Project Dissertation Report on

FUNDAMENTAL AND TECHNICAL ANALYSIS OF HDFC BANK

Submitted by

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CERTIFICATE

This is to certify that the work titled **'Fundamental and Technical Analysis of HDFC Bank'** as part of the final year Major Research Project submitted by Riya Goel in the 4th Semester of MBA, Delhi School of Management, Delhi Technological University during January-May 2022 is her original work and has not been submitted anywhere else for the award of any credits/ degree whatsoever to the best of our knowledge.

The project is submitted to Delhi School of Management, Delhi Technological University in partial fulfillment of the requirement for the award of the degree of Master of Business Administration.

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DECLARATION

I hereby declare that the work titled **'Fundamental and Technical Analysis of HDFC Bank'** as part of the final year Major Research Project submitted by me in the 4th Semester of MBA, Delhi School of Management, Delhi Technological University, during January-May 2022 under the guidance of Prof. P.K. Suri is my original work and has not been submitted anywhere else.

The report has been written by me in my own words and not copied from elsewhere. Anything that appears in this report which is not my original work has been duly and appropriately referred/ cited/ acknowledged.

Riya Goel

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I am highly indebted to Delhi School of Management, Delhi Technological University for giving me an opportunity to work on this project. Lastly, I would like to express my gratitude to all the honorable faculty members for sharing their experience and expertise on this project.

I have put all my efforts to ensure that the project is completed in the best possible manner and also ensured that the project is error-free.

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EXECUTIVE SUMMARY

Financial performance is the process of determining how well a corporation uses its assets from its principal method of operation to generate revenue. The Housing Development Finance Corporation was one of the first banks to get Reserve Bank of India's 'in principle' clearance to open a private sector bank. The bank now has an impressive branch network of over 4,805 locations across India.

The study analyzed HDFC's secondary data for five years, with the main goal of determining the bank's performance ratios, which can be useful in determining the bank's growth prospects. For the analysis, different techniques such as the Return on Assets ratio, Net Interest Margin, and other performance ratios were employed. The major goal of this research is to use ratio analysis to assess the HDFC bank's capital sufficiency, asset quality, management efficiency, earnings, and liquidity. The focus of this research is on analysis. Annual reports, websites, books, journals, and magazines are all sources of secondary data. The research spans five years, from 2018 to 2022.

The aim of this study is to see if HDFC BANK is functioning well year after year or if it is falling short. Financial Analysis of Bank Financial Statements can be utilized to assess performance. The goal of this project is to assess HDFC BANK's performance. Its main goal is to learn about the numerous aspects that can aid in the evaluation process. It has been attempted to figure out why it's missing or what's causing it. It has been also tried to identify scope for improvement. The ideas demonstrate that the bank is generating adequate money and profits, but its efficiency in creating profits is restricted. Finally, the Bank is doing well in terms of revenue, which is acceptable.

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INTRODUCTION

1.1 Background

1.1.1 About the Financial Performance Analysis

Financial performance analysis is the process of accurately establishing the relationship between the balance sheet and profit and loss account components in order to determine a company's financial strengths and weaknesses. It also aids with short- and long-term forecasting, as well as growth discovery, by employing various financial methodologies in financial performance analysis.

Financial statement analysis is the process of assessing and analyzing a company's financial statements in order to make better economic decisions (or financial analysis).

Credit and equity investors, the government, the general public, and internal decision-makers are among the people who utilize it. These stakeholders have a wide range of interests and employ a wide range of tactics to meet their objectives. For example, stock investors are concerned about the company's long-term earnings prospects, as well as the dividend payments' sustainability and growth. Creditors want to know that the company's debt securities (such as bonds) are paid on schedule.

Historical data may be used with a set of assumptions and changes in financial data to anticipate future performance.

The financial strength and weaknesses of a bank, as well as the relationship between the balance sheet and income statement, are all factors in its financial success.

In today's world, banking plays a critical role in the growth and development of rising economies like India. Banks manage India's whole monetary and financial system to ensure smooth functioning. It serves as a lifeline for all of the country's sectors, supporting and stimulating growth. Bank growth is measured by the number of bank branches, deposits, credit, and other indicators in the banking business. When examining and researching a country's banking sector, it reveals the economy's trajectory within the limits of the liberalisation and globalisation process.

India's economic reforms began in the early 1990s, but the consequences are only now starting to show. Only with the advent of LPG did major changes in the way banks work in India (liberalization, globalisation and privatization).

The process of assessing how successfully a company uses its assets to produce money from its primary manner of operation is known as financial performance. It also evaluates an organization's long-term financial health. This approach was used to calculate a bank's long-term and short-term growth. There are several ways for evaluating data, but in this study, the researcher opted to use ratio analysis. This study is also helpful in identifying the bank's credit quality and assessing its competitive position.

1.1.2 About Technical Analysis

The two basic techniques to security analysis are fundamental analysis and technical analysis. Technical analysis is typically employed in addition to, rather than in instead of, fundamental analysis. Fundamental analysis anticipates stock values based on an examination of the economy, industry, and firm. A risk return framework based on earning capability and the economic climate is used to determine the stock value. However, according to technical analysis, the price of stock is determined by market demand and supply. It bears little resemblance to the intrinsic value. A stock's market price already reflects all of its financial data and market information. Technical analysis has developed tools and methodologies for analyzing historical trends and forecasting future market movements. Technical analysis is primarily concerned with the study of markets.

Technical analysis examines the technical qualities that might be expected at market turning points and assesses them objectively. Previous market tops and bottoms are investigated in order to identify certain characteristics that will aid in the identification of big market tops and bottoms. Human reactions are generally constant in similar, if not identical, reactions; the technician uses his different instruments to attempt to correctly detect and exploit variations in trend.

The primary purpose of technical analysis is to predict the price of securities. As a result, technical analysis presents a simple and comprehensive picture of what's going on with a security's price. It provides the broad contour of the entire scenario, much like a shadow or reflection, and it truly works in practice.

Certain assumptions of technical analysis are:

1. The interaction of demand and supply forces acting in the market determines the market value of a security.

2. A security's demand and supply elements are surrounded by a plethora of factors that are both rational and irrational.

3. Historical pricing trends influence current trends, and an analysis of past price trends can be used to forecast future trends.

4. With the exception of slight changes, stock prices tend to move in predictable patterns that last a long period.

5. A movement in demand and supply factors causes changes in stock price trends.

6. Changes in demand and supply, regardless of when or why they occur, can be observed using charts designed specifically to display market activity.

7. Chart trends have a tendency to repeat themselves. Patterns projected by charts record price fluctuations, and technical analysis uses these patterns to make predictions about future patterns.

As a result, technical and fundamental analysis uses very different methods to valuation. However, in fact, a sensible blend of both of these approaches is usually employed to achieve superior results.

1.1.3 Moving Average Analysis

One of the most versatile and extensively utilized technical analysis indicators is moving averages. Because of its simplicity, it is quite popular among traders. In statistics, a moving average is effectively the mean of a set of data. These data are often reported as stock closing prices for various days in technical analysis. Moving averages, on the other hand, can be calculated on a shorter time period, such as using daily or minute data.

A moving average is a trend-following indicator. Its purpose is to recognize the start of a trend, follow its progress, and keep track of any trend reversals. Unlike charting, moving averages do not indicate when a trend will begin or finish. They only confirm it once the reversal has taken place. It stems from the fact that these indicators are entirely based on historical data. The faster a moving average can detect a trend's reversal, the fewer days it has. The average is greatly impacted by the enormous amount of previous data.

A 20-day moving average generates an indicator of a trend reversal sooner than a 50-day moving average.

Many traders employ a combination of many moving averages, each of which must provide a signal at the same time before a trader may enter the market.

1.1.4 About the Indian Banking Industry

The banking business is the lifeblood of any contemporary economy. The handling of a country's trade, industrial, and farm finance requirements with more dedication and responsibility is vital for its economic success. As a result, the growth of banking is intrinsically linked to a country's success. Banks should be considered as development leaders rather than money merchants in today's economy. Many sectors of the economy rely on them for deposit mobilization and credit distribution.

The financial system reflects the state of the country's economy. The financial system, which is based on a healthy and solvent banking system, determines the economy's strength and efficiency. A sound banking system successfully deployed capital in productive sectors, whereas a solvent banking system ensures the bank's ability to meet its depositors' commitments.

Since India's independence, banks have played a crucial role in the country's socioeconomic growth. The banking industry dominates in India, accounting for more than half of the country's financial assets. As a result of financial sector changes that are being implemented in phases, Indian banks have been witnessing a fascinating time of rapid transition.

India's banking sector has a total asset value of roughly US$ 270 billion (IBEF Website, https://www.ibef.org/industry/banking-india). The overall amount of deposits is close to US$ 220 billion (IBEF Website, https://www.ibef.org/industry/banking-india). India's financial industry is now growing at a rate of roughly 8.5% (IBEF Website, https://www.ibef.org/industry/banking-india) each year.

