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A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF SAKTHI FINANCE LIMITED

TAMIL NADU

by

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Under the guidance of

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A PROJECT REPORT

submitted

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Department of Management Studies

Kumaraguru College of Technology

(An autonomous institution affiliated to Anna University, Coimbatore)

Coimbatore - 641 049

November, 2011

CERTIFICATE



BONAFIDE CERTIFICATE

Certified that this project report titled, "A Study On Financial Performance Analysis Of Sakthi Finance Limited" is the bonafide work of Ms. Ponmani Priya.N, who carried out the project under my supervision. Certified further, that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

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Φ SAKTHI FINANCE

AN EDIFICE BUILT ON TRUST

PROJECT COMPLETION CERTIFICATE

This is to certify that **Ms. N.Ponmani Priya**, Roll No **10MBA37**, a student of KCT Business School, Kumaraguru College of Technology, Coimbatore had undergone a Project entitled "**A Study on Financial Performance Analysis of Sakthi Finance Limited, Coimbatore**" between 27/06/2011 and 05/08/2011.

During the tenure, her performance was **Very Good**.

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Name and Designation: **Mr. G.Augustin Durai Joseph - Officer HR**



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TABLE OF CONTENTS

TABLE OF CONTENTS

Chapter		Pg.No
CHAPTER 1: INTRODUCTION		
1.1	Introduction to the study	1
1.2	Industry Profile	2
1.3	Organization Profile	5
1.4	Statement of the problem	10
1.5	Objectives of the study	10
1.6	Scope of the study	10
CHAPTER 2: REVIEW OF LITERATURE		
2	Review of literature	11
CHAPTER 3: RESEARCH METHODOLOGY		
3.1	Type of Research	14
3.2	Data and sources of data	14
3.3	Time period covered	14
3.4	Statistical tools used	14
3.5	Limitations of the study	15
CHAPTER 4: ANALYSIS & INTERPRETATION		16
CHAPTER 5: FINDINGS, SUGGESTIONS AND CONCLUSION		
5.1	Findings	31
5.2	Suggestions	32
5.3	Conclusion	33
	BIBLIOGRAPHY	34

LIST OF TABLES

LIST OF TABLES

Table No.	Title	Page No.
4.1	Comparative Balance Sheet (2006-2007)	19
4.2	Comparative Balance Sheet (2007-2008)	20
4.3	Comparative Balance Sheet (2008-2009)	21
4.4	Comparative Balance Sheet (2009-2010)	22
4.5	Comparative Balance Sheet (2010-2011)	23
4.6	Current Ratio	24
4.7	Quick Ratio	25
4.8	Net Working Capital Ratio	26
4.9	Solvency Ratio	27
4.10	Inventory Turnover Ratio	28
4.11	Gross Profit Ratio	29
4.12	Net Profit Ratio	30

LIST OF CHARTS

LIST OF CHARTS

Table No.	Title	Page No.
4.6.1	Current Ratio	24
4.7.2	Quick Ratio	25
4.8.3	Net Working Capital Ratio	26
4.9.4	Solvency Ratio	27
4.10.5	Inventory Turnover Ratio	28
4.11.6	Gross Profit Ratio	29
4.12.7	Net Profit Ratio	30

CHAPTER 1: INTRODUCTION

1. INTRODUCTION

1.1 INTRODUCTION TO THE STUDY

Financial statement analysis is used to identify the trends and relationships between financial statement items. Both internal management and external users (such as analysts, creditors, and investors) of the financial statements need to evaluate a company's profitability, liquidity, and solvency. The most common methods used for financial statement analysis are comparative statements, common-size statements and ratio analysis. These methods include calculations and comparisons of the results to historical company data competitors, or industry averages to determine the relative strength and performance of the company being analyzed. Financial statement analysis is to diagnose the information contained in financial statements so as to judge profitability and financial soundness of the firm. Just like a doctor examines his patient by recording his body temperature, blood pressure, etc. before making conclusion regarding the illness and before giving his treatment, a financial analyst analysis before commenting up on the financial health or weakness of an enterprise.

- Use of financial data to study about Sakthi Finance Limited's past performance and its current financial position.
- Financial analysis is the process of identifying the financial strengths and weakness of Sakthi Finance Limited by properly establishing the relations ship between the items of the balance sheet and profit loss account.
- Its purpose is to convey an understanding of some financial aspects of Sakthi Finance Limited.

1.2 INDUSTRY PROFILE

Non banking financial companies (NBFCs) are fast emerging as an important segment of Indian financial system. It is an heterogeneous group of institutions (other than commercial and co-operative banks) performing financial intermediation in a variety of ways, like accepting deposits, making loans and advances, leasing, hire purchase, etc. They raise funds from public, directly or indirectly and lend them to ultimate spenders. They advance loans to the various wholesale and retail traders, small-scale industries and self –employed persons. Thus they have broadened and diversified the range of products and services offered by a financial sector. Gradually, they are being recognized as complementary to the banking sector due to their customer-oriented services, simplified procedures and attractive rates on deposits, flexibility and timeliness in meeting the credit needs of specified sectors etc.

The working and operation of NBFCs are regulated by the reserve bank of India (RBI) within the framework of the Reserve Bank of India Act, 1934 and the directions issued by it under the Act. As per the RBI Act, a Non-Banking financial company is defined as:

- A financial institution which is a company.
- A Non Banking institution which is a company and which has its principal business the receiving of deposits ,under any scheme , arrangement or in any other manner or lending in any manner.
- Other Non Banking institution as the bank may with the previous approval of the Central Government and by notification in the Official Gazette Specify.

Under the Act, it is mandatory for a NBFC to get itself registered with the RBI as a deposit taking company. This registration authorizes it to conduct its business as an NBFC. For the registration with the RBI, a company incorporated under the Companies Act,1956 and desirous of commencing business of non –Banking financial institution, should have a minimum net owned fund (NOF) of Rs.25 lakh (raised to Rs 200 lakh W.E.F April 21, 1999). The term ‘NOF’ means, owned funds (paid-up capital and free reserves, minus accumulated losses, deferred revenue expenditure and other intangible assets) less, (i) Investments in shares of subsidiaries/companies in the same group /all other NBFCs and (ii) the book value

of debentures/bonds/outstanding loans and advances, including hire purchase and lease finance made to and deposits with subsidiaries /companies in the same group, in excess of 10% of the owner funds.

The funding to small –scale industry is mainly for plant and machinery, industrial equipments, computer system etc. 70% of the activities of NBFCs are in leasing Equipment and Hire Purchase. There is some exposure in Bill Discounting and Factoring. The main strength of NBFCs is that they can devise innovative financing schemes and tailor-made schemes according to the specific requirement of the client. The NBF sector in India comprises various types of financial institutions with each one of them having its roots at a particular stage of development of the financial sectors. All –Indian Financial Institutions (AIFIs) largely an offshoot of development planning in India, were created for long-term financing with some of them having sectoral /regional focus.

