



“A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF BAJAJ AUTO LTD”

Dr. S. Bharathi* M. Iswarya**

**Head & Associate Professor School of Management, Dhanalakshmi Srinivasan University, Samayapuram, Trichy.*

***MBA, School of Management, Dhanalakshmi Srinivasan University, Samayapuram, Trichy.*

Abstract

This study presents a comprehensive financial analysis of Bajaj Auto Ltd over the five-year period. Key financial ratios such as liquidity, profitability, solvency, and efficiency are used as tools to assess the company's financial performance. The data used in this study is secondary data through annual report. The study evaluates the current and quick ratios to determine short-term financial health, revealing a decline in liquidity, which may indicate potential challenges in meeting short-term obligations. Profitability is assessed through operating profit and return on equity ratios, showing a stable operating profit ratio and a notable increase in return on equity, suggesting enhanced profitability and effective equity utilization. Efficiency is examined using the asset turnover ratio, which demonstrates improved asset utilization over the period. The trend analysis highlights a steady increase in fixed and current assets, initial growth followed by stabilization in equity, and fluctuating liabilities, reflecting the company's capital investment, liquidity, and debt management strategies. The study suggests necessary steps to address declining liquidity and increased debt levels to ensure long-term financial stability.

Keywords: *Bajaj Auto, Liquidity performance, financial performance, Growth aspect, Profitability.*

Introduction

Finance involves borrowing & lending, investing, raising capital, and selling & trading securities. The purpose of these pursuits is to allow companies and individuals to fund certain activities or projects today, to be repaid in the future based on income streams generated from those activities. Finance is defined as the management of money and includes activities such as investing, borrowing, lending, budgeting, saving, and forecasting. Finance is a term for matters regarding the management, creation, and study of money and investments. It involves the use of credit and debt, securities, and investment to finance current projects using future income flows. Because of this temporal aspect, finance is closely linked to the time value of money, interest rates, and other related topics.

Statement of the Problem

Every organization prepares final accounts i.e, trading, profit & loss a/c and balance sheet but it only shows profitability and financial position of the organization. The financial statement analysis takes non-financial factors into consideration and provides basis for comparisons and decision making. The goal of such analysis and performance is to determine the efficiency of operation of the firm. The financial statement only shows the process and activity done but financial analysis and performance shows depth efficiency of functions. Hence this study conducted to know about financial aspects and to identify the growth of the firm and to know how financial performance plays a vital role in growth of the firm.

Objectives of the Study

- To evaluate the liquidity and profitability position of Bajaj auto ltd.
- To identify strengths and weaknesses in the financial structure of the company.



- To examine the Solvency and turnover position of Bajaj auto ltd.

Scope of the Study

The scope of this report is restricted to profitability analysis, liquidity analysis, Trend analysis, short-term financial strength analysis through working capital management, and long-term financial strength analysis through solvency ratios analysis. The current research focuses specifically on monetary issues. The present study did not cover non-monetary factors that could have a direct effect on the financial output of the two-wheeler industry and selected two wheeler firms.

Research Methodology

Research methodology is a process that is used to identify select, process and analyze information. It involves studying the methods that are being used in the field of examination. The study is based on secondary data. Financial report of five years (2019 to 2024) is considered.

Tools Used For Study

The 5 years annual report of the company is compiled and tabulated for the purpose of study. Ratio analysis is the main tools used for this study.

The techniques used are: λ Comparative study of Balance sheet λ Comparative study of Profit and loss account λ Trend Analysis λ Ratio Analysis λ Profitability ratio. λ Turnover ratio. λ Solvency ratio λ Current ratio

Review of Literature

Pravin Narayan Mahamuni and Anil Arun Poman (2019) evaluated a study on profitability performance of Bajaj Auto Ltd & hero Moto Corp by using DuPont model. The objective of the research was to analyse the profitability performance of Bajaj Auto & hero Moto Corp. The study was analyzed by using five years of secondary data of both the firms. The comparisons shows that the hero Moto Corp has higher rate of equity and rate of return than the Bajaj Auto Limited. But Bajaj Auto Ltd., has higher financial leverage. The result portrays that Bajaj auto limited has better performance rather than its competitor Hero Moto Corp.

