



A STUDY ON FINANCIAL PERFORMANCE OF BAJAJ FINSERV LIMITED

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Abstract:

The study titled "An Analytical Study on Working Capital Management and Its Impact on Profitability at SPR EMF Innovations" aims to evaluate the efficiency of working capital management and its influence on the company's profitability during the period 2021-2025. Working capital, being the lifeblood of any enterprise, determines its liquidity, operational efficiency, and financial stability. The study primarily focuses on analyzing the relationship between various components of working capital inventory, receivables, payables, and cash and their collective impact on profitability. The research adopts a descriptive and analytical design, relying exclusively on secondary data extracted from the company's published financial statements and annual reports. Ratio analysis was employed as the principal analytical tool to measure liquidity, solvency, and profitability. Key ratios such as Current Ratio, Quick Ratio, Working Capital Turnover Ratio, Gross Profit Ratio, and Debt-Equity Ratio were used to assess the company's financial performance across five years.

Key Words: Fast Moving Consumer Goods (FMCG), Financial Practices, Working Capital Management, Cost Control, Cash Flow Management, Inventory Management, Profitability

Introduction:

Working capital is the lifeblood of an enterprise. Just as the circulation of blood is essential in the human body for maintaining life, working capital is essential to maintain the smooth running of the business. Capital is the requirement to commence a business. It is categorized into two fixed and fluctuating capital. Fluctuating capital is also called working capital. Working capital is a part of total capital which is invested in current assets. This is the simplified form of capital of a company. Fixed capital is used for the purchase of fixed assets like land, building, machinery, etc which cannot be separated from the business.

Statement of the Problem:

Efficient working capital management is vital for the smooth functioning and profitability of any business organization. Inadequate management of current assets and current liabilities can lead to liquidity crises, over-investment, or poor financial performance. At the same time, excessive working capital may block funds that could otherwise generate higher returns.

SPR EMF Innovations, operating in the rapidly evolving electric vehicle powertrain industry, requires substantial short-term funds to manage its inventory, receivables, and payables efficiently. However, fluctuations in liquidity and profitability over the years indicate that the company may be facing challenges in maintaining an optimal balance between liquidity and profitability

Objectives:

- To analyze the working capital of SPR EMF Innovations for the period 2021 to 2025.
- To analyze the relationship between working capital components (inventory, receivables, payables) and profitability.

Review of Literature:

- Dr. K. Venkatachalam and Mr. A. Karupaiah (2025), "Liquidity and Profitability Analysis of Bharat Heavy Electrical Limited". Liquidity and Profitability management is of crucial importance in financial management decision. The most favorable fiscal performance could be achieved by a company that can trade off between profitability and liquidity performance indicators. The purpose of this study is to find out the liquidity and profitability position of and know the significance of them. In this connection researcher is interested in analyzing liquidity and profitability of one of the maharathna company Bharat Heavy Electrical Limited. It is concluded that managers can increase profitability and maintain liquidity by putting in place improve their current ratio, maintain adequate amount of liquid assets, control the cost of goods sold and operating expenses and strengthen their financial position.
- Vipin V and Dr. S. Prasanna Kumar (2024), "Financial Performance Analysis of Dr Reddy's Laboratories Ltd". This study's main objective is to evaluate Dr Reddy's Laboratories Ltd.'s profitability ratios from 2017-18 to 2021-22 using time-series analysis. Dr Reddy's Labs Ltd. is performing well overall in terms of profitability, its market is expanding, it generates a respectable return on investment, and it has promising prospects. Also, it is discovered that there is a statistical connection between the performance of the company's gross profit margin ratios, operational profit margins, net profit margins, and return on equity ratios.
- Mr. P. Kanagaraj and Ms. V. Jeyavarthini (2023), "A Study on Financial Performance of SPR EMF Innovations". The study on the financial performance of Dr. Reddy's Laboratories Ltd. provides an overview of the liquidity, solvency and profitability of the company. The financial performance of the company is analysed using ratio analysis to establish

relationship between the items of financial statements. The overall financial performance of the company is satisfactory. Looking at the past five years, 2018-19 is regarded as the best financial year. The company is currently in a volatile phase.

Research Methodology:

Research Design:

The research design that is adopted in this study is descriptive design. Descriptive research is used to obtain information concerning the current status of the phenomena to describe, "what exists" with respect to variables or conditions in a situation.

Tools and Techniques of the Study:

Tools used for this study are:

- Ratio Analysis

Ratio Analysis:

Ratio analysis is a fundamental means of examining the health of a company by studying the relationships of key financial variables. Many analysts believe ratio analysis is the most important aspect of the analysis process

Gross Profit Ratio:

This ratio expresses the relationship between gross profit and net sales of the firm. This ratio indicates the degree to which the selling price of goods per unit may decline without resulting in losses from operations to the firm.

$$\text{Gross profit ratio} = \frac{\text{Gross profit}}{\text{Net sales}} \times 100$$

Net Profit Ratio:

Net profit ratio indicates net margin earned on sales. Net profit Ratio expressed the relationships between the net profit and net sales. This ratio helps in determining the efficiency with which affairs of the business are being managed.

$$\text{Net profit Ratio} = \frac{\text{Net profit after tax}}{\text{Net sales}} \times 100$$

