A Project Report on
"A Study on Financial Analysis of Bajaj Finserv Limited using Ratio Analysis"

Submitted to
Department of Management Sciences & Research (DMSR)
G.S. College of Commerce and Economics, Nagpur
(An Autonomous Institution)

Affiliated to:
Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur

In partial fulfilment for the award of the degree of
Master of Business Administration

Submitted by
Sumedh Prakash Patil

Under the Guidance of
Dr. Archana Dadhe

Department of Management Sciences and Research,
G.S. College of Commerce & Economics, Nagpur

NAAC Accredited "A" Grade Institution

Academic Year 2023-24

Department of Management Sciences and Research,
G.S. College of Commerce & Economics, Nagpur

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Academic Year 2023-24

CERTIFICATE

This is to certify that **Mr. Sumedh Praksah Patil** has submitted the project report titled, **" A Study on Financial Analysis of Bajaj Finserv Limited using Ratio Analysis "**, under the guidance of **Guide name** towards the partial fulfillment of **MASTER OF BUSINESS ADMINISTRATION** degree examination.

It is certified that he/she has ingeniously completed his/her project as prescribed by **DMSR, G. S. College of Commerce and Economics, Nagpur, (NAAC Reaccredited "A" Grade Autonomous Institution)** affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

Name of Guide | **Dr. M. V. Purohit**
(Project Guide) | **(MBA Coordinator)**

Place: Nagpur | **Date:**

Department of Management Sciences and Research,
G.S. College of Commerce & Economics, Nagpur

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Academic Year 2023-24

DECLARATION

I, **Sumedh Praksah Patil** here-by declare that the project with title “" **A Study on Financial Analysis of Bajaj Finserv Limited using Ratio Analysis**” has been completed by me under the guidance of **Name of guide** in partial fulfillment of **MASTER OF BUSINESS ADMINISTRATION** degree examination as prescribed by **DMSR, G. S. College of Commerce and Economics, Nagpur, (NAAC Re-accredited "A" Grade Autonomous Institution)** affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

This project was undertaken as a part of academic curriculum and has not been submitted for any other examination and does not form the part of any other course undertaken by me.

Sumedh Praksah Patil

Place: Nagpur **Date:**

Department of Management Sciences and Research,

G.S. College of Commerce & Economics, Nagpur

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Academic Year 2023-24

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Sumedh Prakash Patil

Place: Nagpur **Date:**

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Part 1

Chapter : 1

Introduction

Introduction

Finance

Finance is the study and discipline of money, currency and capital assets. It is related to but distinct from economics, which is the study of the production, distribution, and consumption of goods and services. Based on the scope of financial activities in financial systems, the discipline can be divided into personal, corporate, and public finance.

In these financial systems, assets are bought, sold, or traded as financial instruments, such as currencies, loans, bonds, shares, stocks, options, futures, etc. Assets can also be banked, invested, and insured to maximize value and minimize loss. In practice, risks are always present in any financial action and entities.

Due to its wide scope, a broad range of subfields exists within finance. Asset-, money-, risk- and investment management aim to maximize value and minimize volatility. Financial analysis assesses the viability, stability, and profitability of an action or entity. Some fields are multidisciplinary, such as mathematical finance, financial law, financial economics, financial engineering and financial technology. These fields are the foundation of business and accounting.

the financial system consists of the flows of capital that take place between individuals and households (personal finance), governments (public finance), and businesses (corporate finance). "Finance" thus studies the process of channeling money from savers and investors to entities that need it. Savers and investors have money available which could earn interest or dividends if put to productive use. Individuals, companies and governments must obtain money from some external source, such as loans or credit, when they lack sufficient funds to run their operations.

Areas of finance

As outlined, finance comprises, broadly, the three areas of personal finance, corporate finance, and public finance. These, in turn, overlap and employ various activities and sub-disciplines—chiefly investments, risk management, and quantitative finance.

Personal finance

Personal finance refers to the practice of budgeting to ensure enough funds on available to meet basic needs, while ensuring there is only a reasonable level of risk to lose said capital. Personal finance may involve paying for education, financing durable goods such as real estate and cars, buying insurance, investing, and saving for retirement. Personal finance may also involve paying for a loan or other debt obligations. The main areas of personal finance are considered to be income, spending, saving, investing, and protection.

Corporate finance

Corporate finance deals with the actions that managers take to increase the value of the firm to the shareholders, the sources of funding and the capital structure of corporations, and the tools and analysis used to allocate financial resources. While corporate finance is in principle different from managerial finance, which studies the financial management of all firms rather than corporations alone, the concepts are applicable to the financial problems of all firms, and this area is then often referred to as "business finance"

Public finance

Public finance describes finance as related to sovereign states, sub-national entities, and related public entities or agencies. It generally encompasses a long-term strategic perspective regarding investment decisions that affect public entities.[15] These long-term strategic periods typically encompass five or more years.

Financial Analysis

Financial analysis is the process of evaluating businesses, projects, budgets, and other finance-related transactions to determine their performance and suitability. Typically, financial analysis is used to analyze whether an entity is stable, solvent, liquid, or profitable enough to warrant a monetary investment.

Financial analysis is used to evaluate economic trends, set financial policy, build long-term plans for business activity, and identify projects or companies for investment. This is done through the synthesis of financial numbers and data. A financial analyst will thoroughly examine a company's financial statements—the income statement, balance sheet, and cash flow statement. Financial analysis can be conducted in both corporate finance and investment finance settings.

One of the most common ways to analyze financial data is to calculate ratios from the data in the financial statements to compare against those of other companies or against the company's own historical performance.

Corporate Financial Analysis

In corporate finance, the analysis is conducted internally by the accounting department and shared with management in order to improve business decision making. This type of internal analysis may include ratios such as net present value (NPV) and internal rate of return (IRR) to find projects worth executing.

Many companies extend credit to their customers. As a result, the cash receipt from sales may be delayed for a period of time. For companies with large receivable balances, it is useful to track days sales outstanding (DSO), which helps the company identify the length of time it takes to turn a credit sale into cash. The average collection period is an important aspect of a company's overall cash conversion cycle.

Investment Financial Analysis

In investment finance, an analyst external to the company conducts an analysis for investment purposes. Analysts can either conduct a top-down or bottom-up investment approach. A top-down approach first looks for macroeconomic opportunities, such as high-performing sectors, and then drills down to find the best companies within that sector. From this point, they further analyze the stocks of specific companies to choose potentially successful ones as investments by looking last at a particular company's fundamentals.

A bottom-up approach, on the other hand, looks at a specific company and conducts a similar ratio analysis to the ones used in corporate financial analysis, looking at past performance and expected future performance as investment indicators. Bottom-up investing forces investors to consider microeconomic factors first and foremost. These factors include a company's overall financial health, analysis of financial statements, the products and services offered, supply and demand, and other individual indicators of corporate performance over time.

Types of Financial Analysis

There are two types of financial analysis: fundamental analysis and technical analysis.

Fundamental Analysis

Fundamental analysis uses ratios gathered from data within the financial statements, such as a company's earnings per share (EPS), in order to determine the business's value. Using ratio analysis in addition to a thorough review of economic and financial situations surrounding the company, the analyst is able to arrive at an intrinsic value for the security. The end goal is to arrive at a number that an investor can compare with a security's current price in order to see whether the security is undervalued or overvalued.

Technical Analysis

Technical analysis uses statistical trends gathered from trading activity, such as moving averages (MA). Essentially, technical analysis assumes that a security’s price already reflects all publicly available information and instead focuses on the statistical analysis of price movements. Technical analysis attempts to understand the market sentiment behind price trends by looking for patterns and trends rather than analyzing a security’s fundamental attributes.

For the following study I am using **Ratio Analysis**.

Ratio Analysis

Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by studying its financial statements such as the balance sheet and income statement. Ratio analysis is a cornerstone of fundamental equity analysis.

KEY TAKEAWAYS

- Ratio analysis compares line-item data from a company's financial statements to reveal insights regarding profitability, liquidity, operational efficiency, and solvency.

  Ratio analysis can mark how a company is performing over time, while comparing a company to another within the same industry or sector.

- Ratio analysis may also be required by external parties that set benchmarks often tied to risk.
- While ratios offer useful insight into a company, they should be paired with other metrics, to obtain a broader picture of a company's financial health.
- Examples of ratio analysis include current ratio, gross profit margin ratio, inventory turnover ratio.

Types of Ratio Analysis

The various kinds of financial ratios available may be broadly grouped into the following six silos, based on the sets of data they provide:

1. Liquidity Ratios

Liquidity ratios measure a company's ability to pay off its short-term debts as they become due, using the company's current or quick assets. Liquidity ratios include the current ratio, quick ratio, and working capital ratio.

a) Current Ratio

The Current ratio is also known as the working capital ratio. It will measure the relationship between current assets and current liabilities. It measures the firm`s ability to pay for all its current liabilities, due within the next one year by selling off all their current assets.

b) Quick Ratio

This ratio will measure a firm's ability to pay off its current liabilities (minus a few) with only selling off their quick assets. Now Quick assets are those which can be easily converted to cash with only 90 day notice. Not all current assets are quick assets. Quick assets generally include cash, cash equivalents, and marketable securities.

c) **Cash Ratio**

This is an even more rigorous liquidity ratio than quick ratio. Here we measure the availability of cash and cash equivalents to meet the short-term commitment of the firm. We do not consider all current assets, only cash.

2. Solvency Ratios

Also called financial leverage ratios, solvency ratios compare a company's debt levels with its assets, equity, and earnings, to evaluate the likelihood of a company staying afloat over the long haul, by paying off its long-term debt as well as the interest on its debt. Examples of solvency ratios include: debt-equity ratios, debt-assets ratios, and interest coverage ratios.

3. Profitability Ratios

These ratios convey how well a company can generate profits from its operations. Profit margin, return on assets, return on equity, return on capital employed, and gross margin ratios are all examples of profitability ratios.

4. Efficiency Ratios

Also called activity ratios, efficiency ratios evaluate how efficiently a company uses its assets and liabilities to generate sales and maximize profits. Key efficiency ratios include: turnover ratio, inventory turnover, and days' sales in inventory.

5. Coverage Ratios

Coverage ratios measure a company's ability to make the interest payments and other obligations associated with its debts. Examples include the times interest earned ratio and the debt-service coverage ratio.

6. Market Prospect Ratios

These are the most commonly used ratios in fundamental analysis. They include dividend yield, P/E ratio, earnings per share (EPS), and dividend payout ratio. Investors use these metrics to predict earnings and future performance.

For the below study of Bajaj finserv Limited for the year 2021 – 2023 , three different financial statements are used which are –

A] Balance Sheet

The term balance sheet refers to a financial statement that reports a company's assets, liabilities, and shareholder equity at a specific point in time. Balance sheets provide the basis for computing rates of return for investors and evaluating a company's capital structure.

In short, the balance sheet is a financial statement that provides a snapshot of what a company owns and owes, as well as the amount invested by shareholders. Balance sheets can be used with other important financial statements to conduct fundamental analysis or calculate financial ratios.

B] Profit & Loss Statement

A profit and loss statement is a financial statement businesses use to outline income and expenses over a specific period. It is also called an income statement, statement of profit, statement of operations, or a profit and loss report. Typically, organizations prepare a P&L at least quarterly and annually, but it can be done more frequently.

C] Income Statement

An income statement is a financial statement that shows you the company’s income and expenditures. It also shows whether a company is making profit or loss for a given period. The income statement, along with balance sheet and cash flow statement, helps you understand the financial health of your business.

Part 1

Chapter : 8

Company's Profile

COMPANY PROFILE

Introduction to Bajaj Finserv Limited

Bajaj Finserv Limited is a holding company whose subsidiaries are engaged in the business of financial services, insurance and wealth management.

Bajaj finserv the financial service arm of Bajaj group was formed in 2007 post the demerger from Bajaj Auto. Bajaj finserv Ltd is currently engaged in lending, protection and saving, and digital and online platforms offering a wide array of financial products and services in India. Bajaj finserv through its operating companies serves millions of customers in the financial services space by providing financing option for multiple needs, Investment and saving options, asset protection through general insurance, family protection and income protection in the form of life and health insurance and retirement and savings solutions.

Bajaj Finance Limited (BFL), the lending and investment arm of Bajaj Finserv Group is listed on The Stock Exchange (BSE) and the National Stock Exchange (NSE).

Our History

Our founder, Mr. Jamnalal Bajaj has initiated the culture of giving back to society in the pre-independence era. Mr. Jamnalal Bajaj, a Philanthropist had a vision to build an entity that is socially responsible. He believed in the fact that ‘common good is more important than individual gain’. Today, the group, under the able stewardship of Mr. Rahul Bajaj, with support from his sons- Rajiv Bajaj and Sanjiv Bajaj, has touched and changed many lives.

