Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics

Diploma Thesis

Evaluation of Firm Performance through Financial Analysis: Paytm as a Case Study

Supervisor: Ing. Karel Malec, Ph.D.

Author: Jayeshbhai Parmar

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DIPLOMA THESIS ASSIGNMENT

Jayeshbhai Parmar

Economics and Management

Thesis title

Evaluation of firm performance through financial analysis: Paytm as a case study

Objectives of thesis

-To measure firm performance by analyzing specific financial metrics and situations overtime.
-To determine the factors that influence the financial standing of a business organization.
-To analyze the relevance of financial ratio in evaluating the strengths and weaknesses of a firm.

Methodology

The methodology that will be adopted for this thesis is a case study design, and it is focused on foremost Indian fintech company, Paytm. The researcher will utilize a historical approach by gathering relevant in- formation from the company's annual reports – which are publicly accessible – prepared over the course of five years from 2016 to 2020. The data extracted will be used in performing vertical and horizontal analy- ses, with indices such as revenue, quick ratio, return on assets (ROA), distress ratio, return on equity (ROE), earnings per share, net and profit margin to be calculated. From the results generated, the researcher will attempt to discuss the trend analysis of Paytm, and relate this to the performance level of the company under review.

The proposed extent of the thesis
60-80

Keywords:

Financial analysis, financial statements, financial position, balance sheet, assets, liabilities, equity, financial performance, Income statement, expenses, revenues, profit, Paytm, ratio analysis.

Recommended information sources

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The Diploma Thesis Supervisor

Ing. Karel Malec, Ph.D.

Supervising department

Department of Economics

Electronic approval: 25. 11. 2021

prof. Ing. Miroslav Svatoš, CSc.

Head of department

Electronic approval: 25. 11. 2021

Ing. Martin Pelikán, Ph.D.

Dean

Declaration

I declare that I have worked on my diploma thesis titled "Evaluation of firm performance through Fincial Analysis:paytm as case study" by myself, and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that it does not break the copyrights of any person.

In Prague on 31.03.2022 Jayeshbhai parmar

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Abstract

This thesis deals with assessing the financial position and performance of chosen Indian company which provides digital wallet services, Paytm. The thesis mainly includes theoretical and practical parts. In the theoretical part, the introduction of Paytm, an overview of financial statements, and information about selected ratios for economic analysis are covered in the literature review. The practical part analyses the financial position, which is represented by the Balance sheet, and the financial performance, which is represented by the Statement of profit or loss of the Paytm by using vertical and horizontal analysis of these statements covering financial years from 2016-17 to 2020-21 with the focus on the representation and changes of the reported assets, liabilities, expenses, revenues and profit for the chosen period to identify the potential financial problems and the most significant factors influencing the yield. The ratio analysis is also done to know how the company is performing in leverage, liquidity, and profitability.

Further, the thesis also describes findings based on analysis. Besides results, the conclusion is also formulated, which gives insight into the overall financial position and financial performance of Paytm company for a given period. It also represents significant factors influencing the profit of Paytm.

Keywords: Financial analysis, financial statements, financial position, balance sheet, assets, liabilities, equity, financial performance, Income statement, expenses, revenues, profit, Paytm, ratio analysis.

Hodnocení výkonnosti firmy prostřednictvím finanční analýzy: Paytm jako případová studie

Abstrakt

Tato práce se zabývá zhodnocením finanční situace a výkonnosti vybrané indické společnosti Paytm, která poskytuje služby digitální peněženky. Práce obsahuje především teoretickou a praktickou část. V teoretické části je v literární rešerši zpracováno představení Paytm, přehled účetních výkazů a informace o vybraných poměrových ukazatelích pro ekonomickou analýzu. Praktická část analyzuje finanční situaci, která je reprezentována rozvahou, a finanční výkonnost, která je reprezentována Výkazem zisku nebo ztráty Paytm pomocí vertikální a horizontální analýzy těchto výkazů pokrývajících finanční roky 2016-17. do 2020-21 se zaměřením na zobrazení a změny vykazovaných aktiv, pasiv, nákladů, výnosů a zisku za zvolené období pro identifikaci potenciálních finančních problémů a nejvýznamnějších faktorů ovlivňujících výnos. Poměrová analýza se také provádí za účelem zjištění, jak si společnost vede v oblasti pákového efektu, likvidity a ziskovosti.

Dále práce popisuje poznatky vycházející z analýzy. Kromě výsledků je formulován i závěr, který poskytuje náhled na celkovou finanční situaci a finanční výkonnost společnosti Paytm za dané období. Představuje také významné faktory ovlivňující zisk Paytm.

Klíčová slova:

Klíčová slova: Finanční analýza, účetní závěrka, finanční situace, rozvaha, aktiva, pasiva, vlastní kapitál, finanční výkonnost, Výkaz zisků a ztrát, náklady, výnosy, zisk, Paytm, poměrová analýza.

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UPI: Unified Payment Interface

DTH: Direct To Home

IRCTC: Indian Railway Catering and Tourism Corporation

1 Introduction

Online digital wallets are pretty essential in today's world. These wallets help us reduce the use of cash while going out. Nowadays, the mobile or digital wallet with the maximum market share is 'Paytm.' Paytm is an e-commerce company mainly concerned with online transactions and payments. This company was established in 2010, and it is an Indian-based company. 'Pay through mobile' was the term, abbreviated as 'Paytm.' This company has its main office in Noida, Delhi. At first, this company launched the Paytm app, and after downloading and installing it from the Google Play Store, we can easily enjoy the benefits of mobile transactions (Bhatia, 2019).

Also, we can access it through both the app and the web. Day by day, this app upgrades itself and introduces new facilities for its customers. We can do multiple transactions by using this mobile app, such as we can quickly recharging our phones, paying our bills, sending or receiving money, etc. Before understanding or performing these payment facilities, it is essential to sign- up or create our account.

1.1 About Paytm

The primary investment or spending for establishing this company was about two million, which its originator did. At first, it worked as a medium for recharging DTH and cellphone prepaid, but in 2013, it gradually included a few facilities such as postpaid cellphones, information-card, etc. Also, within this year, the company included paying bills of the land phones through this app. Within the beginning of 2014, the organization had dispatched its wallet facility. The IRCTC also approved it as they included Paytm digital wallet as the online transaction option on their websites.

Next year, it launched other new facilities such as transaction of schooling charges, charging metro cards, paying electricity bills or water charges, etc. The company dispatched some new features in the year 2016. Those new features include selling or booking passes and token of films, several places, and keys of various events. Again, that year, the app introduced bookings of airplanes, railways, and also its famous QR code transaction facility. Within this period, the company started to increase its huge share market, and thus, the outcome of this startup company was immensely profitable. The company's enlisted client base enhanced from twelve million to one-hundred four million within a single year.

The ticket booking feature of this company had crossed five-hundred million dollars during this time, and about two million passes were booked every month. In the following year, the company dispatched its payments banks. At that time, it also became our country's first transaction application to get more than a hundred million application installations. After that, it began to permit vendors to acknowledge UPI, Paytm, and card transactions straightforwardly into their respective bank accounts at zero percent fees. It additionally dispatched another application known as the 'Paytm for Business' application that is currently called Business-with- Paytm-App, and it permits shippers or vendors to follow and locate their transactions and other essential things (Mohan, 2020).

This drove its trader base to develop more than seven million within the following year. For more savings in the long haul, the organization dispatched two features that facilitate the proper management of assets. Paytm also went into a group endeavor with Alibaba gaming organization to send Gamepind, a versatile medium for playing games. Again, Paytm-Money was established with a venture or spending of nine crore rupees to conduct speculation and wealth supervising items for the citizens of our country. The company also dispatched a membership-based dedication event called Paytm-First in 2019. Later, in that particular year, the company cooperated with Citibank to post Paytm First banking cards. Even in the previous year, during the coronavirus pandemic, this company collaborated with Starbucks and permitted its clients to order consumable products via the internet.

Background of the up-gradation of this firm and its business is typically estimated to assess its location in the industry in the share markets. This analysis is created to investigate various monetary practices that the Paytm Company trails to decide their financial situation in the worldwide market of this type of digital wallet. Various specialists examine that nowadays, the different digital wallets or mobile wallets or such online transaction facilitating applications of our country are growing alongside Paytm.

This sudden growth of these applications occurred because these days' people realized the requirements and benefits of possessing these digital wallets. A few years back, the installation and usage of this type of application were considered extravagance or non-useful activities. Also, at first, people used to think that these digital wallets would consume a lot of extra money apart from payments and transactions. The recent analysis will perform the monetary investigation of Paytm and comprehend the significant business economical ideas required to upgrade this chosen association towards the leading position.

1.2 Background of the study

The up-gradation of this firm as well as its business is typically estimated to assess its location interms of business in the share markets. This analysis is created for investigating various monetary practices which are trailed by the Paytm Company for deciding their monetary situation in the worldwide market of this type of digital wallets. It is examined by various specialists that nowadays, the different digital wallets or mobile wallets or such online transaction facilitating applications of our country are growing alongside Paytm. This sudden growth of all of these applications occurred because these days' people actually realized the requirements and benefits of possessing these digital wallets. A few years back, the installation and usage of this type of application were considered to be extravagance or non-useful activities. Also, at first, people used to think that these digital wallets will consume a lot of extra money apart from payments and transactions. The recent analysis will perform the monetary investigation of the Paytm and will comprehend the significant business economic ideas which isrequired in order to upgrade this chosen association towards the leading position.

1.3 Problem statement

The emergence of digital wallets around the planet has influenced the development of their finances. These days, this type of company like Paytm is the dominating sector among the numerous finances around the globe. It is known to most of us that these companies are doing well and working hard both inside as well as outside India, yet, at the same time, they are dealing with problematic issues while doing their business exercises. We discuss two inconvenient significant problems this digital wallet facilitating company faces from many complex issues.

The first problematic issue can be recognized as how if this company wants to compete in the share market, this mobile wallet and online transaction business needs to function viably in the global market. Furthermore, the second problematic issue experienced by this type of company is the demand or urge for developing and designing more user-friendly systems within their application. Most people don't possess proper educational qualifications in developing countries like India.

In this country, usually, many people are fluent only in their native languages; that is, they lack the proper understanding of the international language, which is English. So, to get customers from all over India, the company should develop more user-friendly systems. There is a high demand from the users for getting numerous discounts and cashback while utilizing this application. So, the company faces a few problems or problematic issues.

1.4 Significance of the study

Each merchandising occupation intends to make benefits and possess an endurance sense that can aid them in enduring their work. The productivity of merchandising or marketing can be possibly accomplished at this point when the economies of the merchandising are viably examined or investigated. Subsequently, the exhibition of monetary investigation gets significant for some organizations (Gilchrist, S,1994).

Hence, the recent analysis had a state of importance that the exploration will be led for investigating the economic assumptions of Paytm. The upgraded monetary investigation can benefit Paytm in recognizing its accurate ranking in the share market. It can help them realize the business-market openings, which might be pretty helpful for the success of Paytm.

1.5 Limitation of the study

If we talk about the limitations, then we can say that numerous restrictions are associated with the subject of this report. The constraints are briefly narrated in the following. The monetary investigation of the company, which was performed, broadly depends on the yearly records of the past five years. The study does not correctly portray the current financial scenario of the company.

Another limitation is that here, we have chosen only one company concerned with digital wallets and online transaction facilities. If we have selected more companies like Paytm for this research work, we could perform and analyze the financial analysis of those companies more accurately. Also, we could compare the economic analysis of those companies with one another.

The financial reports of numerous digital wallets developing companies examine the particular functional features instead of giving a total view of the authoritative accomplishment. The upgraded monetary investigation of the company neglects to respond the positive remedy to the problematic issues confronted by the merchandise. It means the representation just portrays the benefits and misfortunes instead of giving a transparent view of what had occurred beyond the words.

2 Objectives and Methodology

The fundamental target or objective is to conduct a comprehensive monetary investigation of Paytm by utilizing distinctive, given economic apparatuses like financial proportions, income proclamation, pay articulation, and asset report. This analysis also points towards the extricating of further data about the company's monetary administration activities, which required dominating the merchandise in playing out their exercises more effectively. Also, one of the main objectives for conducting this research is to comprehend the organization's monetary ranking factors influencing the organization's development in the digital world. This analysis will mainly investigate the estimations obtained from a few years' reports of Paytm.

2.1 Objectives

In the previous paragraph, this research's actual target or motive has been explained briefly. By keeping those investigation aims in mind, the present analysts had built up several investigation targets. The primary objective of this analysis is to perform and examine the outcomes acquired by conducting the monetary investigation of the estimations. And we got the respect or values required for financial analysis from the yearly records of Paytm by studying the forms of the previous ten years. Some more research objectives are briefly narrated in the following.

Aim/Objective 1: Creation of new patterns of investigation which can clarify the monetary ranking or situation of Paytm.

Aim/Objective 2: Analyzation and creation of some purposes which can affect the economic development and decipher the evolution of Paytm.

2.2 Research questions

We have already discussed the research objectives. Thus, we analyzed some research questions by examining and investigating those objectives. We will conduct this research by searching for proper answers to these research questions. The following questions are the research question for this detailed financial analysis.

Question-number 1: What is the monetary presentation pattern of Paytm?

Question number 2: Why should financial shareholders put their cash or spend their money in Paytm for a long-term purpose?

2.3 Methodology

The literature review methodology is based on information gathered from the relevant legal framework, specialised publications, and other printed or electronic sources. The practical portion of the thesis will be based on information obtained from the chosen company's published annual reports.

The financial status and performance of the company will be assessed using a vertical and horizontal analysis of the financial statements. To prepare the thesis' practical section, selected profitability analysis ratios will be determined. The thesis conclusions will be formulated using the study, synthesis, comparison, and deduction approaches.

