

P-3681



**A COMPARATIVE STUDY ON THE PERFORMANCE OF SELECTED
NBFCs WITH SAKTHI FINANCE LTD, COIMBATORE**

by
M.VISHNU VIGNESH KUMAR
Reg. No. 1020400059

Under the guidance of
Mr.A.SENTHILKUMAR
Assistant Professor (Senior Grade) in Management

A PROJECT REPORT
submitted
In partial fulfillment of the requirements
for the award of the degree

of

MASTER OF BUSINESS ADMINISTRATION

**Department of Management Studies
KUMARAGURU COLLEGE OF TECHNOLOGY**

(An autonomous institution affiliated to Anna University, Coimbatore)

Coimbatore - 641 049


November, 2011


CERTIFICATE



BONAFIDE CERTIFICATE

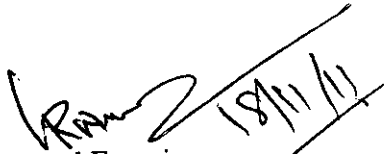
Certified that this project report titled “A Comparative Study on the Performance of Selected NBFCs with Sakthi Finance Ltd, Coimbatore” is the bonafide work of Mr.M.Vishnu Vignesh kumar, 10MBA59 who carried out the project under my supervision. Certified further, that to the best of my knowledge the 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.

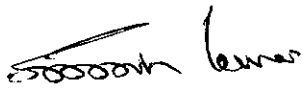

Faculty Guide
(A.Senthil Kumar)
Assistant Professor –Sr. Grade
KCTBS


Director
Dr. Vijila Kennedy
KCTBS

Submitted for the Project Viva-Voce examination held on

18/11/11


Internal Examiner


External Examiner

Ψ SAKTHI FINANCE

AN EDIFICE BUILT ON TRUST

PROJECT COMPLETION CERTIFICATE

This is to certify that Mr. M. Vishnu Vignesh Kumar , Roll No 10MBA59 , a student of KCT Business School, Kumaraguru College of Technology, Coimbatore had undergone a Project entitled "A Comparative Study on the Performance of Selected NBFCs with Sakthi Finance Limited, Coimbatore" between 27/06/2011 and 05/08/2011.

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

Organization Guide's
Name and Designation: Ms. K.Tamilselvi - Officer HR



Signature of the
Organizational Guide

Postal Address : No. 62, Dr. Nanjappa Road,
Coimbatore - 641 018

SAKTHI FINANCE LIMITED
62, Dr. Nanjappa Road
COIMBATORE - 641 018.

Mobile No. : 90036 53003
Phone No. : 0422 - 2231471/4
Fax : 0422 2231915
E-mail ID : ktamilselvi@sakthifinance.com

ACKNOWLEDGEMENT

ACKNOWLEDGEMENT

I like this opportunity to acknowledge my indebtedness to all those who helped to complete this project work successfully.

I express my sincere and special thanks to ARUTHELVAR DR.N .MAHALINGAM Chairman and Management for the prime guiding spirit of KUMARAGURU COLLEGE OF TECHNOLOGY BUSINESS SCHOOL.

I wish to express my sincere gratitude to our beloved head of department MR.A. SENTHIL KUMAR, Assistant Professor (Senior Grade) in Management Studies, KCT Business School, for his guidance throughout my project work.

With great pleasure I express my profound sense of gratitude to MR.C. GANESHMOORTHY, Project Co-coordinator and all other faculty member of management studies for their kind support.

I record my gratitude to MR.R.M. PALANIAPPAN, Asst .General Manger, MR .B. ESWARAN, Senior Manager of Sakthi Finance Ltd, Coimbatore for providing with valuable data/information. I also thank MR.K.NATESAN Vice President of OSM & Human Resource, for give me permission to carry out my study. I express my sincere thanks to my beloved parents and all other member in my family and all my friend for their timely help and co-operation in enabling me to complete my project I thank the almighty whose blessing are always been a strength and helped me in the completion of my project work.

TABLE OF CONTENTS

TABLE OF CONTENTS

CHAPTER 1

INTRODUCTION

1.1	BACKGROUND	1
1.2	INDUSTRY PROFILE	4
1.3	COMPANY PROFILE	8
1.4	STATEMENT OF PROBLEM	25
1.5	OBJECTIVE OF THE STUDY	25
1.6	SCOPE FOR FURTHER STUDY	25

CHAPTER 2

REVIEW OF LITERATURE

2.0	REVIEW OF LITERATURE	27-30
-----	----------------------	-------

CHAPTER 3

RESEARCH METHODOLOGY

3.1	TYPE OF THE RESEARCH	31
3.2	METHOD OF DATA COLLECTION	31
3.3	PERIOD OF THE STUDY	31
3.4	VARIABLES FOR THE STUDY	31
3.5	SAMPLING TECHNIQUES	32
3.6	TOOLS FOR ANALYSIS	32
3.7	LIMITATION OF THE STUDY	36

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

4.0	DATA ANALYSIS AND INTERPRETATION	37-65
-----	----------------------------------	-------

CHAPTER 5

FINDINGS, SUGGESTIONS AND CONCLUSION

5.1	FINDING	65
5.2	SUGGESTION	69
5.3	CONCLUSION	70
	BIBLIOGRAPHY	71

LIST OF TABLES

TABLE NO.	TITLE	PAGE NO.
4.1	SHARE CAPITAL	37
4.2	RESERVES	38
4.3	INVESTMENT	39
4.4	LOAN& ADVANCE	40
4.5	TAX PAID	41
4.6	NET PROFIT	42
4.7	EARNING PER SHARE	43
4.8	CURRENT RATIO	44
4.9	LIQUIDITY RATIO	46
4.10	SOLVENCY RATIO	48
4.11	DEBT EQUITY RATIO	50
4.12	AVERAGE COLLECTION PERIOD	52
4.13	ASSET TURNOVER RATIO	54
4.14	GROSS PROFIT RATIO	56
4.15	OPERATING PROFIT RATIO	58
4.16	NET PROFIT RATIO	60
4.17	RETURN ON CAPITAL EMPLOYED	62
4.18	NET PROFIT FOR THE PAST 5 YEARS	64

LIST OF FIGURES

TABLE NO.	TITLE	PAGE NO.
4.1	SHARE CAPITAL	37
4.2	RESERVES	38
4.3	INVESTMENT	39
4.4	LOAN& ADVANCE	40
4.5	TAX PAID	41
4.6	NET PROFIT	42
4.7	EARNING PER SHARE	43
4.8	CURRENT RATIO	45
4.9	LIQUIDITY RATIO	47
4.10	SOLVENCY RATIO	49
4.11	DEBT EQUITY RATIO	51
4.12	INVENTORY TURNOVER RATIO	53
4.13	ASSET TURNOVER RATIO	55
4.14	GROSS PROFIT RATIO	57
4.15	OPERATING PROFIT RATIO	59
4.16	NET PROFIT RATIO	61
4.17	RETURN ON CAPITAL EMPLOYED	63
4.18	NET PERIOD FOR THE PERIOD OF 2007-2011	65

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

The study presents a comparative study on selected NBFC's the study in aimed to provide a holistic view of the NBFC's fulfills the financial rib providing loan at a lower rate of interest by the major player of each field.

An analytical study was conducted with Sakthi Finance Limited and its four select competitors. On the basis of the study, it can be concluded that the select NBFCs witness a consistent growth. The liquidity, solvency, activity, and profitability of the sample firms are studied. It is concluded that on the liquidity front, Sakthi Finance Limited is better in comparison with its competitors. While, the solvency and activity position warrants attention. The profitability of Sakthi Finance Limited is reasonable in terms of Gross Profit and Operating Profit. Whereas, Sakthi Finance Limited needs to outwin its competitors in terms of the Net Profit and Earnings Per Share and Return on Investment. The performance is Sakthi Finance Limited is found Satisfactory in comparison with its competitors.

CHAPTER-1 INTRODUCTION

1.1 BACKGROUND:

The role of NBFC is not different that of mobilizing money from people with the promise of repaying more no wonder that nearly 40000 NBFCs set up establishment to mobilize money with a promise of high interest unfortunately many of them fly by night operators.

The Indian economy is growing through a period of rapid “financialiation”. Today a wide range of financial institution through plethora is concluding the “intermediation” repeated evaluation of the role of NBFC usefully supplement the activities of banks in the field of both deposits mobilization and lending NBFC’s are capable of playing a dynamic role in the company.

A non-banking financial company (NBFC) is a company under the companies act 1956 and is engaged in the business of loan and advances, acquisition/investment shares, stocks/ debentures/ securities issued by government of local authority or other securities of live leasing , hire purchase, insurance business, and asset financial companies. But it does not include any institution whose principal business is that of agriculture activity, sale/purchase/construction of immovable property. A non banking institution which is a company and which has its business of receiving deposits under any scheme and agreement or leading in any manner is also a non banking financial company (residuary non banking company).

NON-BANKING FINANCIAL COMPANIES (NBFCs):

Non-banking financial companies are fast emerging as an important segment of Indian financial system. It is an heterogeneous group of institution (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 the public, directly or indirectly, and lend them to ultimate spenders. They advance loan 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 due to their customer-oriented services; simplified procedures; attractive rates of return on deposits; flexibility and timeless 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 (chapter III B) and the directions issued by it under the act. As per the RBI act, a non-banking financial company is defined as (i) a financial institution which is a company; (ii) a non banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme of arrangement or in any other manner, or lending in any manner; (iii) such other non-banking institution or class of such institution, as the bank may., with pervious 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 25 lakh (raised to Rs. 200lakh w.e.f April 21, April 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 owned funds.

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 NBFC's 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 gifts/ 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.

1.2 INDUSTRY PROFILE

SIGNIFICANCE OF NBFCS IN INDIA:

According to the economic survey 2010-2011, it has been reported that NBFC as a whole account for 11.2 percent of assets of the total financial system. With the growing importance assigned to financial institution, NBFCs have to be regarded as important financial intermediaries particularly for the small-scale and retail sectors. In the multi-tier financial system of India, importance of NBFCs in the Indian financial system is much discussed by various committees appointed by RBI in the past and RBI has been modifying its regulatory and supervising policies from time to time to keep pace with the changes in the system. NBFCs have turned out to be engines of growth and are integral part of the Indian financial system, enhancing competition and diversification in the financial sector, spreading risks specifically at times of financial distress and have been increasingly recognized as complementary of banking system at competition prices. The banking sector has always been highly regulated, however simplified sanction procedures, flexibility and timeless in meeting the credit needs and low cost operations resulted in the NBFCs getting an edge over banks in providing funding. Since the 90s crisis the market has been explosive growth, as per a Fitch report¹ the compounded annual growth rate of NBFCs was 40% in comparison to the CAGR of banks being 22% only. NBFCs have been pioneering at retail asset backed lending, lending against securities, microfinance etc and have been extending credit to retail customer in underserved areas and to unbaked customers.

LAW FOR REGISTERING NBFCS:

The government of India has framed the financial companies regulation bill 2000 to consolidate the law relating to NBFCs and unincorporated bodies with view to ensure depositor protection. The salient features of this bill are:

- All NBFCs will be known as financial companies instead would not be allowed to carry on any non-financial business without the prior approval of RBI
- RBI would have the power to prescribe minimum net-worth norms.

- Financial companies would require prior approval of RBI for any change in name, management or registered office.
- Regulation of unincorporated bodies would be in the hands of the respective state government.
- Penalties have been rationalized with the objective that they should serve as a deterrent and investigative powers have been vested with district magistrates and superintendent of polices.
- RBI would be empowered to appoint special officers on delinquent financial companies.
- Any sale of property in violation of RBI order would be void.
- The company law board will continue to be the authority to adjudicate the claims of depositors.
- Financial companies would have no resource to the CLS to seek determent of the depositor's dues.

THE TYPES OF NBFCS REGISTERED WITH THE RBI ARE:-

- **Equipment leasing company:** - is any financial institution whose principal business is that of leasing equipment or financing of such an activity.
- **Hire-purchase Company:** - is any financial intermediary whose principal business relates to hire purchase transaction of financing of such transaction.
- **Loan company:** - means any financial institution whose principal business is that of providing finance, whether by making loans or advance or otherwise for any activity other than its own (excluding any equipment leasing or hire-purchase finance activity).
- **Investment Company:** - is any financial intermediary whose principal business is that of buying and selling of securities.

NOW, THESE NBFCS HAVE BEEN RECLASSIFIED INTO THREE CATEGORIES: -

- Asset Finance Company (AFC)
- Investment Company (IC) and
- Loan Company (LC). Under this classification, 'AFC' is defined as a financial institution whose principal business is that of financing the physical assets which support various productive/economic activities in the country.