Non Banking financial companies (NBFCs), on the other hand, are mostly private sector units, which have carved their niche in the Indian Financial system. As of June 2006, there was in all 13,014 NBFCs registered with RBI of which 428 accepted deposits. NBFCs are an integral part of the country's financial system because of their complimentary as well as competitive role. They act as a critical link in the overall financial system catering to a large market of niche customers. As a result of consolidation and restructuring in the financial sector and liberalization and globalization of markets only a few strong NBFCs now remain in business. However, competition continues to be intense, as the Indian and foreign banks have entered the retail lending business in a big way, thereby exerting pressure on margins. All the prudential norms for assets classification, income recognition, provisioning requirements etc. are applicable to NBFCs.

The registration process involves submission of an application by the company in the prescribed format along with the necessary documents for RBI's consideration. If the bank is satisfied that the conditions enumerated in the RBI Act, 1934 are fulfilled, it issues a "Certificate of Registration" to the company. Only those NBFCs holding a valid Certificate of Registration" can accept/hold public deposits. The NBFCs accepting public deposits should comply with the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998, as issued by the bank. Some of the important regulations relating to acceptance of deposits by the NBFCs are:

- They are allowed to accept/renew public deposits for a minimum period of 12 months and maximum period of 60 Months.
- They cannot accept deposits repayable on demand.
- They cannot offer interest rates higher than the ceiling rate prescribed by RBI from time to time.
- They cannot offer gift/incentives or any other additional benefit to the depositors.
- They should have minimum investment grade credit rating.
- Their deposits are not insured.
- The repayment of deposits by NBFCs is not guaranteed by RBI.

1.3 ORGANIZATION PROFILE

Sakthi Finance Limited. was incorporated in the year 1955 as a Non-banking finance company [NBFC] initially towards catering the hire purchase financial requirements of the group's TELCO dealership units. This captive hire purchase business eventually transformed the company into a major player in this sector.

The able leadership of the Group's visionary Chairman, Dr. N. Mahalingam together with the combined strength of the group in multifarious fields has helped Sakthi Finance Limited. to become an edifice of mutual trust and faith among the public.

Today, Sakthi Finance is one of the leading non-banking finance companies with over 33 branches in Tamil Nadu, Kerala, Karnataka and Andhra Pradesh.

Sakthi Finance has positioned itself as a niche player by introducing refinancing for commercial vehicles and construction equipments. The company offers various financing schemes to cater to the funding requirements of commercial vehicle operators.

1.3.1 VISION

- Be amongst the top three re-financers of commercial vehicles in the country.
- Be an organization of profitable growth with 10% net margin.
- Be the most preferred service supplier of the customer choice.
- Be a competent organization with people competency index of 95%
- Be an organization with process efficiency to the level of six sigma.

1.3.2 MISSION

- To behave like marvai.inc..., a culture of act like owner.
- To partner through progress of small and medium road transport operator.
- To provide end to end service leading to total customer solution with
 - i. Speed
 - ii. Flexibility
 - iii. Integrity

1.3.3 BOARD OF DIRECTORS

S.NO	NAME	DESIGNATION
1	M. Manickam	Chairman
2	M .Balasubramaniam	Managing director
3	S .Venkatesh	Company secretary
4	A. Selvakumar	Director
5	M.Srinivasan	Director
6	A. Shanmugasundaram	Director
7	S.A.Murali Prasad	Director
8	P .S.Gopalakrishnan	Director
9	S .Ragothaman	Director

1.3.4 VARIOUS DEPARTMENTS IN SAKTHI FINANCE

- HRD – Human Resource Development
- CARE – Customer Acquisition And Retention
- CAP – Credit Appraisal Process
- CAMP – Customer Asset Management Process
- CARP - Customer Asset risk performance
- FIRE – Financial Resources
- EWS - Enterprise Wide Solution
- OSM -Office of strategic Management.

1.3.5.1 HUMAN RESOURCE DEPARTMENT (HRD)

Sakthi Finance Limited currently has total manpower of 317 persons. Human resource process is one of the seven core processes in the company. Human resource department is strengthened with qualified Human resource Professional and the department consists of 7 members.

FUNCTIONS OF HR DEPARTMENT

- S-Selection & recruitment of right candidates.
- T-Training and development for existing employees and new entrants.
- Appraisal and retirement through compensation, career growth and separation.
- R-Retention and retirement through compensation, career growth and separation.

1.3.5.2 CUSTOMER ACQUISITION AND RETENTION (CARE)

The term indicates planning the marketing function in a systematic focused manner for customer requisition & retention.

FUNCTIONS

- To formulate CRM strategies for generation volume of customers, satisfy their need, maintain & retain them in such a way that they bring in new customers.
- To translate, strategic objectives targets & goals of the organization as planned relating 5 prospects & customer to branches.
- To co-ordinate with branches on target fixing & achievement of target.
- To build & maintain a customer database and keeping them informed about the new schemes formulated.

1.3.5.3 CUSTOMER APPRAISAL PROCESS (CAP)

This process team takes care of appraising the profiles of all intended borrowers, who have the capacity and intention to repay the loan. The appraisal process is centralized and handled by head office. All the branches are linked internally hence the appraisal process is carried out faster.

1.3.5.4 CUSTOMER ASSET MANAGEMENT PROCESS (CAMP)

The critical success factor of an NBFC vests ability to manage the advance portfolios and recovery the money lent on due. Thus this team at Head office continuously monitors the recovery and officers support to branches on exceptional accounts which pose collection problems:

1.3.5.5 CUSTOMER ASSET RISK PERFORMANCE (CARP)

The primary purpose of the field investigation and assets inspection program is to identify and manage any risk associated with customer assets and to ensure the remedial works are identified and properly prioritized. Asset inspection and field investigation outputs are essential to identify any faults that might undermine the business or represent a threat to health and safety of our asset financed to customers.

1.3.5.6 FINANCE AND ACCOUNTS

FUNCTIONS

- To monitor all the financial activities.
- To provide secretarial assistance to function supervision & heads.
- To render required secretarial assistance to functional supervision & heads.
- In charge for safe custody of all files, assets, documents etc.
- Maintaining and updating files, records & documents.
- Funds transfer information.
- Contribution statement.
- Accounting statement for receipts & payments.

1.3.5.7 ENTERPRISE WIDE SOLUTION (EWS)

- Increased operational efficiency.
- Improved customer satisfaction.
- Enables better decision making and forecasting.
- Scalable and flexible solutions providing for future changes.
- Better tracking of inventory.
- Provides a centralized framework for all business process.

1.3.5.8 OFFICE OF STRATEGIC MANAGEMENT (OSM)

This program includes the administrative function necessary to support the program activities of OMS. The specific function included in four organization areas: administration, HR, Administrative financial Management and IT.

1.3.6 SWOT ANALYSIS OF THE COMPANY

Strengths

- Company belongs to reputed “Sakthi Group” of companies.
- Company has been in this line of business for about five decades. Hence the knowledge of the market and customers is excellent.
- Company has well established systems required for this line of business.
- Company has loyal and dedicated man power to handle the business at all levels.

Weaknesses

- The credit rating of the company is MA-, which means adequate safety. With this rating, the company is unable to tap more resources from Banks.

Opportunities

- With the higher level of economic development, the demand for commercial vehicle and consequently the demand for commercial vehicle finance will increase.

Threats

- Entry of more organized players into refinancing segment will intensify the competition.

