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Return and Risk Analysis of Investment Avenues for Corporate Funds/Retained Earnings

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EXECUTIVE SUMMARY

The purpose of this project is to know about multinational company TOTO Ltd's India counterpart TOTO India Pvt Ltd, the current sanitaryware market in India, and how TOTO India Pvt Ltd wants to try to increase its Income from Other Sources so as to try to compensate at least a little for the amount it's not able to recover from its Revenue from Operations by selling sanitaryware domestically. TOTO's owners and Board members have had the mentality to take it easy and not to pressure their employees too much, this seems to work as TOTO is a company more than a century old and is a leading manufacturer of sanitaryware worldwide. But at the same time, they are not into taking too many high financial risks, as is the case with their management of earnings from TOTO India. The members of the Board prefer to park their free reserves and retained earnings in highest safety, lowest risk investment avenues like bank deposits and other government fixed deposits like depositing in MGVCL. They are not willing to park amounts more than ₹2 crores for a period of more than a year. The Indian management decided to present to the Board members (who are mostly Japanese) the other investment options available in India which are safe and secure with relatively low risk but give higher returns than the avenues they have currently parked their funds in. The finance department, therefore, decided on presenting more bank fixed deposits, and company fixed deposits which have high CRISIL and ICRA ratings, and also want to introduce to them the option of mutual funds which have a mix of debt and equity instruments that may have high/higher risk than these safe options, but have the capacity to provide the higher returns they need to give a boost to their Income Statement by way of increase in Income from Other Sources, and also to grow the company's Retained Earnings so that they would have more funds for whenever they need to use internal funding for any future projects, all while gradually increasing their period of investment to more than 1 year and their funds for investment to at least ₹5 crores.

PART A – Profile of the Organisation

ABOUT TOTO

TOTO IDENTITY

TOTO has always been motivated by a desire to improve the quality of life for everyone. TOTO has influenced people's perceptions of what a bathroom can be — and how it may be utilised — for almost a century.

Kazuchika Okura, the company's founder, had a vision more than a century ago, in 1912, before the concept of public sewage systems was widely accepted in Japan. After witnessing more modern systems in other countries, he was inspired to open a ceramic sanitary ware research lab in order to provide cleaner and healthier living environments.

Toyo Toki K.K. (later TOTO LTD.) was created in 1917 by Okura to serve the market with these products. TOTO was formed on the belief that people should be able to live comfortably while also safeguarding the environment and its water.

Every TOTO product they make now reflects Japan's rich creative tradition in pottery and porcelain. TOTO has stayed committed to the Japanese traditions that have defined their Company Motto and Philosophy throughout their global expansion.

TOTO MOTTO

- Take pride in your work, and strive to do your best.
- Quality and Consistency
- Service and Trust
- Cooperation and Prosperity

TOTO PHILOSPHY

TOTO aspires to become a great company that is trusted by people across the globe and contributes to society's progress.

TOTO will do the following to realise our philosophy:

- Based on our plumbing products, create a more enriched and pleasant lifestyle and culture.
- Through continuous research and development activities, provide high-quality products and services.
- Create a work atmosphere that values individuality and is friendly to employees.
- Exceed customers ’ expectations with our products and services in order to achieve customer happiness.
- Conserve scarce natural resources and energy to safeguard the world's environment.

GROUP STRATEGY

Since their inception, their strong feelings for people and their lives have remained untouched.

Kazuchika Okura, the founder of TOTO, was truly influenced by the sanitation of the ceramic toilets he saw in the West in 1912, when there were no sewage facilities in Japan and ideas of hygiene were still relatively new, and he took up the task of creating a national hygienic ceramic industry based on the idea of "improving the way of life of the Japanese people." Following that, after five years of research, he was able to mass-produce Japan's first sanitary ceramic toilet. This is precisely what we may refer to as the start of a new civilisation.

TOTO's manufacturing strategy is inextricably linked to the era when new lifestyle values emerged. Furthermore, these notions have remained unabated to the present day.

TOTO stays committed to providing products that are both useful and environmentally friendly.

They live by these ideals every day in order to build a future that exceeds all expectations.

They have created a mission with three important parts to ensure they earn and keep the trust of their customers and society on the whole.

TOTO's Mission:

- Provide cleanliness and comfort for life.
- Respect the environment
- Build Life-Enriching Relationships

They will support the mission by implementing their Global Environmental Vision.

Water, Earth & a better Tomorrow

TOTO is dedicated to improving people's lives and the environment in order to ensure a prosperous future. Their manufacturing procedures and products save water and energy while lowering environmental impact. They give cleanliness and comfort while fostering life-enriching partnerships.

All of their group companies are committed to making tomorrow a healthier and more sustainable place.

TOTO's JOURNEY

Incorporating health and culture into daily life. TOTO has always strived to improve the quality of life through ongoing innovation and challenge. As we head into the future, exceeding client expectations on a daily basis remains their unwavering goal.

THE EVOLUTION OF TOTO

Their founder had a vision of a more civilised and healthier way of living. Those similar ideals can now be found in many facets of people's daily lives, and they are spreading all over the world.

- **1912**
  Set up a ceramic sanitary ware laboratory and started producing sanitary ware products.
- **1914**
  Japan's first seated flushing toilet was developed successfully.
- **1917**
  The corporation founded by Kazuchika Okura is named TOTO TOKI CO., LTD.
- **1923**
  Tokyo is devastated by the Great Kanto Earthquake. During the rebuilding, a sewage system is created, resulting in a surge in demand for sanitary ware.
- **1946**
  TOTO begins to produce metal fittings and faucets, along with ceramics, after World war II.
- **1958**
  TOTOLITE Bath FRP bathtubs were introduced.

- **1963**

  They come up with a way for building the world's first prefabricated bathroom module.

- **1968**

  Bathroom vanity units were released.

- **1969**

  The Toyotoki trademark was altered to TOTO.

- **1973**

  Yukuhashi TOTO Kiko Ltd. was founded (currently TOTO PLATECHNO LTD.)

  Kanda TOTO Kako Ltd. and Kanda TOTO Kiko Ltd. were founded (present-day TOTO PLATECHNO LTD.)

- **1977**

  For single-family dwellings, the KB series bathroom unit was introduced.

  P.T. SURYA TOTO INDONESIA, a joint venture organization in Indonesia, was founded.

- **1980**

  WASHLET GS was released (toilet seats with warm-water washing feature)

- **1981**

  Delux series modular kitchen design was introduced.

  Manufacturing of ceramic valves for a new faucet domain had begun.

- **1984**

  Automatic Faucets were introduced.

- **1988**

  In the United States, a 6L toilet was introduced.

- **1989**

  TOTO Kiki U.S.A. Inc (present day TOTO U.S.A INC) was founded in the United States, after having previously expanded throughout Indonesia, Korea, Thailand, Taiwan, and Hong Kong.

- **1993**

  Launched the NEOREST toilet, which revolutionised the Clean Technology philosophy.

- **1995**

  TOTO (Beijing) Co. Ltd., a joint venture firm in China, was founded.

- **1998**

  Hydrotect tiles were introduced.

- **1999**

  CEFIONTECT Technology was created.

  WASHLET aprocot series was released.

- **2001**

  Aqua Auto Eco, an automatic faucet with a power generation function, was released.

- **2008**

  TOTO Europe GmbH was founded in Germany.

  TOTO ASIA OCEANIA PTE. LTD. was founded in Singapore.

  TOTO Germany GmbH was founded in Germany.

- **2009**

  TOTO Manufacturing (Thailand) Co. Ltd. (now TOTO (Thailand) Co. Ltd.) was founded in Thailand.

  For the first time, products were displayed at one of the world's largest trade shows, ISH.

- **2011**

  TOTO India Industries Pvt. Ltd. was founded in India.

  TOTO (Fujian) Co. Ltd. was founded in China.

  The number of WASHLETs sold surpassed 30 million.

- **2014**

  TOTO Global Environmental Vision was presented.

  TOTO India Pvt Limited opened their first factory in India on August 20, 2014 at Halol, Gujarat.

- **2015**

  TOTO Museum was inaugurated.

- **2017**

  Globally, the NEOREST NX toilet with WASHLETTM was introduced.

  TOTO's 100th anniversary promoted "TOTO WILL 2022."

  Introduced the Faucet 10 line of water faucets, including the GO series, to the global market, which are distinguished by their contemporary styling.

- **2019**

  TOTO Delhi Showroom was opened

Business expansion in 19 nations and territories (as of October 2019)

TOTO now has operations in 19 countries, including Japan and China, as well as other Asian and Oceanian countries, the Americas, and Europe. Customers all over the world are offered effective plumbing spaces with comfort and TOTO's superior technology. TOTO has received high accolades all over the world for the their plumbing equipment they have provided to numerous prestigious hotels all over the world.

Over 50.00 million WASHLET units have been shipped worldwide (as of March 2019).

Since its launch in 1980, the WASHLET has had a significant impact on Japanese toilet culture. Today, the WASHLET is steadily increasing in popularity around the world.

TOTO LTD owns the trademark or registered trademark WASHLET.

<u>Commencement of Operations at TOTO India plant</u>

On August 20th, 2014, operations began at the India Plant in Gujarat, India with an opening ceremony.

TOTO LTD. announced the launch of a manufacturing facility in the Gujarat town of Halol. The Company's new India Plant is up and running since 2014. TOTO, a world-leading sanitary ware producer, has installed state-of-art technology and intends to expand its sanitary ware operations throughout Western Asia.

Under the TOTO V-Plan 2017, the Company's long-term management plan spanning the time leading up to its 100th anniversary, TOTO has designated the "overseas housing equipment industry" as a core growth engine as part of its corporate strategy (First announced in 2009, then updated in May 2014).

In 2012, the Company began development of its first manufacturing facility in India, having identified India as a significant new market. On August 20th, 2014, an opening ceremony was held to commemorate the start of operations at the factory.

Srmt. Anandiben Patel, Gujarat State's Honourable Chief Minister, and Mr.Takeshi Yagi, Japan's Ambassador Extraordinary and Plenipotentiary to India, honoured the occasion. The ceremony began with the introduction of luminaries on the podium, followed by a welcome address from Mr. Yasaka, TOTO India's Managing Director, and a floral greeting for all dignitaries.

Following that, the visitors on the podium lit the lantern. Takashi Yamauchi, Mitsui & Co. Executive Vice President, Mr. Madoka Kitamura, TOTO President and Representative Director, and Kazuo Watanabe, President of TOTO Asia Oceania Pte. Ltd. joined the occasion (TOTO Executive Officer and General Manager of the Asia Oceania Division).

TOTO will be able to give its residents with technically sophisticated, water-efficient toilets thanks to the Indian plant, and everyone in India will learn about TOTO products and use them as a sanitary part of their daily life for many years to come. Mr. Yamauchi delivered the keynote presentation, and the dignitaries on the dais cut the ribbon. Mr. Takeshi Yagi was welcomed by the Master of Ceremonies to speak a few words and honour the occasion.