LIST OF MAJOR PRODUCTS OFFERED BY NBFCS:

- Funding of commercial vehicles
- Funding of infra structure assets
- Retail financing
- Loan against shares
- Funding of plant and machinery
- Small and medium enterprises financing
- Financing of specialized equipment
- Operating leases of cars, etc.

NBFCS VS CONVENTIONAL BANKS:

- NBFCS cannot accept demand deposits, and therefore, cannot write a checking facility.
- It is not a part of payment and settlement system which is precisely the reason why it.
- Cannot issue cheques to its customers.
- Deposits insurance facility of DICGC is not available for NBFC depositors unlike in case of banks.
- SARFAESI act provision have not currently been extended been to NBFCs. Besides the above, NBFCs pretty much do everything that banks do.

A table comparing the function/limitation of banks with NBFCs is as follows:

	Banks	NBFCs
Definition	Definitions: banking is acceptance of deposits withdraw able by cheque or demand; NBFCs cannot accept demand deposits	NBFCs are companies carrying financial business
Scope of business	Scope of business for banks is limited by sec 6(1) of the BR Act	There is no bar on NBFCs carrying activities other than financial activities.
Licensing requirements	Licensing requirement is quite stringent. Transfer of shareholding also controlled by RBI	It is quite easy to form an NBFC. Acquisition of NBFCs is procedurally regulated but not approval required.
Major limitation on business	No non banking activities can be carried	Cannot provide checking facilities.
Major privileges	Can exercise power of recovery under SARFAESI and DRT law	Do not have powers under SARFAESI or DRT law
Foreign investment	Up to 74% allowed to private sector	Bank up to 100%allowed
Regulations	BR act and RBI act lay down stringent controls over banks	Controls over NBFCs are relatively much lesser
SLR/CRR requirements	Banks are covered by SLR / CRR requirements.	NBFCs have to maintain a certain ratio of deposits in specified securities; no such requirement for non-depository companies.
Priority sector lending requirements	Certain minimum exposure to priority sector required	Priority sector norms are not applicable to banks.

1.3 COMPANY PROFILE

SAKTHI FINANCE LIMITED

Sakthi finance ltd. Founded in the year 1955 is one of India's oldest NBFCs. It is a part of the Rs.1200 crore Sakthi conglomerates which was founded in the year 1935. The Sakthi group has a leading presence in finance, agro foods, dairy, and transport. A deep understanding of the transport industry has made Sakthi finance provides a wide variety of loans for cars, commercial vehicles, plant machinery and equipments are available and it is one of the first commercial vehicles, plant machinery and equipment are available and it is one of the first companies to introduce used vehicle financing. Sakthi finance has 32 branches spread all over India. Over 1,00,000 happy customers and still growing. The locker operations are carried out by Sakthi Finance financial services limited, an associate company.

SERVICE OFFERED BY THE COMPANY:

Retail business: -

- Deposits
- Lockers
- Financing

Commercial vehicles finance:

- New vehicle
- Old vehicle

Equipment finance:

- Infrastructure
- Equipments
- Earth moving machines

COMPANY OVERVIEW:

Date of establishment	1955
Market cap	16.9892(USD in millions)
Corporate address	No.62, Dr.Nanjappa road, Coimbatore-641018 Tamil Nadu www.sakthifinance.com
Background	Sakthi finance ltd. Founded in the year 1955 is one of India's oldest NBFCs. It is a part of the Rs.1200 crore Sakthi conglomerates which was founded in the year 1935. The Sakthi group has a leading presence in finance, agro foods, dairy, and transport. A deep understanding of the transport industry has made Sakthi one of the most trusted names in financing for commercial vehicles.
Financials	Total income- Rs. 800.577147 million (year ending mar 2010) Net profit – Rs.62.818464 million (year ending mar 2010)
Company secretary	S.VENKATESH
Auditors	PN RAGHAVENDRA RAO & CO

BOARD OF DIRECTORS:

S.NO	Name	Designation
1	M. MANICKAM	Chairman
2	M .BALASUBRAMANIAM	Vice president & Managing director
3	A. SELVAKUMAR	Director
4	M.SRINIVASAN	Director
5	A SHANMUGASUNDARAM	Director
6	S.A.MURALI PRASAD	Director
7	P .S.GOPALAKRISHNAN	Director
8	S .RAGOTHAMAN	Director

P-3681

BAJAJ AUTO FINANCE LIMITED:

Bajaj auto finance (BAFL), incorporated in 1987, and is engaged in business of retail financing. Earlier BAFL was promoted by Bajaj auto holdings. Bajaj auto is the second largest manufacturer of two and three wheelers in the India. A Bajaj auto holding is an investment company. As per the scheme of de-merger of erstwhile Bajaj auto, the stakes held by Bajaj auto in BAFL were transferred to Bajaj Fiserv. Currently Bajaj auto finance is subsidiary of Bajaj finserv.

Today BAFL is a non-banking company that is registered with the reserve bank of India (RBI) and is authorized to accept public deposits. BAFL is engaged in the business of providing finance for two-wheelers, consumer durables, personal computers, personal loans, insurance services, etc. in FY 2007-2008 the company extended its product line with the launch of IPO financing for high net worth customers. BAFL went public in the year 1994 and is listed on Bombay stock exchange and national stock exchange of India.

Headquartered at PUNE, the company has a PAN-India presence through 50 branches that includes Hyderabad, New Delhi, Chennai, Bangalore, Mumbai, Nagpur, Vijaywada, Nasik, Vishakhapattanam, Kolkata, Goa, Mumbai and Pune. The company has served over 40 lakh satisfied across the country.

RECOGNITIONS:

BAFL is amongst very few NBFCs in the India to receive FAAA rating from credit rating and information services India (CRISIL) reflecting the highest level of safety of depository' money.

The company's short term debt program has been awarded with P1+ rating from CRISIL. Its long-term debt programmed has received AA+/stable from CRISIL and LAA+ from ICRA

COMPANY OVERVIEW:

Date of establishment	1987
Revenue	203.001(USD in millions)
Market cap	25933.385808(Rs. In millions)
Corporate address	c/o Bajaj auto limited, Mumbai Pune road, akurdipune-411035, Maharashtra www.bajajfinance.com
Business operation	Finance – NBFC
Background	Bajaj auto finance (BAFL), incorporate in 1987, is engaged in business of retail financing. Earlier BAFL was promoted by Bajaj auto and Bajaj auto holdings. Bajaj auto is the second largest manufacturer of two and three wheelers in the India. Bajaj auto holding is an investment company. As per the scheme of demerger of erstwhile Bajaj auto, the stakes held by Bajaj auto holding is an investment company.
Financials	Total income- Rs. 9161.571 million(year ending mar-2010) Net profit – Rs. 894.0766 million(year ending mar2010)
Company secretary	Anant Damle
Auditors	Dalal & shah

BOARD OF DIRECTORS:

S.NO	NAME	DESIGNATION
1	RAHUL BAJAJ	Chairman / Chair Person
2	NANOO PAMNANI	Vice Chairman
3	MADHUR BAJAJ	Director
4	SANJIV BAJAJ	Director
5	D J BALAJI RAO	Director
6	RANJAN SANGHI	Director
7	RAJIV BAJAJ	Director
8	D S MEHTA	Director
9	DIPAK PODDAR	Director
10	RAJENDRA LAKHOTIA	Director

CHOLAMANDALAM DBS FINANCE LIMITED

Cholamandalam DBS finance limited was incorporated in 1978 as Cholamandalam investment & finance company limited (CIFCL). The company began operations as non banking finance company (NBFC) offering equipment finance to small and medium sized companies in south India. Today, Cholamandalam DBS finance limited is a joint venture between Murugappa group and DBS bank of Singapore and is one of India's largest domestically owned NBFCs. CDFL offers personal loans, vehicle finance, capital market, home equity loans and corporate finance.

CDFL offers finance for a wide range of vehicle—HCVs, LCVs, cars, MUVs and cargo three- wheelers. CDFL also caters to the needs of corporate and retail consumers through its retail and corporate finance wings. The company has built up a portfolio of high quality. The company operates form over 160 locations. The company has an unbroken track record of dividend payment for over 25 years. Following its partnership with DBS bank, CDFL consumer finance in the Indian market.

The Murugappa group has set up Cholamandalam investment and finance limited (CDFL). Incorporated as Cholamandalam investment and finance company ltd(CIFCL) in 1978 with primary objective of offering asset finance through leasing and hire purchase to corporate and then to retail customers. It has since evolved itself into a large, composite financial services organization. Today, Cholamandalam DBS offers stock broking, mutual fund and investment advisory services through its subsidiaries. The shares of CDFL are listed in the Mumbai (BSE) and national (NSE) stock exchanges.

The company offers a complete range of financial services. It is one of India's largest domestically owned NBFCs with a gross asset base (including securitized assets) of over Rs 4490 crore. CDFL is a leading player in automobile finance covering a wide range of vehicles such as heavy and light trucks, cargo three- wheelers and multi-utility vehicles. The company has presence in over 160 locations across India.

CDFL has evolved with time and built a portfolio of high quality. The company has maintained an unbroken track of dividend payment for over 26 years. Following its partnership

with DBS bank, CDFL has introduced consumer finance into the Indian market. To sustain and enhance the high quality CDFL services experience of customers, the company is also working hard on its infrastructure and service capabilities-technology initiatives that will provides seamless transaction delivery across India and establishing call centers to provide more efficient customer service delivery besides supporting and boosting cross-sell and collection mechanism are in the pipeline.

PRODUCTS AND SERVICES

Since its incorporation in 1978 as Cholamandalam investment & finance company limited (CIFCL), a NBFC, the company has successfully branched into valuable services in the competitive scenario such as:

- Commercial vehicle finance-focusing on high yield segments with diversified customer base and exploring new segments like three-wheelers and used vehicles
- Corporate finance sector- servicing business needs of corporate, currently intending to extend its services to small and medium enterprises (SMES) in key markets.
- Personal loans & home equity loans business- currently poised to expand nationally through a delivery support channel across the country.

Its subsidiaries and associate include:

DBS Cholamandalam Distribution Limited:

Formerly called Cholamandalam distribution services ltd, the company is in the business of distribution of a wide array of financial services products-both in-house and third party- to high-net worth and retail clients. Products offered include mutual funds; fixed income, share trading and saving instruments; capital bonds; IT/PAN processing services; equity IPOs and life and general insurance. The company combines its reach in over 27 cities with the richness of its investment advisory services.

DBS Cholamandalam asset Management Company limited:

Formerly called Cholamandalam AMC ltd, DCAM is the asset management company and the investment manager of DBS chola mutual fund, which offers mutual funds to retail and institutional investors. Established in 1996, the company manages funds in excess of Rs.2761 crore across 17 schemes with more than 200000customers. DCAM is present in over 22 locations and has a strong distribution network in place.

DBS Cholamandalam securities limited

Cholamandalam securities limited (c-sec) is a securities brokerage firm offering stock broking and equity research services to institutional investors, including many of the largest mutual funds in India, and to select individual clients. DCSEC is a member of the stock exchange, Mumbai (BSE) and the national stock exchange (NSE). It also a depository participant with NSDL.

Recent development:

Cholamandalam DBS finance has received madras high court's approval for company's proposed capital restructuring. The high court of judicature at madras has confirmed the capital restructuring scheme of the company under sections 78,100 to 103 of the companies act, 1956.

COMPANY OVERVIEW:

Date of establishment	1978
Revenue	206.711(USD in millions)
Market cap	19801.124246(Rs. In millions)
Corporate address	Dare house, no.2,nsc BSE road, parrys, Chennai-600001,tamilnadu www.cholaDBS.com
Business operation	Finance – NBFC
Background	Cholamandalam DBS finance limited was incorporated in 1978 as Cholamandalam investment & finance company limited (CIFCL). The company began operations as non banking finance company (NBFC) offering equipment finance to small and medium sized companies in south India. Today, Cholamandalam DBS finance limited is a joint venture between Murugappa group and DBS bank of Singapore and is one of India's lar
Financials	Total income- Rs. 11013.765 million(year ending mar-2010) Net profit – Rs. 154.184 million(year ending mar2010)
Company secretary	Sujatha
Auditors	Deloittee haskins & sells

BOARD OF DIRECTORS:

S.NO	NAME	DESIGNATION
1	M B N RAO	Chairman / Chair Person
2	VELLAYAN	Managing directors
3	INDRESH NARAIN	Director
4	V P MAHENDRA	Director
5	R V KANORIA	Director
6	N SRINIVASAN	Director
7	L RAM KUMAR	Additional Director

SHRIRAM TRANSPORT FINANCE COMPANY LIMITED:

Shriram transport finance company (STFC) was established in 1979 and provides financial assistance to the commercial vehicles sector. The company is part of the Shriram group, a prominent player in chit funds, consumer durable finance, life insurance, general insurance, stocking broking, property development, project engineering and wind energy, among other.

