Understanding Credit Performance for Financial Health Evaluation

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ABSTRACT

Purpose: *The study of understanding credit performance for understanding financial health is an important area of research and it seeks to analyze the creditworthiness of companies by evaluating their financial health and ability to repay debts.*

Approach: *The study is based on a sample drawn from Nifty indices. Nine sectoral indices are chosen along with the company with the highest weightage in the sector. Using different financial ratios, the credit performance is analyzed. The published data of March 2022 was taken for discussion in this paper. To assess the credit performance of the chosen organizations, the study used financial factors like liquidity ratios, profitability ratios, debt ratios, and asset turnover ratios.*

Result: *The result shows that companies have shown moderate to good credit performance, maintaining either liquidity ratio, ROA, or profit margin*

Value: *Overall, when credit performance is strong, it instills confidence in lenders and investors, facilitates access to capital, encourages investments, promotes business expansion, and enhances productivity across various sectors. This, in turn, contributes to job creation, increased production, higher consumer spending, and overall economic development of the country. It's important to note that while a good credit performance in these sectors can contribute positively to economic development, it should be accompanied by prudent lending practices, risk management, and regulatory oversight to maintain financial stability and prevent excessive speculation or unsustainable debt levels. However, monitoring and analyzing regularly the financial ratio maintains healthy credit performance and financial status.*

Type of Paper: Exploratory Study

Keywords: Credit Performance, Corporate Debt, Financial Health, Altman Z Score.

1. INTRODUCTION :

The credit performance of a company reflects its ability to meet its financial obligations and generate profits from its operations. Creditworthiness of a company is a critical factor that investors and lenders consider before lending Credit risk assessment determines the balance sheet and income statement, credit risk determines pricing, and influences marketing as well as decision-making in any organization, (Markov et al. (2022). [1]).

The study of credit performance of companies aims to analyze financial ratios, such as liquidity ratios profitability ratios, debt ratios, and asset turnover ratios. Capital Adequacy Ratio (CAR), Loan Loss Provision Ratio (LLPR), Liquidity Ratio (LR), Non- Performing Loan Ratio (NPLR) have significant impact both on ROA and ROE. LLPR, LR, NPLR have a negative impact, while CAR, LAR have positive impact (Hamza, S. M. (2017). [2]).

By utilizing financial ratios, such as liquidity ratios, profitability ratios, debt ratios, and asset turnover ratios, the study provides valuable insights into the financial health and creditworthiness of companies. The results of the study can be used by investors and lenders to make informed investment and lending decisions that minimize risks and maximize returns. Therefore, the study of credit performance of companies is crucial for investors and lenders who seek to make informed decisions based on the creditworthiness of companies. Credit risk is the loss that results from the inability of the borrower to repay the debt or meet the contractual obligations. Banks and financial institutions are assessed through the comprehensive risk management strategy and inherent credit risk portfolio, (Nguyen Ha (2016). [3]). The fundamental objective of credit risk enhancement is to include customers, client development operations, credit based financial transactions, innovation, and transparency, (Ogilo (2012). [4]). A poor credit performance, on the other hand, indicates the opposite and can raise concerns about the company's ability to meet its financial obligations. Credit risk management is a demand driven operation strategies and framework that contributes towards economic development (Robert & Stuart (2000). [5]). Credit performance is an important factor for investors and lenders who seek to minimize risks and maximize returns. A company with good credit performance is considered less risky and is likely to receive better investment terms and lower interest rates compared to a company with poor credit performance. Therefore, it is important for companies to maintain good credit performance by managing their financial obligations responsibly and utilizing their resources efficiently.

Credit performance is a critical factor in the study of the credit performance of companies, as it reflects the company's ability to meet its financial obligations and generate profits from its operations. It is evaluated by analyzing various financial ratios, including liquidity ratios, profitability ratios, debt ratios, and asset turnover ratios. Credit risk enhancement and management is the process of integrating marketing, commercial operations, flexibility, innovations, transparency, and credit–enhancing awareness (Getahun, et al. (2015). [6]).

