



## **A STUDY ON FINANCIAL PERFORMANCE OF SELECTED NON-BANKING FINANCIAL COMPANIES IN INDIA**

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### **Abstract:**

The financial statement provides the basic data for financial performance analysis. Finance holds the key to all human activity. It is guide for regulating investment decisions and expenditure and endeavors to squeeze the most out of every available rupee. The main objective of the study is to analyze the leverage based on financial ratios based of five different companies with NBFC and of this purpose different types of ratios were chosen as tools for analyzing the data and the conclusion is that when compared to other NBFC the performance of Tata Capital Housing Finance Limited is good and other companies have to look after working capital to increase the financial leverage in future period of time.

**Key Words:** Finance, Leverage & Working capital

### **Introduction of the Study:**

The financial statement provides the basic data for financial performance analysis. Basic limitation of the traditional financial statement comprising the balance sheet and the profit and loss account is that they do not give all the information regarding the financial operations of a firm. Nevertheless, they provide some useful information to the extent the balance sheet mirrors the financial position on a particular date in terms of the structure of assets, liabilities and owners equity, and so on. The profit and loss account shows the results of operations during a certain period of time in terms of the revenues obtained and the incurred during the year. Thus, the financial statements provide a summarized view of the financial position and operations of a firm. Therefore, much can be learnt about a firm from a careful examination of its financial statements as invaluable documents / performance reports. The analysis of financial statements is, thus, an important aid to financial analysis.

### **Objectives of the Study:**

- ✓ To analyze the financial performance of NBFC companies
- ✓ To analyze the financial position of NBFC companies
- ✓ To suggest suitable strategy to improve the financial position of NBFC companies.
- ✓ To study the trend of financial performance of the NBFC companies.
- ✓ To asses individual financial segments and put forth the strength and weakness of the financial elements of balance sheet through trend analysis.

### **Scope of the Study:**

This study helps to identify the overall performance of financial for the past five years. To know the business ethics followed by the company in financial activity in NBFC. The liquidity and activity positions of the firm are analyzed using liquidity and turnover ratio using current liabilities. The solvency position of the company is also analyzed using ratios.

### **Limitations of the Study:**

- ✓ It is difficult to decide on the proper basis for comparison.
- ✓ The comparison is rendered difficult because of differences in situations of two companies or of one company over years.
- ✓ The price level changes make the interpretations of ratios invalid.
- ✓ The differences in the definitions of items in the balance sheet and income statement make the interpretation of ratios difficult.
- ✓ The ratios calculated at a point of time are less informative and defective as they suffer from short-term changes.

### **Review of Literature:**

M. Sharafali (1984) examines the financial health of cooperative sugar mills in the state of Tamil Nadu. Two firms have been selected for the study. While the financial condition of both the firms is below par, relatively speaking, one firm has better financials than the other one.

Lee E. Richmond et al (1988) conducted a study on effects on comprehension – Income characteristics on Non-professional investors Judgement the study examines whether and how alternative presentation formats

affect nonprofessional investors' processing of comprehensive income information. The results show that non professional investors' judgments of corporate.

**Research Methodology:**

**Descriptive Research:** In the descriptive research the researcher uses fact analyses them to make a critical evaluation.

**Data Collection:** Secondary data was collected for the purpose of the study

**Source of Data:** The present study is based on the secondary data only.

**Period of Study:** Data of five financial years are used for the purpose of study. The 5 years of study ranges from 2013 to 2017.

**Data Analysis:**

- ✓ Ratio Analysis
- ✓ Trend Analysis

**Analysis and Interpretation:**

**Current Ratio:**

Particulars	India Bulls	Reliance Capital	Tata Capital Housing Finance Limited	SCB Prime	Birla Mani
Liquid Assets	4,168.54	1,970.60	3,574.49	1,702.75	1,219.76
Liquid Liabilities	8,542.43	3,382.51	2,569.64	2,017.07	1,515.20
Current Ratio	0.49	0.58	1.39	0.84	0.81

**Interpretation:**

The above table shows about the analysis of current ratio for the last financial year of five companies were the ratio was high with Tata Capital Housing Finance Limited at 1.39 and was low with India bulls at 0.49 which shows that no company had reached the margin level of 1:2. The companies have to look after the ratio to increase the liquidity in future period of time.