Muruganantham and Barkavi (2020) conducted research for analysis of the financial performance of TVS Motors by using 5 years of annual audited reports. And finally, these studies concluded business is good and they have better performance. In addition to that want to increase their sales volume, and produce more from the owner's funds and available funds. This helps firms to increase their performance in their competitive world.

Geetanjili Shrivastav and Vikas Bhatol (2021) have done a study on financial statement analysis of Bajaj Auto and Hero Moto Corp. The primary objective of the study was to analyse financial statement of the firms. Three years of financial data was used for analysis. Trend analysis, ratio analysis, comparative balance sheet and profit & loss account was the tools used. The findings show that Bajaj Auto Ltd had favourable profitability ratio compared to hero Moto Corp ltd. While hero Moto Corp had better short-term financial position. Both companies have better ratios than other motor companies in the industry.

Kalimuthu and Pavithra (2021) made a study on financial performance of hero Moto Corp limited. The main objective of the study was to analyse the liquidity and profitability of the company. Five years of Secondary data was used for analysis and ratio analysis was used as a tool for analyzing



financial statements. The result shows that the company is able to meet short term obligation. It has to focus on expense reduction and improving profitability.

Thamilselvan and Nivetha (2021) made a study on financial performance of automobile industry with special hero Moto Corp limited. The secondary objective of the study was to evaluate the liquidity, profitability and turnover position of the company. Hero Moto Corp limited has shown positive trend in various financial ratios. The summarization of the study showed that the company's future looks promising if they pay attention to working capital, investments and overall goals.

Analysis and Interpretation

Current Ratio:

The formula for calculating the current ratio was Current Assets / Current Liabilities

Table -1

The current ratio of Bajaj Auto has been a bit inconsistent over the past few years. It was 1.55 in 2020, went up to 2.51 in 2021 (which was pretty good), but then started declining, dropping to 2.13 in 2022, 1.70 in 2023, and finally hitting a low of 1.18 in 2024. Usually, a good current ratio is between 1.5 and 3, so seeing it go down like this, especially in 2024, might be a sign of some liquidity issues. It could mean that the company has more short-term debts than it can comfortably cover with its current assets. To fix this, Bajaj Auto could work on boosting its liquidity by managing cash flows better, like speeding up how fast they collect money owed or cutting down on unnecessary expenses.

Quick Ratio

The quick ratio helps to measure the Company's ability to pay its immediate liabilities without the sale of its stocks.

The formula for calculating the quick ratio was = Quick Assets/ Quick Liabilities

Table -2

Year	Quick assets (Rs.)	Quick liabilities (Rs.)	Ratio (Times)
Year	Current assets (Rs.)	Current liabilities (Rs.)	Ratio (Times)
2020	6596.96	4253.21	1.55
2021	14175.13	5643.21	2.51
2022	9994.47	4689.44	2.13
2023	8870.40	5198.04	1.70
2024	10357.18	8725.70	1.18
2020	5,333.46	4253.21	1.30
2021	12,681.24	5,643.21	2.25
2022	8,763.96	4,689.44	1.87
2023	7472.5	5198.04	1.43
2024	8661.56	8725.70	0.99



The quick ratio of Bajaj Auto has shown a fluctuating pattern over the years from 2020 to 2024. Starting at 1.30 in 2020, it peaked at 2.25 in 2021, indicating a strong liquidity position during that period. However, it gradually declined to 1.87 in 2022, 1.43 in 2023, and finally dropped below 1 to 0.99 in 2024. A quick ratio of 1 or more is generally considered satisfactory as it indicates the company can cover its immediate liabilities without relying on inventory. The ratio dropping below 1 in 2024 suggests that Bajaj Auto might face challenges in meeting its short-term obligations using only its most liquid assets.

