

# Periodic Research

## Financial Services-An Analysis of Five Leading Companies in India



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### Abstract

Financial services are the economic services provided by the finance industry, which encompasses a broad range of businesses that manage money, including credit unions, banks, credit-card companies, insurance companies, accountancy companies, consumer-finance companies, stock brokerages, investment funds, individual managers and some government-sponsored enterprises. Financial services companies are present in all economically developed geographic locations and tend to cluster in local, national, regional and international financial centers such as London, New York City, and Tokyo. Financial services provided by finance companies include insurance, housing financing, mutual funds, credit reporting, debt collection, stock broking, portfolio management, and investment advisory. The main aim of this paper is to study and analyze the leading financial services companies working in India. For the purpose of the study take analysis of five leading companies

**Keywords:** Comparison, Financial Products, Financial Services, Intercompany, Intra- Company.

### Introduction

The Indian financial services industry has undergone a metamorphosis since 1990. During the late seventies & eighties, the Indian financial services industry was dominated by commercial banks and other financial institution which cater to the requirements of the Indian industry. The economic liberalization has brought in a complete transformation in the Indian financial services industry. The term "Financial Services" in a broad sense means "mobilizing and allocating savings". Thus it includes all activities involved in the transformation of savings into investment. The financial service "can also be called financial intermediation". Financial intermediation is a process by which funds are Mobilized from a large number of savers and make them available to all those who are in need of it and particularly to corporate customers. Thus, financial service sector is a key area and it is very vital for industrial developments. A well-developed financial services industry is absolutely necessary to mobilize the savings and to allocate them to various investable channels and thereby to promote industrial development in a country. Financial services, through network of elements such as financial institution, financial markets and financial instruments, serves the needs of individuals, institutions and corporate. It is through these elements that the functioning of the financial system is facilitated. Considering its nature and importance, financial services are regarded as the fourth element of the financial system.

### Review of Literature

Shawn Cole et al (2010) studies in their working paper that financial literacy education has no effect on the probability of opening a bank savings account for the full population, although it does have an impact among those with low initial levels of education and financial literacy. This in turn could facilitate competition in the financial services sector and, ultimately, more efficient allocation of capital within society.

Yasmin Begum R. Nadaf et al studied on "Corporate Social Responsibility: Issues, Challenges and Strategies for Indian Firms" they discuss that aim of Corporate Social Responsibility is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere.

Goyal samridhi et al (2015) Have studied in their paper highlight the importance of the role of HR and Financial Services in making "MAKE IN INDIA" campaign a success; making INDIA a manufacturing hub and a

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Benchmark of development and prosperity. The main objective of this paper is to identify the impact of HR and Financial Services on the development of manufacturing sector in India and the overall Indian economy and suggest different techniques and systems through which financial assistance can be provided which are required to propel the manufacturing industry. They also emphasize the promotion of assistance of financial services and importance of tapping of human potential required for face-lifting the Indian Manufacturing Sector; which is the main objective of "MAKE IN INDIA" campaign. This study is Descriptive Research and based on secondary data.

#### Objective of the Study

1. To study the status of financial services companies in India.
2. To compare the performance of the financial services companies in India.

#### Scope of the Study

The scope of the study is restricted to five leading Indian companies. It covers, only their financial services that are provided to the customers. The comparison between the companies is on the basis of only two indicators profit after tax and earnings per share of past three years.

#### Research Methodology

This research paper is an attempt of exploratory research, based on the secondary data Sourced from journals, magazines, research papers, articles and Annual reports of the companies And Web sources are also used.

#### Current Status of Financial Services Companies in India

##### SBI Capital Market

SBI Capital Market (SBICAPS) is an investment bank founded in August 1986. It is a wholly owned subsidiary and the investment banking arm of the State Bank of India (SBI). Headquartered in Mumbai, SBICAP has 5 regional offices across India (Ahmedabad, Chennai, Hyderabad, Kolkata and New Delhi), 2 branch offices (Pune and Guwahati) and 5 subsidiaries - SBICAP Securities Limited, SBICAP Trustee Company Limited, SBICAP Ventures Limited, SBICAP (UK) Limited and SBICAP (Singapore) Limited.

