International Academy of Science,
Engineering and Technology
Connecting Researchers; Nurturing Innovations

IASET

A STUDY ON PERFORMANCE ANALYSIS ON KARVY FINANCIAL SERVICES LIMITED

Vemula Abhishek[1] & Dr. M. Geeta[2]

[1]Independent Researcher, Hyderabad, India

[2]Associate Professor, KL Global Business School, Hyderabad, India

ABSTRACT

The financial results of Karvy Financial Services Limited (KFSL) and HDB Financial Services Limited (HDBFS) are compared and contrasted in this research. The financial performance of both companies is studied in this research, including their profitability, liquidity, solvency, and efficiency ratios. The analysis looks into possible factors that may have affected how well they performed. Through an analysis of financial ratios, trends, and other factors, this research seeks to identify the differences and similarities between the two companies and provide insights into their operating results. To get to reasonable conclusions regarding both companies, the research paper also uses the analysis of financial statements and other approaches applicable to the sector. The results of this study will result in recommendations for improving the financial performance of KFSL and HDBFS.

KEYWORDS: *Karvy Financial Services Limited (KFSL)*

INTRODUCTION

The financial services industry is a significant component of the economy and contributes significantly to the development of the country. The health of the country's economy is frequently reflected in the success of financial service companies. This is why to evaluate the status of the economy now and to make wise decisions for the future, a complete performance study of financial service providers is required. Two of India's top financial service firms are HDB Financial Services Limited (HDBFS) and Karvy Financial Services Limited (KFSL). The performance of KFSL and HDBFS will be compared and contrasted in this study work. The paper will start by giving an in-depth description of the financial services sector while providing an outline of KFSL and HDBFS. The financial performance of the company will then be thoroughly examined, with a particular focus on its profitability, liquidity, solvency, and efficiency measures. To determine the differences and similarities between the two firms, the paper will also analyze the variables that have led to each company's performance.

Fundamental analysis is a technique to analyze a commodity by making an effort to determine its fundamental value. It entails evaluating a company's past financial and economic performance to evaluate and predict how it could perform in the future. Financial statements, economic data, industry trends, and business developments are just a few of the tools and methods fundamental analysts use to evaluate the financial health of a firm. Determine an asset's natural worth through fundamental analysis to base decisions regarding investments on that value. Technical analysis is a way of analyzing an asset by examining the factors in the market that influence its price. To predict future price fluctuations.

REVIEW OF LITERATURE

William Brock, Josef Lakonishok, and Blake LeBaron present, "Simple technical trading rules and the stochastic properties of stock returns" (1992). The Dow Jones Index from 1897 to 1986 is used in this study along with the straightforward trading range break and moving averages tactics. There are several basic buys and sell signal techniques mentioned.

Achim Monica Violeta, Achim Sorin Adrian, Borlea Nicolae Sorin, and Pintea Mirela present, "Financial Analysis of Companies in the Capital Market" (2008). Financial analysis, market ratios, and technical analysis are all theoretical studies. Rather than technical methods, the research focuses on basic tools such as MC, EPS, P/E, P/B, and P/S. It culminates with a study of both fundamental and technical analysis, which gives smart capital market investing.

Meena Sharma and Preeti present, "Prediction of stock returns for growth firms: a fundamental analysis" (2009). According to this research, the fundamental analysis includes both a traditional and a growth approach. Fundamentally strong businesses outperform fundamentally weaker ones in terms of mean returns.

Raymond Wai Pong Yuen presents "Fundamental Analysis vs. Technical Analysis" (2012). The benefits and drawbacks of basic and technical analysis are discussed. Fundamental analysis is appropriate for long-term investors/traders, whereas technical analysis is appropriate for short-term investors/traders.

OBJECTIVES

⟩ To study the performance analysis of Karvy.

⟩ To compare the service forded by Karvy with HDB financial service.

⟩ To evaluate Karvy Financial Service Limited and HDB Financial Services Limited's performance.

⟩ To use ratios and trend analysis to assess the financial performance of both businesses.

SCOPE OF THE STUDY

⟩ KFSL and HDBFS's financial performance and comparison.

⟩ Evaluation of technical and fundamental analyses in various market contexts.

⟩ Examining the key distinctions between the two techniques and how well they complement one another.

⟩ The suggestions for enhancing KFSL and HDBFS's financial performance.

