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DIVING DEEP INTO FIN- TECHS: AN EXAMINATION OF ONE 97 COMMUNICATIONS LTD. (PAYTM) FINANCIAL PERFORMANCE

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ABSTRACT
India has seen rise in the number of the Fin -Techs as a part of Start Ups project coming up. Need to analysis the financial statements of such start ups becomes an important task as many stakeholders as being connected directly or indirectly with the company. In this study the financial statement analysis of ONE 97 COMMUNICATIONS Ltd. popularly well known as Paytm was done in the context of profitability and financial stability ratios using the data for the period of 2 years since its listing of the Stock Exchanges. Results showed that there are positive trends in the reduction of loss magnitudes and improvements in operational efficiency. It is crucial for the company to continue its efforts to enhance profitability, manage costs, and work towards achieving positive returns for both assets and equity. On side of financial stability the company has a healthy current and liquid ratio, indicating strong short-term liquidity but the position still needs to be continued for a long term to see a better and positive picture.

Keywords: Financial Performance, Profitability, Startups, Financial Structure

INTRODUCTION
Organization doing business in this world strive to provide excellent services and products with the main objective of obtaining benefit. Generally speaking, any association aims to obtain a discernible advantage for its investors. It is a known fact that finance is the life blood for proper working as well as for existence of the industry. Finance is required at all stages of business and plays a vital role in development of any company. The main source of generating finance for any company is its profit (Retained Earnings). Profit also acts as a barometer for judging the efficiency of any industrial unit. Profit is an important tool for attracting the investors for development of the company and also increases goodwill of the company in domestic and international market. In the process of Wealth maximization adequate generation of profits holds an important position.
Financial analysis refers to the process of studying and assessing a company's financial statements—a collection of data and figures organized according to recognized accounting principles. The aim is to understand the company's business model, the profitability (or loss) of its operations, and how it's spending, investing, and generally using its money—summarizing the company by the numbers, so to speak.

Company's Profile
One 97 Communications (Paytm) is India's leading digital ecosystem for consumers and merchants as it has built the largest payments platform in India based on the number of consumers, number of merchants, number of transactions and revenue. It offered payment services, commerce and cloud services, and financial services to registered consumers and registered merchants. Its two-sided (consumer and merchant) ecosystem enables commerce, and provides access to financial services through its financial institution partners, by leveraging technology to improve the lives of its consumers and help its merchants grow their businesses.

Business area of the company: The company is India's leading digital ecosystem for consumers as well as merchants. The company launched Paytm in 2009, as a 'mobile-first' digital payments platform to enable cashless payments for Indians, giving them the power to make payments from their mobile phones. Starting with bill payments and mobile top-ups as the first use cases, and Paytm Wallet as the first Paytm Payment Instrument, it has built the largest payments platform in India based on the number of consumers, number of merchants, number of transactions and revenue as of March 31, 2021. Paytm is available across the country with 'Paytm karo' (i.e. use Paytm) evolving into a verb for hundreds of millions of Indian consumers, shopkeepers, merchants and small businesses.

Major Awards or Events for the Company

2015

- 2015: Awarded the 'Disruptive Digital Innovator' award at Digitizing India Awards, 2015.

2018

- Awarded 'best online commercial' award at Drivers of Digital Awards and Summit, 2018.

2021

- Awarded 'Best FinTech Growth Story' award at 'India Digital Awards' conducted by Internet and Mobile Association of India.

LITERATURE REVIEW

Setiawan, C. A., & Rosa, T. (2023) in the research paper have examined the impact of Return on Investment (ROI) on the stock price and financial performance of the selected companies and have revealed that high ROI carries a good stock price and better financial performance while a low ROI carries a bad stock price and poor financial performance.

Musah, A., Padi, A., & Ahmed, I. A. (2022) conduced study measured through bank profitability using return on assets and return on equity via the correlation and panel regression analysis which showed a positive relationship between covid-19 pandemic and returned on equity. However, the positive relationship between covid-19 pandemic and return on equity is not statistically significant, implying that the covid-19 pandemic is not a significant predictor of the changes in return on equity among commercial banks in Ghana.

Alsamhi et. al. (2022), they have targeted companies that are listed on the Bombay Stock Exchange and operate in the construction, tourism, hospitality, food and consumer goods industries. Total revenue, net sales, net income and diluted profits per share are used to gauge financial performance. The tourism, hotel and consumer industries before and after the pandemic showed a considerable difference in Total Income, Net Sales, Net Profit, Earnings Per Share and Diluted Earnings Per Share. The construction and food industries' total income net sales are said to have differed significantly before and during the pandemic. This discrepancy is the result of the pandemic's negative effects on the net sales and overall revenue of both industries.

Yadav, S., & Jang, J. (2021), examined the impact on financial performance of HDFC Bank before and after the merger and to compare the pre and post-merger effect caused on its financial performance by CAMEL Analysis. Paired sample T-test has been also conducted to check the statistical significance difference between before and after merger CAMEL ratios and to measure the effect of merger on financial performance. The result showed that the financial performance of HDFC increased after the merger and positively impacted by the act of merger.