Our Beliefs

Our belief that “one life is all we have to be the best version of ourselves” and help individuals to unlock and activate their true potential. We aim to drive this with various institution and partnership, creating a common thread across the associations.

Business

Bajaj Finance Ltd., has diversified business across consumer, payments, rural, SME, commercial & mortgages segments. For Mortgage business, BFL also operates through a 100% subsidiary namely, Bajaj Housing Finance Limited (BHFL) which is registered with National Housing Bank (NHB) as a Housing Finance Company (HFC). BHFL started its operations in FY2018 and all the incremental mortgage business is now done through BHFL.

Protection and savings

Bajaj Allianz General Insurance Company Limited (BAGIC) is a joint venture between Bajaj Finserv Limited and Allianz SE, a German financial services company. Bajaj Allianz General Insurance received an Insurance Regulatory and Development Authority of India (IRDAI) certificate of registration on 2 May 2001 to conduct general insurance business, including health insurance, in India.

Bajaj Allianz Life Insurance is a joint venture between Bajaj Finserv Limited and Allianz SE, a European financial services company. Being one of the private insurance companies in India, it offers insurance products for financial planning and security. Bajaj Allianz Life Insurance began operations on 12 March 2001 and today has presence pan-India.

Digital and Online Platform

Bajaj Financial Holdings Ltd., a wholly-owned subsidiary, has firmed up new business plans for undertaking activities on digital and online platform to augment the business of the Company's subsidiaries and has changed its name to Bajaj Finserv Direct Ltd. In addition, there are wind-farm assets in Maharashtra with an installed capacity of 65.2 MW.

Products / Services

A] Consumer Finance

i. **Durable Finance**: A finance option for purchase of household items like washing machines, refrigerators, air-conditioner, LED TVs, microwaves, furniture etc consumers can avail up to Rs.4 lakh with the Bajaj Finserv EMI Network. Consumers can get up to 100% funding of purchase at zero or low interest rates and Pick a convenient tenor and repay in easy EMIs.

ii. **Lifestyle Finance**: Financing options through easy EMI loans offered to purchase home appliances, personal appliances, groceries, fashion and accessories, travel, healthcare fitness and health that give hassle-free access to affordable luxury, with payment convenience at every avenue.

iii. **Digital Product Finance**: Customers can buy products affordably on the Bajaj Finserv EMI Network. With more than 80,000 stores customers can just walk in partner stores, select the electronics, mobile, appliance or any other product, talk to the representative, and convert the cost of the purchase into easy EMIs.

A] Commercial Lending

i. **Vendor Financing:** With Vendor Financing consumer can pay vendors on time and ensure a smooth flow of business operations. It offers vendors with a high loan amount up to 30 lakh, Flexi loan facility along with faster process and quick disbursal.

ii. **Large Value Lease Rental Discounting**: Lease Rental Discounting is a loan that is offered against rental receipts. It can be availed by tenants against leased contracts with funding between Rs.10 crore to Rs.50 crore and comes with tenure of 11 years along with foreclosure or part-prepayment facility.

iii. **Loans against Securities**: Loan Against Securities is a hassle-free way to get funds without liquidating the assets. With loan up to Rs 10 crore and Nil Part Payment/Foreclosure Charges it is supported by dedicated relationship manager who is available 24/7 to assist customers with all the requests.

Financial Institutions Lending

Light Engineering Finance: A personal financing option that provides customers access to a large amount of funds. The loan offers funds up to ₹3.5 crore to meet personal expenses like wedding, home renovation, vacation and education costs or to consolidate existing debts into one easy loan.

Corporate Finance

Warehouse Financing: Loans for warehouses where SME owners can fund warehouse operations by stocking the right amount of inventory or open a new one to cater to new markets. It comes with affordable financing up to Rs 30 lakh and hassle-free unsecured financing.

Investment

iv. **Fixed Deposit**: One of the safest investment options, fixed deposit enables to take control of investments with flexibility and offers guaranteed returns. Investors can easily choose a tenor between 12 months and 60 months, as per their financial needs. Attractive FD interest rates of up to 8.70% and higher interest rates for senior citizens helps to multiply their savings easily with minimum deposit of Rs. 25,000.

v. **Mutual Funds**: Bajaj Finance Mutual Funds comes with Low risk, high returns and diversification, making investment profitable. It comes with small investment option, which is professionally managed keeping complete transparency and interactivity. It has low transaction costs and investment that can be liquefied at any time, unless they have specified lock-in period.

SME Finance

i) **Home Loan**: Home loan up to Rs. 3.5 crore at lowest interest rate with added features like additional top-up loan and doorstep service. It comes with additional benefits like lower interest rate of just 6.93%* under Pradhan Mantri Awas Yojna (PMAY), easy balance transfer facility, top-up loan, property dossier, flexible tenor, customized insurance schemes and minimal documentation.

ii) **Loan against Property**: It enables one to finance child's education, managing wedding expenses, expanding business, or even handling unforeseen medical expenses with customised property loan to salaried and self-employed individuals at affordable interest rates.

Gold Loan: Gold Loans to salaried or self-employed individuals and also to firms and companies. The loan promises to be reliable, hassle-free, with excellent financial service and the sanction process is simple and instantaneous.

Overview

Our belief is to make a difference in the lives of people that drives the growth of the community. We take small step through the social cause to drive our objective of being socially responsible corporate. This principal has been followed over the years that our founder Mr. Jamnalal Bajaj initiated.

Part 2 [A]

Chapter : 5

Literature Review

Literature Review

1. "The Role of Financial Institutions in the Global Economy" **(2022) by Franklin Allen and Elena Carletti.** This paper examines the role of financial institutions in the global economy and discusses the importance of regulation in ensuring financial stability.
2. **Kantawala, (1997),** in his study "Financial Performance of Non-Banking Finance Companies in India", examined the performance of non-banking financial companies for the period from 1985-86 to 1994-95. Based on secondary data collected from different RBI bulletins regarding financial and investment companies, the study concluded that there was a significant difference in the profitability ratios, leverage ratios, and liquidity ratios of various categories of NBFCs. When two categories were compared, the selected ratios were not statistically different from each other in majority of the cases.
3. "Financial Inclusion: A Review of the Literature" **(2021) by Maria Ana Lugo and Michael R. Carter.** This review paper examines the literature on financial inclusion, which is the process of ensuring that individuals and businesses have access to affordable financial services.
4. **Jain, A., & Joshi, M. (2021).** "A Study on the Impact of Covid-19 on Indian NBFCs." The study analyzes the impact of the Covid-19 pandemic on Indian NBFCs and finds that they faced significant challenges, including liquidity risk, asset quality deterioration, and reduced profitability.
5. "The Relationship between Financial Ratios and Stock Returns: Evidence from the Tehran Stock Exchange" **by Salehi and Bagheri (2021)** - This study analyzed the relationship between financial ratios and stock returns in the Tehran Stock Exchange. The authors found that certain financial ratios, such as earnings per share and return on assets, were significantly related to stock returns in the Tehran Stock Exchange .
6. **Agarwal, R. K., & Goyal, S. (2020).** "Non-Banking Financial Companies (NBFCs) and Their Role in Indian Economy." The paper discusses the role of NBFCs in the Indian economy and their contribution to economic growth, financial inclusion, and job creation.

7. **Khan, (2010)** in his study on “Non-Banking Financial Companies (NBFCs) in India: Functioning and Reforms” discussed the financial system in India emphasizing on the activities of Non-Banking Financial Companies (NBFCs). The study covered the financial intermediaries including commercial banks, regional rural banks, cooperative banks and NBFCs in India and made a comparative analysis of their activities.
8. **Dr. K. Prince Paul Antony and D. Bharath, (2022)**, Their study focused on financial performance of Bajaj Finserv. The main objective of this study is to measure the financial performance and to know the profit ability of the company. The study is based on the financial position of the firm by using ratio analysis, financial statements help the management to analyse profit, solvency, liquidity and efficiency. The study concluded that the company is in a good trend.
9. **P. Bhaskar Yadav and Dr. K. Haritha, (2022)**, Their study focused on a Study on Ratio analysis of Bajaj Finserv with Reference to Sriram Bajaj. The main objective of the study is to study the Liquidity position of the company and profitability position of the company. Secondary source of data were used. The study concluded that the current ratio is in standard position, debtors turnover ratio is efficient and the financial performance of the company is in standard position.
10. **K. Sai Dakshayani and Dr. P. Viswanath, (2022)**, Their study focused on a Study on Profitability analysis at Bajaj Finserv Ltd. The main objective of the study is to analyse the profitability in terms of sales and to examine the relationship of net profit and total assets efficiency. Secondary source of data were used for study. The study concluded that the growth of profitability of the company can be considered stable.

Statement of the problem

Financial performance of a company is used for evaluating the common parts for obtaining a better view on firm’s performance and position. To analyze financial efficiency in terms of profitability, solvency and liquidity various accounting ratios can be used. Financial analysis helps both creditors and investors to predict future performance as well as comparison. It mainly helps in showing out company’s strength and weakness. The aim of the study is to evaluate the financial performance of BAJAJ FINSERV LIMITED.

The following study is for the financial analysis of Bajaj Finserv Ltd. Using ratio analysis. The need for the following study is mentioned below:

Need for the Study

The Primary Objective of financial statement analysis is to assess the financial health and performance of a company. Investors, creditors, management and other stakeholders use this analysis to make informed decisions.

Key goals include:

- **Performance Evaluation:** Assessing how well a company has performed over certain period in terms of profitability, efficiency and effectiveness.
- **Risk Assessment:** Identifying potential risk and uncertainties that may affect the company's ability to achieve its financial goals and obligations.
- **Liquidity and Solvency Analysis:** Evaluating the company's ability to meet short-term obligation (liquidity) and its long-term financial stability (solvency).
- **Investment Decision-Making:** Supporting investors in making investment decision by providing insights into company's financial health and growth prospects.

Hypothesis

a. **Null Hypothesis (H0):** There is no impact or the profitability ratios of the Bajaj Finserv Ltd. are consistent during the period of study.

b. **Alternate Hypothesis:** There is impact on the profitability ratios of the Bajaj Finserv Ltd. during the period of study.

Part 2 [A]
Chapter : 3

Objective of Study

OBJECTIVES OF THE STUDY

Objectives

- To make comparative study of financials statements of 3 years.
- To study and analyze the financial position of the company through ratio analysis.
- To analyze the profitability position of the company.
- To assess the return on investment.
- To study the turnover position of the company.
- To determine the solvency position of company.
- To suggest measures for improving the financial performance of organization.

Part 2 [A]

Chapter : 4

Research Methodology

Research Methodology

Research Design

This research follows the conclusive research methodology which is based on the quantitative data that is already collected by someone for different purpose. For an effective result from the research the study should be done with the

secondary sources of the data. The main sources for these secondary data is annual reports of the company. The reference from the books like financial management, management accounting or any other standard textbooks can be used. Statistical and non-statistical tools can be used for the analysis of data.

Additionally, in order to achieve the efficiency of financial analysis the conventional tools can also be used.

Conclusive Research

In this type of research methodology, research has to use facts or information already available, and analyze these to make a critical evaluation of the material. The researcher depends on existing data for his research work. The analysis revolves around the material collected or available.

Sources of Data Collection

- **Primary Data:** This project is based on secondary data. Hence primary data is not required.

- **Secondary Data:** Secondary data refers to the information or facts already collected. Such data are collected with the objective of understanding the past status of any variable or the data collected and reported by some source is accessed and used for the objective of the study. The secondary data was collected through following sources-

a) Research papers

- A study on Financial Performace Analysis of Bajaj Finserv Limited

  By Ms. Ranjitha K. A, Jayden Johnathan

  (Assistant Professor , Shri Krishna Aditya college of Arts & Science , Coimbatore)

- A Study on Financial Performance of Bajaj Finserv Limited

  By Dr. R. Mayilsamy, Ms. M. Gowthami

  (Associate Professor, Department of Commerce[PA], Dr. N.G.P. Arts & Science College , Coimbatore, Student of III B.Com PA, Dr. N.G.P Arts & Science College Coimbatore)

b) Journal (Wall Street Journal, Dalal Journal, ET money)

c) Internet

- Ticker Tape App
- Bajajgroup company
- Corporate finance institute
- investopedia
- vedantu
- bajajfinserv

d) Company' s Annual Report

e) Books (Finance & Management, Financial Statement & Analysis).