Delhi Showroom

The TOTO Showroom in Delhi features a diverse assortment of TOTO goods, including toilets, washlets, washbasins, showers, faucets, urinals, and handryers. TOTO understands the importance of cleanliness and water conservation, which is why TOTO products are of exceptional quality.

TOTO CLEANOVATION

TOTO innovation opens up a whole new world of clean, enhancing every moment of every day.

PREMIST: WASTE IS PREVENTED FROM CLINGING.

A film of water keeps waste from adhering to the toilet bowl, allowing it to be readily washed away.

PREMIST mechanically sprays water over the inner toilet bowl's surface before each usage. Waste is washed away more easily due to the hydrophilic nature of the ceramic.

CEFIONTECT: WASTE IS FORCED TO SLIDE DOWN

Waste can't stick to the ultra-smooth ceramic surface.

CEFIONTECT is a ceramic coating that coats the toilet bowl and is ultra-smooth. Its miniscule surface ridges are much smaller than trash particles, thus waste can't have a foothold there. CEFIONTECT is developed for long-term beauty and cleanliness and is highly resilient.

- **Taking care of the small crevices where waste might hide**

  Traditional ceramic may appear pristine to the naked eye, but it contains holes where trash, mould, and germs can lurk. CEFIONTECT's surface ridges are a millionth of a millimetre in size, significantly smaller than waste materials.

- **What is it about CEFIONTECT that makes it so long-lasting?**

  CEFIONTECT is particularly durable because glass layers are burnt into traditional glazing.

- **CEFIONTECT has a great affinity for water.**

  Hydrophilic microorganisms and materials are those that attract water. CEFIONTECT is a hydrophilic substance. Because water easily distributes around the toilet bowl, waste particles are easily washed away.

TORNADO FLUSH: ENTIRELY SWIRLS AND EJECT WASTE

With less water, 360° cleaning power reaches every spot.

TORNADO FLUSH not only cleans more thoroughly, but it also does so silently and with less water. Water streams mix and whirl 360 degrees inside the RIMLESS toilet bowl, cleaning every nook and cranny.

- **Washing with vigour in areas where waste accumulates the most.**

  TORNADO FLUSH's dynamic waterjet emerges from near the front of the toilet bowl, travels in a narrow channel around a hairpin curve, and completely washes the areas where waste collects most easily—before washing the entire bowl clean with maintained water pressure. This revolutionary design is made possible by exceptionally high-quality ceramic.

- **RIMLESS**

  The RIMLESS design not only eliminates any potential hiding spots for waste and bacteria. It also makes cleaning the toilet a lot easier.

EWATER+ for WAND: PREVENTS WASTE FROM ACCUMULATING ON THE WAND

To keep cleanliness, the wand washes itself from the inside out with EWATER+.

The wand automatically cleans itself with EWATER+ before and after each usage. This thorough cleaning takes place both inside and outside of the wand. Even when the toilet is not in use, the wand cleans itself on a regular basis to maintain sanitary conditions.

- **Keeping the Surroundings Clean**

  The wand is exceptionally resistant to waste and stains, since it is made of high-quality waste-resistant resin and is automatically sprayed with EWATER+ after every use. Furthermore, because the wand is attached to the seat rather than the bowl, waste is less likely to reach it. While the wand is self-cleaning, you'll appreciate how easy it is to reach it and clean it.

EWATER+ for BOWL: PREVENTS WASTE FROM ACCUMULATING ON THE BOWL

Electrolyzed water eliminates waste, including microorganisms that aren't visible.

EWATER+ cleans the wand and toilet bowl, where waste and germs tend to build up and leave persistent stains. EWATER+, which uses no chemicals or cleaning products, gives you piece of mind every day by ensuring that microscopic bacteria have nowhere to hide.

EWATER+:

Electrolysis of the chloride ion in tap water produces this kind of water. There are no chemicals or cleaning products in it. EWATER+ reverts to its original form of regular water over time, making it perfectly eco-friendly.

PRODUCTS:

1. Neorest Collection
2. Neorest Loyalty Program
3. Suite Collection
4. Washlet
5. Faucet & Shower
6. Ecowasher
7. Toilets
8. Fittings

9. Washbasins
10. Bathtubs
11. Accessories

AWARDS:

- **iF Design Award**

  Since 1953, it has been an internationally recognised design award. It takes place in Hannover, Germany, at the iF International Forum Design GmbH.

  Design professionals have scrutinised and recognised products for their beauty, utility, and innovativeness.

  Products that won an award:

  2020:

  - WASHLET RW
  - Wall hung Toilet SP + WASHLET SX

  2019:

  - NEOREST AH
  - NEOREST RH
  - Wall hung Toilet RP WASHLET RX
  - Washbasin faucet (Single lever) GM series

  2018:

  - NEOREST NX
  - Washbasin faucet (Single lever) ZL series
  - Washbasin LF

  2017:

  - Washbasin TR

iF Gold Award 2017

With a possibility of winning of fewer than 2%, this honour is given to products that stand out among iF recipients. Washbasin TL was the winning product.

- **Red Dot Design Award**

  Since 1955, it has been an internationally recognised design award.

  The award ceremony is conducted in Essen, Germany, at the Design Zentrum Nordrhein Westfalen.

  Design professionals have rigorously reviewed and recognised products based on criteria such as innovation and creativity, utility, quality, and so on.

  Products that won an award:

  2020:

  - WASHLET
  - Washbasin TA
  - Washbasin faucet (Single lever) GB series
  - Washbasin faucet (Single lever) GF series
  - FLOTATION TUB

  2019:

  - Washbasin faucet (Single lever) ZA series
  - Washbasin faucet (Single lever) GE series
  - Washbasin faucet (Single lever) GC series
  - Washbasin faucet (Single lever) GM series

  2018:

  - Washbasin faucet (Single lever) GA series
  - Washbasin faucet (Single lever) GS series
  - NEOREST NX

  2017:

  - Washbasin faucet (Single lever) GR series

  Reddot award 2017 – best of the best

  With a possibility of winning of fewer than 2%, this honour is given to items that stand out among Red Dot recipients. The winning product was the GO series washbasin faucet (single lever).

- **Green Good Design Award**

  The American Athenaeon architectural design and the European architecture Design City Research Center located in Ireland have been hosting the event.

It is an international environmental prize established in 2009 with the goal of raising awareness via sustainable design.

Sustainable Technology that Won an Award:

- 2020: Wall hung Urinal with Built-In Sensor
- 2018: WASHLET Equipped with EWATER+

The Indian Sanitaryware (Ceramics) Business Sector

India is the world's second largest sanitaryware producer after China, with an installed capacity of more than 40 million pieces per year, followed closely by Thailand.

In terms of volume, the Indian sanitaryware market accounts for 8% of total world output. The presence of international sanitaryware firms in India has also contributed to this development, since the low cost of production and availability of cheap labour have enticed global corporations to set up shop in India. Only 60% of the Indian sanitary ware market is now organised. On the other side, the unorganised sector (40%) is made up of businesses that create low-quality goods that harm the industry's organised sector.

By the end of 2019, the Indian Sanitaryware market was predicted to be worth $46 billion. The Indian hospitality industry's expansion and increasing urbanisation are credited with this boom. This has also paved the way for a number of multinational corporations to enter the Indian sanitary ware market. However, one major reason that has contributed to the sector's outstanding growth is consumer awareness. This understanding has resulted in a number of contemporary industry developments that are accelerating the sector's growth faster than ever before.

Complete bathroom solutions, water saving technologies, and a surge in luxury segment offerings are some of the trends expected to govern the sector.

Following the lead of the ceramic tile industry, rapid expansion in sanitaryware production has been centred in Gujarat, which has grown to a manufacturing capacity of over 30 million pieces per year, accounting for roughly 75 percent of the country's total output in just a few years. However, Parryware India and Hindustan Sanitaryware Industries Limited (HSIL), India's two largest sanitaryware manufacturers, are based outside of the state.

Parryware India is the Indian subsidiary of Roca, the world's largest sanitaryware manufacturer, which bought the company entirely in 2011. The company has four manufacturing facilities with an installed capacity of 6.3 million pieces per year: 800,000 pieces in Rapinet (Tamil Nadu), 2.4 million pieces in Perundurai (Tamil Nadu), 2.4 million pieces in Dewas (Madhya Pradesh), and 700,000 pieces in Alwar (Madhya Pradesh) (Rajasthan).

HSIL has a stated annual capacity of 3.8 million pieces installed in its two plants in Bibinagar (Telengana province) and Bhahdurgarh (Haryana), and produced 3.3 million pieces in 2018.

RAK Ceramics, a UAE-based MNC, has selected the city of Samalkot in the Andhra Pradesh state for its tile and sanitaryware factories (capacity of 30,000 square metres per day and 3,000 pieces per day, respectively).

Gujarat is home to the majority of India's other sanitaryware manufacturers. Cera Sanitaryware, India's third largest sanitaryware manufacturer, has a manufacturing facility in Mehsana with a potential of 3.3 million pieces of mid-range and luxury items. In the Kutch district, the Jaquar factory is located in Bhachau. The Jaquar Group, which was founded in 1960, is a manufacturer of bathroom fixtures, faucets, and other accessories. It made its first foray into the ceramic sanitaryware market in May 2017, when it paid roughly $15.5 million for Euro Ceramics.

In 2018, the plant's annual manufacturing capacity was expanded from 1.2 to 1.8 million pieces of medium to high-end range.

Kohler India's plant (1.5 million pieces per year) is in Jhagadia, where it constructed a fresh new Tech Centre in 2018 to serve as an incubator for innovative ideas, a display for the latest product designs, and a training facility for the sanitaryware manufacturing process.

Gujarat also houses the Indian affiliate of the German business Duravit. Duravit India opened its first facility in Tarapur in 2010 and currently manufactures roughly 200,000 large ceramic pieces per year, with an annual capacity of up to 500,000 pieces planned.

Toto, a Japanese sanitaryware giant, has picked Gujarat as the location for its Indian operations. Its ultra-modern manufacturing factory in Halol, which opened in 2014, was developed with a 6 billion yen (approximately 49 million euros) investment, the group's largest in South Asia. The Toto India factory is initially slated to produce 500,000 sanitaryware items per year, with the capacity to grow. Toto India produces goods for both the domestic and international markets.

PART B – Project Work

Introduction

Nature of The Problem

TOTO India Pvt Ltd mainly caters to international customers and high net worth individuals and establishments like hotels and offices. They do sell cheaper products, in comparison to their high-end products, to the Indian market but the quantity is still lower than what they export to developed countries.

So, though the company earns a lot globally and its India unit earns most of its revenue from exports, domestically the company doesn't earn as much as it aspires to.

Therefore, the company wants to increase its Income From Other Sources such as dividend and interest income. They have already invested in MGVCL, ICICI and SBI fixed deposits, to name a few schemes they have invested in, and want to further earn more income by way of investing in more lucrative avenues.

