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A STUDY ON FINANCIAL ANALYSIS OF HDFC BANK PRIVATE LIMITED

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ABSTRACT

A Bank is a financial institution that provide loans and accept deposits in general terms. There are both private and public banks and they are further classified into many. The Banks are one of the most essential parts in the contribution to the development of the Indian financial system. HDFC Bank is India's largest private sector bank with widespread presence of 8,086 branches and 20,688 ATMs. After the emergence of the private banks, there were failures with relevance to investment due to lack of research and others and even till now there are some negative remarking of bad returns resulting in the disappointment of shareholders. The loss of investors can result in falling of consumer's confidence towards the respective. So, a financial evaluation of the bank is conducted to examine the efficiency and performance of the bank.

KEYWORDS: HDFC Bank, Private Sector, Financial Evaluation.

INTRODUCTION:

The key to opening up production and merchandise options is finance. In order to use the assets in the creation of money, the organization's overall financial health and the effectiveness of its financial decisions are critical. For businesses of all sizes to stay in operation and accomplish their objectives, funding is necessary. It is appropriately recognized as the company's ancestry when it comes to expanding their capabilities and financial expansion. An essential step in identifying a company's strengths and weaknesses and projecting both its short- and long-term growth is analysing its financial performance. The banking industry is essential to the growth of the Indian economy since it provides the necessary financial inputs. They're regarded as the foundation of our economy.

OBJECTIVE OF THE STUDY:

The following objectives of the study are:

- To evaluate the financial performance of the HDFC Bank Private Ltd.
- To provide information with relevance to the operating, investing and financing activities.
- To assess the financial stability of the bank.

REVIEW OF LITERATURE:

- **Singh Fulbag et.al. (2008)** in their study on "Housing Finance in India A Case Study of LIC Housing Finance Limited" stated that the main objective of the bank is to promote and establish the housing financial institutions in the country as well as to provide refinance facilities to housing finance corporations and scheduled commercial banks. Moreover, for the salaried section, the tax rebates on housing loans have been introduced. The paper is based on the case study of LIC Housing Finance Ltd., which analyses region-wise disbursements of individual house loans their portfolio amounts and the defaults for the last ten years, i.e., from 1995-96 to 2004-05 by working out. relevant ratios in terms of percentage and the compound annual growth rates.
- **Rajendran P (2019)** analysed the performance of HDFC Bank. Researcher explained about HDFC bank's history. Current ratio, cash position ratio, Debt equity ratio, proprietary ratio was good. The study finds that part of the working capital of the bank was financed by long-term funds. Researcher concluded with a result as HDFC Bank was the largest private sector in India and its financial performance was strong during the period study.
- **Nandini Thakuelr (2020)** The study is conducted on financial statement analyses HDFC Bank with the time period of 2013-2018. The tools used in this study were ratio analysis, cash and fund flow analyses. The objective is to measure the efficiency of Various properties of bank.

Researchers find that bank's financial performance was Strong and suggested to providing more housing loans to the development of the citizen Of India.

- **S. Muruganantham and S. K. Nerdish (2021)** A study on financial performance analysis of HDFC Ltd analysed financial performance through ratio analysis and examined the financial position with the use of different ratios. The objectives of the study are to study the growth aspect of HDFC bank and measure its financial results. The study has been made on various aspects of the bank like interest, loans, assets, expenses, deposits, etc. The findings of the study reveals that the bank has minority issues in managing the deposits and all aspects are going well.
- **Shewta Yadav, Jonghag Jang (2021)** The objective of the study is to investigate the impact on the financial performance of HDFC Bank before and after the merger by CAMEL Analysis. The period of the study includes five-year prior merger (2003-2008) and five year of post-merger period (2009-2014). The study states that the performance of HDFC Bank is increase dafter the merger.

