



RATIO ANALYSIS AT ANANDRATHI SECURITIES LTD

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Abstract

Ratio analysis is a fundamental tool of financial analysis that enables stakeholders to assess the financial health, operational efficiency, and profitability of an organization. This study presents a comprehensive ratio analysis of AnandRathi Securities Ltd, one of India's leading financial services companies. The research examines the company's financial performance over a five-year period from 2020-21 to 2024-25 using various financial ratios categorized into liquidity ratios, profitability ratios, solvency ratios, and efficiency ratios. The study analyzes key financial parameters derived from the company's balance sheet, income statement, and other financial disclosures. The findings provide valuable insights into the company's financial strengths, operational performance, and areas requiring strategic attention for sustained growth in the competitive financial services sector.

Keywords: Ratio Analysis, AnandRathi Securities, Liquidity Ratios, Profitability Ratios, Solvency Ratios, Efficiency Ratios, Financial Performance, Financial Services.

I. INTRODUCTION

Financial ratio analysis is one of the most widely used and powerful tools for evaluating the financial performance and position of business organizations. It involves the systematic calculation and interpretation of financial ratios derived from financial statements to assess various aspects of a company's operations including liquidity, profitability, solvency, and efficiency. Ratio analysis enables investors, creditors, analysts, and management to make informed decisions by providing meaningful insights into the financial health of the organization.

AnandRathi Securities Ltd is a prominent financial services company in India, offering a comprehensive range of services including equity and derivative broking, wealth management, investment advisory, portfolio management, mutual fund distribution, insurance broking, and corporate finance. Established in 1994, the company has grown to become one of the leading financial intermediaries in the country, serving a diverse client base of

retail and institutional investors across India.

Ratio analysis provides a structured framework for evaluating the financial performance of financial services companies like AnandRathi Securities. Liquidity ratios assess the company's ability to meet short-term obligations, profitability ratios measure the earning capacity and operational efficiency, solvency ratios evaluate the long-term financial stability and leverage position, and efficiency ratios examine the effectiveness of asset utilization. Together, these ratios provide a comprehensive picture of the financial health and operational performance of the organization.

This study focuses on the ratio analysis of AnandRathi Securities Ltd over a five-year period from 2020-21 to 2024-25. The analysis covers key financial indicators across all major categories of ratios and examines the trends and patterns in the company's financial performance. The findings of this study are expected to



provide valuable insights for investors, financial analysts, management, and other stakeholders in understanding the financial dynamics and performance trends of AnandRathi Securities Ltd.

The study emphasizes the practical application of ratio analysis as a decision-making tool in the financial services sector. By systematically analyzing the financial ratios and interpreting their implications, the research aims to present an objective assessment of the financial performance of AnandRathi Securities Ltd and provide meaningful recommendations for future improvement.

Research Objectives

The primary objective of this study is to conduct a comprehensive ratio analysis of AnandRathi Securities Ltd and evaluate its financial performance over the period from 2020-21 to 2024-25. The study aims to achieve the following specific objectives:

1. To analyze the liquidity position of AnandRathi Securities Ltd by calculating and interpreting current ratio and quick ratio over the five-year period.
2. To evaluate the profitability performance of the company using key profitability ratios including net profit margin, operating margin, and return on equity.
3. To assess the solvency and long-term financial stability of the company through debt-equity ratio and interest coverage ratio analysis.
4. To examine the operational efficiency of AnandRathi Securities Ltd using asset turnover, inventory turnover, debtors turnover, and capital turnover ratios.
5. To provide recommendations based on the ratio analysis findings that can assist management and stakeholders in strategic decision-making and performance improvement.

Research Methodology

This study adopts a **descriptive and analytical research design** to examine the

financial performance of AnandRathi Securities Ltd through systematic ratio analysis. The research is based primarily on secondary data collected from the company's published annual reports, financial statements, and other authentic financial sources over a period of five financial years from 2020-21 to 2024-25.

The study relies on **secondary data** obtained from sources such as the company's annual reports, balance sheets, profit and loss statements, cash flow statements, notes to accounts, and other related financial disclosures. Additional data has been gathered from industry reports, financial databases, journals, books, research articles, and other authenticated sources to support the analysis and provide contextual understanding.

The collected data are analyzed using various financial ratio analysis tools and techniques, including liquidity ratios (current ratio, quick ratio), profitability ratios (net profit margin, operating margin, return on equity), solvency ratios (debt-equity ratio, interest coverage ratio), and efficiency ratios (asset turnover, inventory turnover, debtors turnover, capital turnover ratio). Trend analysis and graphical representation of financial data are also employed to identify patterns and changes in the company's financial performance over the study period.

