaluate the profitability, liquidity, efficiency, and overall financial stability of an organization. It helps stakeholders understand how effectively a company utilizes its resources and manages its financial obligations.

The Information Technology (IT) sector plays a vital role in economic development and innovation. Companies operating in this sector face intense competition, rapid technological changes, and evolving market demands. Therefore, maintaining strong financial performance is crucial for survival and growth.

Femtosoft Technology Private Limited is a growing IT company that provides software solutions and services. Analyzing its financial performance over multiple years helps in understanding its growth trends, operational efficiency, and financial stability.

## OBJECTIVES OF THE STUDY

1. To analyze the financial performance of Femtosoft Technology Private Limited.
2. To evaluate the liquidity position using financial ratios.
3. To assess operational efficiency using turnover ratios.
4. To analyze financial structure through common size statements.
5. To study growth trends using trend analysis.
6. To compare year-wise financial performance using comparative statements.
7. To suggest measures for improving financial performance and efficiency.

## REVIEW OF LITERATURE

2001 – Barth, Beaver & Landsman

The study emphasizes the importance of financial reporting in evaluating firm value and performance. It highlights that accounting information plays a key role in decision-making and performance measurement.

2001 – Nissim & Penman

This study explains the role of ratio analysis in equity valuation. It finds that profitability, liquidity, and turnover ratios are essential indicators of financial performance.

2007 – Khan & Jain

The study highlights the importance of comparative and common size statements in financial analysis. It concludes that these tools help in identifying trends and structural changes in financial statements.



2013 – Maheshwari & Maheshwari

This research explains the usefulness of common size analysis in understanding financial structure and inter-firm comparison.

2015 – Gupta & Aggarwal

The study examines working capital management and its impact on financial performance. It concludes that efficient management improves profitability and liquidity.

2019 – Verma

The study focuses on trend analysis as a tool to evaluate financial performance over time. It highlights its usefulness in forecasting and decision-making.

2023 – Coelho et al.

This research studies the relationship between corporate social responsibility and financial performance, emphasizing long-term sustainability.

## **RESEARCH METHODOLOGY**

Research methodology is a systematic way of solving a research problem. It involves the overall approach, procedures, and techniques used by the researcher to collect, analyze, and interpret data. In any study, research methodology plays a crucial role as it provides a structured framework to ensure the accuracy, reliability, and validity of the findings.

### **Research Design**

The study follows a **descriptive and analytical research design**.

### **Data Collection**

- Secondary data collected from financial statements of the company

### **Tools Used**

- Ratio Analysis
- Comparative Analysis
- Common Size Analysis
- Trend Analysis



## Period of Study

2020–21 to 2024–25.

## DATA ANALYSIS AND INTERPRETATION

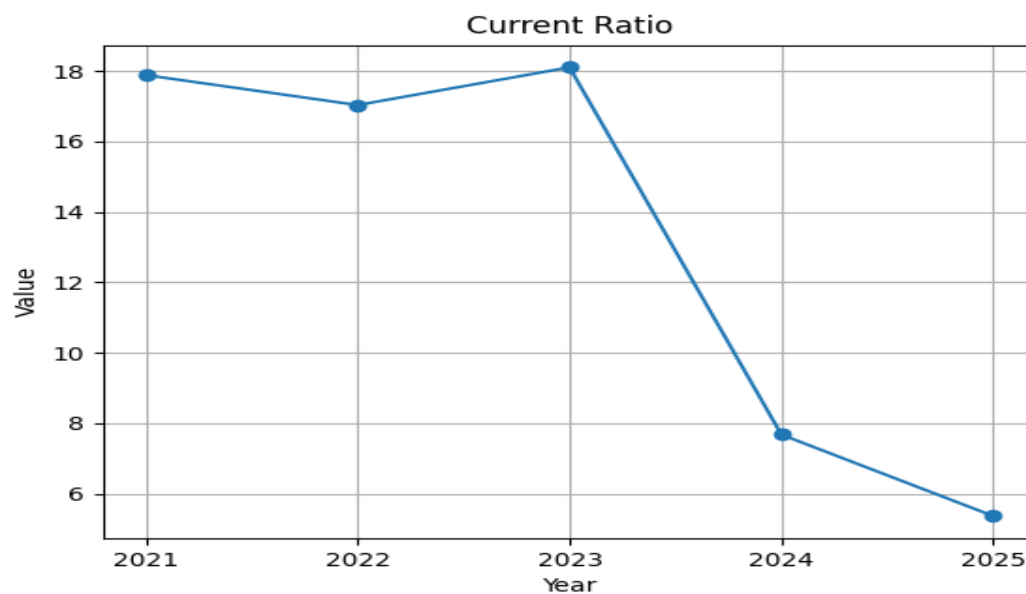
### LIQUIDITY ANALYSIS:

#### 1. CURRENT RATIO:

TABLE 1- CURRENT RATIO

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2021	₹711811	₹39802	17.88379981
2022	₹678859	₹39850	17.03535759
2023	₹659339	₹36420	18.10376167
2024	₹1679255	₹218497	7.685483096
2025	₹1604250	₹298500	5.374371859

CHART 1- CURRENT RATIO





## INTERPRETATION

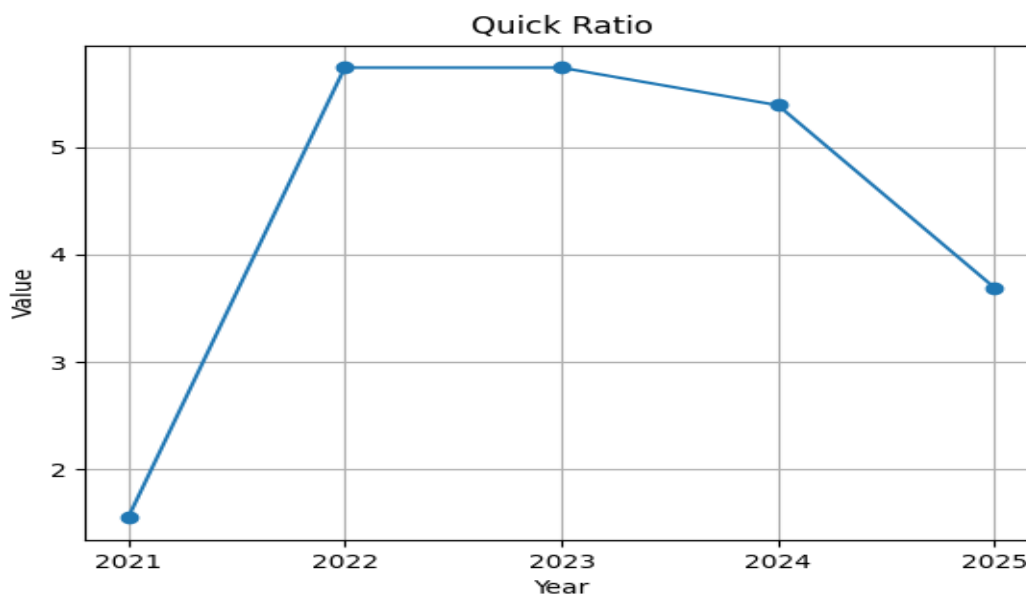
From 2021 to 2023, the company maintained a very high current ratio, showing strong liquidity. However, this also indicates inefficient use of current assets. In 2024 and 2025, the ratio declined due to an increase in current liabilities. Despite the decline, it remained above the ideal level, indicating no liquidity problems.

## 2. QUICK RATIO

**TABLE 2- QUICK RATIO**

YEAR	QUICK ASSET	CURRENT LIABILITIES	QUICK RATIO
2021	₹61811	₹39802	1.55296216
2022	₹228859	₹39850	5.74301129
2023	₹209339	₹36420	5.74791323
2024	₹1179255	₹218497	5.39712216
2025	₹1104250	₹298500	3.69932998

**CHART 2- QUICK RATIO**





## INTERPRETATION

From 2021 to 2023, the company maintained a strong quick ratio, indicating good ability to meet short-term liabilities. The high ratios in 2022 and 2023 suggest excess liquid assets. In 2024 and 2025, the ratio declined due to rising current liabilities. However, it remained above the ideal level of 1:1, showing a strong liquidity position.

