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Financial Statement of Analysis of Bajaj Automobiles

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ABSTRACT

This thesis conducts an in-depth financial statement analysis of Bajaj Auto Limited, a leading manufacturer of two-wheelers and three-wheelers in India and a significant exporter in the global market. The objective of the study is to assess the financial health, operational efficiency, and strategic positioning of the company over a five-year using both qualitative and quantitative analytical tools. The research methodology incorporates ratio analysis, comparative and trend analysis, and common-size financial statements to evaluate the company's performance across four critical dimensions: profitability, liquidity, solvency, and efficiency.

The analysis utilizes key ratios such as Return on Assets (ROA), Return on Equity (ROE), Gross and Net Profit Margins, Current Ratio, Quick Ratio, Inventory Turnover, and Debt-to-Equity Ratio. The findings suggest that Bajaj Auto has maintained a robust financial structure, supported by low debt, consistent profit margins, and efficient asset utilization. Additionally, the study explores the company's cash flow management, dividend policy, and investment strategies, reflecting its ability to generate shareholder value and sustain growth.

The thesis also contextualizes the financial performance within broader industry and economic trends, including the impact of global supply chain disruptions, technological advancements, regulatory changes, and shifts in consumer preferences. By synthesizing financial data with strategic and industry insights, the study provides a holistic understanding of Bajaj Auto's financial viability and competitive advantage. The conclusions drawn offer meaningful implications for investors, financial analysts, policy makers, and academic researchers interested in corporate financial analysis and strategic financial management in the Indian automotive sector.

INTRODUCTION

The study of financial statement is prepared for presenting a periodical review or report by the management of and deal with the state of investment in business and result achieved during the period under review. They reflect the financial position and operating strengths or weaknesses of the concern by properly establishing relationship between the items of the balance sheet and remove statements.

Financial statement analysis can be under taken either by the management of the firm or by the outside parties. The nature of analysis defers depending upon the purpose of the analysis. The analyst is able to say how well the firm could utilize the resource of the society in generating goods and services. Turnover ratios are the best tools in deciding these aspects.

Hence, it is overall responsibility of the management to see that the resource of the firm is used most efficiently and effectively and that the firm's financial position is good. Financial statement analysis does indicate what can be expected in future from the firm.

Meaning of Financial Statement:

Financial statements refer to statements that contain financial information about an enterprise. They report profitability and the financial position of the business at the end of the accounting period. The team's financial statement includes at least two statements that the accountant prepares at the end of an accounting period. The two statements are: -

- The Balance Sheet
- Profit and Loss Account

They provide some extremely useful information to the extent that balance Sheet mirrors the financial position on a particular date in terms of the structure of assets, liabilities and owners' equity, and so on and the Profit and Loss account shows the results of operations during a certain period in terms of the revenues obtained and the cost incurred during the year. Thus, the financial statement provides a summarized view of the financial position and operations of a firm

Meaning of Financial Analysis:

The first task of financial analysis is to select the information relevant to the decision under consideration to the total information contained in the financial statement. The second step is to arrange the information in a way to highlight significant relationship. The final step is interpretation and drawing of inference and conclusions. Financial statement is the process of selection, relation and evaluation.

Features of Financial Analysis

- To present a complex data contained in the financial statement in a simple and understandable form.
- To classify the items contained in the financial statement into convenient and rational groups.
- To make a comparison between various groups to draw various conclusions.

REVIEW OF LITERATURE

Kaura, M. N and Bala Subramanian (1979) analyzed ten cement units during the period of study 1972 to 1977 shows that the financial performance of the selected cement companies evidenced by Profitability, Liquidity and capital structure ratios has declined. The non-availability of funds has affected the modernization of plants and periodic rehabilitation of the kilns. Besides, the bottlenecks in supply of raw materials and power and non-remunerative prices have reduced the capacity utilization, profits and cash flows. The profitability and liquidity position in many cement companies have been affected adversely because of the problems in supply of raw materials, transport and power.

Nagaraj Rao B.S and Chandar K (1980) analyzed the financial efficiency of cement companies for the selected period of the study 1970 -71 to 1977-78. It can be analyzed profitability of selected cement companies has been found downward trend from 1970-71 to 1974-75 because the reason of inflation, rising of manufacturing cost, continuous fall in capacity utilization due to many reasons.

