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Financial Performance Evaluation of ASM Technologies Using Key Ratios

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ABSTRACT
This study examines the financial performance of ASM Technologies over a period of five years from 2020–21 to 2024–25 using ratio analysis as a key analytical tool. The primary objective is to evaluate the company's financial strength, liquidity position, profitability, solvency, and operational efficiency. The analysis is based on secondary data collected from annual reports and financial databases. The findings reveal that the company maintained strong liquidity and a conservative capital structure throughout the study period, indicating low financial risk. Although the company experienced a temporary decline in profitability and efficiency during 2023–24 due to expansion and operational pressures, it demonstrated a strong recovery in 2024–25 with improved revenue, profitability, and asset utilization. Overall, the study concludes that ASM Technologies exhibits financial stability, resilience, and promising growth potential, provided it continues to enhance cost control, receivables management, and efficient utilization of resources.

Keywords: *Financial Performance, Ratio Analysis, Liquidity, Profitability, Solvency, Operational Efficiency, Asset Utilization, Financial Stability, ASM Technologies*

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INTRODUCTION

ASM Technologies is an India-based global technology company specializing in engineering services, digital transformation, and product development. Established in 1992, the company provides solutions in areas such as artificial intelligence, cloud computing, Internet of Things (IoT), and enterprise IT services. ASM Technologies serves a wide range of industries including automotive, aerospace, semiconductor, and manufacturing, helping businesses enhance innovation and operational efficiency. With its strong focus on technology-driven solutions and global delivery capabilities, the company has built a reputation as a reliable partner for digital and engineering excellence. Through the application of financial ratio analysis, the study aims to examine the financial health of ASM Technologies, identify key performance trends, and provide an in-depth understanding of its operational efficiency and financial effectiveness.

REVIEW OF LITERATURE

Khan and Jain (2007) emphasized that ratio analysis is one of the most powerful tools for evaluating a company's financial performance, as it reveals the relationships between various financial statement items and helps stakeholders assess profitability, liquidity, and solvency positions effectively.

Bhalla (2010) highlighted that financial management involves the efficient utilization of funds and that systematic analysis of financial statements enables investors and managers to make well-informed decisions regarding capital allocation and resource management.

Subramanian (2010) in his study on Indian companies observed that profitability ratios and liquidity ratios serve as reliable indicators of

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corporate financial health and that companies with consistent ratio performance tend to demonstrate stronger long-term growth potential.
Pal (2011) conducted a profitability analysis of Indian companies and concluded that fluctuations in gross profit and net profit ratios are primarily driven by changes in cost structure, pricing strategy, and operational efficiency, particularly in service-based organizations.
Tiwari (2013) examined the relationship between working capital management and corporate profitability and found that efficient management of receivables, payables, and inventory significantly impacts a company's overall financial performance and operational sustainability.
Arab, Masoumi, and Barati (2015) in their international study on financial performance analysis using ratio analysis concluded that solvency ratios and activity ratios are critical determinants of long-term financial stability and that companies maintaining low leverage with high asset turnover demonstrate superior financial resilience.

OBJECTIVES OF THE STUDY

The study aims to analyze the profitability performance of ASM Technologies, evaluate its short-term liquidity position, assess its long-term solvency, and examine its overall operational efficiency, while providing insights into its financial strength, stability, and effectiveness in utilizing resources.

RESEARCH METHODOLOGY

Sample Design

The present study is descriptive and analytical in nature. It aims to evaluate the financial performance of ASM Technologies Limited through a systematic examination of financial data.

Period of the study

The study covers a period of five financial years from 2020–21 to 2024–25. This period has been selected to capture the company's performance across different economic and business cycles, including the post-pandemic recovery phase and subsequent expansion.

Source of Data

The study is entirely based on secondary data collected from the following sources: Annual reports of ASM Technologies Limited (2020–21 to 2024–25), Bombay Stock Exchange (BSE) official website, stock market financial databases and portals such as Moneycontrol and Screener.in, and published research articles, journals, and textbooks related to financial and technical analysis.