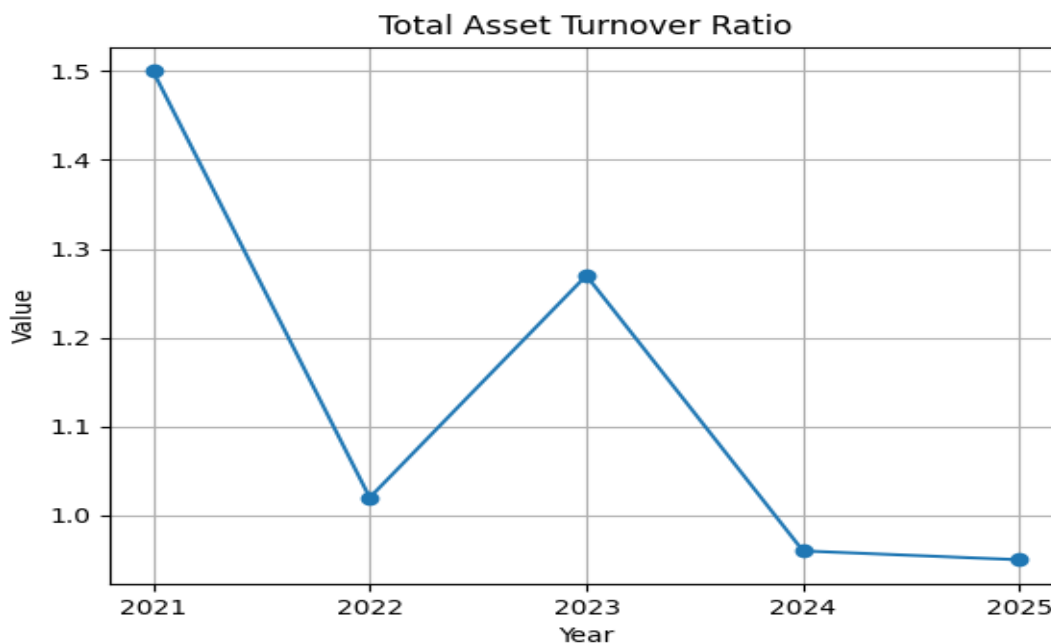
## TURNOVER ANALYSIS

### 3. TOTAL ASSET TURNOVER RATIO:

**TABLE 3 - TOTAL ASSET TURNOVER RATIO**

YEAR	NET SALES	TOTAL ASSET	RATIO
2021	1352000	899816	1.502529
2022	1046625	1023364	1.02273
2023	1736048	1363894	1.272861
2024	2942444	3054155	0.963423
2025	2853320	2979150	0.957763

**CHART 3- TOTAL ASSET TURNOVER RATIO**





## INTERPRETATION

The Total Asset Turnover Ratio was highest in 2021, indicating efficient utilization of total assets to generate sales. In 2022, the ratio declined, showing a reduction in asset usage efficiency. The ratio improved in 2023 due to an increase in sales compared to total assets. In 2024, the ratio fell below one, indicating under-utilization of assets. In 2025, the ratio remained low, suggesting the need for improved asset and sales management.

## COMPARATIVE ANALYSIS:

**TABLE 4- COMPARATIVE BALANCE SHEET AS ON 2020-21 & 2024-25**

Particulars	2020-21	2024-25	Absolute change (current yr-previous yr)	% Change
<b>1. Assets</b>				
<b>Current Asset</b>				
Cash & Cash Equivalents	25416	58450	33034	129.9732
Receivables	36395	1045800	1009405	2773.472
Rent advance	350000	400000	50000	14.28571
loans and advances	300000	100000	-200000	-66.6667
<b>Total Current assets (A)</b>	<b>711811</b>	<b>1604250</b>	892439	125.3758
<b>Fixed Assets</b>				
Plant and Machinery	167076	1089900	922824	552.3379
furniture and fittings	20929	285000	264071	1261.747
<b>Total Fixed Assets (B)</b>	<b>188005</b>	<b>13,74,900</b>	1186895	631.3103
<b>Total Asset C=A+B</b>	<b>899816</b>	<b>29,79,150</b>	2079334	231.0844
<b>2. Liabilities</b>				
Shareholder Capital	860014	2680650	1820636	211.6984
Current Liabilities	39802	298500	258698	649.9623
<b>Total Liabilities</b>	<b>899816</b>	<b>2979150</b>	2079334	231.0844

## INTERPRETATION

The comparative balance sheet between 2020–21 and 2024–25 shows strong growth in the company's overall financial position, with a significant increase in total assets. The rise in fixed assets indicates major investment in expansion and infrastructure. However, the sharp increase in receivables suggests higher credit sales and possible collection issues. Current liabilities have also increased considerably, indicating higher short-term obligations. Overall, while the company shows strong growth, it needs better working capital and credit management.