CONCLUSION

The company's profitability and management efficiency ratios have significantly increased over time, according to the financial analysis of Karvy Financial Services Limited (KFSL). This is a result of the company's efforts to lower operational costs and expand its interest spread. However, as seen by the decline in the fast ratio and the low current ratio, the leverage ratios are getting worse. The financial outcomes of KFSL and HDB Financial Services Limited (HDBFS) have also been analyzed and contrasted in the study report. The research has identified the differences and similarities between the two companies and given insights into their operational performance via an analysis of financial ratios, trends, and other components. The research additionally evaluated the benefits and drawbacks of fundamental and technical

analysis in a variety of market conditions and offered traders and investors some helpful guidance.

LIMITATIONS

⟩ Time Constraints: Data collecting, analysis, and synthesis are frequently necessary when conducting a performance analysis of two businesses. However, given the researcher's constrained time, it might be challenging to develop a precise and thorough understanding of the two businesses.

⟩ Data Availability: The availability and dependability of data are one of the key drawbacks of performing a performance study on two businesses. The accuracy and completeness of the data might be impacted by the source, which can result in biased conclusions.

⟩ Market Volatility: When market volatility is taken into account, it can be difficult to effectively measure the performance of two Organisations because stock values are always shifting.

METHODOLOGY

⟩ **Research Approach:** This paper's research approach will compare the financial performance of KFSL and HDBFS using both fundamental and technical analysis. The two companies' differences and similarities may be found and their operational outcomes can be understood thanks to the study design.

⟩ **Data Collection:** Data will be collected through publicly available secondary sources, including annual reports, financial statements, and other documents. Financial ratios will be used to analyze the financial statements of the two businesses to evaluate their profitability, liquidity, solvency, and efficiency. Stock prices, trends, and patterns will be used in technical analysis to forecast future moves.

⟩ **Data Analysis:** Descriptive statistics like mean, median, and standard deviation will be used to analyze the information collected. The connection between the study's variables will also be identified through inferential statistics like regression analysis and correlation.

RESEARCH DESIGN

In this study, the financial performance of Karvy Financial Services Limited (KFSL) and HDB Financial Services Limited (HDBFS) is compared using a variety of financial measures and sector-appropriate techniques. The study also examines the benefits and drawbacks of fundamental and technical analysis in a variety of market contexts. The study offers traders and investors helpful guidance by assessing the efficacy and accuracy of each strategy using empirical data.

As a result, the research design for this study is probably going to use a mixed-methods strategy, combining methods for gathering both qualitative and quantitative data and analyzing it to address the research objectives. In order to assess the performance of KFSL and HDBFS and identify the pertinent theories and ideas connected to financial analysis, the research may comprise a review of the relevant literature. To construct financial ratios and evaluate the financial performance of both organizations, the research may also employ empirical data from financial statements, annual reports, and other sources.

⟩ The financial performance of two companies—Karvy Financial Services Limited (KFSL) and HDB Financial Services Limited (HDBFS)—is compared and contrasted in the research utilizing financial ratios, trends, and other elements.

) The study evaluates the benefits and drawbacks of fundamental and technical analysis, two commonly utilized techniques for assessing the performance and future prospects of companies.

QUANTITATIVE DATA ANALYSIS

The working capital of HDFC Bank is projected to rise from INR 4,866 cr in March 2021 to INR 5,055 cr in March 2022, according to the bank's financial analysis. However, it used its working capital less effectively to produce income, as evidenced by the fact that its working capital turnover fell from 6.4 in March 2021 to 5.8 in March 2022. With a current ratio of 20.1 in March 2022, the inventory turnover ratio has been reasonably steady throughout time. With a current ratio of 13.7 in March 2022, the debtor turnover ratio has likewise been consistent, indicating effective debt collection. Indicating a lag in paying its suppliers, the creditor turnover ratio climbed from 9.7 in March 2021 to 11.5 in March 2022. Additionally suggesting a delay in supplier payments, the days payable outstanding (DPO) climbed from 46 days in March 2021 to 61 days in March 2022.