The increase in the growth rate indicates that the economy is expanding. Financial and monetary policies are capable of maintaining a steady growth rate.

In the Indian banking sector, innovative banking concepts such as payments and small financing banks have recently been implemented. The Reserve Bank of India's new policies may go a long way toward assisting the local banking system's reform.

In the Faster Payments Innovation Index, India's digital payments system has evolved the most among 25 countries, with India's Immediate Payment Service (IMPS) ranked fifth (FPII).

The total number of ATMs in India as of September 2021 was 213,145 (IBEF Website, https://www.ibef.org/industry/banking-india), with 47.5% located in rural and semi-urban regions.

Bank assets rose across all sectors from FY18 to FY21. In FY21, total banking assets (including both public and private sector banks) grew to US$ 2.48 trillion (IBEF Website, https://www.ibef.org/industry/banking-india).

The public and private banking sectors had total assets of US$ 1,602.65 billion and US$ 878.56 billion, respectively, in FY21. (IBEF Website, https://www.ibef.org/industry/banking-india)

Bank credit rose at a CAGR of 0.29% from FY16 to FY21. Total credit provided in FY21 was US$ 1,487.60 billion (IBEF Website, https://www.ibef.org/industry/banking-india). Deposits climbed at a CAGR of 12.38% from FY16 to FY21, reaching US$ 2.06 trillion in FY21. As of December 31, 2021, bank deposits totaled Rs. 162.41 trillion (IBEF Website, https://www.ibef.org/industry/banking-india).

According to India Ratings & Research (Ind-Ra), credit growth will reach 10% in 2022-23, marking the first time in eight years that credit would rise in double digits. On December 31, 2021, bank credit was at Rs. 116.8 lakh crore (US$ 1.56 trillion)(IBEF Website, https://www.ibef.org/industry/banking-india), according to the Reserve Bank of India.

Fig 1.1 –Growth in deposits (US $ billion)

Growth in Deposits (US$ billion)

1,149.19	1,180.19	1,347.18	1,400.03	1,936.29	2,060.31	2,101.93
FY16	FY17	FY18	FY19	FY20	FY21	FY22*

Source – IBEF Website, https://www.ibef.org/industry/banking-india
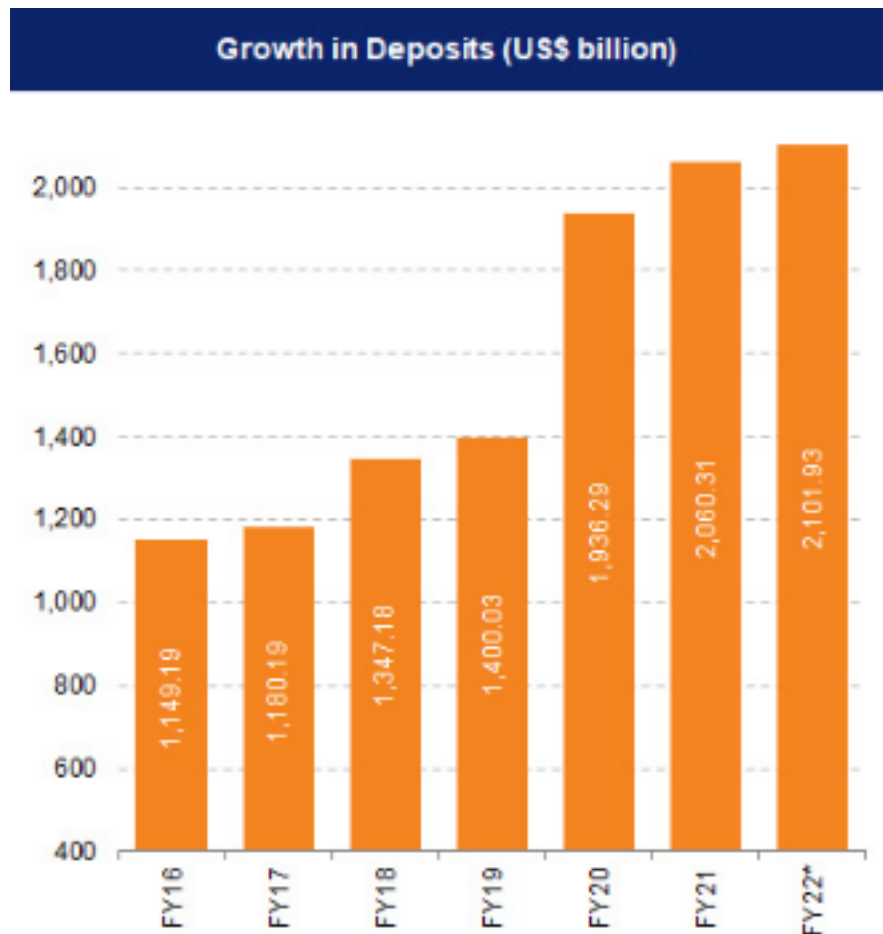
The banking sector is expected to benefit from increased infrastructure spending, faster project execution, and the continuation of reforms. All of these factors lead to a bright future for India's banking sector, as rapidly expanding businesses would seek financial assistance from banks. Furthermore, technological improvements have pushed mobile and internet banking to the front of the pack. To improve the whole customer experience and provide banks a competitive edge, the banking sector is focusing more on providing better services to clients and updating its digital infrastructure.

Housing Development Finance Corporation Limited (HDFC) was one of the first banks in India to get 'in-principle' clearance from the Reserve Bank of India to open a private sector bank during the liberalisation of the banking system. In August 1994, HDFC India, formerly known as 'HDFC Bank Limited,' was established. As a Scheduled Commercial Bank, HDFC India commenced operations in January 1995.

It has gathered massive assets and a market capitalization since its inception, paving the road for its growth. Mr. Sashidhar Jagdishan is the current chairman.

HDFC Bank has grown to become one of India's most well-known financial companies. It is a private bank that provides local and international banking and investment banking services. Mr. Hasmukhbhai Parekh was in charge when it was founded.

It has succeeded in living up to its objective and is now the most successful bank in the world. The bank's achievements and distinctions in India and throughout the world speak for itself. It is known for providing exceptional customer service, revolutionizing the financial industry, and ensuring long-term survival. The bank sells a wide range of products. Apart from that, it has organized a number of initiatives and undertaken activities targeted at bettering society.

HDFC India offers a wide range of services, including home loans, conventional life insurance, mutual funds, stocks, and credit cards. Apart from Mumbai, HDFC has offices in all of India's main cities, including Calcutta, Chennai, Delhi, Bangalore, Hyderabad, and Ahmedabad.

The following are the primary services offered by HDFC Bank:

1. Retail Banking (Loan Products, Deposits, Insurance, Cards, Demat services, etc.)
2. Banking for wholesalers (Commercial Banking. Investment Banking, etc.)
3. Treasury Department (Forex, Debt Securities, Asset Liability Management)

Certain organizational Goals of HDFC Bank are stated below.

1. Establish strong ties with particular homes.
2. Retain its position as the country's leading home financing organization.
3. Turn ideas into practical and innovative solutions.
4. Ensure that stockholders receive consistently good returns.
5. By diversifying and capitalizing on existing client relationships.

Below mentioned is the shareholding pattern of HDFC BANK Ltd.:

1. The bank's promoters own 26% of the stock, which has remained almost unchanged for several quarters. The promoter ownership was 26.18% in the December quarter of the previous year. The little drop is attributable only to Aditya Puri's retirement and subsequent sale of a few shares for post-retirement financing, as he indicated.
2. FIIs possess 39.95% of the bank's stock, which has been steadily rising for years. In the investing community, HDFC Bank has been a hot stock.
3. As of December Quarter 2020, DIIs control 21.70% of the stock. Although it is lower than the year-ago quarter (22.90%), it is still much higher than the previous quarter (21.07).
4. As of December Q2020, the public holding in HDFC bank was 12.95%, down from 14.83% the previous quarter as FIIs increased their stake, as seen by rising share prices.

Table 1.1 – Shareholding pattern of HDFC Bank (in %)

Holder's Name	% shareholding
Promoters	26
FIIs	39.95
DIIs	21.70
Public	12.95

Source – Own Creation

Fig 1.2 – Pie Chart showing the Shareholding pattern of HDFC Bank

■ Promoters	
■ FIIs	
■ DIIs	
■ Public	
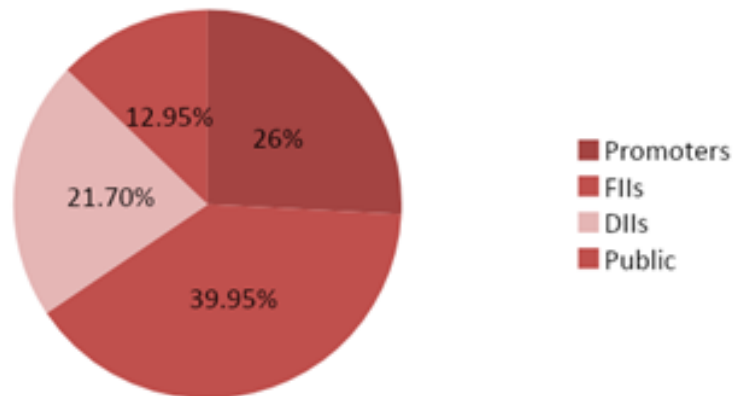
Source – Own Creation

HDFC's main purpose is to grow the country's residential housing stock by providing housing finance in a systematic and professional way and encouraging home ownership. Another objective is to link the home financing sector with the rest of the domestic financial markets in order to increase the flow of funds into the housing business.

