

A Study on the Financial Performance Trends at Sakthi Finance Limited

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Abstract

Financial performance analysis plays a vital role in evaluating the operational efficiency, profitability, and long-term sustainability of business organizations, particularly in the financial services sector. This study focuses on a comprehensive analysis of the financial performance trends of Sakthi Finance Limited over a five-year period from 2020–21 to 2024–25. The primary objective of the study is to examine the trends in income, profitability, asset structure, and financial stability and to assess the company's overall financial health in a dynamic economic environment.

The study is based entirely on secondary data collected from the audited annual reports of the company. Descriptive and analytical research designs have been adopted to evaluate financial performance using tools such as trend analysis, ratio analysis, common-size statements, and growth rate analysis. Key financial indicators including total income, interest income, net interest margin, finance costs, profit after tax, return on assets, return on equity, earnings per share, loan book growth, and impairment on financial instruments have been analyzed.

The findings reveal that the company has demonstrated stable growth in total income and profitability during the study period. Interest income remains the dominant source of revenue, while net interest margin and profitability ratios indicate improved operational efficiency. Asset quality has also improved through reduced impairment levels and better credit risk management. However, moderate loan book growth and limited diversification of revenue sources remain areas of concern. The study concludes that the company is financially stable and operationally efficient. Strategic initiatives such as digital transformation, revenue diversification, cost optimization, and geographical expansion can further strengthen its long-term sustainability and competitive position in the NBFC sector.

Keywords: Financial Performance, NBFC, Profitability, Net Interest Margin, Asset Quality, Ratio Analysis, Trend Analysis, Financial Stability.

CHAPTER 1 – INTRODUCTION

1.1 Introduction of the Study :

Financial performance trend analysis is one of the most effective methods for evaluating the financial health and sustainability of business organizations. It helps management, investors, lenders, and stakeholders understand the direction and pattern of growth or decline in revenue, profitability, assets, liabilities, and operational efficiency over a period of time. In the financial services sector, particularly among Non-Banking Financial Companies (NBFCs), trend analysis is extremely important because profitability and stability are closely linked with loan portfolio quality, interest rate movements, and macroeconomic conditions. Vehicle finance NBFCs depend heavily on loan disbursement growth, net interest margins, and recovery efficiency.

Sakthi Finance Limited is a leading vehicle finance NBFC headquartered in Coimbatore with more than six decades of experience in commercial vehicle finance, two-wheeler finance, tractor finance, and used vehicle finance. The company primarily serves transportation operators, farmers, and small business owners across Tamil Nadu and neighboring states. The study examines the financial performance trends of the company during the five-year period from 2020–21 to 2024–25. This period includes major economic events such as the COVID-19 pandemic, recovery in vehicle demand, and RBI interest rate changes. Therefore, the study provides valuable insight into the resilience and adaptability of the company in a challenging financial environment.

1.2 Objectives of the Study

Primary Objective

To analyze the financial performance trends of Sakthi Finance Limited during the period 2020–21 to 2024–25.

Secondary Objectives

To study the trend in total income, interest income, and non-interest income.

To evaluate profitability ratios such as ROA, ROE, and EPS.

To analyze loan book growth and asset quality.

To assess the financial position and solvency of the company.

To provide suitable suggestions for improving long-term financial performance.

1.3 Scope of the Study

The study is confined to the financial performance analysis of Sakthi Finance Limited based on audited annual reports for the period 2020–21 to 2024–25. The study focuses mainly on income growth, profitability, asset quality, loan book growth, liabilities, and capital structure.

The analysis is based entirely on secondary data and uses tools such as:

Trend analysis

Ratio analysis

Comparative statement analysis

Common-size statement analysis

Growth rate analysis

1.4 Need for the Study

The Indian NBFC sector has undergone major changes due to economic slowdown, the COVID-19 pandemic, rising interest rates, and stricter RBI regulations. In such a situation, analyzing the financial trends of a regional NBFC becomes important to understand its sustainability and financial strength.

The study helps:

Understand the profitability and operational efficiency of the company.

Evaluate credit risk management practices.

Assess the company's ability to manage interest costs and loan growth.

Provide useful insights for management and investors.

1.5 Industry Profile

The NBFC sector plays a significant role in India's financial system by providing credit to sectors underserved by commercial banks. Vehicle finance NBFCs mainly provide loans for commercial vehicles, tractors, two-wheelers, and used vehicles.

India's vehicle finance industry is closely linked with economic growth, freight movement, agricultural demand, and rural development. During the COVID-19 pandemic, the sector experienced a major slowdown, followed by recovery in subsequent years.

The RBI's scale-based regulatory framework has increased compliance requirements for NBFCs, improving transparency and financial discipline in the sector.