Operating Profit Ratio

The operating profit ratio helps to measure the operating efficiency of the business.

The formula for calculating operating profit ratio = Operating profit/ Net Sales

Table - 3

The

Year	Operating Profit (Rs.)	Total revenue (Rs.)	Ratio (%)
2020	29918.65	31652.21	0.94
2021	27741.08	29017.54	0.95
2022	33144.71	34353.95	0.96
2023	36427.60	37609.02	0.96
2024	44685.23	46087.68	0.96

operating profit ratio of Bajaj over the five-year period (2020–2024) demonstrates a consistent and stable performance. The ratio has slightly increased from 0.94% in 2020 to 0.96% in 2024, reflecting an improvement in operational efficiency. This steady growth indicates effective cost management and revenue generation strategies. However, the ratio has plateaued at 0.96% from 2022 onwards, suggesting limited room for further improvement under the current operational framework.

Return on Equity Ratio

The return on equity ratio indicates the profitability of any business in relation to the equity shareholders' funds.

The formula for calculating Return on equity = Net Income/Shareholders' equity

Table - 4

Year	Net income (Rs.)	Shareholder equity (Rs.)	Ratio %
2020	5,099.98	19,925.49	25.59
2021	4,554.59	25,202.26	18.07
2022	5018.17	26,668.80	18.82
2023	5627.60	25425.86	22.13
2024	7478.79	24860.50	30.08

The table provides an analysis of Bajaj's Return on Equity (ROE) ratio over the years 2020 to 2024, reflecting the company's ability to generate profit from shareholders' investments. In 2020, Bajaj achieved a strong ROE of 25.59%, driven by substantial net income relative to shareholder equity. However, in 2021, the ratio dropped to 18.07%, indicating reduced profitability despite an increase in shareholder equity. The ROE slightly improved to 18.82% in 2022, showing marginal growth in net



income and efficient equity utilization. By 2023, the ROE climbed to 22.13%, signifying enhanced operational performance and profitability.

Return on Investment Ratio

The return on investment is helping to measure used to assess the efficiency or profitability of an investment.

The formula for calculating Return on Investment ratio = Net Profit/ Investment $\times 100$

Table - 5

Year	Net Profit (Rs.)	Total Investments (Rs.)	Ratio %
2020	5,099.98	18,195.95	28.03
2021	4,554.59	22,630.95	24.40
2022	5018.17	23,818.76	23.13
2023	5627.60	22973.35	24.49
2024	7478.79	24541.4	30.47

The Bajaj Auto has shown a promising upward trend in its Return on Investment (ROI), increasing from 24.49% in 2023 to an impressive 30.47% in 2024. This recovery highlights effective management strategies and improved operational efficiency. However, the initial decline in ROI from 28.03% in 2020 to 23.13% in 2022 suggests the need for careful capital allocation and risk management. To sustain this growth, it is essential to identify high-performing investments and consider diversifying to mitigate risks.

Debt- Equity Ratio

Debt- equity ratio is the important ratio to measure long-term obligations. It matches the total liabilities with the total shareholder's equity fund.

Table - 6

Year	Debt (Rs.)	Equity (Rs.)	Ratio (Times)
2020	125.59	19,925.49	0.006
2021	121.46	25,202.26	0.005
2022	159.07	26,668.80	0.006
2023	157.77	25425.86	0.006
2024	1912	24860.50	0.076

The debt-equity ratio of Bajaj Auto from 2020 to 2023 remained extremely low, ranging between 0.005 and 0.006, indicating a strong reliance on equity financing and minimal debt usage. However, in 2024, the ratio increased significantly to 0.076 due to a sharp rise in debt (Rs. 1912) while equity slightly decreased to Rs. 24,860.50. This shift suggests a strategic move to incorporate more debt into the capital structure, possibly for expansion or project financing.



Proprietary Ratio

The proprietary is another important ratio to evaluate the proportion of shareholders' equity to the total assets of the firm.