HDFC Bank's goal is to become a world-class Indian bank. The aim is to build strong client franchises in a variety of industries so that the bank may become the preferred provider of banking services for target retail and wholesale customer groups, while also delivering healthy profit growth in accordance with the bank's risk appetite. The four major values that govern HDFC Bank's business strategy are operational excellence, customer focus, product leadership, and people.

Its principal goal was to become every investor's first choice in every aspect of bank services. Its second goal was to increase bank assets by a significant amount. It's no surprise that it had achieved all of its business goals and continued to provide excellent service to the new customer. The bank continues to win the hearts and minds of all investors and current clients.

1.2 Problem Statement

The number of banking facilities is growing all the time; however there are few studies and researches on these private banks. Only public sector banks existed in the nation before to privatization; however, private sector banks began to develop following privatization, and several banks failed due to a lack of study among their difficulties, no change in trends, and poor loans. Even yet, many banks are still operating effectively throughout the country. Only when banks have appropriate financial statements can their financial performance be consistent. The HDFC Bank provides a variety of consumer advantages that assist the bank acquire new customers more quickly. This research shows everything about HDFC Bank's financial performance analysis using the previous five years' financial statements, as well as the conclusions about bank expansion, deposits, loan lending, and credit expansion for businesses and other people.

1.3 Objectives of the study

1. To assess the financial performance of HDFC Bank.
2. To examine the bank's financial and performance analyses utilizing various ratios.
3. To research and analyze HDFC Ltd.'s financial performance over a five-year period, from 2018 to 2022
4. To investigate HDFC Bank's development prospects.
5. To make recommendations those are based on the study's findings.
6. To know about the profitability, solvency and growth of the business.

1.4 Scope of Study

1. To investigate HDFC Bank's financial performance.
2. To have a better understanding of the bank's total profitability.
3. Determine the HDFC bank's liquidity status and long-term financial performance.
4. This research aids in analyzing HDFC Bank's financial performance from 2018 to 2022 and making recommendations to its investors.

Chapter – 2

LITERATURE REVIEW

A literature review is an overview of relevant literature in a particular subject or topic. It gives a summary of what has been stated, who the key authors are, what concepts and hypotheses are popular, what questions are being asked, and what techniques and methodology are acceptable and valuable. As a result, it is a report on other discoveries rather than primary study in and of itself. A literature review can be strictly descriptive, as in an annotated bibliography, or it can be a critical appraisal of the literature in a certain topic, pointing out flaws and gaps, comparing writers' viewpoints, or asking concerns. This type of review will not only provide a summary, but will also examine and demonstrate relationships between various items, allowing major themes to emerge.

This chapter seeks to give a broad overview of the relevant literature for this research. Certain themes identified are about the different bank's financial performance, comparative analysis of banks, HDFC Bank's financial position, techniques utilized to measure the profitability and solvency of banks.

There is a lot of literature on marketing banking services. However, these efforts are of a broad type, demonstrating primarily government policies and dedication to the running of banks. However, just a few of the studies are discussed here because they provide clear support for the current research. The purpose of this study is to find out the current position of HDFC Bank in the market.

Below are the different research paper studied:

Bangaru Pushpalatha (2020) analyzed the State Bank of India's financial accounts. The goals are to look at SBI's asset and liability portfolio. The investigation was confined to a period of seven years, from 2011 to 2017. To establish the relative relevance of each variable, the researchers utilized the 'T' test. According to the survey, SBI has better management and financial efficiency. People also choose SBI for advance lending plans, according to the research.

The study is performed on financial statement analysis of HDFC bank for the time period of 2013-14 to 2017-18, says **Nandhini Thakur (2020).** This research included different analysis method with the aim to evaluate the efficiency of different bank properties. Researchers determined that the bank's financial performance was strong, and they recommended that more house loans be made available to help India's inhabitants flourish.

P Rajendran (2019) investigated HDFC Bank's performance. The researcher provided information on HDFC Bank's history. All of the financial ratios were above average, including the current ratio, cash position ratio, debt equity ratio, and proprietary ratio. The bank's operating capital was bolstered in part by long-term funds, according to the study. HDFC Bank was India's largest private sector bank, according to the researcher, and its financial performance was strong during the study period.

In their study, "Financial Performance of Indian Banking Sector: A Case Study of SBI and ICICI Bank", **Murad Mohammad Galif Al-Kaseasbah and Abdel KarimSalimIssaAlbkour (2018)** examine SBI and ICICI Bank's financial performance. During the research, it was discovered that while SBI documented a fluctuating pattern, ICICI failed to control an expanding tendency.

In terms of balance sheet ratios and debt coverage ratios, **K. Dinesh Kumar and G. Venugopal (2018)** discovered that ICICI Bank beat HDFC Bank. SBI and Kotak Mahindra Bank have done well in terms of profitability measures.

SuruchiSatsangiPrem Das Saini (2017) examined the Kotak Mahindra Bank-ING Vysya Bank merger's financial performance. Following mergers and acquisitions, the financial performance of KMB grew at a rapid rate, according to the study's results.

PriyankaJha (2017) looked examined the "Financial Performance of both public and private sector banks in India (Punjab National Bank and ICICI)". In comparison to ICICI Bank, the study believes that PNB has worse operational efficiency. ICICI Bank has outperformed PNB in terms of dividend pay-out ratio, debt-equity ratio, and interest spent to interest earned.

Vinoth Kumar and Bhawna Malhothra (2017) utilised the CAMEL technique to examine the "Performance and Financial Soundness of selected private sector banks in India from 2007 to 2017". According to the results of the CAMEL analysis, Axis Bank is ranked first, followed by ICICI Bank. The third place was taken by Kotak Mahindra Bank. Among all the selected banks, HDFC Bank is ranked fourth, and Induslndbank is ranked last.

A comparison assessment of financial performance of SBI and ICICI Bank in India was published by **Jaiswal and Jain (2016).** Using the CAMEL Model, this study analyses the financial performance of Indian banks. From 2010-11 to 2014-15, this research compares the financial performance of SBI and ICICI. In comparison to the ICICI, the writers claim that the SBI is functioning better. In compared to SBI Bank, ICICI Bank is performing well in terms of nonperforming assets (NPA) and provision for NPA.

The research paper, titled An empirical study of ICICI Bank's Financial Performance: A Comparative Analysis Focused on Operational Control, Profitability, and Solvency, by **Gupta (2014),** aimed to analyze and compare the financial performance of ICICI Bank and offer suggestions for improving the bank's efficiency. According to this analysis, ICICI Bank's nonperforming assets (NPAs) are greater than 1%. As a result, ICICI should keep an eye on NPAs.

Tirkeyi and Salem (2013) used ratio analysis to compare the financial statements of ICICI and HDFC. They looked at the financial status using various ratios. The financial situation of ICICI was shown to be significantly better than that of HDFC.

Kaur (2010) used the CAMEL technique to examine the commercial banks operating in India. He divided the banks into three categories in this study. The CAMEL analysis approach was utilised by the researcher to rate the banks. In this study, each CAMEL component was interpreted using two ratios, and a final composite index was created. A sample of 28 public sector, 26 private sector, and 28 foreign banks were utilised in this study, and the data used for the study was secondary in nature, acquired from statistics tables connected to Indian banks from fiscal years 2000-01 to 2006-07. It also determined that Jammu and Kashmir Bank was ranked top followed by HDFC Bank. It

was also found that Antwerp was ranked #1 among foreign sector banks, followed by JP Morgan Chase Bank.

During the years 2000-2007, **Uppal (2010)** investigated the scope of mobile banking in the Indian banking market. According to the report, ATMs are the most successful of all e-channels, whereas mobile banking only ranks 47th among public sector banks and old private sector banks. Mobile banking is excellent enough for new private sector banks and international banks, according to the survey, with over 50% of typical branches providing mobile banking services. According to the findings, foreign banks lead the way in delivering mobile banking services, followed by new private sector banks, and their efficiency is significantly higher than that of other banks. The study also included recommendations for efforts to improve mobile banking services.

Dangwal and Kapoor (2010): In addition, he conducted research on the financial performance of India's nationalized banks and evaluated the growth index value of key characteristics using overall profitability indicators. They discovered that four banks performed exceptionally well, five banks performed well, and six banks performed poorly. As a result, the performance of nationalized banks varies greatly.

Dr. S. Gurusamy (2009): The pension fund is one of the most important aspects in building a country's financial structure. The pension fund is a fund that helps to the growth of a country's social security services. The fund aids in the growth of a country's social security system. For the provision of retirement benefits, private businesses, governments, or unions create a fund. It is intended to help with poverty relief, consumption smoothing, and other issues. It serve a larger purpose than simply compensating faithful service in the past.

