



FINANCIAL MANAGEMENT PROJECT

A Project Report by G. Reeshmika



A PROJECT REPORT

ON

Indo Thai Securities Limited

Financial Management

A report is submitted in partial fulfilment of the requirements of MBA Program of

IBS Hyderabad



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Date of Submission: 20-09-2023

ACKNOWLEDGEMENT

We hereby take this opportunity to express our profound gratitude towards Mrs. Dr. P.N. Sindhuja, Dean of IBS Hyderabad for giving us the opportunity to work on this project. I would like to extend my deepest regards and great fullness to Dr. Nitya Nand Tripathi, Professor of IBS Hyderabad who is our faculty mentor. Her exemplary guidance, monitoring, and constant encouragement throughout the course of the program made the completion of this project successful. In addition to the subject matter, her counsel on various other issues enhanced my knowledge and outlook. Last but not the least, we would like to thank all our colleagues for making each one of comfortable in the organization from the very beginning.

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Chapter 1 – Management Discussion Analysis

Year 2018-2019

Economic Overview: The Indian economy faced various challenges, including global economic headwinds like volatile oil prices, trade tensions, and geopolitical uncertainties. Despite these challenges, the Indian economy maintained a growth rate of 7%, which was higher than many other developed countries. India's economy is characterized by strong demand, positive consumption patterns, and rising disposable incomes.

Industry Structure and Developments: The Indian capital market experienced volatility but showed growth, with the market capitalization increasing by over 6% to Rs. 151 Lakh Crores. Fundraising through debt and equity in the capital markets increased by 5.3% to nearly Rs. 9 Lakh Crores. Mutual fund assets under management grew by 11.4% to nearly Rs. 24 Lakh Crores. Foreign Portfolio Investors' assets under custody expanded by 8.6% to close to Rs. 30 Lakhs. Public bond issues significantly increased, reaching Rs. 367 billion in the financial year ended on March 31, 2019.

Indo Thai Overview: Indo Thai Securities Limited is a prominent broking company in central India. The company aims to provide advanced financial market services and maintain high standards in the financial industry. Indo Thai has a client-centric approach and emphasizes dependability and trust.

Opportunities: The company anticipates opportunities in India's financial sector, driven by factors like the financialization of household savings, low credit penetration, and increasing consumption. Emerging technology trends like Artificial Intelligence and Machine Learning are expected to open new growth avenues. India's projected economic growth of 7% in the financial year 2019-20 offers prospects for diversified businesses.

Threats: The company acknowledges potential threats, including liquidity challenges, increased oil prices, regulatory changes, competition, slower economic recovery, and cybersecurity risks. Continuous downward pressure on fees and commissions due to competition is also a concern. Keeping client data secure from cyber threats is essential.

Risks & Concerns: The report outlines various risks such as operational risks, regulatory and compliance risks, market risks, competition risks, financial risks, and cybersecurity risks.

Review of Financial Performance: The report provides an overview of the company's financial performance, including share capital, reserves, share prices, deferred tax assets/liabilities, trade receivables, cash equivalents, income from operations, revenue, other income, and earnings per share.

Significant Changes in Key Financial Ratios: Changes in key financial ratios are highlighted, including the debt-equity ratio, debtors turnover ratio, interest coverage ratio, and inventory turnover ratio.

Year 2020 – 2021

Global Economic Overview: The year 2020 began with optimism due to the US-China trade agreement and Brexit resolution. The IMF predicted a severe global recession with a projected world growth rate of -4.4% due to the ongoing COVID-19 pandemic. Recovery has been uncertain, with China rebounding while global recovery remains prone to setbacks.

Impact of COVID-19: The pandemic continues to affect the world significantly, described as an unprecedented challenge. Some economic revival signs exist, but the road to pre-pandemic levels remains uncertain. Employment has partially rebounded, but certain groups are harder hit, and extreme poverty is expected to increase.

India's Economic Situation: India's economy contracted by 9.6% in 2020 due to COVID-19. South Asia, including India, faced substantial economic decline. The growth rate decreased from 4.7% in 2019 to -9.6% in 2020. High unemployment rates and challenges in the labor market were observed.

Government Response in India: The Indian government implemented various measures to mitigate the economic impact, including cash transfers and food security initiatives. The "Atmanirbhar Bharat Abhiyan" stimulus package aimed to provide social protection to migrant workers.

Industry Structure and Developments: Pre-COVID, major Indian exchanges had a market capitalization of \$2.16 trillion. The 2019 stock market rally was driven by a few large-cap stocks. The onset of COVID-19 led to market uncertainty and a significant decline in stock markets. Various threats and opportunities in the financial industry were identified.