Data Analysis and Interpretation

Accounting Techniques

Ratio analysis is used as the primary accounting tool to evaluate the financial performance of ASM Technologies by assessing its liquidity, profitability, leverage, and operational efficiency through various financial indicators, providing a comprehensive understanding of its overall financial position and performance.

ANALYSIS AND INTERPRETATION

CURRENT RATIO

Table.No:1.CURRENT RATIO

Year	Current Assets (₹ Lakhs)	Current Liabilities (₹ Lakhs)	Current Ratio
2020–21	649.70	302.92	2.15
2021–22	828.55	452.38	1.83
2022–23	1,065.65	483.09	2.21
2023–24	1,791.68	385.18	4.65
2024–25	2,183.95	797.75	2.74

Source: Computed Data

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The current ratio of ASM Technologies Limited remained above the standard benchmark of 2:1 throughout the study period, indicating a consistently strong short-term liquidity position. The ratio peaked at 4.65 in 2023–24 due to substantial growth in current assets following equity fund infusion. In 2024–25, the ratio normalized to 2.74, reflecting a healthy and well-balanced short-term financial position.

QUICK RATIO

Table.No:2.QUICK RATIO

Year	Liquid Assets (₹ Lakhs)	Current Liabilities (₹ Lakhs)	Quick Ratio
2020–21	649.70	302.92	2.15
2021–22	828.55	452.38	1.83
2022–23	1,065.65	483.09	2.21
2023–24	1,781.39	385.18	4.63
2024–25	2,095.06	797.75	2.63

Source: Computed Data

The quick ratio remained well above the standard benchmark of 1:1 throughout all five years of the study period, confirming the company's strong immediate liquidity strength. Since ASM Technologies Limited operates primarily as a service-based company with minimal inventory, the quick ratio closely followed the current ratio pattern. The ratio moderated to 2.63 in 2024–25, indicating efficient deployment of liquid funds into productive business activities.

INVENTORY TURNOVER RATIO

Table.No:3.INVENTORY TURNOVER RATIO

Year	COGS (₹ Lakhs)	Avg. Inventory (₹ Lakhs)	ITR (Times)
2020–21	972.98	—	N/A
2021–22	1,098.23	0.56	1,961.13
2022–23	1,207.08	0.56	2,155.50
2023–24	1,303.26	5.15	253.06
2024–25	1,491.53	49.59	30.07

Source: Computed Data

The inventory turnover ratio was not significantly relevant during the initial years of the study period since ASM Technologies Limited operated predominantly as an engineering service company with negligible inventory levels. From 2023–24 onwards, inventory levels increased progressively as the company expanded into design-led manufacturing operations. The ratio declined to 30.07 times in 2024–25, reflecting growing inventory requirements that warrant closer monitoring as manufacturing activities continue to scale up.

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PBIT MARGIN

Table.No:4.PBIT MARGIN

Year	EBIT (₹ Lakhs)	Revenue (₹ Lakhs)	PBIT Margin (%)
2020–21	198.53	1,132.17	17.53%
2021–22	216.66	1,410.71	15.36%
2022–23	218.50	1,391.50	15.70%
2023–24	110.42	1,220.82	9.04%
2024–25	458.49	2,397.73	19.12%

Source: Computed Data

The PBIT margin remained stable between 15–17% during 2020–21 to 2022–23, reflecting consistent operational efficiency and effective cost management during those years. A significant decline to 9.04% was recorded in 2023–24 due to rising operating expenses and reduced revenue realization. The company achieved its highest PBIT margin of 19.12% in 2024–25, driven by strong revenue growth and improved operational discipline, signalling a robust recovery in core business profitability.

