



A STUDY ON FINANCIAL PERFORMANCE OF BAJAJ FINSERV

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ABSTRACT

Financial position measurement is a critical part of understanding the company's current financial situation. This study is used to examine the financial position of the Bajaj Finserv Limited. This data has been obtained from annual reports of the official website of the company. This analysis used data from the financial years of 2015-16 to 2020-21. The paper used appropriate ratios and percentages for analysis.

INTRODUCTION

Bajaj Finserv Limited is the holding company for the various financial service businesses under the Bajaj group. It serves millions of customers in the financial services space by providing solutions for asset acquisition through financing, asset protection through general insurance, family and income protection in the form of life and health insurance and retirement and saving solutions. BPS holds 55.13% stake in Bajaj finance limited and 74% stake each in Bajaj Allianz life insurance company limited and Bajaj Allianz General insurance company limited.

Bajaj Finserv is primarily engaged in the business of promoting financial services such as finance, insurance, wealth management, etc. through its investment in subsidiary and joint venture. The company is also engaged in the business of generating power through wind turbines, a renewable source of energy.

OBJECTIVES OF THE STUDY

- The main objective of this study is to measure the financial performance of the Bajaj Finserv LTD.
- To compare the financial performance of the company for different years.
- To know the profit ability of the company
- To evaluate financial performance using Ratio Analysis such as Profitability ratio, Solvency ratio and Quick ratio.

SCOPE AND PERIOD OF THE STUDY

The study entitled "A study on the financial Performance of Bajaj Finserv limited" is to analyze the financial performance of Bajaj finserv limited for the last 5 years (2016-2020). The study is based on the financial position of the firm by using Ratio analysis, financial

statements help the Management to analyze profit, solvency, liquidity and Efficiency etc. this analysis will give the exact picture of the company.

REVIEW OF THE LITERATURE

Nirajini and Priya (2013) found a positive relation between capital structure and financial performance. It was contended that capital structure has significant impact on financial performance of listed companies in Sri Lanka.

Vatavu (2015) concluded that companies which maintain a high proportion of equity avoiding borrowed funds are more profitable ones. The author asserted that shareholders' equity has a positive Impact on firm's performance.

Rouf (2015) found that debt ratio, debt equity ratio and proprietary ratio have negative relationship With ROA and return of sales. Further, the total assets is positively related with firm's performance.

Mathijs Cosemans studied about the measurement and pricing of time-varying risk in stock markets. The investors will only hold mean-variance efficient portfolios, which mean that the portfolios should maximize expected returns for a given level of risk. The key element of portfolio theory is the concept of diversification which says that the risk of a portfolio can be reduced by allocating wealth across different stocks as long as their prices do not move together perfectly. The risk of a portfolio, measured by its return variance, therefore not only depends on the variances of the individual stocks in the portfolio, but also on the covariance's between these securities. In fact, because of diversification, the portfolio variance is more dependent on these covariance terms than on the individual risks. This contribution is known as the market beta of the



security and is denied as the covariance between the asset return and the market return, standardized by the variance of the market portfolio. Beta therefore measures the sensitivity of the return on an asset to variation in the return on the market

Kiran M K examined to find out index stock follows a particular trend. If stocks of a particular sector gave their investor huge return for one particular year does it the stock follow the same trend for the next years. In order to find out the trend the opening price and closing price for a period of eight year from 2001 to 2008 of Sensex index stocks considered. Based on the return arrived each 30 stocks are ranked using simple ranking method and analyzed for the presence of any particular trend. It has been found that the Sensex index stock does not follow any particular trend.

Ananth Madhavan Once a fairly esoteric subject, risk analysis and measurement has become a critical function for both portfolio managers and traders. Yet, accurate measurement and analysis of risk presents many practical challenges including the choice of risk model, pitfalls in portfolio optimization, horizon mismatches, and out-of-sample testing. This article provides a detailed overview of recent developments in risk analysis and modeling, with a focus on practical applications for both portfolio managers and traders. They demonstrate that these tools can provide invaluable insights regarding portfolio risk, but must be applied with considerable care.