##### Highlights for FY2016-17

1. During the financial year 2016-17 Gross income decreased from 683.90 to 540.74 crore against the financial year 2015-16.
2. Profit after tax decreased by 65.74 crore as compared to financial year 2015-16.
3. Earnings per share decreased from 48.83 to 37.56 rupees as compared to the previous year.
4. Net worth extended by 65.95 crore against the previous year.
5. Indian Borrower Loans Book-runner with 27.97% market share (INR 682,320 Million).
6. Indian Borrower Loans Mandated Lead Arranger with a 25.85% market share (INR 763,128 Million).

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7. Indian Borrower Local Currency Loans Book-runner with a 37.49% market share (INR 507,411 Million).
8. Indian Borrower Local Currency Loans Mandated Lead Arranger with a 39.14% market share (INR 553,436 Million).

#### PNB Housing Finance Limited

PNB Housing Finance Limited (PNBHFL) is a 30 year old public sector housing finance company (HFC), headquartered in New Delhi with branches in major cities across India. The company is promoted by Punjab National Bank and is registered with state owned bank and regulation authority of India - National Housing Bank (NHB). The company provides housing loans & loan against property as a part of its product portfolio and also holds the license to accept public deposits.

#### Products

##### Home Loan

PNB Housing provides housing loans to individuals for construction, purchase, repair, and upgrade of houses.

##### Non Home Loan

The Company also provides loan against property, commercial property loan, and lease rental discounting loans for commercial property, loans for purchase of residential plots and loan for real estate developers

#### Deposits

PNB HFL also offers Public Deposits of different maturities and various interest payment options.

#### Highlights for FY2016-17

1. During the year, the loan assets expanded to INR 38,531 cores marking a growth of 42% since previous financial year.
2. The quality of portfolio remained high with gross NPAs being one of the lowest in the sector at 0.22%.
3. A prudent portfolio mix was maintained with 71% exposure to housing loans and 29% for non-housing loans.
4. Deposits contributed 26% on loan assets, indicating that the Company is self-generating its funds required for lending operations.
5. The Company improved upon its self-sufficiency with 59% of business sourced from in-house channels.

#### Larsen & Toubro

Larsen & Toubro, commonly known as L&T, is an Indian multi-national conglomerate headquartered in Mumbai. This has become a significant name in the financial sector. Funds for Automobiles, Agricultural Instruments, secured loans; they have all types of loans for a long tenure

It was founded by two Danish engineers taking refuge in India. The Company has business interests in engineering, construction, manufacturing goods, information technology, and financial services, and has offices worldwide.

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**Highlights for FY2016-17**

1. Despite facing delays in bidding and award processes, the Company bagged fresh orders of ₹ 142,995 crore recording a growth of 5%.
2. Group Revenues at 110,011 crore grew by 8% during 2016-17 despite impediments due to demonetization, tardy realizations from customers in some projects and delays in obtaining clearances and work-front availability.
3. The Order Book of the Company stands at a robust level of 261,241 crore, providing good revenue visibility for 2017-18.
4. The Company recorded an impressive growth of 43% in the Group Profit after Tax for the year 2016-17 at 6,041 crore.
5. The Company successfully listed two of its subsidiaries, L&T InfoTech Limited (LTI) and L&T Technology Services Limited (LTTS).

**Housing Development Finance Corporation**

Housing Development Finance Corporation Limited or HDFC is an Indian financial conglomerate based in Mumbai, India. It is a major provider of finance for housing in India. It also has a presence in banking, life and general insurance, asset management, venture capital and education loans. A best financial solution for home loans, NRI loans, HDFC is the one stop destination for personal finance. With overseas branches in Singapore, Kuwait, Qatar, Saudi Arabia and many others, HDFC has been going great guns every year.