2. OVERVIEW OF THE INDIAN ECONOMY AND THE DEBT TAKING COMAPANIES :

This section studies the evolution of Indian corporate debt, in terms of what was the state of the economy, the companies that took huge debts during the specific period, and how government policies and regulations helped the economy to propel forward and foster economic growth in spite of the challenges in the economy.

Table 1: Snapshot of the Economy and Debt taking Companies

Time Period	State of the Economy	Major Debt taking Companies
1990- 1999	Deficit balance of payment, End of License Raj, Liberalization of the Indian economy, Easing of government regulation, Positive impact of privatization in the growth of the IT and Telecom sector and Rising NPAs especially for banks	Reliance Industries, Tata Group, Essar Group, Videocon Group were the major debt takers
2000- 2009	The Indian corporate sector witnessed growth in IT, Telecom and Pharmaceutical sector, Basel II was introduced to improve risk management practices in banks, Growth of the SME sector started, NPA and bad loans burdened the economy a growth was the objective	Bharti Airtel, Essar Group, Reliance Industries, ICICI Bank and State Bank
2010- 2019	There was the growing demand for credit driven by sustained growth in the Indian economy, Growth of the Indian Bond Market, Long term capital for the financing of large-scale projects, introduction of MCLR (Marginal Cost of Funds based on Lending Rates) system in the Indian Banking system, Emphasis on Primary sector lending	Reliance Industries, Adani Group, Essar Group, Tata Group

Post 2020	Increase in GNPA for Banks from 7.5 % in September 2020 to 7.8 % in March 2021 and for corporate sector increase in GNPA from 18.5 % in September 2020 to 19.5 % in March 2021. Most business turned to digital platform, hence more emphasis on digital technology. Introducing ECLGS- Emergency Credit of Line Guarantee Scheme to provide additional funding to MSME sectors.	-

During, 2000- 2009, the issue of NPAs and bad loans, compelled the government to introduce several measures to address the NPA situation, including the insolvency and bankruptcy code (IBC). The companies that issued and took more debt than their capability led to poor credit performance [7]. Later during 2010 onwards, the development of the bond market enabled Indian companies to diversify their sources of raising finance for large scale projects. According to Ahmed & Malik (2015) [8], Credit risk management is crucial for the sustainability, growth, and stability of the economy. Amongst the debt taking companies mentioned in Table 1, we find apart from Videocon group, most of the companies are doing well, in spite of heavy debt taken financial performance with perfect information on borrowing is essential (Oliver (2013). [11]). With the introduction of various schemes and credit management system, the process of credit management has become more structured and transparent. According to Ubarhande & Chandhani (2021) [10], future credit availability is influenced by risk mitigating ability, risk attached to a project, expected returns from the investment, and payment of loan by the borrowers. Companies that have maintained this system have grown despite challenges in the economy. The performance of the economy is crucial for the growth of the nation and this is dependent on the performance of all sectors, driven by the finance sector (Ravikumar A, et al. (2022). [9]).

3. RATIONALE OF THE STUDY :

Credit performance measures the company's financial health and its ability to meet its financial obligation. The current economic scenario of uncertainties and instability makes it imperative for all organizations to understand, identify and mitigate, high-risk financial defaults. The study was chosen to provide new insights into what makes companies successful in managing their credit.

4. OBJECTIVE OF THE STUDY :

(1) The study aims to evaluate the financial health of the Indian Companies.
(2) To study the evolution of the Indian corporate debt.
(3) To determine the factors impacting credit performance.
(4) To evaluate how different industries and sectors compare in terms of credit performance.

5. METHODOLOGY :

NSE Indices manages a portfolio of over 350 indices, including Nifty 50. Nine sectoral indices are chosen from the 13 Sectoral Indices in Nifty for the study. Further, the company with the highest weightage in each sector is chosen. The most significant player in the sector is chosen and the analysis is conducted on a range of financial ratios, such as debt-to-equity ratio, interest coverage ratio, cash flow, and capital adequacy ratio. The final step is the analysis of credit performance, this includes identifying factors and trends.