STFC is the largest player in commercial vehicle finance. It lends finance for pre-owned trucks to new trucks. It is India's largest asset based non-banking finance company.

STFC has a network of 488 branches that covers 91.3% of truck owners across India. It has an employee's strength of 10000 people. The company has around 600000 customers with assets under management (AUM) of Rs. 20678 crore (\$4.92 billion).

STFC's product portfolio consists of new trucks finance, used trucks finance, tyre finance, power finance, franchise finance, trucks rentals, personal loans and fixed deposits.

OUTLOOK

STFC is exploring new segment and has successfully entered passenger commercial vehicles and tractors space. This has led to broadening of its customer base.

COMPANY OVERVIEW:

Date of establishment	1979
Revenue	982.116(USD in millions)
Market cap	182850.900078 (Rs. In millions)
Corporate address	123,angappan naicken street,Chennai-600001 Tamil Nadu www.STFC.com
Business operation	Finance – NBFC
Background	Shriram finance company (STFC) was established in 1979 and provides financial assistance to the commercial vehicles sector. The company is part of the shriram group; a prominent player in chit funds, consumer durable finance, life insurance, general insurance, stock broking, property development, project engineering and wind energy, among other STFC is the largest player in commercial.
Financials	Total income- Rs. 45051.316 million(year ending mar-2010) Net profit – Rs. 8731.174 million(year ending mar2010)
Company secretary	K.PRAKASH
Auditors	SR BATILBOI&CO,GD APTE &CO

BOARD OF DIRECTORS:

S.NO	NAME	DESIGNATION
1	ARUN DUGGAL	Chairman / Chair Person
2	R SRIDHAR	Managing Director
3	RANVIR DEWAN	Director
4	PUNEET BHATIA	Director
5	S VENKATAKRISHNAN	Director
6	S LAKSHMINARAYANAN	Independent Director
7	SUMATIPRASAD M BAFNA	Independent Director
8	ADIT JAIN	Independent Director
9	MAYA SHANKER VERMA	Independent Director
10	MUKUND MANOHAR CHITALE	Independent Director

SUNDARAM FINANCE LIMITED:

Sundaram finance, a Sundaram group company, was incorporated in 1954, with the object of financing the purchase of commercial vehicles and passenger cars. The company was started with paid-up capital of Rs.2.00 lakhs and later went public in 1972. The company's shares were listed in the madras stock exchange in 1972 and in the national stock exchange in January 1998. Subsequently, the equity shares of the company have been delisted from madras stock exchange limited (MSE) with effect from January 27, 2004, in accordance with SEBI (delisting of securities) guidelines, 2003 for voluntary delisting.

Sundaram has grown today into one of the most trusted financial services groups in India. Today, the activities of the group span savings products like deposits and mutual funds, car and commercial vehicle finance, insurance, home loan, software solutions, business process outsourcing, tyre finance, fleet cards and logistics services. The strength of the group lies in the quick completion of transaction, long association with transporters for generations and the intimate knowledge of the market and its nuances.

The group has a vast network of over 400 branches to cater to the financing needs of our customer.

Sundaram finance is one of the oldest and largest providers of finance for the acquisition vehicles of all makes. The commercial vehicle finance provided by it helps the small operators to acquire vehicles with minimum hassle and documentation. It provides customized financing options to suit the needs.

Large fleet operators also find it easy to expand their fleet finance provided by the company. It also offers special schemes, supported by the manufacturers, where the rates are highly competitive. The finance schemes are easy to understand and without any hidden costs.

COMPANY OVERVIEW:

Date of establishment	1953
Revenue	269.302(USD in millions)
Market cap	28825.896477(Rs. In millions)
Corporate address	21,patullos road, Chennai-600002,tamilnadu www.sundaramfinance.com
Business operation	Finance – NBFC
Background	Sundaram finance, a Sundaram group company, was incorporated in 1954, with the object of financing the purchase of commercial vehicles and passenger cars. The company was started with a paid-up capital of Rs.2.00 lakhs and later went public in 1972. The company shares were listed in the madras stock market in 1972 and in the national stock exchange in January 1998. Subsequently, the equity shares.
Financials	Total income- Rs. 12487.084 million(year ending mar-2010) Net profit – Rs. 2267.486 million(year ending mar2010)
Company secretary	S venkatesan
Auditors	Brahmayya & co

BOARD OF DIRECTORS:

S.NO	NAME	DESIGNATION
1	S VIJI	Chairman / Chair Person
2	T T SRINIVASARAGHAVAN	Managing Director
3	S RAM	Director
4	S PRASAD	Director
5	AROON RAMAN	Director
6	HARSHA VIJI	Director
7	T R SESHADRI	Director
8	SRINIVAS ACHARYA	Director
9	S RAVINDRAN	Director
10	HARSHA VIJI	Additional Director
11	P N VENKATACHALAM	Independent Director
12	N VENKATARAMANI	Independent Director

1.4 STATEMENT OF PROBLEM

The problem statement of the study is defined to outline the Financial performance of selected non banking financial companies with Sakthi finance ltd, Coimbatore and also provide a holistic view of the of its performance with respect to major competitors.

1.5 OBJECTIVE OF THE STUDY

➤ PRIMARY OBJECTIVES :

The main purpose of this study is to comparatively study the financial performance of selected NBFCs along with Sakthi Finance Limited.

➤ SECONDARY OBJECTIVES :

- To study the Liquidity position of the sample units.
- To study the Solvency position of the sample units.
- To study the Activity position of the sample units.
- To study the Profitability position of the sample units.

1.6 SCOPE OF THE STUDY

- NBFCs have been playing a very important role both roles from the macroeconomic perspective and the structure of the Indian financial system.
- NBFCs are the perfect or even better alternatives to the conventional banks for meeting various financial requirements of business enterprises. They offer quick and efficient services without making one to go through the complex rigmarole of conventional banking formalities.
- NBFCs have to focus on their core strength while improving on weakness. They will have to try to be very dynamic and constantly Endeavour to search for new products and services in order t survive in this ever competitive financial market.
- NBFCs have been kept outside the purview of SARFAESI act; a reform in this area is quite urgently needed. A suitable legislative amendment extending the operation of the said act to NBFCs too would go long in fortifying the faith of the investors and which in turn would greatly contribute to the growth of this sector.

- The coming years will be very crucial for NBFCs and only those who will be able to face the challenge and prove themselves by standing the test of time will survive in the long run.

CHAPTER -2 REVIEW OF LITERATURE

REVIEW OF LITERATURE

1. Amita S. Kantawala¹, observed that NBFCs has opportunity in this void and built dominant position in automobiles financing commercial vehicles financing and IPO funding and corporate wide distribution networks often as large as those of consumer companies, the industry has gone through substantial upheaval in the last decade the deposits base of NBFCs grew rapidly in the early mid nineties.

2. ICFAR university² observed that Investors were often attracted by the high deposits rates offered by NBFCs who deployed these funds for corporate leasing, consumer leading and capital market investment, simplified sanction procedures, orientation toward customers, flexibility and timeliness in meeting the credit needs of specified sectors (like equipment leasing and hire purchase) were some of the factors enhancing the attractiveness of the sector from april-1991 to march 1997. The deposits base of the NBFCs grew at an average rate of 88.57%p.a. prominent NBFCs at that time included TATA finance, Sundaram finance, Ashok Leyland finance, Gujarat lease finance etc...

3. BS reporter³, observed that the reserve bank of India (RBI) has deferred the implementation of CARA (capital to risk assets ratio) requirement for systematically important non-deposits taking non-banking financial companies (NBFCs - NDSI) by a year. Taking into account the difficulty in raising equity capital in the current economic environment, it has been decided to deter the implementation of CARA of 12 percent to March 31, 2010 and of 15 percent to march 31, 2011. RBI said in its annual policy document.

¹ Amita.S.Kantawala, Financial Performance of Non Banking Finance Companies in India,1995

²ICFAR university, journal of financial economics, 1999

³BS reporter, NBFCs got more time to meet higher capital adequacy norms. business standard 28th oct 2009

4. Assoc Ham⁴, observed that Overall profitability of NBFCs in 2008-09 stood higher at 18.90% compared to commercial banks at the lower side of 10.08%. The non-banking financial companies (NBFCs) registered higher profits in 2008-09 as compared to those of commercial banks reeling under liquidity crunch, a survey industry body assoc ham.
5. Sanjay Vijay Kumar⁵, observed that deposits facing headwinds from a tight liquidity environment 12non- banking finance companies(NBFCs) have either increased or maintained their dividend payout while have announced dividend so far either have increased their dividend payout while four have dividend two biggest montage lending LIC housing finance and housing development finance corporation (HDFC) have increased their dividend this year, HDFC increased its payout to Rs. 30 per equity share last year while LIC housing finance has increased it to Rs.10 last year.
6. Safania Saeid⁶, observed that the non-banking financial companies (NBFC's) have emerged as substantial contributors to the Indian economic growth by having access to certain deposit segments and catering to the specialized credit requirements of certain classes of borrowers. NBFC's have emerged as substantial contributors to the Indian economic growth by having access to certain deposit segments and catering to the specialized credit requirements of certain classes of borrowers. A non-banking institution which is a company and which has its principal business of receiving deposits under any scheme or arrangement or any other manner, or lending in any manner is also a non-

⁴ Assoc Ham, NBFCs clocks higher profit in FY09 than banks, corporate news 2009, May.

⁵ Sanjay Vijay Kumar, reporter-NBFCs pay rich dividend, june2009.

⁶Safania Saeid, Islamic Azad University, Ayatollah Amoli Branch, Iran- The Study of Non-Banking Financial Companies in Indian, Asian Journal of Development Matters, 2010, Volume : 4, Print ISSN : 0973-9637.

banking financial company. While NBFCs have been rendering many useful services, several adverse, unhealthy features of their working also have been observed. The protection of savers from malpractices has been one of the important issues. The authorities have evolved an appropriate regulatory/statutory framework to oversee the operations of NBFCs. I may assure you that the Bank has an open mind for any suggestion within the framework of policy and basic postulate that the depositors' interest should be safeguarded. All these concerns were examined objectively and revised guidelines have been issued which would go a long way in the best interests of strengthening the NBFC sector.

7. Dr. Prasanta Paul⁷, observed the Financial Performance Evaluation - accomplish various functions and provide a variety of financial services to individuals, businesses and organizational customers. They play an extremely fundamental role in the economic growth of any country. This paper intends to assess, compare, test and analyze the financial performance (FP) of five listed NBFCs as measurement and comparative analysis of financial performance of the companies are intended to assist the finance managers analyse their companies' activities from a financial standpoint and provide useful information needed to take right kind of managerial decisions. Different statistical tools like; Arithmetic Mean, Standard Deviation, Coefficient of Variation, Correlation and Analysis of Variance (ANOVA) have been used extensively to validate the findings of the study. Various kinds of financial ratios have also been used to analyse the financial performance of the selected NBFCs. Two sets of hypotheses have been tested. This paper concludes by saying that the selected companies differ significantly in terms of their financial performance indicators from one to another and there are no significant differences in the last five years in the management of financial performance but the companies have performed well in the last five years.

⁷Dr. Prasanta Paul, Associate Professor, Prafulla Chandra College - A comparative study of some selected NBFCs non-banking finance companies, May 2011

8. Gursharan Singh Kainth⁸, observed the robust banking and financial sector is critical for facilitating higher economic growth. Financial intermediaries like Non-Banking Financial Companies (NBFCs) constitute a significant element of the financial system and have penetrated into those areas where banks did not dare by taking both the operational and regulatory risks. Boom-Mushroom-Doom-Zoom, four words in a sequence tell the entire story of performance of NBFCs during the past one and a half decade. To give industry the much needed boost, service tax should be done away with. Special cells within the courts be set up to dispose cases because justice delayed is justice denied.

⁸ Gursharan Singh Kainth⁸, Director of Guru Arjan Dev Institute of Development Studies, Amritsar- Financial Performance of Non-Banking Financial Institutions in India, 2008

CHAPTER -3 RESEARCH METHODOLOGY

RESEARCH METHODOLOGY

3.1 TYPE OF THE RESEARCH

Analytical research describes and interprets the past or recent past from selected sources.

3.2 DATA COLLECTED METHOD

The data was collected from the secondary sources.

➤ Secondary data

The secondary data as those which have been collected by someone else and which have been passed through the statistical process. The researcher uses different sources to collect the data's, such as

- company publication,
- business journals,
- magazines,
- project reports, , etc.

