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Analysis Of Profitability & Financial Position Of Pnb Metlife India Insurance Company

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Abstract:Financial statement analysis is the method to analyse the financial performance of company. It helps is to understand the finance related factors that influences the company and its impact on company decision making. Study is focused on to try and examine the different ratios to appreciate their effect on company's performance over the last three years of PNB Metlifecompany. The analysis of financial statement is important for to identify the companies strength, weakness, threats and finally increase the integrant value of the company.

I.Introduction

Finance is the backbone of any business. The business would not be able to run without finance and may not get decease. Finance is basicallyart and science of managing resources of business concern and is extremely crucial for the survival of business entity. Finance plays an important role, right from the generation of business idea to its day-to-day functioning and upto the liquidation stage of business. Finance aids in procurement of various resource such as raw materials, machinery and equipment, human resources etc. and it helps to maintain the smooth flow of business operations. Thus, an efficient and healthy financial management system in an organisation is essential.

Insurance is one of the financial service. Protection from financial loss means insurance or the legal agreement between insurer and insured is called insurance. A insurance company promises to make good the losses of the insured on any miss-happening. Insurance company will pay out the insurance amount to either the insured person or the nominees, for that conditions & circumstances are given in insurance policy. It is a risk management. Insurance has various types such as general insurance, health insurance, property , car insurance, marine insurances, business etc. An insurance career , insurance company, or

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underwriters which provides insurance and a person who buys insurance called as policyholder orinsured.

1.2 Financial performance :

The analysis of profitability and financial position of company the financial statement are needed. The financial statement provide summary of the accounts of a business enterprise. These includes profit & loss account, balance sheet, cash flow statement. These statement communicates information about the result of operation of an company for a given period and its position on given data. Profit & loss communicates the information of assets and liabilities of firm. These are the statements which are prepared on the basis of generally accepted accounting principles. Fund flow statement and Cash flow statement communicates information about the source & fund for given period.

1.3 Need for the study

Every organisation is mainly base on finance so every organization need to analyse the financial health of the organization. So analysis of financial statement is needed. . Analysis of Financial ratio is an important subject and it is covered in all corporate finance book, it's also power agenda in investment club meetings.it is mostly used to summerised the data in a company's financial statement in evaluating its financial health.

1.4 Objectives of the study

- To analyse the profitability of PNB Metlife Indiainsurance company.
- To study the financial position of PNB Metlife company.
- To understand the "Importance of finance" in insurance sector.
- To find out the financial performance of the company.

1.5 Hypothesis

Null hypothesis is organised for the study.

1.6 Methodology

Sources of data

I have used secondary data. It contains annual report of the year 2016-2019 of PNB Metlifecompany. I have made comparison and made difference between the three years of amount. Due to this I came to know the actual company financial position. Theory related to the project topic and different concept taken up from financial reference book.

1.7 Period of the study

This report occupies period of three years from 2017-2019.

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1.8 Framework of analysis

Evaluating the performance of company through systematic analysis of financial statement. Financial statement refers to two statements 1) balance sheet 2) profit & loss statement. These statement are generally prepared at the end of financial year. These statement are an extract or summary of various ledger accounts. Financial statement is a formal and structured record of the financial activities of a business entity. It reveals the financial health of an entity with regard to the profits earned during a specific period and position of assets and liabilities and capital as on a specific date.

1.9 Limitations of the study

This report occupies a period of 3 years from 2017-2019. The secondary data is used for this study due to time and money constraints. The report study is mostly based on ratios. So this is its own limitation.

Chapter schemes

The present study is done in fivechapter.

The first chapter contains intro, significance of study, framework of analysis, scope, limitations and scope for the further research. Literature review are explained in second chapter. The third chapter contains history of PNB Metlifecompany. Ther fourth chapter contains analysis of financial statement. Summary of findings, conclusion, and suggestion in the last chapter.

II. Review of literature

This topic is purposed to reviewing research work related to the insurance sector contents in journals and ago studies which focused on financial performance of company under various companies.

III. Profitability ratios

Profitability is the ability of any firm to generate a profit on investment. There is need of to measure profitability ratio to company to maintain company stability. High earning ratio shows good company position.Current ratio is the company capacity to meet the short term commitment .it is used for comparison of company current asset and current liabilities. The return on net worth when shows high ratio then provident use of shareholders investment. It is ratio used for to know the ability of company to meet commitment of policyholder. Risk taken by any insurance companyagainst capital is the solvency ratio .