**Products and Services****Mortgage**

The Company provides housing finance to individuals and corporate for purchase/construction of residential houses. It is one of the largest providers of housing loans in India. In its Annual Report for financial year 2012-13, the company has disclosed that it has disbursed approx. INR 456,000 crores in 35 years of its existence for a total of 4.4 million housing units. The average loan profile amounts to INR 2.18 million (US\$ 35,160) which lasts for about 13 years and covers approx. 65% of actual property value. HDFC Bank has 12,054 ATM and 4281 branches in India.

**Life Insurance**

The Company has been providing life insurance since the year 2000, through its subsidiary HDFC Standard Life Insurance Company Limited. It offers 33 individual products and 8 group products. It uses the HDFC group network to cross sell by offering customized products. It operates out of 451 offices across India serving over 965 locations. It had a market share of 4.6% of life insurance business in India as of 30 September 2013. HDFC Life has over 15,000 employees.

**Highlights for FY2016-17**

1. Gross income increased from 30957 to 33160 crore against the previous year.
2. Funds of the Shareholders increased from 34121 to 39645 crore during 2016-17 as compared to the previous year.
3. Deposits increased by 11904 crore as compared to the previous year

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4. During financial year 2016-17 dividend increased from 850 % to 900% against the previous year
5. Book value per share increased from 216 to 250 rupees in financial year as compared to the previous year
6. Loan from banks decreased from 42802 to 37270 crore against the previous year
7. Market borrowings increased from 120845 to 156690 crore against the financial year 2015-16.

**India Bulls Housing Finance Limited (IBHFL)**

IBHFL is a mortgage lender, which is headquartered in New Delhi, India. It is India's second largest housing finance company and is regulated by the National Housing Bank. It is part of Sameer Gehlaut's India bulls group and contributes approximately 80% of the group's turnover.<sup>[7]</sup> IBHFL started out as a subsidiary of India bulls Financial Services (IBFSL), a Non-bank financial institution. In 2013, IBFSL was reverse-merged into its subsidiary IBHFL.

**Products**

IBHFL concentrates on the mid-market segment. Home loans made up 56% of the company business as of March 2017, whereas loans against property and corporate loans made up the rest, with each sector contributing 22% of the company business as of March 2017. Like some of its peers, IBHFL offers preferential interest rates to woman customers.

**Home Loans**

They provide tailor-made home loan solutions to customers, both resident and non-resident Indians. They help them at every step in selecting the right property; checking development approval of the selected property; advising them on their home loan, including finer aspects like calculating EMIs and tax benefits on their loan.

**Loan against Property**

They help SMEs and small business owners unlock and realize the value of their property by providing loans against their property for their business requirements.

**Residential Construction Finance**

They extend construction finance to ongoing residential projects, thereby contributing to creation of the new housing stock in the country. Residential construction financing is extended at the project level after ascertaining that all requisite development approvals are in place.

**Lease Rental Discounting**

Commercial property owners can leverage their completed and leased out properties by availing Lease Rental Discounting (LRD) loans against rental receivables. The property serves as collateral and monthly rents go towards serving the loan obligation.

**Highlights for FY2016-17**

1. The Company's Total Assets grew by 37.0% to 1,03,705 crores for the financial year ended March 31, 2017 as against 75,720 crores in the previous year.
2. The Company reported a 26.8% increase in total revenue at 11,702 crores for the financial year

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ended March 31, 2017 as against 9,226 crores for the previous financial year.

3. Profit after tax (PAT) for the year ended March 31, 2017 has shown an increase of 2,906 crores over 2,345 crores for previous year, net increase being about of 24.0% over the last year.
4. Outstanding loans under management grew by 32.9% i.e. from total 91,301 crores to 68,683 crores over this period.
5. The net interest income (NII) has shown a growth of 25.4% total being 4,768 crores.
6. Return on equity (ROE) works out to be 26% with earnings per share (EPS) of 68.80 against 59.84

**Intra Company Comparison  
SBI Capital Markets**

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in previous year. With a CRAR of 20.97%, they are one of the best capitalized housing finance companies.