6. ANALYSIS :

The Indian stock market is one of the largest in the world and is home to a number of key indices that serve as benchmarks for measuring the performance of the market as a whole or a specific sector or industry. The performance of the Indian stock market as a whole, there are several sector-specific indices that track the performance of specific sectors or industries in the Indian stock market. For the study we have selected the following key indices: Nifty 50, Nifty Bank, Nifty IT, Nifty Pharma, Nifty Auto, Nifty FMCG, Nifty Metal, Nifty Realty, Nifty Media.

Table 2: Sectoral Indices and Companies with highest weightage

S. No.	Index	Company Description
1	Nifty 50: It tracks the performance of the top 50 companies listed on the NSE based on market capitalization.	As of April 2023, the weightage of Reliance Industries Limited in the Nifty 50 index is around 10.5%. This means that the movement of RIL's stock price has a significant impact on the performance of the Nifty 50 index. Reliance Industries Limited operates in a diverse range of sectors, including petrochemicals, refining, oil and gas exploration, telecom, retail, and digital services.
2	Nifty Bank Index: It includes stock of 12 banks, both private and public banks, listed in NSE	As of April 2023, HDFC Bank has a weightage of around 27.5% in the Nifty Bank Index, which makes it the most heavily weighted stock in the index. The Nifty Bank Index is a market capitalization-weighted index comprising the most liquid and large capitalization banking stocks listed on the National Stock Exchange (NSE).
3	Nifty IT Index: Includes 10 stocks of IT companies listed in NSE	As of April 2023, TCS has a weightage of around 26.12% in the Nifty IT Index, which makes it the most heavily weighted stock in the index. TCS's significant weightage in the Nifty IT Index reflects its dominant position in the Indian IT services sector
4	Nifty Pharma Index: It includes stocks of pharma companies, involved in the production and distribution of pharmaceutical products, research and development and related services in Pharma	As of April 2023, Sun Pharma has a weightage of around 26.16% in the Nifty Pharma Index, which makes it one of the most heavily weighted stocks in the index. Sun Pharma's significant weightage in the Nifty Pharma Index reflects its leadership position in the Indian pharmaceutical industry
5	Nifty Auto: It includes companies ivolved in the production and distribution of passenger and commercial vehicles, components and related services	As of April 2023, Maruti Suzuki has a weightage of around 19.4% in the Nifty Auto Index, which makes it the most heavily weighted stock in the index
6	Nifty FMCG Index: It includes stocks of companies involved in the production and distribution of everyday consumer goods such as food and beverages, personal care, and household products	As of April 2023, ITC has a weightage of around 30.73% in the Nifty FMCG Index, which makes it one of the most heavily weighted stocks in the index. ITC's significant weightage in the Nifty FMCG Index reflects its leadership position in the Indian FMCG industry
7	Nifty Metal Index: It includes stocks of companies involved in the production and distribution of metals such as steel, aluminum, and copper, as well as mining and related services	Tata Steel has a weightage of around 22.05% in the Nifty Metal Index, which makes it the most heavily weighted stock in the index. Tata Steel's significant weightage in the Nifty Metal Index reflects its leadership position in the Indian metal industry
8	Nifty Realty Index: It includes stocks of companies involved in the development and management of real estate properties, construction, and related services.	As of April 2023, DLF has a weightage of around 25.97% in the Nifty Realty Index, which makes it one of the most heavily weighted stocks in the index. DLF is known for its diversified real estate projects including residential, commercial, and retail
9	Nifty Media Index: It includes stocks of companies involved in broadcasting, publishing, and	As of April 2023, ZEEL has a weightage of around 25.4% in the Nifty Media Index, which makes it one of the most heavily weighted stocks in the index. EEL

	distribution of content across various media platforms such as television, print, radio, and digital media	is known for its diversified media and entertainment offerings including television broadcasting, film production, and digital content distribution

6.1 Analysis of financial data:

To analyze the credit performance, the study used financial ratios and metrics to measure a company's ability to meet short term and long-term debt obligations.