ABOUT HDFC BANK PRIVATE LTD:

HDFC Bank Limited, a financial services organization based in Mumbai, India, is currently ranked seventh in the world by market capitalization and is the largest private sector bank in India in terms of assets. It is considered a Domestic Systemically Important Bank (D-SIB) by the Reserve Bank of India due to its substantial operations. The bank was established in August 1994 and commenced operations in January 1995 after receiving clearance from the RBI. With a market valuation of $150 billion, HDFC Bank is the third largest company listed on Indian stock exchanges and employs approximately 173,000 workers, making it the fifteenth largest employer in India.

The bank's headquarters are located in Mumbai, it has a distribution network of 8,036 branches across 3,836 cities. It serves customers in India through various delivery methods such as SMS-based banking, phone banking, net banking, and mobile banking. In terms of its development strategies, HDFC Bank aims to have a strong base of retail customers for loan products and deposits, while also ensuring a presence in major industrial and commercial hubs where its corporate clientele are located. The bank also acts as a clearing and settlement bank for several prominent stock exchanges and has branches in areas with significant membership bases for the NSE and BSE.

HDFC Bank has its roots in HDFC Ltd., which was founded in response to the late Shri. HT Parekh's vision in 1977. Shri. Parekh, who received the Padma Bhushan award, believed that millions of middle-class Indians should be able to buy homes without waiting until retirement. This vision led to the establishment of HDFC Ltd., which pioneered the home finance sector in India and was built on principles of honesty, transparency, and expertise. Following in his father's footsteps, Mr. Deepak Parekh, Chairman of HDFC Ltd. and also a recipient of the Padma Bhushan, not only elevated HDFC in the mortgage industry but also transformed it into the leading financial services company in India. Beyond home finance, HDFC Ltd. operates in various areas including banking, asset management, life insurance, general insurance, real estate venture funds, education loans, and education.

HDFC Bank's parent company, Housing Development Finance Corporation, invested ₹10 billion in Yes Bank in March 2020, with 75% of the investment locked in for three years. Yes Bank issued 100 crore shares to HDFC Bank, representing 7.97% of its post-issue equity share capital. In 2000, HDFC Bank merged with Times Bank, acquired Centurion Bank of Punjab in 2008, and purchased a 9.99% share in FERBINE in 2021.

HDFC Bank, a leading global bank, announced its merger with Housing Development Finance Corporation in April 2022, making it the fourth-largest bank globally. The merger transferred HDFC's home loan portfolio to HDFC Bank, offering depositors the option to renew or withdraw funds. As of March 31, 2023, HDFC Bank had an approved share capital of ₹650 crore and a paid-up share capital of ₹5,57,97,42,786. The bank has 22,90,092 shareholders, with 26.30% being foreign institutional investors.

TOOLS USED FOR FINANCIAL ANALYSIS

The following tools are used in order to ascertain the findings and provide suggestions from the from the respective Balance sheet, Profit and Loss and Cash flow statement.

They are:

- Ratio analysis
- Comparative Balance sheet statement analysis
- Cash flow statement analysis

RATIO ANALYSIS

A financial ratio, commonly used in accounting, shows the relationship between two numbers from a company's financial statements. These ratios are crucial for assessing the financial health of a business, and they are employed by managers, shareholders, creditors, and financial analysts to analyse and compare different companies. In some cases, the market price of a business's shares is also considered in these ratios.

TYPES OF RATIO ANALYSIS

- Liquidity ratio
- Solvency ratio

TYPES OF LIQUIDITY RATIO

The liquidity ratio can be classified into:

- Current ratio
- Liquid ratio
- Cash position ratio

CURRENT RATIO

Under liquidity ratio, the current ratio is used to assesses a company's capacity to settle the short-term debt or bills that are due within a year.