Objectives of the study

- To collect data on the various investment avenues like fixed deposits, mutual funds, non-convertible debentures schemes of various banks and financial institutions, along with their risk and rate of returns, based on the investment criteria given by the company.
- To find the financial position of the banks and companies which are providing the fixed deposits, mutual funds, non-convertible debentures etc, i.e their profitability, assets to debt ratio etc which will provide information about the strength of the bank.
- To find out the ratings of various schemes (CRISIL/ICRA ratings or others) to assess the risk of the schemes. Money is to be invested in the least risky schemes with reasonable returns.
- To find the best options out of the ones provided by the various investment avenues. (Here, best options = low risk, high rate of return)
- To be able to recommend where and how much to invest finally, based on past data/performance of the various investment options.

Expected Benefits

- To be able to convince the management/board (99% consisting of Japanese) to allow TOTO India to invest in a little riskier options, that is, apart from the extremely safe Fixed Deposits offered by banks or post offices or government organisations like MGVCL. (As Japanese members of TOTO Japan/Global company are not into taking high risks.)
- Growth of the investments (earn higher returns than now with higher rates of returns) of the company while investing in low (lower) risk avenues
- Increase in the Income from Other Sources of the company (as it isn't earning as much revenue domestically as it from exports and from its foreign counterparts).

Methodology/Approach adopted

- Data is being/was collected from the official websites of the banks like Axis Bank, HDFC Bank, IDFC First Bank and financial institutions like HDFC Securities, Bajaj Capital, IIFL Finance, HDFC Mutual Funds as well as from Moneycontrol, news outlets like Livemint and the official website of CRISIL and ICRA.
- At first, data about only fixed deposits of banks were collected for a period of upto less than a year as that's what the company has invested in so far. But since the company has already invested in ICICI and SBI, and MCGVL, which already provide the highest rate for the period (upto to 6 months – 3.5% p.a., upto 9 months – 4.4% p.a.), after asking the company mentor, the period was increased to 1 year (as banks like Citibank and Bank of Baroda don't provide more than 2.95% interest p.a. for periods less than a year) and the investment options were expanded to include Mutual Funds of low risk, corporate FDs and debt funds like non-convertible debentures, especially since the company is unwilling to invest in high risk avenues like the share markets (mutual funds have both debt and equity elements in various proportions so they are considered by the company).
- Data collected has been/is being inputed into an Excel workbook which has separate sheets for Bank Fixed Desposits, Company Fixed Deposits, Mutual Funds, Non-convertible Debentures (NCDs), along with the summary reports (of the top Bank Fixed Deposits, Company Fixed Deposits & Mutual Funds, with their risk and return rates, and banks' and companies' financial positions).

Exploration of Alternatives

The alternatives that were explored are, while trying to get their risk ranking/rating from CRISIL/ICRA or the official websites of the banks/financial institutions:

- Fixed Deposits of Banks (mostly private)
- Company Fixed Deposits (like of HDFC Ltd, Mahindra Finance, Shriram Transport etc)
- Mutual Funds with low to moderate level of risk
- Non-Convertible Debentures (Bonds) (though this alternative was just as something extra apart from the above three main options that the company prefers)

<u>Images of some of the data collected:</u>

Banks' Fixed Deposits (HDFC and AXIS Bank)

BANKS	HDFC	AXIS (Domestic Deposits)				AXIS (NRI Deposits)			
	Rate p.a. (FD, <2Cr)	Rate p.a. (Domestic) (<2cr)	Rate p.a. (Domestic)(2Cr< 4.91Cr)	Rate p.a. (Domestic)(4.91Cr< 4.92Cr)	Rate p.a. (Domestic)(4.92Cr< 5Cr)	Rate p.a. (NRE) (<2cr)	Rate p.a. (NRE)(2Cr< 4.91Cr)	Rate p.a. (NRE)(4.91Cr < 4.92Cr)	Rate p.a. (NRE)(4.92Cr < 5Cr)
6 months 1 day - 9 months	4.40%								
91 days - 6 months	3.50%								
3 months < 4 months		3.50%	3.45%	2.60%	3.45%				
4 months < 5 months		3.50%	3.45%	2.60%	3.45%				
5 months < 6 months		3.50%	3.45%	2.60%	3.45%				
6 months < 7 months		4.40%	3.80%	2.75%	3.80%				
7 months < 8 months		4.40%	3.80%	2.75%	3.80%				
8 months < 9 months		4.40%	3.80%	2.75%	3.80%				
9 months < 10 months		4.40%	3.95%	2.75%	3.95%				
10 months < 11 months		4.40%	3.95%	2.75%	3.95%				
11 months < 11 months 25 days		4.40%	3.95%	2.75%	3.95%				
11 months 25 days < 1 year		4.40%	3.95%	2.75%	3.95%				
1 year < 1 year 5 days						5.10%	4.15%	3.00%	4.15%
1 year 5 days < 1 year 11 days						5.15%	4.15%	3.00%	4.15%
1 year 11 days < 1 year 25 days						5.10%	4.15%	3.00%	4.15%
1 year 25 days < 13 months						5.10%	4.15%	3.00%	4.15%

Mutual Funds (from HDFC Mutual Fund & HDFC Securities)

HDFC Mutual Fund	There is no assurance that the investment objective of the Scheme will be realized											
Duration Based Debt						Theme Based	Only one has been entered here as the rest of them are for periods longer than 12 months					
	Suitable for	Suggested Investment Period	Risk-Return Profile acc. to the bank	Product Labelling			Suitable for	Suggested Investment Period	Risk-Return Profile acc. to the bank	Product Labelling		Crisil Ranking
HDFC Liquid Fund	Regular income	7 to 91 days	Moderate risk	• regular income over short term	• to generate income through a portfolio comprising money market and debt instruments	HDFC Banking and PSU Debt Fund	Regular income	3-12 months	Moderate risk	• income over short term	• to generate income/capital appreciation through investment in a portfolio comprising substantially of floating rate debt, fixed rate debt instruments swapped for floating rate returns and money market instruments	Rank 5
HDFC Low Duration Fund					• to generate income/capital appreciation through investment in debt							

Bank Deposits | Mutual Funds | NCD | Financial Position

HDFC Low Duration Fund	Regular income	3-12 months	Moderate risk	• income over short term	• to generate income/capital appreciation through investment in debt securities and money market instruments
HDFC Short Term Debt Fund	Regular income	6-12 months	Moderate risk	• income over short term	• to generate income/capital appreciation through investments in Debt and Money Market Instruments

HDFC Ultra Short Term Fund	Regular incom	2-6 months	Moderate risk	• income over short term	• income/capital appreciation through investment in debt securities and money market instruments.
HDFC Money Market Fund	Regular incom	3-12 months	Moderate risk	• income over short term	• to generate income/capital appreciation through investments in Debt and Money Market Instruments
HDFC Overnight Fund	Regular incom	Up to 7 days	Low risk	• regular income over short term that may be in line with the overnight call rates	• to generate returns by investing in debt and money market instruments with overnight maturity

HDFC Securities

HDFC Balance Advantage Fund

Return Calculator

The Rate of Return also known as the Return of Investment is the basic fundamental ratio of calculating returns for any gains or yearly income. The Return Calculator lets you calculate your proxy returns using various combinations across different mutual funds and time frame.

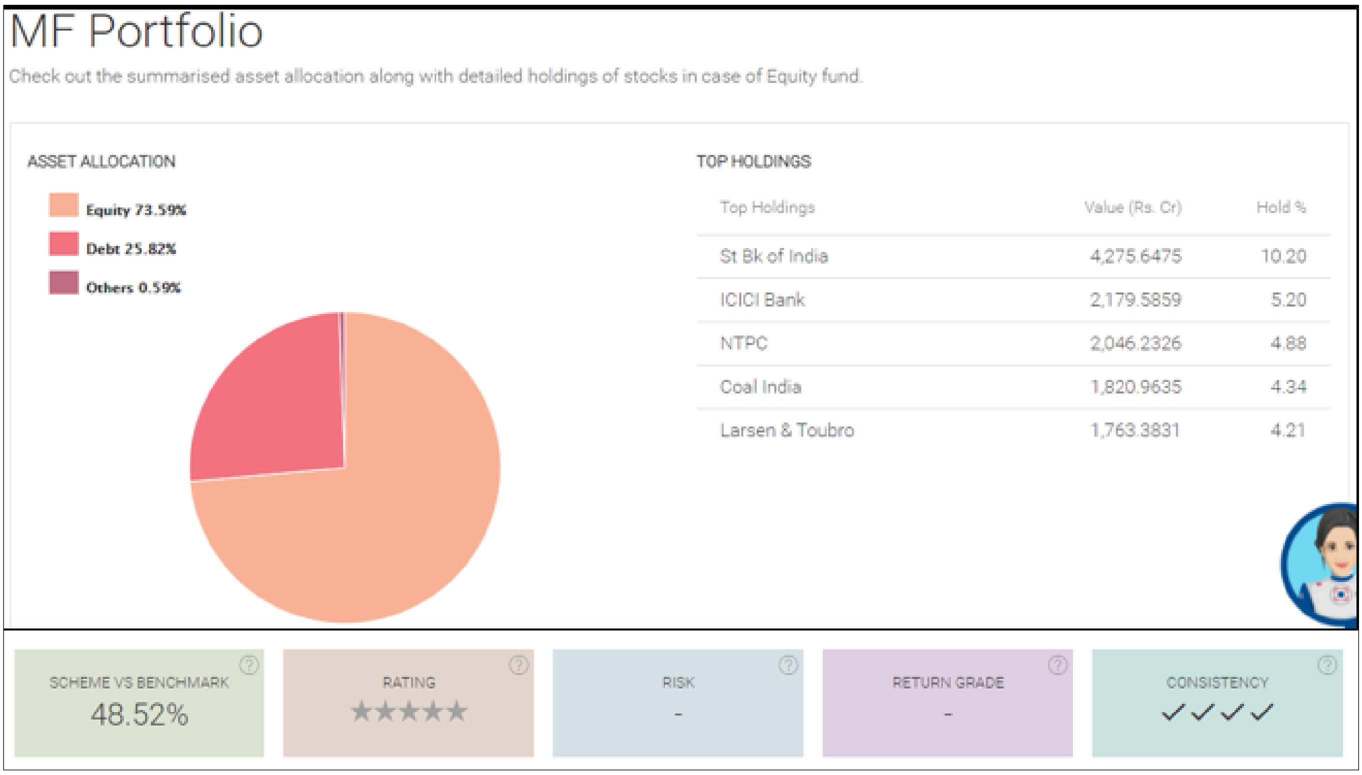
If I had made LUMPSUM investment of ₹ 1,00,00,000

in HDFC Balanced Advantage Fund (D) 12 Months Ago

My investment would be worth ₹ 1,47,88,084 with a Gain of 48.52%

Rs. 1 Lac Invested would be worth

Fund Name	3 Months	6 Months	1 Year	3 Years	5 Years
HDFC Balanced Advantage Fund (D)	1,07,835.80 7.84%	1,17,705.90 17.71%	1,47,880.84 48.52%	1,35,586.99 10.69%	1,82,605.99 12.81%
NIFTY	1,06,425.66 6.43%	1,17,729.06 17.73%	1,53,170.51 53.53%	1,46,505.52 13.59%	1,90,464.28 13.77%
SENSEX	1,04,944.20 4.94%	1,14,860.11 14.86%	1,50,649.94 50.99%	1,48,280.43 14.05%	1,94,750.01 14.28%