The balance sheet of the company will be examined in order to assess its financial situation, and the income statement (statement of profit and loss) will be examined in order to assess its financial performance. The study is based on the previous five fiscal years, between 2016-17 and 2020-21. The information is taken from the company's annual reports. The findings of the horizontal analysis will be expressed in percentages, and each item will be compared to the same item from the prior year (i.e., no base year). The definitions of vertical and horizontal analysis are presented in this thesis's literary review.

Selected ratios for financial analysis

Financial analysis analyses economic trends, establishes monetary policy, develops long-term business plans, and finds potential investment projects or firms. This is accomplished by combining financial numbers and data. Calculating ratios from the data in the financial statements to compare to those of other companies or the company's previous performance is one of the most common techniques to examine financial data. Liquidity ratios, leverage financial ratios, and profitability ratios are the three primary categories of financial ratios (Dr. V. Sugumarand Mrs. N. Prema, 2019).

Asset utilisation metrics, operating performance measurements, and other financial analysis ratios are all linked. The following percentages will be utilised in the thesis:

Liquidity Ratios

Profitability Ratios

Leverage Ratios

Coverage Ratio

1. Liquidity Ratios

It indicates how much liquidity the company has to meet its short-term obligations.

Cash Ratio

The monetary rate is the average cost of acquiring a company's capital, particularly its economic rate and financial equity in its existing businesses. The indicator determines a company's ability to repay short-term debt in cash or near-cash, such as easy-to-sell securities. Lenders can use this information to determine how much money, if any, they should lend to a company.

The cash ratio is calculated using the following formula:

Formula 1:

$$Cash\ Ratio = \frac{\text{Investments}+Cas\ \ \&\ Cash\ equivalents}{Total\ Current\ Liabilities} \tag{1}$$

2. Current Ratio

The current ratio is a liquidity ratio that assesses a company's capacity to pay short-term or one-year obligations. It explains to investors and analysts how a firm might use current assets on its balance sheet to pay down debt and other obligations.

A current ratio that is equal to or slightly greater than the industry average is generally seen as appropriate. A lower current ratio than the industry norm could imply a higher risk of default or trouble. Similarly, if a company's current ratio is unusually high relative to its peers, it shows that management isn't making the best use of its assets. The current ratio is called "current" because, unlike other liquidity ratios, it includes all current assets and liabilities. The working capital ratio is another name for the current ratio.

The formula for calculating the cash ratio is mentioned below:

Formula 2:

$$Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities} \tag{2}$$

Quick ratio:

This fast ratio is due to the fact that the organization's inventories, property, and other current assets are difficult to liquidate. As a result, they devised a new method known as the fast test ratio, which only includes relative acids that can be liquidated. Marketable securities, accounts receivable, and cash are the three types of assets.

The formula for calculating the Quick ratio is mentioned below:

Formula 3:

$$Quick\ Ratio = \frac{(account\ receviable + cash + marketable\ securities)}{Current\ Liabilities} \quad (3)$$

Profitability ratios

The profitability ratios help to understand the company's profitability capacity, which is one of the objectives of this thesis.

1. Net Profit

The net profit is calculated by removing the total business expenses from the operating income to arrive at net profit, which is then divided by total revenue (Rosman, Wahab, and Zainol, 2014).

The total profit margin reflects management's ability to generate enough profit from a sale to cover all operational costs of the business, including borrowing costs, fees, and sales service costs, as well as pay fair compensation to shareholders for their investment in the company. This metric is a good indicator of a company's profitability. The rate can be calculated as follows, based on the notion of total profit margins:

The formula for calculating the Net Profit is mentioned below:

Formula 4:

$$Net\ Profit = \frac{Net\ Profit}{Total\ Revenue} \quad (4)$$

2. Return on Assets (%)

The return on assets is a ratio that is calculated by dividing net income by the tangible assets that were used to generate that net revenue (Malik, 2011). Return on Assets (ROA) is a statistic that measures how profitable a firm is in comparison to its total assets. The ROA may be used by a manager, investor, or analyst to assess a company's management's ability to profit from its assets. The proportion of the refund is shown. To calculate the return on investment, divide a company's revenue by its total assets (ROI).

The formula for calculating Return on assets is mentioned below:

Formula 5:

$$Return\ on\ Assets\ (\%) = \frac{Net\ Income}{Total\ Assets} \quad (5)$$

3. Return on Equity (%)

Another profitability ratio measures how effective the company's capital is at generating revenue (Mitra, R., 2011). Because it combines a statement of income and a balance sheet, the Return on Equity is a two-part metric in its acquisition. The income or profit is compared to the stockholders' equity. The total return on equity (or ROE) is a measure of a company's ability to turn money into profit. Alternatively, it calculates earnings per dollar based on projections from shareholders.

The formula for calculating Return on equity is mentioned below:

Formula 6:

$$Return\ on\ Equity\ (\%) = \frac{Net\ Income}{Total\ Equity} \quad (6)$$

4. Return on Capital Employed (%)

Return on Capital Employed is a corporate profit comparison metric. It also shows how capital expenditures are used effectively to obtain the intended profit. The ranking is best used to assess internal management effectiveness. A higher rating indicates a better performance test, whereas a lower number indicates the same level of performance.

The formula for calculating Return on Capital employed as mentioned below:

Formula 7:

$$Return\ on\ Capital\ Employed\ (\%) = \frac{EBIT}{Long-term\ Liabilities - Equity} \quad (7)$$

5. Leverage ratios

Leverage ratios help analyze the debt ratios and other ratios related to the company’s paying capabilities.

6. Debt to Equity

Calculating the ratio between total debt and total equity is one of the financial operations related to business performance (Pandey, 2009). The obligation to equity aids business managers in designing their capital structure to support the operations carried out in order to get debt. The interest expense for the company will rise as a result of the new debt (Halpin, Senior, 2009).

The formula for calculating Debt to equity ratio is mentioned below:

Formula 8:

$$Debt\ to\ Equity = \frac{Total\ Debt}{Total\ Equity} \tag{8}$$

7. Debt to Assets

This ratio shows total assets financed by total liabilities. The lower debt to assets ratio is better and vice versa.

The formula for calculating Debt to assets ratio is mentioned below:

Formula 9:

$$Debt\ to\ Assets = \frac{Total\ Debt}{Total\ Assets} \tag{9}$$

8. Debt to Capital

This ratio differs slightly from the previous one in that it includes total debt in the computations. It shows how much danger there is and how much weaker the solvency is.

The formula for calculating Debt to capital ratio is mentioned below:

Formula 10:

$$Debt\ to\ Capital = \frac{Total\ Debt}{Total\ Debt + Shareholder's Equity} \tag{10}$$

9. Coverage ratios

Coverage ratios help analyze how efficiently a company's income can cover interest expenses and lease payments. Interest expenses and lease payments are part of a company's debt.

10.Interest Coverage

This ratio indicates a company's capacity to cover its interest obligations with earnings before taxes. The higher the ratio, the more secure the company's lease payment solvency.

The formula for calculating Interest coverage ratio is mentioned below:

Formula 11:

$$Interest\ coverage = \frac{EBIT}{Total\ Interest\ Payments} \qquad (11)$$

2.4 Vertical analysis

The vertical analysis of the balance of the financial statements is when each line item in the financial information is calculated as a percentage of the other. On the income statement, everything is stated as a percentage of total revenues, while on the balance sheet, everything is expressed as a percentage of total assets.

The most typical application of vertical analysis is to view estimated account balances in a one-time financial statement of reporting. Direct analysis also aids trend analysis in detecting changes in accounts over time, such as five-year comparisons. Vertical analysis is defined as the use of total assets, total liabilities, or shareholders' equity as proportional basis numbers (Kobyletskii and Sakevych, 2015).

2.5 Horizontal analysis

Horizontal analysis (also known as trend analysis) is a technique for analysing financial statements that illustrates variations in the amounts of relevant financial statement components over time. It's a useful tool for assessing trend situations. Horizontal Analysis is the process of examining and comparing the dynamics of the same indicators throughout time in order to draw conclusions about the company's performance (Kobyletskii and Sakevych, 2015).

Horizontal analysis employs assertions for two or more periods. The base period is generally the earliest time. The items on the reports for all subsequent periods are compared to the articles on the base period's statements. In most cases, the changes are represented in both dollars and percentages.

2.6 Data sources

The origin of the chosen information for the recent analysis report was the yearly monetary explanations of Paytm. The knowledge of proportion investigation will likewise be assembled, which will help investigate the merchandise's financial situation more transparently. The period which was chosen will be gainful for gathering as well as for differentiating the gathered or accumulated information. The collected data will be much steady for analyzing more transparently.

2.7 Data analysis

The estimations of the gathered information for conducting the monetary examination will be served via an investigation of economic proportions. The program running applications which can help direct financial reflection is MS Excel. The upgraded quest of the monetary proportions of Paytm can benefit the present analysts in playing out the economic review of Paytm. The outcome of the proportion investigation and some more critical relatable data will be introduced as a chart and some more controlled tabular charts that will benefit the specialists in clarifying their discoveries more accurately. To continue with the chosen techniques of the analysis, their request is kept on record of information being logical or graphic.

The logical analysis depends on the optional information strategies for investigated speculations. An informative examination depends on the essential origins of information assortment and their correlation of factors present. Illustrative analysis manages the more extensive part of the research subject, and no mathematical information is available in those analyses (Kline, P. (2014). For the analysis theme which has been put forward, the strategy for examination will be illustrative, dependent on how it utilizes quantitative and subjective information assortment techniques as essential sources.

2.8 Data collection techniques

It can be said that basically, there are two kinds of information assortment strategies:- First: Prime; and Second: Subordinate. The information with prime origin depends on conferences, studies, general assessment, surveys, etc. Subordinate information assortment depends on the explored themes. It examines dependent on the subject, which provides an analyst about the things that those analysts have said and those things they will want to conclude depending on those investigators.

The essential information assortment source was utilized to investigate another subject as the entire examination will depend on review polls, meetings, and case contemplates. This vital information assortment uses a blended arrangement of exploration plans.

3 Literature Review

Every organization around the globe prepares a financial statement that provides an excellent opportunity for investors, creditors, and analysts to analyze and determine the organization's performance. It is also suggested that this economic analysis helps an organization give an idea about the market strengths and weaknesses.

These reports also help them point out their exact position in the market alongside other competitors. The Financial information also helps them see the organization's natural growth. (The industry's future growth is directly dependent on the expansion practice (Patten, D. M. 2005). This current chapter will discuss the financial analysis of the e-commerce and digital payment giant Paytm from India.

3.1 Financial analysis concepts & principles

If we talk about financial analysis, we can describe it in general terms as the language of business. Various accounting principles, conventions, assumptions, and concepts are used while making an account and financial report. These conventions, beliefs, and ideas provide a logical and theoretical base for accounting. These general conventions rules are accepted everywhere. This theoretical base makes accounting a social science, and these assumptions, practices, and conventions provide this base.

Financial analysis concepts are manufactured. These rules or principles are generally accepted everywhere as they don't need rigid proof to work with like pure science. These principles are made by looking upon the general conventions and practices. These rules are developed by keeping in mind that the users of financial information should understand these. These rules are not fixed; they can be readily accepted by general users of financial users but only if they are understood by the user and the person who wrote the account in the same way. This economic analysis has no stiffness on the principles. If it is also understood in the same way by the user and the account, it should also be practical and objective.

3.2 Methods of financial analysis

The essential requirement before analyzing the financial statement or report is a clear idea about where this is coming from, the source of the figures, how they are organized and presented, what involves planning the budget, changing the volume of revenue, cost controls, determining wages (Taouab and Issor, 2019). The use of numbers here is essential and valuable for the business.

It is the process of collecting and then applying for the numbers from and in various operations in the industry.

3.3 Users of financial analysis

There are two kinds of users: internal users and the other one are external users. Those directly connected to the Business activities are internal users, and those who depend on financial statements but are not directly related to the business are external users.

Table 1: Users of Financial Analysis

Users of Financial Analysis
Investors
Creditors
Management
Employees
Competitors
Government

Source: Sarngadharan, Rajitha, 2011

Investors: Financial statements help Investors think about their return on investment. Potential investors will benefit from the financial statement as that will help them decide if it is an excellent decision to invest in that organization. Their main goal is to maintain a balance between risk and return.

Creditors: Creditors can be an individual or an organization; they give credit to the organization. So this financial statement helps them see whether their money is safe or not.

Management: The management makes policies, defines wages, and checks the effectiveness of the previous policies and efficiency of the employees or the technologies they are using. To do all of this, they need the help of a financial statement as it will analyze the previous results and plan future policies.

Employees: Employees also want to see the financial statement to help them see where their company is standing. This financial statement also tries to see if their jobs are secure and get the employment benefit or pension plan, etc. So overall, this makes it easier to make decisions for them.

Competitors: Competitors need this financial statement to follow their growth rate compared to other organizations; this also helps them look at their marketplace. This statement allows them to reach their products or services with others. Also, the necessary changes they need to make are decided by these financial statements.

Government: Government also needs the financial statement as this would be their tool to check whether they are breaking the rules or paying their taxes and other restrictions (Benston, 1976). This data from the financial statements also help them to do statistical surveys to ensure the market trend and if any product needs subsidy or they have to commission some grant or other official surveys.

3.4 Financial statement

The general idea of making a financial statement by different organizations is to display their actual business performance in one year or half-yearly or quarterly or some other specified period. The primary purpose of making financial statements is to check an organization's financial condition and improve its financial position over the last years. This is done by comparing both years' financial statements. This also helps to plan future investments or other plans. Financial statements that are useful for the organization is Cash flow statement, balance sheet, and income statement; they are used for various economic analyses. These three financial statements are helpful for the investors and creditors quantitatively analyze their decisions about the business.