Financial Analysis on Balance Sheet of HDFC Bank

Table 1

	Mar 2022	Mar 2021	Mar 2020	Mar 2019	Mar 18
Working Capital	5,055	4866	4370	4004	4521
WC Turnover	5.8	6.4	6.7	8.5	7.2
Inventory Turnover Ratio	20.1	17.3	22.8	27.2	33.7
Debtor Turnover Ratio	13.7	13.6	19.3	12.4	22.7
Creditor Turnover Ratio	11.5	9.7	15.3	15.9	15.2
DPO(days)	61	46	48	33	36
FA Turnover Ratio	4.4	4.5	4.3	6.1	6.1
Current Ratio	1.9	1.7	2.0	1.9	2.0
Quick Ratio	1.5	1.4	1.7	1.3	1.7
Cash Ratio	0.1	0.1	0.1	0.1	0.1
Total Debt Ratio(LT+ST)	78.43	65.42	76.79	65.14	72.60
Debt Equity Ratio	117.32	124.82	124.82	100.78	122.71
Interest Coverage Ratio	-33.2	-32.2	-25.2	-38.3	-38.1
Debt Service Coverage Ratio	(64.79)	-69.7	-101.7	-77.6	-97.4
Average Equity	790	720	360	316	6588
Average Return on Equity	16.1%	16.1%	11.2%	12.2%	11.5%
Closing Return on Capital Employed	14.8%	14.5%	10.0%	10.8%	10.9%
Average Asset	22787	21385	19089	17951	19217
Return On Asset	11.0%	11.2	8.1%	8.5%	7.3%

Financial Analysis on P & L of HDFC Bank

Table 2

	Mar 2022	Mar 2021	Mar 2020	Mar 2019	Mar 18
EBITDA	9,965	10,561	7,795	5,159	6,623
EBIT	9,965	12,163	9,192	4,682	7,712
PBT	46,149	38,151	31,857	27,296	22,446
PAT (BMI)	-12	-18	-21	-22	-2
PAT (AMI)	2,517	2,405	1,547	1,528	1,411
Revenue Growth	22.0%	7.6%	6.0%	18.5%	748.7%
EBITDA Growth	-5.6%	35.5%	51.1%	-22.1%	144.9%
PAT (BMI) Growth	-33.5%	-14.1%	-4.3%	1157.6%	-100.2%
EBITDA %	4.9%	6.3%	5.0%	3.5%	5.3%
Operating Profit	4.9%	7.3%	5.9%	3.2%	6.2%
PAT Margin (BMI)	0.0%	0.0%	0.0%	0.0%	0.0%

) **EBITDA:** The EBITDA for HDFC Bank has decreased from INR 10,561 crore in March 2021 to INR 9,965 crore in March 2022, indicating a decline in the bank's earnings before interest, taxes, depreciation, and amortization.

) **EBIT:** The EBIT for the bank has decreased from INR 12,163 crore in March 2021 to INR 9,965 crore in March 2022. The decline in earnings before interest and taxes indicates that the bank's operating expenses have increased.

) **PBT:** The profit before taxes (PBT) has increased from INR 38,151 crore in March 2021 to INR 46,149 crore in March 2022, indicating an increase in the bank's earnings before taxes.

) **PAT (BMI):** The profit after tax (PAT) before minority interest (BMI) has remained negative over the years, with a current loss of INR 12 crore in March 2022.
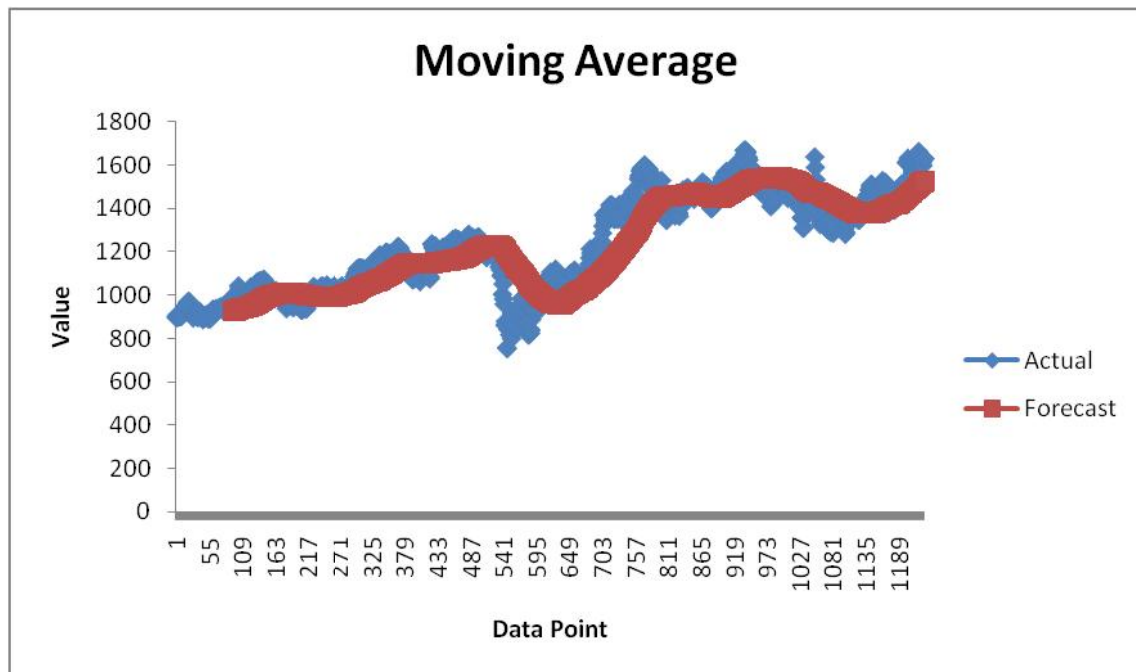
HDFC Moving Average Graph