1.4 STATEMENT OF THE PROBLEM

Investors aspire for wealth maximization over their money parked with corporate. Financial performance analyses express the extent of wealth generated by the corporate in an accounting period. Hence, the present study considers the financial performance analyses of Sakthi Finance Limited, Coimbatore as a problem statement.

1.5 OBJECTIVES OF THE STUDY

PRIMARY OBJECTIVE

- To analysis the financial performance of sakthi finance limited for the period from 2006 to 2011.

SECONDARY OBJECTIVE

- To highlight the short comings in the area of finance with the aid of comparative analysis and common size analysis.
- To determine the ratio analysis of the company.

1.6 SCOPE OF THE STUDY

- The scope of the study is concerned with the proper management of funds, as to know how effectively funds are utilized for meeting short- term and long-term needs.
- The basic, scope is to enroll the firm's involvement in rising of funds and their effective utilization keeping in view the overall objectives of the firm.
- The scope of the study enabled the researcher to analyze the risk return possibilities in the employment of funds, applying analytical tools to procure the profitability of the business.
- Ascertaining the working capital will come to know neither inadequacy nor excess funds with the concern.
- No primary data is used for the study.
- Figures for the analysis are taken from the annual reports.

CHAPTER 2: REVIEW OF LITERATURE

2. REVIEW OF LITERATURE



Amita S. Kantawala¹ in “Financial performance of non banking finance companies in India”² presents a detailed analysis on financial performances of NBFCs for ten years. For the purpose of the study, the researcher has used Ratio Analysis. On the basis of the study, the researcher has concluded that, there exists a significant difference in the profitability ratios, leverages ratios and liquidity ratios of various categories of NBFCs. When two categories are examined against each other, than more number of ratios are not statistically different form each other. Form this is follows that the ratios for all categories of NBFCs are generally different from each other. In brief, different categories of NBFCs behave differently and it is the entrepreneur’s choice in the light of some the parameters which go along with the category of NBFCs.

Evenline Van De Velda, Wim Vermeir, Filip Corten et al² A historical financial performance engagement is an analysis of a company’s past and current financial performance to similar sized companies within its industry providing insight into a company’s historical growth, profitability, debt capacity and overall liquidity. All such factors can be important indicators of a company’s ultimate value. We analyze the past five-years history of financial statement as well as financial information relative to your industry. We calculate financial ratios (liquidity, coverage, leverage and operating) for the company prepare common size financial statements and analyze the information on a trended and composite basis.

¹ : Amit S.Kanatawala “**Financial performance of non banking finance companies in India**”, Reader in Management Studies ,M.S.Patel Institution of Management Studies, M.S.University of Baroda, Baroda the Indian economic journal, volume 49,No 1,Pg 86-92.

² : Evenline Van De Velda, Wim Vermeir, Filip Corten et al Corporate Social Responsibility And Financial Performance, Corporate Governance, Emerald Group Publishing Limited, Year 2005 Volume:5,Pg 129-138.

Dr. Laurence M. Crane Five³ Measures of Financial efficiency are the asset turnover ratio, operating expense ratio, depreciation expense ratio, interest expense ratio and net income from operations ratio. The asset turnover ratio measures how efficiently assets are being used to generate revenue. The higher the ratio, the more efficiently assets are being used to generate revenue.

The last four efficiency measures are operation ratios accounting for the composition of gross revenues. The sum of the operating expense ratio, depreciation expense ratio and interest expense ratio reflects the total direct farm expenses per dollar of gross revenue for each component – operating, interest and depreciation. Note that the operating expense ratio standards will vary between types of organizations and operating systems. Taken together, these four ratios represent the total composition of gross revenues and in percentage terms accounts for 100 percent of the corporate gross revenues.

Myers⁴ “Financial statements analysis is largely a study of relationship among various financial factors in a business as disclosed by a single set of statements, and a study of the trend of these factors as shown in series of statements. The purpose of financial analysis is to diagnose the information contained in financial statements so as to judge the profitability and financial soundness of the firm.”

John N. Myer⁵ “The financial statements provide summary of accounts of a business enterprise, the balance sheet reflecting the assets, liabilities and capital as on a certain date and the income statement showing the results of operations during a period.” financial statements are prepared as an end result of accounting and are the major sources of financial information of an enterprise.

The American Institute of Certified Public Accountants⁶ states the nature of financial statements as “Financial Statements are prepared for the purpose of presenting a periodical review of report on progress by the management and deal with the status of investment in the

³ : Dr. Laurence M. Crane Five Financial Performance Measures, Michigan State University Magazine , August 2007, pg.6

⁴ Myers Financial statements analysis, 2008

⁵ John N. Myer The financial statements, 2002

⁶ The American Institute of Certified Public Accountants

business and the results achieved during the period under review. They reflect a combination of recorded facts, accounting principles and personal judgments.”

The American Accounting Association⁷ expresses in its statement. “Every corporate statement should be based on accounting principles which are sufficiently uniform, objective and well understood to justify opinions as to the condition and progress of business enterprise. Its basic assumption was that the purpose of periodic financial statements of a corporation is to furnish information that is necessary for the formation of dependable judgments.”

Oklahoma Cooperative Extension⁸ Much of this analysis is “common sense” analysis. Directors should be able to scan the cooperative’s financial statement and identify factors that impact each statement. The factors that impact long-term growth are most important. The cooperative should pay particular attention to the local savings (loss) of the cooperative. This means that the cooperative only looks at ratios calculated from the earnings and expenses of the main cooperative, not the patronage received from regional investments.

⁷ The American Accounting Association

⁸ Oklahoma Cooperative Extension Fact Sheets are also available on the website at: <http://osufacts.okstate.edu>

CHAPTER 3: RESEARCH METHODOLOGY

3. RESEARCH METHODOLOGY

3.1 TYPE OF RESEARCH

Analytical Research

The study uses Analytical Research Design.

3.2 DATA AND SOURCES OF DATA

Secondary Data

The secondary Data are collected from Annual Reports, mainly Balance Sheet, Income and Expenditure of the company that are audited and published.

3.3 TIME PERIOD COVERED

The time period covered was for five financial years from 2006 till 2011

3.4 FINANCIAL TOOLS USED

- Comparative statements
- Ratio analysis
 - Liquidity Ratio
 - Leverage Ratio
 - Activity Ratio
 - Profitability Ratio

3.5 LIMITATIONS OF THE STUDY

- Financial analysis is based on monetary information and non monetary information is ignored.
- The study was conducted with the data available and analysis was made accordingly.
- Since the study is based on the financial data that are obtained from the company's financial statements, the limitations of financial statements shall be equally applicable.
- Financial statements are prepared on the basis of certain accounting concepts and conventions.
- Ratios provide only quantitative information, not qualitative information.