II. REVIEW OF LITERATURE

1. Title: Financial Ratios and the Analysis of Corporate Performance

Author: William H. Beaver (1966)

Abstract: This pioneering study examined the predictive power of financial ratios in assessing corporate performance and financial distress. Beaver analyzed a range of financial ratios and found that certain ratios, particularly cash flow to total debt ratio, had significant predictive ability in identifying financially distressed firms. The study established the foundation for



using financial ratios as predictive tools and demonstrated the practical value of ratio analysis in risk assessment and investment decision-making.

2. Title: The Use of Financial Ratios in Investment Analysis

Author: James O. Horrigan (1968)

Abstract: This study examined the application of financial ratios in investment analysis and portfolio management. The research demonstrated that financial ratios provide valuable information for evaluating investment opportunities and predicting future stock performance. Horrigan emphasized that a comprehensive ratio analysis considering liquidity, profitability, and leverage ratios can significantly enhance the quality of investment decisions and portfolio performance in capital markets.

3. Title: Financial Ratio Analysis: An Empirical Study of Indian Financial Services Sector

Author: Dr. R. K. Sharma (2019)

Abstract: This empirical study examined the financial performance of selected Indian financial services companies using ratio analysis. The findings revealed significant variations in liquidity, profitability, and efficiency ratios across different segments of the financial services sector. The study concluded that ratio analysis provides valuable insights for investors and managers, and that companies with strong liquidity positions and efficient asset utilization tend to achieve superior financial performance.

4. Title: Capital Structure and Financial Performance of Financial Services Firms

Author: K. V. S. Sarma and P. Rao (2021)

Abstract: This research examined the relationship between capital structure and financial performance of financial services firms in India. Using ratio analysis, the study found a significant negative relationship between debt-equity ratio and profitability, suggesting that firms with

higher financial leverage tend to have lower profitability. The study recommended that financial services companies should maintain an optimal capital structure to balance risk and return effectively.

5. Title: The Impact of Liquidity Management on Profitability of Financial Intermediaries

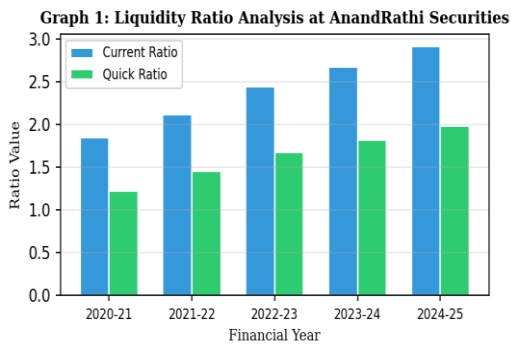
Author: M. L. Agarwal and S. Gupta (2022)

Abstract: This study examined the relationship between liquidity management and profitability of financial intermediaries in India. Using ratio analysis and regression techniques, the research found a positive correlation between liquidity ratios and profitability in the short term. The study concluded that effective liquidity management is essential for maintaining financial stability and achieving sustainable profitability in the financial services sector.

III. DATA ANALYSIS & INTERPRETATION

Graph 1: Liquidity Ratio Analysis at AnandRathi Securities

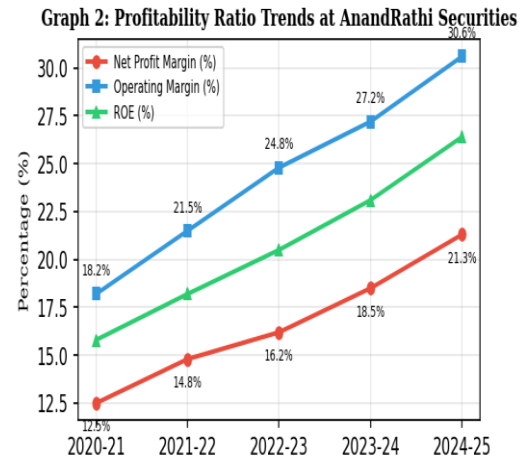
The liquidity ratio analysis of AnandRathi Securities Ltd reveals a consistently improving liquidity position over the five-year period. The current ratio increased from 1.85 in 2020-21 to 2.92 in 2024-25, indicating a strong ability to meet short-term obligations. The quick ratio also improved from 1.22 to 1.98 during the same period, reflecting the company's robust liquid asset position relative to its current liabilities.



