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A Study on Financial Performance Analysis at a Stock Brokerage Company in Bengaluru

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***Abstract*: "Finance is that business activity which is concerned with the organization and conversation of capital funds in meeting financial needs and overall objectives of a business enterprise."**

-Wheeler

Finance plays a vital role in every organization and has its own role of functions to perform in helping the organization grow. It is often understood that if the financial matters of the company are well solved and taken care of, it means that the company is doing well in terms of money. Money is exceptionally basic for the smooth running of the business. Each association keeps up its cash supply which is being controlled and overseen by the finance division. Thus, finance division assumes a crucial job for the duration of the life of the business from planning fiscal reports to investigating and translating for best choices to be made. The role of financial division is vast and continuous. It carries on research to know the company's areas which needs improvement. And such financial divisions can be taken from the results of financial statements. These financial statements acts as a base for taking major decisions by comparing previous year performance with this year or with any other year.

***Keywords*: financial performance analysis, stock brokerage company**

1. Introduction

Financial management is often regarded as one of the balancing act. Every organization runs with finance department which can be called as the "heart and soul of the organization" which handles all the major decisions regarding finance. So, it is very important to take right decisions which suits best for the company and this is possible only by using appropriate tools to find out the current position of the company with respect to the previous years position. These tools when used by the finance experts, they will be in a position to sort out the problems which the company is facing in terms of money. The experts can come to a conclusion when right tools are used for each challenge. Financial analysis includes analyzing, interpreting and rectification on all financial matters in a firm.

Financial performance is an important aspect which influences the long term profitability, stability and liquidity of the organization. the evaluation of financial performance can be done by using comparative balance sheet analysis, common size balance sheet analysis, trend analysis and ratio analysis which had been taken up for the study with "A stock brokerage company" as the project. By analyzing the financial performance, improvement areas can be identified at the A stock brokerage company even though the overall performance maybe satisfactory.

2. Review of literature

Al-Aameri and Alrikabi (2007): The study carried by Al-Aameri and Alrikabi highlights on using one of the important techniques such as the financial ratios, for the purpose of analysing the performance of the stock brokerage company.

R. Dhanabhakyam and M. Kavitha (2012): In this article, R. Dhanabhakyam & M. Kavitha conducted to study public sector banks financial analysis using such as ratio of advances to assets, ratio of capital to deposit, ratio of capital to working fund, ratio of demand deposit to total deposit, credit deposit ratio, return on average net worth ratio, ratio of liquid assets to working fund etc.

3. Statement of problem

The problem relates to studying, analyzing and evaluating the financial statements at a stock brokerage company with tools like comparative balance sheet, common size balance sheet, trend analysis and ratio analysis. A firm will have different financial position each year analyzing the same by detecting the reasons for the variability of profits.

4. Scope of the study

The scope of this topic is that helping the company in finding out the gray areas for improvement in performance and also to make sure that The present and potential investors outside parties such as the creditors, debtors, government and many more to get an idea of the overall performance of the company.

5. Objectives of the study

1. To study the financial position and the performance of the company over a period of five years.
2. To compare the financial statements with previous years for a useful interpretation of the financial performance with ratio analysis, trend analysis, comparative balance sheet.

6. Research methodology

Carrying research in this subject requires a lot of time and knowledge. As the primary objective of the project is to compare and analyze the financial statements and to point out the areas for the company where it can improve in terms of money. As per the requirement of the project secondary data is collected from the company. The collected data is classified, tabulated, analyzed and interpreted. Finally, conclusion is draw based on the study and suggestions are offered to the company for increasing its customer base. Secondary data is the published data. It is already available for using and its saves time.

The main source of secondary data were to obtain from the company's website as well as from the journals.

7. Limitations of the study

1. Study will be limited to the period stipulated by the university.
2. Qualitative information is ignored.

8. Statistical tool

A. Ratio analysis
B. Trend analysis
C. Duo point analysis

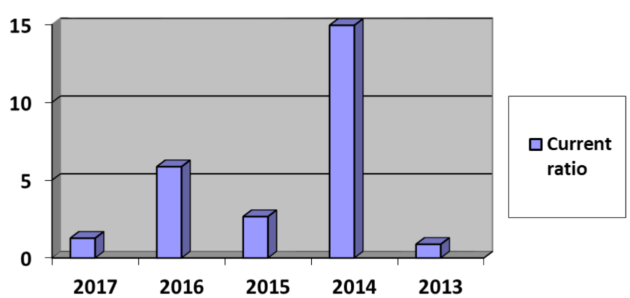
9. Data analysis and interpretation

A. Ratio analysis

1) Liquidity & Solvency Ratios

Table 1
Liquidity & Solvency Ratios

Year	2017	2016	2015	2014	2013
Current Ratio	1.27	5.87	2.66	14.96	0.88
Source: Secondary Data					



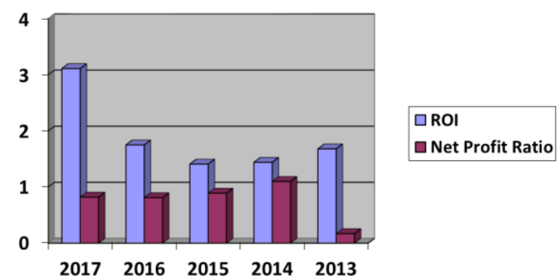
Interpretation:

The current ratio gives a sense of the efficiency of a company's operating cycle or its ability to turn its product into cash. The company has faced its up and down in the last 3 years. However, it can be recognized that due to increase in current liability. The current increased from 0.88 in 2013 to 1.27 in 2016. Over the past years it can be said that the solvency position of the firm is in a stable and good position.