Gupta and Kaur (2008) used the CAMEL model to analyse the performance of Indian private sector banks, providing ratings to the top five and lowest five institutions. This study used the CAMEL framework to rate 20 existing and 10 new private sector banks. The financial data for the study spans five years, from 2003 to 2007. According to the CAMEL Model, HDFC was at the top of the list of all private sector banks in India. Gobal Trust Bank and Nedungradi Banks were also identified as having poor

management, according to the study. According to the findings, core banking, strong marketing methods, and a high degree of technology have helped emerging private sector banks gain a competitive advantage. It also recommends that banks focus on new financial assets, good service, and client loyalty in order to achieve perfection.

Vasant Desai (2007): The Reserve Bank of India plays a critical role in the Indian economy. The banker's bank is what it's called. RBI is in charge of all banks in the country. RBI is in charge of all commercial bank money creation. Because it is involved in the country's economic planning, the RBI performs all of the traditional tasks of a good central bank. The RBI's major role is to keep track of their credit. The Bank is required to keep the rupee's external value constant. Its primary role should be to govern the currency.

K.C. Sharma (2007): The technological era has arrived in banking. This is due to revisions enacted as part of the WTO's compliance requirements. Banks from the private sector have been given permission to build branches across the nation. These banks are either international or domestic banks that have international ties. Some of them were established by Development Financial Institutions in order to adopt the universal banking idea used in affluent nations. The private sector, on the other hand, has pioneered high-tech operations from the start, allowing the country's elite to sample the finest banking techniques seen in Western countries. They foresaw the digital world and the rising electronic industry, which prompted them to develop a better customer service strategy that would allow them to supply items according to the client's specifications.

Medhat Tarawneh (2006): Return on Assets (ROA) and the magnitude of the intended income are used to assess financial performance as a dependent variable. The size of banks, as measured by total assets, and asset management, as measured by asset utilization ratio, are the independent variables (Operating income divided by total assets) The operating efficiency ratio is a measure of operational efficiency (total operating expenses divided by net income).

According to **Manish Mittal and Arunna Dhademade (2005)**, better profitability is the single key criterion for evaluating banking sector performance from the perspective of shareholders. It is the banks' responsibility to establish a balance between business and social goals. They discovered that government-owned banks are less lucrative than private-owned banks. In terms of net profitability, foreign banks are at the top of the list. Because private sector banks offer more fee-based services to business houses or the corporate sector, they receive more non-interest revenue than public sector banks. Public sector banks must urgently supply such services in order to compete with private sector banks.

Chapter – 3

RESEARCH METHODOLOGY

As research is an academic activity, it should be utilized in its technical sense. It is, in truth, a journey of discovery. When the unexpected confronts us, we wonder, and our curiosity drives us to research and get a deep and complete understanding of the unfamiliar.

A research methodology is a way for methodically addressing and researching a research topic. We examine the many approaches a researcher might use to analyse a research topic, as well as the rationale that behind them.

During the research process, it refers to the procedures utilised to collect, assemble, and analyse data. It refers to the instruments that are used to acquire relevant data during a research study. Common research methods include surveys, questionnaires, and interviews.

Because this is an empirical study, the researcher used a scientific approach to develop the research technique. For this study, the researcher is relying on secondary data, such as the Annual Report, websites, and other forms of media as a source of information.

This is a quantitative analysis, which means it focuses on the HDFC Bank's financial statements for the last five years. This research is based on secondary information and annual reports obtained from bank websites. The ratio was used to examine the data, and the Bank's output for the sample period was easily clarified.

3.1 Research Approach

Research design is a statement of specific procedures and analysis of the information required to solve the mentioned problem. It provides a scientific framework for conducting research.

A descriptive research approach has been used in this study which helps in understanding the cause-and-effect relationship. And thus try to bring new insights to the topic with my analysis and conclusion and hope that it can contribute a new perspective for the readers.

3.2 Data Collection and Analysis

After the sample has been taken, the next step is to collect the data. As the data collected is based on what is planned aimed to find out, appropriate care should be taken to reduce errors in the collection of data. The factory availability of time, cost, and human involvement affect the reliability of the data collected.

This is a quantitative research, which means it focuses on HDFC Bank's financial statements for the last five years. This study relies on secondary data gathered from bank websites and yearly reports. The data is studied using ratio analysis, and the bank's performance during the study period is clearly described.

3.3 Ratios Used

To analyze the data acquired for the calculation of financial performance analysis, the following ratios were calculated:

1. Basic EPS (in Rs.)
2. Diluted EPS (in Rs.)
3. Book Value per Share (in Rs.)
4. Dividend per Share (in Rs.)
5. Net Interest Margin (in %)
6. Operating Profit Margin (in %)
7. Net Profit Margin (in %)
8. Return on Equity (in %)
9. Return on Capital Employed (in %)
10. Return on Assets (in %)
11. P/E Ratio
12. P/B Ratio
13. Capital Adequacy Ratio

Chapter – 4

ANALYSIS, FINDINGS & SUGGESTIONS

4.1 Ratio Analysis

Ratios are used by businesses as a point of comparison. They evaluate equities in a certain industry. Understanding the factors that influence ratios is vital in most circumstances since management has the ability to alter its strategy to improve stock and business ratios. Rather than being utilized alone, ratios are frequently utilized in conjunction with other ratios. Having a solid understanding of the ratios in each of the four categories above will provide you a holistic picture of the organization from several perspectives and help you spot potential red flags.

Ratio analysis, for better or worse, can predict a company's future success. Successful firms often have high ratios across the board, and even a smidgeon of weakness in one area can result in a significant stock sell-off.

Financial ratios are categorized based on their relevance to many aspects of a company's operations as well as their attractiveness to a wide range of consumers. Financial ratios are used internally by corporate management, current and future shareholders and creditors, and other audiences interested in understanding a firm's strengths and shortcomings, especially when compared to the company over time or to other companies.

1. Basic EPS
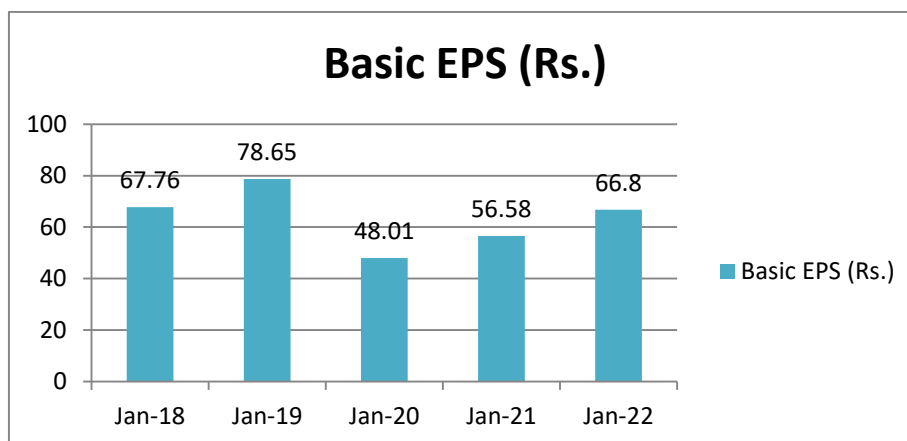
Basic EPS refers to the amount of profit that can be allocated to one share of a company's common stock.

Fig 4.1 – Trend line showing basic EPS
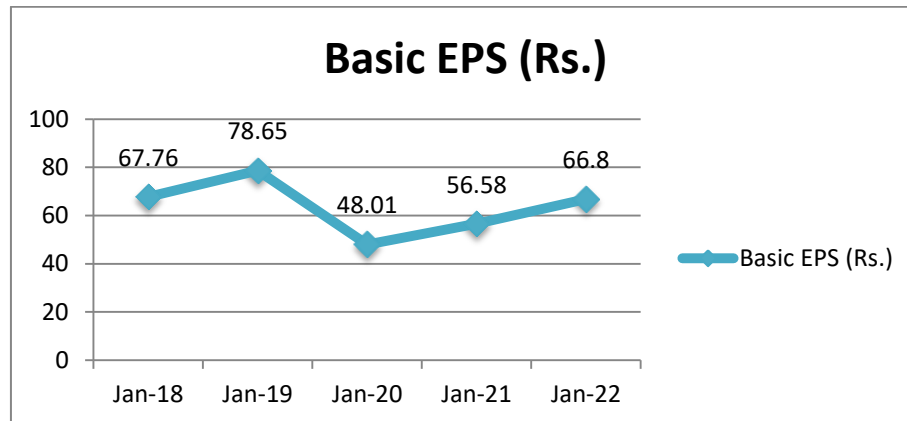
Basic EPS (Rs.)

