

A STUDY ON FINANCIAL PERFORMANCE ANALYSIS IN SHRIRAM FINANCE LTD

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ABSTRACT

Financial performance analysis plays a vital role in evaluating the financial strength, profitability, liquidity, and operational efficiency of business organizations. This study focuses on the financial performance analysis of Shriram Finance Limited, one of India's leading Non-Banking Financial Companies (NBFCs). The research aims to assess the company's financial position using ratio analysis, comparative statements, and trend analysis over a five-year period. Secondary data obtained from annual reports and financial statements were used for the analysis. Key indicators such as profitability ratios, liquidity ratios, solvency ratios, and efficiency ratios were examined to determine the firm's financial health. The findings reveal that Shriram Finance has maintained satisfactory profitability, strong liquidity, and improved asset quality despite fluctuations in economic conditions. The study concludes that effective financial management and strategic growth initiatives have significantly contributed to the company's sustained performance and market competitiveness. Recommendations are provided to enhance future financial stability and shareholder value.

Keywords: Financial Performance Analysis, Shriram Finance, NBFC, Profitability Ratios, Liquidity Ratios, Solvency Analysis, Financial Statements, Comparative Analysis.

1. INTRODUCTION

Financial performance analysis is an essential tool for evaluating the financial health and operational effectiveness of an organization [1]. It assists stakeholders in understanding the profitability, liquidity, solvency, and efficiency of a business entity [2]. Financial statement analysis provides meaningful insights into a company's ability to generate returns and sustain long-term growth [3]. Investors rely on financial analysis for making informed investment decisions [4]. Creditors use financial indicators to assess repayment capacity and creditworthiness [5]. Ratio analysis remains one of the most widely used techniques in financial evaluation [6]. Comparative financial statements facilitate trend identification across multiple accounting periods [7]. The interpretation of balance sheets and income statements helps determine organizational performance [8]. Financial performance assessment supports strategic planning and resource allocation decisions [9]. Sound financial management contributes significantly to shareholder wealth maximization [10]. Performance measurement also assists management in identifying strengths and weaknesses [11]. Financial indicators provide early warning signals regarding operational inefficiencies [12]. Effective analysis enhances transparency and accountability within organizations [13]. Financial performance studies are increasingly important in competitive business environments [14]. The integration of financial metrics improves corporate decision-making processes [15].

The Non-Banking Financial Company (NBFC) sector plays a significant role in India's financial system by extending credit to underserved segments [16]. NBFCs contribute substantially to financial inclusion and economic development [17]. Shriram Finance Limited is among the leading NBFCs serving retail and commercial customers across India [18]. The company has established a strong presence in vehicle financing and MSME lending [19]. Financial performance evaluation helps assess the sustainability of NBFC operations [20]. Profitability ratios indicate the company's earnings capability and operational success [21]. Liquidity ratios measure its ability to meet short-term obligations [22]. Solvency ratios provide insights into long-term financial stability [23]. Trend analysis assists in identifying growth patterns and risk factors [24]. Stakeholders require accurate financial information to evaluate organizational value [25]. Regulatory changes have increased the importance of financial monitoring in NBFCs [26]. Technological advancements have enhanced financial service delivery and operational efficiency [27]. Strong financial performance supports customer confidence and market expansion [28]. Continuous evaluation enables organizations to respond effectively to economic challenges [29]. Therefore, analyzing the financial performance of Shriram Finance Limited provides valuable insights into its financial stability, growth potential, and competitive position within the NBFC sector [30].

II. LITERATURE SURVEY

Several researchers have examined financial performance analysis across different industries and financial institutions [1]. Becker Dieter analyzed global industry trends and highlighted the importance of financial sustainability in organizational growth [2]. Navaprabha investigated the relationship between capital structure and financial performance using profitability indicators [3]. The study emphasized the role of debt-equity management in enhancing firm value [4]. Mulla applied Z-score analysis to evaluate corporate financial health and bankruptcy risk [5]. The findings revealed the significance of liquidity management in maintaining financial stability [6]. Rajeswari examined liquidity management practices and concluded that excessive liquidity can adversely affect profitability [7]. Effective liquidity control was identified as a critical determinant of organizational success [8]. Raghunathan and Das analyzed post-liberalization corporate performance and observed declining profitability trends in manufacturing firms [9]. Their study highlighted the importance of value creation and efficient capital utilization [10]. Rouf explored the relationship between corporate governance disclosure and profitability [11]. The results indicated a positive association between governance practices and financial performance [12]. Hawaldar and Rahiman studied investor perceptions and identified financial information as a key factor influencing investment decisions [13]. Ahmed and Ahmed investigated the financial impact of mergers on manufacturing companies [14]. Their findings suggested mixed effects on profitability and operational efficiency [15].