Business Outlook: The text emphasizes the need for continued policy support and highlights historical resilience to crises in the Indian stock market. It also acknowledges the challenges posed by liquidity constraints, regulatory changes, and slow economic recovery.

Indo Thai Securities Limited: Founded in 1995, Indo Thai Securities aimed to excel in financial services. It has become a prominent broking firm in central India. The company sees opportunities in evolving financial landscapes and technology adoption. Threats include competition, inflationary pressures, and data security concerns. The business is focused on empowering its workforce and capitalizing on growth opportunities.

Year 2022-2023

Global Economy Overview: The global economy faced challenges due to the COVID-19 pandemic and Russia's invasion of Ukraine, leading to financial market stress and high inflation. Central banks worldwide responded by tightening monetary policy to combat inflation. The International Monetary Fund (IMF) revised India's growth forecast downward for FY 2024 and FY 2025 but still sees India as one of the fastest-growing major economies.

Indian Economy Overview: India's economy remained resilient, driven by strong investment activity and stable private consumption. Escalating inflation and higher interest rates may pose threats to India's economic growth. India's GDP growth is estimated at 7.0% for FY 2022-23, down from 9.1% in the previous fiscal year.

Stockbroking Industry: The stockbroking industry adapted to increased demand for stock market trading solutions during the pandemic. Brokers transitioned to a fee-based model and expanded services, including investment and wealth management advisory. Market trends, government regulations, and technology innovations impact the industry's growth.

Indo Thai Securities Limited: Indo Thai is a stockbroking company established in 1995, focusing on financial services. The company emphasizes client-centricity and core values in its business operations. It identifies opportunities in various financial products, technology initiatives, and competitive advantages.

Opportunities and Threats: Opportunities include increased retail investor participation, technology trends, financial inclusion, and the growing middle class. Threats encompass competition, market trends, cybersecurity risks, and changes in the regulatory environment.

Business Outlook: Indo Thai remains focused on operating excellence and enhancing shareholder value. The company navigated market dislocations prudently and plans to empower employees with technological advancements.

Risks & Concerns: Risks include regulatory compliance, operational risks, market fluctuations, competition, financial risks, and cybersecurity threats. Indo Thai employs risk management strategies to mitigate these challenges.

Financial Performance: The report provides information on share capital, reserves and surplus, shareholder's funds, share prices, deferred tax assets/liabilities, and trade receivables.

Chapter 2 – Profit and Loss account

Standalone Profit & Loss account	----- in Rs. Cr. -----				
	Mar 23	Mar-22	Mar-21	Mar-20	Mar-19

	12 mths	12 mths	12 mths	12 mths	12 mths
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INCOME					
Revenue From Operations [Gross]	7.69	19.85	21.88	9.38	42.46
Revenue From Operations [Net]	7.69	19.85	21.88	9.38	42.46
Total Operating Revenues	7.69	19.85	21.88	9.38	42.46
Other Income	0.15	0.1	0.75	0.04	4.97
Total Revenue	7.83	19.95	22.63	9.42	47.43
EXPENSES					
Operating And Direct Expenses	0	2.06	1.25	17	43.77
Changes In Inventories Of FG,WIP And Stock-In Trade	0	0	0	0	-4.23
Employee Benefit Expenses	2.69	2.7	2.11	2	1.94
Finance Costs	0.23	0.85	0.84	1.35	1.06
Depreciation And Amortisation Expenses	0.27	0.28	0.34	0.39	0.52
Other Expenses	11.87	2.13	1.72	2.29	1.82
Total Expenses	15.07	8.03	6.26	23.03	44.89
	Mar-23	Mar-22	Mar-21	Mar-20	Mar-19

	12 mths	12 mths	12 mths	12 mths	12 mths
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Profit/Loss Before Exceptional, ExtraOrdinary Items And Tax	-7.23	11.92	16.38	-13.61	2.54
Profit/Loss Before Tax	-7.23	11.92	16.38	-13.61	2.54
Tax Expenses-Continued Operations					
Current Tax	-1.43	1.95	-0.01	0.01	0.64
Less: MAT Credit Entitlement	0	0	0	0	0.38
Deferred Tax	0	-0.43	3.9	-2.72	-0.04
Tax For Earlier Years	0	0	2.19	0	0.02
Total Tax Expenses	-1.43	1.51	6.07	-2.71	0.24
Profit/Loss After Tax And Before ExtraOrdinary Items	-5.8	10.4	10.31	-10.89	2.3
Profit/Loss From Continuing Operations	-5.8	10.4	10.31	-10.89	2.3
Profit/Loss For The Period	-5.8	10.4	10.31	-10.89	2.3
	Mar-23	Mar-22	Mar-21	Mar-20	Mar-19