Source – Own creation

Fig 4.2 – Bar graph showing basic EPS
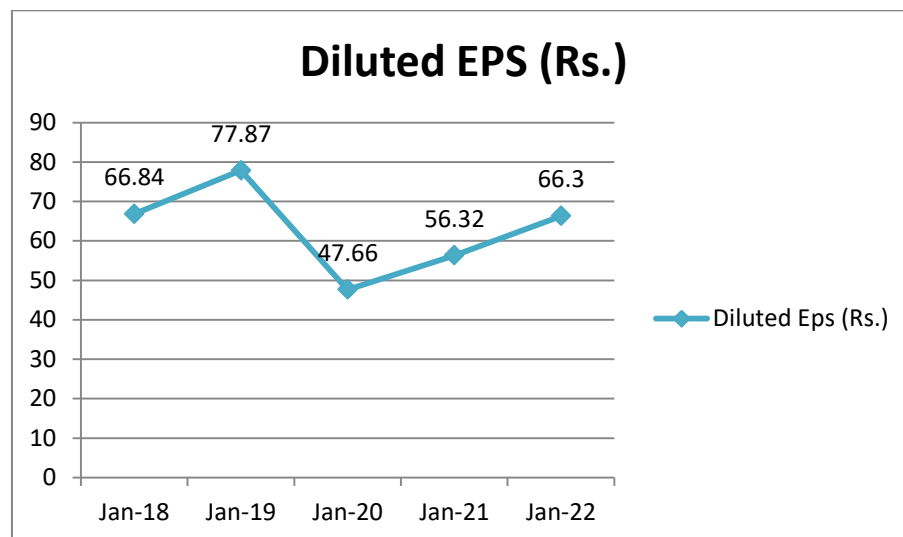

Basic EPS (Rs.)

Source – Own creation

Interpretation: It may be observed from the graph that basic EPS for the last five years have been less than the ideal rating of 80. It is increasing gradually from Jan 2020 to Jan 2022 which means HDFC Bank is earning profits to distribute to its shareholders.
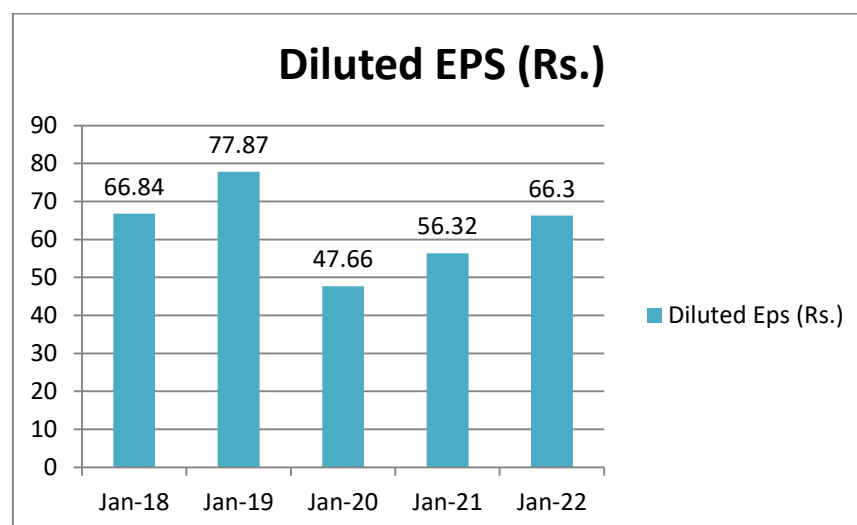
2. Diluted EPS

When all convertible instruments are exercised, diluted EPS is used to assess the quality of a company's EPS. Dilutive securities, such as options and warrants, are commonly outstanding and the higher share count renders the conversion dilutive because the conversion of options into shares will not provide any extra net income to the firm.

Fig 4.3 – Trend line showing diluted EPS

Source – Own creation
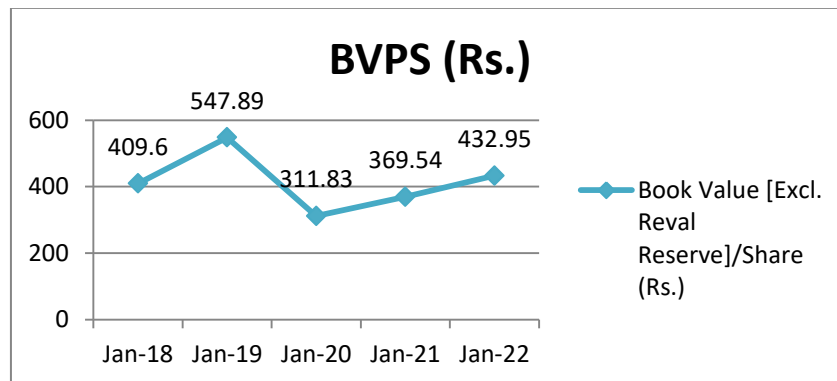
Fig 4.4 – Bar graph showing diluted EPS

Source – Own creation

Interpretation: It may be observed from the graph that the diluted EPS for each year is less than the basic EPS; this indicates that the bank is creating profits.
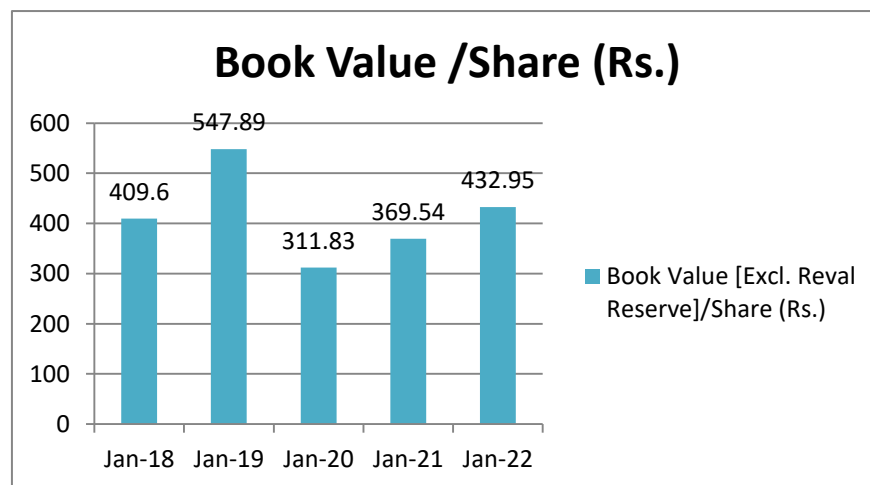
3. Book Value per Share

Fig 4.5 – Trend line showing BVPS

Source – Own creation

Fig 4.6 – Bar graph showing book value per share

Source – Own creation

Interpretation: The BVPS of HDFC Bank is less than its current stock price of INR 1372 (approx.). This indicates that the HDFC bank's stock price is overvalued.

4. Dividend per Share

The quantity of dividends a firm pays out is directly proportional to the shareholder's income, making DPS an important number for investors.

Fig 4.7 – Trend line showing dividend per share

Dividend/Share (Rs.)
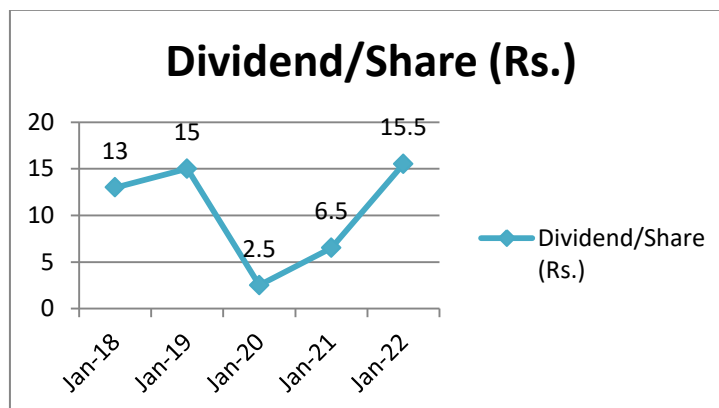
Source – Own creation

Fig 4.8 – Bar graph showing dividend per share

Dividend/Share (Rs.)
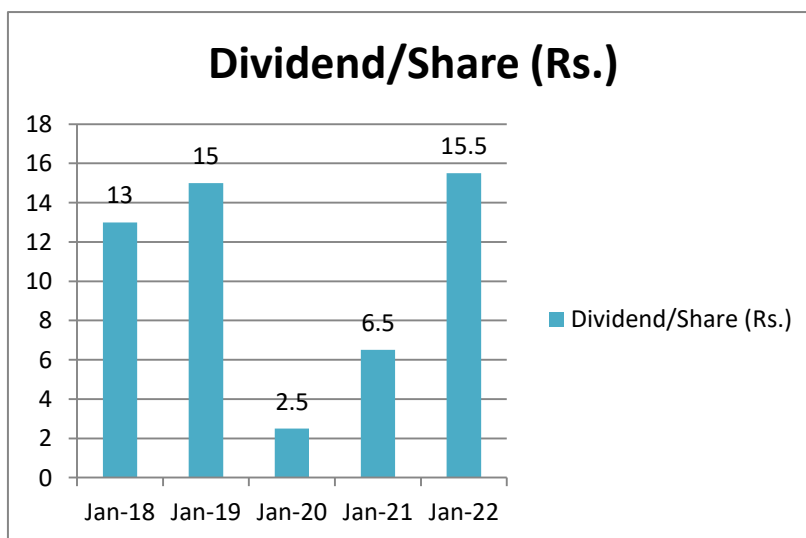
Source – Own creation

Interpretation: It may be observed from the graph that the DPS of each year is greater than 2 which is considered good as it highlights the strong financial conditions of the company.