Data Analysis

Analysis of the data provided in the report is present in the following pages.

Time Frame

The analysis, suggestions and conclusion determined through this research is applicable for the period of 3 years.

Data Presentation

The findings of this report will be presented in a structured report format. Visual aids, charts, tables will be used to enhance the clarity of the analysis.

Conclusion and Recommendation

The study will conclude with a summary of key findings and provide recommendations or insights from the researcher's point of view.

RESEARCH METHODOLOGY

In order to conduct research on the Bajaj Finserv Limited first we need to know the various sectors in which the organization conducts business. For this, the following data provides information on the sector overview of Bajaj Finserv Limited.

SECTOR OVERVIEW

The financial sector refers to the businesses and institutions that manage money and provide intermediary services to transfer and allocate financial capital in an economy.

Types of Financial Institutions

The institutions can be broken down into major categories, as follows:

i. Retail Banks

Retail banks are the classic deposit-taking institutions that accept cash deposits from savers and pay interest on those savings. They generate revenue by lending out the deposits to borrowers at a higher interest rate than is paid on savings.

The bank earns the differential between the interest paid on deposits and the interest earned from loans. Some well-known examples of retail banks worldwide are Bank of America, Royal Bank of Canada, BNP Paribas, Mitsubishi UFJ, HDFC Bank. They are also known as commercial banks.

ii. Investment Banks

Investment banks are non-deposit-taking institutions. They are primarily focused on the practice of corporate finance. They provide advisory services to businesses to help them raise funds from the financial markets, e.g., helping a company raise equity via an Initial Public Offering (IPO). They also offer other services like prime brokerage, which are brokerage services like securities lending to large institutional clients.

Investment banks generate revenue primarily through fees earned by providing advisory and underwriting services. They also generate profits through trading in the financial markets.

Most commercial banks oversee an investment banking arm, though more recently, they are required to separate the two business units under the Dodd-Frank Act and other laws. Some well-known investment banks include Morgan Stanley, Barclays, and Goldman Sachs.

iii. Investment Managers

Investment managers are professional firms that provide investment management services to individual and institutional clients. They include a variety of players, such as mutual fund and exchange-traded fund (ETF) managers and hedge funds.

Mutual Fund and EPF managers primarily serve retail investors by offering pre-packaged investment vehicles. They generate revenue by charging a small fee on managing the total money, also called assets under management.

On the other hand, hedge funds clients are primarily institutions and a few high-net-worth individual investors. The term hedge fund here refers to the many kinds of alternative asset managers like private equity and venture capital, commodity trading advisors (CTAs), highly specialized public markets investors, etc.

Popular examples of investment managers include Fidelity (mutual funds), Black Rock (ETFs), D.E. Shaw (hedge fund), Carlyle Group (private equity).

iv. Government Institutions

The government is a major player in the financial markets. Through its various institutions, it regulates the functioning of the markets. The biggest and the most influential government institution in any financial market is the central bank.

A central bank is the sole issuer of legal tender or currency in an economy. It also controls the interest rates in the domestic market and, in many cases, the exchange rate for a currency in the foreign exchange (FX) markets.

Outside of the central banks, some securities regulators lay down the rules that regulate the functioning of financial markets. Securities regulators ensure that the financial markets operate in a fair and transparent fashion. To this end, they require elaborate disclosures from various players in the financial markets to ensure transparency, as well as penalize those who indulge in illegal activities like insider trading.

Some well-known government institutions include the Federal Reserve (central bank), the Securities and Exchange Commission (SEC), and the Federal Deposit Insurance Commission (FDIC).

v. Exchanges and Clearing Houses

These are venues where the actual trading of financial assets takes place. The most common kind of exchange is the stock exchange. For a stock to be traded on an exchange, it must be listed there.

Stock exchanges set out specific criteria that a company must meet to be listed. They collect orders from different market participants and post them on an order book. As buy and sell orders match, the trades are executed. Today's electronic exchanges are capable of executing millions of trades per day.

Clearing houses serve a different purpose. They are responsible for settling accounts between various participants in a market. They are common in the derivatives market, where many contracts are cash-settled, i.e., one party pays the other based on the price of the underlying security. It is the job of the clearing house to assign the payer, receiver, and amount of payment.

A clearing house is often referred to as the Central Counterparty Clearing (CCP) party. An example is CME Clearing, the clearing house for the Chicago Mercantile Exchange (CME).

vi. Payment Processors

Payment processors are intermediaries that facilitate the exchange of funds between disparate parties. They network various institutions and ensure a secure transfer of funds between them.

Most day-to-day electronic transactions are processed by payment processors. Whenever one uses a debit or credit card, the payment processor securely transmits the transaction information to the user's bank and routes the funds from the user's account to the vendor's account.

Payment processors generate revenue by charging a small fee on every transaction that is routed through their network. Examples of payment processors include Visa, MasterCard, Interac, and American Express.

vii. Insurance Providers

Insurance providers encompass another large portion of the financial sector. They provide protection against unforeseen financial losses arising from events like accidents and disasters in exchange for a small premium paid at regular intervals. They serve both individuals and institutions.

In the case of individuals, they provide products like life insurance, health insurance, auto insurance, and house insurance. For businesses, they provide products like marine insurance for goods on ships, data breach insurance, worker's compensation insurance, etc.

There are also reinsurance companies that provide insurance to insurance companies. They help cover an insurance firm's liabilities in case of a major disaster. Examples of insurance companies include Manulife and Munich Re (reinsurance).

Financial Sector in Macroeconomics

In macroeconomics, the economy is often modeled as a circular flow between households, companies, and the government. In the aftermath of the Great Financial Crisis, economists realized that the financial sector exerted a significant influence on the economy and must bedded to their models. It led to the development of models that included the financial sector as an integral part of the economy. It was further necessitated by the introduction of unconventional monetary policy by central banks.

A specific method of implementing monetary policy is known as quantitative easing (QE). Under QE, the central bank purchases high-quality securities from banks in exchange for cash. The cash is then used to meet the regulatory reserves.

Monetary Policy and the Financial Sector

To counter the effects of an economic depression, central banks use expansionary monetary policy. The policy is implemented by increasing the amount of monetary reserves available in the financial system. The expectation is that the reserves will be used for lending activities, thereby increasing economic activity.

A specific method of implementing monetary policy is known as quantitative easing (QE). Under QE, the central bank purchases high-quality securities from banks in exchange for cash. The cash is then used to meet the regulatory reserves and for increased lending and investment.

Key Takeaways

We've seen that the modern financial sector is not a monolith but is composed of many different players, each playing an important role. Money is often called the blood of an economy, and the financial sector is the system that circulates money throughout the economy, enabling transactions at all levels. From buying a chocolate bar to acquiring a company, nothing escapes the touch of the financial sector.

Part 2 [A]

Chapter : 6

Analysis & Interpretation

ANALYSIS AND INTERPRETATION OF DATA

In simplest terms, ratio analysis is a procedure that individuals use to determine an organization's financial condition and well-being. Through this process, accountants learn about a company's ability to make profits, and its efficiency in business operations. In addition, investors can also gather data on liquidity of a company's assets to meet its working capital requirements.

Besides, one can form an idea about a corporation's performance in a competitive sector using this method. Therefore, ratio analysis presents a detailed insight into a company's ability to compete with similar organizations in an industry or a sector.

By its definition, ratio analysis is a process to scrutinize and compare financial data of a company using its financial statements. This method actively uses the data from financial statements to calculate the financial health and performance of a company. Therefore, this process eliminates the need of analyzing and comparing line items from each financial statement.

This prevailing method primarily helps the management of a company as well as its investors to gather information on its growth percentage. Besides, this method also clarifies the operational drawbacks of an organization. As a result, the management can take suggestions from the ratio analysis to take the right course of financial action. Thereby, a company benefits largely from this widely prominent method.

Types of Ratio –

a. **Profitability Ratio**
b. **Liquidity Ratio**
c. **Turnover Ratio**
d. **Solvency Ratio**

Profitability Ratio

Profitability ratios can be compared with efficiency ratios, which consider how well a company uses its assets internally to generate income (as opposed to after- cost profits).

For most profitability ratios, having a higher value relative to a competitor's ratio or relative to the same ratio from a previous period indicates that the company is doing well. Profitability ratios are most useful when compared to similar companies, the company's own history, or average ratios for the company's industry.

Gross profit Ratio

It corresponds to the income the company makes after having deducted all the costs associated with making its products or providing its services. Gross profit appears on the company's income statement. It shows insights into the efficiency of a company in managing its production costs, such as labor and supplies, in order to generate income from the sales of its goods and services.

Gross Profit ratio = Gross Profit / Net revenue from Operations x 100

Net revenue from operations = Net Sales = Sales – Sales return

Gross Profit = Sales – Cost of Sales

Calculation of Gross Profit Ratio for the year 2021 - 22 is given below

Gross Profit Ratio = Gross Profit / Net revenue from operations x 100

= 10,360.80 / 60,591.57 x 100

= 17.09 %

So the Gross Profit Ratio for the year 2021 -22 is 17.09 %

Calculation of Gross Profit Ratio for the year 2022 - 23 is given below

Gross Profit Ratio = Gross Profit / Net revenue from operations x 100

= 12,457.14 / 68,438.98 x 100

= 18.20 %

So the Gross Profit Ratio for the year 2022 - 23 is 18.20 %.

Calculation of Gross Profit Ratio for the year 2023 - 24 is given below

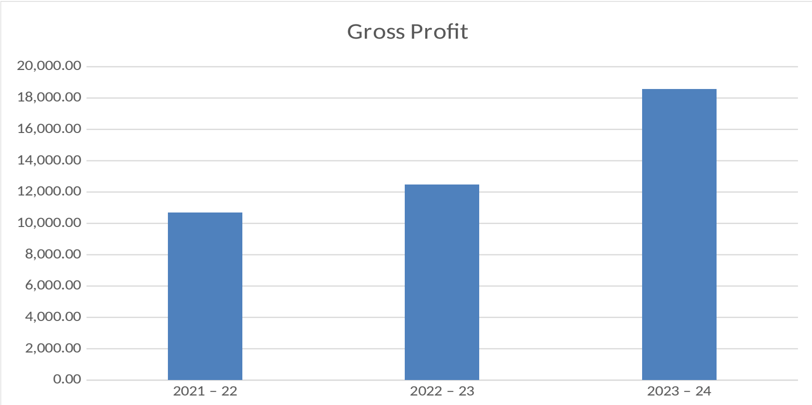
Gross Profit Ratio = Gross Profit / Net revenue from operations x 100

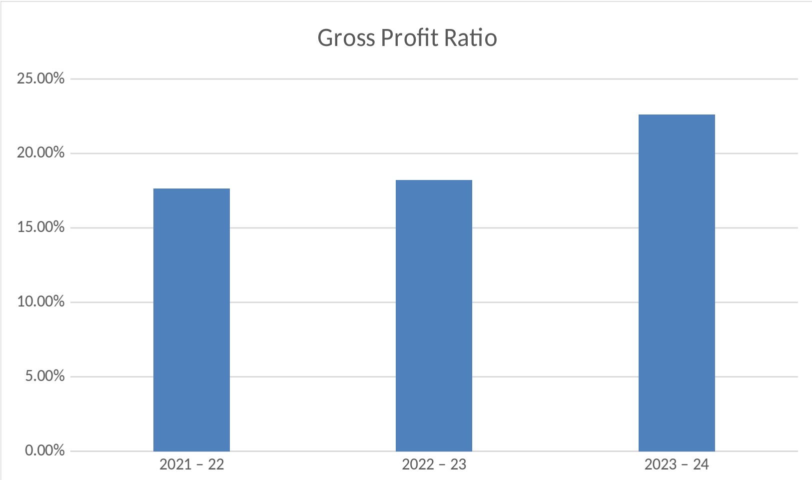
= 18,565.40 / 82,073.20 x 100

= 22.62 %

So the Gross Profit Ratio for the year 2023 -24 is 22.62 %.

Year	Gross Profit	Net Revenue	Gross Profit Ratio
2021 – 22	10,684.53	60.591.57	17.63 %
2022 – 23	12,457.14	68,438.98	18.20 %
2023 – 24	18,565.40	82,073.20	22.62 %





Interpretation

This ratio basically signifies the basic probability of the firm. This is why it is one of the most important probability ratios. It shows the margin in the selling price before the company will incur losses from operations. The Gross Profit Margin ratio of Bajaj Finserv Ltd has ups and downs in the past years period. The Gross Profit measures the relation between the sales and profits. The gross – profit ratio in the year 2021 – 22 is 17.63 %, the year 2022 – 23 is 18.20 % and the year 2023 – 24 is 22.62 %. By comparing all the ratio of these 3 years it can e seen that the company gross profit ratio has been constantly rising in these period of time.