## COMMON SIZE ANALYSIS

TABLE 5- COMMON SIZE BALANCE SHEET

Particulars	2020-21	%	2021-22	%	2022-23	%	2023-24	%	2024-25	%
<b>1. Assets</b>										
<b>Current Asset</b>										
Cash & Cash Equivalents	25416	2.824	70592	6.898	30439	2.231	30755	1.006	58450	1.961
Receivables	36395	4.044	158267	15.46	178900	13.11	114850	37.60	104580	35.10
Rent advance	350000	38.89	350000	34.20	350000	25.66	400000	13.09	400000	13.42
loans and advances	300000	33.34	100000	9.771	100000	7.331	100000	3.274	100000	3.356
<b>Total Current assets (A)</b>	<b>711811</b>	<b>79.10</b>	<b>678859</b>	<b>66.33</b>	<b>659339</b>	<b>48.34</b>	<b>1679255</b>	<b>54.98</b>	<b>1604250</b>	<b>53.84</b>
<b>Fixed Assets</b>										
Plant and Machinery	167076	18.56	3,23,576	31.61	5,33,576	39.12	108990	35.68	108990	36.58
furniture and fittings	20929	2.325	20929	2.045	170979	12.53	285000	9.331	285000	9.566
<b>Total Fixed Assets (B)</b>	<b>188005</b>	<b>20.89</b>	<b>3,44,505</b>	<b>33.66</b>	<b>7,04,555</b>	<b>51.65</b>	<b>13,74,900</b>	<b>45.01</b>	<b>13,74,900</b>	<b>46.15</b>
<b>Total Asset C=A+B</b>	<b>899816</b>	<b>100</b>	<b>10,23,364</b>	<b>100</b>	<b>13,63,894</b>	<b>100</b>	<b>30,54,155</b>	<b>100</b>	<b>29,79,150</b>	<b>100</b>
<b>2. Liabilities</b>										
Shareholder Capital	860014	95.57	983514	96.10	1327474	97.32	2835658	92.84	2680650	89.98
Current Liabilities	39802	4.423	39850	3.894	36420	2.670	218497	7.150	298500	10.01
<b>Total Liabilities</b>	<b>899816</b>	<b>100</b>	<b>1023364</b>	<b>100</b>	<b>1363894</b>	<b>100</b>	<b>3054155</b>	<b>100</b>	<b>2979150</b>	<b>100</b>

## INTERPRETATION

The common size balance sheet shows a shift in the company's financial structure over the five-year period. The proportion of current assets declined while fixed assets increased, indicating greater investment in long-term assets and expansion. Receivables rose significantly, showing higher dependence on credit sales. On the liabilities side, shareholder capital remained dominant, though current liabilities increased gradually. Overall, the company is moving towards a more investment-focused structure with rising short-term obligations.



## TREND ANALYSIS

**TABLE 6- TREND ANALYSIS**

Particulars	2020-21	2021-22	2022-23	2023-24	2024-25	Trend Percentage				
						%	%	%	%	%
<b>1. Assets</b>										
<b>Current Asset</b>										
Cash & Cash Equivalents	25416	70592	30439	30755	58450	100	277.7463	119.7631	121.0065	229.9732
Receivables	36395	158267	178900	1148500	1045800	100	434.8592	491.551	3155.653	2873.472
Rent advance	350000	350000	350000	400000	400000	100	100	100	114.2857	114.2857
loans and advances	300000	100000	100000	100000	100000	100	33.3333	33.3333	33.3333	33.3333
<b>Total Current assets (A)</b>	<b>711811</b>	<b>678859</b>	<b>659339</b>	<b>1679255</b>	<b>1604250</b>	100	95.37068	92.62838	235.913	225.3758
<b>Fixed Assets</b>										
Plant and Machinery	167076	3,23,576	5,33,576	1089900	1089900	100	193.6699	319.3612	652.3379	652.3379
furniture and fittings	20929	20929	170979	285000	285000	100	100	816.9478	1361.747	1361.747
<b>Total Fixed Assets (B)</b>	<b>188005</b>	<b>3,44,505</b>	<b>7,04,555</b>	<b>13,74,900</b>	<b>13,74,900</b>	100	183.2425	374.7533	731.3103	731.3103
<b>Total Asset C=A+B</b>	<b>899816</b>	<b>10,23,364</b>	<b>13,63,894</b>	<b>30,54,155</b>	<b>29,79,150</b>	100	113.7304	151.5748	339.4199	331.0844
<b>2. Liabilities</b>										
Shareholder Capital	860014	983514	1327474	2835658	2680650	100	114.3602	154.3549	329.7223	311.6984
Current Liabilities	39802	39850	36420	218497	298500	100	100.1206	91.50294	548.9599	749.9623
<b>Total Liabilities</b>	<b>899816</b>	<b>1023364</b>	<b>1363894</b>	<b>3054155</b>	<b>2979150</b>	100	113.7304	151.5748	339.4199	331.0844