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1. **Net Interest Margin**

Fig 4.9 – Trend line showing net interest margin
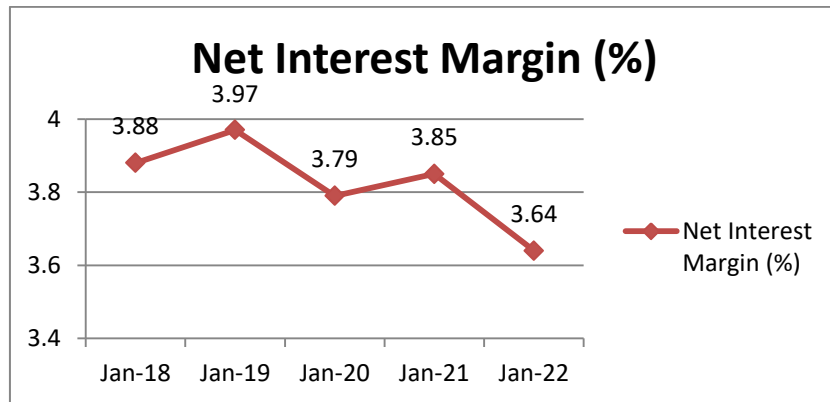
Source – Own creation

Fig 4.10 – Bar graph showing net interest margin
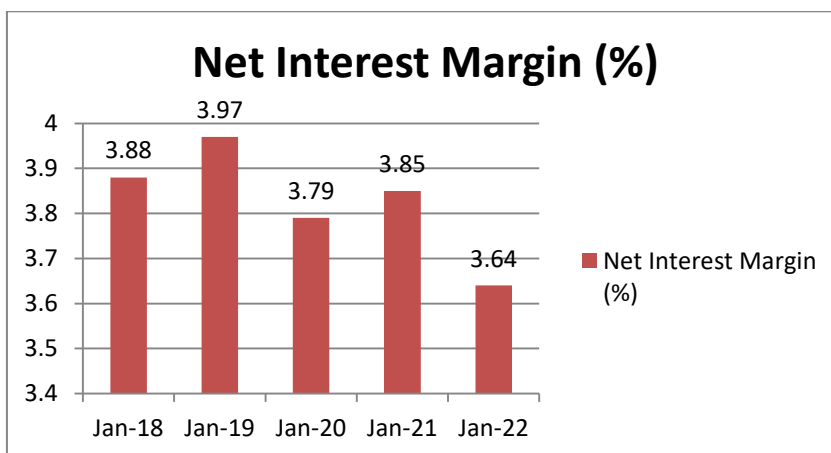
Source – Own creation

Interpretation: It may be observed from the graph that the net interest margin is positive for all the years indicative of a profitable firm.

2. Operating Profit Margin

Fig 4.11 – Trend line showing operating profit margin
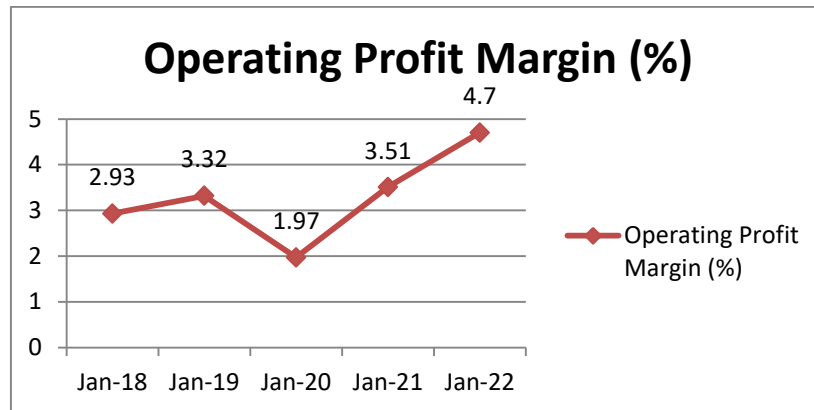
Source – Own creation

Fig 4.12 – Bar graph showing operating profit margin
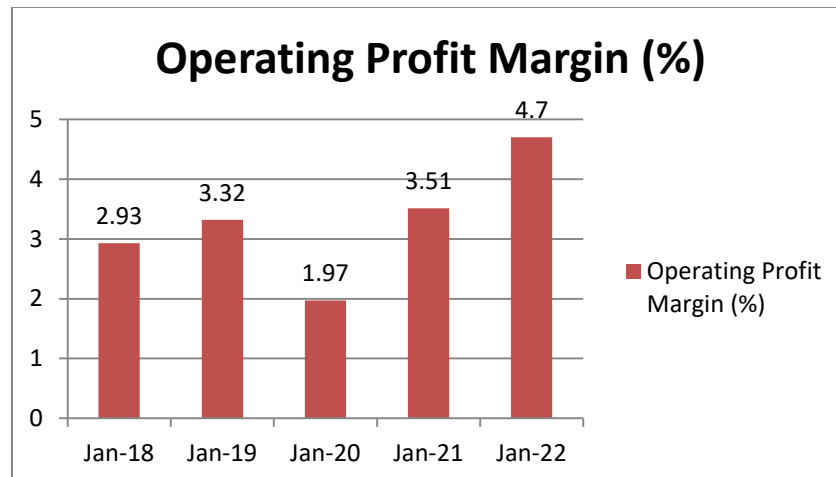
Source – Own creation

Interpretation: It may be observed from the graph that the OPM for each year is less than the ideal value of 15%. It indicates that the operating costs are too high leading to low profits.

3. Net Profit Margin

The NPM is a percentage of revenue that measures how much net income or profit is earned.

Fig 4.13 – Trend line showing NPM

NPM (%)
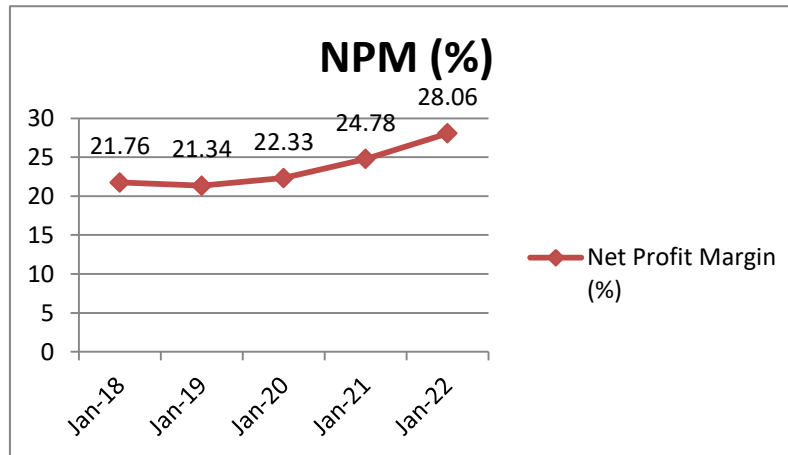
Source – Own creation

Fig 4.14 – Bar graph showing net profit margin

Net Profit Margin (%)
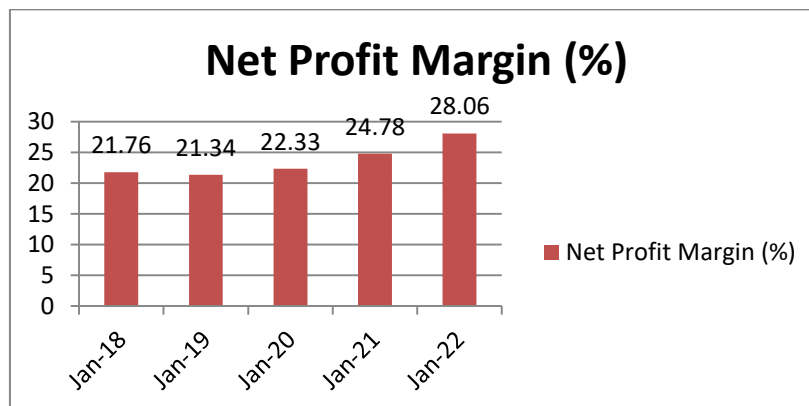
Source – Own creation

Interpretation: It may be observed from the graph that the NPM for each year is higher than the ideal value of 20%. It reflects that a company can efficiently control costs and sell goods or services at a price that is much higher than its costs.