Net Profit Ratio

Unlike the operating ratio, the net profit ratio includes the total revenue of the firm. It takes into account both the operating income as well as the non-operating income. Then it compares net profit to these incomes. This ratio too is represented as a percentage. The formula for Net Profit ratio is,

Net Profit Ratio = Net Profit / Net revenue x

100 Net profit = Net Profit after Tax [NPAT]

Calculation of Net Profit Ratio for the year 2021– 22 is given below,
Net Profit Ratio = Net Profit / Net Revenue x 100

= 4,470.46 / 60,591.57 x 100

= 7.37 %

So the Net profit Ratio for the year 2021 – 22 goes beyond 7.37 %.

Net Profit Ratio for the year 2022 – 23 is given below,

Net Profit Ratio = Net Profit / Net Revenue x 100

= 4,556.77/ 68,438.98 x 100

= 6.66 %

So the Net profit Ratio for the year 2022 – 23 goes beyond 6.66 %.

Net Profit Ratio for the year 2023 – 24 is given below,

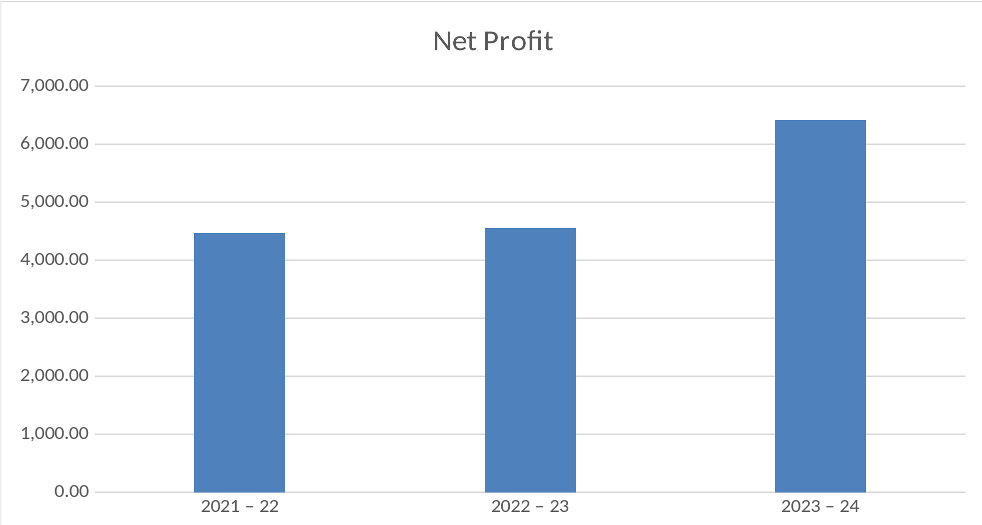
Net Profit Ratio = Net Profit / Net Revenue x 100

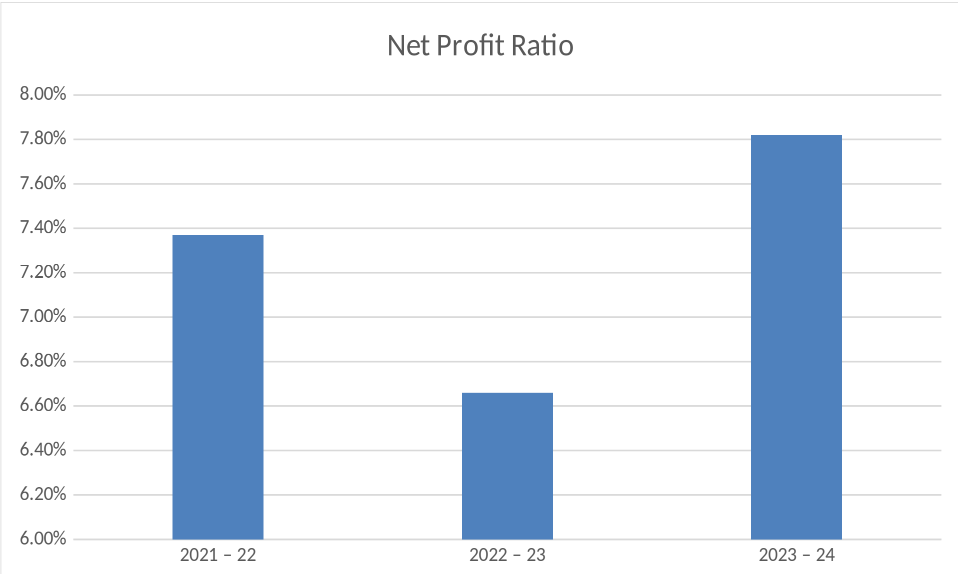
=6,417.28/ 82,073.20 x 100

= 7.82 %

So the Net profit Ratio for the year 2023 – 24 goes beyond 7.82 %.

Year	Net Profit	Net Revenue	Net Profit Ratio
2021 – 22	4,470.46	60,591.57	7.37 %
2022 – 23	4,556.77	68,438.98	6.66 %
2023 – 24	6,417.28	82,073.20	7.82 %





Interpretation

This ratio helps measures the overall profitability of the firm. It indicates the portion of the net revenue that is available to the proprietors. It also reflects on the efficiency of the business and is very important ratio for investors and financiers. The net profit is the indicative of the management`s ability to operate the business with sufficient success. In the above table it shows that the net profit ratio of Bajaj Finserv Ltd has ups and downs in the past 3 years.

Operating Ratio

The second one of the profitability ratios is the operating ratio. This ratio measures the equation between the cost of operating activities and the net sales, or revenue from operations. This ratio expresses the cost of goods sold as a percentage of the net sales. Operating ratio also takes into account operating expenses such as administration and office expenses, selling and distribution costs, salaries paid, depreciation expenses etc. Also it ignores the non-operating incomes such as interests, commission, dividends etc.

Operating Ratio = Operating Expenses / Net Revenue from Operations x 100 Net Revenue from Operations = Net Sales = Sales – Sales Returns

Calculation of Operating Ratio for the year 2021 -22 is given below,

Operating Expenses = 323.73

Operating Ratio = Operating Expenses / Net Revenue from Operations x 100

= 323.73 / 60,591.57 x 100

= 0.53 %

So the Operating Ratio for the year 2021 - 22 is 0.53 %.

Calculation of Operating Ratio for the year 2022 – 23is given below,

Operating Expenses =623.83

Operating Ratio = Operating Expenses / Net Revenue from Operations x 100

= 623.83 / 68,438.98 x 100

= 0.91 %

So the Operating Ratio for the year 2022 – 23 is 17.53 %.

Calculation of Operating Ratio for the year 2023 – 24 is given below

Operating Expenses = 1,076.47

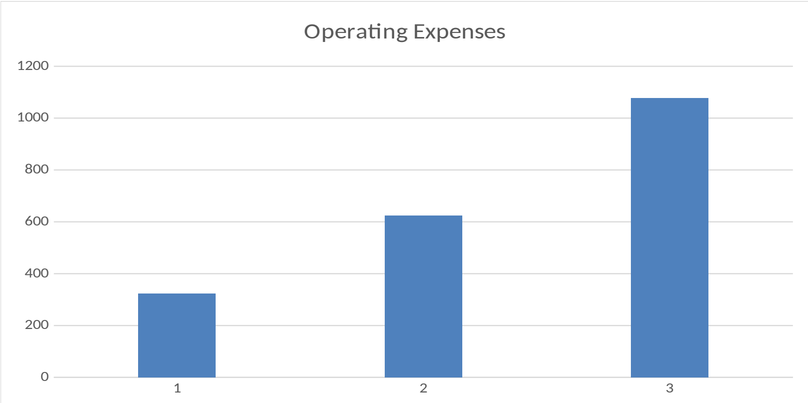
Operating Ratio = Operating Expenses / Net Revenue from Operations x 100

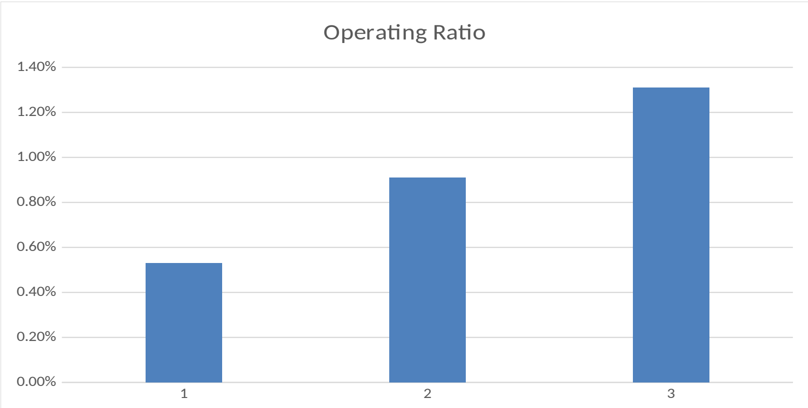
= 1,076.47 / 82,073.20 x 100

= 1.31 %

So the Operating Ratio for the year 2023 – 24 is 17.80 %.

Year	Operating Expenses	Net Revenue	Operating Ratio
2021 – 22	323.73	60,591.57	0.53 %
2022 – 23	623.83	68,438.98	0.91 %
2023 – 24	1,076.47	82,073.20	1.31%





Interpretation

This ratio can actually help ascertain the efficiency of the organization along with its profitability. There is no standard ratio, but a trend analysis must be done on year basis to check the progress of the company. Lower operating ratio shows higher operating profit and vice-versa.

Liquidity Ratio

Liquidity ratios evaluate the firm`s ability to pay its short-term liabilities, i.e. current liabilities. It shows the liquidity levels i.e. how many of their assets can be quickly converted to cash to pay their obligations when they become due. It is not only a measure of how much cash there is but also how easily current assets can be converted to cash or marketable securities.

Current Ratio

The Current ratio is also known as the working capital ratio It measures the firm`s ability to pay for all its current liabilities, due within the next one year by selling off all their current assets. The formula for is as follows –

Current Ratio = Current Assets / Current Liabilities

Calculation of Current Ratio for the year 2021 – 22 is given below,

Current Ratio = Current Assets / Current Liabilities

= 15,153.15/1,02,324.81

= 0.14: 1

So the current Ratio for the year 2021 – 22 is 0.14: 1.

Calculation of Current Ratio for the year 2022 – 23 is given below,

Current Ratio = Current Assets / Current Liabilities

= 17,994.18 / 1,18,077.44

= 0.15: 1

So the Current Ratio for the year 2022 – 23 is 0.15: 1.

Calculation of Current Ratio for the year 2023 – 24 is given below,

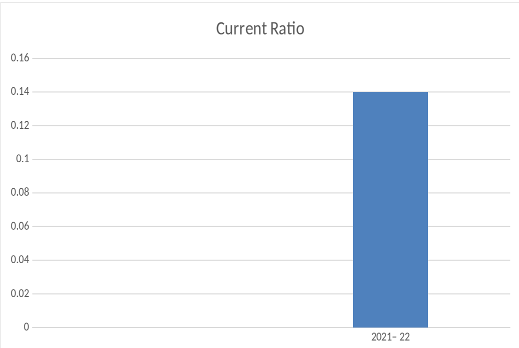
Current Ratio = Current Assets / Current Liabilities

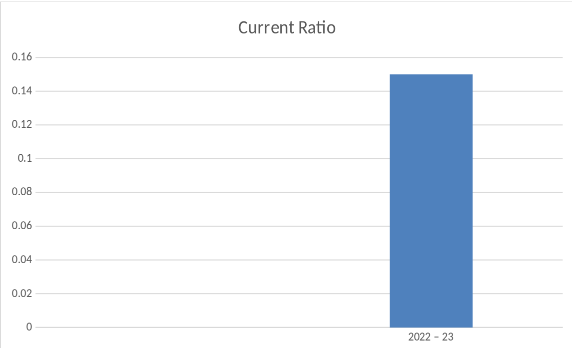
= 21,033.05/1,29,661.62

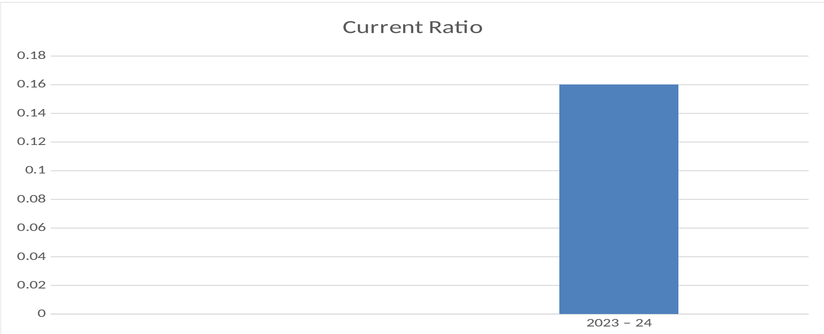
= 0.16: 1

So the current Ratio for the year 2023 – 24 is 0.16: 1.