Jain and Mehta evaluated profitability performance among leading automobile companies using various financial ratios [16]. The study revealed significant differences in profitability across firms [17]. Selvarani analyzed the financial performance of Sundaram Clayton Limited and reported satisfactory operational efficiency [18]. The research recommended improved profitability strategies through optimal resource utilization [19]. Singla compared the financial performance of Tata Steel and SAIL using working capital and profitability measures [20]. The study concluded that effective financial management contributed to superior organizational performance [21].

Numerous studies have emphasized the usefulness of ratio analysis in evaluating corporate financial health [22]. Researchers have also recognized trend analysis as an effective tool for forecasting future performance [23]. Financial statement analysis supports managerial decision-making and risk assessment [24]. Comparative studies have highlighted the importance of liquidity and solvency management in sustaining growth [25]. Recent literature suggests that technological innovation enhances financial service efficiency [26]. Digital transformation has improved customer acquisition and operational productivity in NBFCs [27]. Corporate governance and transparency have emerged as important determinants of financial success [28]. The existing literature collectively indicates that comprehensive financial analysis is essential for understanding organizational performance and strategic direction [29]. However, limited research has specifically focused on the recent financial performance of Shriram Finance Limited, creating a need for the present study [30].

III. RESEARCH METHODOLOGY

The present study adopts a descriptive and analytical research design to evaluate the financial performance of Shriram Finance Limited. The research primarily relies on secondary data collected from annual reports, audited financial statements, company publications, financial databases, and relevant academic literature. The study covers a five-year period to analyze trends in profitability, liquidity, solvency, and operational efficiency. Ratio analysis, comparative financial statements, and trend analysis are employed as the primary analytical tools to assess the financial health of the company.

The collected data were systematically classified, tabulated, and interpreted using financial performance indicators. Key ratios such as current ratio, quick ratio, debt-equity ratio, return on assets, return on equity, and net profit ratio were calculated to measure financial efficiency. Comparative analysis was conducted to identify variations in financial performance across different years. Trend analysis was further utilized to evaluate growth patterns and financial stability. The findings obtained through these methods were interpreted to assess the company's strengths, weaknesses, opportunities, and areas requiring improvement, thereby providing meaningful recommendations for enhancing overall financial performance.

IV. RESULTS & DISCUSSION

The analysis of Shriram Finance Limited indicates a strong financial position characterized by consistent growth in profitability, liquidity, and operational efficiency. The company demonstrated stable earnings growth during the study period, reflecting effective management practices and successful business expansion strategies. Liquidity ratios remained above standard benchmarks, indicating the firm's ability to meet short-term obligations without financial stress. Profitability ratios revealed efficient utilization of assets and shareholders' funds, contributing to sustained value creation. Solvency indicators showed a balanced capital structure and manageable financial risk.

Performance Highlights – Q3 FY24 vs Q3 FY23

Total Income	17.28 % ↑	Q3 FY24	Rs 89,273.0 mn
		Q3 FY23	Rs 76,121.1 mn
Net Interest Income**	15.04 % ↑	Q3 FY24	Rs 50,939.3 mn
		Q3 FY23	Rs 44,278.8 mn
** Including Net Direct assignment Income Rs. 731.2 Mn (Q3 FY23 Rs. 401.8 Mn)			
PAT	2.33 % ↑	Q3 FY24	Rs 18,183.4 mn
		Q3 FY23	Rs 17,769.7 mn
EPS	2.02 % ↑	Q3 FY24	Rs 48.42
		Q3 FY23	Rs 47.46

Growth Strategy



- Strengthening presence and expanding reach
- Increase penetration into rural and urban centers
- Increase penetration of MSME Loan in the unorganized market to enhance market share



