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EBITDA Analysis at Biz Impact Cloud Solutions

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Abstract

This study focuses on EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) margin improvement strategies as essential tools for enhancing financial performance and operational efficiency in an organization. It examines how revenue growth and cost control contribute to improving profitability and decision-making. The research is based on secondary data collected from Biz Impact Cloud Solutions, Chennai over a period of five years from 2021 to 2025. Analytical tools such as ratio analysis, variance analysis, and correlation analysis are used to evaluate financial performance. The study identifies key factors influencing EBITDA margin, highlighting improved profitability ratios, effective cost management, and a strong positive relationship between revenue and EBITDA. It concludes that a balanced approach involving revenue enhancement and cost efficiency is crucial for achieving sustainable growth and long-term profitability.

Keywords: EBITDA Margin, Profitability improvement, Revenue Growth, Cost control, Operational efficiency, Sustainable growth.

Introduction

EBITDA margin is a profitability ratio that measures a company's operational efficiency by calculating earnings before interest, tax, depreciation and amortization as a percentage of total revenue. It indicates that how much of cash profit a business generates from its core operations for every revenue earned, excluding financing and non-cash accounting decisions. EBITDA provides a clear view of how efficiently a company is running its core operational activities. EBITDA margin is considered one of the measures for investors, financial analyst and management teams for evaluating business performance. EBITDA margin helps to understand the company's performance in relation to its core business operation. EBITDA margin helps to identify the major factors which are affecting the profitability of the companies.

Review of Literature

Sunardi and et al., (2025), The study examines the impact of operational efficiency on EBITDA margin and highlights that better cost control and resource management improve profitability. It concludes that organizations should focus on cost optimization and effective financial monitoring to enhance EBITDA performance.

Till Prinz and Antoine Wrobel (2025), The study highlights that improving EBITDA depends on revenue quality rather than increasing sales volume. It emphasizes the importance of cost-to-serve analysis, accurate cost allocation, and value-based pricing to identify margin leakages and support better decision-making.

Jason Hall and et al., (2025), The study examines key financial indicators and shows that revenue is driven by service volume, while profitability depends on effective cost management. It concludes that combining financial data with administrative insights helps in improving operational efficiency and overall performance.

Liepert (2024), The study analyses EBITDA improvement through IT cost optimization and highlights that reducing operational inefficiencies and improving transparency in technology spending enhance profitability. It concludes that systematic cost management and alignment between operations and financial goals are essential for improving EBITDA.

Faldy Ilman Fariski (2024), The study examines a case where EBITDA declined despite revenue growth due to operational inefficiencies. It identifies key cost drivers such as inventory issues and system underutilization and concludes that cost optimization and operational restructuring are necessary for sustainable EBITDA improvement.

Research Gap

Existing studies on EBITDA margin primarily focus on general financial analysis and theoretical approaches, with limited emphasis on company-specific strategies. Most research does not adequately address practical implementation challenges, real-time decision making. The key factors such as working capital management, operational efficiency and digital transformation are often not fully integrated into EBITDA improvement strategies. There is a clear gap in developing a practical, data-driven and organizational-specific approach to sustainably improve EBITDA margin.

Research Methodology

The study adopts an applied research design to evaluate EBITDA margin and identifying the key revenue and cost factors influencing profitability. The secondary data may be obtained from many sources, including company's website and their five years. Various tools such as ratio analysis, Variance analysis and Correlation analysis are used for data analysis. The methodology ensures reliable analysis and supports meaningful conclusion.

Objectives

- To analyze the current EBITDA margin by identify key revenue and cost drivers and the examine the relationship between revenue, cost and EBITDA.
- To assess operational efficiency and identify cost reduction opportunities to improve EBITDA margin.

Limitations

- The analysis is limited due to restricted access to detailed cost structure and internal financial data.

- The lack of detailed information on employees' costs and resource utilization affects accurate evaluation of operating efficiency.

