



Auto Finance Company Reduces Cost and Increases Revenue with Tally.ERP 9 Implementation

KEY FEATURES

- Bills receivables & payable
- Bank reconciliation
- Interest Calculation
- Cheque & Receipt Printing
- Security levels - voucher wise

“Tally has increased our funds circulation many folds, which has resulted in increased revenue from additional Hire Charges.”

Mr. Srinivas Madgundi, Branch Manager

CUSTOMER OVERVIEW

Ravisagar Auto Finance Limited is a Non Banking Finance Company, set up in March 1991. The Company finances new and used heavy vehicles, at times even light motor vehicles and high value two-wheelers. This is a unique service in the region.

When they started, it was from a small 200 square feet office in Solapur, Maharashtra. Today, they operate out of a swanky 1000 square feet office, with a branch office in Latur. They also have a subsidiary that is into vehicle insurance. A company which started with a staff size of 9 is today 90 people strong and is planning to go public in the near future.

BUSINESS CHALLENGE

The company first carries out a physical verification and valuation of the vehicle using experts in the field. Then, depending upon the credit-worthiness of the owner, a loan of 50% to 70% of the value is sanctioned after executing a Hire-Purchase Agreement.

Depending on the loan amount, the payment period & Rate of Interest (ROI), the EMI needs to be calculated. For example, the EMI for a loan amount of Rs. 1,00,000/- to be repaid over a period of 12 months, at 8% interest, would be Rs. 9,833/-. Hire charges due every month is accounted on accrual basis, which is quite cumbersome. Further, the manual accounting system did not provide the transparency their clientele needed.

Tracking the outstanding payments and calculation of overdue amount was time-consuming and prone to errors.

A client, who would walk in with money to foreclose the loan, had to wait for a couple of hours or was asked to return the next day till the settlement was worked out. Often, this resulted in disgruntled clients and possibly even lost opportunities. The Recovery Agents were irregular in remitting the collected dues, which created further confusion.

Loan recovery in the case of a defaulting client resulted in seizing of the vehicle. Due to lack of information, co-relating the vehicle to the amount outstanding was difficult. Once the client cleared the loan, to ascertain whether he/she was a guarantor to another client was virtually impossible.

THE SOLUTION

The master database of clients is maintained in a general ledger along with all relevant details of the vehicle including make, chassis number, engine number, registration details, permit number, fitness and insurance information and renewal date. This helps them track the expiry dates and based on which they would renew the relevant documents of the vehicle, as without the insurance the agreement for Hire Purchase gets nullified.

In a single entry, a client's receivables are booked using bill-wise facility available in Tally.ERP 9, with the principal getting apportioned automatically. Other details like EMI and due date is also captured. For instance, if the total loan amount is Rs. 1,00,000 receivable across 10 installments, an entry lists the entire sum of Rs. 1,00,000 with a breakup of each installment in the bill-wise allocation. This facilitates a specific outstanding report which is generated for the client showing the breakup of each installment, due or overdue.

On a daily basis, a report of installment due per loaning agent and collection agent, and vehicle-wise is generated, which can be emailed directly from Tally.ERP 9. Alternatively, the outstanding memo can also be printed and couriered.

Tracking outstanding payments and calculating what's overdue is smooth and error-free due to customisation of Tally.ERP 9. Ravisagar's executives now have access to intelligence based on area, agent, vehicle type and customer which has resulted in timely collection and better cash flow.

A payment performance report for each client shows irregularities in the loan repayment pattern so interest can be levied for the defaulting period. When a client defaults on a payment, reminders are generated from Tally.ERP 9 itself.

A non-performing assets (NPA) report is generated which is essentially a report of all clients who have defaulted on 3 or more installments. This report is to be submitted to RBI once in 3 months. Similarly documents due letters are printed from Tally.ERP 9 for the RTO, insurance renewal etc.

After Tally.ERP 9 implementation all foreclosures are handled instantaneously.

An authorised user can create security levels and assign access rights within the account which allows the right balance of visibility and control.

Online Balance sheet, Income and Expenditure account, Trial Balance, Cash Flow/Fund Flow, Cash and Bank balances with reconciliation are done on a daily basis. At Ravisagar, accounting is of prime importance and with Tally.ERP 9 its handled with ease.

BENEFITS

- Efficient loan recovery
- Better cash flow
- Enhanced profitability
- Online cash, bank balance & reconciliation
- Market goodwill & peace of mind