3.3 PERIOD OF THE STUDY

Financial Year 2010-2011

3.4 VARIABLES FOR THE STUDY

- Share Capital
- Reserve
- Investment
- Loan & advance
- Net profits
- Tax
- EPS

SAMPLING UNIT

Sample unit is all the non-banking financial companies in the equity market listed in Bombay stock exchange.

SAMPLE SIZE

Five non-banking financial companies listed in the Bombay stock exchange, has been decided by the researcher as a sample size.

3.5 SAMPLING TECHNIQUE

In this study, purposive sampling method is used, a type of non probability sampling, where the researcher purposively chooses the particular units o the universe for constituting a sample on the basis that the small mass that they so select out of a large or huge one, will be typical or representative of the whole.

3.6 TOOLS USED FOR ANALYSIS DATA

➤ Percentage analysis:

The expression of data in term of percentage is one of the simplest statistical devices used in the interpretation of business and economic statistics. Percentage is useful chiefly for the purpose of avoiding comparison. A percent is the number of hundredth parts on number is of another. The algebraic notation is:

$$\text{Percentage} = \frac{b1}{b2} * 100$$

Where

B1=represents the base used for comparison i.e., the respondent.

B2=represent the give data to be compared with base.

➤ Ratio Analysis

Ratio analysis is one of the most powerful tools of financial analysis. It is the process of establishing and interpreting various ratios. With the help of financial ratios that the

financial statement can be analyzed more clearly and decisions made from such clearly and decision made from such analysis. It is the simple arithmetic expression of the relationship of one number to another. It may be defined as the indicated quotient of two numbers. The absolute accounting figures reported in the financial statements do not provide a meaningful understanding of the performance and the financial position of the firm.

- **LIQUIDITY POSITION**

Liquidity position, expresses a company's ability to repay short-term creditors out of its total cash. It shows the number of times short-term liabilities are covered by cash.

If the value is greater than 1, it means fully covered. The formula is the following:

- **CURRENT RATIO**

The current ratio is an indication of a firm's market liquidity and ability to meet creditor's demands. Acceptable current ratios vary from industry to industry. If a company's current ratio is in this range, then it is generally considered to have good short-term financial strength

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

- **ACID TEST RATIO**

Acid-test or **quick ratio** or **liquid ratio** measures the ability of a company to use its *near cash* or quick assets to extinguish or retire its current liabilities immediately. Quick assets include those current assets that presumably can be quickly converted to cash at close to their book values. A company with a Quick Ratio of less than 1 cannot currently pay back its current liabilities.

$$\text{Quick Ratio} = \frac{\text{Current Ratio} - \text{Inventory}}{\text{Current Liabilities}}$$

- **SOLVENCY POSITION**

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. Solvency ratio of greater than 20% is considered financially healthy.

The measure is usually calculated as follows:

$$\text{Solvency Ratio} = \frac{\text{Net Profit After Tax} + \text{Depreciation}}{\text{Long Term Liabilities} + \text{Short Term Liabilities}}$$

- **DEBT EQUITY RATIO**

A measure of a company's financial leverage calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets.

$$\text{Debt Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Share Holder Equity}}$$

- **ACTIVITY POSITION**

Activities position that measure a firm's ability to convert different accounts within their balance sheets into cash or sales.

- **INVENTORY TURNOVER RATIO**

A ratio showing how many times a company's inventory is sold and replaced over a period.

$$\text{Inventory Turnover Ratio} = \frac{\text{Sales}}{\text{Inventory}}$$

- **ASSETS TURNOVER RATIO**

Asset turnover measures a firm's efficiency at using its assets in generating sales or revenue - the higher the number the better. It also indicates pricing strategy: companies with low profit margins tend to have high asset turnover, while those with high profit margins have low asset turnover.

$$\text{Assets Turnover Ratio} = \frac{\text{Revenue}}{\text{Assets}}$$

- **Profitability position :**

Profitability ratios show a company's overall efficiency and performance.

- **Gross profit ratio**

This shows the average amount of profit considering only sales and the cost of the items sold. This tells how much profit the product or service is making without overhead considerations. As such, it indicates the efficiency of operations as well as how products are priced. Wide variations occur from industry to industry.

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}}$$

- **Operating profit ratio**

This ratio indicates the profitability of current operations. This ratio does not take into account the company's capital and tax structure.

$$\text{Operating Profit Ratio} = \frac{\text{Operating Income}}{\text{Net Sales}}$$

- **Net profit ratio**

NP ratio is used to measure the overall profitability and hence it is very useful to proprietors. The ratio is very useful as if the net profit is not sufficient, the firm shall not be able to achieve a satisfactory return on its investment.

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net Sales}} \times 100$$

- **Return on capital employed**

A ratio that indicates the efficiency and profitability of a company's capital investments.

$$\text{ROCE} = \frac{\text{EBIT}}{\text{Total Asset} - \text{Current Liabilities}}$$

➤ Trend Analysis

Trend analysis tries to predict a trend like a bull market run and ride that trend until data suggests a trend reversal (e.g. bull to bear market).

- **Least square method:**

The method of least squares assumes that the best-fit curve of a given type is the curve that has the minimal sum of the deviations squared (*least square error*) from a given set of data.

$$y = a + bx$$

3.7 LIMITATION OF THE STUDY:

- Being case study of selected NBFCs the findings cannot be generalized.
- Limited access to previous reports due to companies privacy policies.
- The study period way very limited.

CHAPTER -4 ANALYSIS AND INTERPRETATION

PERCENTAGE ANALYSIS:**Table No. 4.1 –TOTAL SHARE CAPITAL BASE**

Financial companies	Share capital (in crores)	Weightage (in percentage)
Sakthi finance ltd	30.1	6.4
Bajaj auto finance ltd	36.63	7.83
Cholamandalam DBS finance company ltd	119.35	25.51
Shriram transport finance company ltd	226.18	48.34
Sundaram finance company ltd	55.55	11.87
Total	467.81	100

INTERPRETATION

From the above table it is observed that the weightage of share capital of Sakthi Finance Limited is lowest of 6.4% among the select Competitors total share capital base. Whereas, Shriram transport finance company ltd has a weight of 47.34%, Cholamandalam DBS finance ltd is 25.51%, Bajaj auto finance ltd is 7.83%, and Sundaram finance company ltd is 11.87.

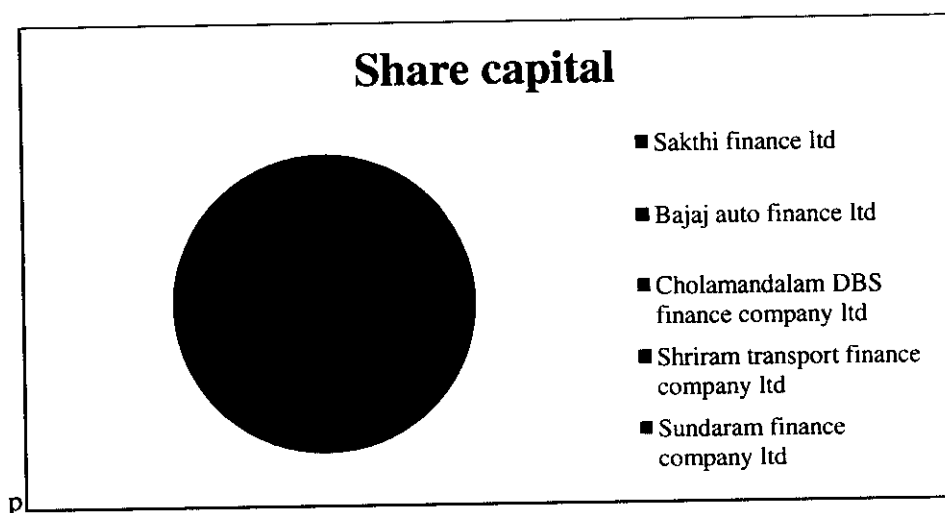
FIGURE 4.1 TOTAL SHARE CAPITAL BASE

Table No. 4.2 – RESERVES

Financial companies	Reserves (in crore)	Weightage (in percentage)
Sakthi finance ltd	66.8	0.7
Bajaj auto finance ltd	1,321.48	15.56
Cholamandalam DBS finance company ltd	952.64	11.22
Shriram transport finance company ltd	4,674.66	55.06
Sundaram finance company ltd	1473.79	17.36
Total	8489.37	100

INTERPRETATION

From the above table it is observed that the reserves held by Sakthi Finance Limited is only 0.7% with respect of the total reserves by the select market competitors. Whereas, the weightage of Bajaj auto finance is 15.56%, Cholamandalam DBS finance ltd is 11.22%, Shriram transport finance company ltd is 55.06%, and Sundaram finance company ltd is 17.06.

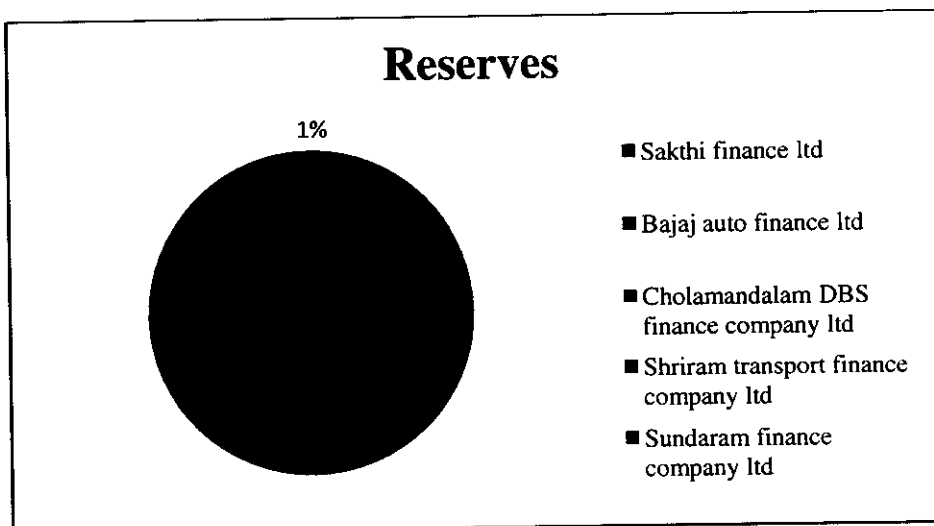
FIGURE 4.2 RESERVES

TABLE NO. 4.3 –INVESTMENTS

Financial companies	Investment (in crore)	Weightage (in percentage)
Sakthi finance ltd	11.77	0.23
Bajaj auto finance ltd	445.30	8.69
Cholamandalam DBS finance company ltd	68.28	1.33
Shriram transport finance company ltd	3650.70	71.27
Sundaram finance company ltd	946.00	18.47
Total	5122.05	100

INTERPRETATION

From the above table it is observed that the investments made by Sakthi Finance Limited is only 0.23% of the total investments made by the select competitors. Whereas, the weightage of Bajaj auto finance ltd is 8.69%, Cholamandalam DBS finance ltd is 1.33%, Shriram transport finance company ltd is 71.27%, and Sundaram finance company ltd is 18.47.

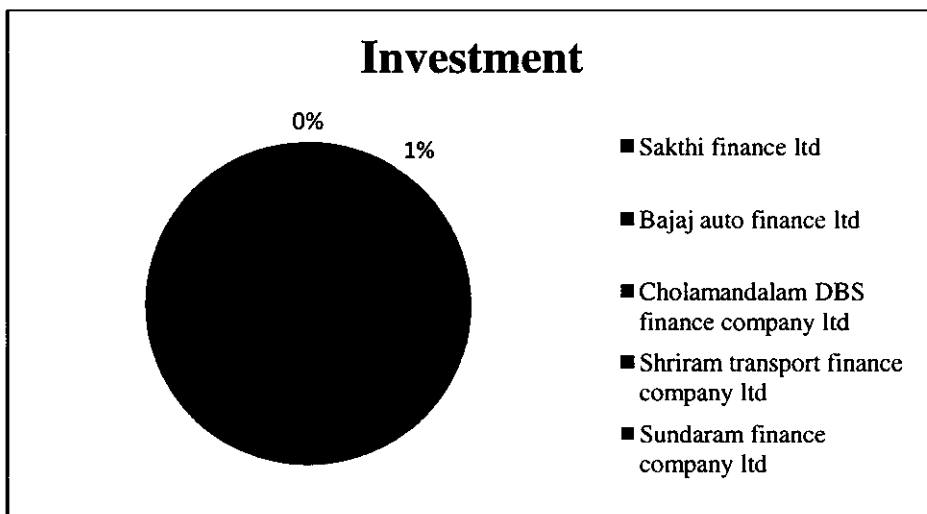
FIGURE 4.3 INVESTMENTS

TABLE NO. 4.4 –LOANS & ADVANCES

Financial companies	Loans & advances (in crore)	Weightage (in percentage)
Sakthi finance ltd	39.71	0.08
Bajaj auto finance ltd	7538.24	14.94
Cholamandalam DBS finance company ltd	9132.69	18.10
Shriram transport finance company ltd	24265.04	48.08
Sundaram finance company ltd	9489.45	18.80
Total	50465.13	100

INTERPRETATION

From the above table it is observed that the loans & advances made by SFL is only 0.08% of the total loans and advances made by the select market competitors. Whereas, the weightage of Bajaj auto finance ltd is 14.94%, Cholamandalam DBS finance ltd is 18.10%, Shriram transport finance company ltd is 48.08% and Sundaram finance company ltd is 18.80%.