Company Fixed Deposits (offered by Bajaj Capital & HDFC Securities)

HDFC Securities						
Regular Deposit Cumulative Option* ROI (p.a.)						
Company Name	**Credit Rating**	**1 Yr**	**2 Yr**	**3 Yr**	**4 Yr**	**5 Yr**
HDFC Limited	CRISIL- FAAA & ICRA - MAAA	5.70%	5.85%	6.05%	6.05%	6.40%
Mahindra Finance Ltd	CRISIL- FAAA & ICRA - MAAA	5.70%	6.20%	6.30%	6.45%	6.45%
Bajaj Finance Ltd	CRISIL- FAAA & ICRA - MAAA	5.65%	6.10%	6.50%	6.50%	6.50%
LIC Housing Finance	CRISIL- FAAA & ICRA - MAAA	5.10%	5.50%	5.60%	-	5.60%
Shriram Transport	CRISIL - FAAA & ICRA - MAA+	7.25%	7.50%	8.00%	8.10%	8.25%
ICICI Home Finance	CRISIL- FAAA & ICRA - MAAA	5.70%	5.85%	6.05%	6.30%	6.45%
Bajaj Capital						
INTEREST (%)						
Company Name	**Credit Rating**	**1 Yr**	**2 Yr**	**3 Yr**	**4 Yr**	**5 Yr**
PNB Housing Finance	FAAA/Stable by CRISIL	5.9	6.15	6.6	6.6	6.7
Shriram City Union Finance	ICRA-MAA+(Stable)	7.25	7.5	8	8.1	8.25

Non-Convertible Debentures (information looked up about IIFL's last issue – Tranche I to show past information about IIFL Finance's issues to decide whether to invest in IIFL Finance's future issues or not)

❖ **Rationale behind choosing NCDs/Bonds as an option for investment:**

- Interest rates range from 8.5 to 11%, which is significantly higher than that of standard securities.
- Credit rating companies rate safe securities like NCDs.

- NCDs that have been publicly listed on BSE or NSE can be traded.
- NCDs stored in dematerialized form are not subject to TDS.

❖ **Rationale behind choosing IIFL bonds as an option for investment:**

- You can earn up to 10%. * p.a.
- CRISIL's rating of 'AA/Negative' and Brickwork's rating of 'AA+/Negative' indicate a high level of safety and security in terms of regular and timely payments of financial obligations.
- With an AuM of ₹42,264 crores, IIFL is India's leading NBFC which has a diverse small-ticket retail loan book.
- Only ₹10,000/- is required for an application, and each NCD has a face value of ₹1,000.
- Interest is calculated monthly, so a regular source of income can be provide to the compaany as they desire.
- Extensive Experience, so a strong track record
- Every previous edition was sold out. IIFL Finance has a flawless track record of interest and principal repayment on schedule.

FAQs on IIFL Bonds (These FAQs were put up in 2021, and are on Tranche I Bonds issued)

(Found in 2019's FAQs ↓)

Why should I invest in NCD?

Ans: NCD scores above Fixed Deposits and other Fixed Income Products

- No TDS in case on Listed & Dematerialized NCD, unlike Fixed Deposits where Tax is deducted at source;
- NCDs are listed on stock exchanges i.e. NSE and/or BSE, are easier to liquidate as compared to NSCs, Fixed Deposits and other fixed income products with firm lock in Period.

2021 NCD FAQs

What is the credit rating for the NCDs?

Ans: The NCDs proposed to be issued under the Issue have been rated CRISIL AA/Negative (pronounced as CRISIL Double A rating with Negative outlook) and BWR AA+/Negative (pronounced as BWR Double A Plus with Negative outlook). The aforesaid rating indicates that instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations and carry very low credit risk.

What are the interest rates and benefits received under different categories?

Ans:

Series I Unsecured NCD

In case of Series I Unsecured NCDs, interest would be paid annually on Actual/Actual basis at the following rate of interest on the amount outstanding from time to time, commencing from the Deemed Date of Allotment of each Series I NCD:

Category of Unsecured NCD Holders	Coupon (%)
Category I, II, III & IV	10.00%

Series I Unsecured NCDs shall be redeemed at the Face Value thereof along with the interest accrued thereon. if anv. at the end of 87 months from the Deemed Date of Allotment.

Series II Unsecured NCD

In case of Series II Unsecured NCDs, interest would be paid monthly on Actual/Actual basis at the following rate of interest on the amount outstanding from time to time, commencing from the Deemed Date of Allotment of each Series II Unsecured NCD:

Category of Unsecured NCD Holders	Coupon (%)
Category I, II, III & IV	9.60%

In case of Series III Unsecured NCDs, the Unsecured NCDs shall be paid interest along with the principal and would be redeemed at the end of 87 months from the Deemed Date of Allotment as mentioned below:

Category of Unsecured NCD Holders	Face Value (₹ per NCD)	Redemption Amount (₹ per NCD)
Category I, II, III & IV	1,000	2,000

In 2019, IIFL issued Secured NCDs as well and the Series I Secured NCDs had a maturity period of 15 months

(details available in 2019 FAQs)

Experts did not recommend investing in the 2021 NCDs due to them being unsecured and because of the pandemic.

But NCDs can be considered as an option for investing in as they can be redeemed before the maturity period many times and are not as risky as other avenues.

In comparison, NCDs by bigger non-banking financial companies LIC Housing Finance, ICICI Home Finance and HDFC are offering interest in the range of 5% to 6%.

AXIS Bank Bonds CRISIL Ratings

Rating Rationale

January 29, 2021 | Mumbai

Axis Bank Limited

Ratings reaffirmed at 'CRISIL AAA / Stable , CRISIL AA+ / Stable / CRISIL A1+ '

Rating Action

Rs.3500 Crore Tier I Bonds (Under Basel III)	CRISIL AA+/Stable (Reaffirmed)
Rs.3500 Crore Tier I Bonds (Under Basel III)	CRISIL AA+/Stable (Reaffirmed)
Rs.850 Crore Tier II Bonds (Under Basel III)	CRISIL AAA/Stable (Reaffirmed)
Rs.2500 Crore Tier II Bonds (Under Basel III)	CRISIL AAA/Stable (Reaffirmed)
Rs.5000 Crore Tier II Bonds (Under Basel III)	CRISIL AAA/Stable (Reaffirmed)
Rs.2000 Crore Tier II Bonds (Under Basel III)	CRISIL AAA/Stable (Reaffirmed)
Rs.4000 Crore Tier II Bonds (Under Basel III)	CRISIL AAA/Stable (Reaffirmed)
Rs.6000 Crore Infrastructure Bonds	CRISIL AAA/Stable (Reaffirmed)
Rs.5000 Crore Infrastructure Bonds	CRISIL AAA/Stable (Reaffirmed)
Rs.3000 Crore Infrastructure Bonds	CRISIL AAA/Stable (Reaffirmed)
Rs.3205 Crore Infrastructure Bonds	CRISIL AAA/Stable (Reaffirmed)
Rs.5000 Crore Infrastructure Bonds	CRISIL AAA/Stable (Reaffirmed)
Rs.60000 Crore Certificate of Deposits	CRISIL A1+ (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL AAA/CRISIL AA+/Stable/CRISIL A1+' ratings on the debt instruments of Axis Bank Limited (Axis bank).

Criteria for Evaluation

- The option with the lowest risk and highest return needs to be chosen
- Alternatives which don't solely or too heavily rely on equity (share market) but have a mix of equity and debt (mutual funds like balanced advantage funds)
- Alternatives which provide the maximum return for amounts upto ₹5 crores within in a period of one year (one year and a few months might be fine as well).
- Alternatives which provide a regular source of income like monthly, quarterly oer yearly interest or dividend
- Alternatives which grow the amount invested within a period of 1 year more than at the current growth rate (of 3-5% p.a).
- The financial position of the banks and the companies which are offering fixed deposits so that their return-providing ability can be judged better.

Profit & Key Financial Ratios of AXIS Bank

	AXIS Bank	
In Cr. (₹)	2020-2021	2019-2020
Profit	6,588.50	1,627.22
Key Financial Ratios		
Operating Profit Per Share (Rs)	-34.94	-21.18
Net Operating Profit Per Share (Rs)	221.98	213.82
Net Profit Margin	2.59	8.5
Return on Net Worth(%)	1.57	7.01
Interest Expended / Total Funds	4.36	4.46
Interest Expended / Capital Employed(%)	4.36	4.46
Total Debt to Owners Fund	9.28	10.52
Financial Charges Coverage Ratio	1.65	1.59
Current Ratio	0.13	0.1
Quick Ratio	17.6	17.84

Profit, Balance Sheet Figutes & Key Financial Ratios of HDFC Ltd & Shriram Transport

	HDFC Limited		Shriram Transport	
In Cr.	2020-2021	2019-2020	2020-2021	2019-2020
Total Assets	567,598.58	524,093.56	129,678.86	114,128.64
Net Worth (Share Capital + Reserves & Surplus)	108,782.65	86,158.06	21,568.37	18,005.16
Net Profit/Loss	12,027.30	17,769.65	2,487.26	2,501.84
Key Financial Ratios				
PER SHARE RATIOS				
Basic EPS (Rs.)	67.77	102.91	100.97	107.44
Net Profit/Share (Rs.)	66.67	102.59	98.29	110.27
Dividend / Share(Rs.)	23	21	18	5
PROFITABILITY RATIOS				
Net Profit Margin (%)	24.97	30.25	14.27	15.11
Return on Assets (%)	2.11	3.39	1.91	2.19
Return on Capital Employed (%)	9.7	12.74	14.88	16.67
Return on Equity (%)	11.05	20.62	11.53	13.89
More ratios				
Earnings Retention Ratio (%)	69.72	79.74	87.8	89.12
Total Debt/Equity	4.06	4.86	4.92	5.24
Financial Charges Coverage Ratio	1.52	1.66	1.38	1.43
Current Ratio	4.67	4.26	2.74	2.58

Evaluation of Alternatives

The last task given was to make a summary report by selecting at least 3 mutual funds, company fixed deposits and bank fixed deposits and compare them on the basis of

- Rates of return (last 6-12 months average in case of mutual funds)
- Ratings given by CRISIL and/or ICRA
- Fund size (for eg: 3-5% p.a. for upto ₹2crores & 3.5-4.4% p.a. upto ₹5 crores, and minimum amount that can invested for company fixed deposits)
- Financial positions (profit or loss, total assets, shareholders' fund, and key financial ratios) of banks and the companies providing fixed deposits

Company Fixed Deposits

CRISIL Rating Scale

Credit Ratings - Fixed Deposit Scale

FAAA ("F Triple A") Highest Safety	This rating suggests that the degree of safety in terms of regular interest income and principal payment is very high.
FAA ("F Double A") High Safety	This rating shows that there is a high level of confidence in the punctual interest payments and principal. However, the relative level of security is not as great as with 'FAAA' rated fixed deposits.
FA Adequate Safety	This rating suggests that the level of security in terms of regular interest and principal payments is adequate. Changes in situations can have a greater impact on such concerns than in the better performing categories.
FB Inadequate Safety	This rating denotes a lack of confidence in the regular interest payments and principal. Although these issues are less likely to default than fixed deposits rated lower in this category, the issuer's uncertainty may result in insufficient capacity to make regular principal and interest payments.
FC High Risk	This rating suggests that the degree of security in terms of regular interest and principal payment is uncertain. Negative

	business or economic conditions would lead to a lack of ability or inclination to pay interest or principal on such issues, making them liable to miss a payment.
FD Default	This grade denotes that the fixed deposits have defaulted or are projected to default at maturity.
NM Not Meaningful	Instruments with a rating of 'NM' have factors in them that make the excellent grade worthless. These include the issuer's reorganisation or liquidation, as well as the obligation being contested in court or before a statutory authority.