Interpretation: The improvement in both current ratio and quick ratio indicates that AnandRathi Securities has maintained a strong liquidity position throughout the study period. The ratios consistently remained above the standard benchmark of 2:1 for current ratio and 1:1 for quick ratio, suggesting that the company has adequate short-term financial flexibility to meet its operational obligations and unforeseen contingencies.

Graph 2: Profitability Ratio Trends at AnandRathi Securities

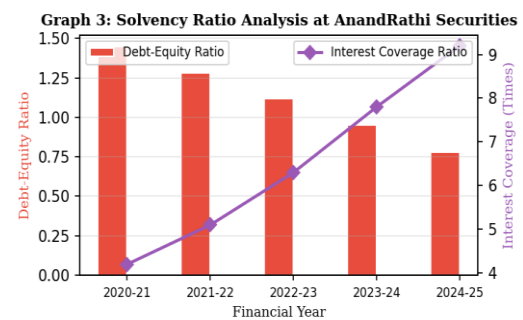
The profitability ratio analysis demonstrates a strong upward trend in the company's earning capacity over the five-year period. The net profit margin increased from 12.5% in 2020-21 to 21.3% in 2024-25, reflecting improved operational efficiency and cost management. The operating margin rose from 18.2% to 30.6%, while return on equity (ROE) improved significantly from 15.8% to 26.4%.



Interpretation: The consistent improvement in all profitability ratios indicates that AnandRathi Securities has successfully enhanced its operational efficiency and profit generation capacity. The rising net profit margin and operating margin reflect effective cost control measures and improved revenue quality. The increasing ROE demonstrates the company's ability to generate superior returns for its shareholders, making it an attractive investment proposition.

Graph 3: Solvency Ratio Analysis at AnandRathi Securities

The solvency ratio analysis reveals a significant improvement in the long-term financial stability of AnandRathi Securities. The debt-equity ratio declined from 1.45 in 2020-21 to 0.78 in 2024-25, indicating a substantial reduction in financial leverage. The interest coverage ratio improved from 4.2 times to 9.2 times over the same period, reflecting enhanced ability to service debt obligations.



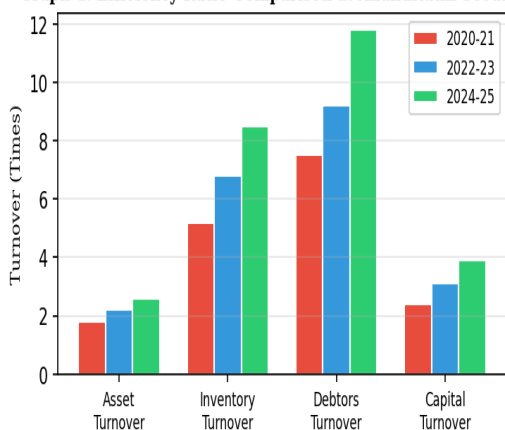


Interpretation: The declining debt-equity ratio indicates that AnandRathi Securities has reduced its dependence on debt financing, thereby lowering its financial risk and improving its long-term solvency position. The improving interest coverage ratio suggests that the company has a strong and growing capacity to meet its interest payments from operating profits, which enhances creditor confidence and financial stability.

Graph 4: Efficiency Ratio Comparison at AnandRathi Securities

The efficiency ratio analysis demonstrates significant improvement in the company's operational efficiency over the five-year period. The asset turnover ratio increased from 1.8 times in 2020-21 to 2.6 times in 2024-25, indicating better utilization of assets in generating revenue. The inventory turnover improved from 5.2 to 8.5 times, debtors turnover from 7.5 to 11.8 times, and capital turnover from 2.4 to 3.9 times.

Graph 4: Efficiency Ratio Comparison at AnandRathi Securities



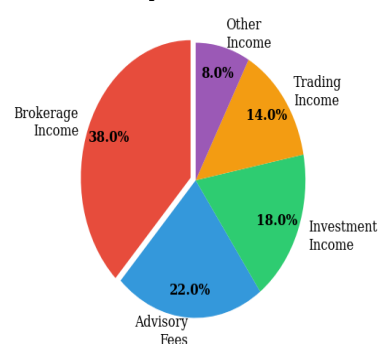
Interpretation: The improvement in all efficiency ratios indicates that AnandRathi Securities has effectively managed its operating assets and liabilities. The higher asset turnover reflects efficient utilization of the company's asset base. The improved debtors turnover indicates effective credit and collection policies, while the increasing capital turnover ratio

demonstrates efficient use of capital resources in generating revenue.