3.1Current ratio

Current ratio = current assets / current liabilities

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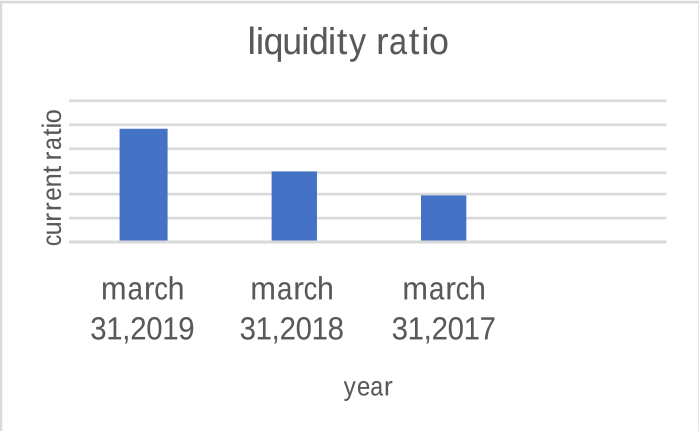
Particular	Year		
	2018-19	2017-18	2016-17
current assets current liabilities	11762125 9439778	11140408 9622612	9294058 7794229
current ratio	1.24	1.15	1.10

This graph shows current ratio



Interpretation –

Current ratio of PNB Metlife India insurance company in 2019 is 1.24 in 2018 it is 1.15. it is lowest in 2017 that is 1.10. betteriquidity helps in an insurer to meet policyholder's commitment immediately.

3.2Premium growth

Premium growth = (current year premium – previous year premium) / previous year premium

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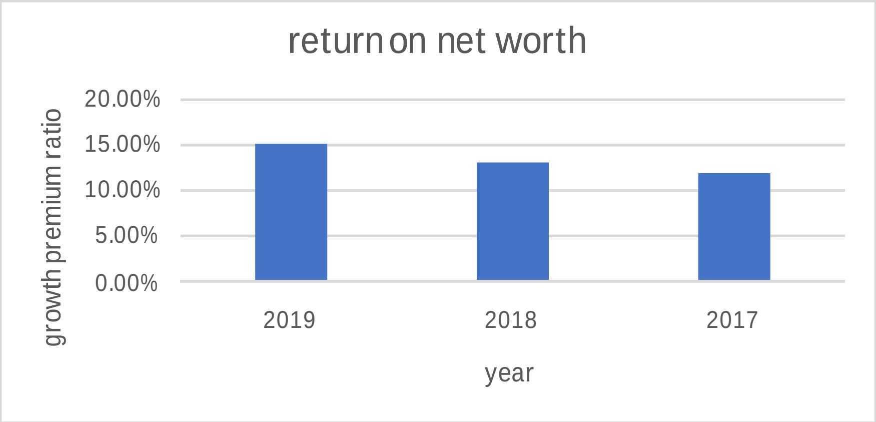
particular	Year		
	2018-19	2017-18	2016-17
Current year business premium	47771966	39535108	32360801
Previous year business premium	39535108	32360801	28278346
Growth premium	20.8%	22.16%	14.43%



Interpretation -

The PNB Metlife India insurance company had growth premium in 2019 20.8%. in 2018 it is high that is 22.16%. in 2017 it is lowest means 14.43%.

3.3 Return on net worth

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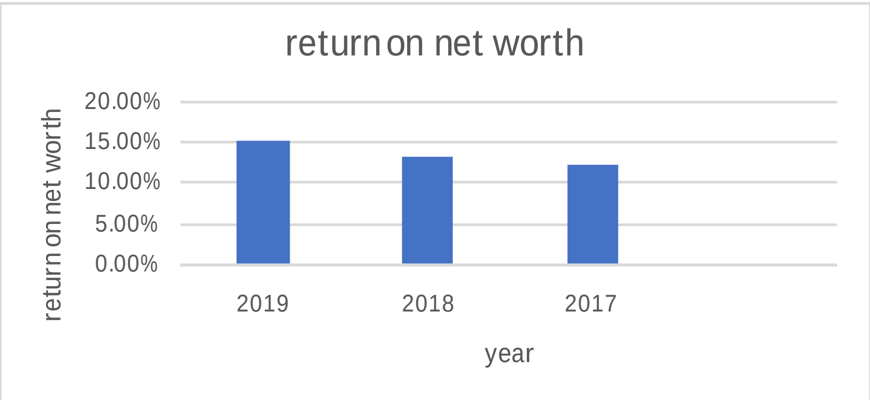
Return on net worth = (current year shareholder fund – previous year shareholder fund) / previous year shareholder fund

particular	Year		
	2018-19	2017-18	2016-17
Current year shareholder fund	12185544	10752240	9338314
Previous year shareholder fund	10752240	9338314	8301229
Return on net worth	15%	13%	12%



Interpretation -

Return on net worth of PNB Metlife India insurance company in 2019 is 15%. In 2018 it is 13%. And in 2017 it is 12%. It reveals a how much profit a company generates with the money that the equity shareholder have invested. This high ratio shows provident use of

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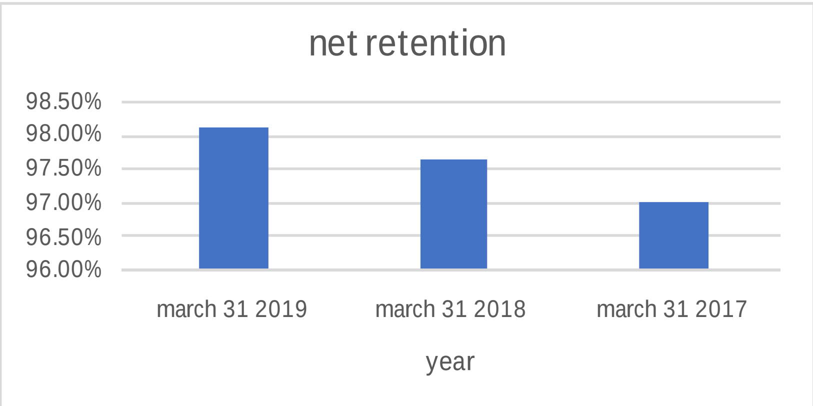
shareholders investment. While low ratio shows not effective use of shareholders investment.