Year	Current Assets	Current Liabilities	Current Ratio
2021– 22	15,153.15	1,02,324.81	0.14: 1
2022 – 23	17,994.18	1,18,077.44	0.15: 1
2023 – 24	21,033.05	1,29,661.62	0.16: 1







Interpretation

The ideal current ratio, according to the industry standard is 2:1. That means that a firm should hold at least twice the amount of current assets than it has current liabilities. However, if the ratio is very high it may indicate that certain current assets are lying idle and not being utilized properly. So maintaining the correct balance between the two is crucial. It can be observed that the current ratio of the company is increasing each year.

Cash Ratio

This is an even more rigorous liquidity ratio than quick ratio. Here we measure the availability of cash and cash equivalents to meet the short-term commitment of the firm. We do not consider all current assets, only cash. Let us see the formula,

Cash ratio= Cash+ Bank Balance +Marketable Securities/Current Liabilities

Calculation of Cash Ratio for the year 2021 – 22 is given below,

Cash ratio = Cash + Bank balance + Marketable Securities / Current Liabilities

= 3,410.49/1,02,324.81

= 0.033: 1

= 0.03: 1

So the Cash ratio for the year 2021 – 22 is 0.03: 1.

Calculation of Cash Ratio for the year 2022– 23 is given below,

Cash ratio = Cash + Bank balance + Marketable Securities / Current Liabilities

= 4,403.03 / 1,18,077.44

= 0.037: 1

So the Cash ratio for the year 2022 – 23 is 0.037: 1.

Calculation of Cash Ratio for the year 2023 – 24 is given below,

Cash ratio = Cash + Bank balance + Marketable Securities / Current Liabilities

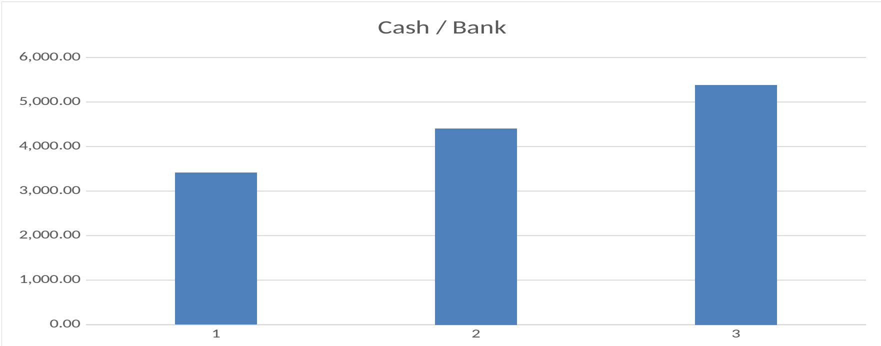
= 5,377/1,29,661.62

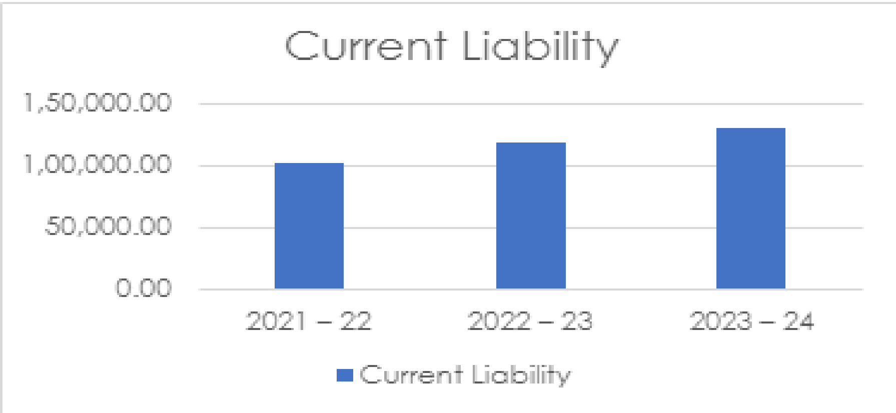
= 0.041: 1

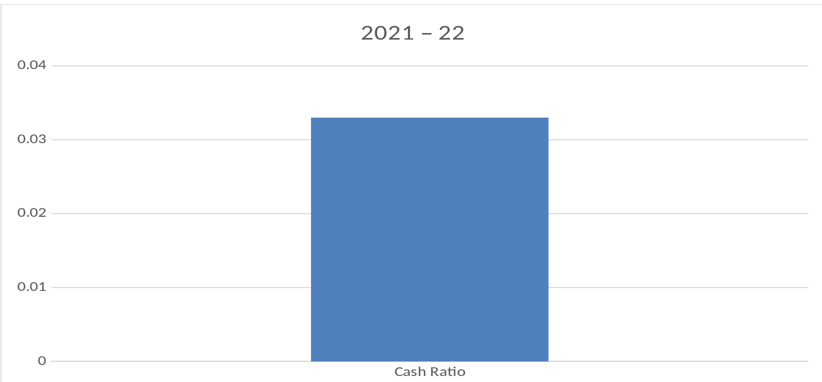
= 0.04: 1

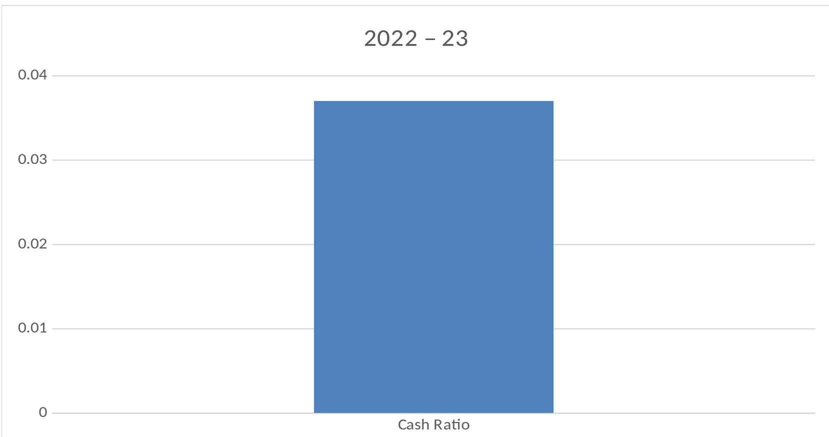
So the Cash ratio for the year 2023 – 24 is 0.040: 1.

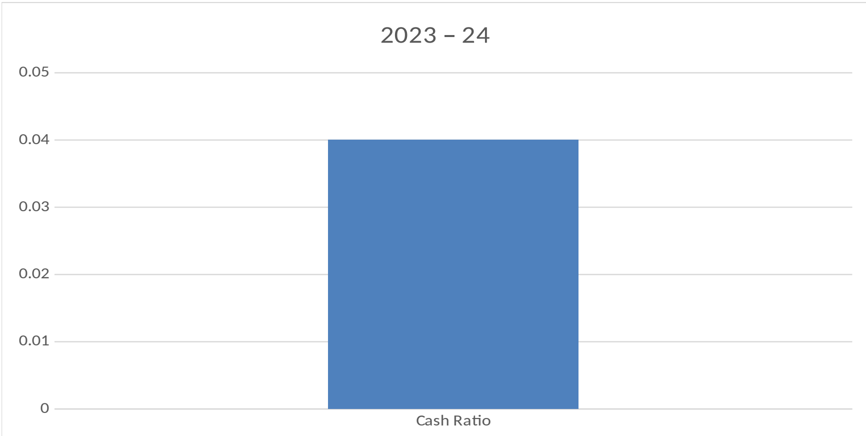
Year	Cash / Bank	Current Liability	Cash Ratio
2021 – 22	3,410.49	1,02,324.81	0.033: 1
2022 – 23	4,403.03	1,18,077.44	0.037: 1
2023 – 24	5,377.22	1,29,661.62	0.04: 1


Cash / Bank
6,000.00
5,000.00
4,000.00
3,000.00
2,000.00
1,000.00
0.00
1
2
3


Current Liability
1,50,000.00
1,00,000.00
50,000.00
0.00
2021 – 22
2022 – 23
2023 – 24
Current Liability


2021 – 22
0.04
0.03
0.02
0.01
0
Cash Ratio


2022 – 23
0.04
0.03
0.02
0.01
0
Cash Ratio



Interpretation

As you can see, this ratio measures the cash availability of the firm to meet the current liabilities. There is no ideal ratio, it helps the management understand the level of cash availability of the firm and make any changes required. However, if the ratio is greater than 1 it indicates poor resource management and very high liquidity. And high liquidity may mean low profitability

Quick ratio

Now Quick assets are those which can be easily converted to cash with only 90 day notice. Not all current assets are quick assets. Quick assets generally include cash, cash equivalents, and marketable securities. The formula is

Quick Ratio= Quick Assets/Quick Liabilities

Quick Assets= All Current Assets - Stock - Prepaid Expenses

Calculation of Quick Ratio for the year 2021 – 22 is given below,

Quick ratio **=** Quick Assets/Quick Liabilities

= 15,153.15/1,02,324.81

= 0.14

So the current Ratio for the year 2021 – 22 is 0.14.

Calculation of Quick Ratio for the year 2022 – 23 is given below,

Quick ratio = Quick Assets/Quick Liabilities

= 17,994.18 / 1,18,077.44

= 0.15

So the Quick ratio for the year 2022 – 23 is 0.15.

Calculation of Quick Ratio for the year 2023 – 24 is given below,

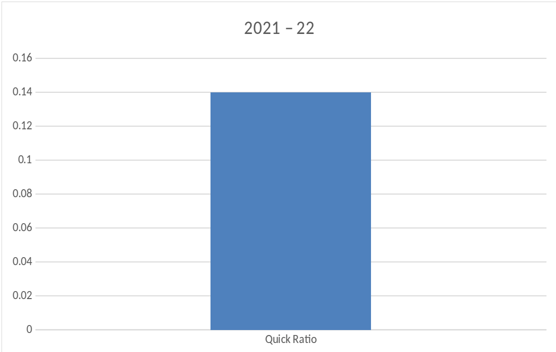
Quick ratio = Quick Assets/Quick Liabilities

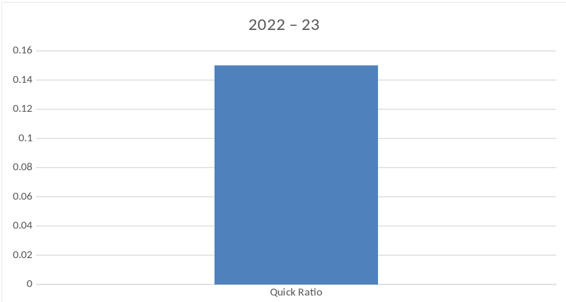
= 21,033 /1,29,661.62

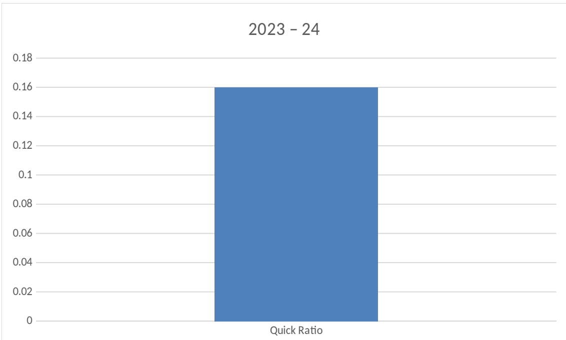
= 0.16

So the Quick ratio for the year 2023 – 24 is 0.16.

Year	**Quick Assets**	**Quick Liabilities**	**Quick Ratio**
2021 – 22	15,153.15	1,19,225.92	0.14
2022 – 23	17,994.18	1,18,077.44	0.15
2023 – 24	21,033.05	1,29,661.62	0.16







Interpretation

The ideal quick ratio is considered to be 1:1, so that the firm is able to pay off all quick assets with no liquidity problems, i.e. without selling fixed assets or investments. Since it does not take into consideration stock it is a stringent test of liquidity. Many firms believe it is a better test of liquidity than the current ratio since it is more practical. The ratios of the company are less than 1 during the period of study. It tells the business cannot pay debts due within one year from assets that it expects to turn into cash within the year.