Kumar B. Das (1987) has made an analysis of the financial performance of the cement industry. it can be analyzed that the net fixed assets as a percentage of total assets decreased for the period 1970-71 to 1977-78 that was 553.5% to 44.04 % respectively. Current liabilities have increased than the current assets. Liquidity performance of the cement industry is not healthy during period of the study. The Debt Asset ratio has downward during the period of the study and Debt Equity ratio has slightly increased while net worth ratio has decreased over the years.

Nair N.K. (1991) has focused the productivity aspect of Indian Cement Industry. This study emphasized that cement, being a construction material, occupied a strategic place in the Indian economy. This study has revealed that, in 1990-91, the industry had an installed capacity of 60 million tones with a production of 48 million tones. In this study, the cement industry was forecasted to have a capacity growth of about 100 million tones by the year 2000. This study has also analyzed the productivity and financial performance ratios of the cement industry with a view to identifying the major problem areas and the prospects for solving them.

Dr. Dinesh A. Patel (1992) have analyzed Financial Analysis - A Study of Cement Industry of India for the period of 1979-80 to 1988-89. He can analyze the profitability of the cement industry, to examine the short-term financial strength of the cement industry through the analysis of working capital management and to analyzed the long-term financial strength through the analysis of capital structure.

Subir Cokavn and Rejendra Vaidha (1993) have analyzed to evaluate the performance of cement industry after decontrol. They found that the performance of the cement industry after decontrol was characterized by outcomes that were generally competitive and welfare enhancing. This study has revealed that the structure of the industry changed significantly with large magnitude of relative technologically and superior capacity being created by many new entrants into the industry. It was also noticed in this study that there were significant real price increase and an associated increase in profitability. The performance of firms across the strategic group was different with firms operating relatively new and large plants appeared to have an advantage. Further, the study has dealt with the nature and effect of inter-firm heterogeneities in the cement industry.

Chandrasekaran N (1993) has made an attempt to examine determinants of profitability in cement industry. He identified that profitability was determined by structural, as well as, behavioral variables. He also identified that the other variables 17 which influenced profitability were growth of the firm, capital turnover ratio, management of working capital, inventory turnover ratio etc. Some of the main changes in the cement industry environment during 1980's identified in this study were: from complete control to decontrol, number of new entrants and substantial additions of capacity, changing technology from inefficient wet process to efficient dry process and from conditions of scarcity of cement to near gloat in the market.

RESEARCH METHODOLOGY

Descriptive research

Descriptive research is a study designed to depict the participants in an accurate way. More simply put, descriptive research is all about describing people who take part in the study.

In descriptive research design a researcher is interested in describing a particular situation or phenomena under his study. It is a theoretical type of researcher design based on the collection designing and presentation of the collected data. Descriptive research design covers the characteristics of people, materials, Scio-economics characteristics such as their age, education, marital status and income etc. The qualitative nature data is mostly collected like knowledge, attitude, beliefs and opinion of the people. Examples of such designs are the newspaper articles, films, dramas, and documentary etc.

Data Collection

Data collection method is the integral part of research design. There are several data collection methods, each with its own advantages and disadvantages. Data can be collected in a variety of ways in different settings from different sources. The data are classified into two categories, primary and secondary data.

Secondary data:

Secondary data refers to data that was collected by someone other than the user. Common sources of secondary data for social science include censuses, information collected by government departments, organizational records and data that was originally collected for other research purposes.

Source of data (Secondary Data)

The data is collected from the following sources.

- Annual reports of Bajaj Finance ltd.

- Interaction with the related finance department.

Methods of data analysis

The data collected were edited, classified and tabulated for analysis. The analytical tools used in this study are:

Analytical tools applied:

The study employs the following analytical tools:

1. Trend Analysis.
2. Ratio Analysis.

Tools of Financial Statement Analysis

- Ratio Analysis
- Funds Flow Analysis
- Cash Flow Analysis.

Meaning of Ratio:

A ratio is one figure express in terms of another figure. It is a mathematical yardstick that measures the relationship two figures, which are related to each other and mutually interdependent. Ratio is express by dividing one fig times". As accounting ratio is an ex

Meaning of Ratio Analysis:

Ratio analysis is the method or process by which the relationship of items or group of items in the financial statement are computed, determined and presented.