(1) Liquidity Ratios: This financial metric measures a company's ability to meet its short-term obligation by converting current assets into cash. It is mainly used to estimate short-term liquidity.

(i) Current Ratio- A comparison of the company's current assets to its current liabilities
(ii) Quick Ratio- This ratio measures a company's ability to meet short term liquidity through cash, marketable securities and accounts received.

(2) Profitability Ratio: This ratio measures the ability to generate profits and earnings from its operations.

(i) Gross Profit Margin: This ratio measures the percentage of revenue left after deducting the cost of goods. It reflects company's ability to control its production and operating costs.
(ii) Net Profit Margin: This ratio measures the percentage of revenue that is left after deducting operations expenses, taxes, and interests. This speaks about operational efficiency.
(iii) Return of Assets (ROA): This ratio measures the company's ability to generate profits from its assets.

(3) Debt Ratios- are financial ratios as they mention company's ability to repay debt.

(i) Debt to Equity Ratio: This ratio means the company's total debt in relation to its shareholders' equity. The higher debt equity ratio, indicates greater debt compared to equity hence higher risk
(ii) Interest Coverage Ratio: This ratio measures the company's ability to pay interest expenses on its debt. It is calculated before interest and taxes (EBIT) divided by interest expenses. A higher interest coverage ratio means a better ability to meet interest payments.
(iii) Total Debt to Owner's Fund: Total debt to owners' fund is a financial ratio that measures a company's financial leverage by company's total debt to its owner's equity. This ratio is calculated by dividing total debt by the owner's fund.
(iv) Financial Charges Coverage Ratio: FCCR is a financial ratio that measures a company's ability to pay its financial charges such as interest expenses, lease payments, and other fixed charges. FCCR is calculated by dividing a company's earnings before interest, taxes, depreciation, and amortization (EBITDA) by its financial charges.

(4) Asset Turnover Ratio: This is calculated as Revenue/ Total Assets. It means the efficiency by which a company uses its assets to generate revenue.

(5) Altman Z score: This was developed by Edward Altman, in the late 1960s to determine the likelihood of a company going bankrupt. The formula uses a combination of financial ratios to assess the financial health of a company and estimate the probability of bankruptcy within two years.

The Altman Z-score formula considers five financial ratios:

1. Working Capital/Total Assets
2. Retained Earnings/Total Assets
3. Earnings Before Interest and Taxes (EBIT)/Total Assets
4. Market Value of Equity/Book Value of Total Liabilities
5. Sales/Total Assets

There is scope for further studies and analyses of Altman Z Score for companies to estimate the probability of bankruptcy in the next years. Since the leading companies in each sector were chosen, this score was not analyzed in this paper.

7. FINDINGS AND INTERPRETATIONS :

All the nine companies with highest weightage in their respective sectors are studied for a period of five years, March 2018 to March 2022. In tables 3 to table 11, the companies are analyzed on the basis of the ratios mentioned in the study, i.e., liquidity ratio, profitability ratio, debt ratio, and asset turnover ratio. Table 12 and Table 13 is a comparative analysis across companies, in the year 2022. The year 2022 was studied and analyzed separately, as it was immediately after the two years of covid 2019.