NET PROFIT MARGIN

Table.No:5.NET PROFIT MARGIN

Year	Net Profit (₹ Lakhs)	Revenue (₹ Lakhs)	Net Profit Margin (%)
2020–21	126.53	1,132.17	11.18%
2021–22	131.77	1,410.71	9.34%
2022–23	155.09	1,391.50	11.15%
2023–24	36.91	1,220.82	3.02%
2024–25	262.95	2,397.73	10.97%

Source: Computed Data

The net profit margin of the company remained healthy between 9–11% for most years of the study period, reflecting reasonable overall earnings efficiency after accounting for all costs and taxes. A sharp decline to 3.02% was recorded in 2023–24 primarily due to increased finance costs, higher operating expenses, and lower revenue generation. The strong recovery to 10.97% in 2024–25 reflects improved revenue realization, better cost management, and enhanced operational discipline across the organization.

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RETURN ON NETWORTH(ROE)

Table.No:6.RETURN ON NETWORTH

Year	Net Profit (₹ Lakhs)	Avg. Equity (₹ Lakhs)	ROE (%)
2020–21	126.53	604.74	20.92%
2021–22	131.77	682.38	19.31%
2022–23	155.09	781.66	19.84%
2023–24	36.91	1,239.10	2.98%
2024–25	262.95	1,736.78	15.14%

Source: Computed Data

The Return on Networth remained strong and consistent between 19–21% during 2020–21 to 2022–23, indicating efficient utilization of shareholders' funds and strong value creation for equity investors. The ratio declined sharply to 2.98% in 2023–24 as a consequence of both significantly reduced net profit and a substantially enlarged equity base following fresh fund infusion. The recovery to 15.14% in 2024–25 signals improved shareholder value creation, though achieving pre-expansion ROE levels will require proportionate profit growth.

RETURN ON CAPITAL EMPLOYEED (ROCE)

Table.No:7.RETURN ON CAPITAL EMPLOYEED

Year	EBIT (₹ Lakhs)	Avg. Capital Employed (₹ Lakhs)	ROCE (%)
2020–21	198.53	473.16	41.96%
2021–22	216.66	448.18	48.34%
2022–23	218.50	285.39	76.56%
2023–24	110.42	(22.82)	-483.87%
2024–25	458.49	4,518.34	10.15%

Source: Computed Data

The ROCE remained exceptionally strong between 2020–21 and 2022–23, peaking at 76.56% in 2022–23, indicating highly efficient utilization of long-term capital during those years. The abnormal negative value recorded in 2023–24 was caused by unusual capital structure adjustments and is statistically non-comparable with other years. In 2024–25, despite strong EBIT growth, ROCE declined to 10.15% due to substantial expansion in capital employed, highlighting the need for improved capital productivity during the ongoing expansion phase.

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RETURN ON ASSETS(ROA)

Table.No:8.RETURN ON ASSETS

Year	Net Profit (₹ Lakhs)	Avg. Total Assets (₹ Lakhs)	ROA (%)
2020–21	126.53	909.27	13.91%
2021–22	131.77	1,132.96	11.63%
2022–23	155.09	1,352.46	11.47%
2023–24	36.91	1,829.97	2.02%
2024–25	262.95	2,660.01	9.88%

Source: Computed Data

The Return on Assets showed a gradual declining trend from 13.91% in 2020–21 to 2.02% in 2023–24, primarily due to rapid asset expansion without a proportionate increase in net profit during the growth phase. The significant recovery to 9.88% in 2024–25 reflects improved asset productivity driven by strong revenue and profit growth during that year. While the trend shows positive momentum, the company needs to ensure that its growing asset base is deployed efficiently to sustain and improve return levels in future years.

TOTAL DEBT TO EQUITY RATIOS

Table.No:9.TOTAL DEBT TO EQUITY RATIOS

Year	Total Debt (₹ Lakhs)	Shareholders' Equity (₹ Lakhs)	D/E Ratio
2020–21	226.14	650.75	0.35
2021–22	328.73	714.02	0.46
2022–23	466.69	849.35	0.55
2023–24	409.43	1,628.86	0.25
2024–25	690.77	1,857.39	0.37

Source: Computed Data

The Total Debt to Equity Ratio remained consistently below 1 throughout the entire five-year study period, indicating a conservative and equity-dominated capital structure with limited financial leverage and low financial risk. The ratio rose gradually from 0.35 to 0.55 between 2020–21 and 2022–23 as borrowings increased to support operational expansion needs. It declined to 0.25 in 2023–24 following a large equity infusion and rose moderately to 0.37 in 2024–25, confirming the company maintains a healthy and low-risk capital structure.