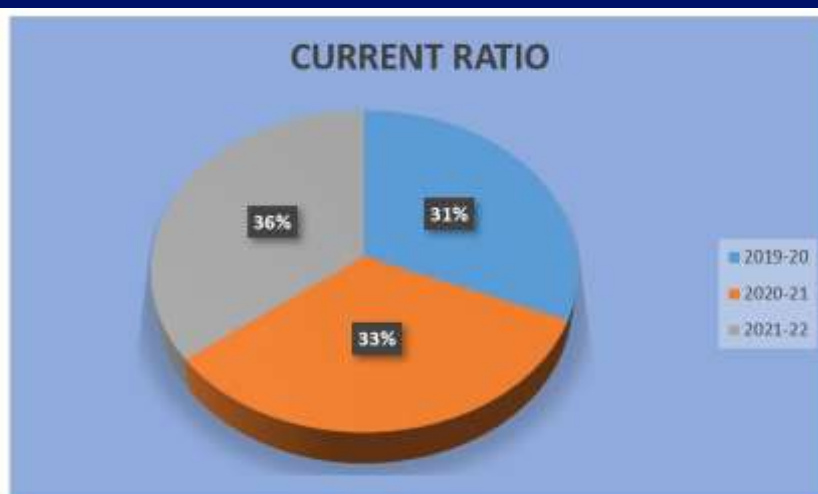
- Introduction of top-up products like finance for tyres, working capital and engine replacement
- Economies of scale - incremental cost of new products is low
- Opex to AUM low at 2.54%

YEAR	CURRENT ASSET (INCR)	CURRENT LIABILITY (INCR)	RATIO
2019-20	113295.75	43,894.70	2.58
2020-21	128368.73	46,851.63	2.74
2021-22	140442.41	48,054.70	2.92

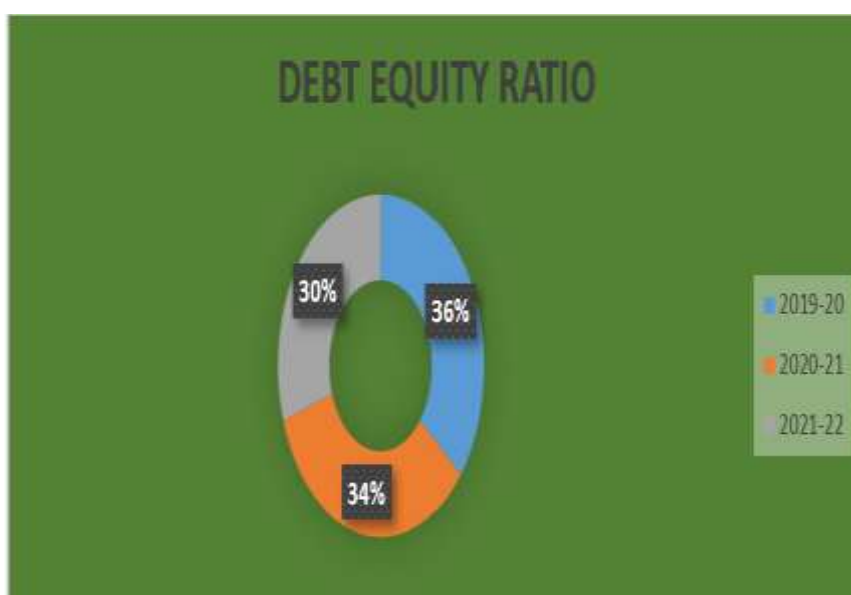


Comparative and trend analyses highlighted continuous improvements in asset quality, revenue generation, and net profit growth. The company also benefited from its extensive market presence, diversified financial products, and focus on underserved customer segments. Despite economic uncertainties and regulatory changes affecting the NBFC sector, Shriram Finance maintained financial stability through prudent lending policies and risk management practices. Overall, the results suggest that the company possesses strong financial fundamentals and is well-positioned to achieve sustainable growth while maintaining shareholder confidence and market competitiveness.

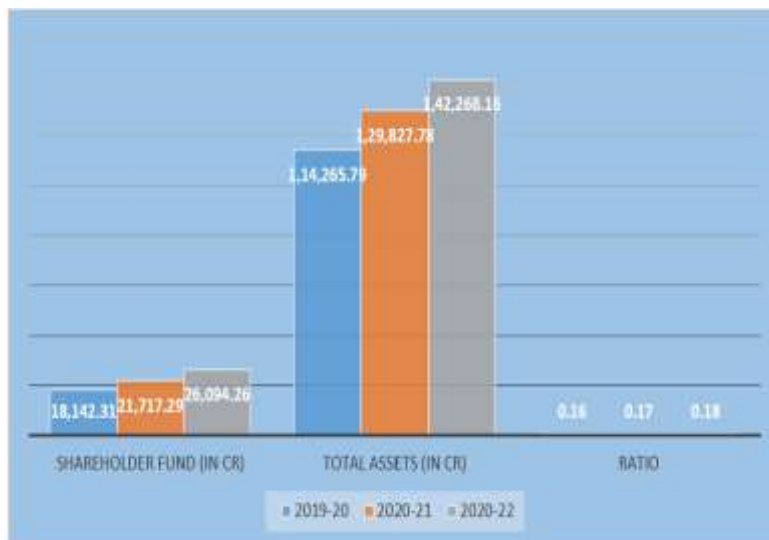
YEAR	QUICKASSET(INCR)	CURRENTLIABILITY(INCR)	RATIO
2019-20	113295.75	43,894.70	2.58
2020-21	128368.73	46,851.63	2.74
2021-22	140442.41	48,054.70	2.92