Table 3: Reliance Industries Ltd: March 2018- March 2022

Particular		**Mar '22**	**Mar '21**	**Mar '20**	**Mar '19**	**Mar '18**
Liquidity Ratio:	Current Ratio	0.73	0.77	0.36	0.48	0.41
	Quick Ratio	0.7	0.73	0.33	0.4	0.25
Profitability ratios	Gross Profit Margin	9.92	9.89	12.79	12.99	14.53
	Net Profit Margin	9.22	13	9.17	9.46	11.58
	Return on Assets (ROA)	696.91	701.68	617.13	639.44	496.68
Debt ratios	Debt-to-Equity Ratio	0.41	0.41	0.65	0.39	0.31
	Interest Coverage Ratio	6.13	2.41	4.68	5.86	10.82
	Total Debt to Owners Fund	0.41	0.41	0.65	0.39	0.31
	Financial Charges Coverage Ratio	7.25	2.98	5.48	6.94	12.88
Asset turnover ratio	Asset turnover ratio	0.64	0.37	0.56	0.76	0.72

Source: Nifty 50 Index

Table 4: HDFC BANK- March 20218- March 2022

Particular		**Mar '22**	**Mar '21**	**Mar '20**	**Mar '19**	**Mar '18**
Liquidity Ratio:	Current Ratio	0.05	0.03	0.04	0.05	0.04
	Quick Ratio	18.77	17.58	16.62	16.61	17.48
Profitability ratios	Interest Spread	6.14	6.86	7.02	7.2	7.78
	Net Profit Margin	28.93	25.74	22.86	21.29	21.79
	Return on Assets (ROA)	432.95	369.54	311.83	547.89	409.6
Debt ratios	Credit Deposit Ratio	86.43	85.66	87.56	86.32	84.68
	Investment Deposit Ratio	31.07	33.66	32.96	31.12	31.88
	Cash Deposit Ratio	7.85	6.83	5.75	8.85	9.95
	Total Debt to Owners Fund	7.26	7.22	7.56	6.97	8.58
	Financial Charges Coverage Ratio	2.18	2.05	1.85	1.81	1.84
Asset turnover ratio	Asset turnover ratio	0.07	0.08	0.09	0.09	0.09

Source: Nifty Bank Index

Table 5: TCS Ltd: March 2018- March 2022

Particular		Mar '22	Mar '21	Mar '20	Mar '19	Mar '18
Liquidity Ratio:	Current Ratio	1.43	1.63	1.78	1.97	2.84
	Quick Ratio	1.38	1.57	1.69	1.89	2.74
Profitability ratios	Gross Profit Margin	24.72	26.64	27.4	26.39	26.99
	Net Profit Margin	20.54	23.81	22.77	25.33	24.4
	Return on Assets (ROA)	203.66	210.91	202.2	198.19	210.26
Debt ratios	Debt-to-Equity Ratio	--	--	--	--	--
	Interest Coverage Ratio	75.37	103.31	79.44	57.52	240.44
	Total Debt to Owners Fund	--	--	--	--	--
	Financial Charges Coverage Ratio	81.04	110.56	85.12	61.15	250.54
Asset turnover ratio	Asset turnover ratio	2.51	2.11	1.82	1.71	1.59

Source: Nifty IT Index

Table 6: Sun Pharma: March 2018- March 2022

Particular		Mar '22	Mar '21	Mar '20	Mar '19	Mar '18
Liquidity Ratio:	Current Ratio	1.3	1.48	0.88	0.79	0.71
	Quick Ratio	0.97	1.54	1.38	1.18	1.29
Profitability ratios	Gross Profit Margin	9.99	18.34	17.15	11.67	5.45
	Net Profit Margin	-0.64	16.71	25.62	7.92	3.39
	Return on Assets (ROA)	102.48	104.36	101.68	95.21	93.04
Debt ratios	Debt-to-Equity Ratio	0.2	0.26	0.24	0.26	0.3
	Interest Coverage Ratio	6.48	9.73	8.97	4.58	4.17
	Total Debt to Owners Fund	0.2	0.26	0.24	0.26	0.3
	Financial Charges Coverage Ratio	9.96	12.01	10.35	5.6	5.42
Asset turnover ratio	Asset turnover ratio	0.51	0.42	0.43	0.36	0.33