For ratings from FAA to FC, CRISIL may use the '+' (plus) or '-' (minus) indicators to denote the relative position within the rating category.

For ratings ranging from 'FAAA' to 'FB,' CRISIL may offer rating outlooks. Rating Watch will not include outlooks in its ratings. A rating outlook is a prediction of how a rating will change over the next one to two years. The perspective for a rating can be 'Positive,' 'Stable,' or 'Negative.'

ICRA Rating Scale

Medium-Term Rating Scale (only for Public Deposits)

MAAA	The highest creditworthiness rating given by the ICRA. The credit risk associated with the rated deposits programme is the least.
MAA	ICRA assigns a high credit-quality rating. The credit risk associated with the graded deposits programme is minimal.
MA	The ICRA's credit-quality grade of acceptable. The credit risk associated with the graded deposits programme is average.
MB	The ICRA's credit score of "inadequate." The credit risk associated with the graded deposits programme is considerable.
MC	ICRA's risk-prone-credit-quality rating. The credit risk associated with the rated deposits programme is extremely high.

MD	ICRA's credit-quality rating with the lowest score. The rated instrument's chances of recovery are extremely slim.

Note: The modifiers + (plus) or – (minus) may be applied to the rating symbols for the rating categories MAA through MC (relating to the Medium Term Rating Scale) to denote their relative position within the rating categories involved. As a result, MAA+ is one grade higher than MAA, and MAA- is one grade below.

- ❖ CRISIL rating of only FAAA and ICRA rating of MAAA and MAA+ were considered when finding options for investing in when it came to Company Fixed deposits as deposit schemes with those ratings are the ones which provide the maximum level of security and safety, that is, they are the fixed deposits which are of the least risk and would provide regular returns such as interest payments on a monthly, quarterly or yearly basis depending on the scheme chosen by the entity investing.
- ❖ Company fixed deposit schemes which have a rate of interest more than 5% p.a. were chosen after looking through websites which suggested which company fixed deposits were the best in the market for an investment duration of 1 year.
- ❖ Minimum amounts were also found so that the company can invest a lesser amount first before going all out later on.
- ❖ Reputed financial institutions like HDFC Securities and Bajaj Capital were used to collect all the relevant information given below so as to avoid any misinformation.

HDFC Securities							
		Regular Deposit Cumulative Option* ROI (p.a.)					
Company Name	Credit Rating	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	Min.Amount (₹)
HDFC Limited	CRISIL- FAAA & ICRA - MAAA	5.70%	5.85%	6.05%	6.05%	6.40%	20000
Mahindra Finance Ltd	CRISIL- FAAA & ICRA - MAAA	5.70%	6.20%	6.30%	6.45%	6.45%	10000
Bajaj Finance Ltd	CRISIL- FAAA & ICRA - MAAA	5.65%	6.10%	6.50%	6.50%	6.50%	25000
LIC Housing Finance	CRISIL- FAAA & ICRA - MAAA	5.10%	5.50%	5.60%	-	5.60%	
Shriram Transport	CRISIL - FAAA & ICRA - MAA+	7.25%	7.50%	8.00%	8.10%	8.25%	10000
ICICI Home Finance (Individual deposits)	CRISIL- FAAA & ICRA - MAAA	5.70%	5.85%	6.05%	6.30%	6.45%	10000

Bajaj Capital							
		INTEREST (%)					
Company Name	Credit Rating	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	Min.Amount (₹)
LIC Housing Finance Sanchay Public Deposit Scheme	CRISIL- FAAA	5.25	5.65	5.75	-	5.75	10000
PNB Housing Finance	FAAA/Stable by CRISIL	5.9	6.15	6.6	6.6	6.7	10000
Shriram City Union Finance Ltd	ICRA-MAA+(Stable)	7.25	7.5	8	8.1	8.25	5000

Financial Position of Companies						
	HDFC Limited		Shriram Transport		Shriram City Union Finance Ltd	
In Cr.	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020
Total Assets	567,598.58	524,093.56	129,678.86	114,128.64		30,974.25
Net Worth (Share Capital + Reserves & Surplus)	108,782.65	86,158.06	21,568.37	18,005.16		7,207.96
Net Profit/Loss	12,027.30	17,769.65	2,487.26	2,501.84		1,000.52
Key Financial Ratios						
PER SHARE RATIOS						
Basic EPS (Rs.)	67.77	102.91	100.97	107.44		151.6
Net Profit/Share (Rs.)	66.67	102.59	98.29	110.27		151.59
Dividend / Share(Rs.)	23	21	18	5		6
PROFITABILITY RATIOS						
Net Profit Margin (%)	24.97	30.25	14.27	15.11		17
Return on Assets (%)	2.11	3.39	1.91	2.19		3.23
Return on Capital Employed (%)	9.7	12.74	14.88	16.67		21.86
Return on Equity (%)	11.05	20.62	11.53	13.89		13.88
More ratios						
Earnings Retention Ratio (%)	69.72	79.74	87.8	89.12		85.49
Total Debt/Equity	4.06	4.86	4.92	5.24		3.21
Financial Charges Coverage Ratio	1.52	1.66	1.38	1.43		1.67
Current Ratio	4.67	4.26	2.74	2.58		2.03

	Financial Position of Companies					
	Mahindra Finance Ltd		PNB Housing Finance		Bajaj Finance Ltd	
In Cr.	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020
Total Assets	77,036.45	74,071.21		78,874.18	138,338.89	138,003.57
Net Worth (Share Capital + Reserves & Surplus)	14,711.51	11,363.86		7,947.16	35,938.74	31,813.21
Net Profit/Loss	335.15	906.4		682.31	3,955.51	4,881.12
Key Financial Ratios						
PER SHARE RATIOS						
Basic EPS (Rs.)		14.74		40.6	65.85	83.25
Net Profit/Share (Rs.)		14.73		40.57	65.75	81.36
Dividend / Share(Rs.)					10	10
PROFITABILITY RATIOS						
Net Profit Margin (%)		8.97		8.04	16.8	20.48
Return on Assets (%)		1.22		0.86	2.85	3.53
Return on Capital Employed (%)		14.83		14.96	11.69	14.72
Return on Equity (%)		7.97		8.58	11	15.34
More ratios						
Earnings Retention Ratio (%)		100		100		76.62
Total Debt/Equity		5.26		8.6	2.78	3.28
Financial Charges Coverage Ratio		1.3		1.15	1.76	1.9
Current Ratio		2.24		2.3	4.71	3.53

Financial positions of the companies offering the fixed deposit schemes were asked to be compared amongst each other.

For doing that:

- Total assets were chosen as knowing the total size of the amount in the balance sheet is important to figure out how big the company is.

- Net Worth (Share Capital & Reserves and Surplus) was chosen as it's important to know how much of the liabilities consist of equity and preference shares and retained earnings and other reserves.
- Net profit or loss is the most important element as that is where the interest and dividend payments are deducted from to pay to the customers of the deposits and debenture schemes they offer, and that is final earnings of the company after all expenses.
- **Rationale behind choosing those specific financial ratios:**
  - **Earning Per Share** is required to know how much money the company makes for each share and it's the widely used metric for estimating the company's value.
  - **Net Profit per Share** is the amount of profit after all taxes and expenses that is received for every share
  - If the company pays any dividend then **dividend per share** is the amount each share will get as dividend income
  - Investors can use the **net profit margin** to see if a company's management is making enough money from its revenue from operations and if operating and overhead costs are under control. One of the most crucial indications of a company's financial position is its net profit margin.
  - The **return on assets (ROA)** is a critical metric for a company since it shows investors how the company is truly performing in terms of converting assets into net capital. As a result, the greater the measure (expressed in percentage), the better it is for the management of the company.
  - Because it assesses a company's profitability after factoring in the capital needed to generate that profitability, **return on capital employed (ROCE)** is a measure of the company's efficiency when using its capital (shareholders' money).
  - The **return on equity** ratio is a financial metric that assesses a company's ability to create profits from the investments of its shareholders. This measure helps to determine how effective a company is at utilising equity investment to run its day-to-day operations.
  - **Earnings Retention Ratio** indicates whether or not the company pays dividend from its net profit to its shareholders. Higher this measure, lesser the dividend paid. 100% here indicates the company does not pay dividends.

- The **debt-to-equity (D/E) ratio** calculates an organisation's total liabilities to its shareholders' equity and is used to determine how much leverage it is employing. Higher leverage ratios usually imply a company or stock that poses a greater risk to shareholders.
- The **financial/fixed charges coverage ratio (FCCR)** assesses a company's capacity to cover fixed costs such debt payments, interest, and lease payments. It demonstrates how well a company's revenue are able to pay its fixed/financial costs. When deciding whether or not to lend money to a company, banks frequently look at this ratio. A high ratio implies that a company's current incomes alone are sufficient to cover fixed/financial charges.
- The **current ratio** is a liquidity/solvency and efficiency ratio that assesses a company's capacity to repay short-term debts using current assets. Since short-term liabilities are due within a year, the current ratio is a useful and important measure of liquidity.

The ideal current ratio is 2:1. It provides a clear picture of a company's financial stability. It is deemed desirable when current assets exceed current liabilities. A higher current ratio suggests that the company is more liquid in terms of its capacity to fulfill its current liabilities on time.

If a company's current ratio is excessively high, it may signal that its current assets or short-term financing capabilities/assets are not being used efficiently. The current ratio will be less than 1 if current liabilities outweigh current assets.

So from the above table of financial positions comparison among the companies and their scheme's rate of interests, it can seen that the **following 6 out of 8 companies' fixed deposit schemes are the most worthy of being invested in:**

- **HDFC Limited** – FD scheme has the highest CRISIL and ICRA ratings (FAAA & MAAA respectively), company has information for both 2020-21 & 2019-20 and has earned profits for both the years, and also provides dividends and has the highest net profit margin out of all the company with a decent rate of interest of 5.7% p.a.
- **Shriram Transport** – FD scheme has the highest CRISIL rating (FAAA) and second best ICRA rating MAA+ and has the highest rate of return out of all the other schemes at 7.25% p.a.. The company has information for both the financial years and like HDFC

Ltd, it has a large amount of total assets. It pays dividend with a rather decent net profit margin of 14-15%.