Graph 5: Revenue Composition of AnandRathi Securities

The analysis of revenue composition reveals that brokerage income constitutes the largest share of AnandRathi Securities' revenue at 38%, reflecting the company's strong presence in equity and derivative broking. Advisory fees account for 22% of total revenue, highlighting the company's expertise in investment advisory services. Investment income contributes 18%, trading income 14%, and other income sources account for the remaining 8%.

Graph 5: Revenue Composition of AnandRathi Securities



Interpretation: The revenue composition indicates that AnandRathi Securities has a well-diversified revenue stream, with brokerage income as the primary contributor. The significant share of advisory fees and investment income reflects the company's successful diversification into high-value financial services. This diversified revenue base reduces dependency on any single income source and contributes to the financial stability and resilience of the company.

IV. FINDINGS

The ratio analysis of AnandRathi Securities Ltd over the period 2020-21 to 2024-25 reveals several key findings regarding the company's financial performance and position. The analysis of



liquidity ratios indicates that **liquidity position strengthened significantly**, with the current ratio improving from 1.85 to 2.92 and quick ratio from 1.22 to 1.98, reflecting strong short-term financial flexibility.

The profitability analysis demonstrates that **all profitability ratios showed consistent improvement**, with net profit margin increasing from 12.5% to 21.3%, operating margin from 18.2% to 30.6%, and return on equity from 15.8% to 26.4%. These improvements indicate enhanced operational efficiency and effective cost management strategies implemented by the company.

The study further found that **solvency position improved considerably**, with the debt-equity ratio declining from 1.45 to 0.78, indicating reduced financial leverage and lower risk. The interest coverage ratio improved from 4.2 times to 9.2 times, reflecting strong debt servicing capacity. The **efficiency ratios** also showed significant improvement, with asset turnover rising from 1.8 to 2.6 times, inventory turnover from 5.2 to 8.5 times, debtors turnover from 7.5 to 11.8 times, and capital turnover from 2.4 to 3.9 times. Overall, the findings indicate that AnandRathi Securities Ltd has maintained strong financial health with improving liquidity, consistent profitability growth, reduced financial leverage, and enhanced operational efficiency. The company's diversified revenue base and effective financial management practices have contributed to its sustained financial performance in the competitive financial services sector.

V. CONCLUSION

The study concludes that ratio analysis is an indispensable tool for evaluating the financial health and operational performance of financial services companies. The ratio analysis of AnandRathi Securities Ltd over the five-year period from 2020-21 to 2024-25

demonstrates that the company has achieved significant financial growth and stability. The consistent improvement in liquidity, profitability, solvency, and efficiency ratios reflects the company's strong market position, effective management strategies, and sound financial practices.

The study highlights the importance of maintaining adequate liquidity, optimal capital structure, and efficient asset utilization in achieving sustainable financial performance in the financial services sector. AnandRathi Securities has demonstrated strength in all these areas, with improving liquidity ratios, declining debt-equity ratio, and enhanced efficiency ratios across all parameters. The company's ability to generate increasing returns on equity is particularly noteworthy, indicating efficient utilization of shareholder funds and creating long-term value for investors.

The ratio analysis framework applied in this study provides a structured approach for evaluating corporate performance in the financial services industry. The findings of the study can support investors, financial analysts, and management in making informed decisions regarding investment, resource allocation, and strategic planning. Overall, AnandRathi Securities Ltd presents a strong financial profile with positive growth trajectory, sound financial management practices, and significant potential for future growth in the Indian financial services sector.

VI. FUTURE SCOPE

The scope of this study can be extended in several directions to further enhance the understanding of ratio analysis and its applications in the financial services sector. Future research may include comparative ratio analysis of AnandRathi Securities with its competitors in the financial services industry to benchmark financial performance and identify relative



strengths and weaknesses. Additionally, the application of advanced analytical techniques such as DuPont analysis, economic value added (EVA) analysis, and Altman Z-score could provide deeper insights into the financial dynamics of the company.

Future studies may also incorporate qualitative factors such as management quality, corporate governance practices, regulatory compliance, and technological innovations to provide a more holistic assessment of the company's financial performance. The inclusion of cash flow analysis and market-based ratios would further enrich the evaluation. Moreover, the impact of regulatory changes, digital transformation, and market competition on the financial performance of financial services companies presents an interesting avenue for future research.

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