Figure 1.

Karvy Financial Services Financial Analysis

Table 3

	Mar '22	Mar '21	Mar '20	Mar '19	Mar '18
Investment Valuation Ratios					
Face Value	2	2	2	2	2
Dividend Per Share	1.6	0.5	--	0.6	0.6
Operating Profit Per Share (Rs)	3.52	-4.98	-9.55	-6.75	-5.21
Net Operating Profit Per Share (Rs)	69.91	68.44	74.94	72.76	78.44
Bonus in Equity Capital	33.92	33.95	33.95	24.86	27.35
Profitability Ratios					
Interest Spread	5.99	6.14	6.95	6.35	6.99
Adjusted Cash Margin (%)	12.46	7.4	4.95	4.6	5.5
Net Profit Margin	12.04	6.56	3.92	3.62	6.06
Return on Long Term Fund (%)	50.06	52.37	59.3	58.77	62.34
Return on Net Worth (%)	8.86	5.16	3.56	3.28	5.51
Adjusted Return on Net Worth (%)	8.86	5.16	3.56	3.28	5.51
Return on Assets Excluding Revaluations	95.03	87.07	82.57	80.35	86.21
Return on Assets Including Revaluations	95.03	87.07	82.57	80.35	86.21
Management Efficiency Ratios					
Interest Income / Total Funds	7.23	7.66	8.71	8.54	8.85
Net Interest Income / Total Funds	3.51	3.3	3.41	3.47	3.57
Non-Interest Income / Total Funds	0.99	1.48	1.68	1.41	1.4
Interest Expended / Total Funds	3.71	4.35	5.29	5.07	5.28
Operating Expense / Total Funds	3.15	3.86	4.52	4.26	4.16
Profit Before Provisions / Total Funds	1.2	0.75	0.4	0.47	0.78
Net Profit / Total Funds	-0.03	-0.75	-1.82	-1.73	-1.44
Loans Turnover	0.11	0.11	0.13	0.12	0.13
Total Income / Capital Employed (%)	8.22	9.14	10.38	9.95	10.25
Interest Expended / Capital Employed (%)	3.71	4.35	5.29	5.07	5.28
Total Assets Turnover Ratios	0.07	0.08	0.09	0.09	0.09
Asset Turnover Ratio	0.07	0.08	0.09	0.09	0.09
Profit And Loss Account Ratios					
Interest Expended / Interest Earned	51.4	56.87	60.8	59.37	59.68
Other Income / Total Income	12.1	16.19	16.16	14.2	13.64
Operating Expense / Total Income	38.3	42.25	43.55	42.81	40.56
Selling Distribution Cost Composition	0.17	0.11	0.22	0.01	0.3
Balance Sheet Ratios					
Capital Adequacy Ratio	19.46	18.98	17.17	16	14.43
Advances / Loans Funds (%)	81.48	79.9	75.76	80.5	78.14
Debt Coverage Ratios					
Credit Deposit Ratio	80.1	78.84	79.6	79.98	77.5
Investment Deposit Ratio	25.19	25.98	25.76	26.28	27.72
Cash Deposit Ratio	5.09	4.79	4.76	5.05	5.2
Total Debt to Owners Fund	9.22	9.46	9.13	9.56	9.46
Financial Charges Coverage Ratio	1.61	1.5	1.52	1.52	1.53
Financial Charges Coverage Ratio Post Tax	1.28	1.16	1.1	1.09	1.11
Leverage Ratios					
Current Ratio	0.03	0.02	0.02	0.03	0.03
Quick Ratio	25.09	29.55	35.43	35.79	35.36
Cash Flow Indicator Ratios					
Dividend Pay-out Ratio Net Profit	5.93	9.23	14.21	24.92	12.61
Dividend Pay-out Ratio Cash Profit	5.04	7.02	9.05	16.84	12
Earning Retention Ratio	94.07	100	100	75.08	87.39
Cash Earning Retention Ratio	94.96	100	100	83.16	88
Adjusted Cash Flow Times	86.66	130.87	166.92	191.83	156.69