The formula for calculating proprietary ratio = Shareholders fund/ Total Asset

Table - 7

Year	Share holder fund (Rs.)	Total Assets (Rs.)	Ratio (Times)
2020	19,925.49	24,773.30	0.80
2021	25,202.26	31,530.20	0.80
2022	26,668.80	31,921.94	0.84
2023	25425.86	31127.69	0.81
2024	24860.50	34250.65	0.72

The proprietary ratio, which indicates the proportion of a company's total assets financed by shareholders' equity, reveals some interesting trends for Bajaj. From 2020 to 2022, the ratio improved from 0.80 to 0.84, suggesting a strengthening reliance on equity financing relative to total assets. However, there's a slight dip in 2023 to 0.81, followed by a more noticeable decrease to 0.72 in 2024. This decline could indicate that Bajaj is increasing its use of debt or other liabilities to finance its assets, or that equity has not grown at the same rate as assets.

Assets Turnover ratio

The assets turnover ratio measures how the firm utilized its total assets in that business and how it helps to generate revenue for the business.

The formula for calculating assets turnover ratio = Revenue/Total assets

Table - 8

Year	Total Revenue (Rs.)	Total assets (Rs.)	Ratio (Times)
2020	29,918.65	24,773.30	120.77
2021	27,741.08	31,530.20	87.98
2022	33,144.71	31,921.94	103.83
2023	36427.60	31127.69	117.02
2024	44685.23	34250.65	130.46

The asset turnover ratio, which measures how efficiently a company uses its assets to generate sales, reveals noteworthy trends for Bajaj. In 2020, Bajaj had a strong asset turnover ratio of 120.77, indicating efficient asset utilization. However, this ratio significantly decreased to 87.98 in 2021, suggesting a decline in efficiency, possibly due to increased asset investment without a proportional increase in revenue, or a slowdown in sales. The ratio recovered to 103.83 in 2022 and continued to improve to 117.02 in 2023, signalling better asset management and revenue generation.



Trend Analysis



- Fixed Assets and Current Assets:** The fixed assets show a steady increase over the period, while current assets also follow a similar upward trend, indicating good capital investment and liquidity.
- Equity and Liabilities:** There is a noticeable rise in equity initially, followed by stabilization, whereas liabilities peaked at point 3 and then declined, reflecting improved debt management.
- Net Profit:** The net profit shows slight fluctuations but maintains an upward trend overall, indicating consistent profitability.
- Recommendation:** Bajaj Auto seems to be effectively managing its assets and liabilities while maintaining profitability. The company may benefit from further optimizing debt to enhance financial stability.

Findings

1. Liquidity Ratios

- Current Ratio:* Bajaj Auto's current ratio fluctuated over the years, peaking at 2.51 in 2021 before declining to 1.18 in 2024. A ratio below the ideal 2:1 suggests potential liquidity concerns.
- Quick Ratio:* Similarly, the quick ratio decreased from 2.25 in 2021 to 0.99 in 2024, indicating challenges in covering immediate liabilities without relying on inventory.

2. Profitability Ratios

- Operating Profit Ratio:* Maintained a stable range around 0.94% to 0.96% from 2020 to 2024, reflecting consistent operational efficiency.
- Return on Equity (ROE):* After a dip to 18.07% in 2021, ROE improved to 30.08% in 2024, demonstrating enhanced profitability relative to shareholder equity.

3. Solvency Ratios

- Debt-Equity Ratio:* Remained low from 2020 to 2023, but increased to 0.076 in 2024 due to a rise in debt levels.
- Proprietary Ratio:* Declined from 0.84 in 2022 to 0.72 in 2024, suggesting a shift towards higher reliance on external financing.



4. Turnover Ratios

- *Asset Turnover Ratio:* Experienced a dip to 87.98 in 2021 but rebounded to 130.46 in 2024, indicating improved efficiency in asset utilization.