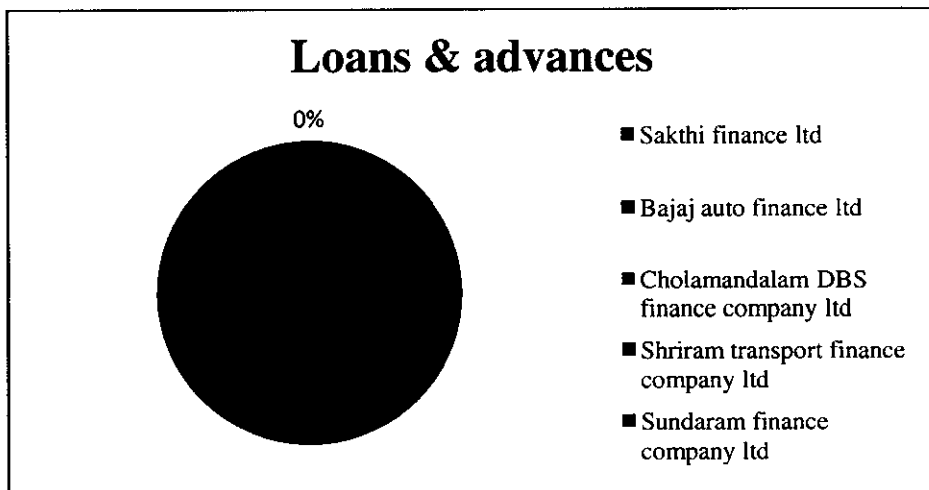
FIGURE 4.4 LOANS & ADVANCES

TABLE NO. 4.5 –TAX PAID

Financial companies	Tax paid (in crore)	Weightage (in Percentage)
Sakthi finance ltd	2.84	0.31
Bajaj auto finance ltd	123.29	13.42
Cholamandalam DBS finance company ltd	37.93	4.13
Shriram transport finance company ltd	619.05	67.42
Sundaram finance company ltd	135.14	14.72
Total	918.25	100

INTERPRETATION

From the above table it is observed that the tax paid by SFL accounts for 0.31% of the paid by the select market competitors. Whereas the weightage of Bajaj auto finance ltd is 13.42%, Cholamandalam DBS finance ltd is 4.13%, Shriram transport finance company ltd is 67.42% and Sundaram finance company ltd is 14.72%.

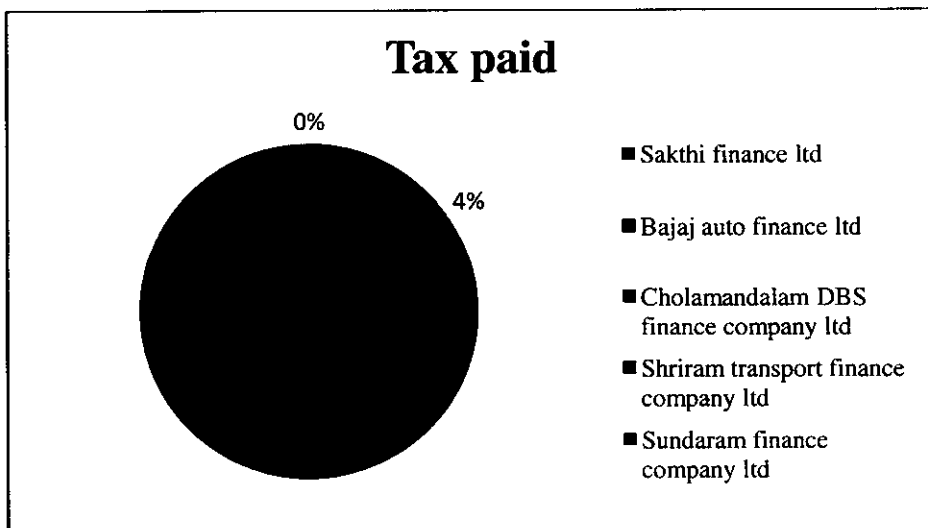
FIGURE 4.5 TAX PAID

TABLE NO. 4.6 –NET PROFIT

Financial companies	Net profit (in crore)	Weightage (in Percentage)
Sakthi finance ltd	7.94	0.43
Bajaj auto finance ltd	246.96	13.41
Cholamandalam DBS finance company ltd	62.18	3.37
Shriram transport finance company ltd	1229.88	66.76
Sundaram finance company ltd	295.23	16.03
Total	1842.19	100

INTERPRETATION

From the above table it is observed that the net profit earned by SFL is only Rs.7.94 crores that accounts for only 0.43% of the total industry weight. Whereas, the weightage of net profit of Bajaj auto finance ltd is 13.41%, Cholamandalam DBS finance ltd is 3.37%, Shriram transport finance company ltd is 66.76% and Sundaram finance company ltd is 16.03%.

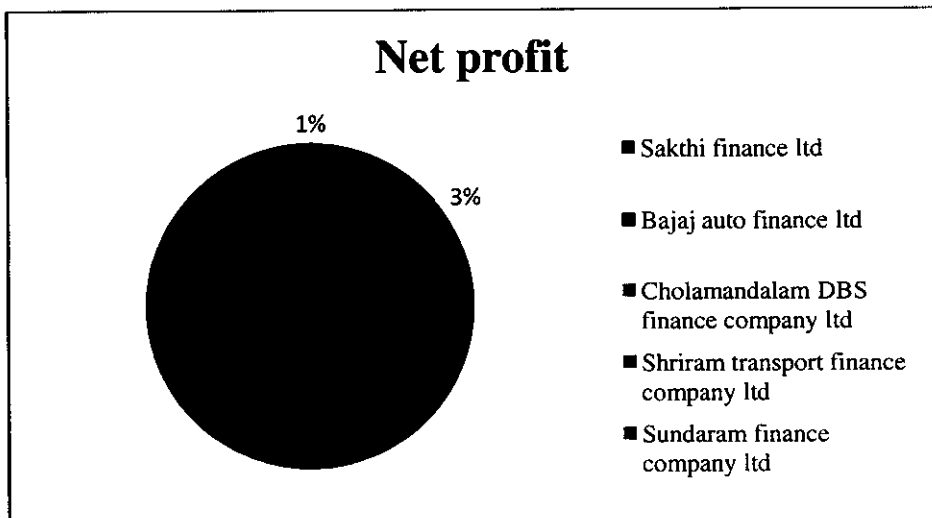
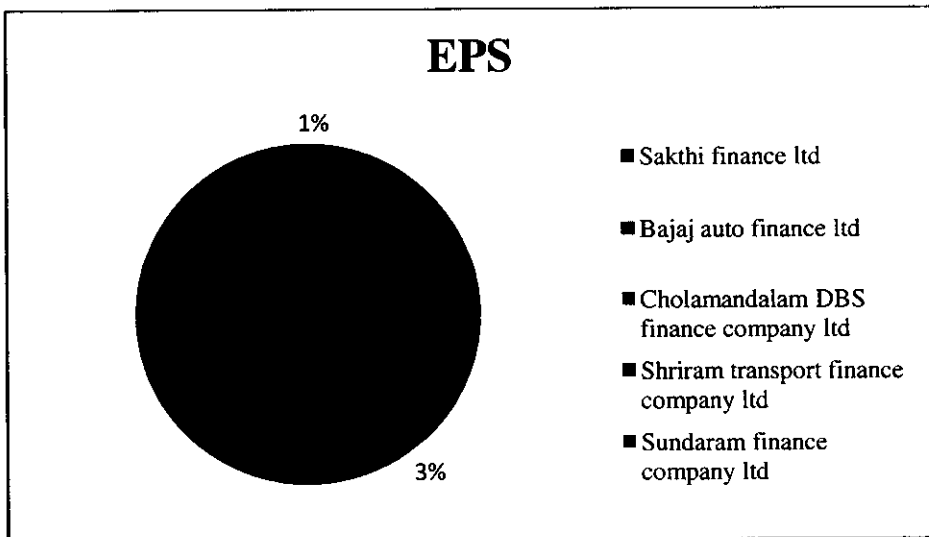
FIGURE 4.6 NET PROFIT

TABLE NO. 4.7 – EARNING PER SHARE

Financial companies	EPS (in crore)	Weightage (in percentage)
Sakthi finance ltd	2.64	1.44
Bajaj auto finance ltd	67.42	36.89
Cholamandalam DBS finance company ltd	5.18	2.83
Shriram transport finance company ltd	54.38	29.75
Sundaram finance company ltd	53.15	29.08
Total	182.77	100

INTERPRETATION

From the above table it is observed that the Earning per share of SFL for the year 2010-2011 is only Rs.2.64 which accounts for 1.44% of the select total of industry. Whereas, the weightage of Bajaj auto finance ltd is 36.89%, Cholamandalam DBS finance ltd is 2.83%, Shriram transport finance company ltd is 29.75% and Sundaram finance company ltd is 27.08%.

FIGURE 4.7 EARNING PER SHARE

RATIO ANALYSIS

LIQUIDITY POSITION

1. CURRENT RATIO

TABLES NO. 4.8 CURRENT RATIO

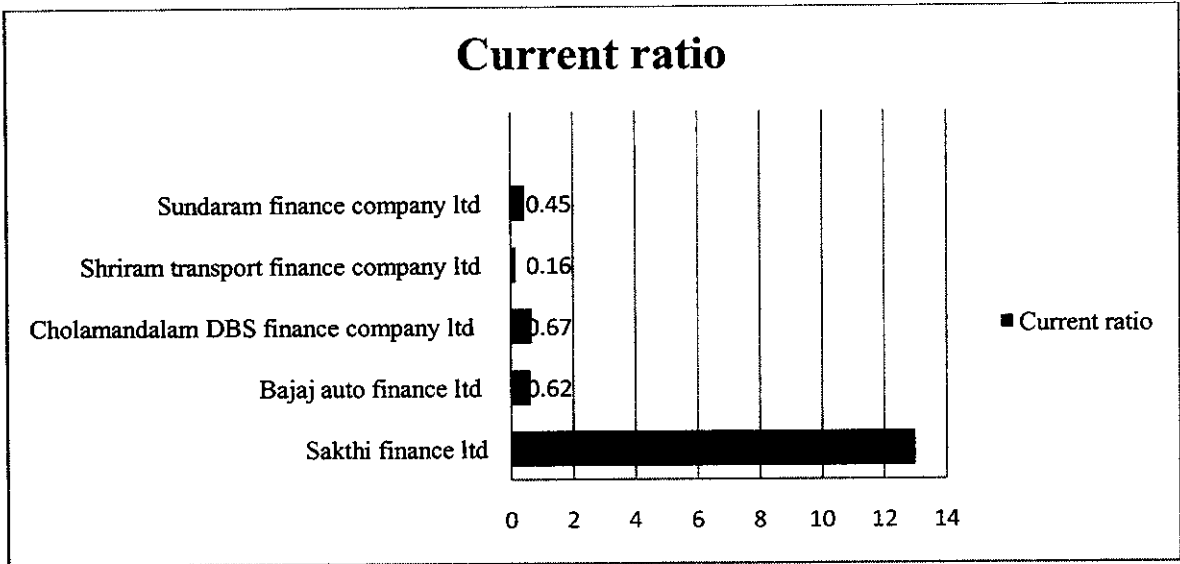
Financial companies	Current asset (in crores)	Current liabilities (in crores)	Current ratio (in times)
Sakthi finance ltd	558.06	42.95	12.99
Bajaj auto finance ltd	281.98	451.41	0.62
Cholamandalam DBS finance company ltd	446.24	664.91	0.67
Shriram transport finance company ltd	914.26	5579.84	0.16
Sundaram finance company ltd	252.86	551.11	0.45

SOURCE : ANNUAL REPORT 2010-2011

INTERPRETATION

From the above table it is observed that the current ratio for the year 2010-2011. Among the competitor the ratio of Sakthi finance ltd is 12.99, Bajaj auto finance ltd is 0.62, Cholamandalam DBS finance ltd is 0.67, Shriram transport finance company ltd is 0.16 and Sundaram finance company ltd is 0.45. The current ratio of SFL is well above the required standard of 2:1.