3.5 Cash flow statement

The cash flow statement has two main aspects. The first aspect shows the cash inflow in an organization and that cash is earned through its operations and investments made by investors in the organization. Another aspect of this is cash outflow that displays the information about the expenditures and other costs inside the organization. The cash flow statement represents how much cash is generated and where the money is spent over a specific period. This is important for an organization because it analyzes the liquidity and long-term solubility of the organization. The cash flow statement uses cash-based accounting, which is important because it collects revenue but does not receive cash. It can pay profit and tax but doesn't provide resources to remain solvent.

3.6 Income statement

Businesses develop their income statements to measure their actual performance over some time. Three main factors comprise the income statement. The first factor is how much cash is generated in a given period; this revenue or collected money also helps them maximize the inventory. The second factor includes all the expenses that involve the initial cost of goods sold and other financial expenditures while performing its business activities. The third factor of the income statement is the gross profit, which is the earning before the tax and the organization's net income. The income statement represents revenue, expenses, profit, and loss but doesn't show cash distribution (Bagnoli, 2011). The income statement is used to help determine the organization's future while based on the organization's past performance. It is also known as a profit loss statement.

3.7 Balance sheets

The balance sheet can be described as an instrument that explains the financial position in a selected period. The balance sheet users get an idea of what is owned by the organization and the techniques behind financing the actual business. This is described by the following formula: Assets = Liabilities + Equity

The above-described formula is accepted worldwide and used by every organization irrespective of either following generally accepted accounting principles (GAAP) or international financial reporting standards (IFRS). From the formula mentioned above, it can be discussed that the balance sheet is divided into three heads assets, liabilities, and total equities. Furthermore, there are two parts of assets of current assets and non-current assets. The current assets are those organizational assets that can be easily converted into cash quickly. Non-current purchases are not that easy to convert into money in such a short period.

The liability section is also divided into two parts, short-term and long-term liabilities. The organization can pay short-term liabilities in less than one year (Bowman, 2011). The long-term liabilities of an organization can be paid in more than a year.

The total equity part can also be divided into two main common stock and retained earnings components. The former part describes the shares that the shareholders hold and another preferred stock that is not for trade in the market, the later part of total equity is apart from the net profit that is kept for making future investments.

3.8 Techniques of financial analysis

The financial statements help the researchers compare past performances and predict the future of an organization; like here, PayTm analyzes their financial information to calculate their prospects. The developed financial analysis from the statement of PayTm will help the managers simplify and check the organization's efficiency. They use this to analyze their economic decisions over time and what could make things more efficient.

This can assist them in deeply looking at their economic analysis. The researchers also discuss the various financial analysis methods; these techniques involve horizontal analysis, vertical analysis, ratio analysis, and trend analysis.

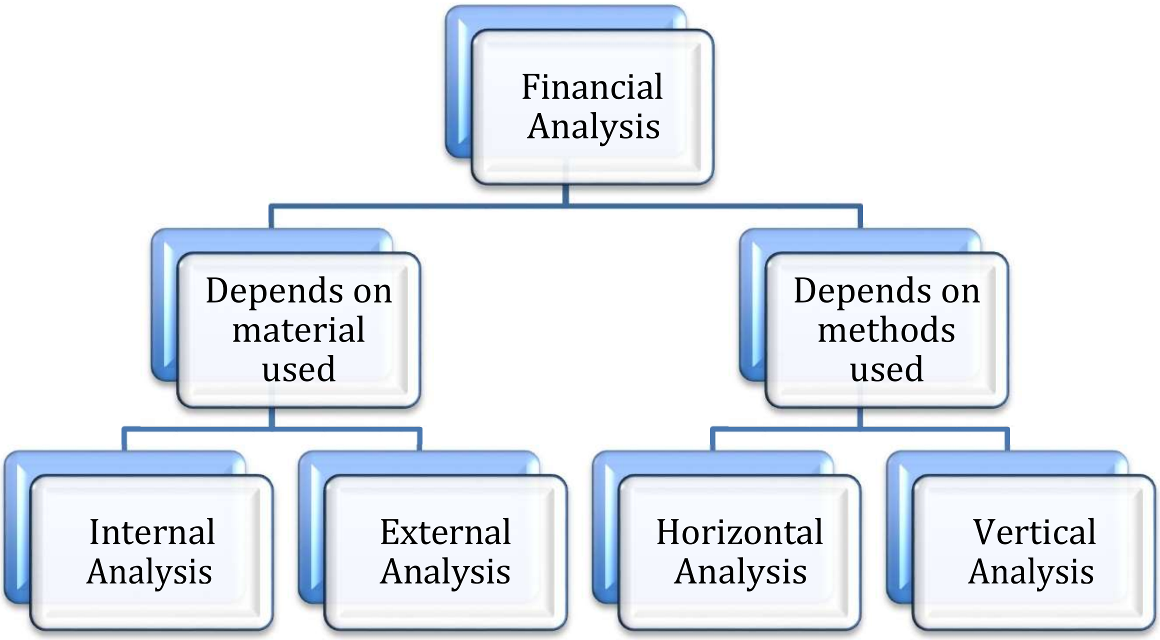


Figure1: Technique of Financial analysis

3.9 Horizontal analysis

In a financial statement, the organizations generally compare corresponding values or the percentage regarding that for different heads. The values in the horizontal analysis are calculated by dividing the current year's amount by the base year's account. The results are obtained in percentage, implying the corresponding value change.

3.10 Vertical analysis

Vertical analysis is being used when an organization is trying to analyze its performance for a year. This study starts with a single complete figure as 100% in the financial statement. After this, other values in the information can be compared concerning the matter, which is 100%. This selected part can be any head of the financial statement; it can be the sales value from the income statement, total liability, or total asset in the balance sheet (Fridson, 2011).

3.11 Ratio analysis

The ratio analysis develops its results from many numerical values and is also known as a tool for critical economic analysis. The resulting financial ratios give an outline idea about where the business stands. These results are also compared to the previous year's or other organizations' results - this analysis based on comparing the relationship between financial statement accounts. Managers and investors use different tools and methods for comparing. They also want to find out whether their investment is worth it between the risk and return and plans about future assets and the organization's future.

Horizontal analysis, vertical analysis, and ratio analysis are mainly used as comparison tools. The horizontal and vertical analysis takes the numbers of a particular year or period and compares them to a preset standard performance number. This relationship between the financial statements will give the managers and investors a more accessible framework to work on and understand. This also gives them a complete understanding of business operations.

3.12 Trend analysis

The trend analysis is done to see where the market is going or to see the trend. This is much more effective and necessary as it compares directly with the previous years and the numbers show a better understanding in this analysis. This helps the Investors by giving them a market trend for selective accounting heads.

Table 2: Advantages and disadvantages of using financial analysis

Advantage	**Disadvantage**
It becomes easier to take business decisions.	Comparisons aren't accurate
Helps the investors in the decision making process.	Chance of wrong interpretation by the readers
Evaluate overall performance of the business	Qualitative side is ignored

Source: Nottrott, Kleissl, and Washom, 2013

In the above section, the advantages and disadvantages are discussed; this has been addressed by different researchers about the primary purpose of this financial analysis? For an e-commerce and financial technology company like PayTm, or any other company like that, the primary purpose of the economic study is to help the officials or managers to make different decisions about the business and make the organization work more efficiently. Therefore, financial accounting is essential for the organization and investors to invest in future programs. So this is essential for the betterment of the organization. It is also discussed that the critical important qualitative characteristic of the economic analysis can be described as its reliability and relevance to the financial situation (Fischer, 2017)

Attaining success in all forms is an essential aim for all organizations, but they can only try to achieve that, and getting huge success in the market is a crucial factor. A valid, resource complete, logical financial analysis is its first baby step to attain that market and monetary success. This economic analysis helps them pinpoint the problems and improvements of the organization. The ratio analysis can be said to be the neutral system of financial analysis; researchers have proved the utilization of this system more effective than other measures. This locates the business activities running in loss or inducing loss for the whole business. Most analysts use ratio analysis to derive important conclusions in the form of economic analysis. This is most effective because financial statements deal with vast numbers. That enormous data set provides much more detailed information, but deriving that information is not that easy by just looking at it, so the researchers use the ratios to deliver meaningful analysis in their financial statement analysis report. Proportions are very effective and essential for a business like PayTm to analyze its performance. This ratio analysis process includes the liquidity ratio process, which helps them study the liquidity preference of the organization. For a business like PayTm, this ratio analysis is critical for predicting future success and failures in their business performance.

A financial report is made, and researchers perform an economic analysis to mark financial objectives for an organization to help them improve its performance in future years. This allows the organization to take adequate measures that ensure the company's growth. The most important fact is that this measures the operation and policies of the organization on a measurable scale, and that is in monetary terms. Financial analysis is used to describe the organization's financial health, productivity, and growth rate. This analysis helps the organization make decisions for its future policies and products.

The company's financial report studies the relationship between the accounts and the value of the company. So this analysis is essential because it influences the decision-making process. Many parts of this organization could take advantage of this analysis. Organizations are using this analysis to see their weak points and their strengths, and the researchers are suggesting what should be done to turn their weaknesses into strengths. The managers must use this financial analysis to make decisions, maximize the profit, increase the investment, and increase the organization's value.

Financial analysis checks the financial performance of different departments and the relationships between the profit loss accounts in the balance sheet account; when the organization uses this valuable information accurately, this can provide helpful information and increase commercial activities. Financial analysis helps them see how different parts are performing in monetary terms. Financial accounting is also used for saying the comparison between various commercial activities. These comparisons and other conclusions from this financial analysis help the financial analysis users make their decisions much more quickly and effectively. This identifies the deteriorated sections of the organization and how they should improve those areas. This economic analysis also draws a clear picture of the market Trend and its going.

Cash is known as a liquid asset, and because of this, any organization needs to point out whether or not there is enough cash they need to function correctly. So if the organization takes proper decisions from the financial analysis information, the organization could increase its profit. These ratio analyses derived are important statistical pillars that help the management make the right decision and if I do it if there are utilizing the resources fully. If they fail to identify what a vital tool this is and how they should draw conclusions from this helpful information, they might make wrong decisions, which leads to the fall of that organization.

With the financial ratios, managers can also identify weaknesses to use enough resources and responsiveness to these hitches and lastly take the accurate and most appropriate resolutions to capitalize on the value and prosperity of the organization (Klinger, B.1994). Financial analysis reports are essential as it helps the management to understand their financial performance and their position in the market. The economic analysis also compares the accounts between two different periods more precisely with the previous year. So this scrutiny of the last fiscal year helps the management understand what went wrong and which operation was not at its full potential and finally allows them to see the trend. Hence, all of these points result in making a proper judgment to establish a more substantial ground in the market.

Organization management makes decisions based on financial analysis. They can now calculate what their position is, how much growth they have, and what their performance level will be for the upcoming years. The ratios in the analysis show how they are being financed, how the resources are utilized, their debts, and the profit. All these reports are essential for the managers and the investors. The financial analysis also reports about inventory management, which is vital in predicting which direction this company will go.

For a successful organization, it is common to engage in benchmarking activities to compare the performance with other companies in the same industry. The information they collect from this activity is necessary for a company to keep its operation in the right direction. Financial analysis helps them in determining business stability. The financial ratio shows the ability to generate cash to meet their needs and access money when needed.

Mousavi (2007) confirms that the organizations use the financial analysis to measure whether the strategies or policies are doing what they were supposed to do and utilizing their maximum value. This is done by comparing two fiscal performances according to the financial analysis. The management detects the faults in their planning or other operations and how that can be resolved; this is done with the help of financial analysis. They also look at how the company is performing in the current economic condition and how that is different from the financial information of the previous fiscal year under other economic conditions. This shows that good financial analysis and good analysts help the managers to detect the problems and gaps in their process for which the planned financial objectives are not reflected in numbers and slowing the process of realization of those objectives. The companies should realize that they have to take adequate measures by interpreting the financial analysis to match their investors' needs, shareholders and market demand, trends.

This financial analysis is not only a report of earnings and profit. This is much more meaningful as they provide necessary information about how the administration should take adequate measures to control the cost, interest revenue, tax, business expense, market position. Management uses an income statement to see their net income and its assets and shareholders' earnings. Command also compares their income with their competitors. This shows their net profit margin.

A financial statement like a balance sheet provides valuable information about the company's assets liabilities. This information helps them to plan and make future decisions. They plan to maximize their assets return from investments while maintaining their business stability by minimizing the business liabilities and expenses. As the financial statements make a reflection of the financial performance of a company at a given time, the information they collect helps to make sure that management decisions have been scheduled to meet the business financial objectives and making sure that operations are handled most competitively Ang, J. S. (1992). The result from this financial statement helps the management to keep the equity above the debt.

3.13 Ratio analysis for conducting financial analysis

The financial analysis includes ratio analysis which is essential because we compare the financial information from the financial statement of an organization. This is used as a mathematical indicator, and after reaching the financial information, the analysts try to discover the reasons behind the organization's financial position. This mathematical indicator helps the organization take a look at their last performance, and this analysis helps them predict the future of their business. For example, the profit margin is the relationship between net income and net sales revenue here; we divide the former by the latter to calculate the net profit margin. The net profit margin helps the organization see whether it has made more profit than other periods or how the index is changing over different periods.

The analysis with this mathematical indicator is a helpful tool because it helps the company compare financial relationships with other companies. Usually, the financial information is incomparable due to the different sizes of companies, but this indicator is comparable. So the financial analysis gives them a way to compare annual accounts between other companies and different periods of the same company.

There are different aspects of a company's financial report, so different financial ratios exist to analyze. This ratio mainly compares the company's financial position performance and cash flows. These indicators have other uses depending on the various situations given.