**Working Capital Turnover Ratio:**

Particulars	India bulls	Reliance capital	Tata Capital Housing Finance Limited	SCB Prime	Birla Mani
Sales	25,998.86	13,108.18	9,978.12	1,702.75	6,031.08
Working capital	-4373.89	-1411.91	1004.85	-314.32	-295.44
W.C.T. O. ratio	-5.94	-9.28	9.93	-5.42	-20.41

**Interpretation:**

The above table shows about the analysis of working capital ratio for the last financial year of five companies were the ratio was high with Tata Capital Housing Finance Limited at 9.93 and was low with India bulls at -20.41 which shows there was a lag between working capital and sales which shows that apart from Tata Capital Housing Finance Limited the companies have to increase their working capital in future period of time.

**Inventory Turnover Ratio:**

Particulars	India bulls	Reliance capital	Tata Capital Housing Finance Limited	SCB Prime	Birla Mani
Sales	25,998.86	13,108.18	9,978.12	1,702.75	6,031.08
Average inventory	2,751.41	1,255.59	888.39	918.86	578.48
T.O. ratio	17.60	17.41	14.9	14.88	6.09

**Interpretation:**

The above table shows about the analysis of inventory turnover ratio for the last financial year of five companies were the ratio was high with India bulls at 17.60 and was low with SCB Prime at 14.88 which shows that when compared to other companies the inventory of SCB Prime was low in the last financial year.

**Debtor Turnover Ratio:**

Particulars	India Bulls	Reliance Capital	Tata Capital Housing Finance Limited	SCB Prime	Birla Mani
Net sales	25,998.86	13,108.18	9,978.12	1,702.75	6,031.08
Debtors	1,203.19	410.71	227.98	476.39	561.58
Debtors T.O Ratio	21.61	31.92	43.77	3.57	10.74

The above table shows about the analysis of debtors turnover ratio for the last financial year of five companies were the ratio was high with Tata Capital Housing Finance Limited at 43.77 and was low with SCB Prime at 3.57 which shows that when compared to other companies the debtors of SCB Prime was low in the last financial year and Tata Capital Housing Finance Limited has to reduce their debtors in future to reduce the risk factor of the company based on liquidity and leverage.

**Debt Equity Ratio:**

Particulars	India bulls	Reliance capital	Tata Capital Housing Finance Limited	SCB Prime	Birla Mani
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Debt	6,511.83	0.00	19.09	616.36	1,760.37
Equity	25,369.51	8,235.61	10,122.42	5,892.76	2,775.74
Debt-equity ratio	0.26	0.01	0.01	0.10	0.63

**Interpretation:**

The above table shows about the analysis of Debt asset ratio for the last financial year of five companies were the ratio was high with Birla Mani at 0.63 and was low with Reliance capital and Tata Capital Housing Finance Limited at 0.01 which shows that when compared to other companies the equity was high with Tata Capital Housing Finance Limited and Reliance capital were else Prism has to look after the debt in future period of time.

Particulars	India bulls	Reliance capital	Tata Capital Housing Finance Limited	SCB Prime	Birla Mani
Debt	6,511.83	3005.91	2943.73	4679.45	3287.12
Asset	25,369.51	8,235.61	10,122.42	5,892.76	2,775.74
Debt- asset ratio	0.26	0.36	0.29	0.79	1.18

The above table shows about the analysis of Debt asset ratio for the last financial year of five companies were the ratio was high with Prism at 1.18 and was low with Tata Capital Housing Finance Limited at 0.29 which shows that when compared to other companies the asset and debt ratio was high with SCB and it has to reduce it further in future period of time.