Suresh, R., Huq, S. M., & Arunachalam, L. (2020), this research study also involves in an analysis of financial statements of the company of various statements like Ratio analysis, common size statement, comparative statement and Trend analysis has been used to examine to the financial performance and also to make suggestions to improve the financial flow of the company. The study reveals that liquidity and profitability position of the company is adequate. Working capital Turnover ratio are inefficient and further it can improve if the company concentrates on utilizing in working capital efficiently. The financial statement of the company was analyzed and interpreted by the help of balance sheet and profit and loss statement. So, as to identify the financial strength and weakness of the company. Thus, the result indicates that the financial performance is increasing every year, but the company has to put more efforts to make it effective.

RESEARCH METHODOLOGY

Objectives of the Study

1) Comparing financial performance in terms of profitability over the years.
2) Comparing financial performance in terms of financial stability over the years.

Sample Size

The Company which is selected for the purpose of this study is One 97 Communications Ltd.

Data Collection / Sources of Data

In this study secondary sources of data has been used. Secondary sources of data obtained from Annual Reports of selected One 97 Communications Ltd., Research Publications, News Sources, Ace Knowledge Research Portal, etc.

Time Period

The Data has been collected for the period of two years since its listed on the Stock Exchanges i.e. March '22 and March' 23.

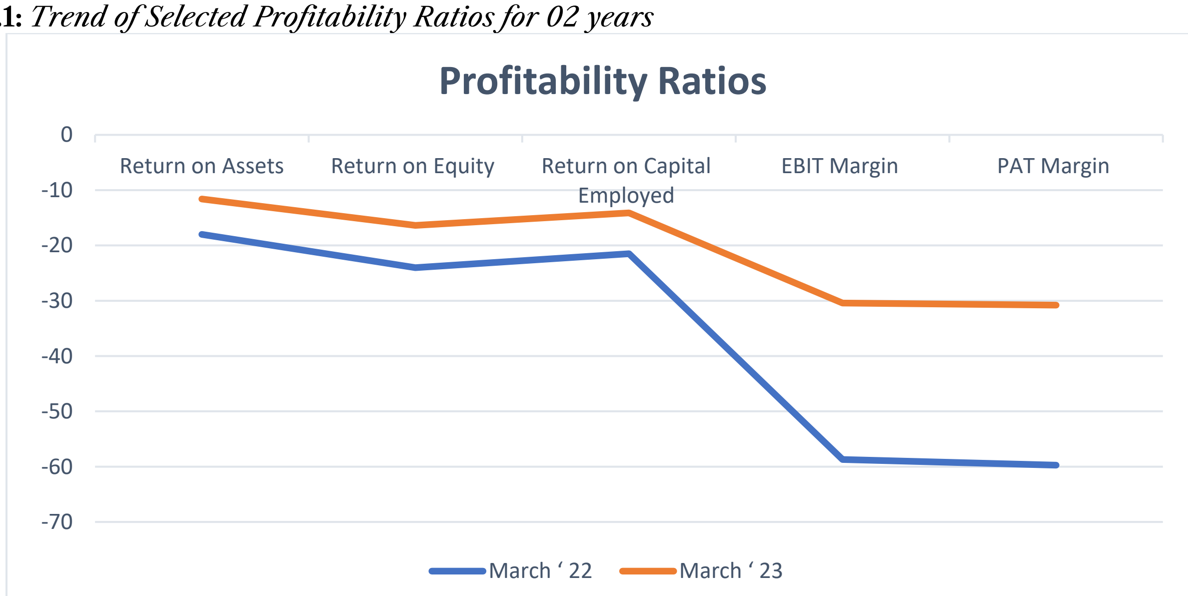
DATA ANALYSIS

Table 4.1 : *Collection of the Selected Profitability Ratio for 02 years*

Ratio / Year	March ' 22	March ' 23
Return on Assets	- 18	- 11.6
Return on Equity	-24.02	- 16.36
Return on Capital Employed	-21.51	-14.11
EBIT Margin	-58.7	-30.43
PAT Margin	-59.73	-30.79