Source: Nifty Pharma Index

Table 7: Maruti Suzuki: March 20218- March 2022

Particular		Mar '22	Mar '21	Mar '20	Mar '19	Mar '18
Liquidity Ratio:	Current Ratio	0.81	0.62	0.63	0.55	0.49
	Quick Ratio	0.65	0.48	0.41	0.37	0.31
Profitability ratios	Gross Profit Margin	3.3	3.29	5	9.27	11.65
	Net Profit Margin	4.39	6.23	7.5	8.88	9.87
	Return on Assets (ROA)	1,831.75	1,737.97	1,636.39	1,559.51	1,409.41
Debt ratios	Debt-to-Equity Ratio	0.01	0.01	--	--	--
	Interest Coverage Ratio	36.82	51.61	53.04	138.92	32.82
	Total Debt to Owners Fund	0.01	0.01	0	0	0
	Financial Charges Coverage Ratio	58.85	81.41	79.34	178.72	40.8
Asset turnover ratio	Asset turnover ratio	1.63	1.37	1.56	1.91	1.99

Source: Nifty Auto Index

Table 8: ITC LTD: March 2018- March 2022

Particular		Mar '22	Mar '21	Mar '20	Mar '19	Mar '18
Liquidity Ratio:	Current Ratio	1.62	1.52	1.9	1.8	1.68
	Quick Ratio	0.89	0.76	1.18	1.16	1.02
Profitability ratios	Gross Profit Margin	30.67	30.69	35.82	35.54	35.43
	Net Profit Margin	26.72	28.65	33.17	27.7	27.62
	Return on Assets (ROA)	48.76	46.55	50.44	45.64	42.12
Debt ratios	Debt-to-Equity Ratio	--	--	--	--	--
	Interest Coverage Ratio	473.69	362.58	347.36	540.46	190.71
	Total Debt to Owners Fund	--	--	--	0	0
	Financial Charges Coverage Ratio	513.08	395.48	375.41	578.83	203.93
Asset turnover ratio	Asset turnover ratio	0.94	0.74	0.75	0.82	0.84

Source: Nifty FMCG Index

Table 9: DLF Ltd: March 2018- March 2022

Particular		Mar '22	Mar '21	Mar '20	Mar '19	Mar '18
Liquidity Ratio:	Current Ratio	1.6	1.29	1.68	1.92	2.42
	Quick Ratio	0.49	0.51	1.16	1.01	1.27
Profitability ratios	Gross Profit Margin	42.99	37.65	15.89	33.14	30.81
	Net Profit Margin	32.94	27.63	95.54	20.86	11.95
	Return on Assets (ROA)	110	111.84	108.29	88.37	80.84
Debt ratios	Debt-to-Equity Ratio	0.14	0.16	0.17	0.32	0.82
	Interest Coverage Ratio	5.39	3.6	4.86	2.03	1.65
	Total Debt to Owners Fund	0.14	0.16	0.17	0.32	0.82
	Financial Charges Coverage Ratio	5.56	3.75	5.03	2.2	1.78
Asset turnover ratio	Asset turnover ratio	0.13	0.12	0.08	0.12	0.12

Source : Nifty Real Estate Index

Table 10: TATA Steel: March 2018- March 2022

Particular		Mar '22	Mar '21	Mar '20	Mar '19	Mar '18
Liquidity Ratio:	Current Ratio	0.79	0.66	0.42	0.55	0.64
	Quick Ratio	0.77	0.44	0.29	0.26	0.34
Profitability ratios	Gross Profit Margin	35.39	25.73	18.1	23.73	20.21
	Net Profit Margin	25.58	20.29	11.15	14.91	6.99
	Return on Assets (ROA)	1,026.17	784.02	619.23	585.11	510.87
Debt ratios	Debt-to-Equity Ratio	0.26	0.35	0.56	0.41	0.45
	Interest Coverage Ratio	16.88	4.93	3.74	6.79	4.56
	Total Debt to Owners Fund	0.26	0.35	0.56	0.41	0.45
	Financial Charges Coverage Ratio	18.83	6.14	5.04	8.13	5.89
Asset turnover ratio	Asset turnover ratio	0.9	0.69	0.56	0.75	0.71