CHAPTER 4: ANALYSIS & INTERPRETATION

4. ANALYSIS & INTERPRETATION

METHODS OF FINANCIAL ANALYSIS

The analysis and interpretation of financial statements is used to determine the financial position and results of operations as well. A number of methods or devices are used to study the relationship between different statements. An effort is made to use those devices which clearly analyze the position of the enterprise. The following are the methods of analysis are generally used:

- Comparative statements
- Ratio analysis
 - Liquidity Ratio
 - Leverage Ratio
 - Activity Ratio
 - Profitability Ratio

Comparative statements

The comparative financial statements are statements of financial position at different period of time. The elements of financial position are shown in comparative form so as to give an idea of financial position at two or more periods. Any statement prepared in comparative form will be converted into comparative statements. From practical point of view, generally, two financial statements (balance sheet and income statement) are prepared in comparative form for financial analysis purpose. Not only the comparison of the figures of two periods but also be relationship between balance sheet and income statement enables an in depth study of financial position and operative results.

Comparative balance sheet

The comparative balance sheet analysis is the study of the trend of the same items, group of items and computed items in two or more balance sheets of the same business enterprise on different dates. The changes in periodic balance sheet items reflect the conduct of a business. The changes can be observed by comparison of the balance sheet at the beginning and at the end of a period and these changes can help in forming an opinion about the progress of an enterprise.

RATIO ANALYSIS

Ratio analysis is a powerful tool of financial analysis. It is used as benchmark for calculating the financial position and performance of a firm. The absolute accounting figure reported in the financial statements does not provide the meaningful performance of financial position in the firm, ratio helps to summarize the large quantity of data to make qualitative judgment about the firm's performance.

CURRENT RATIO

The ratio of current assets to current liabilities is called current ratio. In order to measure the Short-term liquidity or solvency of a concern, comparison of current assets and current liabilities is inevitable. Current ratio indicates the ability of a concern to meet its current obligations as and when they are due for payment.

QUICK ASSETS RATIO

Quick ratio often referred to as acid-test ratio, is obtained by subtracting inventories from current assets and then dividing by current liabilities. Quick ratio is viewed as a sign of company's financial strength or weakness (higher number means stronger, lower number means weaker).

WORKING CAPITAL TURNOVER RATIO

A measure comparing the depletion of working capital to the generation of sales over a given period. This provides some useful information as to how effectively a company is using its working capital to generate sales.

STOCK TURNOVER RATIO

This ratio measures the stock in relation to turnover in order to determine how often the stock turns over in the business. It indicates the efficiency of the firm in selling its product. It is calculated by dividing the cost of goods sold by the average inventory.

GROSS PROFIT RATIO

This ratio is also known as gross margin or trading margin ratio. Gross profit ratio includes the difference between sales and direct costs. Gross profit ratio explains the relationship between gross profit and net sales.

NET PROFIT RATIO

This ratio is also called net profit to sales ratio. It is a measure of management efficiency in operating the business successfully from the owner's point of view. It indicates the return on shareholder's investment. Higher the ratio better is the operational efficiency of business concern.

DEBT EQUITY RATIO

This ratio indicates the extent to which debt is covered by shareholders' funds. It reflects the relative position of the equity holders and the lenders and indicates the company's policy on the mix of capital funds.

SOLVENCY RATIO

One of many ratios used to measure a company's ability to meet long-term obligations. The Solvency ratio measures the size of a company's after-tax income, excluding non-cash Depreciation expenses, as compared to the firm's total debt obligations. It provides a Measurement of how likely a company will be to continue meeting its debt obligations.

4.1 COMPARATIVE BALANCE SHEET (2006-2007)

Table-4.1

Particulars	2006	2007	Absolute Changes(Rs)	% Change
Sources of Funds				
1.Shareholders funds				
Share Capital	20,07,13,210	20,07,13,210	-	-
Share application money pending allotment	11,46,14,671	11,46,14,671	-	-
Reserves and surplus	20,35,44,992	22,37,37,459	2,01,92,467	9.92
2.Loans Funds				
Secured Loans	79,55,04,625	99,19,52,764	19,64,48,139	24.69
Unsecured Loans	81,70,56,237	81,86,11,465	15,55,228	0.19
3.Deferred Tax Liability(Net)	-	-	-	-
Total	2,13,14,33,735	2,34,96,29,569	21,81,95,834	10.23
Application Of funds				
1.Fixed Asset				
Gross Block	19,11,33,361	20,24,88,810	1,13,55,449	5.94
LESS: Depreciation	10,14,64,963	10,83,97,761	69,32,798	6.83
Net Block	8,96,68,398	9,40,91,049	44,22,651	4.93
2.Investments	17,60,47,588	15,31,52,945	-2,28,94,643	-13.00
3.Deferred Tax Asset(NET)	2,62,75,988	1,21,93,355	-1,40,82,633	-53.59
4.Current Asset, Loans & Advances				
Stock on hire	1,73,21,13,805	2,04,18,08,176	30,96,94,371	17.87
Cash & Bank	7,52,03,870	11,97,02,560	4,44,98,690	59.17
Balances				
Other Current Assets	48,34,364	40,88,522	-7,45,842	-15.42
Loans & Advances	23,43,08,897	20,43,49,636	-2,99,59,261	-12.78
Sub Total -(1)	2,04,64,60,936	2,36,99,48,894	32,34,87,958	15.80
5.Less:Current liabilities				
Current Liabilities	18,26,70,969	26,51,21,011	8,24,50,042	45.13
Provision	2,43,48,206	1,46,35,664	-97,12,542	-39.89
Sub Total -(2)	20,70,19,175	27,97,56,675	7,27,37,500	35.13
Net Current Assets (1)-(2)	1,83,94,41,761	2,09,01,92,219	25,07,50,458	13.63
Total	2,13,14,33,735	2,34,96,29,569	21,81,95,834	10.23

Inference

The company's fixed assets have increased by 4.93% and the current asset value increased by 13.63%. The company's reserve & surplus value has increased by 9.92%.

4.2 COMPARATIVE BALANCE SHEET (2007-2008)

TABLE 4.2

Particulars	2007	2008	Absolute Changes(Rs)	% Change
Sources of Funds				
1.Shareholders funds				
Share Capital	20,07,13,210	30,10,69,810	10,03,56,600	49.99
Share application money pending allotment	11,46,14,671	1,38,91,125	10,07,23,546	87.88
Reserves and surplus	22,37,37,459	24,27,08,880	1,89,71,421	8.47
2.Loans Funds				
Secured Loans	99,19,52,764	1,74,74,37,386	75,54,84,622	76.16
Unsecured Loans	81,86,11,465	64,36,15,902	-17,49,95,563	-21.37
3.Deferred Tax Liability (Net)	-	1,83,19,826		
Total	2,34,96,29,569	2,96,70,42,929	61,74,13,360	26.27
Application Of funds				
1.Fixed Asset				
Gross Block	20,24,88,810	29,93,61,491	9,68,72,681	47.84
LESS: Depreciation	10,83,97,760	11,59,60,618	75,62,858	6.97
Net Block	9,40,91,050	18,34,00,873	8,93,09,823	94.91
2.Investments	15,31,52,945	13,93,14,710	-1,38,38,235	-9.03
3.Deferred Tax Asset(NET)	1,21,93,355	-		
4.Current Asset, Loans & Advances				
Stock on hire	2,04,18,08,176	2,60,22,87,400	56,04,79,224	27.45
Cash & Bank Balances	11,97,02,560	15,17,47,741	3,20,45,181	26.77
Other Current Assets	40,88,521	28,58,363	-12,30,158	-30.08
Loans & Advances	20,16,11,669	27,52,72,609	7,36,60,940	36.53
Sub Total -(1)	2,36,72,10,926	3,03,21,66,113	66,49,55,187	28.09
5.Less:Current liabilities				
Current Liabilities	26,51,21,011	37,34,89,260	10,83,68,249	40.87
Provision	1,18,97,696	1,43,49,507	24,51,811	20.60
Sub Total -(2)	27,70,18,707	38,78,38,767	11,08,20,060	40.00
Net Current Assets (1)-(2)	2,09,01,92,219	2,64,43,27,346	55,41,35,127	26.51
Total	2,34,96,29,569	2,96,70,42,929	61,74,13,360	26.27

Inference

The company's fixed assets have increased by 94.91% and the current asset value increased by 26.51%. The company's reserve & surplus value has increased by 8.47%.