7. Cash and bank balances and current investment of the Company added up to over 18,500 crores at the end of financial year 2017.

**Compare the Performance of the Financial Services Companies in Indian**

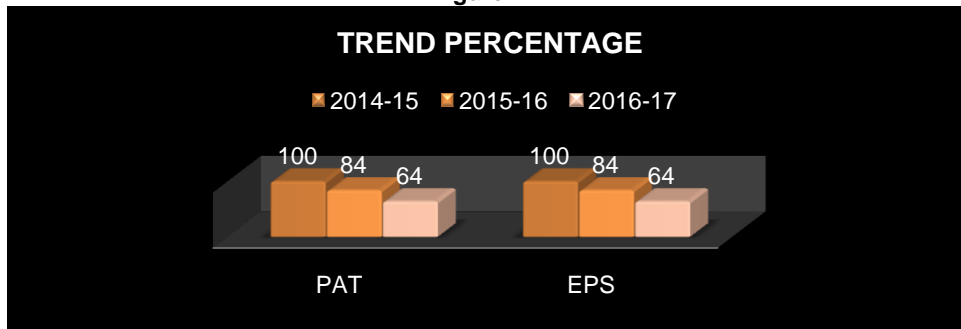
For making comparison, we take only two indicators of financial performance of the five leading financial companies in India.

**Table -1.1**

Year	Profit after tax (crore)		Earnings per share (rupees)	
	Amount	Trend (%)	Amount	Trend (%)
<b>2014-15 (Base year)</b>	338	100	58.24	100
<b>2015-16</b>	283.39	84	48.83	84
<b>2016-17</b>	217.92	64	37.56	64

(Source- Annual Report of SBI Capital Markets)

**Figure 1.1**



**Interpretation**

The profit after tax (PAT) and earnings per share (EPS) have continuously decreased by the

same percentage (16% and 20% from 2014-15 to 2015-16 and from 2015-16 to 2016-17 respectively).

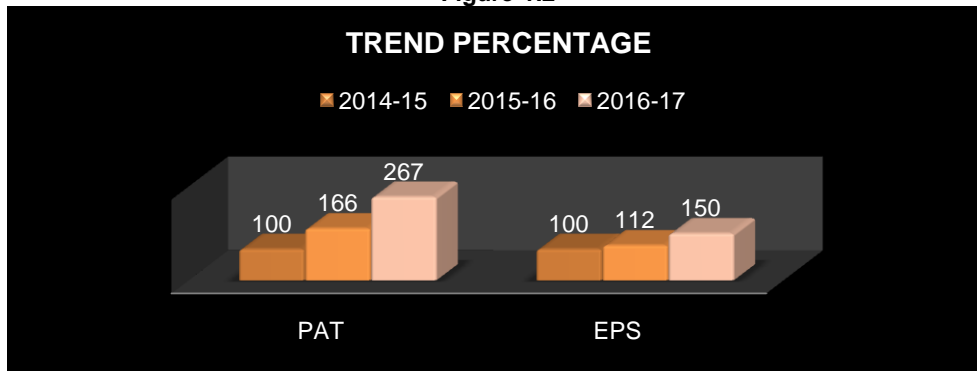
**PNB Housing Finance Limited**

**Table-1.2**

Year	Profit after tax (crore)		Earnings per share (rupees)	
	Amount	Trend (%)	Amount	Trend (%)
<b>2014-15 (Base year)</b>	196	100	24.41	100
<b>2015-16</b>	326	166	27.48	112
<b>2016-17</b>	524	267	36.72	150

(Source- Annual Report of PNB Housing Finance Limited)

**Figure-1.2**



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**Interpretation**

The profit after tax (PAT) and earnings per share (EPS) have continuously increased. PAT has increased by 66% and 101% from 2014-15 to 2015-

16 and from 2015-16 to 2016-17 respectively. EPS has increased by 12% and 38% from 2014-15 to 2015-16 and from 2015-16 to 2016-17 respectively.