The Financial Analysis of Karvy Financial Services Financial based on the given data:

1. Investment Valuation Ratios:

    ⟩ The dividend per share increased from 0.5 in Mar 2021 to 1.6 in Mar 2022.

    ⟩ The net operating profit per share remained relatively stable over the years.

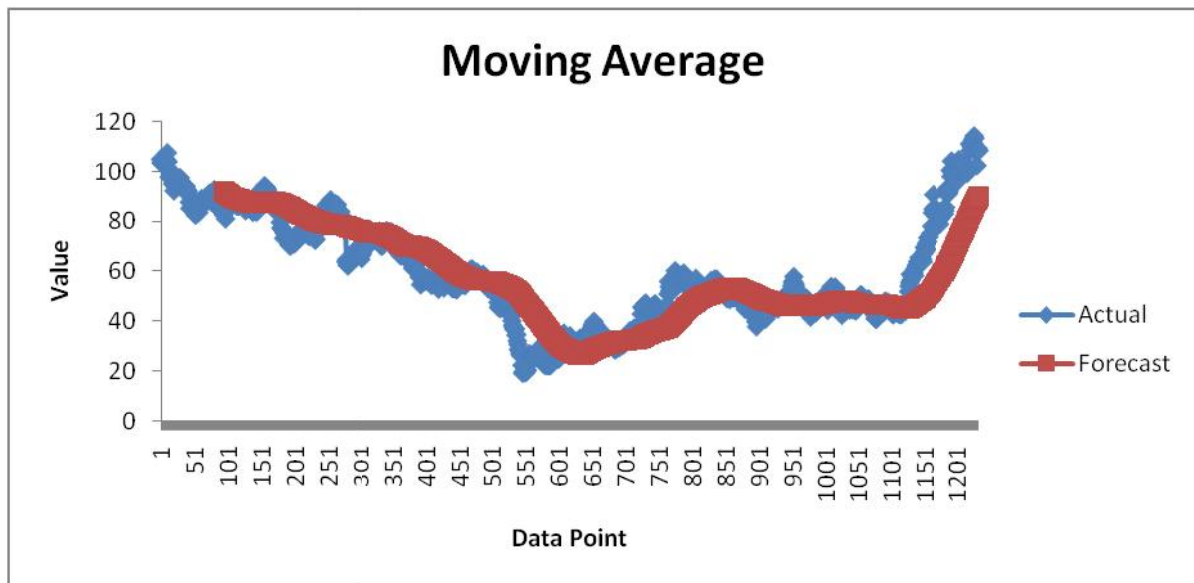   ⟩ The operating profit per share improved from -4.98 in Mar 2021 to 3.52 in Mar 2022.

Figure 2.

REFERENCES

1. *V.A Avadhani (2011) "Security Analysis and Portfolio Management" Himalaya Publishing House, New Delhi.*

2. *Frank J. Fabozzi, Harry M. Markowitz (2011) "The Theory and Practice of Investment Management" Wiley*

3. *Harry Markowitz, Kenneth Blay (2013) "Risk-Return Analysis" McGraw–Hill.*

4. *William Brock, Josef Lakonishok and Blake Le Baron, "Simple technical trading rules and the stochastic properties of stock returns", The Journal of Finance, vol.47, no.5, pp. 1731-1764, Dec1992.*

5. *Violeta, A.M., Adrian, A.S., Sorin, B.N. and Mirela, P., "Financial analysis of companies on the capital market", Tom XVII 2008, vol 3, pp.25-30, Sep 2008.*

6. *Meena Sharma and Preeti, "Prediction of stock returns for growth firms: a fundamental analysis", Vision, vol.13, no.3, pp.31-40, July2009.*

7. *Raymond Wai Pong Yuen, "Fundamental Analysis vs Technical Analysis", Technical Analysis, May 2012.*

8. *Mr. Suresh A.S, "A study on fundamental and technical analysis", International Journal of Marketing, Financial Services & Management Research, vol.2, no.5, pp.44-59, May (2013).*