FIGURE 4.8 CURRENT RATIO



2. QUICK OR ACID TEST RATIO

TABLES NO. 4.9 ACID TEST OR QUICK RATIO

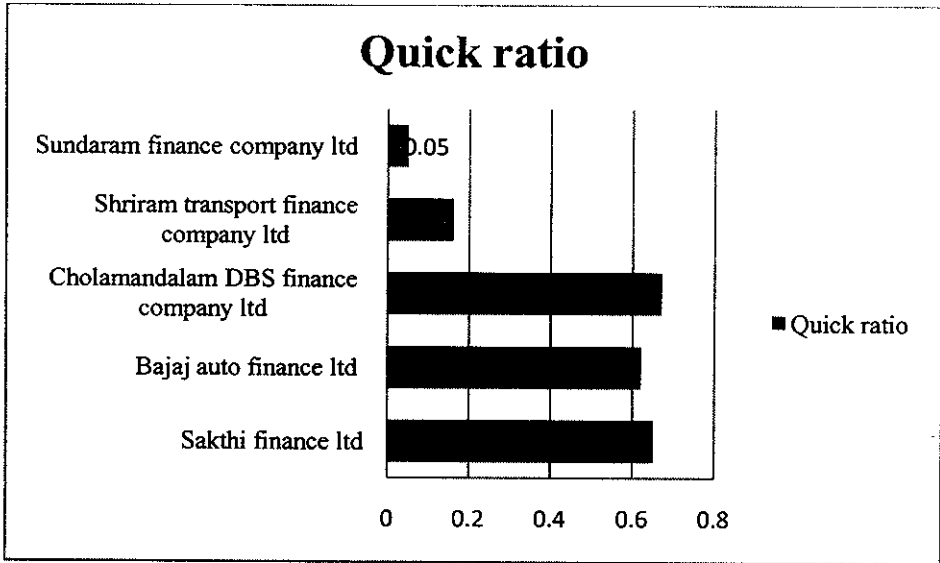
Financial companies	Liquid asset (in crores)	Current liabilities (in crores)	Quick ratio (in time)
Sakthi finance ltd	28	42.95	0.65
Bajaj auto finance ltd	281.98	451.41	0.62
Cholamandalam DBS finance company ltd	446.24	664.91	0.67
Shriram transport finance company ltd	914.26	5579.84	0.16
Sundaram finance company ltd	28.35	551.11	0.05

SOURCE : ANNUAL REPORT 2010-2011

INTERPRETATION

The above table observes the liquid ratio of SFL for the year 2010-11. SFL is 0.65, Bajaj auto finance ltd is 0.62, Cholamandalam DBS finance ltd is 0.67, Shriram transport finance company ltd is 0.16 and Sundaram finance company ltd is 0.05. The quick ratio of SFL is comparatively better than its competitors.

FIGURE NO.4.9 QUICK RATIO



SOLVENCY POSITION

3. SOLVENCY RATIO :

TABLES NO. 4.10 SOLVENCY RATIO

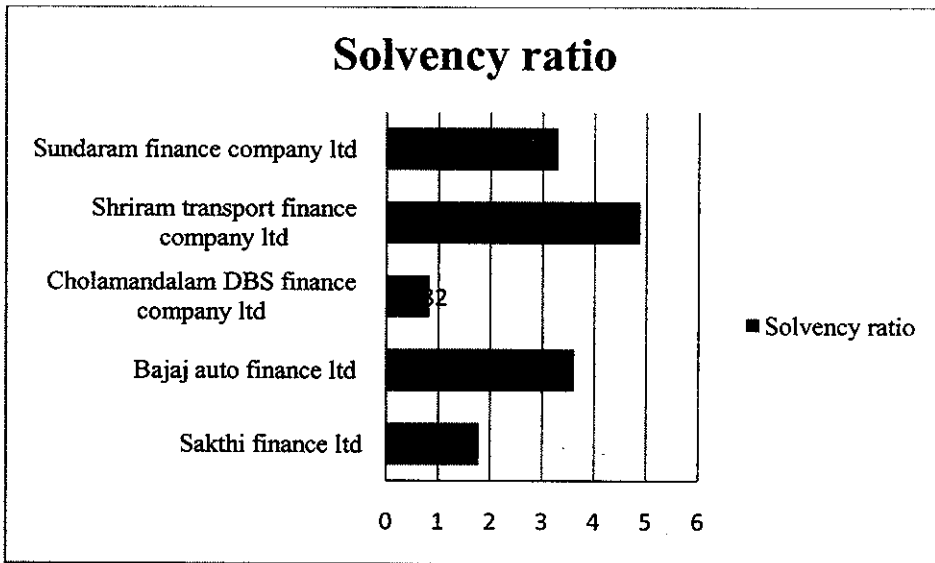
Financial companies	PAT+ DEP (In crores)	Long term + short term liabilities (In crores)	Solvency ratio (in percentage)
Sakthi finance ltd	10.14	567.93	1.78
Bajaj auto finance ltd	258.82	7160.01	3.61
Cholamandalam DBS finance company ltd	70.69	8610.20	0.82
Shriram transport finance company ltd	1240.7	25461.60	4.87
Sundaram finance company ltd	349.92	10638.85	3.29

SOURCE: ANNUAL REPORT 2010-2011

INTERPRETATION:

The above table observes the solvency ratio for the year 2010-2011. Among the competitors, the ratio of Sakthi finance ltd is 1.78 times, Bajaj auto finance ltd is 3.61%, Cholamandalam DBS finance ltd is 0.82%, Shriram transport finance company ltd is 4.87% and Sundaram finance company ltd is 3.29%. The Solvency ratio of SFL is comparatively less than its competitors.

FIGURE 4.10 SOLVENCY RATIO



4. DEBT EQUITY RATIO

TABLES NO. 4.11 DEBT EQUITY RATIO

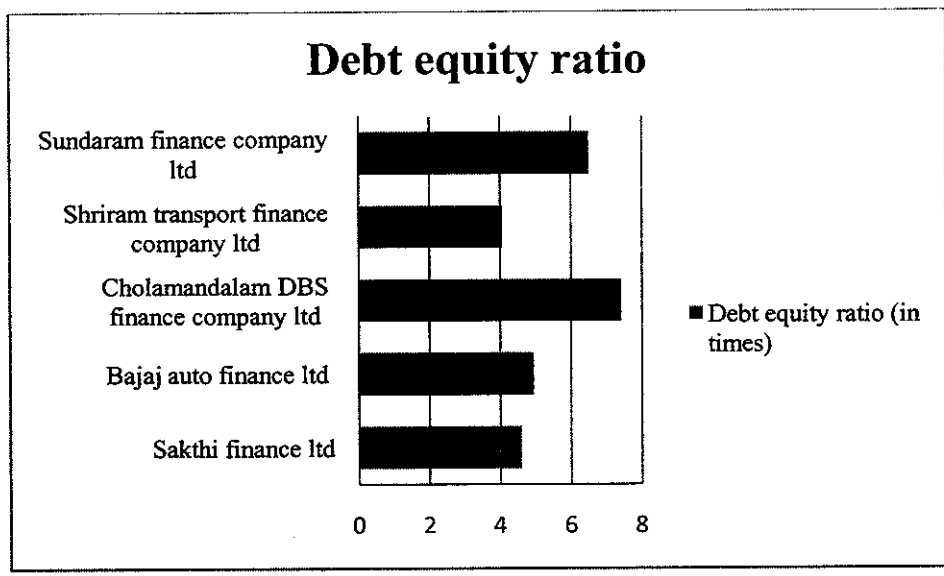
Financial companies	Debt (in crores)	Shareholder equity (in crores)	Debt equity ratio (in times)
Sakthi finance ltd	517.49	112.70	4.59
Bajaj auto finance ltd	6708.60	1358.11	4.94
Cholamandalam DBS finance company ltd	7945.29	1072.02	7.41
Shriram transport finance company ltd	19881.72	4904.39	4.05
Sundaram finance company ltd	9949.39	1529.89	6.50

SOURCE : ANNUAL REPORT 2010-2011

INTERPRETATION

The above table observes the debt equity ratio for the year 2010-2011. Among the competitors, the ratio of Sakthi finance ltd is 4.59, Bajaj auto finance ltd is 4.94, Cholamandalam DBS finance ltd is 7.41, Shriram transport finance company ltd is 4.06 and Sundaram finance company ltd is 6.51.

FIGURE 4.11 DEBT EQUITY RATIO



ACTIVITY POSITION

5. INVENTORY TURNOVER RATIO

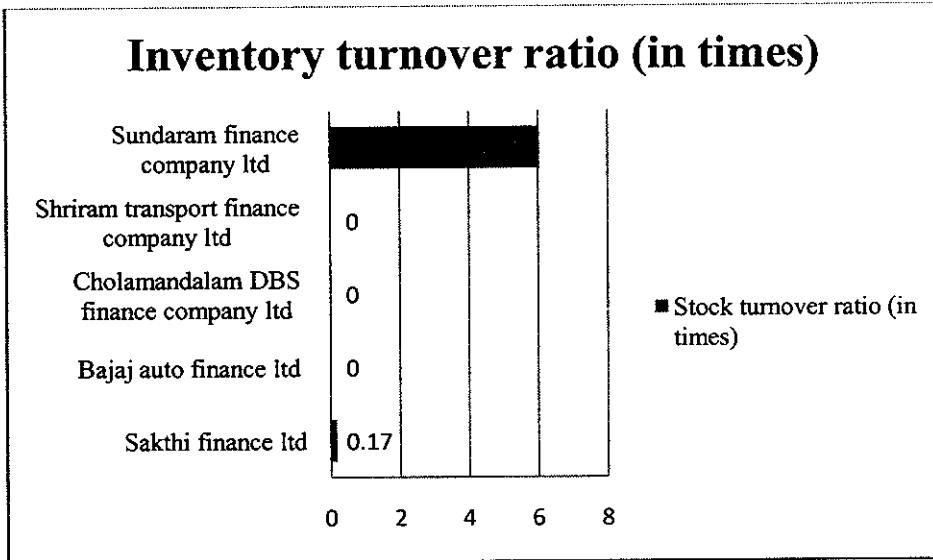
TABLES NO. 4.12 INVENTORY TURNOVER RATIO

Financial companies	Net Sales (in crores)	Inventory (in crores)	Inventory turnover ratio (in times)
Sakthi finance ltd	88.41	530.35	.17
Bajaj auto finance ltd	1338.32	-	-
Cholamandalam DBS finance company ltd	1187.93	-	-
Shriram transport finance company ltd	5230.15	-	-
Sundaram finance company ltd	1354.46	224.51	6.03

SOURCE : ANNUAL REPORT 2010-2011

INTERPRETATION

From the above table it is observed that the inventory turnover ratio for the year 2010-2011. Among the competitors, the ratio of Sakthi finance ltd is .17 times, and Sundaram finance company ltd is 6.03 times. Since, the other three competitors do not have inventory, the ratio is nil for them.

FIGURE 4.12 INVENTORY TURNOVER RATIO

6. ASSETS TURNOVER RATIO

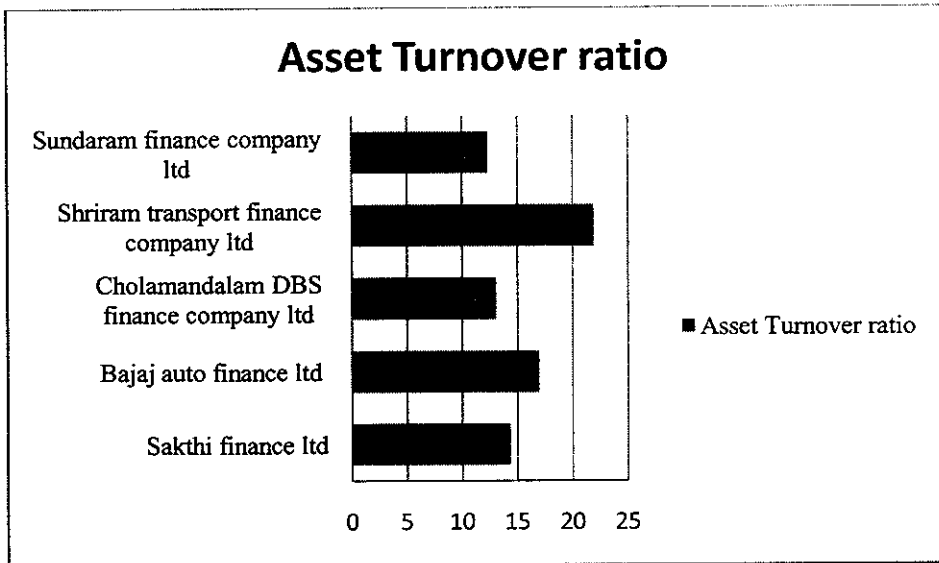
TABLES NO. 4.13 ASSETS TURNOVER RATIO

Financial companies	Revenue (rupee in crores)	Total Asset (rupee in crores)	Asset Turnover ratio (in percentage)
Sakthi finance ltd	90.30	630.19	14.33
Bajaj auto finance ltd	1368.41	8066.71	16.96
Cholamandalam DBS finance company ltd	1177.84	9017.30	13.06
Shriram transport finance company ltd	5430.08	24786.09	21.91
Sundaram finance company ltd	1414.85	11479.29	12.32

SOURCE : ANNUAL REPORT 2010-2011

INTERPRETATION

The above table observes the asset turnover ratio for the year 2010-2011. Among the competitors, the ratio of Sakthi finance ltd is 14.33%, Bajaj auto finance ltd is 16.96%, Cholamandalam DBS finance ltd is 13.06%, Shriram transport finance company ltd is 21.91% and Sundaram finance company ltd is 12.32%. The asset turnover ratio of SFL is reasonable when compared with its competitors.