Data Analysis

Ratio Analysis

Ratio Analysis is a financial analysis tool used to evaluate the company's performance by calculating the relationships between figures in the Balance Sheet and Profit & Loss Account. Ratio analysis is very useful to identify profitability, cost efficiency, liquidity, and financial stability. Profitability ratio and efficiency ratio are more suitable for the EBITDA Margin Improvement Strategies as they directly evaluate operating performance and resource utilization.

Gross Profit Ratio

Gross profit ratio	
Year	Ratio (%)
2021	45.71
2022	47.87
2023	50.40
2024	50.96
2025	53.57

Source: Secondary Data

The Gross Profit Ratio of the company form 2021-2025 has increased from 45.71 percentage to 53.57 percentage. This continuous increase indicates that the company is effectively controlling the cost of services while increasing revenue. The improvement reflects better pricing strategies, cost efficiency, and operational performance, which positively contributes to EBITDA margin growth.

EBITDA Margin

Year	EBITDA Margin (%)
2021	28.57
2022	31.38
2023	34.80
2024	35.03
2025	37.76

Source: Secondary Data

The margin increased from 28.57 percentage in 2021 to 35.03 percentage and in 2025. The total improvement indicates strong growth in operating profitability. This upward trend reflects better revenue growth, reduced cost ratios, and improved expense management, all contributing to EBITDA margin improvement.

Cost of Service Ratio

Cost of Service Ratio	
Year	Ratio (%)
2021	54.29
2022	52.13
2023	49.60
2024	49.04
2025	46.43

Source: Secondary Data

The ratio decreased from 54.29 percentage in 2021 to46.43 percentage in 2025. The overall reduction indicates improved cost efficiency. This decline shows that the company is reducing the proportion of revenue spent on service costs, which directly improves EBITDA margin.

Operating Expense Ratio

Operating Expense Ratio	
Year	Ratio (%)
2021	20.00
2022	19.15
2023	18.00
2024	18.15
2025	17.86

Source: Secondary Data

The ratio decreased from 20.00 percentage in 2021 to 18.00 percentage in 2023. It showed a slight increase to 18.15 percentage in 2024 but declined again to 17.86 percentage in 2025. This overall decreasing trend indicates better control over operating expenses. The reduction in operating costs has positively influenced profitability and contributed to the growth of EBITDA margin.

Variance Analysis

Variance analysis is an important financial tool used to evaluate the difference between actual performance and expected or previous results. It helps to identify the reasons for changes in profitability. This analysis helps in identifying key drivers influencing EBITDA margin, detecting inefficiencies in cost control, and supporting better decision- making and strategic planning.

Cost of Service Variance

Cost of Service Variance Analysis				
Cost Component	**2021-2022 (%)**	**2022-2023 (%)**	**2023-2024 (%)**	**2024-2025 (%)**
Cloud Infrastructure Cost	27.78	30.43	26.67	18.42
Software Licensing Cost	33.33	25.00	30.00	15.38

Technical Staff Cost	28.57	22.22	18.18	19.23

Source: Secondary Data

The total cost of service increased by 28.95percentage in 2021–2022, 26.53 percentage in 2022–2023, 24.19 percentage in 2023–2024, and 18.18 percentage in 2024–2025. The declining growth rate indicates improved cost control over time. Major cost components such as cloud infrastructure, software licensing, and technical staff costs are increasing at a controlled rate.

Pearson's Correlation Coefficient Analysis

Correlation analysis is a statistical technique used to measure the strength and direction of the relationship between two or more variables. It helps to identify how variables such as revenue, operating costs, and efficiency levels are related to the EBITDA margin. The correlation value ranges between -1 to +1

Revenue Vs EBITDA

Correlation Coefficient	Result
0.99896	Strong positive correlation

Source: Secondary Data

The calculated Pearson correlation coefficient (r = 0.99896) indicates a very strong positive relationship between revenue and EBITDA. This shows that both variables move closely together over the years. As revenue increases, EBITDA also increases in a similar proportion, reflecting a consistent and stable growth pattern. The relationship is highly linear, indicating that EBITDA responds significantly to changes in revenue. This strong positive correlation confirms that revenue is a major driver of EBITDA performance and plays a crucial role in improving EBITDA margin.

