
A Study on Financial Performance of Bajaj Finserv Limited

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Abstract: Financial analysis is referred to as financial statement analysis or accounting analysis. It refers to an assessment of the viability, stability and profitability of a business, sub-business or project. The main idea behind this study is to analyze the financial operating position of the company. This research is done with help of secondary data which is gathered from the annual report of the company. The financial performance can be measured by using various financial tools such as profitability ratio, solvency ratio, CAGR, etc. Based on the analysis, findings have been arrived at that the company has got enough funds to meet its debts & liabilities and the income statement of the company shows sales of the company increased every year at good rate and profit also increased every year.

Keywords: Profitability ratio, Shareholders funds, Liabilities

INTRODUCTION

This study is concerned with the financial performance of Bajaj Finserv companies. Financial Performance measures whether the company's strategy and its implementation and execution are effectively contributing towards Profitability, Liquidity, Efficiency and Solvency so that the business can be carried out smoothly ensuring success, growth and bottom line improvement.

Bajaj Finserv Limited, a part of Bajaj Holdings & Investments Limited, is an Indian financial services company focused on lending, asset management, wealth management and insurance. The company employs over 20,154 employees at 1,409 locations, and is engaged in consumer finance businesses, life insurance, and general insurance. Apart from financial services, Bajaj Finserv is also active in wind-energy generation with an installed capacity of 65.2 MW. Bajaj Finserv was ranked among The Economic Times 500 as #119 in 2014. Bajaj Finance Limited (BFL), participates in the financial business and is a company listed on The Stock Exchange, Mumbai (BSE) and the National Stock Exchange.

LITERATURE REVIEW

Amandeepetal 2017 made a comparative study of TATA steel and Jindal steel. Ratio analysis is used as a tool to evaluate the same for a period of five years. At last, it is concluded that both companies must maintain an ideal current ratio and quick ratio for future betterment.

Nasir Rashid and Dr. B. Manivannan et al 2017 studied the liquidity and profitability position of National Thermal Corporation Ltd., New Delhi covering a period of five years. It is suggested to take necessary steps to take control of the decreasing trend and conclude that firms could maintain the same policies for more profitability in future.

Roopa. T. N and H. B. ChayaDeviet al 2017 made a study on financial performance of selected IT and ITES companies listed in NSE, India. Forty-five companies are selected for this study. They have commented that the majority of IT companies are free from debt and concluded that the big companies are better performers and medium companies are consistent performers.

Dr. M. Prakash and K. Natarajan et al 2014 studied the financial performance of Salem Steel Plant in Salem for five years. Ratio analysis is used to study the performance of the firm. It is suggested that the company may increase performance by reducing the borrowed capital.

M. Sakthi Vadivel and S. Ayyappanetal 2013 studied the financial efficacy of selected public and private sector banks in India for 10 years. Correlation analysis is employed to know whether there are any significant relationships between variables.

P. Thanujaetal 2013 carried out a study to ascertain financial performance of Vijaya Dairy Ltd for a period of five years ranging 2007- 2012. The prime reason for attempting this study is to provide meaningful information to the people inside and outside the organization. Researchers commented that the liquidity position of the firm is good and also suggested to maintain the same in the upcoming years

RESEARCH METHODOLOGY

The proposed study is entirely based on secondary data. The data has been compiled from Annual Reports of the respective companies, Text Books, Reference Books, Journals, Articles, Magazines and from the Internet. The necessary data has been collected from money control.com, equity master and Society of Indian Automobile Manufactures (SIAM).

This research methodology not only talks about the research methods but also considers the logic behind the method used in the context of the research study. The project evaluates the financial performance of Bajaj Finserv Ltd., with help of the most appropriate tool of financial analysis like ratio analysis.

PRIMARY OBJECTIVE

The primary objective is to find the profitability, liquidity, and solvency of the Bajaj Finserv Company.

SECONDARY OBJECTIVE

The secondary objective is to find the financial position and its annual growth in order to make investment decisions.