Like for debtors, their main concern is about the company's solvency, liquidity, and profitability; the Supplier is mainly concerned about the company's liquidity. The shareholders are concerned about the profitability and solvency of the company. Financial ratios can be described as liquidity ratios, solvency ratios, profitability ratios, efficiency ratios, and the other categories include cash flow indices, coverage index, etc.

Liquidity Ratios

The liquidity of a business is significant. Many financial researchers around the globe have used ratio analysis to measure the liquidity of a specific business about performing its business activities. There are mainly three different ratios that determine the liquidity of any company like Paytm. They are known as cash ratio, current ratio, and quick ratio.

Cash ratio

The cash ratio indicates a company's liquidity; this ratio is calculated by dividing cash and short-term investments by current liabilities. This ratio is used for covering short-term debts. I have used formula-1 as mentioned in previous chapter-2.

Current ratio

The current ratio is the ability to pay in one year or short-term liabilities. This liquidity ratio tells investors how it can maximize its assets on the balance sheet to meet its current debt. I have used formula-2 as mentioned in previous chapter-2.

Quick ratio

Researchers have questioned the process of the current ratio to measure the liquidity of a company. This quick ratio is because the organizational inventories property plant and other existing assets cannot be readily liquidated. So they developed this different process known as the quick test ratio; this process includes only the relative acids that can be liquidated. These are marketable securities, accounts receivable, and cash.

I have used formula-3 as mentioned in previous chapter-2.

Activity ratios

To determine the actual efficiency of the operations in a business, the ratio analysis's efficiency ratios help the company see how the processes are performing. These capabilities can be determined through receivable yield, payable yield, total resource yield, and Catalogue yield. The receivable creation is the ratio to determine the efficiency of credit policies of the organization. The total resource yield measures the level of the transaction on credit. The formulas are mentioned in the previous chapters, and the procedure is also mentioned previously.

The payable yield is a different operations efficiency ratio that projects the recoverable purchases about the developed accounts payable. The expected formula was mentioned in the previous chapter-2. The account payable and account receivable of an organization like Paytm are sources of finance generating for their operational activities. This is because time plays an essential role in receivable and payable yield.

The payable and receivable ratios typically maintain the enormous inventory balance because they determine what to receive from the customer and what the supplier for the business can be paid with. Big organizations' large inventory plays an essential role in describing their business efficiency in different operations. The inventory turnover ratio helps the business determine the flow of inventory as the cost of their business. The formula is mentioned in the previous chapter-2.

The total resource yield calculates the company's sales to its assets base. This ratio calculates the ability of the organization to produce effective sales. This is generally used by third parties to measure the company's operations. Through this entire resource yield, the company can quickly calculate and answer the number of sales the businesses did compare to the assets used in the process. The formula is mentioned in the previous chapter-2.

Profitability Ratio

The profitability ratio is another important measure for businesses to analyze their business performance. This gives them a clearer idea about the revenue generated through their operations. The 1st profitability ratio is calculated to analyze the earning capacity or the gross profit margin. The gross profit margin can be described as the balance between gross profit earned and sales. The formula for this is given in formula no (4) in the previous chapter.

The formula helps the business in calculating the percentage of actual gross profit. This can help them in the future by pointing out the amount of gross profit earned from their subjected sales. The next level of profitability ratio can be described as the operational ratio. This explains the relationship between the actual expense of operations and the profit level. If the gross and operating margin of profit is lower than market standards, the organization has to improve its profit margin. The formula for operating margin ratio is given below:

Formula 12:

$$\text{operating margin ratio} = \frac{\text{operating Income}}{\text{Sales}} \tag{12}$$

This creates the base for net profit margin. Net profit is obtained after subtracting the complete expenses of the business from operating income, and net sales are after you remove sales deduction from gross sales. I have used the formula-4 from chapter-2.

This net profit value helps the organization determine its net income, which will help the organization successfully perform its future activities. Profitability ratios also include profits from investment prophets on assets and profits from equity. The profits from purchases are also known as return on assets; this is calculated by comparing the earnings before income tax with the essential acids previously generated. I have used the formula-5 from chapter-2.

The return on equity and other profitability ratios describe the meaning of capital owned by the company that generates the income. This can be calculated by comparing the net income with the level of equity generated by the shareholders and other investors; I have used the formula-6 from chapter-2.

The return of investment is calculated by the level of investment made by the shareholders to improve. I have used the formula-7 from chapter-2.

Long-term debt and capital ratios

The analysts and management team of big companies like PayTm keep their accounts for long-term debt and different capital ratios. The financial activities concerned with debt and capital are calculated by the balance between total debt and total equity.

This debt to equity ratio helps the managers to design their capital structure. This allows the design in such a style to support the activities performed to secure the debt.

I have used the formula-8 from chapter-2.

The interest coverage ratio is calculated by dividing a company's earnings before interest and tax through interest expenses. This determines how the company pays its interest expenses on debt. I have used the formula-11 from chapter-2

Earning per shre(EPS)

This is a critical analysis for an organization because it measures the actual profit of the organization. It helps the investors to decide between the buying of shares. When the EPS is higher, investors' incentive to invest in the company is more elevated.

Dividend yield

Dividend yield of a stock use for calculation the return on investment taking into account total dividend of the year. This results in dividend per share.

Book value

This reprents the calculation of the company's physical assets and removing intangible assets.which are liabilities i.e. payable account,debt and stock.

Formula 13:

$$\text{Book value} = \frac{\text{Equity}}{\text{no.of ordinary shares}} \tag{13}$$

3.14 Paytm Company Overview

India is a country of hundreds of millions of young and aspiring consumers with financial services products that cater to their needs. Millions of small businesses in India are benefiting from greater access to affordable software, technology, and financial services.

If there is one gap where India shocks the world in its adaptation to new technologies, the digital payment system. And the pioneer in this space is none other than Paytm. From college students to small retailers to shop owners, everyone was saying the same thing about “Paytm Karo.”

Paytm is India's leading financial services company that offers full payments and financial solutions to consumers, offline merchants and online forums. The company is in the process of bringing half a billion Indians into the mainstream economy through payments, commerce, banking, investment, and financial services. One97 Communications Limited, which owns Paytm type, was founded by Vijay Shekhar Sharma and headquartered in Noida, Uttar Pradesh. Its investors include Softbank, Ant Financial, AGH Holdings, SAIF Partners, Berkshire Hathaway, Rowe Price, and Discovery Capital.

Vijay Shekhar Sharma, Founder and CEO of Paytm and One97 Communications Limited jointly owns Paytm Payments Bank, the largest digital bank in the country with over 58 million account holders. By working on its campaign to bring low-income and low-income Indians under the formal banking system, it has made banking accessible and accessible to people across the country through new technologies.

Subsidiary 'Paytm Money' won the award for being the largest investment platform in India during its first year, and is now one of the largest contributors to new investment programs (SIPs) in the Mutual Funds industry; has already obtained permits to introduce Stock Broking, Demat Services and National Pension System (NPS) services, and is striving to continue expanding financial services and wealth management opportunities for banking and marginalized Indians.

Paytm First Games, another group company (a joint venture between One97 Communications Ltd and AG Tech Holdings), has become India's option to play and stay at home for millions of users across the country. The forum caters to all types of gamers with a complete list of beginner games and professional game games.

Paytm Insurance is a wholly owned subsidiary of One97 Communications Ltd (OCL) and has obtained an IRDAI sales license. It provides insurance products to millions of Indian consumers in four categories including two wheels, four wheels, health and fitness. The company aims to simplify insurance and create a seamless, easy-to-understand online journey for its customers.

Paytm was launched in August 2010 by Vijay Shekhar Sharma for $ 2 million. Initially, it served as a platform for re-charging especially for pre-paid cell phones and DTH services. He later added a data card, prepaid cell phone, and mobile phone payments for 2013.

In October 2013, Sapphire Ventures invested ten million dollars. Since 2014, Paytm has begun to grow its portfolio. In January 2014, Paytm Wallet was launched. Uber and Indian Railways were the first to add Paytm Wallet as a payment method. In 2015, it provided payment services ranging from re-payment of metro, electricity, gas to water bills and had an average user base of 10.4 crores. It has also entered the tourism business and made it easy to book 20lakhs tickets a month.

In terms of business, Paytm controlled more than 14 percent of the market through 53.8 crore jobs worth Rs 60,094 crore as of September'21. Total Paytm Payments to Merchants (GMV) for transactions amounted to more than Rs. 4 lakh crores in 2021.

In March 2015, Paytm received an investment in the Alibaba group, where it took 40% of the stock as part of a strategic agreement. Shortly afterwards, he received support from the TATA party MD, Ratan Tata. In August 2016, it increased funding to Mountain Capital. This year, Paytm has launched events, movies, entertainment tickets, flight bookings, and Paytm QR.

In May 2017, Softbank invested in Paytm, bringing corporate values to $ 8 billion. Berkshire Hathaway has invested $ 356 million to earn 3% - 4% of the share in Paytm in August 2018. In 2017, Paytm was India's first payment app to skip downloading 10 million apps.

Paytm is India's leading digital ecosystem for buyers and sellers. Paytm has built India's largest payment platform based on customer numbers, vendor numbers, number of transactions, and revenue from March 31, 2021, according to RedSeer.

Paytm provides payment services, commercial and cloud services, and financial services to 337 million registered buyers and more than 21.8 million registered merchants as at 30 June 2021. The two-sided Paytm ecosystem (buyer and seller) trades. Provides access to financial services through financial institution partners through technology to improve the lives of its clients and help retailers grow their businesses. Buyer-seller interactions are central to Paytm's business model and economic unit.

Consumer Paytm:

Payments - These include Bill Payments, 2 Peer Transfers, Online Payments, and Store Payments. Paytm, like other charging service providers, charges commissions from various operators such as DTH service providers, mobile operators. They also encourage re-charges through refunds and various offers.

Commercial - This includes the Paytm Mall, as well as ticket services such as movies, flights, and trains. Paytm entered the movie / event ticket market, of which BookMyShow was the main player. It offers good competition, charging easy payments. It enters these areas, competing with niche players like MakeMyTrip or Yatra.

Financial Services - Paytm also offers financial services, such as a Credit Card, savings account, insurance, etc. Since many processes, such as account opening and document verification, can be done digitally, Paytm is gaining momentum in gaining new customers in this category.

Paytm for Business:

Consumer Payments - This helps various retailers to accept payments from consumers. It can be divided into two categories, online and offline. Online payments include payment gateway, links, UPI payments, subscription-based payments, payments.

Business Payments and Software - These include payments, nodal accounts, POS Billing software, Advertising, Business Khata. These services provide business convenience to merchants. Vendors no longer have to go through the technical details of these processes.

Financial Services - As part of the customer service, Paytm offers many similar services to business users. From salary accounts, benefits to pensions, mutual funds, and Paytm Gold, Paytm tries its best to cover every part of the money. Loans and insurance are also part of these services.

Developer Services - This includes API and PAI (Paytm AI) services. To put it bluntly, the API is the most common language spoken by the software. Suppose you are buying something on a website. There are two organizations here, the website and your bank (for which you pay). The API supports this exchange. PAI is a Paytm fraud management system.

Paytm divides revenue into two categories of revenue, (i) Payment and Financial Services and (ii) Commercial and Cloud Services.

Payment and Financial Services - Through its payment services, Paytm primarily generates revenue from:

1. The transaction fees charged by Paytm to its sellers are based on GMV percent.
2. Paytm convenience costs Paytm charges its customers for certain types of services.

3. Recurring registration costs from vendors for specific products and services, such as Paytm Soundbox and POS.

Percentage of Paytm fees varies with the type of payment tool used by consumers and the merchant category.

Through its financial services, Paytm generates revenue depending on the type of services offered, and, through its financial institution partners in its forums (i.e., borrowing, insurance, and asset management) and within each business, product type.

Paytm revenue depends on the product, the type of partnership, and the level of involvement involved in the distribution, product creation, and collections.

In its lending business through its financial institution partners, Paytm receives (i) purchases from its financial institution partners, which are usually obtained at the time of repayment of the loan based on the percentage of the loan amount, and (ii) the collection. money from partners of financial institutions based on the percentage of the loan amount, on the collection services provided by Paytm and linked to the amount collected.

With the distribution of credit cards, Paytm charges its financial institution partners in advance for each prepaid card and a percentage of the total amount spent annually on the card. Paytm also gains benefits from card networks to drive card withdrawals. With insurance products, Paytm receives a commission from our insurance partners based on the percentage of total premiums of insurance products sold through its platforms.

Through its equitable transaction services, Paytm acquires consumer payments, such as advance account opening fees, transaction fees depending on the type of transaction and volumes, and annual subscription fees. Revenue from payments and financial services, from 2021, comprises 75% of total revenue.

Paytm generates revenue by charging retailers to make and consumer luxury goods, often linked to a percentage of the cost of travel, entertainment, tickets, and other commercials.

Through software programs and cloud services, Paytm charges its merchants a subscription fee, and in some cases, a fee linked to the amount of work performed on Paytm platforms.

Paytm conducts marketing and product marketing campaigns for retailers and charges them depending on the scale and type of campaign for its advertising business. Revenue from commercial and cloud services, from 2021, makes up 25% of total revenue.

Paytm's major costs include payment processing costs, marketing and advertising costs, employee benefit costs, software, cloud and data center costs, depreciation costs and costs, financial costs, and other costs.

Experts have talked a lot about this topic for a while now, and it will do nothing for you or me if I repeat the same here. So let's look at this from a different perspective. For the uninitiated, Paytm unveiled its IPO in November 2021, raising Rs 18300 Crore by about Rs. Rates of 150,000 Crore. It was the largest IPO ever in India.

On November 18, 2021, the stocks began trading at Rs 1950 on the NSE. This was 9.3% below the IPO high price band and decreased by more than 27% by Rs 1560. It was the most significant decline on the day of listing in India's IPO history. One of the possible problems with this is its complex business model, which may have failed to attract potential investors.