3.4 Net retention ratio

Net retention ratio = net premium / gross premium

particular	Year		
	2018-19	2017-18	2016-17
Net premium	46586393	38605153	31389059
Gross premium	47771966	39535108	32360801
Net retention	98.1%	97.65%	97%

This graph shows net retention ratio



Interpretation -

The net retention ratio of PNB Metlife India insurance company in2019 is 98.1%, in 2018 it is 98% and in 2017 it is 97% Business net retention means total number of policies having an insurance company at specific time.

3.5 Solvency ratio

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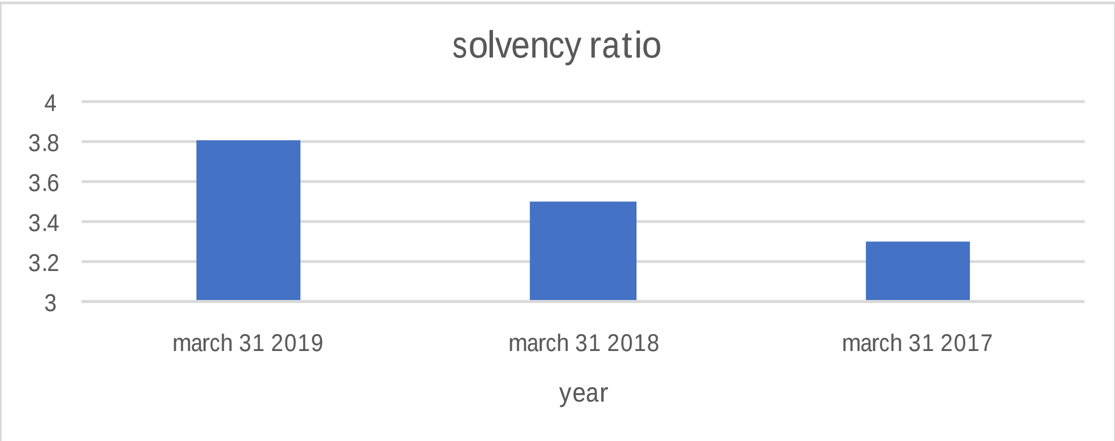
Solvency ratio = net premium / net worth

Particular	Year		
	2018-19	2017-18	2016-17
Net premium	46586393	38605153	31389059
Net worth	12185544	10752240	9338314
Solvency ratio	3.8	3.5	3.3

This graph shows solvency ratio.



Interpretation –

The solvency ratio of PNB Metlife India insurance company in 2019 was highest that is 3.8. In 2018 it was lowest 3.5 , and in 2017 it is 3.3 A higher solvency ratio indicates strong company profile.

V. Findings, Conclusons, Suggestions

5.1 Findings

- The current ratio of PNB Metlife India insurance company in 2019 is 1.24 in 2018 it is 1.15. it is lowest in 2017 that is 1.10. the current ratio aids in to understand short term financial position of company. When company has higher current ratio the company is more stable. And when the company has low current ration the company has greater risk in liquidity.

- The PNB Metlife India insurance company had growth premium in 2019 20.8%. in 2018 it is high that is 22.16%. in 2017 it is lowest means 14.43%.
- Return on net worth of PNB Metlife India insurance company in 2019 is 15%. In 2018 it is 13%. And in 2017 it is 12%. It reveals a how much profit a company generates with the money that the equity shareholder have invested. . This high ratio shows provident use of shareholders investment. While low ratio shows not effective use of shareholders investment.
- The net retention ratio of PNB Metlife India insurance company in2019 is 98.1%, in 2018 it is 98% and in 2017 it is 97%. Business net retention means total number of policies having an insurance company at specific time.
- The solvency ratio of PNB Metlife India insurance company in 2019 was highest that is 3.8. In 2018 it was lowest 3.5 , and in 2017 it is 3.3 A higher solvency ratio indicates strong company profile. A company with weaker solvency ratio may or may not indicate weaker company profile.

5.2.Suggestions

The company profitability ratio is better to attract the investors. So, company have to make proper planning to attract investors. Via making development in profitability ratio.

Promotional activities should be more focused for increasing sale

5.3Conclusion

On a final note, I want to conclude that PNB Metlife India insurance company has good financial management.

- It is concluded that business of company is showing increasing trend,
- It's profitability ratio, solvency ratio, liquidity stronger in study period.
- Company is looking good future potential to grab customer via better pre and post services.
- The investors are much attracted because projects of that company is much better.
- The company is taking good care of their customers.

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Websites

www.pnbmetlife.com

www.myaccountingworld.com