Source: ACE Knowledge Portal

Graph 4.1: *Trend of Selected Profitability Ratios for 02 years*



Analysis

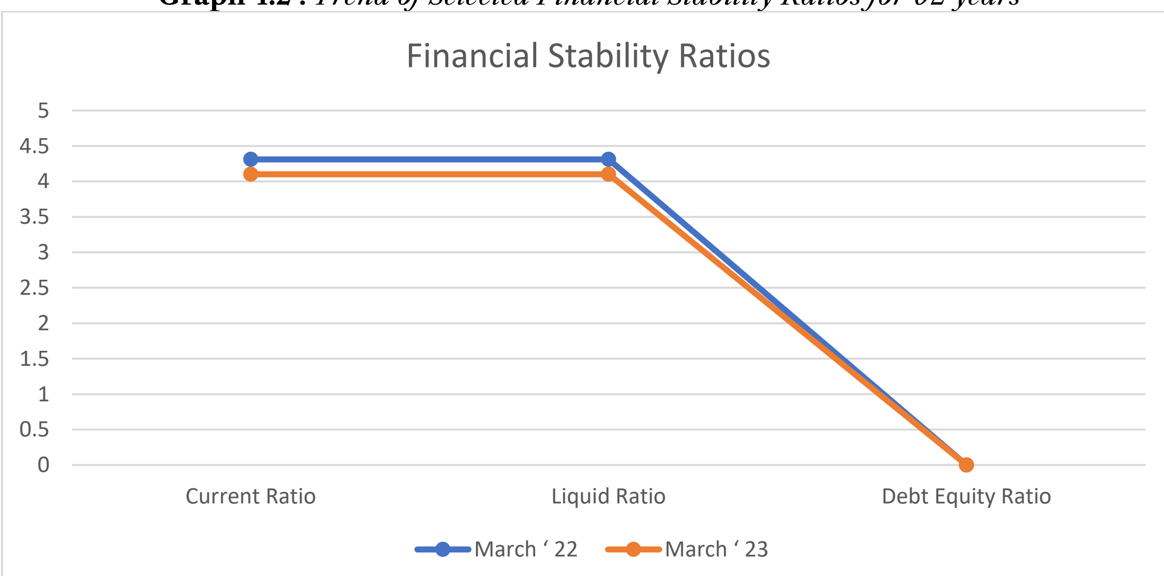
From the above table and graph, it can be seen that EBIT Margin for the company has improved by almost 28% which suggests the improvement in the financial performance and that is being backed by increase in PAT Margin by almost to the same extent. It suggests that the operating activities of the company must have been improved to a wider extent. Return on Assets (ROA) has also increased by almost 6.5% suggesting the company's net losses relative to its total assets have decreased. While the company is still experiencing a loss, the reduction in the magnitude of the loss is a positive sign. Moreover it also suggests that the company is now more efficient in utilizing its assets and the company is making improvements in managing its financial situation. Return on Equity (ROE) has also increased by almost 8% suggesting the decrease in the magnitude of the negative ROE s a reduction in losses relative to shareholders' equity. While the company is still experiencing a negative return, the improvement indicates a potential positive trend. However, a less negative ROE may indicates an improvement in the company's financial health. It's crucial to consider the reasons behind the negative ROE and whether the company's financial situation is improving or deteriorating. Return on Capital Employed has also almost increased by 7% suggesting that the company is now generating operating profits, indicating a positive turnaround in its financial performance. Moreover the increase in ROCE indicates that the company is becoming more efficient in using its capital to generate profits. This could be a result of better management of resources, cost control, or an improvement in the business operations.

Table 4.2 : *Collection of the Selected Financial Stability Ratio for 02 years*

Ratio / Year +	March ' 22	March ' 23
Current Ratio	4.31	4.1
Liquid Ratio	4.31	4.1
Debt Equity Ratio	0	0

Source: ACE Knowledge Portal

Graph 4.2 : *Trend of Selected Financial Stability Ratios for 02 years*



Analysis

The current ratio is a measure of a company's ability to cover its short-term liabilities with its short-term assets. A current ratio above 1 indicates that the company has more assets than liabilities. In both years, the current ratio is above 1, which is generally a positive sign. However, the decrease from 4.31 to 4.1 may suggest a slight reduction in the company's short-term liquidity. The liquid ratio, also known as the quick ratio, is a more stringent measure of a company's short-term liquidity as it excludes inventory from current assets. Similar to the current ratio, a quick ratio above 1 is considered healthy. The decrease from 4.31 to 4.1 suggests a reduction in short-term liquidity, but the ratio is still above 1, indicating a relatively strong position. A debt equity ratio of 0 indicates that the company has no debt in relation to its equity or the proportion of debt in relation to its total equity is almost negligible. This implies that the company is financing its operations without relying on external debt. A debt equity ratio of 0 is generally seen as favorable, as it suggests lower financial risk and less reliance on borrowed funds.

CONCLUSIONS & FURTHER SCOPE

In a nutshell we can say that while the company is still experiencing losses, there are positive trends in the reduction of loss magnitudes and improvements in operational efficiency. It is crucial for the company to continue its efforts to enhance profitability, manage costs, and work towards achieving positive returns for both assets and equity. Additionally, a comprehensive analysis considering industry benchmarks and specific company circumstances would provide a more detailed understanding of its financial health. The company has a healthy current and liquid ratio, indicating strong short-term liquidity. The decrease in both the current and liquid ratios from March '22 to March '23 may warrant further investigation to understand the reasons behind the change and whether it poses any concerns. The absence of debt in both years or too little a debt , as indicated by a debt equity ratio of 0, suggests a low level of financial risk.

It's essential to consider these ratios in the context of the industry, the company's specific circumstances, and other financial metrics to get a comprehensive understanding of its financial health.

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