Paytm's aspirations for being the best app and being available for all businesses come at a cost. Typically, retail investors like to invest in leaders or monopolies in their categories. Now, if you can do some simple exercises, take a few Paytm products and think about other players in that category. You will find one or two major / niche players in all categories, which is a problem. It makes Paytm a mindless business type.

The numbers speak louder than anything else in this data-aware world, and the Paytm bank accounts in it to prove its worthiness. The growth of Paytm's long-term revenue and the growth of GMV depend on its ability to retain and acquire new vendors on its platforms. Paytm has attracted merchants to its platforms by offering a comprehensive program of payment services and technical solutions to grow their businesses and Paytm share of their payments.

With more retailers being part of its ecosystem, Paytm has provided more usage cases to its customers, increasing the number of transactions in its area. As of March '21, Paytm has 21.1 million merchants on its platform.

If you haven't noticed, Paytm wants to be a "great app." It offers a wide range of services, from bill payment to movie tickets, from insurance to POS payment software, basically almost everything in the financial space, both from a consumer and business perspective. Generally, whenever an app or business does this, it indicates its need for user acquisition and storage (think Amazon or Flipkart).

Now, back to its original location, Paytm aims to do with all the information from its sales. In addition, everything that is done on Paytm says something about the user; If you have this big data (pun intended;), you can use this information for other purposes such as borrowing money or directing ads.

Currently, or the entire lending industry, the biggest problem is with NPAs. It is for this reason that the RBI is very much in control of the lending industry. But wouldn’t it be great if you already have a way to know if a customer will pay you or not! Let's take an example, each time a merchant makes a payment Paytm learns a little about them, and will gradually assess the suitability of this person.

It says the person needs to borrow money. Who better to do this than Paytm. But, as Payments Bank was launched in 2017 and has recently been compared to this space and under various RBI rules, it may be best suited to build relationships with banking companies.

Also, if you consider the "buy-now-pay- later" schemes from the amazon-pay popularity, The piece is hot on the market, Paytm could take a piece of this pie. After all, he is one of the leaders in the payment of UPI. Now, coming to the front of the ad, as Paytm is an excellent app, it will do very well in targeted-based ads. It can follow in the footsteps of Google and Meta likes.

4 Practical Part

By performing vertical and horizontal analyses of the company's financial statements and calculating ratios for economic analysis, the practical section of this thesis examines the financial position (represented by the Balance sheet) and financial performance (represented by the Statement of profit or loss) of a selected Indian company, Paytm.

4.1 General information

Paytm ("pay through mobile") is an Indian multinational technology company focused on digital payment, e-commerce, and financial systems, based in Noida. Paytm is currently available in 11 Indian languages and offers online usage charges such as mobile recharges, billing payments, travel, movies, event bookings, and in-store payments at grocery stores, fruit and vegetable stores, restaurants, parking, toll, pharmacies, and educational institutions with Paytm QR code. As of 2020, Paytm has a value of $ 16 billion.

According to the company, more than 20 million merchants across India are using their QR code payment system to accept payments directly into their bank accounts. The company also uses commercials and paid content to make money.

4.2 Balance sheet analysis

The vertical and horizontal study of the Balance sheet elements: assets, liabilities, and equity, identifying the relevant items (by vertical analysis), and the changes over time are all part of the financial position analysis (by horizontal analysis).

Vertical analysis of the Balance sheet items -

To measure the relevance of individual components, vertical analysis compares their financial accounts to the whole. When compared to past years, it serves in assessing proportionate balance and fluctuations in proportions. It shows whether a single item is growing or shrinking as a percentage of the whole, as well as how this affects it. However, lowering the rate of particular goods does not always imply a loss of money value in the aggregate; it might signal a more significant shift in the capacity of other products.

Table 3: Vertical analysis of Assets (Paytm)

Standalone Statement of Financial Position (in Cr.)										
Particulars	**2016-17**	**%**	**2017-18**	**%**	**2018-19**	**%**	**2019-2020**	**%**	**2020-2021**	**%**
ASSETS										
Non-current assets										
Property Plant and Equipment	128.59	3.31%	154.19	1.80%	268.72	3.09%	242.97	2.31%	275.02	2.90%
Right-of-use-assets	-	0.00%	-	0.00%	-	0.00%	252.84	2.41%	106.46	1.12%
Capital Work-in-Progress	71.51	1.84%	18.49	0.22%	50.58	0.58%	11.73	0.11%	20.18	0.21%
Intangible Assets	12.62	0.32%	11.91	0.14%	17.42	0.20%	11.82	0.11%	8.95	0.09%
Intangible Assets Under Development	0.38	0.01%	1.03	0.01%	0.22	0.00%	0.16	0.00%	2.52	0.03%
Investment in subsidiaries	42.09	1.08%	400.27	4.68%	693.44	7.99%	618.05	5.88%	943.9	9.96%
Investment in associates	260.21	6.69%	180.55	2.11%	174.1	2.01%	215.54	2.05%	196.2	2.07%
Financial assets										
Investments	64.05	1.65%	206.73	2.42%	100.19	1.15%	222.7	2.12%	11.99	0.13%
Security deposits	13.03	0.34%	32.16	0.38%	104.39	1.20%	155.23	1.48%	122.67	1.29%
Others	302.32	7.78%	243.64	2.85%	136.81	1.58%	1970.41	18.75%	209.76	2.21%
Income tax asset	114.54	2.95%	279	3.26%	458.64	5.28%	484.08	4.61%	285.45	3.01%
Prepayments	11.26	0.29%	16.09	0.19%	-	0.00%	-	0.00%	-	0.00%
Other non-current assets	0.76	0.02%	37.61	0.44%	141.04	1.62%	84	0.80%	278.45	2.94%
Total Non-current Assets	1021.36	26.27%	1581.67	18.49%	2145.55	24.71%	4269.53	40.64%	2461.63	25.97%
Current assets										
Financial assets										
Investments	290.17	7.46%	4399.97	51.42%	2472.65	28.48%	3155.51	30.03%	147.18	1.55%
Trade Receivables	92.17	2.37%	504.76	5.90%	242.21	2.79%	327.5	3.12%	372.27	3.93%
Cash and Cash Equivalents	534.5	13.75%	261.99	3.06%	235.22	2.71%	285.6	2.72%	294.76	3.11%
Bank Balances other than above	22.47	0.58%	24.93	0.29%	6.21	0.07%	83.76	0.80%	2277.79	24.03%
Security Deposits	0.7	0.02%	4.11	0.05%	303.63	3.50%	69.33	0.66%	177.97	1.88%
Others	1633.54	42.01%	1109.56	12.97%	1892.83	21.80%	1029.08	9.79%	2350.9	24.80%
Prepayments	16.94	0.44%	50.61	0.59%	-	0.00%	-	0.00%	-	0.00%
Other current assets	275.89	7.10%	618.67	7.23%	1384.83	15.95%	1286.71	12.25%	1396.57	14.73%
Total Current Assets	2866.92	73.73%	6974.6	81.51%	6537.58	75.29%	6237.49	59.36%	7017.94	74.03%
Total Asset	3888.28	100.00%	8556.27	100.00%	8683.13	100.00%	10507.02	100.00%	9479.57	100.00%

Source: Own processing based on the Standalone Statement of Financial Position of One97 Communication Limited FY 2017-2021.

Table 3 illustrates Paytm's Standalone Statement of Financial Position, which demonstrates how the percentage of items has changed over time. Buildings, processing facilities, machinery, and equipment are all examples of property, plant, and equipment that have changed. We can observe from the table that investments in subsidiaries use the greatest share of non-current assets. It handled 4.68 percent of total assets in 2018. In the year 2021, it grew significantly to 9.96 percent.

Apart from that, investments use the largest percentages of current assets as well as total assets. It accounted for 51.42 percent of total assets in 2018. However, it declined significantly in 2021, taking 1.55 percent.

Investments were the most enormous item on the company's balance sheet in 2017-18, with 4399.97 crores, and they were the least huge item in 2020-21, compared to previous years.

There has been no notable change in the proportion of Capital work in progress and Property Plant & Equipment during the last three years.

Table 4: Vertical analysis of Equity and Liabilities (Paytm)

Standalone Statement of Financial Position (in Cr.)										
EQUITY	**2016-17**	**%**	**2017-18**	**%**	**2018-19**	**%**	**2019-2020**	**%**	**2020-2021**	**%**
Equity Share Capital	46.99	1.21%	55.32	0.65%	57.53	0.66%	60.43	0.58%	60.48	0.64%
Instruments entirely equity in nature	-	0.00%	173.63	2.03%	-	0.00%	-	0.00%	-	0.00%
Other Equity	2328.64	59.89%	7346.6	85.86%	5978.5	68.85%	8351.02	79.48%	6929.03	73.09%
Total Equity	2375.63	61.10%	7575.55	88.54%	6036.03	69.51%	8411.45	80.06%	6984.51	73.68%
LIABILITIES										
Non-Current Liabilities										
Financial Liabilities	-	0.00%								
Borrowings	-	0.00%	-	-	26.96	0.31%	169.9	1.62%	26.06	0.27%
Contract Liabilities	-	0.00%	-	0.00%	-	0.00%	342.25	3.26%	411.91	4.35%
Provisions	12.91	0.33%	29.45	0.34%	8.65	0.10%	16.68	0.16%	20.5	0.22%
Total Non-Current Liabilities	12.91	0.33%	29.45	0.34%	35.61	0.41%	528.83	5.03%	458.47	4.84%
Current Liabilities										
Financial Liabilities		0.00%								
Borrowings	90.27	2.32%	241.65	2.82%	695.5	8.01%	201.09	1.91%	544.4	5.74%
Lease liabilities	-	0.00%	-	0.00%	-	0.00%	34.1	0.32%	17.89	0.19%
Trade Payables	221.62	5.70%	426.35	4.98%	673.28	7.75%	573.38	5.46%	613.72	6.47%
Others	1147.5	29.51%	227.84	2.66%	699.18	8.05%	199.15	1.90%	416.02	4.39%
Contract Liabilities	-	0.00%	-	0.00%	352.87	4.06%	317.06	3.02%	153.95	1.62%
Other Current Liabilities	38.03	0.98%	47.85	0.56%	153.03	1.76%	194.8	1.85%	253.9	2.68%
Provisions	2.32	0.06%	7.58	0.09%	37.63	0.43%	47.16	0.45%	36.71	0.39%
Total Current Liabilities	1499.74	38.57%	951.27	11.12%	2611.49	30.08%	1566.74	14.91%	2036.59	21.48%
Total Equity and Liabilities	3888.28	100.00%	8556.27	100.00%	8683.13	100.00%	10507.02	100.00%	9479.57	100.00%

Source: Own processing based on the Standalone Statement of Financial Position of One97 Communication Limited FY 2017-2021.

The vertical analysis makes comparing financial statements from different companies and industries more easier. A vertical examination of liabilities and equity is shown in Table 4.

Contract obligations make up the largest portion of overall non-current liabilities in the non-current liabilities category. Paytm incurred a significant amount of fines in 2019-20, totaling 342.25 crore, or 3.26 percent of its total liabilities and equity. In 2020-21, the contract obligations were increased to 411.91 crores. Borrowings total 169.9 crores in 2019-20 and 26.06 crores in 2020-21, excluding contract obligations.

As can be seen, trade payables account for the largest portion of overall current liabilities, accounting for 673.28 crore in 2018-19. In 2018-19, short-term debt accounts for 695.5 crores, or 8.01 percent of total liabilities and equity. It was 201.09 crore in 2019-20, accounting for 1.91 percent of total liabilities and equity.

Trend analysis is another term for horizontal study of Balance Sheet components. This approach displays and compares past data. This approach may be used as a base year, one of the specified years, or as a preceding year, allowing you to compare two years and examine how a certain item changes from year to year. This study may simply show how certain items have changed over time and how this has affected the company's growth, operations, and revenues.

Table 5: Horizontal analysis of Assets (Paytm)

Particulars	2016-17	2017-18	%	2018-19	%	2019-20	%	2020-21	%
ASSETS									
Non-current assets									
Property Plant and Equipment	128.59	154.19	19.91%	268.72	74.28%	242.97	-9.58%	275.02	13.19%
Right-of-use-assets	-	-	0.00%	-	0.00%	252.84	0.00%	106.46	-57.89%
Capital Work-in-Progress	71.51	18.49	-74.14%	50.58	173.55%	11.73	-76.81%	20.18	72.04%
Intangible Assets	12.62	11.91	-5.63%	17.42	46.26%	11.82	-32.15%	8.95	-24.28%
Intangible Assets Under Development	0.38	1.03	171.05%	0.22	-78.64%	0.16	-27.27%	2.52	1475.00%
Investment in subsidiaries	42.09	400.27	850.99%	693.44	73.24%	618.05	-10.87%	943.9	52.72%
Investment in associates	260.21	180.55	-30.61%	174.1	-3.57%	215.54	23.80%	196.2	-8.97%
Financial assets									
Investments	64.05	206.73	222.76%	100.19	-51.54%	222.7	122.28%	11.99	-94.62%
Security deposits	13.03	32.16	146.82%	104.39	224.60%	155.23	48.70%	122.67	-20.98%
Others	302.32	243.64	-19.41%	136.81	-43.85%	1970.41	1340.25%	209.76	-89.35%
Income tax asset	114.54	279	143.58%	458.64	64.39%	484.08	5.55%	285.45	-41.03%
Prepayments	11.26	16.09	42.90%	-	0.00%	-	0.00%	-	0.00%
Other non-current assets	0.76	37.61	4848.68%	141.04	275.01%	84	-40.44%	278.45	231.49%
Total Non-current Assets	1021.36	1581.67	54.86%	2145.55	35.65%	4269.53	98.99%	2461.63	-42.34%
Current assets									
Financial assets									
Investments	290.17	4399.97	1416.34%	2472.65	-43.80%	3155.51	27.62%	147.18	-95.34%
Trade Receivables	92.17	504.76	447.64%	242.21	-52.01%	327.5	35.21%	372.27	13.67%
Cash and Cash Equivalents	534.5	261.99	-50.98%	235.22	-10.22%	285.6	21.42%	294.76	3.21%
Bank Balances other than above	22.47	24.93	10.95%	6.21	-75.09%	83.76	1248.79%	2277.79	2619.42%
Security Deposits	0.7	4.11	487.14%	303.63	7287.59%	69.33	-77.17%	177.97	156.70%
Others	1633.54	1109.56	-32.08%	1892.83	70.59%	1029.08	-45.63%	2350.9	128.45%
Prepayments	16.94	50.61	198.76%	-	0.00%	-	0.00%	-	0.00%
Other current assets	275.89	618.67	124.25%	1384.83	123.84%	1286.71	-7.09%	1396.57	8.54%
Total Current Assets	2866.92	6974.6	143.28%	6537.58	-6.27%	6237.49	-4.59%	7017.94	12.51%
Total Asset	3888.28	8556.27	120.05%	8683.13	1.48%	10507.02	21.00%	9479.57	-9.78%

Source: Own processing based on the Standalone Statement of Financial Position of One97 Communication Limited FY 2017-2021.