FIGURE 4.13 ASSET TURNOVER RATIO

PROFITABILITY POSITION

7. GROSS PROFIT RATIO

TABLES NO. 4.14 GROSS PROFIT RATIO

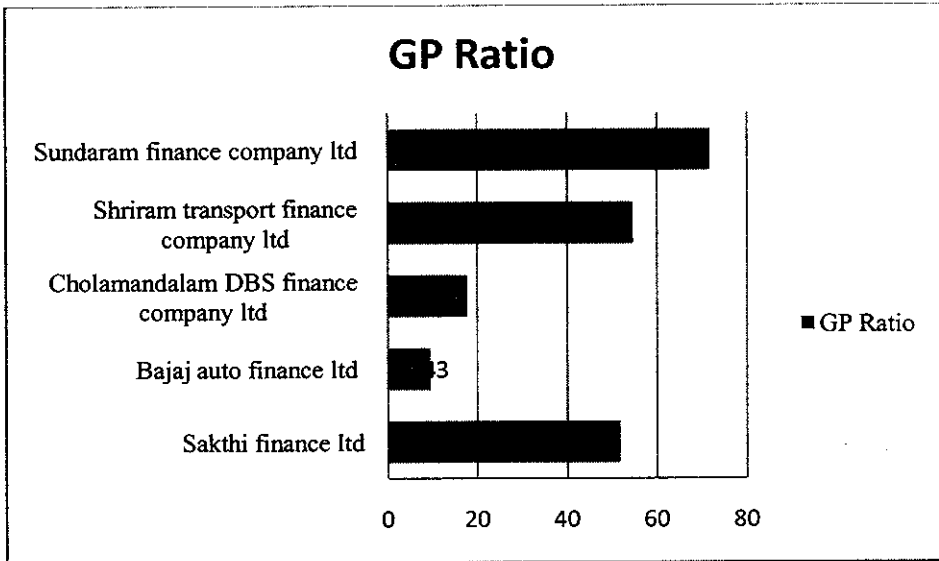
Financial companies	Gross profit (rupee in crores)	Net sales (rupee in crores)	GP Ratio (in Percentage)
Sakthi finance ltd	45.79	88.41	51.79
Bajaj auto finance ltd	126.23	1338.32	9.43
Cholamandalam DBS finance company ltd	210.78	1187.93	17.74
Shriram transport finance company ltd	2857.32	5230.15	54.63
Sundaram finance company ltd	970.91	1354.46	71.68

SOURCE : ANNUAL REPORT 2010-2011

INTERPRETATION

The above table observes the gross profit ratio for the year 2010-2011. Among the competitors, the ratio of Sakthi finance ltd is 51.79%, Bajaj auto finance ltd is 9.43%, Cholamandalam DBS finance ltd is 17.74%, Shriram transport finance company ltd is 54.63% and Sundaram finance company ltd is 71.68%. The Gross Profit ratio of SFL is better when compared with its competitors.

FIGURE 4.14 GROSS PROFIT RATIO



8. OPERATING PROFIT RATIO

TABLES NO. 4.15 OPERATING RATIO AND OPERATING PROFIT RATIO

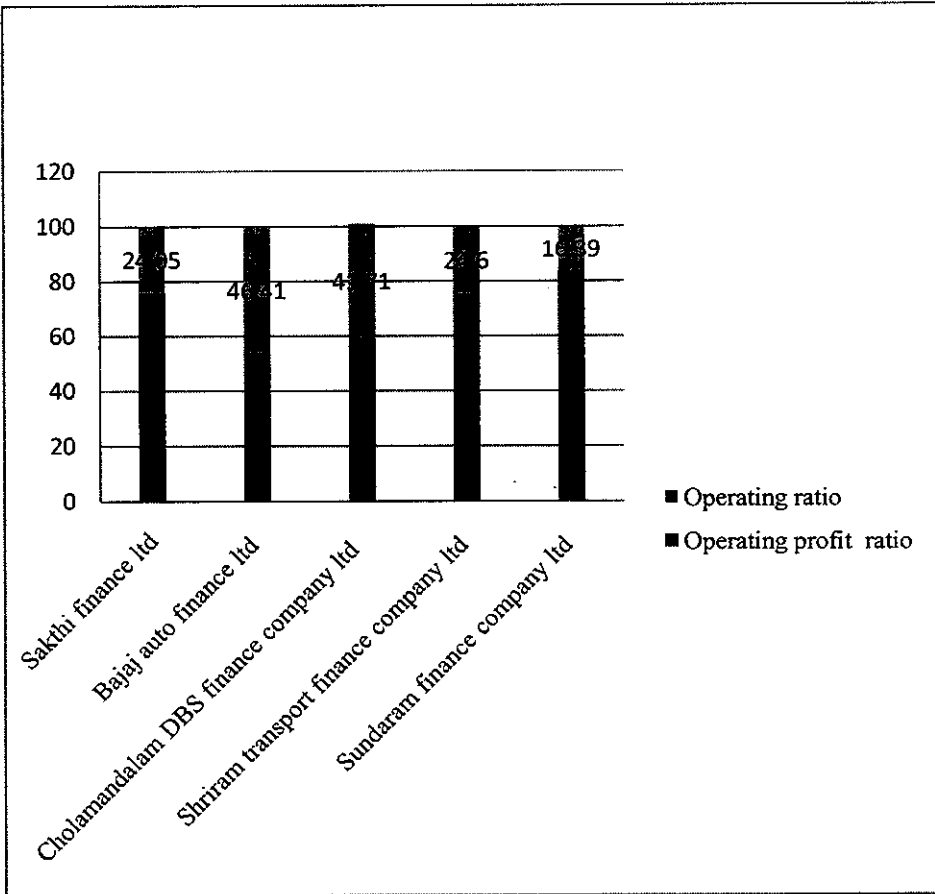
Financial companies	Operating profit (rupee in crores)	Net sales (rupee in crores)	Operating ratio (in percentage)	Operating profit ratio (in percentage)
Sakthi finance ltd	67.15	88.41	24.05	75.95
Bajaj auto finance ltd	717.23	1338.32	46.41	53.59
Cholamandalam DBS finance company ltd	704.40	1187.93	41.71	59.29
Shriram transport finance company ltd	3943.77	5230.15	24.60	75.40
Sundaram finance company ltd	1132.49	1354.46	16.39	83.61

SOURCE : ANNUAL REPORT 2010-2011

INTERPRETATION

The above table observes the Operating ratio and Operating Profit ratio of SFL for the year 2010-2011. Among the competitors, the ratio of Sakthi finance ltd is 24.05 & and 75.95% respectively. Bajaj auto finance ltd is 46.41% and 53.59%, Cholamandalam DBS finance ltd is 41.71% and 59.29%, Shriram transport finance company ltd is 24.60% and 75.40% and Sundaram finance company ltd is 16.39% and 83.61% respectively. Comparatively, the Operating ratio and Operating Profit ratio of SFL is better when compared with its competitors.

FIGURE 4.15 OPERATING RATIO AND OPERATING PROFIT RATIO



9. NET PROFIT RATIO

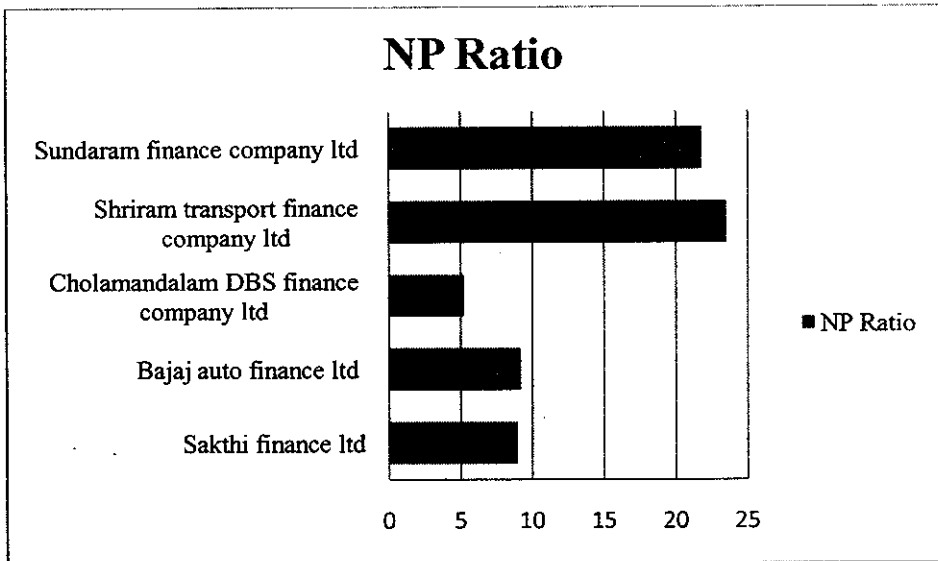
TABLES NO. 4.16 NET PROFIT RATIO

Financial companies	Net Profit (rupee in crores)	Net Sales (rupee in crores)	NP Ratio (in percentage)
Sakthi finance ltd	7.94	88.41	8.98
Bajaj auto finance ltd	123.29	1338.32	9.21
Cholamandalam DBS finance company ltd	62.18	1187.93	5.23
Shriram transport finance company ltd	1229.88	5230.15	23.51
Sundaram finance company ltd	295.23	1354.46	21.79

SOURCE : ANNUAL REPORT 2010-2011

INTERPRETATION

The above table observes the net profit ratio for the year 2010-2011. Among the competitors, the ratio of Sakthi finance ltd is 8.98%, Bajaj auto finance ltd is 9.21%, Cholamandalam DBS finance ltd is 5.23%, Shriram transport finance company ltd is 23.51% and Sundaram finance company ltd is 21.79%. The net profit ratio of SFL is low when compared with its competitors.

FIGURE 4.16 NET PROFIT RATIO

10. RETURN ON CAPITAL EMPLOYED

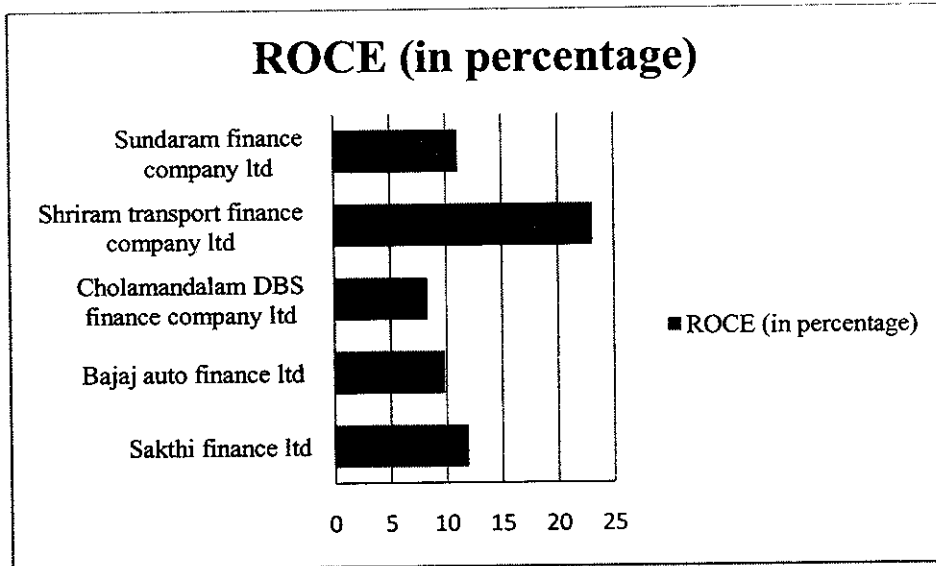
TABLES NO. 4.17 RETURN ON CAPITAL EMPLOYED

Financial companies	EBIT (rupee in crores)	Total asset – current liabilities (rupee in crores)	ROCE (in percentage)
Sakthi finance ltd	69.05	579.75	11.91
Bajaj auto finance ltd	747.32	7615.30	9.81
Cholamandalam DBS finance company ltd	694.31	8352.39	8.31
Shriram transport finance company ltd	4143.70	17955.96	23.08
Sundaram finance company ltd	1192.88	10789.74	11.06

SOURCE : ANNUAL REPORT 2010-2011

INTERPRETATION

The above table observes the return on capital employed for the year 2010-2011. Among the competitors, the ratio of Sakthi finance ltd is 11.91%, Bajaj auto finance ltd is 9.81%, Cholamandalam DBS finance ltd is 9.31%, Shriram transport finance company ltd is 23.08% and Sundaram finance company ltd is 11.06%. The RoCE of SFL is relatively better when compared with its competitors.