	12 mths	12 mths	12 mths	12 mths	12 mths
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OTHER ADDITIONAL INFORMATION
EARNINGS PER SHARE

Basic EPS (Rs.)	-5.8	10.4	8.45	-10.89	2.3
Diluted EPS (Rs.)	-5.8	10.4	8.45	-10.89	2.3

DIVIDEND AND DIVIDEND PERCENTAGE

Equity Share Dividend	0	1	0	1	1
Tax On Dividend	0	0	0	0.21	0.21
Equity Dividend Rate (%)	6	10	10	10	10

Chapter 3 – Balance Sheet

Standalone Balance Sheet		----- in Rs. Cr. -----				
		Mar 23	Mar-22	Mar-21	Mar-20	Mar-19
		12 mths	12 mths	12 mths	12 mths	12 mths
EQUITIES AND LIABILITIES						
SHAREHOLDER'S FUNDS						
Equity Share Capital	10	10	10	10	10	10
Total Share Capital	10	10	10	10	10	10
Reserves and Surplus	46.63	53.44	44.04	33.59	44.99	
Total Reserves and Surplus	46.63	53.44	44.04	33.59	44.99	
Total Shareholders Funds	56.63	63.44	54.04	43.59	54.99	
NON-CURRENT LIABILITIES						
Long Term Borrowings	0	0.44	0.41	0.42	0.06	
Deferred Tax Liabilities [Net]	0	0	0.4	0	0	
Other Long Term Liabilities	0	0.55	0.12	0.19	0.96	
Long Term Provisions	0.26	0.04	0	0.27	0	
Total Non-Current Liabilities	0.26	1.03	0.93	0.87	1.02	
CURRENT LIABILITIES						
Short Term Borrowings	3.54	1.48	0.23	6.94	6.58	
Trade Payables	40.95	41.27	21.67	16.93	17.11	
Other Current Liabilities	0.9	0.57	0.41	0.34	0.46	
Short Term Provisions	0	0	0	0	0.8	
Total Current Liabilities	45.38	43.32	22.31	24.21	24.95	
Total Capital And Liabilities	102.28	107.79	77.28	68.67	80.96	
ASSETS						
NON-CURRENT ASSETS						
Tangible Assets	2.04	2.01	2.17	2.41	2.61	
Intangible Assets	0	0	0	0.01	0.01	
Fixed Assets	2.04	2.01	2.17	2.41	2.62	
Non-Current Investments	0	0	0	0	13.08	
Deferred Tax Assets [Net]	1.46	0.03	0	5.73	0.24	
Long Term Loans And Advances	0	0	0	0	2.05	
Other Non-Current Assets	1.17	0.35	1.01	0.79	0	
Total Non-Current Assets	4.67	2.39	3.18	8.94	17.99	

CURRENT ASSETS					
Current Investments	18.06	23.45	23.16	11.04	2.11
Inventories	11.55	20.53	9.58	3.46	7.79
Trade Receivables	2.86	2.65	3.53	10.87	22.34
Cash And Cash Equivalents	54.72	48.55	31.04	26.74	26.51
Short Term Loans And Advances	1.5	3.6	1.02	0.58	1.2
OtherCurrentAssets	8.91	6.62	5.77	7.05	3.01
Total Current Assets	97.6	105.4	74.1	59.73	62.97
Total Assets	102.28	107.79	77.28	68.67	80.96
OTHER ADDITIONAL INFORMATION					
CONTINGENT LIABILITIES, COMMITMENTS					
Contingent Liabilities	0	10.35	8.87	8.87	0
CIF VALUE OF IMPORTS					
EXPENDITURE IN FOREIGN EXCHANGE					
REMITTANCES IN FOREIGN CURRENCIES FOR DIVIDENDS					
Dividend Remittance In Foreign Currency	-	-	-	-	-
EARNINGS IN FOREIGN EXCHANGE					
FOB Value Of Goods	-	-	-	-	-
Other Earnings	-	-	-	-	-
BONUS DETAILS					
Bonus Equity Share Capital	-	4	4	4	4
NON-CURRENT INVESTMENTS					
Non-Current Investments Quoted Market Value	-	-	-	-	3.14
Non-Current Investments Unquoted Book Value	-	-	-	-	-
CURRENT INVESTMENTS					
Current Investments Quoted Market Value	-	-	-	-	1.07
Current Investments Unquoted Book Value	-	23.45	23.16	11.04	-