Table 5 depicts a horizontal examination of assets such as property, plant, and equipment, as well as their proportions in the total percentage and the importance of this item to the organisation. The changes in one line for three years (2018–2021) are shown in the table above.

From 2018 to 2021, Paytm's investments increased by 122.28 percent in 2020; this suggests that Paytm made investments in 2020 but spent less money on growing their machines and facilities.

In 2021, the Property, Plant, and Equipment increased by 13.19 percent, suggesting that the corporation grew its machinery and facilities. Bank balances other than investments, trade receivables, cash, and cash equivalents climbed by 1248.79 percent in 2020, by 2619.42 percent in 2021, and by -75.09 percent in 2019, compared to the previous two years. Bank balances have decreased by -75.09 percent in 2020, indicating that Paytm had problems getting funds from its commercial activity the previous year.

Horizontal analysis of Equity and Liabilities:

Table 6: Horizontal analysis of Equity and Liabilities (Paytm)

Standalone Statement of Financial Position (in Cr.)									
EQUITY	**2016-17**	**2017-18**	**%**	**2018-19**	**%**	**2019-20**	**%**	**2020-21**	**%**
Equity Share Capital	46.99	55.32	17.73%	57.53	3.99%	60.43	5.04%	60.48	0.08%
Instruments entirely equity in nature	-	173.63	0.00%	-	0.00%	-	0.00%	-	0.00%
Other Equity	2328.64	7346.6	215.49%	5978.5	-18.62%	8351.02	39.68%	6929.03	-17.03%
Total Equity	2375.63	7575.55	218.89%	6036.03	-20.32%	8411.45	39.35%	6984.51	-16.96%
LIABILITIES									
Non-Current Liabilities									
Financial Liabilities									
Borrowings	-	0	0.00%	26.96	0.00%	169.9	530.19%	26.06	-84.66%
Contract Liabilities	-	-	0.00%	-	0.00%	342.25	0.00%	411.91	20.35%
Provisions	12.91	29.45	128.12%	8.65	-70.63%	16.68	92.83%	20.5	22.90%
Total Non-Current Liabilities	12.91	29.45	128.12%	35.61	20.92%	528.83	1385.06%	458.47	-13.30%
Current Liabilities									
Financial Liabilities									
Borrowings	90.27	241.65	167.70%	695.5	187.81%	201.09	-71.09%	544.4	170.72%
Lease liabilities	-	-	0.00%	-	0.00%	34.1	0.00%	17.89	-47.54%
Trade Payables	221.62	426.35	92.38%	673.28	57.92%	573.38	-14.84%	613.72	7.04%
Others	1147.5	227.84	-80.14%	699.18	206.87%	199.15	-71.52%	416.02	108.90%
Contract Liabilities	-	-	-	352.87	0.00%	317.06	-10.15%	153.95	-51.44%
Other Current Liabilities	38.03	47.85	25.82%	153.03	219.81%	194.8	27.30%	253.9	30.34%
Provisions	2.32	7.58	226.72%	37.63	396.44%	47.16	25.33%	36.71	-22.16%
Total Current Liabilities	1499.74	951.27	-36.57%	2611.49	174.53%	1566.74	-40.01%	2036.59	29.99%
Total Equity and Liabilities	3888.28	8556.27	120.05%	8683.13	1.48%	10507.02	21.00%	9479.57	-9.78%

Source: Own processing based on the Standalone Statement of Financial Position of One97 Communication Limited FY 2017-2021.

The horizontal analysis of liabilities and equity is shown in Table 6. The majority of overall non-current liabilities are provisioned in 2018, according to the items under non-current penalties. Paytm made a significant amount of conditions in 2017-18, totaling 29.45 crore, accounting for 128.12 percent of the total liabilities and equity.

As can be seen, short-term debt (borrowings) and provisions account for the largest percentages of total current liabilities; in 2017-18, short-term debt was 241.65 crore, or 167.70 percent; in 2018-19, it was 695.5 crore, or 187.81 percent; in 2019-20, it was 201.09 crore, or -71.09 percent; and in 2020-21, it was 544.4 crore, or 170.72 percent. While provisions were 7.58 crore in 2018, or 226.72 percent of total equity and liabilities, they increased to 396.44 percent in 2019, 25.33 percent in 2020, and -22.16 percent in 2021.

Analysis of financial performance -

Financial analysis is also known as financial statement analysis and interpretation (Pawan Kumar, Dr. V. K. Gupta, and Dr. Anil Kumar Goyal, 2013). The financial performance analysis combines a vertical and horizontal review of costs and revenues in the Statement of Profit and Loss in order to identify the most relevant items (by vertical analysis) and changes over time (by horizontal analysis).

Vertical analysis of the Income statement

Table 7: Vertical analysis of Revenues (Paytm)

Standalone Statement of Income (in Cr.)										
Particulars	**2016-17**	**%**	**2017-18**	**%**	**2018-19**	**%**	**2019-20**	**%**	**2020-2021**	**%**
Income										
Revenue From Operations	598.33	78.26%	2,987.41	92.36%	3,049.87	89.92%	3,115.10	95.48%	2,667.08	87.68%
Other Income	166.26	21.74%	247.16	7.64%	341.74	10.08%	147.41	4.52%	374.88	12.32%
Total Income	**764.59**	100.00%	**3,234.57**	100.00%	**3,391.61**	100.00%	**3,262.51**	100.00%	**3,041.96**	100.00%

Source: Own processing based on the Standalone Statement of Income of One97 Communication Limited FY 2017-2021.

Table 7 demonstrates that Paytm only has two things under income, which are revenue from operations and other income, as previously stated in the table. The most important portion of overall revenue comes from operations. During the four years of research, revenue from operations increased by almost 87 percent, including significant product sales. It is 95.48 percent in the year 2020, which is the highest in comparison to other years. Because other income accounts for such a small fraction of overall revenue, changes in it have little impact on total income.

Table 8 Vertical analysis of expenses in crores (Paytm)

Standalone Statement of Income (in Cr.)										
Particulars	**2016-17**	**%**	**2017-18**	**%**	**2018-19**	**%**	**2019-20**	**%**	**2020-2021**	**%**
Expenses:										
Payment processing charges	-	0.00%	-	0.00%	-	0.00%	2256.51	39.08%	1913.1	42.17%
Marketing and promotional expenses	-	0.00%	-	0.00%	-	0.00%	1365.57	23.65%	520.95	11.48%
Employee benefits expense	323.92	16.64%	540.06	11.45%	627.78	8.65%	825.12	14.29%	833.9	18.38%
Software, cloud, and data center expenses							332.11	5.75%	320.73	7.07%
Finance Costs	4.42	0.23%	27.74	0.59%	16.5	0.23%	45.56	0.79%	33.68	0.74%
Depreciation and amortization expense	39.05	2.01%	68.92	1.46%	75.81	1.04%	143.18	2.48%	156.78	3.46%
Other Expenses	1579.75	81.13%	4,081.78	86.51%	6,534.71	90.07%	805.41	13.95%	757.8	16.70%
Total Expenses	1947.14	100.00%	4,718.50	100.00%	7,254.80	100.00%	5,773.46	100.00%	4,536.94	100.00%

Source: Own processing based on the Standalone Statement of Income of One97 Communication Limited FY 2017-2021.

Table 8 indicates that other expenditures accounted for the largest proportion of overall costs in the year 2018. Employee benefits expenditures, which include wages, bonuses, incentives, contributions to provident and other funds, share-based payment expenses, leave encashment expense, gratuity charges, and staff welfare expenses, has climbed to 18.38 percent in 2020-21 compared to the previous four years.

Aside from that, according to the research, the financing cost has been stable over the last two years, with no major variations in the percentage of the finance cost. Other expenses include connectivity & content fees, legal & professional fees, subcontract expenses, contest, ticketing & fast tags expense, logistic, deployment & collection cost, provisions for advances, loss allowance for financial assets, trade receivables/ advance written off, repair and maintenance, Insurance, rates

& taxes, travelling & conveyance, bank charges, communication costs, payment to auditors, rent, goods & services tax expense off, property, plant & equipment, and others. As can be seen, there is a minor rise in other expenses, which is 6 percent in 2018, 90.07 percent in 2019, 13.95 percent in 2020, and 16.70 percent in 2021.

Similarly, in the last three years, there have been no substantial changes in depreciation and amortisation expenditure. Furthermore, the straight-line technique is used to determine the company's amortisation on Property, Plant, and Machinery.

Horizontal analysis of Income statement (Paytm):

Table 9 Horizontal analysis of Standalone Statement of Income (Paytm)

Standalone Statement of Income (in Cr.)									
Particulars	**2016-17**	**2017-18**	**%**	**2018-19**	**%**	**2019-20**	**%**	**2020-21**	**%**
Income									
Revenue From Operations	598.33	2,987.41	399.29%	3,049.87	2.09%	3,115.10	2.14%	2,667.08	-14.38%
Other Income	166.26	247.16	48.66%	341.74	38.27%	147.41	-56.86%	374.88	154.31%
Total Income	764.59	**3,234.57**	323.05%	**3,391.61**	4.86%	**3,262.51**	-3.81%	**3,041.96**	-6.76%
Expenses:									
Payment processing charges	-	-	0.00%	-	0.00%	2256.51	0.00%	1913.1	-15.22%
Marketing and promotional expenses	-	-	0.00%	-	0.00%	1365.57	0.00%	520.95	-61.85%
Employee benefits expense	323.92	540.06	66.73%	627.78	16.24%	825.12	31.43%	833.9	1.06%
Software, cloud, and data center expenses	-	-	0.00%	-	0.00%	332.11	0.00%	320.73	-3.43%
Finance Costs	4.42	27.74	527.60%	16.5	-40.52%	45.56	176.12%	33.68	-26.08%
Depreciation and amortization expense	39.05	68.92	76.49%	75.81	10.00%	143.18	88.87%	156.78	9.50%
Other Expenses	1579.75	4,081.78	158.38%	6,534.71	60.09%	805.41	-87.67%	757.8	-5.91%
Total Expenses	1947.14	4,718.50	142.33%	7,254.80	53.75%	5,773.46	-20.42%	4,536.94	-21.42%
Loss before exceptional items and tax from continuing operations	-1182.55	-1,483.93	25.49%	-3,863.19	160.34%	-2,510.95	-35.00%	-1,494.98	-40.46%
Exceptional Items	591.32	-2.3	-100.39%	-91.02	3857.39%	-322.18	253.97%	-65	-79.82%
Loss before tax from continuing operations	-591.23	-1486.23	151.38%	-3,954.21	166.06%	-2,833.13	-28.35%	-1,559.98	-44.94%
Profit before Exceptional Items and Tax									
Exceptional Items									
Profit before Tax									
Tax Expense:									
Current Tax	-	-	0.00%	0.12	0.00%	0.05	-58.33%	0.22	340.00%
Deferred Tax	3.65	-1.01	-127.67%	-	-100.00%	-	0.00%	-	0.00%
Loss for the year from continuing operations	-594.88	-1485.22	149.67%	-3,954.33	166.25%	-	0.00%	-	0.00%
Loss for the year from discontinuing operations	-284.75	-5.25	-98.16%	-5.31	1.14%	-	0.00%	-	0.00%
Loss for the year	-879.63	-1490.47	69.44%	-3959.64	165.66%	-2,833.18	-28.45%	-1560.2	-44.93%

Source: Own processing based on the Standalone Statement of Income of One97 Communication Limited FY 2017-2021.

Horizontal analysis (also known as trend analysis) is a method for analysing financial statements that illustrates variations in the quantities of relevant financial statement components over time. It's a useful tool for assessing trend situations.

In the preceding study, 2017 is the base year and 2018 is the comparative year. All balance sheet and income statement items for the year 2018 were compared to the balance sheet and income statement for the previous year. Similarly, the subsequent years have been treated in the same way.

Table 9 shows how profit evolved from 2018 to 2021, as well as the factors that drove it. The study of a few totals from the income statement is required to determine the profit rise or decline. In terms of overall revenues, Table demonstrates that payments have increased over the last two years; for example, payments increased by 399.29 percent in 2018, 2.09 percent in 2019, 2.14 percent in 2020, and -14.38 percent in 2021.

We evaluated Paytm's profit and loss statement in the table above, and we also discovered the cause for the profit decline year over year.