RESEARCH DESIGN

Research design can be inferred as an idea that communicates about the way through which the research should be carried on. Through it, data will be collected, analyzed and interpreted. It acts as a connecting bridge between the statement of problem and solution for the same. Through research design the needed data is collected and also the type of data is also framed. This study is analytical in nature because secondary data is used and also it is further utilized to know about the financial performance. This also pictures how things are related to each other. Since this study analyse about financial performance The data is secondary in nature which is hence obtained from the company's website itself.

DATA ANALYSIS AND INTERPRETATION

The interpretation of data is designed to help people make sense of numerical data that has been collected, analyzed and presented. Having a baseline method for interpreting data will provide your analyst teams a structure and consistent foundation. Indeed, if several departments have different approaches to interpret the same data, while sharing the same goals, some mismatched objectives can result. Disparate methods will lead to duplicated efforts, inconsistent solutions, wasted energy and inevitably – time and money.

Liquidity Ratio:

Liquidity ratios are an important class of financial metrics used to determine a debtor's ability to pay off current debt obligations without raising external capital.

Current ratio

The current ratio measures a company's ability to pay off its current liabilities (payable within one year) with its total current assets such as cash, accounts receivable, and inventories. The higher the ratio, the better the company's liquidity position.

Quick ratio

The quick ratio measures a company's ability to meet its short- term obligations with its most liquid assets and therefore excludes inventories from its current assets. It is also known as the "acid-test ratio"

Year	Current assets- Inventories	Current liabilities	Quick Ratio
2019-20	161,897.31	56,405.03	2.87
2018- 19	122,659.21	40,090.13	3.05
2017- 18	37,780.62	22,745.83	1.66
2016- 17	30,145.08	19,443.80	1.55
2015- 16	20,550.75	13,052.64	1.57

Fixed asset turnover ratio

The fixed asset turnover ratio (FAT) is, in general, used by analysts to measure operating performance. This efficiency ratio compares net sales to fixed assets and measures a company's ability to generate.

The fixed asset balance is used as a net of accumulated depreciation. A higher fixed asset turnover ratio indicates that a company has effectively used investments in fixed assets to generate sales

Year	Net Sales	Average asset	Fixed	Fixed asset turnover ratio
2019- 20	26,223.10	1,317.72		19.91
2018- 19	18,397.29	691.57		26.62
2017- 18	12,336.56	466.99		26.47

2016- 17	9,258.03	362.74	25.57
2015- 16	6,956.59	287.00	24.23

PROFITABILITY RATIO

Profitability ratios are a class of financial metrics that are used to assess a business's ability to generate earnings relative to its revenue, operating costs, balance sheet assets, or shareholders' equity over time, using data from a specific point in time.

OPERATING MARGIN RATIO

Year	Current assets	Current liabilities	Current ratio
2019- 20	161,897.31	56,405.03	2.87
2018- 19	122,659.21	40,090.13	3.05
2017- 18	37,780.62	22,745.83	1.66
2016- 17	30,145.08	19,443.80	1.55
2015- 16	20,550.75	13,052.64	1.57

Operating Profit Margin is profitability or performance ratio that reflects the percentage of profit a company produces from its operations, prior to subtracting taxes and interest charges. It is calculated by dividing the operating profit by total revenue.

Year	Operating income	Revenue	Operating margin ratio
2019- 20	23,671.83	26,385.63	0.89
2018- 19	17,383.97	18,500.18	0.93
2017- 18	13,287.77	13,465.91	0.98
2016- 17	9,272.33	9,992.19	0.92
2015- 16	6901.19	7,383.66	0.93

Higher fixed asset turnover ratio indicates that a company has effectively used investments in fixed assets to generate sales.

NET PROFIT RATIO

The net profit margin, or simply net margin, measures how much net income or profit is generated as a percentage of revenue. It is the ratio of net profits to revenues for a company or business segment.