Solvency Ratio

Solvency ratios also known as leverage ratios determine an entity's ability to service its debts. So these ratios calculate if the company can meet *its* long-term debt. It is important since the investors would like to know about the solvency of the firm to meet their interest payments and to ensure that their investments are safe. Hence solvency ratios compare the level of debt with equity, fixed assets, earnings of the company etc.

Debt Equity Ratio

The debt to equity ratio measures the relationship between long-term debt of a firm and its total equity. Since both these figures are obtained from the balance sheet itself this is a balance sheet ratio. Let us take a look at the formula.

Debt to Equity Ratio = Long –term debt / Shareholders Fund

Long –term Debt = Debentures + Long term loans

Share Holders Fund = Equity share capital + Preference share capital + Reserves
– Fictitious assets

Calculation of debt Equity Ratio for the year 2021 – 22 is given below,

Debt to Equity Ratio = Long – term Debt / Shareholders Funds

= 1,19,225.92 / 58,293.98

= 2.04

So the Debt Equity Ratio for the year 2021 – 22 is 2.04.

Calculation of Debt Equity Ratio for the year 2022 – 23 is given below,

Debt to Equity Ratio = Long – term Debt / Shareholders Funds

= 1,49,015.85 / 66,319.92

= 2.25

So the Debt Equity Ratio for the year 2022 – 23 is 2.25.

Calculation of debt Equity Ratio for the year 2023 – 24 is given below,

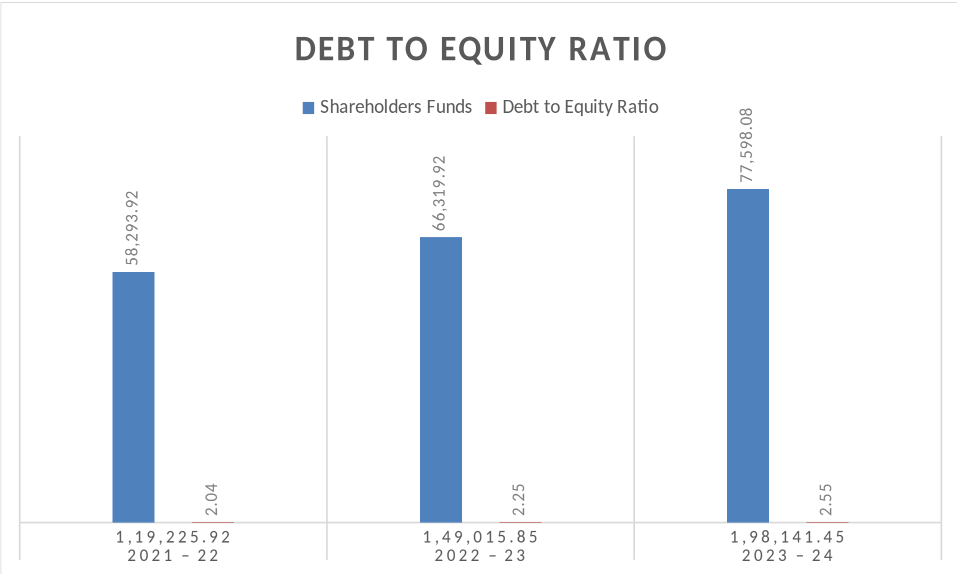
Debt to Equity Ratio = Long – term Debt / Shareholders Funds

= 1,98,141.45 / 77,598.08

= 2.55

So the Debt Equity Ratio for the year 2023 – 24 is 2.55.

Year	Long – term Debt	Shareholders Funds	Debt to Equity Ratio
2021 – 22	1,19,225.92	58,293.92	2.04
2022 – 23	1,49,015.85	66,319.92	2.25
2023 – 24	1,98,141.45	77,598.08	2.55



Interpretation

The debt-equity ratio holds a lot of significance. A low ratio means the firm is more financially secure, but it also means that the equity is diluted. In fact, a high debt to equity ratio may deter more investors from investing in the firm, and even deter creditors from lending money. General Standard of Debt Equity ratio is 2: I. Since the company is using more borrowings. By comparing the above 3 years data the Debt Equity ratio of the year 2021 – 22 is the lowest. Even though it has to improve. High ratios are unfavorable to the company & High Debt Company is called leveraged or geared & low debt equity ratio indicates greater claim of owners than creditors.

Debt Ratio

This ratio measures the long-term debt of a firm in comparison to its total capital employed. Alternatively, instead of capital employed, we can use net fixed assets. So the debt ratio will measure the liabilities (long-term) of a firm as a percent of its long-term assets. The formula is as follows,

Debt Ratio =Total Debt / Total Assets

Calculation of Debt Ratio for the year 2021 – 22 is given below,

Debt Ratio =Total Debt / Total Assets

= 2,21,550.73 / 2,79,844.71

= 0.79

So the Debt Ratio for the year 2021 -22 is 0.79.

Calculation of Debt Ratio for the year 2022 – 23 is given below,

Debt Ratio =Total Debt / Total Assets

= 2,67,093.29 / 3,33,413.21

= 0.80

So the Debt Ratio for the year 2022 – 23 is 0.80.

Calculation of Debt Ratio for the year 2023 – 24 is given below,

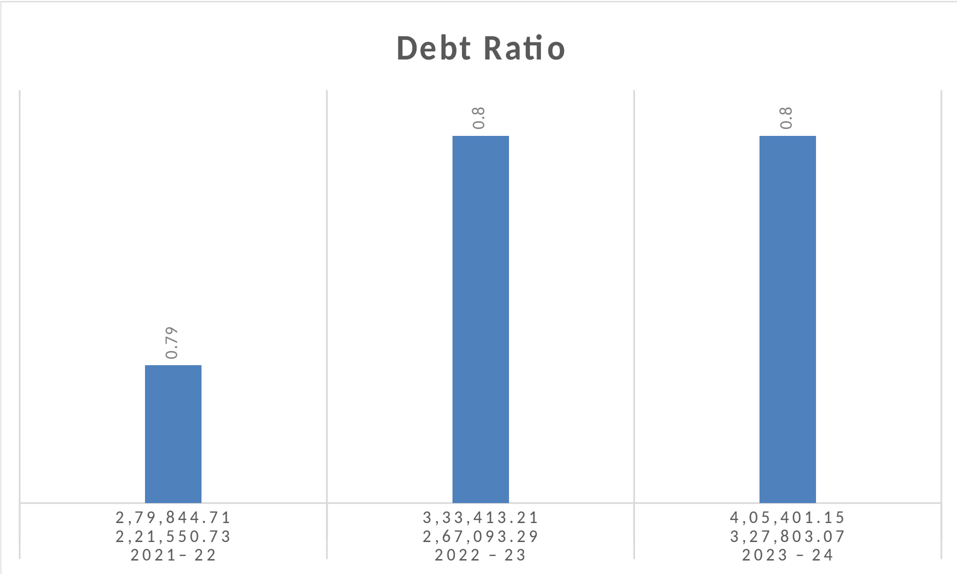
Debt Ratio =Total Debt / Total Assets

= 3,27,803.07 / 4,05,401.15

= 0.80

So the Debt Ratio for the year 2023 – 24 is 0.80.

Year	**Long – term Debt**	**Net Assets**	**Debt Ratio**
2021– 22	2,21,550.73	2,79,844.71	0.79
2022 – 23	2,67,093.29	3,33,413.21	0.80
2023 – 24	3,27,803.07	4,05,401.15	0.80



Interpretation

This is one of the more important solvency ratios. It indicates the financial leverage of the firm. A low ratio points to a more financially stable business, better for the creditors. A higher ratio points to doubts about the company long-term financial stability. But a higher ratio helps the management with trading on equity, i.e. earn more income for the shareholders. Again there is no industry standard for this ratio.

Proprietary Ratio

The third of the solvency ratios is the proprietary ratio or equity ratio. It expresses the relationship between the proprietor`s funds i.e. the funds of all the shareholders and the capital employed or the net asset. Like the debt ratio shows us the comparison between debt and capital, this ratio shows the comparison between owner's funds and total capital or net assets.

Proprietary Ratio = Share- holders Funds / Net Assets

Calculation of the Proprietary Ratio for the year 2021– 22 is given below,

Proprietary Ratio = Share- holders Funds / Net Assets

= 58,293.98 / 2,79,844.71

= 0.208

= 0.21

So the Proprietary Ratio for the year 2021 – 22 is 0.21.

Calculation of the Proprietary Ratio for the year 2022 – 23 is given below,

Proprietary Ratio = Share- holders Funds / Net Assets

= 66,319.92 / 3,33,413.21

= 0.20

So the Proprietary Ratio for the year 2022 – 23 is 0.20.

Calculation of the Proprietary Ratio for the year 2023 – 24 is given below,

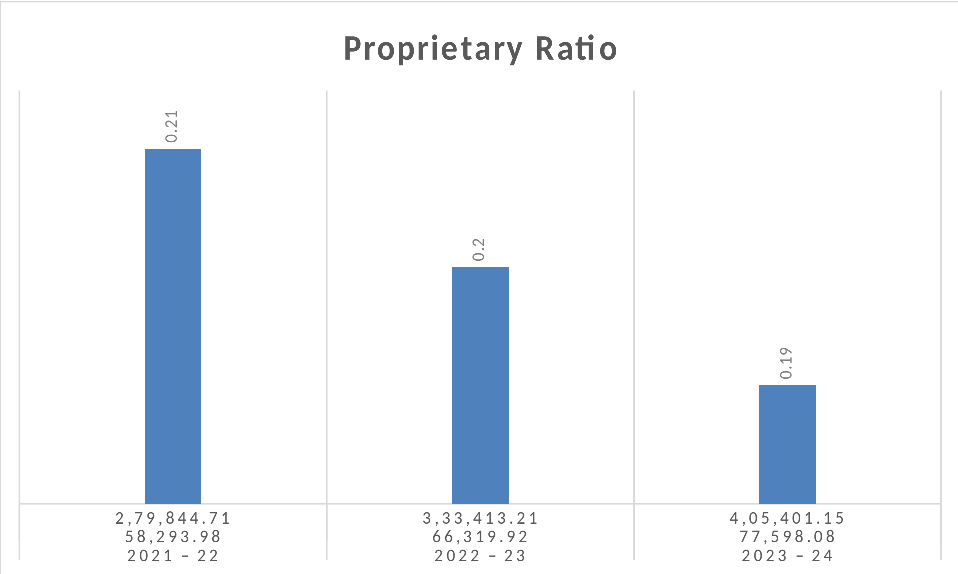
Proprietary Ratio = Share- holders Funds / Net Assets

= 77,598.08/ 4,05,401.15

= 0.19

So the Proprietary Ratio for the year 2023 – 24 is 0.19.

Year	Share- holders Funds	Net Assets	Proprietary Ratio
2021 – 22	58,293.98	2,79,844.71	0.21
2022 – 23	66,319.92	3,33,413.21	0.20
2023 – 24	77,598.08	4,05,401.15	0.19



Interpretation

A high ratio is a good indication of the financial health of the bank. It means that a larger portion of the total capital comes from equity. Or that a larger portion of net assets is financed by equity rather than debt one point to note, that when both ratios are calculated with the same denominator, the sum of debt ratio and the proprietary ratio will be 1.

Interest Coverage Ratio

The interest coverage ratio measures how many times a company can cover its current Interest, payments with its available earnings. In Other words, it measures the margin of safety a company has for paying interest on its debt during a given period. The interest coverage ratio is calculated as follows –

Interest Coverage Ratio = EBIT / Interest Expenses

Calculation of Interest coverage ratio for the year 2021 – 22 is given below,

Interest coverage ratio = EBIT / Interest Expenses

= 10,360.80 / 22,463.98

= 0.46

So the interest coverage ratio for the year 2021 – 22 is 0.46.

Calculation Of interest Coverage ratio for the year 2022 – 23 is given below,

Interest coverage ratio = EBIT / Interest Expenses

= 11,833.31 / 26,073.12

= 0.45

So the interest coverage ratio for the year 2020 – 21 is 0.45.