## INTERPRETATION

The trend analysis shows that the company has experienced significant growth over the five-year period, mainly driven by increased investment in fixed assets and expansion of operations. Current assets have also grown, largely due to a sharp rise in receivables. However, fluctuating cash levels indicate inconsistent liquidity management. The rapid increase in current liabilities reflects higher short-term obligations. Overall, while the company shows strong growth, it requires better control over receivables and working capital management.



## DISCUSSION

The financial performance analysis of Femtosoft Technology Private Limited over the period 2020–21 to 2024–25 reveals a mixed trend of strong growth accompanied by emerging financial management challenges. The company has significantly expanded its asset base, particularly in fixed assets, indicating long-term investment and business expansion. This reflects a strategic focus on strengthening operational capacity and infrastructure.

However, this expansion has not been matched proportionately by improvements in operational efficiency. The declining trend in turnover ratios indicates that the company is not utilizing its assets effectively to generate revenue. This imbalance between asset growth and sales performance suggests under-utilization of resources.

Another critical observation is the substantial increase in receivables over the years. While this indicates higher credit sales and business growth, it also raises concerns regarding credit management and collection efficiency. Excessive receivables can lead to liquidity constraints and increased risk of bad debts if not managed properly.

The liquidity position of the company remained strong in the initial years, as reflected by high current and quick ratios. However, the declining cash ratio in later years highlights pressure on immediate liquidity due to rising current liabilities. This suggests that the company's short-term financial management requires better control and planning.

Furthermore, the increasing dependence on current liabilities indicates a gradual shift towards short-term financing, which may increase financial risk if not balanced with stable long-term funding sources. Overall, while the company demonstrates strong growth potential, it requires improved financial discipline, efficient resource utilization, and better working capital management to ensure sustainable performance.

## FINDINGS

The analysis of financial statements and ratios from 2020–21 to 2024–25 shows that the company has grown significantly in terms of assets and operations. However, there are issues with asset utilization and working capital management. While liquidity was strong in the early years, rising receivables and current liabilities have put pressure on cash in recent years. The increase in fixed assets reflects expansion, but declining turnover ratios indicate that these investments have not yet generated matching revenue. Overall, the company shows good growth but needs better financial management for long-term stability.

- Strong liquidity position during the initial years of the study period
- Declining cash ratio in later years indicating pressure on immediate liquidity
- Significant growth in total assets, especially fixed assets
- Continuous increase in receivables showing higher credit sales
- Inefficient receivables management and potential collection issues



- Declining total asset turnover ratio indicating poor asset utilization
- Decreasing fixed asset turnover due to heavy investment without proportional sales growth
- Fluctuations in working capital turnover showing inconsistent efficiency
- Increasing current liabilities reflecting higher short-term financial obligations
- Strong reliance on shareholder capital as the primary source of finance
- Shift in asset structure from current assets to fixed assets over time
- Overall growth in business operations but with reduced operational efficiency

## CONCLUSION

The financial performance analysis of Femtosoft Technology Private Limited shows that the company has achieved substantial growth over the five-year period. The company has expanded its asset base and maintained a strong capital structure.

However, increasing receivables, declining turnover ratios, and rising liabilities indicate the need for improved financial management. The company should focus on efficient utilization of resources, better credit control, and effective working capital management.

Overall, the company has strong growth potential, and with proper financial strategies, it can achieve long-term sustainability and profitability.

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