1. Return on Equity

Fig 4.15 – Trend line showing ROE
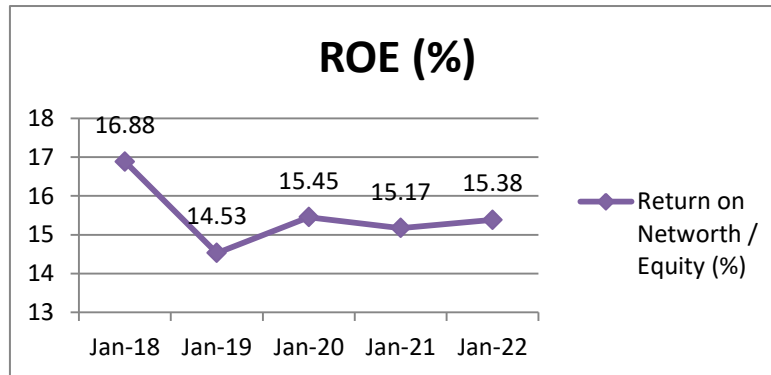
Source – Own creation

Fig 4.16 – Bar graph showing return on equity
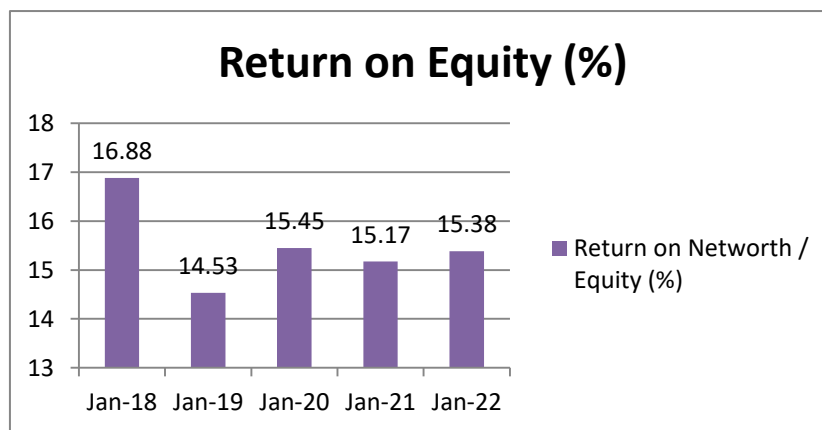
Source – Own creation

Interpretation: It may be observed from the graph that value for each year is somewhere around 15% which is considered good.

2. Return on Capital Employed

This ratio can assist in determining how successfully a corporation generates profits from its capital as it is deployed.

Fig 4.17 – Trend line showing return on capital employed
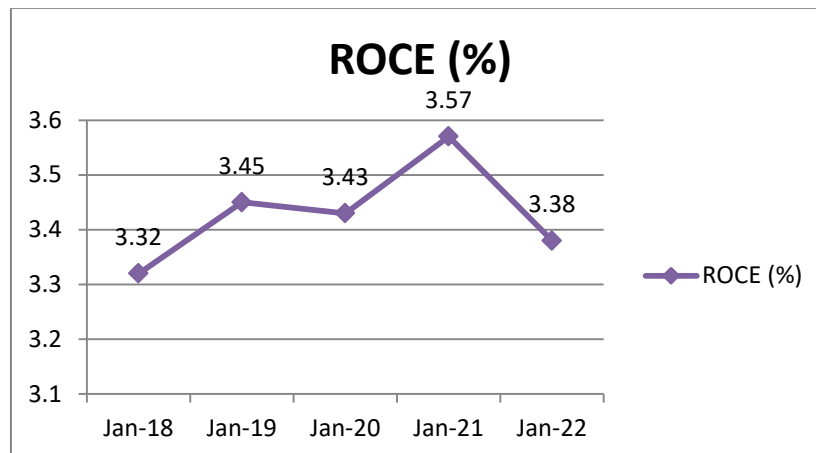
Source – Own creation

Fig 4.18 – Bar graph showing return on capital employed
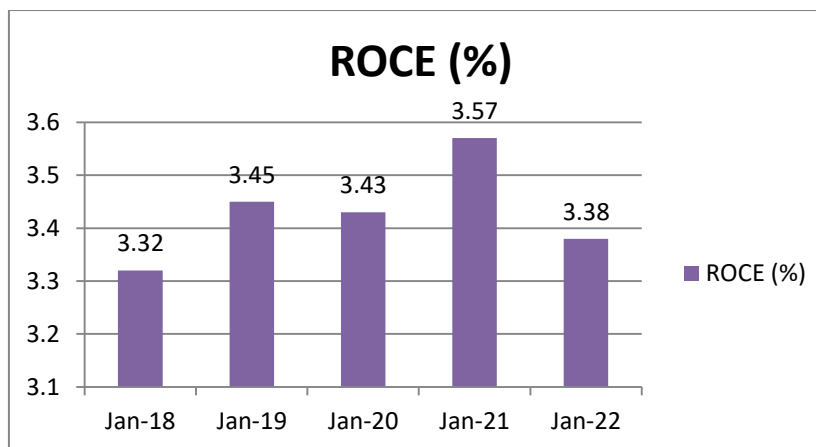
Source – Own creation

Interpretation: It may be observed from the graph that ROCE for each year is very low which shows that the bank is not utilizing its capital resources efficiently.

3. Return on Assets

Fig 4.19 – Trend line showing return on assets
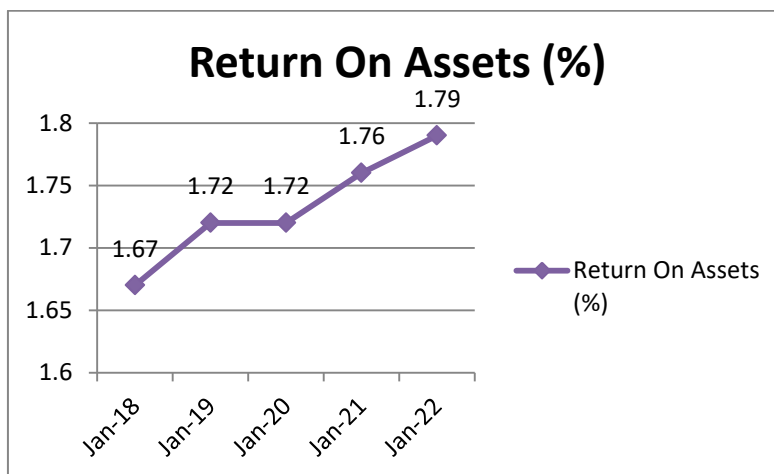
Source – Own creation

Fig 4.20 – Bar graph showing return on assets
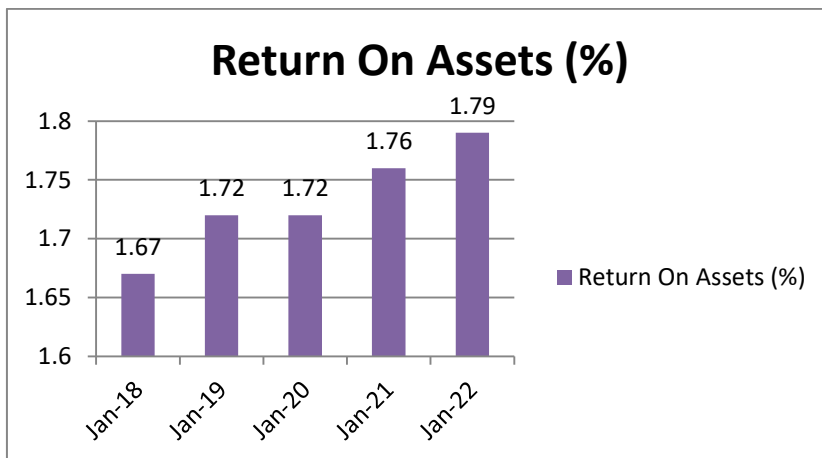
Source – Own creation

Interpretation: It may be observed from the graph that ROA for each year is very low which shows that the bank is not making maximum use of its assets to generate profits.

4.1.4 Valuation Ratios

1. P/E Ratio

The price-to-earnings ratio is a valuation metric that compares the current share price of a firm to its earnings per share (EPS).