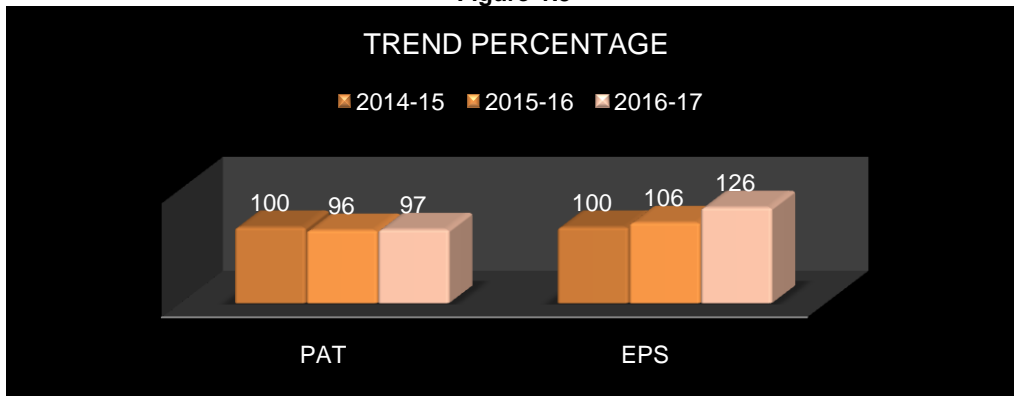
**Larsen & Toubro**

**Table-1.3**

Year	Profit after tax (crore)		Earnings per share (rupees)	
	Amount	Trend (%)	Amount	Trend (%)
<b>2014-15 (Base year)</b>	4699	100	51.33	100
<b>2015-16</b>	4454	96	54.69	106
<b>2016-17</b>	4560	97	64.80	126

(Source- Annual Report of Larsen & Toubro)

**Figure-1.3**



**Interpretation**

The profit after tax (PAT) has decreased by 4% from 2014-15 to 2015-16 and increased by 1% from 2015-16 to 2016-17. Earnings per share (EPS)

has continuously increased by 6% and 20 % from 2014-15 to 2015-16 and from 2015-16 to 2016-17 respectively.

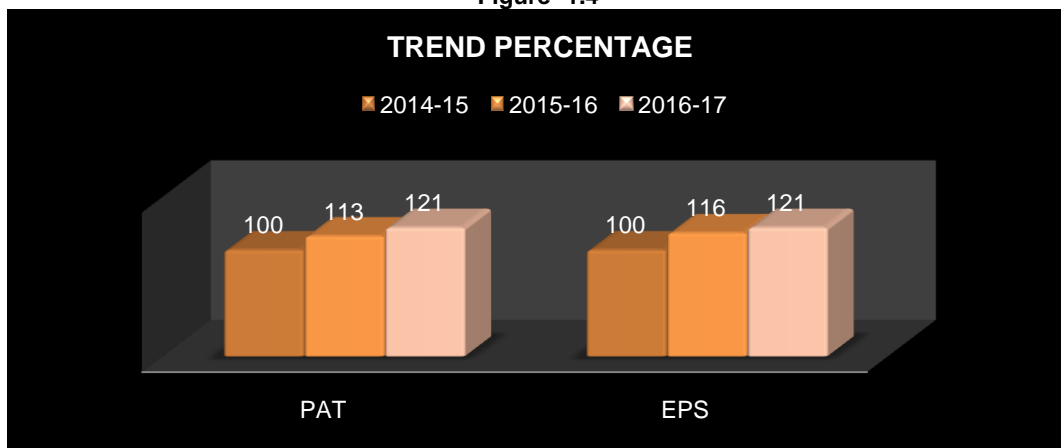
**Housing Development Finance Corporation**

**Table.1.4**

Year	Profit after tax (crore)		Earnings per share (rupees)	
	Amount	Trend (%)	Amount	Trend (%)
<b>2014-15 (Base year)</b>	27471	100	38	100
<b>2015-16</b>	30957	113	44	116
<b>2016-17</b>	33160	121	46	121

(Source- Annual Report of Housing Development Finance Corporation)

**Figure -1.4**



**Interpretation**

The profit after tax (PAT) and earnings per share (EPS) have continuously increased. PAT has increased by 13% and 8% from 2014-15 to 2015-16

and from 2015-16 to 2016-17 respectively. EPS has increased by 16% and 5% from 2014-15 to 2015-16 and from 2015-16 to 2016-17 respectively.