4.3 Ratio analysis

The ratio analysis will be the emphasis of the next part, which will calculate the most important ratios relevant to the selected organisation. Ratio analysis is a thorough look of the numerous parts of a financial statement that includes several corporate sectors. The company's liquidity ratios, leverage ratios, and profitability ratios were estimated for the years 2017 through 2021.

Liquidity ratios indicate how much liquidity the company has to meet its short-term obligations.

Cash Ratio - The formula for calculating cash ratio is mentioned below:

$$Cash\ Ratio = \frac{\text{Investments} + Cash\ \&\ Cash\ equivalents}{Total\ Current\ Liabilities}$$

Current Ratio - The formula for calculating cash ratio is mentioned below:

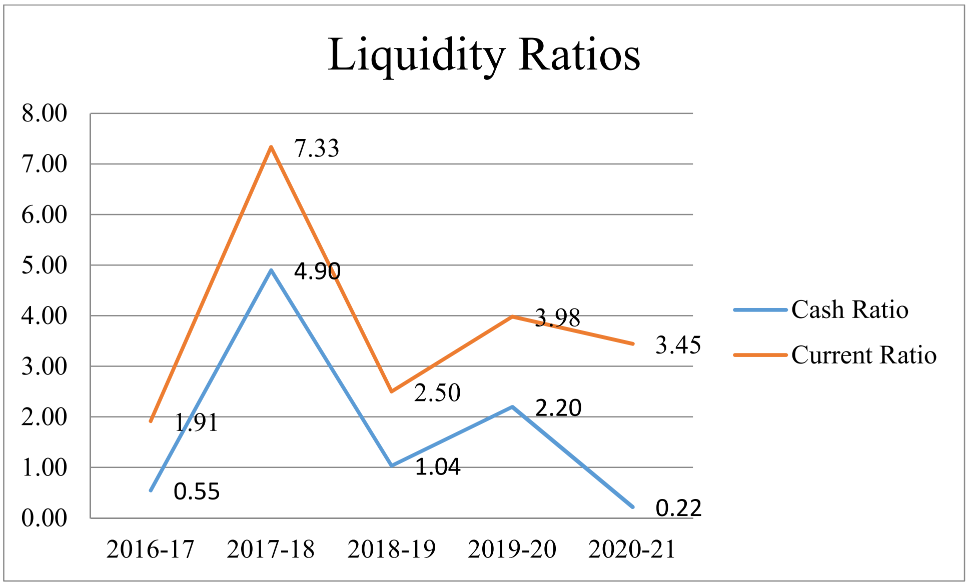
$$Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities}$$

Table 10 Liquidity Ratios in crores

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Cash Ratio	0.55	4.90	1.04	2.20	0.22
Current Ratio	1.91	7.33	2.50	3.98	3.45

Source: Author’s work from annual report 2021

Figure 2: Liquidity Ratios



Source: Author's work from annual report 2021

The liquidity ratio measures a company's ability to pay short-term obligations. Since a result, it is necessary to balance it with a company's profitability, as excess liquidity has a negative relationship with profitability, which might result in lower profitability. In the instance of the Cash ratio, a value greater than one indicates that a corporation will be able to pay down its existing obligations with cash and cash equivalents while still having money available.

As seen in the table above, the company's cash ratio has increased over the last three years, indicating that it has adequate finances to pay down its debt. Creditors appreciate a high cash ratio because it indicates that a firm can pay its debts swiftly. In 2017, Paytm's cash ratio was 0.55; in 2018, it was 4.90; in 2019, it was 1.04; in 2020, it was 2.20; and in 2021, it was 0.22. As a result, the corporation must have appropriate cash and cash equivalents on hand.

In addition, if the current ratio is greater than one, the company's current assets are adequate to satisfy its current commitments. A high current ratio is usually seen as advantageous to the company. Creditors are more willing to provide credit to individuals who can show they have the financial resources to repay their loans.

As a result of the examination, the business's current ratio has been determined to be above 1 in the last five years, indicating that the company has adequate liquid assets to meet its short-term obligations. The company's current ratio is more than one every year, indicating that it has the resources to pay its obligations.

In 2017, it was 1.91; in 2018, it rose to 7.33; in 2019, it was 2.50; in 2020, it was 3.98; and in 2021, it fell to 3.45 in comparison to the prior year.

Profitability Ratio - The profitability ratios help to understand the company's profitability capacity, which is one of the objectives of this thesis.

Net Profit - The formula for calculating the net profit ratio is mentioned below:

$$Net\ Profit = \frac{Net\ Profit}{Total\ Revenue}$$

Return on Assets (%) - The formula for calculating return on assets is mentioned below:

$$Return\ on\ Assets\ (\%) = \frac{Net\ Income}{Total\ Assets}$$

Return on Equity (%) - The formula for calculating return on equity is mentioned below:

$$Return\ on\ Equity\ (\%) = \frac{Net\ Income}{Total\ Equity}$$

Return on Equity (%) - The formula for calculating return on equity is mentioned below:

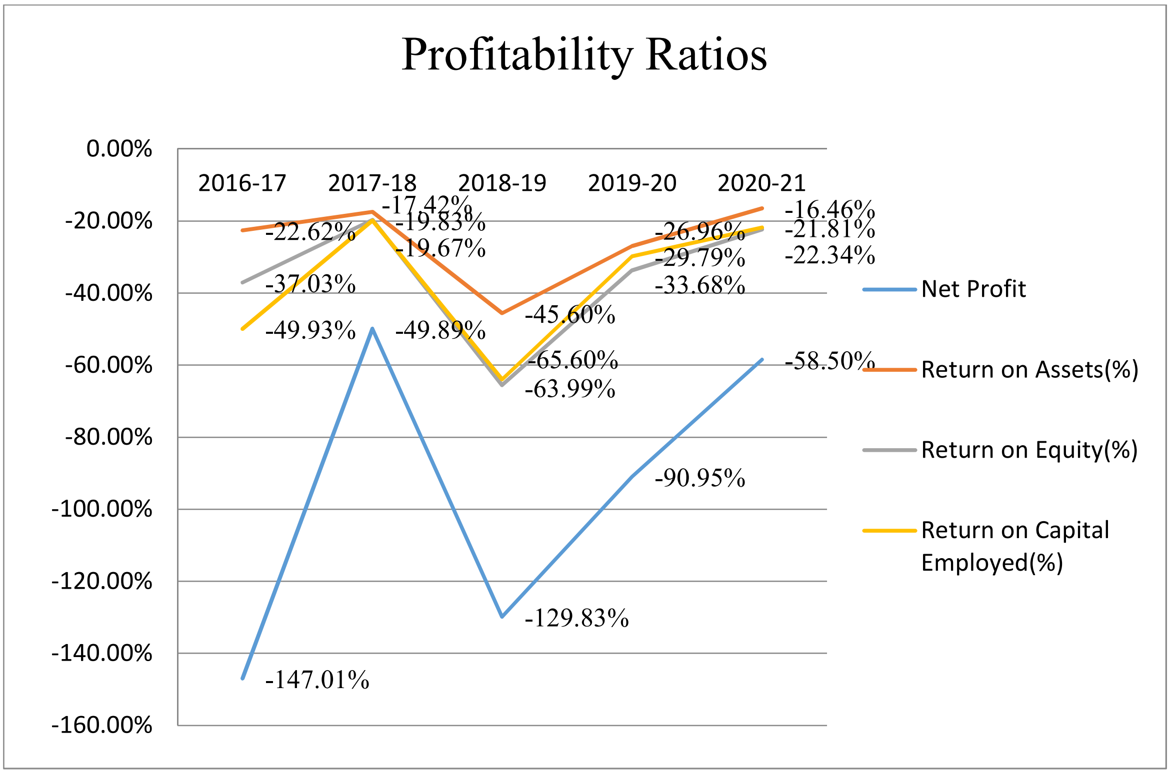
$$Return\ on\ Capital\ Employed\ (\%) = \frac{EBIT}{Long - term\ Liabilities - Equity}$$

Table 11 Profitability Ratios in crores

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Net Profit	-147.01%	-49.89%	-129.83%	-90.95%	-58.50%
Return on Assets (%)	-22.62%	-17.42%	-45.60%	-26.96%	-16.46%
Return on Equity (%)	-37.03%	-19.67%	-65.60%	-33.68%	-22.34%
Return on Capital Employed (%)	-49.93%	-19.83%	-63.99%	-29.79%	-21.81%

Source: Author's work from annual report 2021

Figure 3: Profitability Ratios



Source: Author's work from annual report 2021

A profitability ratio is a metric that measures a company's capacity to create profit in relation to its sales. Net profit, Return on Assets, Return on Equity, and Return on Capital Employed are examples of profitability ratios.

Profitability is measured by net profit. It's expressed as a proportion of gross income. Because the firm has recorded a loss for the last five years, the net profit ratio has been negative. The net profit ratio in 2017 was 147.01 percent, -49.89 percent in 2018, -129.83 percent in 2019, -129.83 percent in 2020, -90.95 percent in 2021, and -58.50 percent in 2022. This shows that the company's net profit ratio has to be improved.

A rising Return on Assets implies that the organisation is doing a great job of growing earnings with each dollar of investment. A declining ROA indicates that the corporation may have over-invested in assets that have failed to generate revenue growth, indicating that the company is in peril. The ROA shows that the company's returns on investments are declining year after year, indicating that it is underperforming. This shows that the corporation may not have put in enough money. Paytm's return on assets has been consistently negative over the last five years, from 2018 to 2021. Paytm's ROA in 2017 was -147.01 percent, but it is expected to increase to -58.50 percent in 2021.

A growing Return on Equity indicates that a company's profit creation is increasing without the need for further cash. It's also a measure of productivity. As seen in Table 9, the return on equity is decreasing year after year. It indicates that the firm is getting less efficient and that shareholder value is growing. In 2017, the company's return on equity was -37.03 percent, while it will be -22.34 percent in 2021.

Return on Capital Employed (ROCE) is a useful metric for assessing a company's performance. It reflects whether or not a corporation is successful in creating profits from its capital. The firm is not doing well in terms of return on capital employed, with a negative return on capital employed over the previous five years. In 2017, Paytm's return on capital employed was -49.93 percent, -19.83 percent in 2018, -63.99 percent in 2019, -29.79 percent in 2020, and -21.81 percent in 2021.

Leverage ratios - Leverage ratios help analyze the debt ratios and other ratios related to the company's paying capabilities.

Debt to Equity - The formula for calculating debt to equity ratio is mentioned below:

$$Debt\ to\ Equity = \frac{Total\ Debt}{Total\ Equity}$$

Debt to Assets - The formula for calculating debt to assets ratio is mentioned below:

$$Debt\ to\ Assets = \frac{Total\ Debt}{Total\ Assets}$$

Debt to Capital - The formula for calculating debt to capital ratio is mentioned below:

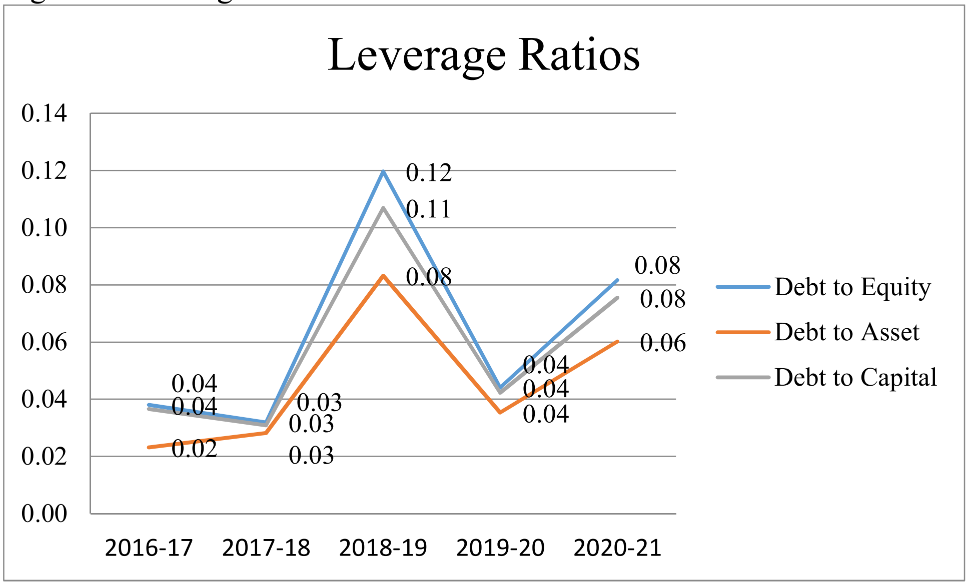
$$Debt\ to\ Capital = \frac{Total\ Debt}{Total\ Debt + Shareholder'sEquity}$$

Table 12 Leverage Ratios in crores

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Debt to Equity	0.04	0.03	0.12	0.04	0.08
Debt to Asset	0.02	0.03	0.08	0.04	0.06
Debt to Capital	0.04	0.03	0.11	0.04	0.08

Source: Author's work from annual report 2021

Figure 4: Leverage Ratios



Source: Author's work from annual report 2021

The debt-to-equity ratio is a metric for determining a firm's financial leverage. A debt-to-equity ratio of 0.5 means that for every $1.00 in equity, you may have $0.50 in debt. A debt-to-equity ratio greater than 1.0 shows that there is more debt than equity. A debt-to-equity ratio of 1.5, for example, indicates you have $1.50 in debt for every $1.00 in equity. For the years 2017, 2018, 2019, 2020, and 2021, Paytm's debt to equity ratio was 0.04, 0.03, 0.12, 0.04, and 0.08, respectively. This signifies that the firm has a lower debt-to-equity ratio.

A debt-to-asset ratio of one indicates that the company's obligations are equal to its assets. It indicates that the firm is heavily indebted. If the proportion is more than one, the firm has more liabilities than assets. According to table 10, Paytm's debt to asset ratio has been less than one over the last five years. This, in turn, implies that the firm's assets outnumber its liabilities.