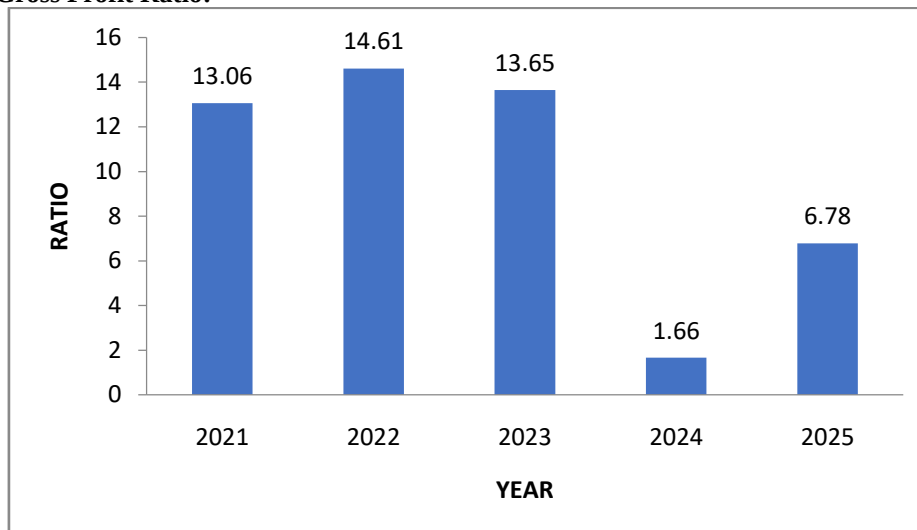
Analysis and Interpretation:

Table Showing the Gross Profit Ratio:

Years	Gross Profit (Rs in Lakhs)	Net Sales (Rs in Lakhs)	Ratios (%)
2021	13931.36	106646.31	13.06
2022	14988.56	102567.74	14.61
2023	16499.38	120849.64	13.65
2024	2522.77	152291.83	1.66
2025	12610.63	186125.75	6.78

(Source: Annual Reports)

Chart Showing the Gross Profit Ratio:



Interpretation:

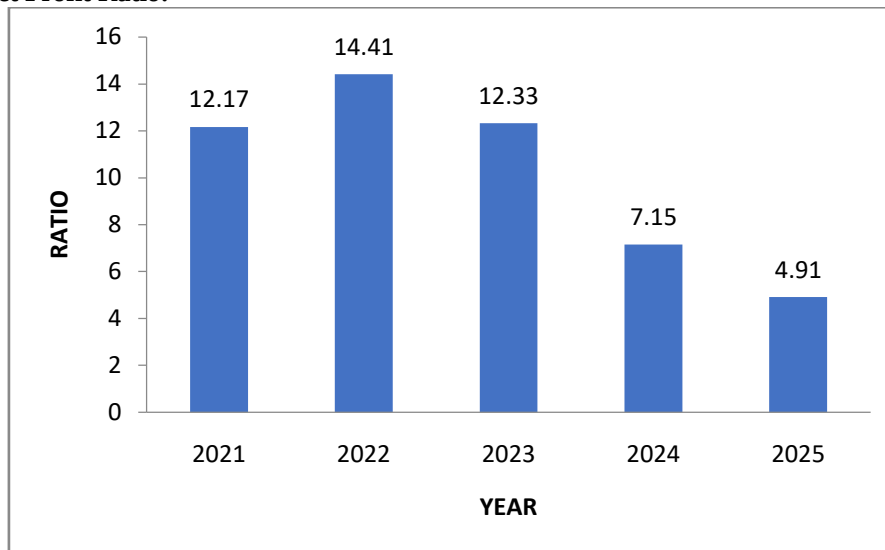
This ratio expresses the relationship between gross profit and net sales of the firm. This ratio indicates the degree to which the selling price of goods per unit may decline without resulting in losses from operations to the firm. From the above table it is inferred that the gross profit of the company is increased to 6.78 in the year 2025. This shows that the company is making a reasonable profit, and it has to keep the overhead cost in control.

Table Showing the Net Profit Ratio:

Years	Net Profit (Rs. In Lakhs)	Net Sales (Rs. In Lakhs)	Ratios (%)
2021	12980.76	106646.31	12.17
2022	14783.41	102567.74	14.41
2023	14899.65	120849.64	12.33
2024	10893.84	152291.83	7.15
2025	9148.00	186125.75	4.91

(Source: Annual Reports)

Chart Showing the Net Profit Ratio:



Interpretation:

Net profit ratio indicates net margin earned on sales. Net profit Ratio expressed the relationships between the net profit and net sales. This ratio helps in determining the efficiency with which affairs of the business are being managed. From the above table it can infer that the net profit of the company is decreased to 4.91 in the year 2025 from 7.15 in the year 2024. This indicates a low margin of safety.

Findings, Suggestions and Conclusion:

Findings:

- The current ratio of the company is higher in the year 2021 with 1.24 and it was decreased to 0.59 in the year 2023.
- The company's liquidity position is slowing down to 0.26 in the year 2025 from 0.66 in the year 2022.
- The company's absolute liquid ratio has been increased to 0.02 in the year 2025 from 0.01 in the year 2024.
- The gross profit of the company is increased to 6.78 in the year 2025.

Suggestions:

- Working capital of the company has increasing every year. Profit also increasing every year this is good sign for the company. has to maintain further, to run the business long term.
- The company has sufficient working capital and has better liquidity position. By efficient utilizing this short-term capital, then should increase the turnover.
- The company can try to minimize the cost of production and redeem the debt finance in order to improve the profitability finance of the company.
- The cash ratio is indicating very low. So the company can increase the cash ratio.

Conclusion:

The study conducted on Working capital management of "SPR EMF Innovations" gives a view of analysis evaluation of liquidity position of the company. Based on the tools used analysis and interpretation have been made giving way for useful and constructive suggestions. Thus the ratio analysis of the company is satisfactory. The company should enhance its performance for meeting challenges and exploiting opportunities in future. The project will guide to the management to interpret its weakness and problems this will certainly help the management to taking financial decision.

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