**Interest Coverage Ratio:**

Particulars	India bulls	Reliance capital	Tata Capital Housing Finance Limited	SCB Prime	Birla Mani
EBIT	4,195.03	1,507.26	1,928.44	1,343.85	284.13
Debt Interest	547.45	82.76	64.48	120.63	253.64
Interest Coverage Ratio	7.66	18.21	29.91	11.14	1.12

**Interpretation:**

The above table shows about the analysis of Interest coverage ratio for the last financial year of five companies were the ratio was high with Tata Capital Housing Finance Limited at 29.91 and was low with Prime at 1.12 which shows that when compared to other companies the interest paid by Tata Capital Housing Finance Limited is high in the last financial year.

**Operating Margin:**

Particulars	India bulls	Reliance capital	Tata Capital Housing Finance Limited	SCB Prime	Birla Mani
Operating Income	4,195.03	1,507.26	1,928.44	1,343.85	284.13
Net Sales	25,998.86	13,108.18	9,978.12	1,702.75	6,031.08
Operating Margin Ratio	0.16	0.11	0.19	0.79	0.05

**Interpretation:**

The above table shows about the analysis of operating margin ratio for the last financial year of five companies were the ratio was high with SCB Prime at 0.79 and was low with prime at 0.05 which shows that when compared to other companies operating profit was low with Prime.

**Net Profit Margin:**

Particulars	India bulls	Reliance capital	Tata Capital Housing Finance Limited	SCB Prime	Birla Mani
Net profit	2,014.73	1,168.29	1,496.36	426.33	14.7
Net sales	25,998.86	13,108.18	9,978.12	1,702.75	6,031.08
Net profit margin	0.08	0.09	0.15	0.25	0.01

**Interpretation:**

The above table shows about the analysis of net profit ratio for the last financial year of five companies were the ratio was high with SCB Prime at 0.25 and was low with Prism at 0.01 which shows that when compared to other companies operating profit was low with SCB prime and it has to be increased in future period of time to increase the profit of the company.

**Findings:**

- ✓ As per current ratio the ratio was high with Tata Capital Housing Finance Limited at 1.39 and was low with India bulls at 0.49.
- ✓ With working capital ratio the ratio was high with Tata Capital Housing Finance Limited at 9.93 and was low with India bulls at -20.41 which show there was a lag between working capital and sales.
- ✓ Based on inventory turnover ratio the ratio was high with India bulls at 17.60 and was low with SCB Prime at 14.88.

- ✓ Based on debtors turnover ratio the ratio was high with Tata Capital Housing Finance Limited at 43.77 and was low with SCB Prime at 3.57 which shows that when compared to other companies the debtors of SCB Prime was low in the last financial year.
- ✓ The Debt asset ratio was high with Birla Mani at 0.63 and was low with Reliance capital and Tata Capital Housing Finance Limited at 0.01.
- ✓ Based on EBIT the ratio was high with Tata Capital Housing Finance Limited at 29.91 and was low with Prime at 1.12.
- ✓ The ratio was high with SCB Prime at 0.79 and was low with Prime at 0.05 which shows that when compared to other companies operating profit was low with Prime.
- ✓ In net profit margin when compared to other companies operating profit was low with SCB prime and it has to be increased in future period of time to increase the profit of the company.

**Suggestions:**

- ✓ The companies have to look after the ratio to increase the liquidity in future period of time.
- ✓ The companies have to increase their working capital in future period of time.
- ✓ Tata Capital Housing Finance Limited has to reduce their debtors in future to reduce the risk factor of the company based on liquidity and leverage.
- ✓ Prime has to look after the debt in future period of time.
- ✓ Debt ratio was high with SCB prime and it has to reduce it further in future period of time.
- ✓ When compared to other companies the interest paid by Tata Capital Housing Finance Limited is high in the last financial year.
- ✓ The operating profit was low with SCB prime and it has to be increased in future period of time to increase the profit of the company.

**Conclusion:**

The conclusion is that when compared to other NBFC the performance of Tata Capital Housing Finance Limited is good and other companies have to look after working capital to increase the financial leverage in future period of time.

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