- **Shriram City Union Finance Ltd** – Though the 2020-21 information isn't available, the 2019-20 information is decent with the company even paying dividend during pandemic times. On top of that it has the second best rating of ICRA of MAA+ and has the highest rate of interest like Shriram Transport at 7.25% p.a, justifying the slightly less than perfect rating. It has such a high rating with one of the lowest risks.

Shriram and HDFC are highly reputed companies worth investing in as returns are assured and rather good (or rather high in case of Shriram) for just 1 year.

- **Mahindra Finance Ltd** – has at least balance sheet and income statement information for both years. It is providing a rather decent rate of interest of 5.7% p.a. Its scheme has the highest credit ratings of FAAA from CRISIL and MAAA from ICRA, meaning it has lowest risk. If invested in for more than 1 year, it provides higher rate of return than HDFC Ltd, Bajaj Finance Ltd, LIC Housing Finance Ltd and ICICI Home Finance.
- **Bajaj Finance Ltd** – Company has information for both the years and has good net profit margin both years and has paid dividend both years, even during 2019-20 pandemic year. It has a higher rate of interest (5.65% p.a.) than LIC Housing Finance (5.25% p.a.) in the 1 year and a higher rate of interest than all the others except Shriram Transport and Shriram City Union Finance from the second year (6.5% p.a.), and PNB Housing Finance gives better returns than Bajaj Finance Ltd from the 3rd year.
- **PNB Housing Finance** – Right from the first year (5.9% p.a.), leaving out Shriram Transport and Shriram City Union Finance, it has given the highest rates of interest, only dipping slightly in the 2nd year. Even then it is ahead of HDFC Ltd, Bajaj Finance Ltd, ICICI Home Finance and LIC Housing Finance in the 2nd year. The only issue is that the 2020-21 data for the company isn't available but it has the CRISIL rating of FAAA which means it provides timely returns with least risk.

Bank Fixed Deposits

Fixed Deposits of Banks

AXIS Bank

Time Period	AXIS (Domestic Deposits)				AXIS (NRI Deposits)			
	Rate p.a. (Domestic) (<2cr)	Rate p.a. (Domestic) (2Cr< 4.91Cr)	Rate p.a. (Domestic)(4.91Cr< 4.92Cr)	Rate p.a. (Domestic)(4.92Cr< 5Cr)	Rate p.a. (NRE) (<2cr)	Rate p.a. (NRE)(2Cr< 4.91Cr)	Rate p.a. (NRE)(4.91Cr< 4.92Cr)	Rate p.a. (NRE)(4.92Cr < 5Cr)
3 months < 4 months	3.50%	3.45%	2.60%	3.45%				
4 months < 5 months	3.50%	3.45%	2.60%	3.45%				
5 months < 6 months	3.50%	3.45%	2.60%	3.45%				
6 months < 7 months	4.40%	3.80%	2.75%	3.80%				
7 months < 8 months	4.40%	3.80%	2.75%	3.80%				
8 months < 9 months	4.40%	3.80%	2.75%	3.80%				
9 months < 10 months	4.40%	3.95%	2.75%	3.95%				
10 months < 11 months	4.40%	3.95%	2.75%	3.95%				
11 months < 11 months 25 days	4.40%	3.95%	2.75%	3.95%				
11 months 25 days < 1 year	4.40%	3.95%	2.75%	3.95%				
1 year < 1 year 5 days					5.10%	4.15%	3.00%	4.15%
1 year 5 days < 1 year 11 days					5.15%	4.15%	3.00%	4.15%
1 year 11 days < 1 year 25 days					5.10%	4.15%	3.00%	4.15%
1 year 25 days < 13 months					5.10%	4.15%	3.00%	4.15%

Fixed Deposits of Banks

IDFC First Bank

Time Period	Less than INR 2 Crores	Domestic, NRE, NRO - Rs. 2 crore and above
	Rate p.a. (<2cr)	Rate p.a. (2Cr - 5Cr)
91 - 180 days	4.50%	
181 days – less than 1 year	5.25%	
1 year – 2 years	5.50%	
92 - 180 days		3.65%
181 - 270 days		4.05%
271 - 365 days		4.30%
366 - 398 days		4.40%
399 days		4.00%

HDFC Bank

Time Period	Less Than 5 Crores		DOMESTIC/ NRE/NRO - Rs. 5 crore and above	NON-WITHDRAWABLE DOMESTIC/NRE/NRO - Rs.5 crore and above
	Rate p.a. (<2cr)	Rate p.a. (>=2 Crore to < 5 Crores)	Rate p.a. (5Cr<5.25Cr)	Rate p.a. (5Cr<5.25Cr)
91 days - 6 months	3.50%	3.00%	3.00%	3.10%
6 mnths 1 days - 9 mnths	4.40%	3.50%	3.50%	3.60%
9 mnths 1 day < 1 Year	4.40%	3.65%	3.65%	3.75%
1 Year	4.90%	3.75%		
1 year 1 day - 2 years	4.90%	3.75%		
1 Year to 2 years			3.75%	

Financial Position of Banks

	AXIS Bank		IDFC First Bank		HDFC Bank	
In Cr.	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020
Total Assets	996,118.42	915,164.82	163,143.88	149,200.40	1,746,870.52	1,530,511.26
Net Worth (Share Capital + Reserves & Surplus)	101,603.01	84,947.84	17,807.89	15,342.60	203,720.81	170,986.03
Net Profit/Loss	6,588.50	1,627.22	452.28	-2,864.21	31,116.53	26,257.32
Key Financial Ratios						
PER SHARE RATIOS						
Net Profit/Share (Rs.)	21.5	5.77	0.8	-5.95	56.44	47.89
Net Operating Profit Per Share (Rs)	207.74	221.98	28.13	32.99	219.23	209.39
KEY PERFORMANCE RATIOS						
Net Profit Margin (%)	10.35	2.59	2.83	-18.05	25.74	22.86
Operating Profit Margin (%)	-12.96	-22.2	-11.28	-28.9	4.89	2.6
Return on Assets (%)	0.66	0.17	0.27	-1.91	1.78	1.71
Return on Equity (%)	6.48	1.91	2.53	-18.66	15.27	15.35
More ratios	below ratios not found online for 2021		below ratios not found online for 2021		below ratios not found online for 2021	
Interest Expended / Total Funds		4.36		6.47		4.23
Interest Expended / Capital Employed(%)		4.36		6.47		4.23
Total Debt to Owners Fund		9.28		7.98		7.56
Financial Charges Coverage Ratio		1.65		1.22		1.85
Current Ratio		0.12		0.17		0.04
Quick Ratio		17.6		8.98		16.62

Among all the banks, whose rates of interest and duration for which those interest rates were provide, that were looked up AXIS Bank, IDFC First Bank and HDFC Bank were chosen as the top ones which were providing a rate higher than the 5% that the company is already earning on Fixed Deposits, especially for amounts from ₹2 Crores to ₹5 Crores.

A period of a little more than a year was also considered thinking the rate of interest would a little higher than that of 1 year, but then it was found out that that was not the case, and that the rate of interest is the exact same as or even lesser than that received for 1 year.

Rationale for choosing Total Assets, Net Worth, Net Profit or Loss from the balance sheet and income statement, and Net Proft per Share, Net Profit Margin, Return on Assets, Return on Equity, Total Debt to Owners Fund, Financial Charges Coverage Ratio, and Current Ratio as key financial ratios has already been explained in the Company Fixed Deposits section.

Following is the rationale behind choosing the remaining financial ratios for comparing financial positions of the 3 chosen banks:

- With the exception of the cost of debt, taxes, and certain one-time items, operating profit represents a company's earnings after all expenses have been deducted. So

Operating Profit per share is the operating profit that is owed to each share held by the shareholder.

- The percentage of income generated by a firm that can be utilised to pay the company's investors (including equity and debt investors) and taxes is known as the **operating profit margin**. It's a crucial metric for determining a stock's worth. If all other factors are equal, a bigger operating margin is preferable. Comparing firms or examining the operating outcomes of one organization over numerous revenue scenarios is also very beneficial when using a percentage figure.
- The amount paid on the bank's accepted deposits is referred to as interest expenditure. It provides information about the cost of funds in relation to deposits. In the income statement, interest expenditure is a non-operating item. It denotes the amount of interest that will be paid on any borrowings, such as bonds, loans, convertible debt, or credit lines.

  Interest expense has a direct impact on profitability, particularly for businesses with a large debt load. During market downturns, heavily leveraged corporations may struggle to service their debts. It's ideal if the percentage is as low as possible.

  Any bank's interest expense should not be excessive. If it is high, it indicates that the bank's cost of funds is very large, implying that the bank accepts deposits and pays interest on them but is unable to utilize those funds to earn larger returns, negatively impacting profitability. For any bank or financial organisation, the lower the interest expenditure, the better.

  So it can inferred that when examining a bank, the **interest expensed to total funds/capital employed** (percentage) is a key financial component to consider. It may be compared on a yearly basis and with other banks to see which banks are the most cost-effective.
- The **quick ratio** is a measure of a company's capacity to satisfy short-term liabilities with its most liquid assets and is an indicative of a company's short-term liquidity position.

  It is also known as the acid test ratio because it reveals a company's capacity to pay down current liabilities immediately using near-cash assets (assets that can be converted swiftly to cash).

  The ability of a bank to meet current liabilities in respect to its most liquid current assets is measured by this ratio. This refers to the bank's working capital on a day-to-day basis.

When this ratio exceeds 1, the liquidity available to meet existing obligations is regarded.

- The ideal quick ratio is 1:1, which indicates that the company has enough assets in its disposal that can be liquidated swiftly to pay off current obligations/liabilities.

If the fixed deposit is to be made for 91 days to upto 180 days (3-6 months), IDFC First Bank offers 4.5% for amounts less than ₹2 crores, which is a higher rate of return than that provided by HDFC Bank and AXIS Bank.

If the fixed deposit is to be made for 181 days to upto less than 1 year (5.25% p.a.), or 1 year to 2 years (5.5% p.a.), and for amounts less than ₹2 crores, IDFC First Bank would be the ideal bank to invest in.

So going solely on the rates of interest, IDFC First Bank seems the most ideal bank for investment in fixed deposits for periods from 3 months to less than 2 years for amounts less than ₹2 crores.

Financially speaking, HDFC Bank seems the strongest when looking at the net profit margin while IDFC First Bank is the weakest as it had net loss in the pandemic year 2019-20. Also its interest expended to total funds/capital employed is the highest due to its higher interest rates as most people invest amounts less than ₹2 crores.