Calculation of Interest coverage ratio for the year 2023 – 24 is given below,

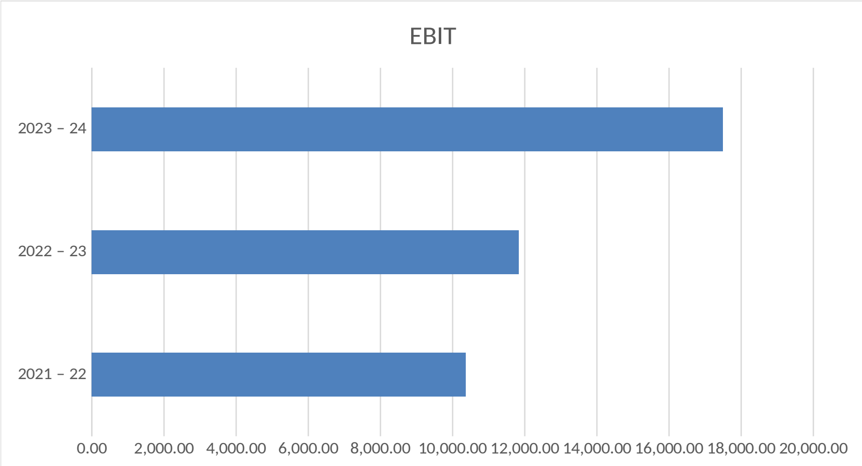
Interest coverage ratio = EBIT / Interest Expenses

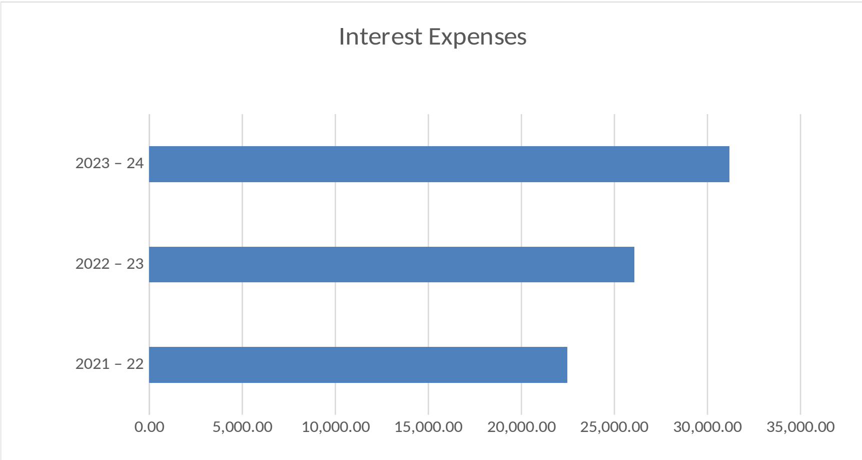
= 17,488.93/ 31,190.74

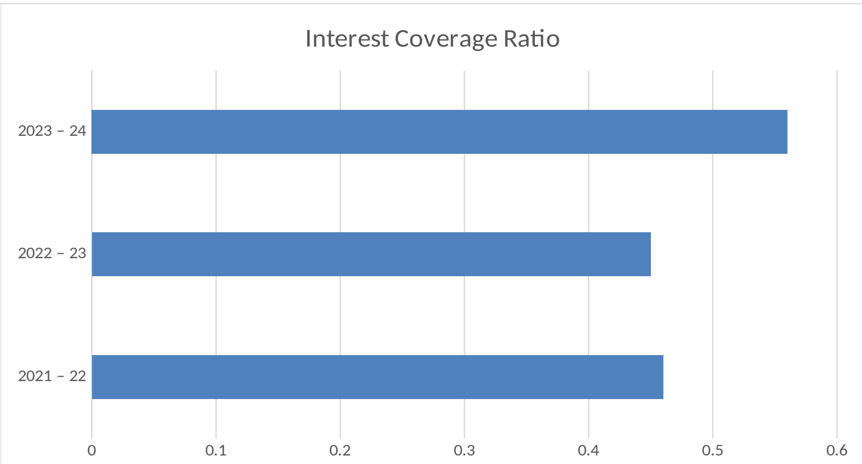
= 0.56

So the interest coverage ratio for the year 2023 – 24 is 0.56.

Year	**EBIT**	**Interest Expenses**	**Interest Coverage Ratio**
2021 – 22	10,360.80	22,463.98	0.46
2022 – 23	11,833.31	26,073.12	0.45
2023 – 24	17,488.93	31,190.74	0.56







Interpretation

The interest coverage ratio is used to measure how well a firm can pay the interest due on outstanding debt. The Interest coverage ratio of the company had ups and downs during the period of study.

Turnover Ratio

These ratios show the relationship between sales and any given asset. It will indicate the ratio between how much a company has invested in one particular type of group of assets and the revenue such asset is producing for the company.

FIXED ASSETS TURN-OVER RATIO

The ratio measures the efficiency in the utilization of fixed assets. This ratio indicates whether the fixed assets are being fully unitized. A high ratio is an index of the vestment in fixed asset.

Fixed Assets Turn-Over Ratio = Sale/ Net Fixed Assets

Calculation of the Fixed Assets Turn – Over Ratio for the year 2021– 22 is given below,

Fixed Assets Turn-Over Ratio = Sale / Net Fixed Assets

= 60,591.57 / 2,64,691.56

= 0.22

So the Fixed Assets Turn – Over Ratio for the year 2021 – 22 is 0.22.

Calculation of Fixed Assets Turn – Over Ratio for the year 2022 – 23 is given below,

Fixed Assets Turn-Over Ratio = Sale / Net Fixed Assets

= 68,438.98 / 3,15.419.03

= 0.22

So the Fixed Assets Turn – Over Ratio for the year 2022 – 23 is 0.22.

Calculation of the Fixed Assets Turn – Over Ratio for the year 2023– 24 is given below,

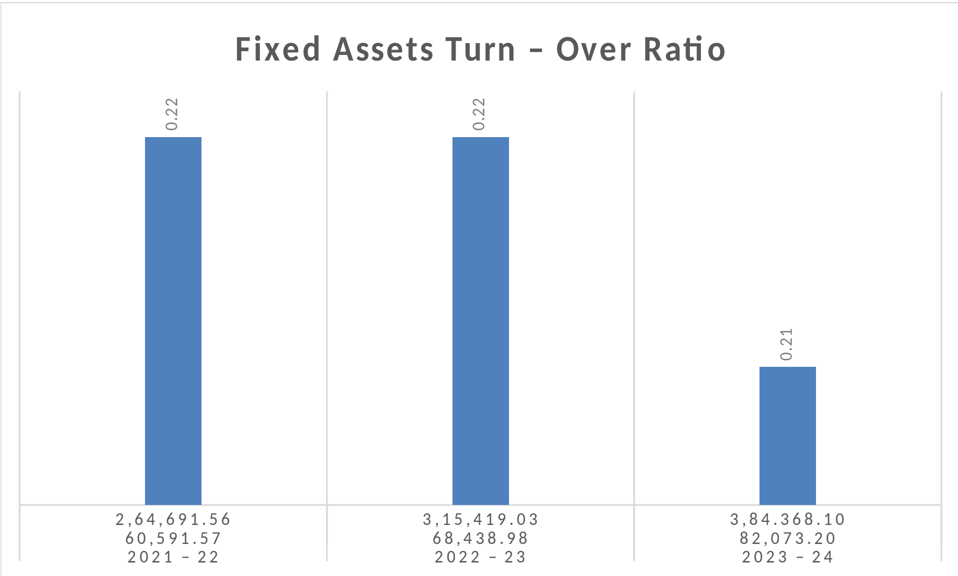
Fixed Assets Turn-Over Ratio = Sale / Net Fixed Assets

= 82,073.20 / 3,84,368.10

= 0.21

So the Fixed Assets Turn – Over Ratio for the year 2023 – 24 is 0.21.

Year	Sales	Net Fixed Assets	Fixed Assets Turn – Over Ratio
2021 – 22	60,591.57	2,64,691.56	0.22
2022 – 23	68,438.98	3,15,419.03	0.22
2023 – 24	82,073.20	3,84.368.10	0.21



Interpretation

The ratio indicates the extent to which the investment in fixed assets contributed towards to sales. As the figure shows, in 2021 – 22 and 2022 – 23 the fixed assets turnover ratio is 0.22 and it is less in the next year i.e. 0.21. By analyzing this ratio it shows that the organization fixed assets have decreased.

Current Assets Turn-Over Ratio

A high current assets turnover ratio indicates the capability of the organization to achieve maximum sales with the minimum investment in current assets. Higher the current ratio better will be the situation.

Current Assets Turnover Ratio = Sale / Current Assets

Calculation of the Current Assets Turn – Over Ratio for the year 2021 – 22 is given below,

Current Assets Turn – Over Ratio = Sale / Current Assets

= 60,591.57 / 15,153.15

= 3.99

So the Current Assets Turn – Over Ratio for the year 2021 – 22 is 3.99.

Calculation of Current Assets Turn – Over Ratio for the year 2022 – 23 is given below,

Current Assets Turn – Over Ratio = Sale / Current Assets

= 68,438.98 / 17,994.18

= 3.80

So the Current Assets Turn – Over Ratio for the year 2022 – 23 is 3.80.

Calculation of the Current Assets Turn – Over Ratio for the year 2023 – 24 is given below,

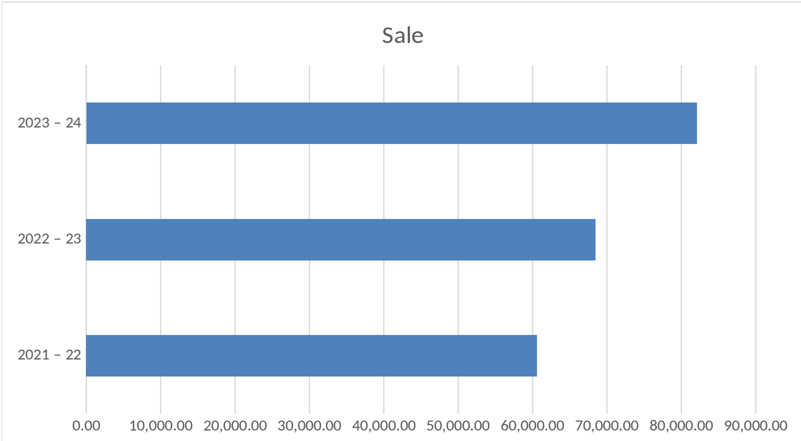
Current Assets Turn – Over Ratio = Sale / Current Assets

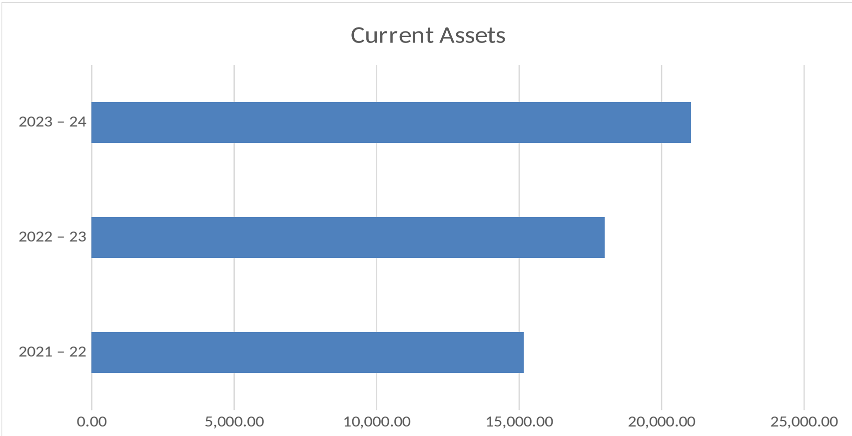
= 82,073.20 / 21,033.05

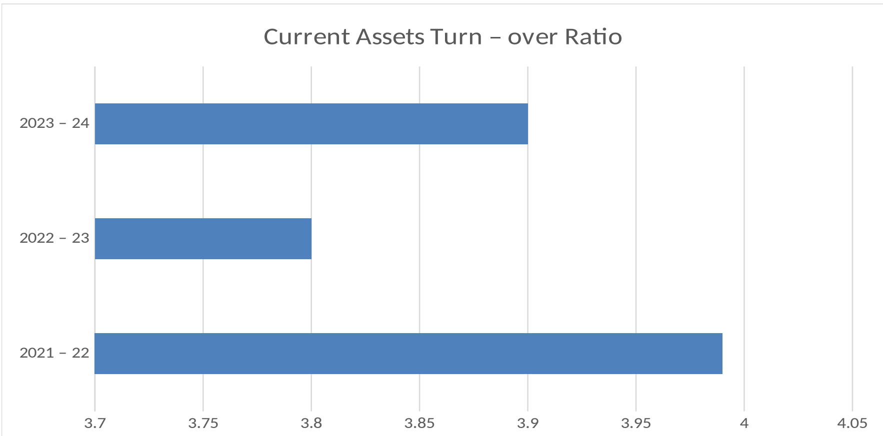
= 3.90

So the Current Assets Turn – Over Ratio for the year 2023 – 24 is 3.90.