Operating Cost Vs EBITDA

Correlation Coefficient	Result
0.99685	Strong positive correlation

Source: Secondary Data

The calculated Pearson correlation coefficient (r = 0.99685) indicates a very strong positive relationship between operating cost and EBITDA. This shows that both variables move closely together over the years. As operating cost increases, EBITDA also increases in a similar proportion, reflecting a consistent growth pattern. This shows that the company is managing the cost effectively and the profitability is not negatively affected. This strong positive correlation indicates that operating cost is closely associated with revenue-generating activities and plays an important role in influencing EBITDA performance.

Findings

- The gross profit ratio of the company shows a steady growth from 45.71 percentage in 2021 to 53.57 percentage in 2025, which shows that the company has been keeping its cost of services under control while growing its revenue over the five-year period.

- The EBITDA margin increased from 28.57 percentage in 2021 to 37.76 percentage in 2025, showing a consistent upward movement, which confirms that the company is generating a higher proportion of cash profit from its core operations every year.
- The cost of service ratio declined from 54.29 percentage in 2021 to 46.43 percentage in 2025, falling below the 50 percentage in 2023, which shows that the proportion of revenue consumed by service costs has reduced considerably, contributing positively to the improvement of EBITDA margin.
- The operating expense ratio decreased from 20.00 percentage in 2021 to 17.86 percentage in 2025, with a minor increase to 18.15 percentage in 2024 again it goes down in the in the following year, reflecting the company's overall ability to control its administrative and operational overheads relative to revenue.
- The cost-of-service variance declined consistently from 28.95 percentage in 2022 to 18.18 percentage in 2025 across all sub- components including cloud infrastructure, software licensing, and technical staff costs, indicating that the company has progressively improved its ability to control the growth of service delivery expenses.
- The operating expense variance showed a declining trend from 28.57 percentage in 2022 to 22.81percentage in 2025, though marketing and sales expenses and administrative expenses shows relatively a higher and more variable growth rates, suggesting that these two cost areas require closer monitoring going forward.
- The Pearson's correlation coefficient between revenue and EBITDA was calculated as r = 0.99896, indicating a positive relationship between the two variables, and confirming that revenue is the single most important driver of EBITDA performance for the company.
- The Pearson's correlation coefficient between operating cost and EBITDA was calculated as r = 0.99685, reflecting a very strong positive relationship, which indicates that cost increases are closely aligned with business growth and that the company is effectively ensuring that cost growth does not increase than revenue growth.

Suggestions

- The company shall implement strict cost control measures across all expense categories including cloud infrastructure, software licensing, and technical staff costs, as sensitivity analysis confirms that a 10% reduction in cost of service can improve EBITDA margin.
- The company shall focus on sustaining and expanding revenue growth across all service segments, as revenue has been identified as the primary driver of EBITDA margin with a correlation value of r = 0.99896.
- The company shall adopt value- based pricing for high-impact consulting services in artificial intelligence, machine learning, and data analytics, as this will improve gross profit margin without requiring additional cost reduction.
- The company shall monitor the billable utilization rate of technical staff and maintain it at 75 to 80 percent, as improving staff utilization will reduce the effective cost of service delivery and enhance EBITDA margin.

Conclusion

The study on EBITDA Margin Improvement Strategies at Biz Impact Cloud Solutions, highlights the critical role of financial analysis and operational efficiency in enhancing the company's profitability and long-term sustainability. The study identifies key factors influencing EBITDA margin over the period from 2021 to 2025. The study also shows that cost of service and operating expenses have been effectively managed, as reflected in the decline of cost ratios, contributing positively to margin improvement. The analysis indicates a very strong positive relationship between revenue and EBITDA, confirming that revenue is the primary driver of profitability.

Although operating costs have increased over time, they have been controlled efficiently and aligned with revenue growth. EBITDA margin serves as a reliable indicator of operational efficiency, and strategic improvements in key drivers.

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