FORMULA

$$\text{CURRENT RATIO} = \frac{\text{CURRENT ASSET}}{\text{CURRENT LIABILITIES}}$$

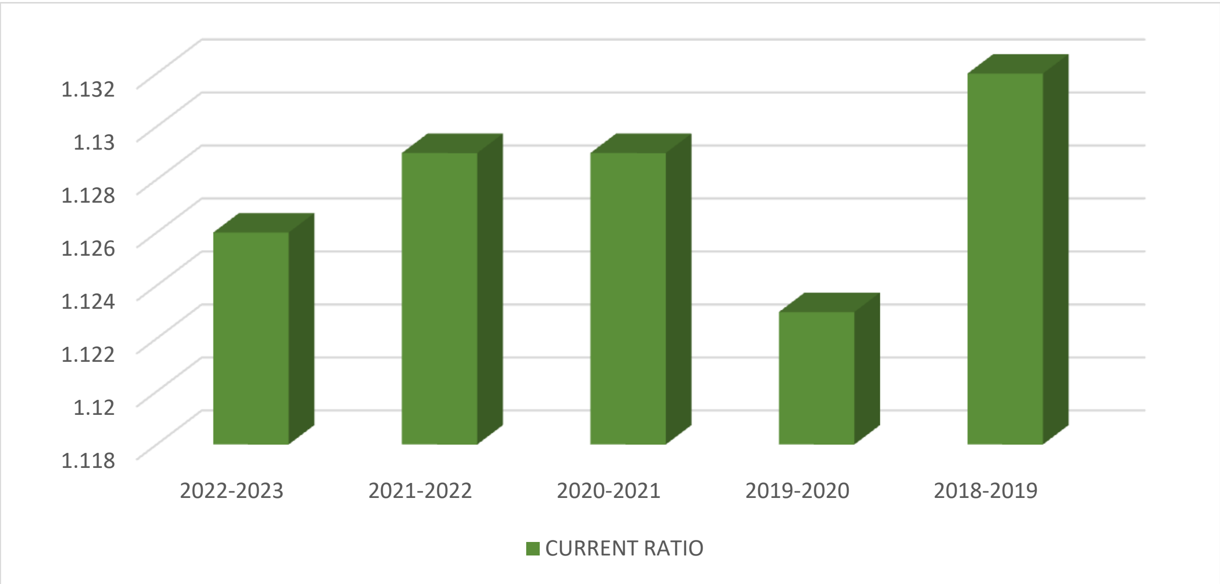
TABLE SHOWING CURRENT RATIO

YEAR	CURRENT ASSET	CURRENT LIABILITY	CURRENT RATIO
2022-2023	25,22,001.09	22,40,134.65	1.126
2021-2022	21,16,502.23	18,74,887.72	1.129
2020-2021	17,94,407.08	15,89,063.70	1.129
2019-2020	15,76,203.58	14,03,895.08	1.123
2018-2019	12,88,585.87	11,38,631.26	1.132

INTERPRETATION

- The above table represent the level of current ratio for the year 2019-2023.
- From the above mentioned, the level of current ratio in the year 2019-2020 is significantly low and the level of current ratio for the year 2018-2019 is recorded to be the highest.
- Since the level of current ratio for the five years are more than 1, it concludes to say that the bank can meet its liabilities through its current assets

CHART SHOWING CURRENT RATIO



SOLVENCY RATIO

A solvency ratio looks at a business's capacity to pay off its long-term debts. Both potential bond investors and lenders frequently use solvency ratios to assess a business's creditworthiness.

TYPES OF SOLVENCY RATIO

Solvency ratio can be classified into:

- Debt-to-assets ratio
- Proprietary ratio or equity ratio
- Debt-to-equity ratio
- Interest coverage ratio

PROPRIETARY RATIO

The ratio known as a proprietary ratio is used to illustrate the connection between the owners' total asset holdings and the amount they invest in the business. Stated differently, the proprietary ratio quantifies the amount of assets financed by the owner's personal cash.