Year	Sale	Current Assets	Current Assets Turn – over Ratio
2021 – 22	60,591.57	15,153.15	3.99
2022 – 23	68,438.98	17,994.18	3.80
2023 – 24	82,073.20	21,033.05	3.90







Interpretation

In the following table it is shown that there is an increase in current assets turnover ratio in the year 2020 -21 and 2021 – 22. It means that that organizations current assets have increased. The current assets turnover ratio measures that how quickly the short term obligations can be met. It shows that the current assets are promptly invested towards making sales.

Inventory Turnover Ratio

Inventory turnover ratio is a measure of liquidity of inventory. This ratio measures how quickly inventory is sold. It shows the relationship between cost of goods sold and average inventory or stock. It is also known as merchandise turnover ratio. It is obtained by dividing cost of goods sold by average stock. Generally, a ratio of 8 times is considered satisfactory.

Inventory Turnover Ratio = Cost of Goods Sold / Average Stock

Calculation of inventory turnover ratio for the year 2021 – 22 is given below,

Inventory Turnover Ratio = Cost of Goods Sold / Average Stock

= 323.73 / 79.57

= 4.07

So the inventory turnover ratio for the year 2021 – 22 is 4.07.

Calculation of inventory turnover ratio for the year 2022 – 23 is given below, Inventory Turnover Ratio = Cost of Goods Sold / Average Stock

= 623.83 / 79.57

= 7.84

So the inventory turnover ratio for the year 2022 – 23 is 7.84.

Calculation of inventory turnover ratio for the year 2023 – 24 is given below,

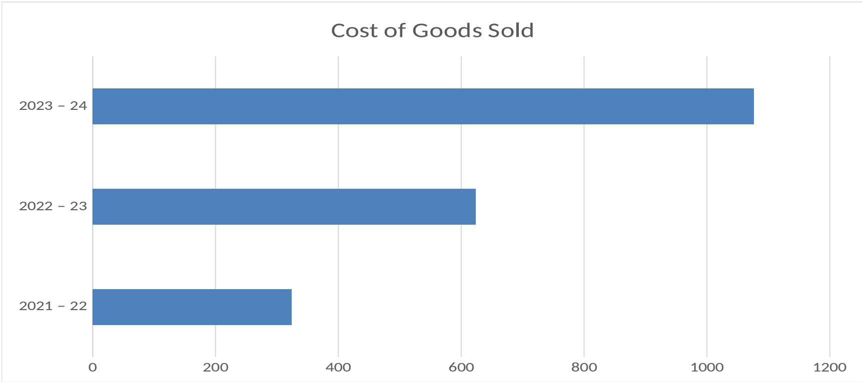
Inventory Turnover Ratio = Cost of Goods Sold / Average Stock

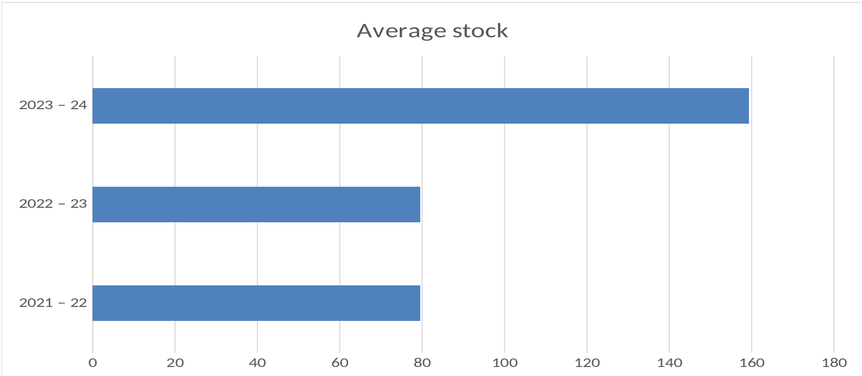
= 1,076.47 / 159.26

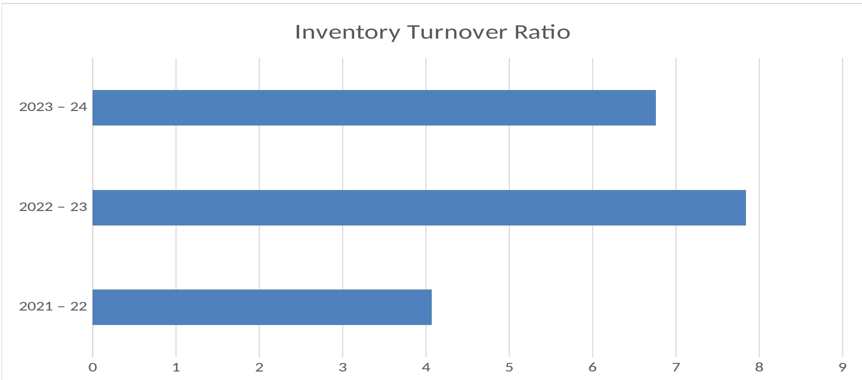
= 6.76

So the inventory turnover ratio for the year 2023 – 24 is 6.76.

Year	Cost of Goods Sold	Average stock	Inventory Turnover Ratio
2021 – 22	323.73	79.57	4.07
2022 – 23	623.83	79.57	7.84
2023 – 24	1,076.47	159.26	6.76







Interpretation

The inventory turnover ratio shows how quickly the stock of the company is being sold. The Inventory Turnover Ratio of the company had ups and downs during the period of study.

Part 2 [B]
Chapter : 7

Findings & Suggestions

FINDINGS AND SUGGESTIONS

Findings

- Gross Profits of the company has increased during the period of study, which indicates organizations efficient management in trading operations.

- Net Profit was decreased in the year 2022 – 23, but the company managed to cover the loss and made much profit in the next year.

- There has been certain changes in the liquid ratios of the organization.

- Debt equity ratio of company has increased in the last 2 years which shows that the creditors have faith in company and are willing to invest , and the remaining solvency ratios are almost constant except the interest coverage ratio which had some growth to it. These shows the company's ability to pay-back the creditors.

- There has been an constant variation in the current assets turnover ratio during the period of study which is not a major issue but if left unattended may cause harm to the organization in the future.

- Fixed assets turnover ratio is almost constant for 2 year period but decreased in the last year of study which shows there has been some dilution in company's fixed assets.

Suggestions

- The company had constant increase in the profitability ratios which is good and the company should keep holding this performance by encouraging, motivating and praising the employees of the organization.
- The company should not stop finding possible options to increase liquid ratios. The companie's liquid ratios are almost constant for now but organizations focus should be to increase it more.
- The company should keep maintaining the solvency ratio as low as possible. During the year of study the solvency ratio are less which is good for the organization
- The company should keep on increasing the current assets of the organization. The companies current assets ratio is variable each year but they should not loose focus on maintaining at-least a constant ratio for current assets.
- The company should put up more efforts in increasing the fixed assets of the organization there was decrease in fixed assets in the last year .
- The company needs to increase their productivity with less cost to increase profit and use it to increase fixed assets of the organization.

Part 2 [C]
Chapter : 8

Conclusion

CONCLUSION

- The organizations liquidity ratios both current and cash ratios are not well since both the ratios are below there standard ratios i.e current ratio 2:1 and cash ratio 1:1.
- The firm has started to maintain cash balance in the organization which means apart from doing cash payments the company has also started to increase securities of the organization.
- The debt ratio of the organization is going slightly up and down which is not bad currently but can become a major problem in the near future.
- The interest coverage ratio of the organization has gone up which means that the company is making profits available to meet the interest expense on the debt.
- Ratio analysis of financial statement shows that Organization's current ratio is same as the quick ratio.
- It means organization has invested both in current assets and liquid assets. The cash flow statement shows that net increase in cash generated from operating and financing activities is much more than the previous year but cash generated from investing activities is negative in both years.
- Therefore analysis of cash flow statement shows that cash inflow is more than the cash outflow in Bajaj Finserv Ltd .Thus, the ratio analysis and and analysis of cash flow statement show that Bajaj Finserv Ltd. financial position is good.
- Organization's profitability is increasing but not at high rate. Organization's liquidity position is fair but not good because organization invests more in current assets than the liquid assets.
- So, according to the above analysis and observation it is analyzed that (H0) null hypothesis has no significant impact on shaping the future (h1) alternate hypothesis has significant influence on the shaping of Bajaj Finserv Ltd.
- Hence we can conclude that the Bajaj Finserv Ltd. position is alternate hypothesis.

Part 2 [C]
Chapter : 9
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Part 2 [C]

Chapter : 10

Annexures

ANNEXURE

Balance Sheet of Bajaj Finserv limited

Financial Year	**FY 2021**	**FY 2022**	**FY 2023**
Cash and Short Term investment	3,410.49	4,403.03	5,377.22
Total receivables	2,753.07	3,004.81	3,458.64
Total inventory	0.00	0.00	0.00
Other Current Assets	8,989.59	10,586.34	12,197.19
Current Assets	15,153.15	17,994.18	21,033.05
Non- Current Assets	2,64,691.56	3,15,419.03	3,84,368.10
=Total Assets	2,79,844.71	3,33,413.21	4,05,401.15
Current Liabilities	1,02,324.81	1,18,077.44	1,29,661.62
Non-Current Liabilities	1,19,225.92	1,49,015.85	1,98,141.45
=Total Liabilities	2,21,550.73	2,67,093.29	3,27,803.07
Common Stock	79.57	79.57	159.26
Additional Paid-In Capital	9,425.19	9,611.92	9,676.53
Reserve & Surplus	26,325.24	30,555.31	36,571.55
Minority interest	22,463.98	26,073.12	31,190.74
Share Holders Fund	**58,293.98**	**66,319.92**	**77.598.08**
Total Common Shares Outstanding	159.14	159.14	159.28

Balance Sheet: Industry refers to the sub-sector this company belongs to.

1. **Higher than Debt to Equity Ratio**- Over the last 5 years, debt to equity ratio has been 239.33%, vs. industry avg. of 165.75%.

2. **Lower than Industry Current Ratio-** Over the last 5 years, current ratio has been 13.51%, vs. industry avg. of 78.65% .

Income Statement Of Bajaj Finserv Ltd

Financial Year	FY 2021	FY 2022	FY 2023
Total Revenue	60,591.57	68,438.98	82,073.20
EBITDA	10,360.80	11,833.31	17,488.93
PBIT	9,862.34	11,270.58	16,811.13
PBT	9,862.34	11,270.58	16,811.13
Net Income	4,470.46	4,556.77	6,417.28
EPS	28.09	28.63	40.31
DPS	0.30	0.40	0.80
Payout ratio	0.01	0.01	0.02

Income Statement: This company belongs to Industry which refers to the sub-sector

- **Higher than Industry Revenue Growth:-** A higher-than-industry revenue growth represents increased potential for the company to increase their market share

Over the last 5 years, revenue has grown at a yearly rate of 22.8%, vs. industry avg. of 16.26%.

- **Decreasing Market Share:-**Market share is the percentage of an

  industry's total sales going to a particular company. It gives a general idea of the size of a company v/s its competitors .

  Over the last 5 years, market share decreased from 12.04% to 5.93%.

- **Higher than Industry Net Income:-**Net income is equal to net earnings (profit) less expenses. This number is an important measure of how

  profitable the company is . Over the last 5 years, net income has grown at a yearly rate of 15.04%, vs. industry avg. of -0.88%.

Cash Flow Statement of Bajaj Finserv Ltd.

Financial Year	FY 2021	FY 2022	FY 2023
Net Change in Cash	+2,550.55	+101.20	-2,408.69
Changes in Working Capital	-1,555.58	-45,892.28	-54,072.35
Capital Expenditures	470.85	909.80	1,220.49
Free Cash Flow	4,076.55	-34,579.79	-40,700.03

Profit & Loss Statement Of Bajaj Finserv Ltd.

Particular	FY 2021	FY 2022	FY 2023
Income			
Revenue from Operations (Gross)	323.73	623.83	1,076.47
Less Tax:	0.00	0.00	0.00
Revenue From Operations (Net)	323.73	623.83	1,076.47
Total Operating Cost	323.73	623.83	1,076.47
Other Income	68.30	105.17	71.14
Total Sales/ Revenue	**392.03**	**729.00**	**1,147.61**
Expenses			
Employee Benefit Expense	101.88	111.77	114.2
Finance Cost	0.00	0.00	0.00
Depreciation & Amortisation Expenses	4.68	4.22	3.20
Other Expenses	55.58	49.79	40.37
Total Expenses	**172.99**	**165.78**	**146.93**
PBT	**245.10**	**563.22**	**974.62**
Total Tax Expense	66.32	138.99	242.10
PAT	**178.78**	**424.23**	**732.52**