METHODOLOGY

Current Ratio

Particular	2016-17	2017-18	2018-19	2019-20	2020-21
Current Asset	220.31	711.08	897.18	3406.92	3658.01
Current Liabilities	29.11	15.39	29.11	34.62	34.11
Current Ratio	7.57	46.20	30.82	98.41	107.24

Interpretation

The **CURRENT RATIO** satisfied with above ratio for every year. In the last year 2020-21 have highest ratio of 107.24

Quick Ratio

Particular	2016-17	2017-18	2018-19	2019-20	2020-21
Liquidity Asset	220.31	711.08	897.18	3406.92	3658.01
Current Liabilities	29.11	15.39	29.11	34.62	34.11
Current Ratio	7.57	46.20	30.82	98.41	107.24

Interpretation

There is no change in quick ratio because this is service sector. There is no inventory.

Net profit Ratio

Particular	2016-17	2017-18	2018-19	2019-20	2020-21
Net profit	9620.97	19237.63	30930.5	46471.85	33458.46
Net sales	21149.64	32862.37	42604	54346.69	60591.20
Net profit ratio	45.49	58.54	72.60	85.51	55.22

The information used is obtained from the financial statements of BAJAJ FINSERV LIMITED. Secondary data is used for the study. Financial information in the balance sheet and the statement of profit and loss is used. It includes collecting information from books, journals, magazines, publications and websites. The annual reports are collected from the official website called moneycontrol.com. The study is conducted for a period of 5 years (2016-2020). Financial and Accounting tools are like ratios have been used for data analysis.

LIMITATIONS OF THE STUDY

- The ratio analysis gives only on the aspects of quantitative. It ignores the view of qualitative measurement.
- To do the ratio analysis mass data is required. This becomes a burden more than clarifying their relationship.
- The study has been carried out for the period of five years and it is not sufficient enough to analyze the entire aspect of the company.

ANALYSIS AND INTERPRETATION OF DATA

In this study we analyze the financial performance of the selected unit's component wise like liquidity analysis, solvency analysis, profitability analysis and finally activity analysis. Different accounting ratios are used to analyze the performance of the selected units as follows:

We can observe that ratio increase year by year. In 2019-20 ratio increase as 3 times than previous years



Interpretation: We can observe the table which shows in year 2019-20 the Net profit margin has highest percentage of 85.51

Operating profit ratio

Particular	2016-17	2017-18	2018-19	2019-20	2020-21
Earning profit before tax and interest	12966.84	21491.98	30414.99	45259.92	33961.36
Net sales	21149.64	32862.37	42604	54346.69	60591.20
Net profit ratio	61.31	65.40	71.39	83.28	56.05

Interpretation

The **OPERATING PROFIT RATIO** of company in year 2016-17 is 61.31, in year 2017-18 is 65.40, in year 2018-19 is 71.39, in year 2019-20 is 83.28 and in the last year

2020-21 is 56.05, We can observe the chart which shows in year 2019-20 the Operating profit margin has highest percentage of 83.28

Debt-Equity Ratio

Particular	2016-17	2017-18	2018-19	2019-20	2020-21
Long time debt	19	31.59	28.88	30.11	33.5
Share holder fund	2766.02	2879.75	3160.91	3535.43	3800.92
Debt-equity ratio	0.007	0.011	0.009	0.009	0.009

Interpretation

If the **DEBT – EQUITY RATIO** is greater than 1, then the bank assets are financed through debt or if the ratio is less than 1, its assets are primarily financed through equity

As we can see in above table the debt-equity ratio of company were less than 1. So, assets are primarily financed through equity.

Equity Ratio

Particular	2016-17	2017-18	2018-19	2019-20	2020-21
Total Equity	2686.45	2800.18	3081.34	3455.86	3721.35
Total Asset	3868.53	3600.16	3218.9	2926.73	2814.13
Debt ratio	0.69	0.78	0.96	1.18	1.32

Interpretation

The **EQUITY RATIO** Reported assets and equity on the balance sheet . The Equity ratio of about 0.5 indicates owned by the company itself than creditors

The table shows all the above year have at satisfactory position

CONCLUSION

- Based on the above trends, the Bajaj finserv is in a good trend (upward) for the past 5 years.
- Even though the company give different rate of profit for the equity shareholders, finance industry is at upward trend for past 5 years.
- finance industry gives good amount of profit in long-term investment as well based on the above analysis.
- Equity holder of the Bajaj finserv will get minimum profit if INR 5 for 1 equity if holds his position for 5 years

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