In 2017, Paytm's debt to capital ratio was 0.04; in 2018, it was 0.03; in 2019, it was 0.11; in 2020, it was 0.04; and in 2021, it was 0.08. Paytm has enough capital to meet its obligations, with a debt-to-capital ratio of less than one during the last five years.

Coverage ratios - Coverage ratios are used to determine how well a company's revenue can meet interest and lease payments. Interest and lease payments are both included in a company's debt.

Debt to Capital - The formula for calculating debt to capital ratio is mentioned below:

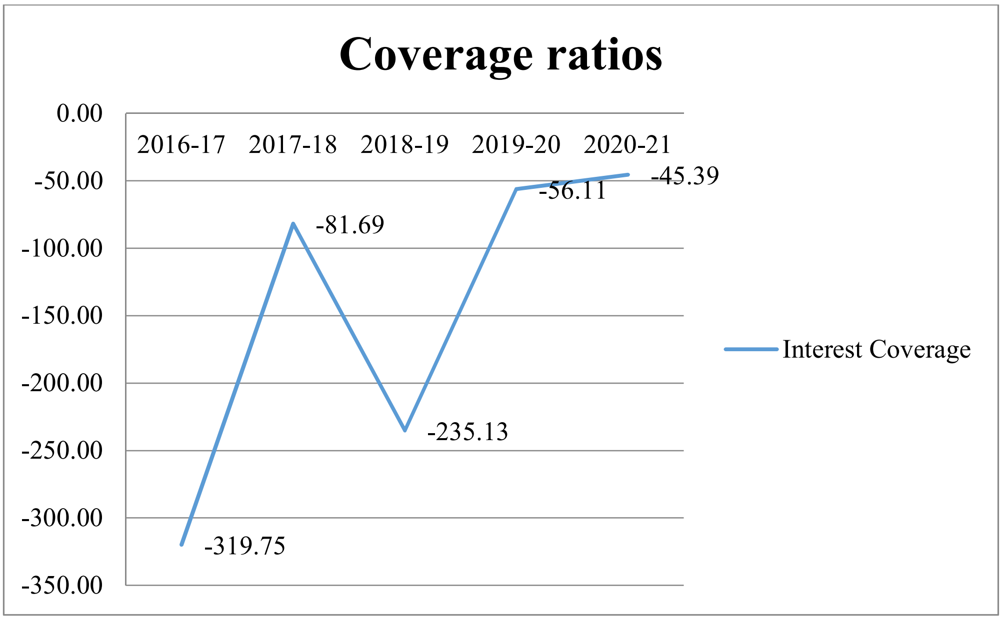
$$Interest\ coverage = \frac{EBIT}{Total\ Interest\ Payments}$$

Table 13 Coverage Ratios in crores

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Interest Coverage	-319.75	-81.69	-235.13	-56.11	-45.39

Source: Author’s work from annual report 2021

Figure 5: Coverage Ratios



Source: Author’s work from annual report 2021

The interest coverage ratio measures a company's capacity to pay its interest obligation with pre-tax profits. The greater the ratio, the more secure the company's lease payment solvency. Paytm's interest coverage ratio has been negative for the previous five years, indicating that the firm is unable to satisfy its interest debt. Paytm's interest coverage ratio was -319.75 in 2017, however it fell to -81.69 in 2018. However, it was raised to -235.13 in 2019 before being decreased to -56.11 in 2020. In 2021, the interest coverage ratio was -45.39.

5 Results and Discussion

The thesis' practical component is utilised to assess the financial status and performance of the organisation. The income statement is used to examine the company's financial performance, while the balance sheet is used to assess the company's financial position. Profit is influenced by both internal (company revenues and expenses) and external (market circumstances) elements (law regulations or exchange rate changes in the national currency).

5.1 Assessment of the financial position of Paytm

Paytm's financial status is determined by analysing the balance sheet both vertically and horizontally. The most significant assets of a company, according to the vertical analysis, are current assets, which account for 50% of total assets, followed by trade receivables, which account for around 6% of total assets. Furthermore, current assets are Paytm's most valued assets, accounting for 81 percent of total assets in 2018 and 74 percent in 2021. (See Table 1 for further information.) Aside from that, short-term loans, which account for 2.82 percent of total equity and liabilities, and trade payables, which account for 4.98 percent of total equity and liabilities, are the most important sources of financing under the category of liabilities.

Furthermore, other equity accounts for a major chunk of Paytm's overall equity and liabilities, accounting for 85 percent. According to Paytm's horizontal analysis, the most significant changes in assets were seen in current holdings such as investments, trade receivables, and security deposits (see Table 3). The entire assets are made up of 143.28 percent existing assets. Investments make up 1416.34 percent of total assets, with trade receivables accounting for 447.64 percent and security deposits accounting for 487.14%.

On the other hand, the vertical analysis indicated that these quantities are insignificant in proportion to the total assets. The most significant component of liabilities is long-term debt, which is increasing in 2020 but decreasing in 2021. Aside from long–term debt, provisions are growing in 2018 to 128.12 percent. The most essential changes are conditions, short-term borrowings, and trade payments within current commitments. Over the previous four years, short-term loans have gradually increased, and provisions have also increased from 2018 to 2020. In terms of equity changes over the previous three years (see Table 4), there have been no significant changes in share capital. Another equity (the most effective equity component) fell last year.

The horizontal analysis of Paytm reveals that the company is performing well, with a strong asset base and a low liability share. The horizontal analysis indicated significant changes in various items during the years investigated. The total assets, total liabilities, and total equity statistics, however, did not need these components. The only significant quantities that have changed are long-term debt, short-term debt, and provisions. Both long-term and short-term debt climbed progressively during the years analysed. When interest rates rise, complications may occur due to the corporation's huge number of long- and short-term liabilities. Some loan interest rates may be linked to worldwide and Indian base rates that fluctuate.

5.2 Assessment of the financial performance of Paytm

The profit and loss statement was evaluated vertically and horizontally to assess the firm's financial performance. In the vertical examination, the most necessary costs were identified to be employee perks and other overall expenditures charges. Connectivity and content fees, legal and professional fees, subcontract expenses, repair and maintenance, Insurance, rates and taxes, travel and conveyance, bank charges, communication costs, rent, Corporate Social Responsibility (CSR) expenditure, Exchange differences, and Miscellaneous expenses are just a few examples. Other costs account for 86.51 percent of total costs. Employee benefits, on the other hand, make up 11.45% of total expenses.

The most evident changes, albeit not significant, were in finance charges, according to the horizontal study. Finance expenditures accounted for 527.60 percent of total expenses in 2018, but are predicted to fall to -26.08 percent in 2021. (See table 7 for details.) Other expenditures, such as employee benefits, have been significantly reduced. Revenue from activities under the income category has risen during the previous five years, in addition to costs. Developments in the fair value of financial instruments and gains in foreign currency are the most significant changes (losses). Even yet, the amounts are insignificant, and the firm has no control over their fluctuation. Volatile exchange rates of the national currency, as reported in the company's annual report, may have an influence on the company's performance.

5.3 Factors influencing the profit

The company has lost money in every year of its existence. Internal and external variables might have an impact on profit. It's also crucial to evaluate the sector's features.

The most significant costs that impact profits are employee incentives and other expenditures. Although it is critical to avoid future losses and boost profits, depreciation has an influence on charges.

5.4 The main possible problem areas

Several possible difficulty spots might jeopardise the company's success.

- Long-term borrowing obligations – the risk is connected to both the likelihood of an increase in interest rates and the risk of credit default.

- Losses due to variations in the national currency's exchange rate – this risk is connected to fluctuations in the national currency's exchange rate.

- Country-specific – changes in national legislation, such as tax rules, licencing requirements, environmental and safety standards, the state's effect on gas price, and international sanctions, all affect the risk.

Assessment of financial ratios of Paytm

A company's capacity to pay short-term commitments is measured by its liquidity ratio. As a consequence, it's important to strike a balance with a company's profitability, since excess liquidity has a negative link with profitability, which might lead to reduced profits. The company's cash ratio has been greater than once in the previous three years, showing that it has adequate cash to service its debts. To increase performance, however, the company must have sufficient cash and cash equivalents on hand. For the last five years, Paytm's current ratio has been greater than one, showing that company has sufficient liquid assets to fulfil its short-term commitments (See table 8).

A profitability ratio is a statistic that compares a company's ability to make money to its sales. The net profit ratio is negative since the company has lost money over the previous five years. As a consequence, the net profit ratio of the firm must be enhanced. Over the previous five years, from 2018 to 2021, Paytm's return on assets has been persistently negative. The Return on Assets (ROA) of Paytm was -147.01 percent in 2017, but it is predicted to rise to -58.50 percent in 2021. Paytm is expected to invest its cash wisely. Paytm is becoming less efficient as shareholder money rises. With a value of -37.03 percent in 2017 and -22.34 percent in 2021, the company's return on equity is decreasing. Return on capital employed for Paytm was -49.93 percent in 2017, -19.83 percent in 2018, -63.99 percent in 2019, -29.79 percent in 2020, and -21.81 percent in 2021. The company isn't making profits from its capital or isn't doing effectively in terms of generating earnings from its capital (See table 9).

Paytm has maintained a low debt-to-equity ratio during the previous five years, with a debt-to-equity ratio of less than one. This indicates that the company's debt-to-equity ratio is lower. Paytm's debt-to-asset ratio has been less than one for the last five years. Over the previous five years, Paytm's debt to asset ratio has been smaller than one, showing that the company has more assets than liabilities. The debt-to-capital ratio of Paytm in 2017 was 0.04; in 2018, it was 0.03; in

2019, it was 0.11; in 2020, it was 0.04; and in 2021, it was 0.08. With a debt-to-capital ratio of less than one in the previous five years, Paytm has adequate capital to satisfy its commitments (see table 10). For the last five years, Paytm's interest coverage ratio has been negative, showing that the company is unable to pay its interest obligations.

Recommendations

According to the results of the inquiry, the company's liquidity ratio is over the permitted limit. As a result, the corporation must make better use of its financial resources in order to boost revenue.

Other expenditures, such as staff benefits, should be reduced to avoid losses and maximise revenues.

To avoid interest rate risk, the corporation should lower its long-term and short-term obligations.

6 Conclusion

The purpose of this thesis was to evaluate Paytm's financial position and performance by examining the company's financial statements with a focus on the representation and changes of reported assets, liabilities, expenses, and revenues over time, as well as to identify potential financial problems and the most significant profit-influencing factors.

The balance sheet may be used to identify the firm's financial status, and the income statement can be used to determine its financial performance. A balance sheet depicts a company's assets, equity, and obligations at a given moment in time. The income statement (profit or loss) is a financial statement that illustrates a company's expenses, sales, and profit over a certain time period.

The thesis is on Paytm, a well-known digital payment company. The thesis' practical component and results were based on the company's published annual reports. This study looked at the accounting periods of 2018 through 2021. According to the study, non-current assets, such as investments and trade receivables, are the most crucial assets in the company's financial position. The most major liabilities are long-term debts, short-term obligations, and provisions. Long-term commitments were becoming more rare.

According to the vertical analysis, the company's most valued assets are current assets, which account for 50% of total assets. Other equity makes almost 85 percent of Paytm's total equity and liabilities, making it a substantial financing source. The horizontal analysis of Paytm reveals that the company is performing well, with a strong asset base and a low liability share. The horizontal analysis indicated significant changes in various items during the years investigated. The total assets, total liabilities, and total equity statistics, however, did not need these components. The only significant quantities that have changed are long-term debt, short-term debt, and provisions.

The rise of sales and expenses inside a company, as well as national and industry-specific regulations, all impact a company's profit. According to liquidity indicators, the company has adequate cash to pay off its debt. To increase performance, however, the company must have sufficient cash and cash equivalents on hand. The net profit ratio is unfavourable since the company has lost money over the previous five years. As a consequence, the net profit ratio of the firm must be enhanced. Paytm is expected to invest its cash wisely. Paytm is getting less efficient in terms of delivering shareholder value as its return on equity continues to drop. When it comes to earning a profit on its assets, the company isn't doing so well.

Internet payment institutions have grown significantly in recent years, as previously stated. The increase was ascribed to a high level of technological adoption, as seen by increased use of smartphones, tablets, and mobile phones, as well as increased internet access. Thanks to payment institutions like PayTM, this business has grown at a cumulative annual growth rate (CAGR) of 34% in India since 2018. State-owned organisations such as Delhi Jal Board, South Bihar Power Distribution, BSNL, and others have adopted digital payments in collaboration with PayTM in a fashion that is less corrupt in society in order to create a big profit.

The quantity of things is minimised since companies like PayTM have a clear seller's identity system. The government has the power to guarantee that all goods are taxed equally. It is hard for someone to evade taxes now that all internet usage data is available. Information industry. The sector's contribution to India's GDP also increased. According to NASSCOM, the sector generated revenue of US $ 147 billion in 2015, with export revenue of US $ 99 billion and domestic revenue of US $ 48 billion, a growth of more than 13%, owing to PayTM's position as India's largest payment provider and its substantial impact on the Indian economy.

Paytm has a low leverage ratio and a low debt-to-equity ratio. This indicates that the company's liabilities are greater than its assets. Over the previous five years, Paytm's debt to asset ratio has been smaller than one, showing that the company has more assets than liabilities. With a debt-to-capital ratio of less than one during the previous five years, Paytm has adequate capital to satisfy its commitments. For the last five years, Paytm's interest coverage ratio has been negative, showing that the company is unable to pay its interest obligations.

To increase sales, the company must make better use of its financial resources. To prevent losses and increase profits, the company should reduce other expenses, such as employee perks. The company should reduce its long-term and short-term debts to prevent interest rate risk.

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