Year	Net Profit	Net sales	Net profit ratio
2019- 20	4,881.12	23822.53	0.20
2018- 19	3,890.34	17,386.02	0.22
2017- 18	2,646.70	13,287.77	0.19
2016- 17	1,836.55	9,963.02	0.18
2015- 16	1,278.52	7,304.31	0.17

OPERATING PROFIT RATIO

Operating Profit Margin is profitability or performance ratio that reflects the percentage of profit a company produces from its operations, prior to subtracting taxes and interest charges. It is calculated by dividing the operating profit by total revenue.

Year	Operating profit	Net sales	Operating profit ratio
2019- 20	14,924.76	23822.53	0.62
2018- 19	12,098.27	17,386.02	0.69
2017- 18	8,701.61	13,287.77	0.65

2016- 17	6,666.10	9,963.02	0.66
2015- 16	4,868.60	7,304.31	0.66

TURNOVER RATIO

The turnover ratio or turnover rate is the percentage of a mutual fund or other portfolio's holdings that have been replaced in a given year .The ratio seeks to reflect the proportion of stocks that have changed in one year.

FIXED ASSET TURNOVER RATIO

The fixed asset turnover ratio (FAT) is, in general, used by analysts to measure operating performance. The fixed asset balance is used as a net of accumulated depreciation.

Year	Net sales	Net fixed assets	Fixed asset turnover ratio
2019- 20	23822.53	1,228.14	19.39
2018- 19	17,386.02	654.33	26.58
2017- 18	13,287.77	464.66	28.63
2016- 17	9,963.02	361.13	27.59
2015- 16	7,304.31	287.00	25.44

WORKING CAPITAL RATIO

The working capital ratio is calculated simply by dividing total current assets by total current liabilities. For that reason, it can also be called the current ratio. It is a measure of liquidity, meaning the business's ability to meet its payment obligations as they fall due.

Year	Net sales	Working capital	Working capital turnover ratio
2019- 20	23822.53	29,931.51	0.79
2018- 19	17,386.02	104,802.21	0.16
2017- 18	13,287.77	14,191.51	0.93
2016- 17	9,963.02	10378.3	0.96
2015- 16	7,304.31	7473.42	0.97

SOLVENCY RATIO

A solvency ratio is a key metric used to measure an enterprise’s ability to meet its long-term debt obligations and is used often by prospective business lenders.Solvency Ratio indicates whether a company’s cash flow is sufficient to meet its long-term liabilities and thus is a measure of its financial health. An unfavorable ratio can indicate some likelihood that a company will default on its debt obligations.

DEBT EQUITY RATIO

The debt-to-equity (D/E) ratio is used to evaluate a company's financial leverage and is calculated by dividing a company’s total liabilities by its shareholder equity.

Year	Total liabilities	Shareholders fund	Debt Equity ratio
2019- 20	136,019.15	31,813.21	4.12
2018- 19	105,915.35	19,563.63	5.41
2017- 18	70,257.49	16,518.29	4.25
2016- 17	51,638.69	9,600.31	5.37
2015- 16	44,451.34	7,426.64	5.98

PROPRIETARY RATIO

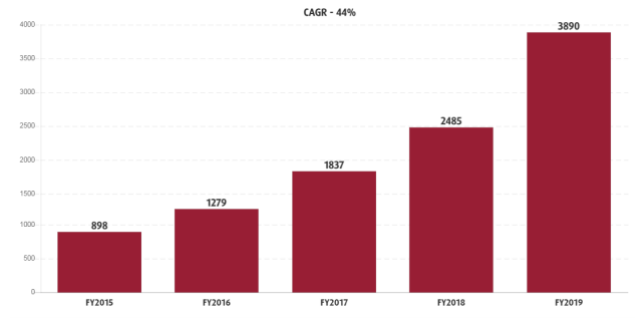
The proprietary ratio (also known as the equity ratio) is the proportion of shareholders' equity to total assets, and as such provides a rough estimate of the amount of capitalization currently used to support a business.