Ratio analysis is an attempt to derive quantitative measure or guides concerning the financial health and profitability of business enterprises. Ratio analysis can be used both in trend and static analysis. There are several ratios at the disposal of an analyst but their grou

This technique is called cross-sectional analysis. Cross-sectional analysis compares financial ratios of several companies from the same industry. Ratio analysis can provide valuable information about a company's financial health. A financial ratio measures a company's performance in a specific area. For example, you could use a ratio of a company's debt to its equity to measure a company's leverage. By comparing the leverage ratios of two companies, you can determine which company uses greater debt in the conduct of its business. A company whose leverage ratio is higher than some competitors has more debt per equity. You can use this information to make a judgment as to which company is a better investment risk.However, you must be careful not to place too much importance on one ratio. You obtain a better indication of the direction in which a company is moving when several ratios are taken as a group.

Objective of Ratios:

Ratios are worked out to analyze the following aspects of business organization-

A) Solvency-

1. Long term

2. Short term

3. Immediate

B) Stability

C) Profitability

D) Operational efficiency

E) Credit standing

F) Structural analysis

G) Effective utilization of resources

H) Leverage or external financing

STEPS IN RATIO ANALYSIS:

□ The first task of the financial analysis is to select the information relevant to the decision under consideration from the statements and calculates appropriate ratios.

□ To compare the calculated ratios with the ratios of the same firm relating to the pas6t or with the industry ratios. It facilitates in assessing success or failure of the firm.

□ Third step is to interpretation, drawing of inferences and report writing conclusions are drawn after comparison in the shape of report or recommended courses of action.

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Pre-Requisites to Ratio Analysis:

To use the ratio analysis as device to make purposeful conclusions, there are certain pre-requisites, which must be taken care of. It may be noted that these prerequisites are not conditions for calculations for meaningful conclusions. The accounting figures are inactive in them & can be used for any ratio but meaningful & correct interpretation & conclusion can be arrived at only if the following points are well considered.

1) The dates of different financial statements from where data is taken must be same.

2) If possible, only audited financial statements should be considered, otherwise there must be sufficient evidence that the data is correct.

3) Accounting policies followed by different firms must be same in case of cross section analysis otherwise the results of the ratio analysis would be distorted.

4) One ratio may not throw light on any performance of the firm. Therefore, a group of ratios must be preferred. This will be conductive to counter checks.

5) Finally, the analyst must find out that the two figures being used to calculate a ratio must be related to each other, otherwise there is no purpose of calculating a ratio.

GUIDELINES OR PRECAUTIONS FOR USE OF RATIOS:

The calculation of ratios may not be a difficult task but their use is not easy. Following guidelines or factors may be kept in mind while interpreting various ratios are

- Accuracy of financial statements
- Objective or purpose of analysis
- Selection of ratios
- Use of standards
- Caliber of the analysis

Importance of Ratio Analysis:

1] Liquidity position

2] Long-term solvency

3] Operating efficiency

4] Overall profitability

5] Inter firm comparison

6] Trend analysis.

Advantages of Ratio Analysis:

- Ratios facilitate conducting trend analysis, which is important for decision making and forecasting.
- Ratio analysis helps in the assessment of the liquidity, operating efficiency, profitability and solvency of a firm.
- Ratio analysis provides a basis for both intra-firm as well as inter-firm comparisons.
- The comparison of actual ratios with base year ratios or standard ratios helps the management analyze the financial performance of the firm.

Limitations of Ratio Analysis:

Ratio analysis has its limitations. These limitations are described below:

1] Information problems

2] Comparison of performance over time

3] Inter-firm comparison

CONCLUSION

On the basis of various techniques applied for the financial analysis of Bajaj Finance ltd. we can conclude that the financial position and overall performance of the Company are satisfactory. The income level of Bajaj Finance ltd. is quite better in 2021, the income from interest and other income are around best position, and it is 5 and 4 respectively. Which shows the better position in income earning, and if we talk about the overall income position, then it is around average. The expenditure level was increased with an increasing rate The overall rating of the expenses is into between poor and average which shows. the poor condition of the Company.

The level of advances increased with increasing rate in 2021 it was in better position, if we talk about the overall performance of the Company in case of level of advances, then it is around average. The amount of deposits was also increased with increasing rate. When we talk about the average performance of Company for last five years then the position of current deposits, saving deposits and demand deposits fall in the average category. Any comment including suggestion, I have given which will be relevant and suitable separately in analysis report of above point. Therefore, it is advised by me to company to give considerations and suggestion, which are the part of each separate analysis report in above point

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