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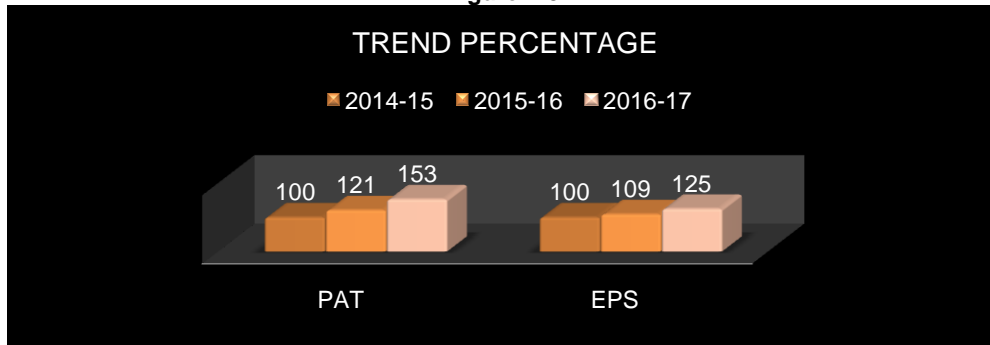
## India bulls Housing Finance Limited

Table-1.5

Year	Profit after tax (billions)		Earnings per share (rupees)	
	Amount	Trend (%)	Amount	Trend (%)
2014-15 (Base year)	19	100	54.95	100
2015-16	23	121	59.840	109
2016-17	29	153	68.8	125

(Source- Annual Report of India bulls Housing Finance Limited)

Figure-1.5



**Interpretation**

The profit after tax (PAT) and earnings per share (EPS) have continuously increased. PAT has increased by 21% and 32% from 2014-15 to 2015-16

and from 2015-16 to 2016-17 respectively. EPS has increased by 9% and 16% from 2014-15 to 2015-16 and from 2015-16 to 2016-17 respectively.