Year	Shareholders fund	Total assets	Proprietary ratio
2019- 20	31,813.21	138,003.57	0.23

2018- 19	19,563.63	108,499.87	0.18
2017- 18	16,518.29	83.629.02	0.19
2016- 17	9.600.31	63,730.44	0.15
2015- 16	7,426.64	46,456.52	0.15

CAGR

Compound Annual Growth Rate(CAGR)is the annual growth of your investments over a specific period of time. In other words, it is a measure of how much you have earned on your investments every year during a given interval.



FINDINGS

- As the current ratio is increasing gradually the liquidity position also increases where both are directly proportional and the assets are greater than liability, so liability can be easily paid off.
- A quick ratio is also the indicator of liquidity position but it tells a company's capacity to pay its liabilities without needing to sell its inventory or obtain additional financing. Here Bajaj Finance has higher quick ratio results hence the company payoff level and financial health is good.
- The fixed asset turnover ratio is used to measure how a company used its fixed asset to generate sales. But in Bajaj Finserv the numbers were growing till 2019 gradually but in 2019-20 financial years it had a greater set back than previous year it may due to Covid.
- Profitability ratio is used to find the business ability to generate revenue.
- Operating margin ratio is an indicator of performance or profitability of the company. It shows the ability of the company to make profit by its operation. For Bajaj Finserv the number has slightly decreased in 2019, 2020 financial year than its previous years.
- Net profit ratio is also a profit indicating factor. But as a company rule of thumb a 10% net profit margin is considered average, a 20% margin is considered high and 5% margin is low. In Bajaj Finserv in 2019-2020 financial years it is 20% so it is giving considerably high profit.
- Operating profit ratio is also profitability or performance ratio; it tells us how much money you're clearing from your core business and what your cash flow situation is. In general if the margin is higher than 15% is considered as good. In Bajaj Finserv the margin is comparably higher for all 5 years but in 2019-20 it has a slight down.
- Turnover ratio is used to know profit by a market timing approach. In other words it is how much turn over we get in fixed timing.
- Fixed asset turnover ratio of 2.5 or more could be considered good, while a company in the utilities sector is more likely to aim for an asset turnover ratio that's between 0.25 and 0.5.in Bajaj we have a ratio above 19.39 which is high. Hence turnover of assets in Bajaj is good.
- Working capital ratio reveals whether the company has enough short-term assets to pay off its short-term debt. if it is less than one it is an indication of potential future liquidity problems, while a ratio of 1.5 to two is interpreted as indicating a company on solid financial ground in terms of liquidity. An increasingly higher ratio above two is not necessarily considered to be better. But in Bajaj it is less than one which shows it failed to meet short term obligation.
- Solvency ratio is used to tell the company ability to meet long term liability.
- Debt equity ratio is used to evaluate how much leverage ratio tends to indicate a company or its riskiness. If the debt to equity ratio is less than 1.0, then the firm is generally less risky than firms whose debt to equity ratio is greater than 1.0.in Bajaj Finserv we have a ratio higher than 1.0 which indicates it is highly risky.
- Proprietary ratio is contribution of stockholders' in total capital of the company. A high proprietary ratio, therefore, indicates a strong financial position of the company and greater security for creditors. A low ratio indicates that the company is already heavily depending on debts for its operations. It also indicates

the riskiness of the company. Where in Bajaj it is less which also shows it is risky.

- Compound annual growth rate is the rate of return that is required for growth of investment from starting of investment to ending balance. Where in Bajaj Finserv year by year the CAGR is growing greatly where it has 44%, which indicates its higher rate of returns in all these 5 years.

CONCLUSION

Bajaj Finserv Liquidity and profitability is good but failed to meet its short term obligation and liabilities. CAGR is compound annual growth rate which indicates that Bajaj is a good place to invest whereas it gives 44% CAGR. Even though Bajaj finserv has risk it has good return as we know where there is high risk there will be high return in which both are directly proportional. Based on the analysis, it can be concluded that the company has got enough funds to meet its debts & liabilities, the income statement of the company shows sales of the company increased every year at a good rate and profit also increased every year.

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