2) Profitability ratios

Table 2
Profitability Ratios

Year	2017	2016	2015	2014	2013
ROI(expressed in times)	3.11	1.75	1.41	`1.44	1.68
Net Profit Ratio	0.81	0.81	0.89	1.10	0.17
Source: Secondary Data					



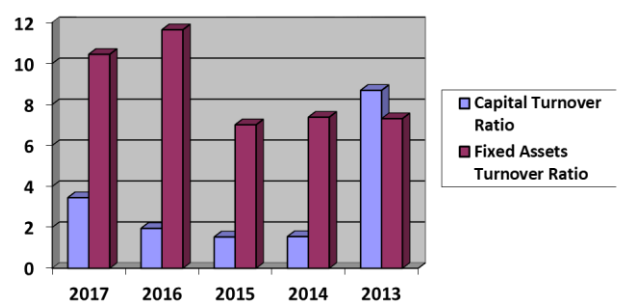
Interpretation:

ROI (Return on Investment) which is a very popular tool in determining the profitability of the company. Therefore, higher the ROI, higher is the profitability. ROI has gradually increased over the past 4 years from 1.44 to 3.11. Net profit ratio is calculated by taking net profit and sales/ revenue into consideration. This ratio is also stable over the past 3 years making the company to have sufficient net profit after payment of taxes.

3) Turnover ratios

Table 3
Turnover Ratios

Year	2017	2016	2015	2014	2013
Capital Turnover Ratio	3.45	1.95	1.53	1.55	8.69
Fixed Assets turnover Ratio	10.45	11.65	7.01	7.38	7.31
Source: Secondary Data					



Interpretation:

Capital turnover ratio has increased over the last 4 years which shows the relationship between cost of sales(sales) and the total capital employed. Whereas, fixed assets turnover ratio which indicates that the firm is utilizing its firm's assets optimally. During the year 2016, fixed assets were used in a rightful way yielding the highest fixed asset turnover ratio which is an indication that the firm is doing good.

B. Trend analysis

Interpretation :

Table 4
Trend analysis of balance sheet

Year	2017	2016	2015	2014	2013
Sources of Funds:					
Share Capital	110..43%	111.51%	99.98%	103.21%	100.00%
Reserves Total	116.12%	112.90%	100.73%	99.12%	100.00%
Long Term Borrowings	0.00%	0.00%	0.00%	0.00%	100.00%
Other Current Liabilities	50.3%	8.67%	1.11%	1.15%	100.00%
Short Term Provisions	128.3%	82.25%	12.89%	13.34%	100.00%
Current Liabilities	10.28%	1.78%	0.17%	0.15%	100.00%
Total Liabilities	61.65%	72.2%	64.24%	60.18%	100.00%
Application of Funds:					
Fixed Assets	12.68%	15.52%	5.91%	4.67%	100.00%
Total Non-Current Assets	107.20%	103.32%	89.31%	92.18%	100.00%
Total Current Assets	12.42%	12.16%	3.04%	3.56%	100.00%
Total Assets	78.36%	72.22%	6.54%	62.24%	100.00%

Table 5
Trend analysis of income statements

Year	2017	2016	2015	2014	2013
Total Income	**35.67%**	**33.41%**	**17.11%**	**15.04%**	**100.00%**
Expenditure :					
Employee Benefit Expenses	4.65%	4.15%	1.08%	3.41%	100.00%
Finance Costs	71.28%	63.33%	45.54%	0.00%	100.00%
Depreciation And Amortization Expenses	4.25%	0.63%	0.45%	1.71%	100.00%
Other Expenses	2.45%	2.93%	0.81%	0.67%	100.00%
Total Tax Expenses	118.20%	155.65%	29.3%	128.18%	100.00%
Profit/Loss From Continuing Operations	164.11%	178.02%	104.62%	107.15%	100.00%

Note: 2013 is taken as the base year

Table 6
Duo point analysis

Year	Equity multiplier (a)	Net profit (b)	Asset turnover ratio (c)	Return on equity (d = a*b*c)
2017	1.04	0.97	0.12	**0.12**
2016	1.04	0.93	0.13	**0.13**
2015	1.05	0.93	0.08	**0.08**
2014	1.00	1.00	0.07	**0.07**
2013	1.57	0.76	0.26	**0.31**

Interpretation:

The duo point analysis results in knowing the return on equity as likely as seen in the above table. From the above calculation , it is evident that in the year 2017 and 2016 , return on capital employed is the highest which means that the organization has generated profits from the shareholders investments in the organization.

10. Findings

1. Total income of the company has decreased from Rs.213.41 crores in 2016 to 203.34 crores in 2017.
2. The company has reported an operating revenue of Rs.203.34 crores in 2017 compared to an operating revenue of Rs. 213.41 crores in 2016.
3. The company has reported a net profit of Rs.171.89 crores in 2016 compared to Rs.162.89 crores in 2017 which is the highest net profit earned in a year so far.
4. The current ratio of the company decreased from 5.87 in 2016 to 1.27 in 2017.

11. Suggestions

1. The liquidity ratios of the company are strong and the company should continue to maintain them.
2. The company has improved on the interest coverage ratio drastically compared to the last two years and should continue to keep it up.
3. The profitability ratios have been decreased in the last year. The company must strive to increase the profit margin.
4. There is a huge increase in the secured loans by the company. The company should see that the funds are utilized in productive manner.
5. In order to increase the interest cover, the company must look forward to refinance its existing debt at lower interest rates.

12. Conclusion

The company is in good position when looked at the capital turnover ratio and the profitability ratios, and in particular years it has extremely done well in few areas therefore focusing on such areas even in the current year would enhance them to achieve good result by improving liquidity and solvency ratio.

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