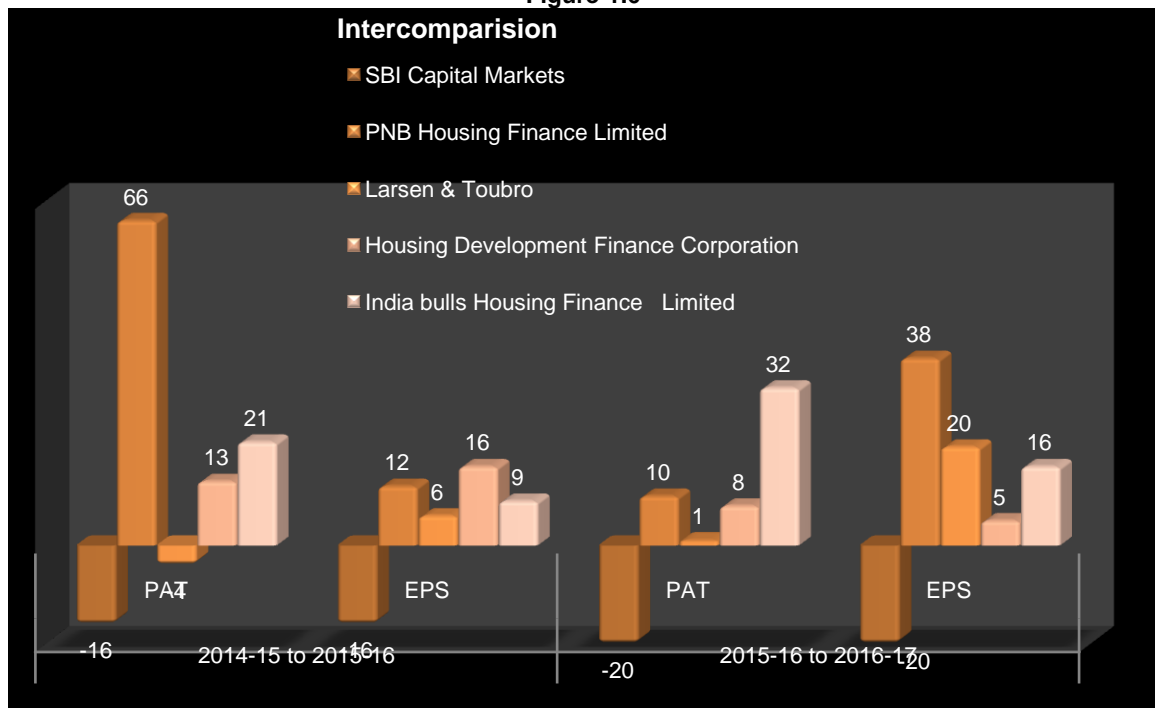
**Intercompany comparison**

Table-1.6

NAME OF THE COMPANY	2014-15 to 2015-16		2015-16 to 2016-17	
	PAT	EPS	PAT	EPS
SBI Capital Markets	16% ↓	16% ↓	20% ↓	20% ↓
PNB Housing Finance Limited	66% ↑	12% ↑	10% ↑	38% ↑
Larsen & Toubro	4% ↓	6% ↑	1% ↑	20% ↑
Housing Development Finance Corporation	13% ↑	16% ↑	8% ↑	5% ↑
India bulls Housing Finance Limited	21% ↑	9% ↑	32% ↑	16% ↑

(Note- sign ↑ is used for increased percentage and ↓ is used for decreased percentage)

Figure-1.6



(Source- Annual Report five leading companies)

## Interpretation

The above diagram shows that the trend analysis regarding the PAT and EPS for the year 2014-15 to 2016-17. The year wise analysis indicates that in the year 2014-15 to 2015-16 PNB Housing Finance Limited has shown the highest PAT growth percentage whereas SBI Capital Market has depicted the negative growth percentage. India Bulls Housing Finance Ltd has shown the highest PAT growth percentage in the year 2015-16 to 2016-17, whereas SBI Capital Market has shown again the negative PAT growth percentage in comparison to other companies. The detailed analysis of the companies represents that only Larsen & Toubro indicates a better picture in the current year as compared to the previous one.

On the other hand the company wise analysis represents that in the year 2014-15 to 2015-16 Housing Development Finance Corporation has shown the highest EPS growth percentage whereas SBI Capital Market has depicted the negative growth percentage. From 2015-16 to 2016-17 PNB Housing Finance Limited has shown the highest EPS growth percentage whereas SBI Capital Market has depicted the negative growth percentage. But the comprehensive analysis of all the companies indicates decline growth percentage in the current year as compared to the previous one except Larsen & Toubro.

## Findings

1. HDFC played a vital role in providing and promoting financial services in India.
2. It shows that HDFC earns more profit (PAT) and EPS is also more than the other leading companies, but the growth rate has increased at a decreasing rate from 2014-15 to 2016-17.
3. SBI depicted the negative growth rate during the time period.
4. Only one company represents a positive picture, i.e. Larsen & Toubro

## Conclusion

For the positive growth in this sector, the private sector has been permitted to participate in banking and mutual funds and the public sector undertakings are being privatized. The financial service industry in India has to play a positive and dynamic role in the years to come by offering many innovative products to suit the varied requirements of the millions of prospective investors spread throughout the country. The financial service industry promotes liquidity in the system by allocating and

reallocating savings and investment into various avenues of economic activity. It facilitates easy conversion of financial asset into liquid cash at the discretion of the holder of such assets.

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