4.3 COMPARATIVE BALANCE SHEET (2008-2009)

TABLE 4.3

Particulars	2008	2009	Absolute Changes(Rs)	% Change
Sources of Funds				
1.Shareholders funds				
Share Capital	30,10,69,810	30,10,69,810	-	-
Share application money pending allotment	1,38,91,125	5,53,63,340	4,14,72,215	298.55
Reserves and surplus	24,27,08,880	29,48,45,885	5,21,37,005	21.48
2.Loans Funds				
Secured Loans	1,74,74,37,386	2,93,86,15,226	1,19,11,77,840	68.16
Unsecured Loans	64,36,15,902	36,91,89,676	-27,44,26,226	-42.63
3.Deferred Tax Liability(Net)	1,83,19,826		-1,83,19,826	-100
Total	2,96,70,42,929	3,95,90,83,937	99,20,41,008	33.43
Application Of funds				
1.Fixed Asset				
Gross Block	29,93,61,491	39,42,75,263	9,49,13,772	31.70
LESS: Depreciation	11,59,60,618	12,80,43,520	1,20,82,902	10.41
Net Block	18,34,00,873	26,62,31,743	8,28,30,870	45.16
2.Investments	13,93,14,710	12,80,87,710	-1,12,27,000	-8.05
3.Deferred Tax Asset(NET)	-			
4.Current Asset, Loans & Advances				
Stock on hire	2,60,22,87,400	3,67,19,73,045	1,06,96,85,645	41.10
Cash & Bank Balances	15,17,47,741	17,18,49,760	2,01,02,019	13.24
Other Current Assets	28,58,363	22,28,813	-6,29,550	-22.02
Loans & Advances	27,52,72,609	29,22,63,637	1,69,91,028	6.17
Sub Total -(1)	3,03,21,66,113	4,13,83,15,255	1,10,61,49,142	36.48
5.Less:Current liabilities				
Current Liabilities	37,34,89,260	54,93,95,852	17,59,06,592	47.09
Provision	1,43,49,507	2,41,54,919	98,05,412	68.33
Sub Total -(2)	38,78,38,767	57,35,50,771	18,57,12,004	47.88
Net Current Assets (1)-(2)	2,64,43,27,346	3,56,47,64,484	92,04,37,138	34.80
Total	2,96,70,42,929	3,95,90,83,937	99,20,41,008	33.43

Inference

The company's fixed assets have increased by 45.16% and the current asset value increased by 34.80%. The company's reserve & surplus value has increased by 21.48%.

4.4 COMPARATIVE BALANCE SHEET (2009-2010)

TABLE 4.4

Particulars	2009	2010	Absolute Changes(Rs)	% Change
Sources of Funds				
1.Shareholders funds				
Share Capital	30,10,69,810	30,10,69,810		
Share application money pending allotment	5,53,63,340	10,53,63,340	5,00,00,000	90.31
Reserves and surplus	29,48,45,885	35,76,64,349	6,28,18,464	21.30
2.Loans Funds				
Secured Loans	2,93,86,15,226	3,73,01,81,311	79,15,66,085	26.93
Unsecured Loans	36,91,89,676	52,39,13,248	15,47,23,572	41.90
3.Deferred Tax Liability(Net)				
Total	3,95,90,83,937	5,01,81,92,058	1,05,91,08,121	26.75
Application Of funds				
1.Fixed Asset				
Gross Block	39,42,75,263	49,49,26,960	10,06,51,697	25.52
LESS: Depreciation	12,80,43,520	14,37,56,987	1,57,13,467	12.27
Net Block	26,62,31,743	35,11,69,973	8,49,38,230	31.90
2.Investments	12,80,87,710	11,82,22,960	-98,64,750	-7.70
3.Deferred Tax Asset(NET)				
4.Current Asset, Loans & Advances				
Stock on hire	3,67,19,73,045	4,39,41,38,052	72,21,65,007	19.66
Cash & Bank Balances	17,18,49,760	26,25,13,648	9,06,63,888	52.75
Other Current Assets	22,28,813	21,54,614	-74,199	-3.32
Loans & Advances	29,22,63,637	28,20,53,550	-1,02,10,087	-3.49
Sub Total -(1)	4,13,83,15,255	4,94,08,59,864	80,25,44,609	19.39
5.Less:Current liabilities				
Current Liabilities	54,93,95,852	37,74,78,435	-17,19,17,417	-31.29
Provision	2,41,54,919	1,45,82,304	-95,72,615	-39.63
Sub Total -(2)	57,35,50,771	39,20,60,739	-18,14,90,032	-31.64
Net Current Assets (1)-(2)	3,56,47,64,484	4,54,87,99,125	98,40,34,641	27.60
Total	3,95,90,83,937	5,01,81,92,058	1,05,91,08,121	26.75

Inference

The company's fixed assets have increased by 31.90% and the current asset value increased by 27.60%. The company's reserve & surplus value has increased by 21.30%.

4.5 COMPARATIVE BALANCE SHEET (2010-2011)

TABLE 4.5

Particulars	2010	2011	Absolute Changes(Rs)	% Change
Sources of Funds				
1.Shareholders funds				
Share Capital	30,10,69,810	30,10,69,810		
Share application money pending allotment	10,53,63,340	15,78,63,340	5,25,00,000	49.82
Reserves and surplus	35,76,64,349	66,80,42,145	31,03,77,796	86.77
2.Loans Funds				
Secured Loans	3,73,01,81,311	4,69,20,21,377	96,18,40,066	25.78
Unsecured Loans	52,39,13,248	48,29,35,060	-4,09,78,188	-7.82
3.Deferred Tax Liability(Net)		7,39,94,361	7,39,94,361	
Total	5,01,81,92,058	6,37,59,26,093	1,35,77,34,035	27.05
Application Of funds				
1.Fixed Asset				
Gross Block	49,49,26,960	87,26,12,631	37,76,85,671	76.31
LESS: Depreciation	14,37,56,987	16,46,18,197	2,08,61,210	14.51
Net Block	35,11,69,973	70,79,94,434	35,68,24,461	101.61
2.Investments	11,82,22,960	11,77,22,960	-5,00,000	-0.42
3.Deferred Tax Asset(NET)				
4.Current Asset, Loans & Advances				
Stock on hire	4,39,41,38,052	5,30,35,05,039	90,93,66,987	20.69
Cash & Bank Balances	26,25,13,648	27,99,56,632	1,74,42,984	6.64
Other Current Assets	21,54,614	24,07,020	2,52,406	11.71
Loans & Advances	28,20,53,550	39,47,38,918	11,26,85,368	39.95
Sub Total -(1)	4,94,08,59,864	5,98,06,07,609	1,03,97,47,745	21.04
5.Less:Current liabilities				
Current Liabilities	37,74,78,435	35,55,02,482	-2,19,75,953	-5.82
Provision	1,45,82,304	7,48,96,428	6,03,14,124	413.61
Sub Total -(2)	39,20,60,739	43,03,98,910	3,83,38,171	9.77
Net Current Assets (1)-(2)	4,54,87,99,125	5,55,02,08,699	1,00,14,09,574	22.01
Total	5,01,81,92,058	6,37,59,26,093	1,35,77,34,035	27.05

Inference

The company's fixed assets have increased by 101.61% and the current asset value increased by 22.01%. The company's reserve & surplus value has increased by 86.77%.