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ASSET TURNOVER RATIO

Table.No:10.ASSET TURNOVER RATIO

Year	Revenue (₹ Lakhs)	Avg. Total Assets (₹ Lakhs)	Asset Turnover (Times)
2020–21	1,132.17	909.27	1.24
2021–22	1,410.71	1,132.96	1.28
2022–23	1,391.50	1,352.46	1.03
2023–24	1,220.82	1,829.97	0.67
2024–25	2,397.73	2,660.01	0.90

Source: Computed Data

The Asset Turnover Ratio was at its highest during 2020–21 and 2021–22 at 1.24 and 1.28 times respectively, indicating efficient revenue generation from the company's total asset base during those years. The ratio declined progressively to 0.67 in 2023–24 as total assets grew significantly due to equity infusion and capital investment without a corresponding increase in revenue. The improvement to 0.90 times in 2024–25, driven by approximately 96% revenue growth, indicates better asset deployment and improved operational efficiency across the organization.

FINDINGS OF THE STUDY :

SUMMARY OF ALL RATIOS

Ratio	2020–21	2021–22	2022–23	2023–24	2024–25
Current Ratio	2.15	1.83	2.21	4.65	2.74
Quick Ratio	2.15	1.83	2.21	4.63	2.63
Inventory Turnover	N/A	High	High	253.06	30.07
PBIT Margin (%)	17.53	15.36	15.70	9.04	19.12
Net Profit Margin (%)	11.18	9.34	11.15	3.02	10.97
Return on Networth (%)	20.92	19.31	19.84	2.98	15.14
ROCE (%)	41.96	48.34	76.56	-483.87	10.15
Return on Assets (%)	13.91	11.63	11.47	2.02	9.88
Total Debt/Equity	0.35	0.46	0.55	0.25	0.37
Asset Turnover (Times)	1.24	1.28	1.03	0.67	0.90

Source: Computed Data

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ASM Technologies Limited demonstrated resilience and strong recovery ability across all financial parameters during the study period, with 2023–24 being the most challenging year due to operational stress and expansion-related pressures. The company maintained a conservative capital structure, adequate liquidity, and strong equity financing throughout all five years of the study. The financial recovery observed in 2024–25 across profitability, efficiency, and solvency parameters confirms the company's long-term sustainability and growth potential, provided it continues to strengthen receivables management, control operating costs, and improve overall asset utilization efficiency.

SUGGESTIONS

1. The company should strengthen credit policies and collection mechanisms to reduce the debt collection period, which reached 202 days in 2023–24, thereby improving cash flow and reducing working capital pressure.
2. Operating expenses should be closely monitored and controlled to maintain stable operating margins, particularly as the company scales up its design-led manufacturing operations.
3. Since total assets have grown significantly through equity infusion and capital investment, the company must focus on proportionate revenue growth to improve asset turnover and overall asset productivity.
4. Although financial leverage is currently moderate, future borrowings should be aligned with profitability growth to ensure that the interest coverage ratio remains at a comfortable level above 4 times.
5. The company should invest in advanced cost management systems and operational automation to improve gross margins, which declined to 29.28% in 2024–25 despite strong revenue growth.
6. Inventory management should be monitored more closely as the company transitions further into manufacturing, given that inventory days increased to approximately 21.76 days in 2024–25.

CONCLUSIONS

ASM Technologies Limited exhibits resilience, stability, and sustainable growth potential. Despite temporary operational pressures during expansion, the company successfully restored profitability and maintained financial strength. For long-term sustainability, the company should focus on enhancing receivables management, optimizing asset utilization, strengthening cost control measures, and improving operational efficiency. If these areas are strategically addressed, ASM Technologies Limited is well-positioned to achieve consistent profitability, stronger shareholder value, and sustained competitive advantage in the future.

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