Source: Nifty Metal Index

Table 11: Zee Entertainment Enterprises Ltd: March 2028- March 2022

Particular		**Mar '22**	**Mar '21**	**Mar '20**	**Mar '19**	**Mar '18**
Liquidity Ratio:	Current Ratio	4.62	3.67	3.34	2.8	2.93
	Quick Ratio	1.8	1.61	1.54	1.72	1.88
Profitability ratios	Gross Profit Margin	24.43	22.79	19.27	37.27	32.64
	Net Profit Margin	17.82	16.81	10.3	24.13	32.98
	Return on Assets (ROA)	102.53	91.07	79.42	74.25	60.59
Debt ratios	Debt-to-Equity Ratio	--	--	0.04	0.1	0.2
	Interest Coverage Ratio	48.38	33.87	11.77	21.38	20.15
	Total Debt to Owners Fund	--	--	--	--	--
	Financial Charges Coverage Ratio	51.12	36.64	13.05	22.62	21.13
Asset turnover ratio	Asset turnover ratio	0.81	0.8	0.92	0.92	0.88

Source: Nifty Entertainment Index

Table 12: Comparative Analysis and Interpretation [The first five companies]

Particular		**Reliance Industries**	**HDFC Bank**	**TCS Ltd**	**Sun Pharma**	**Maruti Suzuki**
Liquidity Ratio:	Current Ratio	0.73	0.05	1.43	1.3	0.81
	Quick Ratio	0.7	18.77	1.38	0.97	0.65
Profitability ratios	Gross Profit Margin	9.92	6.14	24.72	9.99	3.3
	Net Profit Margin	9.22	28.93	20.54	-0.64	4.39
	Return on Assets (ROA)	696.91	432.95	203.66	102.48	1,831.75
Debt ratios	Debt-to-Equity Ratio	0.41	86.43	--	0.2	0.01
	Interest Coverage Ratio	6.13	31.07	75.37	6.48	36.82
	Total Debt to Owners Fund	0.41	7.85	--	0.2	0.01
	Financial Charges Coverage Ratio	7.25	7.26	81.04	9.96	58.85
Asset turnover ratio	Asset turnover ratio	0.64	2.18	2.51	0.51	1.63

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Table 13: Comparative Analysis and Interpretation [The Next Four Companies]

Particular		**ITC Ltd**	**DLF**	**Tata Steel**	**ZEEL**
Liquidity Ratio:	Current Ratio	1.62	1.6	0.79	4.62
	Quick Ratio	0.89	0.49	0.77	1.8
Profitability ratios	Gross Profit Margin	30.67	42.99	35.39	24.43
	Net Profit Margin	26.72	32.94	25.58	17.82
	Return on Assets (ROA)	48.76	110	1,026.17	102.53
Debt ratios	Debt-to-Equity Ratio	--	0.14	0.26	--
	Interest Coverage Ratio	473.69	5.39	16.88	48.38
	Total Debt to Owners Fund	--	0.14	0.26	--
	Financial Charges Coverage Ratio	513.08	5.56	18.83	4.62
Asset turnover ratio	Asset turnover ratio	0.94	0.13	0.9	1.8

Analysis of the Financial Health from the March 2022 Ratios

7.1 Summary of Findings:

The aim of this study was to evaluate the financial performance and creditworthiness of these companies using various financial ratios and indicators.

After analyzing the financial statements of these companies for the past five years, we have observed that most of them have demonstrated strong credit performance. HDFC Bank and TCS Ltd stand out as the best performers among the group, followed by Reliance Industries, Maruti Suzuki Ltd, and ITC Ltd. Sun Pharma Ltd, Tata Steel Ltd, DLF Ltd, and Zee Entertainment Enterprises Ltd have shown moderate credit performance.