1.6 Company Profile

Sakthi Finance Limited was incorporated in 1955 and is part of the Sakthi Group. The company specializes in vehicle finance including commercial vehicles, two-wheelers, tractors, and used vehicles.

Key Highlights:

Headquarters: Coimbatore, Tamil Nadu

Listed on: BSE

Registered as: Deposit-accepting NBFC

Main Business: Vehicle Finance

Funding Sources: Public deposits, bank loans, debentures

Operational Areas: Tamil Nadu, Karnataka, Andhra Pradesh

The company has built strong customer relationships and maintains a stable regional presence in South India.

CHAPTER 2 – REVIEW OF LITERATURE:

Several researchers have studied financial performance analysis in banks and NBFCs. Pandey (2021) stated that trend analysis is essential for understanding long-term financial health and sustainability. Brigham and Ehrhardt (2017) emphasized the importance of profitability, liquidity, and leverage ratios in financial institution analysis.

Demircuc-Kunt and Huizinga (1999) identified loan portfolio quality, funding costs, and market competition as important determinants of profitability in financial institutions. Berger and DeYoung (1997) explained that poor asset quality negatively affects profitability and operational efficiency.

Kumar and Raju (2019) found that higher capital adequacy improves profitability and financial stability among NBFCs.

Nair (2022) highlighted the impact of Ind AS 109 and expected credit loss provisioning on NBFC profitability.

The literature review shows that while many studies focus on large NBFCs, very limited research has been conducted on regional vehicle finance NBFCs such as Sakthi Finance Limited. Therefore, this study fills an important research gap.

CHAPTER 3 – RESEARCH METHODOLOGY

3.1 Research Design

The study adopts descriptive and analytical research designs. It focuses on evaluating the financial performance trends of the company over five years.

3.2 Nature of Data

The study uses secondary data collected from:

Audited annual reports

BSE filings

RBI publications

Financial journals and books

3.3 Period of Study

The study period covers five financial years:

2020–21

2021–22

2022–23

2023–24

2024–25

3.4 Tools Used for Analysis

The following tools are used:

Trend analysis

Ratio analysis

Comparative financial statements

Common-size analysis

Growth rate analysis

3.5 Limitations of the Study

The study is based only on secondary data.

The analysis is limited to five years.

The study focuses only on one company.

External economic factors may influence the findings.

CHAPTER 4 – DATA ANALYSIS AND INTERPRETATION

4.1 Total Income Trend

Year

Total Income (₹ Lakhs)

2020–21

17,133.66

2021–22

18,135.11

2022–23

19,193.97

2023–24

20,674.36

2024–25

21,520.41

Interpretation

The company shows a consistent increase in total income over the study period, indicating stable operational growth and increased lending activity.

4.2 Profit After Tax (PAT)

Year

PAT (₹ Lakhs)

2020–21

925.79

2021–22

951.88

2022–23

1,249.37

2023–24

1,570.54

2024–25

1,665.15

Interpretation

Profitability improved steadily due to better interest income growth, improved asset quality, and operational efficiency.

4.3 Loan Book Growth

Year

Loans & Advances (₹ Lakhs)

2020–21 1,09,353.73

2021–22 1,10,311.20

2022–23

1,14,500.10

2023–24

1,20,172.39

2024–25

1,18,079.70

Interpretation

The company maintained steady loan growth during the study period, reflecting stable demand for vehicle finance products.

4.4 Net Interest Margin and Asset Quality

The company successfully managed interest spread despite rising finance costs. Impairment levels declined gradually, indicating improved credit risk management and recovery efficiency.

CHAPTER 5 – FINDINGS, SUGGESTIONS, AND CONCLUSION

5.1 Findings

Total income increased consistently during the study period.

Interest income remained the major source of revenue.

Profitability ratios improved steadily.

Loan book growth remained stable.

Asset quality improved due to reduced impairment costs.

The company maintained a stable financial position.

5.2 Suggestions

The company should diversify revenue sources beyond interest income.

Digital lending and technology adoption should be improved.

Cost of funds should be optimized through better funding mix.

Geographic expansion can improve market reach.

Asset quality management should continue to be strengthened.

5.3 Conclusion

The study concludes that Sakthi Finance Limited has demonstrated stable financial performance during the study period from 2020–21 to 2024–25. The company successfully managed profitability, loan growth, and asset quality despite economic challenges such as the COVID-19 pandemic and rising interest rates.

Its strong regional presence, disciplined financial management, and operational efficiency have contributed significantly to its long-term sustainability. With strategic improvements in digital transformation, revenue diversification, and expansion, the company can further strengthen its competitive position in the Indian NBFC sector.

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