FORMULA

$$\textbf{PROPRIETARY RATIO} = \frac{\textbf{SHAREHOLDER'S EQUITY}}{\textbf{TOTAL ASSET}}$$

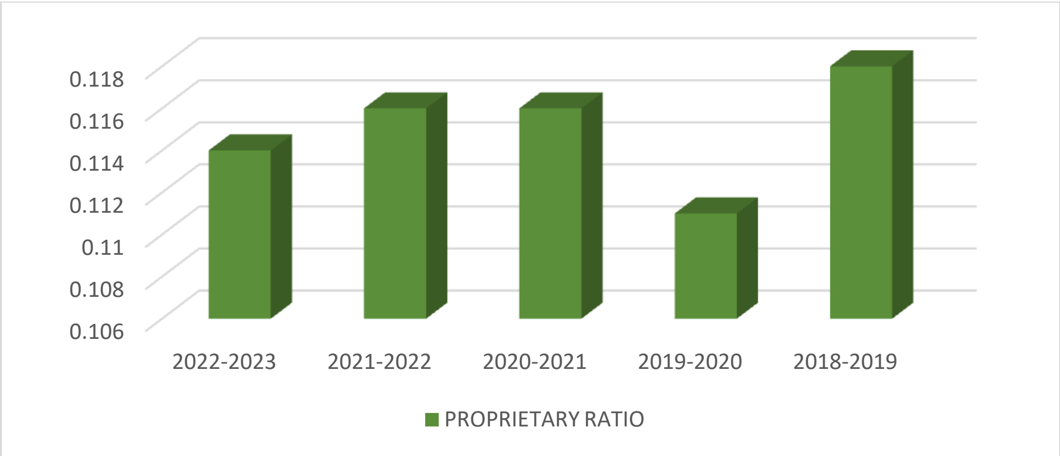
TABLE SHOWING PROPRIETARY RATIO

YEAR	SHAREHOLDER'S EQUITY	TOTAL ASSETS	PROPRIETARY RATIO
2022-2023	2,88,879.55	25,30,432.43	0.114
2021-2022	2,46,771.62	21,22,934.30	0.116
2020-2021	2,09,258.91	17,99,506.64	0.116
2019-2020	1,75,810.38	15,80,830.44	0.111
2018-2019	1,53,128.00	12,92,805.71	0.118

INTERPRETATION

- The above table represent the level of proprietary ratio for the year 2019-2023.
- From the above mentioned, the level of proprietary ratio in the year 2019-2020 is moderately low and the level of proprietary ratio for the year 2018-2019 is recorded to be the highest.
- Since the level of proprietary ratio for the five years are less than 0.5, it concludes to say that the bank's equities contribute less than 50% of its total assets, this can lead to facing many issues at the time of interest rate rising.

CHART SHOWING PROPRIETARY RATIO



FINDINGS

LIQUIDITY RATIO

- The level of current ratio in the year 2019-2020 is significantly low and the level of current ratio for the year 2018-2019 is recorded to be the highest.
- Since the level of current ratio for the five years are more than 1, it concludes to say that the bank can meet its liabilities through its current assets with less of risk.

SOLVENCY RATIO

- The level of proprietary ratio in the year 2019-2020 is moderately low and the level of proprietary ratio for the year 2018-2019 is recorded to be the highest.
- Since the level of proprietary ratio for the five years are less than 0.5, it concludes to say that the bank's equities contribute less than 50% of its total assets, this can lead to facing many issues at the time of interest rate rising.

SUGGESTIONS

- Facilitation of current assets to assist in meeting up short-term debt obligations, even though the current ratio for a bank indicating 1 is considered to be good with lesser risk.
- Boost up of liquid assets that can be easily converted to cash to satisfy the expectations of meeting its current liabilities.
- Proper analyzation and forecasting of cash flow in order to reduce the notion of insufficient cash situation.
- Raising up of the HDFC Bank's equities so as to contribute more than 50% of its assets which indicates the strong position and provides relief to its creditors.

CONCLUSION

The conclusion of the financial analysis of the HDFC Bank Private Ltd represents the overall financial performance and achievement is adequate and fully acceptable. Over the period of five years taken into account that also takes consideration of the Covid phase, where the even most top banks had been declined. The HDFC Bank held on, letting it down only a decline of 3%. The bank holds a respectable position in its financial level but it might need to give attention to its conservation of cash and need to focus on proper maintenance of assets. Otherwise, the bank's conducting is satisfactory and well kept.

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