RATIO ANALYSIS

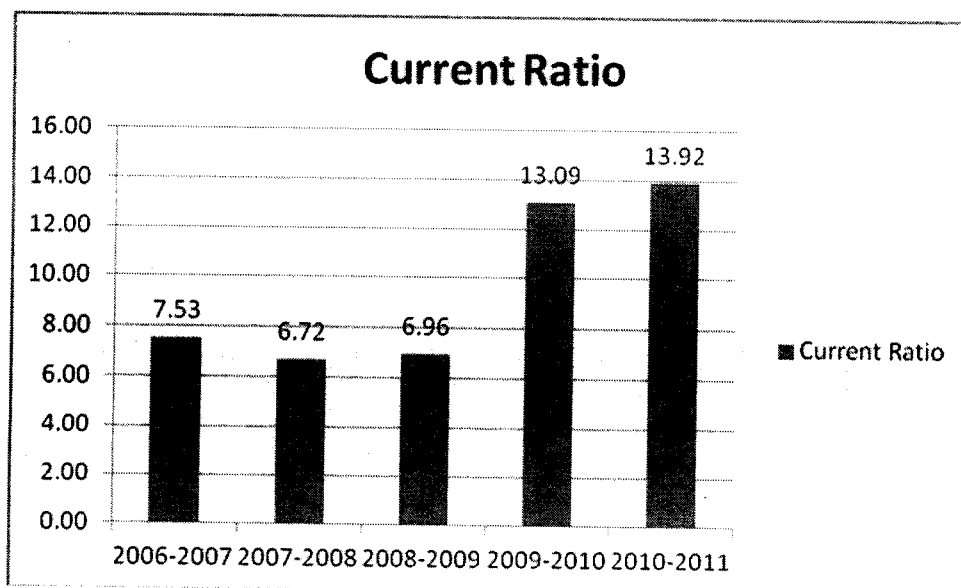
LEQUIDITY RATIOS

4.6 CURRENT RATIO

Table-4.6

Year	Current Asset (Rs in Cr)	Current Liability (Rs in Cr)	Current Ratio
2006-2007	214.17	28.46	7.53
2007-2008	274.18	40.79	6.72
2008-2009	382.23	54.94	6.96
2009-2010	494.09	37.75	13.09
2010-2011	598.06	42.95	13.92

CHART-4.6.1



Inference

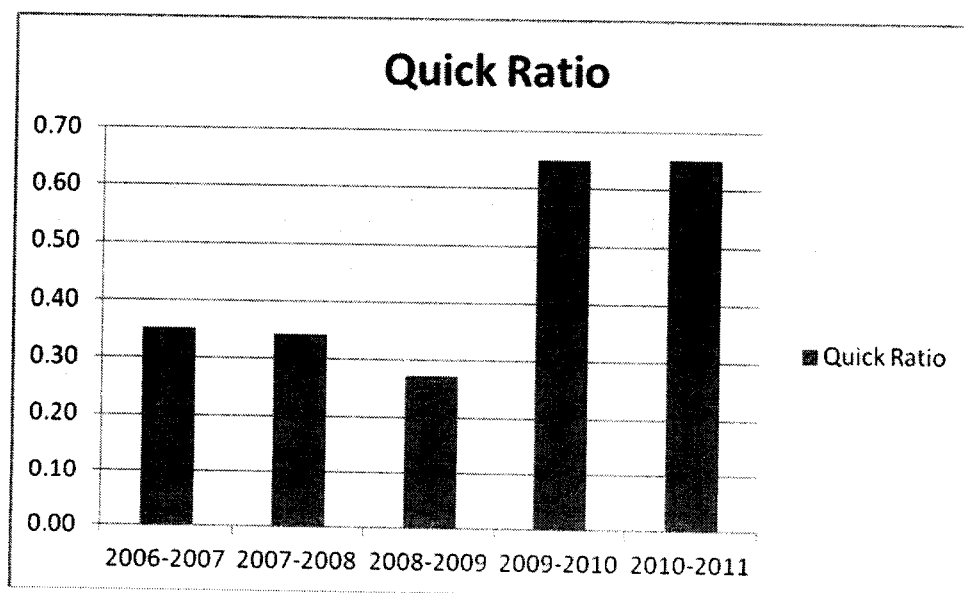
The company's current ratio from 2007-2008 the percentage is 6.72 it's the lowest and percentage for the year of 2010-2011 is the maximum.

4.7 QUICK RATIO

Table-4.7

Year	Quick Asset (Rs in Cr)	Current Liability (Rs in Cr)	Quick Ratio (Rs in Cr)
2006-2007	9.99	28.46	0.35
2007-2008	13.95	40.79	0.34
2008-2009	15.03	54.94	0.27
2009-2010	24.51	37.75	0.65
2010-2011	28	42.95	0.65

CHART-4.7.2



Inference

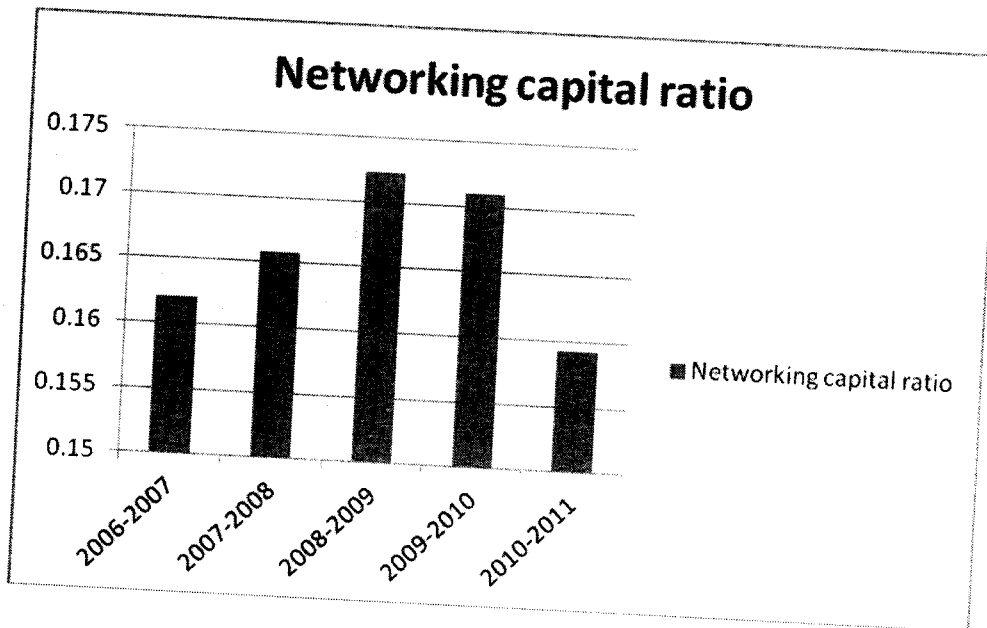
The company's quick assets position for 2008-2009 the percentage is the minimum is 0.27% and the maximum is for the year 2009-2010 and 2010-2011 is 0.65%