Chapter 4 – Calculations

Cost of Debt						
Year	Mar-19	Mar-20	Mar-21	Mar-22	Mar 23	Average Cost of debt
Cost of Debt	0.00	0.01	0.01	0.02	0.01	0.01

Cost of Equity using CAPM model						
Year	Mar-19	Mar-20	Mar-21	Mar-22	Mar 23	Average Cost of Equity
Cost of Equity using CAPM model	-8.36%	1.21%	-8.84%	-10.54%	19.28%	-9.16%

Cost of Equity using DDM model						
Year	Mar-19	Mar-20	Mar-21	Mar-22	Mar 23	Average Cost of Equity
Cost of Equity using DDM model(Market Value)	-11.81%	42.97%	31.13%	-44.90%	-4.54%	2.57%
Cost of Equity using DDM model(Book Value)	-15.17%	16.49%	19.18%	-35.98%	3.45%	-2.40%

Weighted Average cost of capital - Market value						
Year	Mar-19	Mar-20	Mar-21	Mar-22	Mar 23	Average
Debt	0	0.99	0.53	0.61	1.02	
Equity (Market value)	44.8000	23.7667	32.9178	172.1292	256.2500	
Total Capital	44.8000	24.7567	33.4478	172.7392	257.2700	
Proportion of Debt	0.00%	4.00%	1.58%	0.35%	0.40%	
Proportion of Equity	100.00%	96.00%	98.42%	99.65%	99.60%	
Cost of Equity - DDM (Market Value)	-11.81%	42.97%	31.13%	-44.90%	-4.54%	
Cost of Debt	0.00	0.01	0.01	0.02	0.01	
WACC - DDM	-12%	41%	31%	-45%	-5%	2%

Weighted Average cost of capital - Market value						
Year	Mar-19	Mar-20	Mar-21	Mar-22	Mar 23	Average
Debt	0	0.99	0.53	0.61	1.02	
Equity (Market value)	44.8000	23.7667	32.9178	172.1292	256.2500	
Total Capital	44.8000	24.7567	33.4478	172.7392	257.2700	
Proportion of Debt	0.00%	4.00%	1.58%	0.35%	0.40%	
Proportion of Equity	100.00%	96.00%	98.42%	99.65%	99.60%	
Cost of Equity - CAPM	-8.36%	1.21%	-8.84%	-10.54%	-19.28%	
Cost of Debt	0.00	0.01	0.01	0.02	0.01	
WACC -CAPM	-8.36%	1.19%	-8.69%	-10.50%	-19.20%	-9.11%

Weighted Average cost of capital - Book Value						
Year	Mar-19	Mar-20	Mar-21	Mar-22	Mar 23	
Debt	0	0.99	0.53	0.61	1.02	
Equity (Book value)	44.8000	23.7667	32.9178	172.1292	256.2500	
Total Capital	44.8000	24.7567	33.4478	172.7392	257.2700	
Proportion of Debt	0.00%	4.00%	1.58%	0.35%	0.40%	
Proportion of Equity	100.00%	96.00%	98.42%	99.65%	99.60%	
Cost of Equity - CAPM	-8.36%	1.21%	-8.84%	-10.54%	-19.28%	
Cost of Debt	0.00	0.01	0.01	0.02	0.01	
WACC - CAPM	-8.36%	1.19%	-8.69%	-10.50%	-19.20%	-9.11%

Weighted Average cost of capital - Book Value						
Year	Mar-19	Mar-20	Mar-21	Mar-22	Mar 23	
Debt	0	0.99	0.53	0.61	1.02	
Equity (Book value)	44.8000	23.7667	32.9178	172.1292	256.2500	
Total Capital	44.8000	24.7567	33.4478	172.7392	257.2700	
Proportion of Debt	0.00%	4.00%	1.58%	0.35%	0.40%	
Proportion of Equity	100.00%	96.00%	98.42%	99.65%	99.60%	
Cost of Equity - DDM	-15.17%	16.49%	19.18%	-35.98%	3.45%	
Cost of Debt	0.00	0.01	0.01	0.02	0.01	
WACC -DDM	-15.17%	15.86%	18.90%	-35.84%	3.44%	2.56%

Chapter 5 - Conclusion

Weighted Average cost of capital 2023 Summary		
	CAPM Cost of Equity	DDM Cost of Equity
Book Value WACC	9.11%	2.56%
Market Value WACC	9.11%	2%