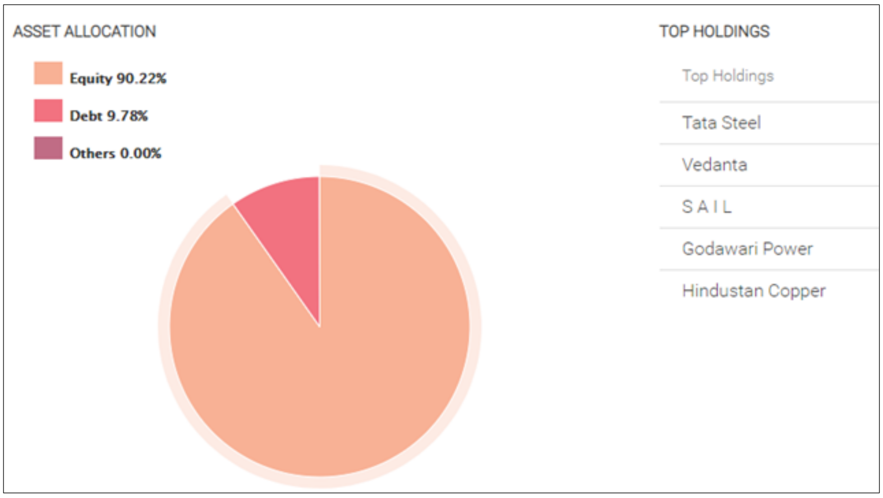
Now looking at for amounts from ₹2 crores to ₹5 crores (for fixed deposits where withdrawal before maturity is not permitted) for the periods of from 3 months to 399 days (more than 1 year) the rate of interest is still higher for IDFC First Bank than AXIS Bank (Domestic deposits) and HDFC Bank.

So if only the rate of interest is considered, and not the financial position, then IDFC First Bank seems the best option for investing in fixed deposit schemes. It should be noted that even during the pandemic year IDFC First Bank has paid all its interest liabilities in a timely manner even when it has incurred a net loss (especially since the Interest Expended to Total funds ratio is not even there for 2020-21 for any of the 3 banks, and it is in 2019-20 that the ratio is 6.47 for IDFC First Bank, while AXIS Bank has 4.36 and HDFC Bank has 4.23, meaning that even the pandemic year IDFC First Bank has paid a higher rate of interest than the other two banks which are more financially stable during both years).

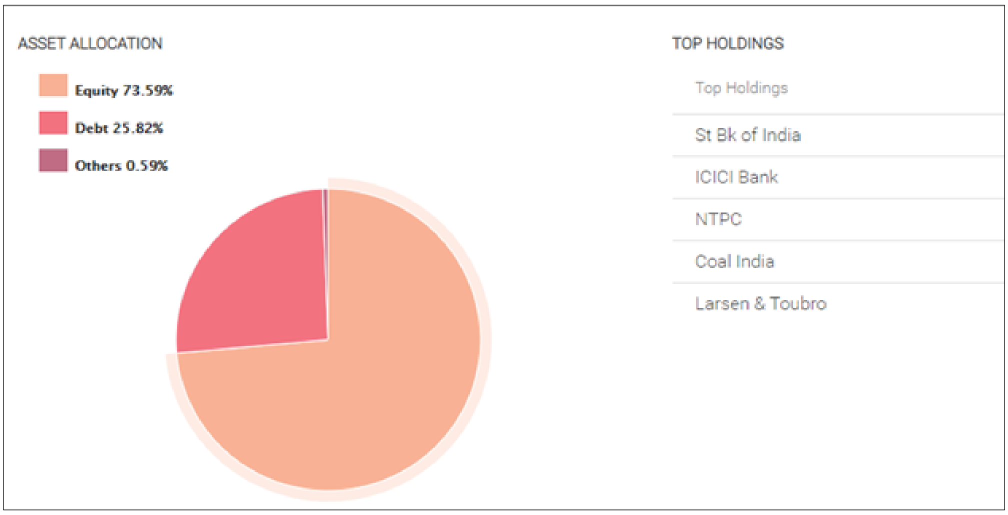
So all things considered, IDFC First Bank is the No.1 choice for investing in Fixed Deposits according to the company's investment criteria (3 months to upto 1 year, amounts upto ₹5 crores).

Mutual Funds

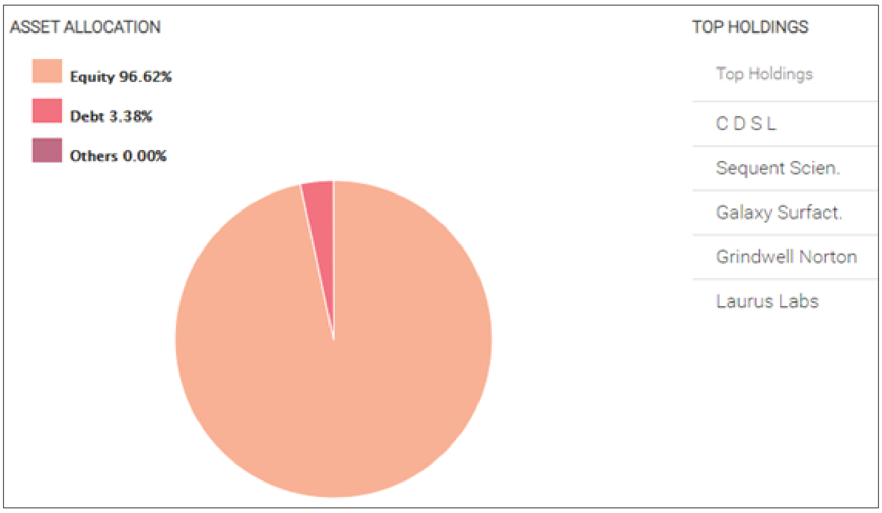
Liquid Funds (Mutual Funds)						
ICICI Prudential Commodities Fund - Regular Plan - Growth						
RETURNS (NAV as on 02nd July, 2021)						
Period Invested for	₹10000 Invested on	Latest Value	Absolute Returns	Annualised Returns	Category Avg	Rank within Category
1 Week	25,Jun,21	9876.4	-1.24%	-	0.48%	116/125
1 Month	02,Jun,21	10313.4	3.13%	-	2.99%	60/125
3 Month	01,Apr,21	12558.9	25.59%	-	10.76%	2/124
6 Month	01,Jan,21	15541.7	55.42%	-	21.09%	1/122
YTD	01,Jan,21	15541.7	55.42%	-	21.73%	1/122
1 Year	02,Jul,20	24299.7	143.00%	143.00%	60.25%	1/114



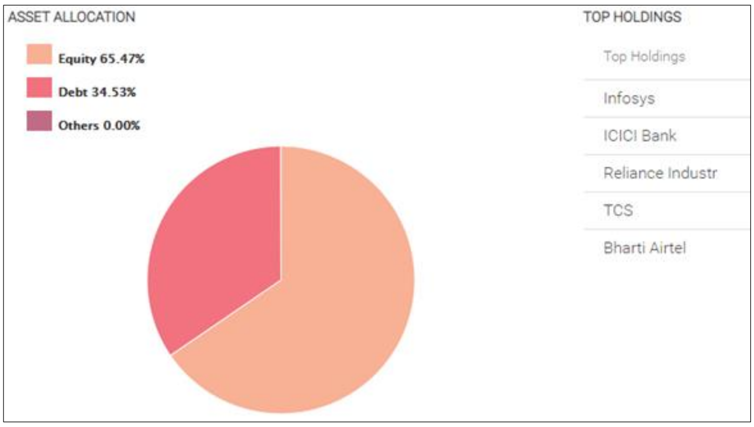
HDFC Balanced Advantage Fund - IDCW						
RETURNS (NAV as on 02nd July, 2021)						
Period Invested for	₹10000 Invested on	Latest Value	Absolute Returns	Annualised Returns	Category Avg	Rank within Category
1 Week	25,Jun,21	9995.9	-0.04%		0.06%	15/22
1 Month	02,Jun,21	10121.1	1.21%		1.28%	15/23
3 Month	01,Apr,21	10806.2	8.06%		4.37%	1/23
6 Month	01,Jan,21	11845.5	18.46%		7.62%	1/22
YTD	01,Jan,21	11845.5	18.46%		7.82%	1/22
1 Year	02,Jul,20	14927.5	49.28%	49.27%	24.91%	1/22



BOI AXA Small Cap Fund - Regular Plan - IDCW						
RETURNS (NAV as on 02nd July, 2021)						
Period Invested for	₹10000 Invested on	Latest Value	Absolute Returns	Annualised Returns	Category Avg	Rank within Category
1 Week	25,Jun,21	10413.3	4.13%	-	3.01%	1/40
1 Month	02,Jun,21	10811.3	8.11%	-	7.41%	9/40
3 Month	01,Apr,21	12370.9	23.71%	-	21.28%	4/40
6 Month	01,Jan,21	13304.9	33.05%	-	38.89%	9/40
YTD	01,Jan,21	13304.9	33.05%	-	40.07%	6/40
1 Year	02,Jul,20	20152.7	101.53%	101.53%	102.85%	5/39



IDFC Balanced Advantage Fund - Regular Plan - Growth						
RETURNS (NAV as on 02nd July, 2021)						
Period Invested for	₹10000 Invested on	Latest Value	Absolute Returns	Annualised Returns	Category Avg	Rank within Category
1 Week	25,Jun,21	10029.3	0.29%	-	0.06%	5/22
1 Month	02,Jun,21	10160.5	1.61%	-	1.28%	6/23
3 Month	01,Apr,21	10452.6	4.53%	-	4.37%	8/23
6 Month	01,Jan,21	10728.2	7.28%	-	7.62%	11/22
YTD	01,Jan,21	10728.2	7.28%	-	7.82%	11/22
1 Year	02,Jul,20	12277.3	22.77%	22.77%	24.91%	13/22



According to the HDFC Securities website, ICICI Prudential Commodities Fund - Regular Plan – Growth is the best mutual fund scheme currently in the market, as it has 90.22% and debt of 9.78% and the total holdings are in companies like SAIL, Vedanta, Tata Steel which are rather reputed companies the shares of which remain at a good price in the share market, and they would pay interests on fixed deposits and debentures in a timely manner too in uniform amounts or however the scheme it is that the mutual fund has entered into with those companies.

It has the highest rate of absolute return (NAV) in the average of 6 months (the duration that the company asked for) comapared to its peers, like BOI AXA Small Cap Fund - Regular Plan – IDCW. **But since ICICI Prudential Commodities Fund which is considered the best is actually a growth fund, it probably isn't ideal as a mutual fund's growth option indicates that an investor in the fund will not receive any dividends given out by the mutual fund's holdings.**

So BOI AXA Small Cap Fund - Regular Plan – IDCW seems more ideal for the company TOTO as they prefer getting some kind of income as regularly as possible. Since this BOI AXA Small Cap Fund (though the company prefers mid cap funds but this small cap fund gives good returns so it was accepted) is of the IDCW plan (Income Distribution cum Capital Withdrawal Plan, earlier called 'Dividend plan') it would provide the company with some form of returns in a semi-regular manner at least unlike the growth fund which will provide nothing at all but the final NAV value, which would be 143% of the amount invested at first after 1 year. The NAV of the BOI AXA Small Cap Fund with the Dividend plan would give an NAV of 101.53% of the original amount invested after one year after the mutual fund is redeemed or reaches maturity after one year.

So BOI AXA Small Cap Fund with IDCW plan seems the best as it would provide dividends and a good NAV after 1 year. The only problem that the company might have is that the level of equity investment is the highest out of the four options (96.62% equity & only 3.38% debt) given to the company, meaning it is a riskier mutual fund, but without more risk, more returns are not possible unless they choose to invest in a growth fund instead.