4.8 NET WORKING CAPITAL RATIO

Table-4.8

Year	Net Sales (Rs in Cr)	Networking capital (Rs in Cr)	Networking capital Ratio
2006-2007	30.09	185.71	0.16
2007-2008	38.7	233.39	0.16
2008-2009	56.38	327.29	0.17
2009-2010	78.06	456.34	0.17
2010-2011	88.41	555.11	0.15

CHART-4.8.3



Interpretation

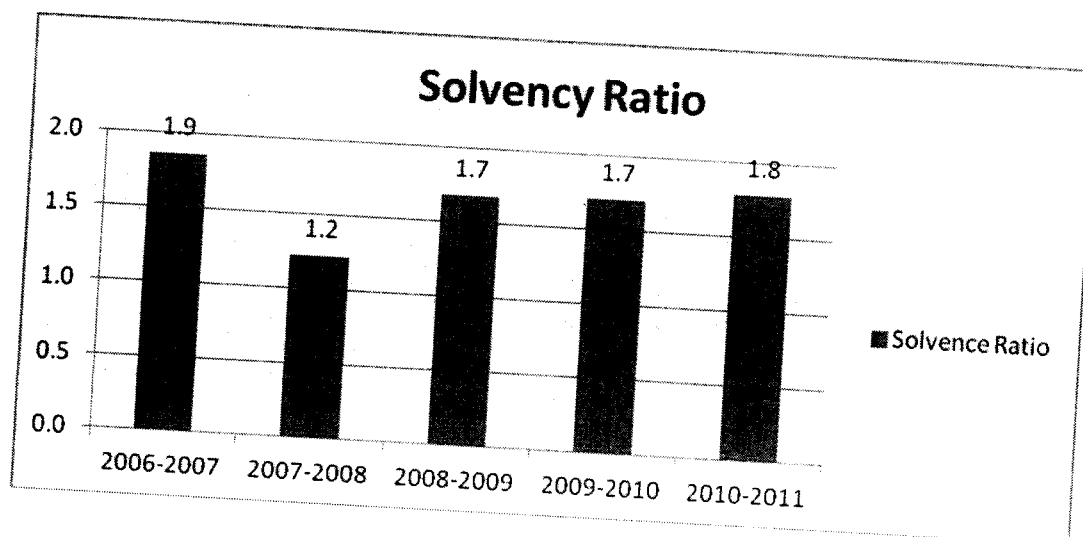
The company's working capital position for the year 2006-2007 is 0.16% the minimum in the working capital ratio and it is the maximum in the year 2010-2011 that is 0.16%.

4.9 SOLVENCY RATIO

Table-4.9

Year	Net Profit+ Depreciation (Rs in Cr)	Long term + short term liabilities (Rs in Cr)	Solvency Ratio
2006-2007	3.92	210.71	1.86
2007-2008	3.44	281.32	1.22
2008-2009	6.52	388.14	1.68
2009-2010	7.92	464.62	1.70
2010-2011	10.14	567.934	1.79

CHART-4.9.4



Inference

The company's solvency ratio in % for the year 2007-2008 is the minimum capital ratio and the maximum in the year 2006-2007.

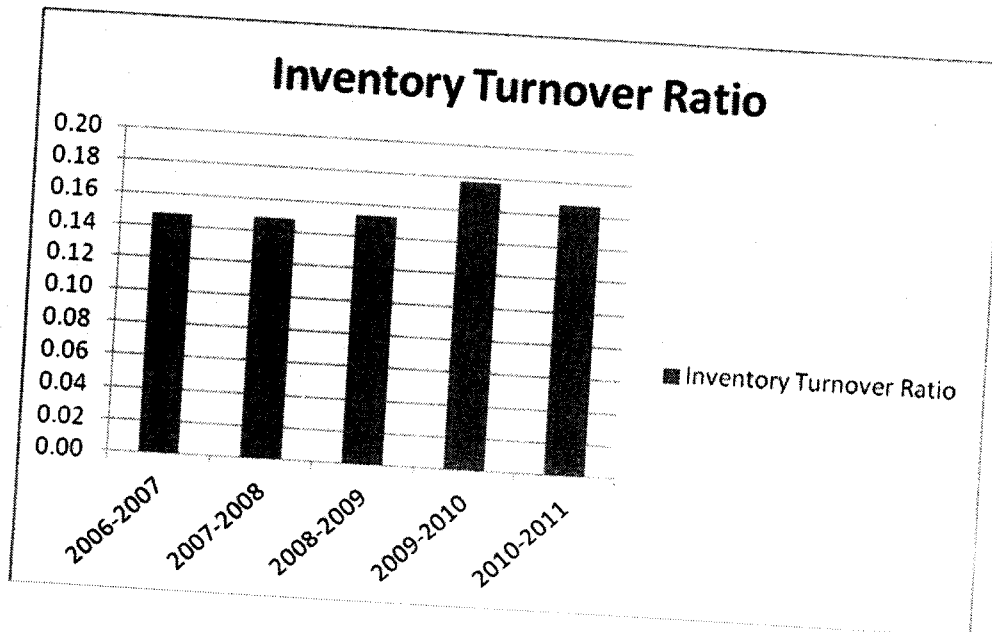
ACTIVITY RATIOS

4.10 INVENTORY TURNOVER RATIO

Table-4.10

Year	Net Sales (Rs in Cr)	Inventory (Rs in Cr)	Inventory Turnover Ratio
2006-2007	30.09	204.18	0.15
2007-2008	38.7	260.23	0.15
2008-2009	56.38	367.2	0.15
2009-2010	78.06	439.41	0.18
2010-2011	88.41	530.35	0.17

CHART-4.10.5



Inference

The company's inventory turnover ratio position for the year 2006-2007 is 0.15% the minimum in the Inventory and it is the maximum in the year 2009-2010 that is 0.18