Minor Findings

- Both fixed and current assets showed a steady increase, indicating ongoing capital investment and liquidity.
- Equity levels initially rose and then stabilized, while liabilities peaked in 2022 before declining, reflecting improved debt management.
- Net profit exhibited slight fluctuations but maintained an overall upward trend, signifying consistent profitability.

Suggestions

- The current ratio of Bajaj Auto Limited shows fluctuations over the years. It peaked at 2.51 in 2021, indicating strong liquidity, but gradually decreased to 1.18 in 2024. The declining trend suggests that the company's ability to meet short-term obligations has weakened, and it may need to improve its current asset management to maintain financial stability.
- The quick ratio of Bajaj Auto Limited demonstrates a declining trend from 2.25 in 2021 to 0.99 in 2024. This indicates that the company's capacity to cover its immediate liabilities with its most liquid assets has weakened. A ratio below 1 in 2024 is a concern, suggesting potential liquidity challenges. The company should focus on enhancing its quick assets to maintain financial flexibility.
- The operating profit ratio of Bajaj Auto Limited remained relatively stable, fluctuating slightly between 0.94% and 0.96% from 2020 to 2024. The consistency indicates that the company has maintained a steady relationship between operating profit and revenue despite changes in operating profit and revenue figures. To improve profitability, the company could focus on optimizing operational efficiency and cost management.
- The ROE ratio of Bajaj Auto Limited shows variability over the years, with a significant increase from 22.13% in 2023 to 30.08% in 2024. This positive trend indicates improved profitability and efficiency in generating returns from shareholders' equity. The company should continue focusing on strategies that enhance net income to maintain or further improve its ROE.
- The ROI ratio of Bajaj Auto Limited shows a fluctuating trend, with a notable increase from 24.49% in 2023 to 30.47% in 2024. This improvement indicates that the company has become more efficient at generating returns from its investments. Maintaining this positive momentum can help Bajaj Auto enhance investor confidence and financial performance.
- The debt-equity ratio of Bajaj Auto Limited remained consistently low from 2020 to 2023, indicating a strong equity base and minimal reliance on debt. However, in 2024, the ratio increased significantly to 0.076, suggesting a rise in debt levels compared to equity. While still relatively low, this shift may warrant closer monitoring to maintain financial stability.
- The proprietary ratio of Bajaj Auto Limited was quite stable from 2020 to 2023, hovering around 0.80, which shows that the company maintained a good proportion of shareholders' funds in its total assets. However, in 2024, the ratio dropped to 0.72, indicating a slight decrease. This means the company relied a bit more on external liabilities, so it's important to monitor this trend to ensure financial stability.



- The asset turnover ratio of Bajaj Auto Limited showed some fluctuations over the years. In 2021, it dropped significantly to 87.98, indicating a decrease in revenue generation from assets. However, it improved steadily from 2022 onwards, reaching 130.46 in 2024.

This positive trend reflects better utilization of assets in generating revenue, which is a good indicator of operational efficiency

Conclusion

The overall analysis of Bajaj Auto's financial performance from 2019 to 2024 indicates a dynamic and evolving financial landscape. The company's liquidity ratios, including the current and quick ratios, reflect fluctuations with a notable decline in 2024, raising concerns about the firm's ability to cover short-term liabilities. On the profitability front, the operating profit ratio remained stable, showcasing consistent operational efficiency, while the return on equity improved significantly in 2024, indicating enhanced profitability and efficient utilization of shareholders' funds. The return on investment ratio also saw positive growth, suggesting that the company's investment strategies are yielding better returns. However, the solvency ratios show a marked increase in debt in 2024, indicating a shift toward leveraging more debt in the capital structure, which requires careful monitoring to avoid financial strain. In terms of asset management, the asset turnover ratio showed a positive trend, reflecting improved efficiency in utilizing assets to generate revenue. Overall, Bajaj Auto has demonstrated resilience and growth potential, although the increased leverage and declining liquidity ratios in 2024 warrant strategic financial planning to maintain long-term stability and growth.

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