The company wants a more or less balance mix of Debt and Equity, so a Balanced Advantage Fund is more ideal for this requirment.

HDFC Balanced Advantage Fund is the one of the best Balanced Advantage Funds available as it even has a IDCW plan which has the same proportion of debt and equity as its Growth fund does and provides more or less the same NAV after 1 year.

The HDFC Balanced Advantage Fund chosen here is there IDCW one which would provide more or less regular dividends to the company and the risk of investing is equity is also lesser than invested in the ICICI and BOI funds talked about above.

The HDFC fund has a 49.27% NAV annualised returns due to the dividend payments received and due to more debt percentage in the mix. It has 73.59% equity and 25.82% debt.

The IDFC Balanced Advantage Fund has more debt in the mix (34.53% debt and 65.47% equity) but it is a growth fund meaning no dividends and it even has lesser annualised returns than the HDFC fund (IDFC annualised returns is 22.77%).

So if the company wants to go for a Balanced Advantage Fund, HDFC Balanced Advantage Fund – IDCW is the best fund to invest in.

Other mutual funds of IDFC, HDFC, Kotak Mahindra etc like Banking & PSU Debt Fund, Bluechip fund etc were also checked out, but none of them was providing good returns, especially the Banking & PSU Debt Fund which had barely any equity investment and almost fully debt, making the returns only 5.7% p.a. or so which the company can just gain from more secure sources with high ratings like Company Fixed Deposits than investing in such mutual funds.

In other funds checked out, the returns did not go up for every period like it is in the four funds recommended to the company. In fact in some funds, after the first one month or so, the interest rate actually dipped before going up again, or never went up at all. So such funds have high risk and aren’t performing well either, so they are a failure in the name of mutual funds.

The four options provided to the company all have consistently increasing returns, and different equity and debt mixes, meaning different level of risks and returns, so that the company can choose the option that is most suitable for them if they do in fact opt for mutual funds.

It seems highly unlikely that the Board would agree to investing in mutual funds though.

So overall, only Company Fixed Deposits and Bank Fixed Deposits would be truly considered for investing in to have high safety while earning uniform returns in a timely manner so as to grow the investment gradually and stably.

How far the members of the board would accept the investment options searched for so far is unknown as the information gathered would merely be put forward as a suggestion in front of the Board; it is upto the Board’s Japanese members whether or not they agree to chose any of the new options or just continue with the safe options of fixed deposits as is the current scenario, and company fixed deposits will most probably be added to the final investment mix as well.

A request for increasing the duration of investment was not made again even though that would have some more avenues open up, like corporate FDs and other deposits and schemes which require 3-5 years or more for maturity and to provide more returns (like 10% p.a.) than the schemes of just 1 year or lesser duration. This is so as the company guide felt that the Board members would not approve of increasing the duration of investment beyond a little more than a year as their willingness to take risk is rather low, in India at least, even though it’s been 7 years since production activities commenced.

In the beginning till the midway of the project, the observation made was:

- the options with the least risk and the maximum return would be chosen as the best options for investment. According to that criteria, Fixed Deposits with higher interest rates and Non-convertible Debentures with lower risks and lesser durations seem most likely to be chosen by the company. This is so as many times NCDs can be redeemed before maturity period many times and are not as risky as other avenues.

- Corporate FDs can be considered as well, as schemes with upto 8% p.a. for a period of 1 year also exist with pretty high CRISIL & ICRA ratings like CRISIL FAAA and ICRA AAA.

But as the project came closer and closer to completion, the company guide completely rejected the idea of Non-convertible Debentures as the Board members will not be willing to invest in them as their lock-in period many times extends to more than 1 year (like in case of IIFL bonds, the tenor of the NCDs were for 87 months for the last issue which done in March 2021), and the company does not want to indulge in any kind of complications such as trying to redeem before due date. So only Bank Fixed Deposits, Company Fixed Deposits and Mutual Funds with low to moderate risk were considered for presenting in front of the Board.

Conclusion

- Through the collection of data, the conclusion that can be drawn is something that is well-known by everyone: **To get higher returns, more risks need to be taken and/or the period of investment should be longer than 1 year;** 3-5 years is an ideal period of time for schemes like fixed deposits, mutual funds and NCDs. But it was also found that there are rather good schemes, especially for company/corporate FDs which offer 5.25-8.26% p.a., even for a period of 1 year, even for low risk.
- Since the company's main rule is to play it safe and not invest for more than 1 year for a maximum amount of ₹5 crores, it mostly cannot earn as much returns as it probably needs to significantly boost its Income From Other Sources, so as to increase its profits from India.
- But as the project mentor has at least granted increase of amount to be invested from ₹2 crores to ₹5 crores, there is hope for increase in the Income From Other Sources due to the ₹3 crore increase in the amount invested.
- Unless the company decides to take higher risk than it is taking for fixed deposits, or at least increase the duration of investment, more alternatives with much greater returns like 8-10% p.a. might be difficult to find, as whether or not the Board would accept NCDs and mutual funds in the first place is doubtful.
- Since the 2020-21 financial information is not available for some companies and banks, proper evaluation or a clear picture of whether or not to invest in their fixed deposit

schemes cannot be gained, especially since most companies in the world and in India have been hit heavily by the pandemic, leading to them incurring net losses in the year 2019-20 or very less net profits in the years 2019-20 & 2020-21.

- Since NCDs have varying grades of safety every issue and then every issue has sub-categories with different levels of security, and since the company did not want to go through the hassle of withdrawing the amount deposited midway before completing the more than 1 year lock-in period, **NCDs as an option of investment was not taken further after the intial stage of collecting information** about them, and were, therefore, rejected by the company as an option to invest in, even though **they provide interest rates upto 11% p.a. which makes them very lucrative schemes to invest in as their level of safety is higher than any other option which has too much speculation involved in it thanks to its high level of risk content (such as mutual funds which a very high degree of investment in equity).**
- **So if the company decides to invest for more than a year, they should definitely for NCDs and can let go of mutual funds as an option completely.**

PART C – Learnings from the Summer Internship Project

- Any mutual fund will, in general, be invested in equities, debt, or a combination of both. They can also be either open-ended or closed-ended mutual fund schemes.
  - **Open-ended funds:**
    An investor in an open-ended mutual fund can invest, enter, redeem, or exit the scheme at any time. It doesn't have a predetermined maturity date.
  - **Close-ended funds:**
    Mutual funds that are closed-ended have a set maturity date. Only in the initial stage, known as the New Fund Offer or NFO period, may an investor invest or enter into these types of schemes. On the maturity day, his/her investment will be automatically redeemed. These type of mutual funds are listed stock exchanges like BSE or NSE.

- The three further classifications of mutual funds that were learnt about were (having been assigned the task to collect information about the same):
  - **Equity or Growth Funds:**
    One of the most prevalent mutual fund plans is this one. They enable investors to trade on stock exchanges. Despite their high risk status, these schemes have a significant long-term return potential. They are perfect for investors in their prime earning years who want to develop a portfolio that will provide them with superior long-term returns. To spread the risk, an equity fund, also known as a diversified equity fund, invests in a variety of sectors.
  - **Fixed income or debt funds:**
    These funds put substantial amounts of money into debt, specifically fixed income instruments such as government securities, bonds, and debentures. They offer a low-risk, low-return perspective, making them excellent for conservative investors looking for a consistent income. They are, nonetheless, exposed to credit risk.
    [It has been observed that company and bank fixed deposit schemes are better alternatives as they are exposed to very low risk compared to fixed income or

debt funds and company fixed deposits are even rated by rating agencies like CRISIL and ICRA.]

- **Balanced funds:**

  These are mutual fund schemes that split their investments between equity and debt, as the name implies. Market risks may cause the allocation to change. They are better suited to investors seeking a balance of moderate returns and comparatively lower risk.

❖ Ratios learnt in the courses Corporate Finance – I & Corporate Finance – II in the 1st year of MBA Full Time like current ratio, quick ratio, total debt to equity ratio, EPS, return on assets (ROA), return on capital employed (ROCE) were applied practically when comparing the financial positions of banks and companies offering fixed deposits, for the company worked for.

❖ Learned about CRISIL ratings given to the following catogories (highest rating given to the category written next to it, which means that instrument carries the lowest risk possible):

- Credit Ratings - Long Term Scale -- CRISIL AAA (Highest Safety)
- Credit Ratings - Short Term Scale -- CRISIL A1
- Credit Ratings - Fixed Deposit Scale -- FAAA ("F Triple A") Highest Safety

❖ Learned about ICRA's Medium-Term Rating Scale (which only apply to Public Deposits) of which the highest rating that has the highest safety, meaning the instrument has the lowest risk possible, is MAAA. MAA+ is a notch better than the second highest rating MAA, and MAA- is a notch lower than MAA but it is better than the third highest rating MA.

❖ Companies which aren't in the finance industry like financial institutions like HDFC Securities, IIFL, Bajaj Capital, or banks, don't like speculate with their income coming from their Income from Other Sources, meaning they mostly do not investing in risky avenues like high equity mutual funds, but prefer to invest in places which give them a stable income and from where they can withdraw their money within in a year or two, sometimes slightly longer, like in bank or company fixed deposits. This is because their main business for generating Revenue from Operations would be in sectors like manufacturing, service provision etc, not in some kind of speculative business like stock exchanges or financial instutitons.

This is because they do not want their retained earnings lying idle, especially if they are a company which does not have any project which needs immediate funding, from internal sources that too, or is a company which doesn't pay its shareholders any dividends, at least doesn't pay dividends often/regularly. So these companies rather have their retained earnings grow before they end up needing the funds for something or the other.

- [Previously had knowledge only about debentures issued by companies and bank fixed deposits. Learned about Company Fixed Deposits for the first time.]
  Company Fixed Deposits are deposits made by investors with organizations for a set period of time and at a set rate of interest. Such deposits are accepted by financial institutions and non-banking finance companies (NBFCs). These deposits are unsecured, meaning the investor cannot transfer the documents to recoup his money if the company defaults, rendering them a risky investment option.
  This is the reason credit rating organizations like CRISIL and ICRA give company deposits ratings based on their safety/credit risk.

- In TOTO India Pvt Ltd, employees address each other as 'san' (Mr./Ms. in Japanese) as a sign of respect, especially in formal communications like e-mails. All formal communications are strictly carried out by e-mail only, and phone calls are made only when necessary, mostly when the employees are in the office during working hours.

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Annexure – Summer Internship Completion Certificate

TOTO

TO WHOMSOEVER IT MAY CONCERN

This is to certify that Ms. Padmapriya Ganesh, student of Institute of Management, Nirma University, has successfully completed her summer internship project with us, the duration of which was 2 months, from 1st May 2021 to 30th June 2021.

The project she worked on was **" Risk and Return Analysis of Investment Avenues for Retained Earnings"**.

We wish her all the best for her future endeavours.

For TOTO India Industries Pvt. Ltd.

TOTO India Industries Pvt. Ltd. HALOL

Mr. Manoj Tiwari
Sr. Manager – HR and Admin

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