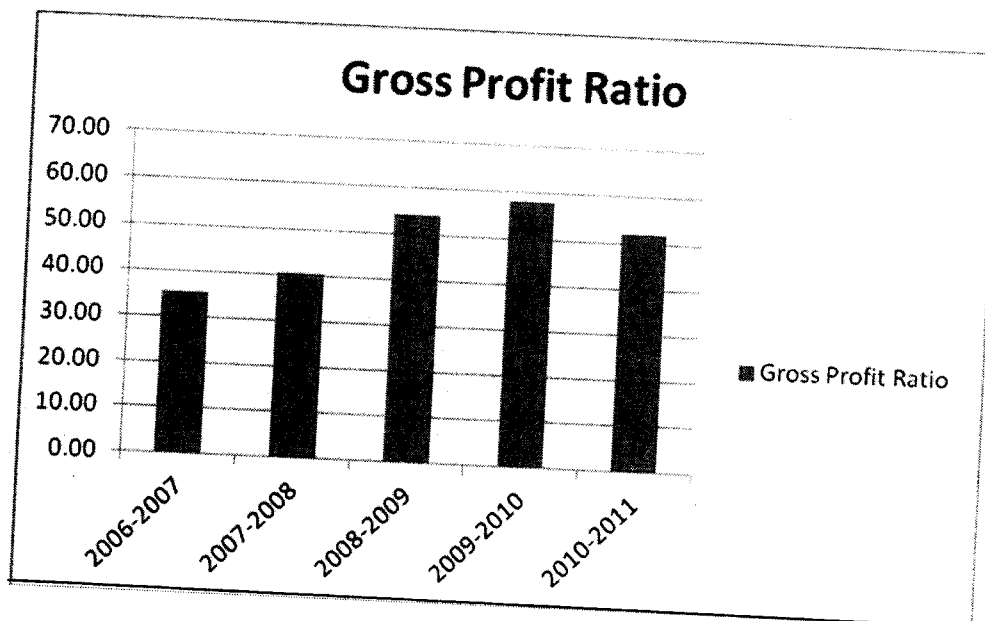
PROFITABILITY RATIOS

4.11 GROSS PROFIT RATIO

Table-4.11

Year	Gross profit (Rs in Cr)	Net Sales (Rs in Cr)	Gross Profit Ratio
2006-2007	10.63	30.09	35.33
2007-2008	15.66	38.7	40.47
2008-2009	30.52	56.38	54.13
2009-2010	45.32	78.06	58.06
2010-2011	45.89	88.41	51.91

CHART-4.11.6



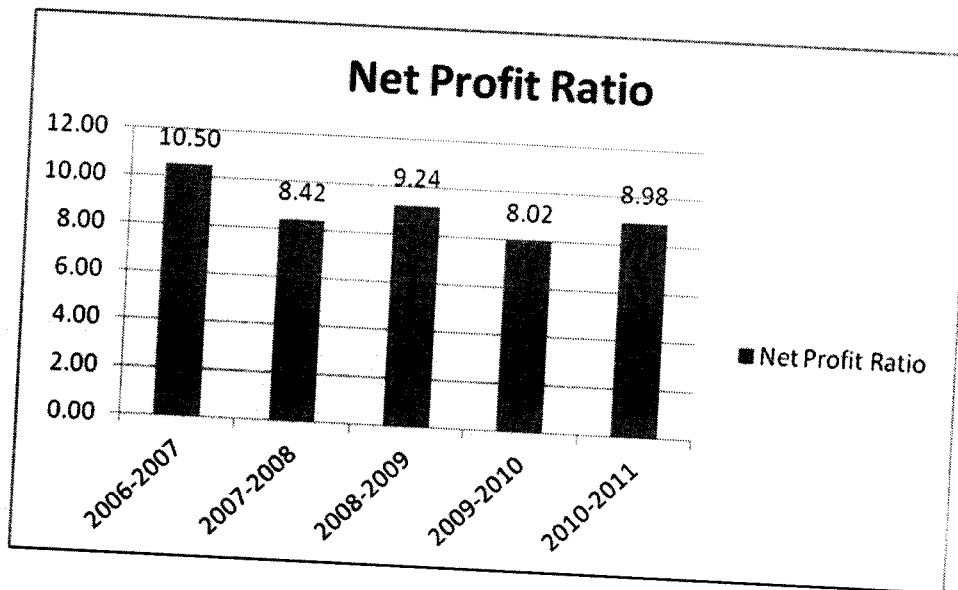
Inference

The company's Gross Profit has been increasing throughout the years in a positive ratio and it has reduced in the year 2010-2011.

NET PROFIT RATIO

Table-4.12

Year	Net Profit(Rs in Cr)	Net Sales(Rs in Cr)	Net Profit Ratio
2006-2007	3.16	30.09	10.50
2007-2008	3.26	38.7	8.42
2008-2009	5.21	56.38	9.24
2009-2010	6.26	78.06	8.02
2010-2011	7.94	88.41	8.98



Inference

The company's Net profit has been decreasing since the year 2009-2010 it was maximum in the year 2006-2007.

CHAPTER 5: FINDINGS, SUGGESTIONS AND CONCLUSION

5. FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

- The company's fixed assets have increased by 4.93% and the current asset value increased by 13.63%. The company's reserve & surplus value has increased by 9.92%.
- The company's fixed assets have increased by 94.91% and the current asset value increased by 26.51%. The company's reserve & surplus value has increased by 8.47%.
- The company's fixed assets have increased by 45.16% and the current asset value increased by 34.80%. The company's reserve & surplus value has increased by 21.48%.
- The company's fixed assets have increased by 31.90% and the current asset value increased by 27.60%. The company's reserve & surplus value has increased by 21.30%.
- The company's fixed assets have increased by 101.61% and the current asset value increased by 22.01%. The company's reserve & surplus value has increased by 86.77%.
- The company's current ratio from 2007-2008 the percentage is 6.72 it's the lowest and percentage for the year of 2010-2011 is the maximum.
- The company's quick assets position for 2008-2009 the percentage is the minimum is 0.27% and the maximum is for the year 2009-2010 and 2010-2011 is 0.65%
- The company's solvency ratio in % for the year 2007-2008 is the minimum capital ratio and the maximum in the year 2006-2007.
- The company's inventory turnover ratio position for the year 2006-2007 is 0.15% the minimum in the Inventory and it is the maximum in the year 2009-2010 that is 0.18
- The company's Gross Profit has been increasing throughout the years in a positive ratio and it has reduced in the year 2010-2011.
- The company's Net profit has been decreasing since the year 2009-2010 it was maximum in the year 2006-2007.

5.2 SUGGESTIONS

- The liquidity position of the company is satisfactory for the five years and there is a proper utilization of the liquid assets of the company.
- The company's profit over the years as compared to 2006-2007 the performance has gone down. The company can be more profitable in the future. There is a difference of 2% which can be reached in the near future.
- Comparing all the five years 2006-2007 has outperformed with a total net profit of 10.50%.
- The company has a huge amount of working capital. This capital can be invested in the investment that gives a short time returns.
- The company is been satisfied with reserves and surplus to meet the future needs of the shareholders.
- The company has an inventory turnover that is been on an average. They have still improved on the inventory management.

5.3 CONCLUSION

The analytical study on the financial performance of Sakthi Finance Limited is concluded that the liquidity position, inventory position and working capital position is reasonable. There is a decline in the profitability of the company over the years. The working capital position is managed in an ideal way. The company was able to meet its entire requirements for capital expenditure and higher level of working capital commitment with higher volume of operation and from its operating cash flow. The overall financial performance of the firm is found Satisfactory.

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