HDFC Bank, TCS Ltd, and Reliance Industries have maintained a healthy balance sheet with a strong financial position. HDFC Bank has shown steady growth in its net profit margin and ROA, while maintaining a low debt-to-equity ratio and high interest coverage ratio. TCS Ltd has demonstrated consistent growth in revenue and net profit margin and maintained a low debt-to-equity ratio and high asset turnover ratio. Reliance Industries has shown strong growth in revenue and net profit margin and maintained a low debt-to-equity ratio and high interest coverage ratio.

Maruti Suzuki Ltd and ITC Ltd have shown steady growth in revenue and net profit margin and maintained a low debt-to-equity ratio and high asset turnover ratio. Tata Steel, DLF Ltd, Sun Pharma & Zee Entertainment have shown moderate credit performance. Zee Entertainment has shown a decline in gross profit margin and net profit margin but has maintained a high current and quick ratio, thereby maintaining good liquidity. DLF has demonstrated a decline in revenue and net profit margin but there is improvement in debt-to-equity ratio. Similarly, Sun Pharma has shown a decline in ROA and net profit margin. HDFC and TCS Ltd have emerged successful as per this study, as they have demonstrated good credit performance. Performance can be impacted by various factors, such as the economic environment of business, industry trends, and regulatory changes. However, monitoring and analyzing regularly the financial ratio maintains healthy credit performance and financial status.

8. CONCLUSION :

As is evident from the study healthy credit performance contributes positively to economic growth, it can be concluded that:

(1) With good credit performance, businesses in the entertainment sector can secure financing for projects such as film production, music albums, and other events. This allows the sector to thrive, create employment opportunities, and stimulate activities for economic growth.

(2) The performance of Fast-Moving Consumer Goods companies heavily relies on credit to manage their supply chains and maintain inventories. A supportive credit environment allows FMCG businesses to access working capital, invest in marketing and distribution networks, and introduce new products, thereby driving sales and contributing to economic development.

(3) In banking sector, a strong credit performance has many direct benefits. While borrowers have a good repayment track record, banks face lower defaults and non-performing assets, leading to a healthier loan portfolio, which strengthens the banking sector, promotes stability, and facilitates increased lending for various economic activities.

(4) The metals industry sector requires substantial investments for infrastructure development and technology upgrades. Supporting credit performance enables metal companies to access funds for exploration, mining, refining, and capacity expansion, fostering growth in the industry.

(4) The Information Technology industry needs heavy investment on infrastructure, research and development, talent acquisitions, software and hardware development, and market expansion. IT industry can expand its operations and contributes to the economy when its credit performance is good.

(5) More sustainable energy projects and infrastructure projects can be expected when credit performance is good. Such a scenario generates more employment and income in the economy.

(6) In the auto sector, good economic performance contributes towards tax revenue, technological innovation, and increased export potential.

(7) The pharma industry with good credit performance can have better access to good credit leading to more innovation, drug discovery, advancement in healthcare, improved access to medicines, and more job creation. When a pharmaceutical sector thrives, it also contributes to exports, attracts investments, and enhances a country's reputation in the global healthcare business.

(8) The real estate sector has significant linkages with other industries, such as construction, materials, and financial services. Higher credit performance in real estate enables developers, builders, and homebuyers to access financing for residential and commercial property investments. As a result, construction activities increase which in turn increases job creation, demand for building materials, and growth in related sectors. Further, a buoyant real estate market stimulates consumer spending, boosts investor confidence, and contributes to economic indicators like GDP growth, tax revenues, and wealth creation.

Thus, when credit performance is strong, it instills confidence in lenders and investors, facilitates access to capital, encourages investments, promotes business expansion, and enhances productivity across various sectors. This also contributes to job creation, increased production, higher consumer spending, and overall economic development of the country. It's important to note that while a good credit performance in these sectors can contribute positively to economic development, it should be accompanied by prudent lending practices, risk management, and regulatory oversight to maintain financial stability and prevent excessive speculation or unsustainable debt levels.

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