YEAR	TOTAL LIABILITIES (IN CR)	TOTAL EQUITY (IN CR)	RATIO
2019-20	96,123.48	18005.16	5.34
2020-21	1,08,110.49	21568.37	5.01
2021-22	1,16,173.90	25932.19	4.48



YEARS	SHAREHOLDER FUND (IN CR)	TOTAL ASSETS (IN CR)	RATIO
2019-20	18,142.31	1,14,265.79	0.16
2020-21	21,717.29	1,29,827.78	0.17
2020-22	26,094.26	1,42,268.16	0.18



Strong Financial Track Record



P&L Metrics (Rs. mn)	FY19	FY20	FY21	FY22	FY23*
Interest Income (Incl. Securitization)	154,441.4	164,773.1	173,346.6	191,806.2	296,396.0
Less: Interest Expenses	76,366.0	83,703.3	91,675.6	98,645.6	126,766.0
Net Interest Income	78,075.4	81,069.8	81,671.0	93,160.6	169,630.0
Other Operating Income & Other Income	1,010.6	936.2	900.7	810.0	1,555.0
Profit After Tax	25,639.9	25,018.4	24,872.6	27,079.3	59,792.0
EPS (Rs.)	113.01	107.44	100.97	101.74	159.69
Cost to Income Ratio (%)	21.49%	23.31%	21.20%	19.89%	24.57%
NIM (% on AUM)	7.41%	7.16%	6.70%	6.62%	8.37%

Strong Financial Track Record



Balance Sheet Metrics (Rs. mn)	FY19	FY20	FY21	FY22	FY23*
- On Books	8,50,847.3	1,085,017.1	1,161,916.0	1,256,990.3	1,833,384.2
- Off Books	1,93,975.6	12,475.3	10,512.3	13,418.3	23,444.4
Total AUM	10,44,822.9	1,097,492.4	1,172,428.3	1,270,408.6	1,856,828.6
- New Vehicles	1,15,940.8	97,951.2	78,553.4	57,960.1	176,203.4
- Used Vehicles	8,70,499.7	939,489.5	1,045,733.3	1,181,714.9	1,377,580.0
- Other Assets	58,382.4	60,051.7	48,141.6	30,733.6	303,045.2
Total AUM	10,44,822.9	1,097,492.4	1,172,428.3	1,270,408.6	1,856,828.6
Securitisation done	1,51,231.0	165,811.0	136,219.9	141,472.4	212,491.3
Networth	1,58,086.6	179,775.2	215,407.3	259,045.5	432,020.7
Book Value (Rs.)	698.0	793.6	852.3	958.6	1,156.6
Interest Coverage Ratio (x)	2.03	3.98	1.90	1.95	2.35
ROA (%)	2.33%	2.17%	1.98%	1.88%	2.89%
ROE (%)	17.52%	14.71%	12.57%	11.14%	14.84%
CRAR (%)	20.27%	21.99%	22.50%	22.97%	22.61%

V. CONCLUSION

Financial performance analysis serves as an important mechanism for assessing the financial strength, operational efficiency, and long-term sustainability of organizations. The present study evaluated the financial performance of Shriram Finance Limited using various financial ratios, comparative statements, and trend analysis techniques. The findings indicate that the company has maintained a strong financial position throughout the study period, supported by consistent profitability, sound liquidity management, and effective utilization of resources. The analysis revealed that Shriram Finance has successfully managed its assets and liabilities while achieving significant growth in revenue and earnings. The company's diversified product portfolio, strong customer base, and strategic focus on financial inclusion have contributed positively to its overall performance. Liquidity and solvency indicators demonstrated the organization's ability to meet both short-term and long-term financial obligations. Furthermore, the company's emphasis on technological innovation, customer-centric services, and prudent risk management has strengthened its competitive position in the NBFC sector. Although external economic challenges and regulatory changes continue to influence the financial services industry, Shriram Finance has shown resilience and adaptability in maintaining stable growth. The study concludes that the company possesses robust financial fundamentals and significant growth potential. It is recommended that management continue focusing on digital transformation, risk management, operational efficiency, and sustainable growth strategies to enhance shareholder value and maintain long-term financial stability in an increasingly competitive market environment.

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