FIGURE 4.17 RETURN ON CAPITAL EMPLOYED

TREND ANALYSIS

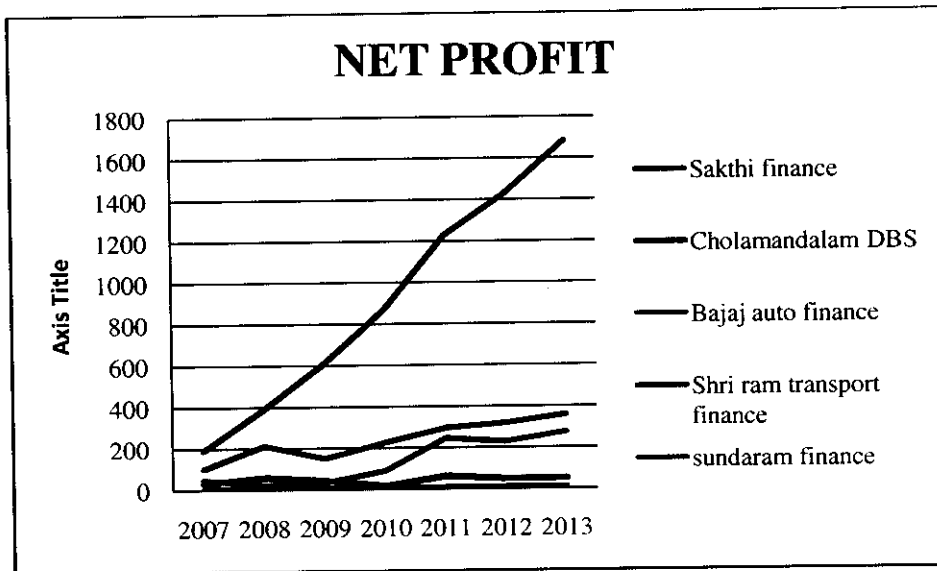
TABLE 4.18 NET PROFIT FOR THE PAST 5 YEARS

YEAR	NET PROFIT (RS. IN CRORES)				
	Sakthi finance	Cholamandalam DBS	Bajaj auto finance	Shri ran transport finance	Sundaram finance
2007	3.16	31.02	47.22	190.40	100.47
2008	3.26	59.37	20.12	389.83	212.54
2009	5.21	42.75	33.91	612.40	150.73
2010	6.28	15.42	89.40	873.12	226.75
2011	7.94	62.18	246.96	1229.88	295.23
Expected profit					
2012	8.95	47.66	228.15	1427.79	318.25
2013	10.21	49.49	275.03	1684.01	358.62

SOURCE: ANNUAL REPORT 2007-2011

INTERPRETATION

The above table provides the forecasts of the profit expected for the year's financial years 2012 and 2013. The forecast is done through method of least squares. The forecasts show expected improvements in the net profits of SFL with Rs.8.95 crores in the year 2012 and Rs.10.21 crores in the year 2013 respectively.

FIGURE.4.18 NET PROFIT FOR PERIOD OF 2007-2011

CHAPTER-5 FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

- The weightage of share capital of Sakthi Finance Limited is lowest of 6.4% among the select Competitors total share capital base. Whereas, Shriram transport finance company ltd has a weight of 47.34%, Cholamandalam DBS finance ltd is 25.51%, Bajaj auto finance ltd is 7.83%, and Sundaram finance company ltd is 11.87.
- The reserves held by Sakthi Finance Limited are only 0.7% with respect of the total reserves by the select market competitors. Whereas, the weightage of Bajaj auto finance is 15.56%, Cholamandalam DBS finance ltd is 11.22%, Shriram transport finance company ltd is 55.06%, and Sundaram finance company ltd is 17.06.
- The investments made by Sakthi Finance Limited is only 0.23% of the total investments made by the select competitors. Whereas, the weightage of Bajaj auto finance ltd is 8.69%, Cholamandalam DBS finance ltd is 1.33%, Shriram transport finance company ltd is 71.27%, and Sundaram finance company ltd is 18.47.
- The loans & advances made by SFL is only 0.08% of the total loans and advances made by the select market competitors. Whereas, the weightage of Bajaj auto finance ltd is 14.94%, Cholamandalam DBS finance ltd is 18.10%, Shriram transport finance company ltd is 48.08% and Sundaram finance company ltd is 18.80%.
- The tax paid by SFL accounts for 0.31% of the paid by the select market competitors. Whereas the weightage of Bajaj auto finance ltd is 13.42%, Cholamandalam DBS finance ltd is 4.13%, Shriram transport finance company ltd is 67.42% and Sundaram finance company ltd is 14.72%.
- The net profit earned by SFL is only Rs.7.94 crores that accounts for only 0.43% of the total industry weight. Whereas, the weightage of net profit of Bajaj auto finance ltd is 13.41%, Cholamandalam DBS finance ltd is 3.37%, Shriram transport finance company ltd is 66.76% and Sundaram finance company ltd is 16.03%.
- The Earning per share of SFL is only Rs.2.64 which accounts for 1.44% of the select total of industry. Whereas, the weightage of Bajaj auto finance ltd is 36.89%, Cholamandalam DBS finance ltd is 2.83%, Shriram transport finance company ltd is 29.75% and Sundaram finance company ltd is 27.08%.

- The current ratio of Sakthi finance ltd is 12.99, Bajaj auto finance ltd is 0.62, Cholamandalam DBS finance ltd is 0.67, Shriram transport finance company ltd is 0.16 and Sundaram finance company ltd is 0.45. The current ratio of SFL is well above the required standard of 2:1 and also comparatively better than its competitors.
- The liquid ratio of SFL is 0.65, Bajaj auto finance ltd is 0.62, Cholamandalam DBS finance ltd is 0.67, Shriram transport finance company ltd is 0.16 and Sundaram finance company ltd is 0.05. The quick ratio of SFL is comparatively better than its competitors.
- The solvency ratio of Sakthi finance ltd is 1.78 times, Bajaj auto finance ltd is 3.61%, Cholamandalam DBS finance ltd is 0.82%, Shriram transport finance company ltd is 4.87% and Sundaram finance company ltd is 3.29%. The Solvency ratio of SFL is comparatively less than its competitors.
- The debt equity ratio of Sakthi finance ltd is 4.59, Bajaj auto finance ltd is 4.94, Cholamandalam DBS finance ltd is 7.41, Shriram transport finance company ltd is 4.06 and Sundaram finance company ltd is 6.51.
- The inventory turnover ratio of Sakthi finance ltd is .17 times, and Sundaram finance company ltd is 6.03 times. Since, the other three competitors do not have inventory, the ratio is nil for them.
- The asset turnover ratio of Sakthi finance ltd is 14.33%, Bajaj auto finance ltd is 16.96%, Cholamandalam DBS finance ltd is 13.06%, Shriram transport finance company ltd is 21.91% and Sundaram finance company ltd is 12.32%. The asset turnover ratio of SFL is reasonable when compared with its competitors.
- The gross profit ratio of Sakthi finance ltd is 51.79%, Bajaj auto finance ltd is 9.43%, Cholamandalam DBS finance ltd is 17.74%, Shriram transport finance company ltd is 54.63% and Sundaram finance company ltd is 71.68%. The Gross Profit ratio of SFL is better when compared with its competitors.
- The Operating ratio and Operating Profit ratio of Sakthi finance ltd is 24.05 & 75.95% respectively. Bajaj auto finance ltd is 46.41% and 53.59%, Cholamandalam DBS finance ltd is 41.71% and 59.29%, Shriram transport finance company ltd is 24.60% and 75.40% and Sundaram finance company ltd is 16.39% and 83.61% respectively. Comparatively, the Operating ratio and Operating Profit ratio of SFL is better when compared with its competitors.

- The net profit ratio of Sakthi finance ltd is 8.98%, Bajaj auto finance ltd is 9.21%, Cholamandalam DBS finance ltd is 5.23%, Shriram transport finance company ltd is 23.51% and Sundaram finance company ltd is 21.79%. The net profit ratio of SFL is low when compared with its competitors.
- The return on capital employed of Sakthi finance ltd is 11.91%, Bajaj auto finance ltd is 9.81%, Cholamandalam DBS finance ltd is 9.31%, Shriram transport finance company ltd is 23.08% and Sundaram finance company ltd is 11.06%. The RoCE of SFL is relatively better when compared with its competitors.
- The forecasts of the profit expected for the year's financial years 2012 and 2013. The forecast is done through method of least squares. The forecasts show expected improvements in the net profits of SFL with Rs.8.95 crores in the year 2012 and Rs.10.21 crores in the year 2013 respectively.

SUGGESTION

- The Sakthi finance share capital is comparatively low when compared with its regional competitors. Hence, it has to improve financial structure so as to enhance capital mobilization.
- Similar to that of other NBFCs, Sakthi finance also can focus on multiple business segments apart from the core hire purchase, deposits and loan segment.
- Since Sakthi finance has its own brand image in the market, they can also focus on the fee-based income generation segments like mutual fund, personal loan, housing finance, general insurance, and construction equipment funding to generate more revenues.
- Maintenance of adequate reserve is a concern in Sakthi Finance Limited which shall be reviewed upon.

CONCLUSION

The study compared the performance of Sakthi Finance Limited with its select competitors. On the basis of the study, it can be concluded that the select NBFCs witness a consistent growth. The liquidity, solvency, activity, and profitability of the sample firms are studied. It is concluded that on the liquidity front, Sakthi Finance Limited is better in comparison with its competitors. While, the solvency and activity position warrants attention. The profitability of Sakthi Finance Limited is reasonable in terms of Gross Profit and Operating Profit. Whereas, Sakthi Finance Limited needs to outwin its competitors in terms of the Net Profit and Earnings Per Share and Return on Investment. The performance is Sakthi Finance Limited is found Satisfactory in comparison with its competitors.

BIBLIOGRAPHY

Journal:

- ¹Amita.S.Kantawala, Financial Performance of Non Banking Finance Companies in India,1995
- ²ICFAR university, journal of financial economics, 1999
- ³BS reporter, NBFCs got more time to meet higher capital adequacy norms. Business Standard 28th oct 2009
- ⁴ Assoc Ham, NBFCs clocks higher profit in FY09 than banks, corporate news 2009, May.
- ⁵ Sanjay Vijay Kumar, reporter-NBFCs pay rich dividend, june2009.
- ⁶Safania Saeid, Islamic Azad University, Ayatollah Amoli Branch, Iran- The Study of Non-Banking Financial Companies in Indian, Asian Journal of Development Matters, 2010, Volume : 4, Print ISSN : 0973-9637.
- ⁷Dr.Prasanta Paul, Associate Professor, Prafulla Chandra College - A comparative study of some selected NBFCs non-banking finance companies, May 2011
- ⁸Gursharan Singh Kainth¹, Director of Guru Arjan Dev Institute of Development Studies, Amritsar- Financial Performance of Non-Banking Financial Institutions in India, 2008

List of Books:

1. C.R Kothari, “**RESEARCH METHODOLOGY**” , new Delhi(1999)
2. T.S reddy & Y.Hari Prasad Reddy “**FINANCIAL AND MANAGEMENT ACCOUNTING**”,margham, Chennai (2006)

Websites:

1. <http://www.sakthifinance.com>
2. <http://www.bajajautofinance.com>
3. <http://www.choladbs.com>
4. <http://www.stfc.com>
5. <http://www.sundaramfinance.com>
6. <http://www.investopedia.com>
7. <http://www.moneycontrol.com>