Fig 4.21 – Trend line showing P/E Ratio
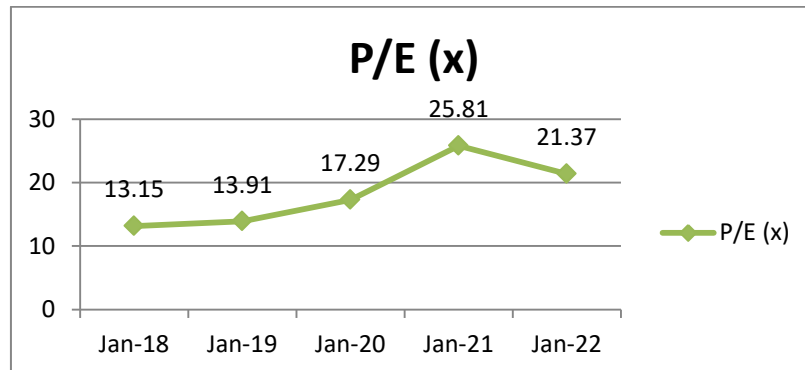
Source – Own creation

Fig 4.22 – Bar graph showing P/E Ratio
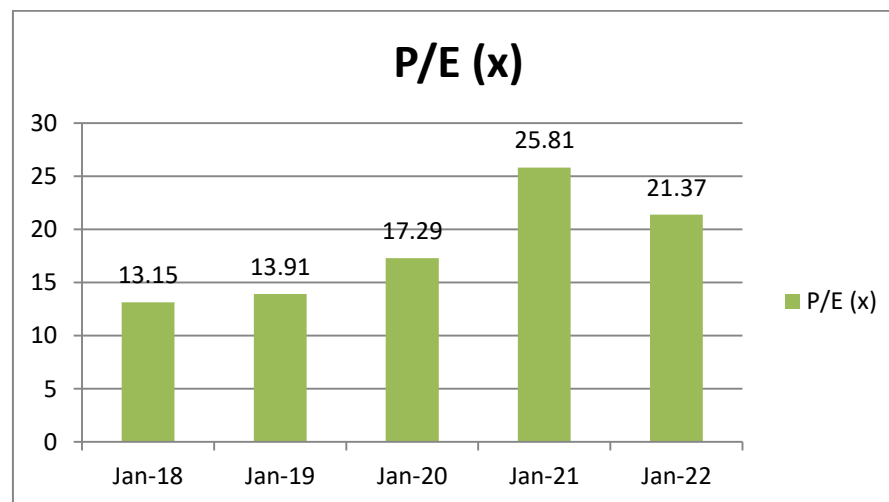
Source – Own creation

Interpretation: It may be observed from the graph that P/E Ratio for first 3 years is less than 20 which signifies good investment opportunities, thus, attracting the investment potential.

2. P/B Ratio

Fig 4.23 – Trend line showing P/B Ratio
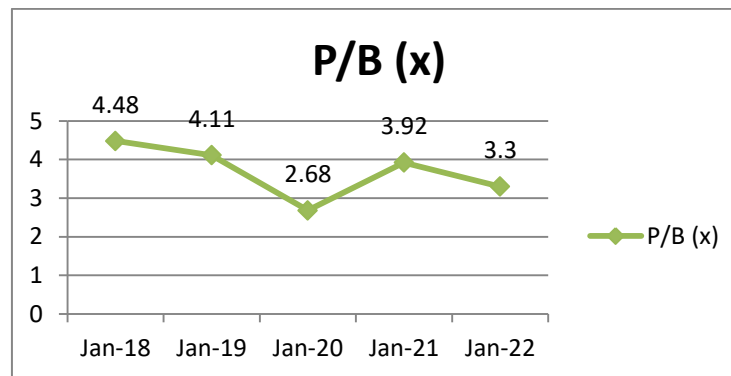
Source – Own creation

Interpretation: It may be observed from the graph that values for each year are greater than 1 indicating a potentially overvalued stock.

4.1.5 Other Ratio

1. Capital Adequacy Ratio

Fig 4.24 – Trend line showing capital adequacy ratio
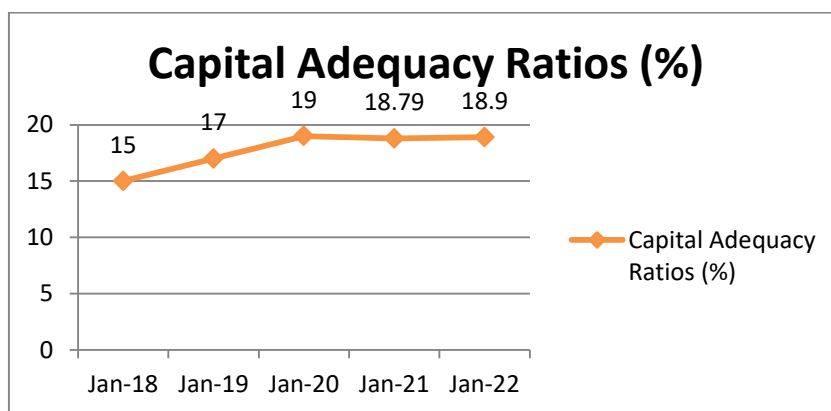
Source – Own creation

Interpretation: It may be observed from the graph that values for each year are greater than 8 indicating that the bank will able to face any financial distress or unforeseen losses adequately.

4.2 Moving Averages

The most common forms of moving averages are the Simple Moving Average (SMA) and the Exponential Weighted Moving Average (EWMA).

4.2.1 Simple Moving Average

This type of moving average is the most basic and often used moving average. It's computed by summing all of the closing prices for a certain period and dividing by the number of days in the period. However, there are two issues with this type of average: it only takes into account data from the given time. It is also frequently chastised for giving all of the data in the data set similar weights. Many traders think that recent data should be given greater weight than older data, resulting in a reduction in the average's lag behind the trend.

Table 4.1 – HDFC Bank Simple moving average (from Feb 2022 to March 2022)

Date	Price (in Rs.)	20-SMA	50-SMA	200-SMA
23-Feb	533.15	511.83	474.63	**472**
28-Feb	530.5	517.7	480.99	**473.07**
1-Mar	514	519.79	484.62	**473.73**
6-Mar	507.4	521.55	490.47	**474.97**
12-Mar	518.95	522.02	495.7	**475.92**
16-Mar	507.85	520.61	502.07	**477.14**
22-Mar	504.25	515.57	506.16	**477.75**
28-Mar	513.45	514.08	510.13	**478.56**
2-Apr	528.35	514.39	512.55	**479.24**
10-Apr	524.85	516.7	515.55	**480.39**
12-Apr	530.4	517.37	517.42	**481.03**
17-Apr	530.25	519.5	519.47	**481.84**
23-Apr	**543.35**	**527.7**	**522.59**	**482.85**

Source – Own creation

Fig 4.25 – Trend Line of HDFC Bank Simple moving average
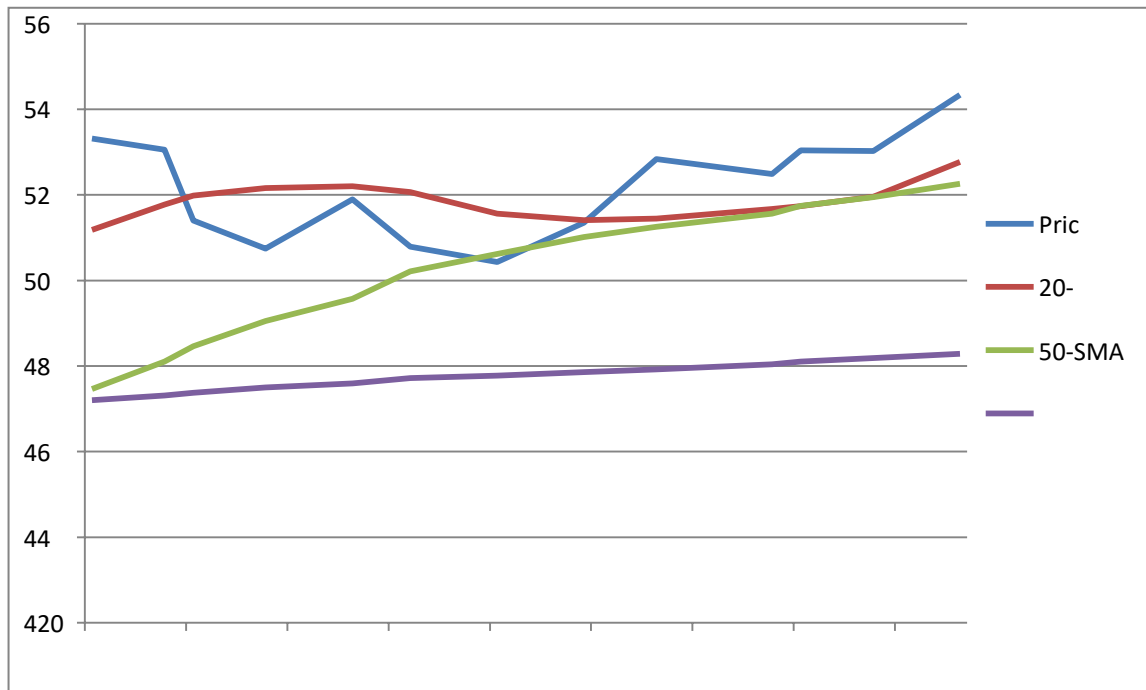
Interpretation: HDFC Bank is in a strong uptrend, according to simple moving average analysis. 529.09, 522.98, and 483.0292 are major support levels.

4.2.2 Exponential Weighted Moving Average

This type of moving average solves both of the drawbacks that simple moving averages have. For starters, it gives current data more weight in its calculations. It also reflects all of the past data for the instrument to some extent. The name of this type of average comes from the fact that the weights of data in the past decline exponentially.

Table 4.2 – HDFC Bank Exponential weighted moving average (from Feb'22 to Apr'22)

Date	Price (in Rs.)	20-EMA	50-EMA	200-EMA
27-Feb	515.6	514.16	491.8	469.26
29-Feb	517.1	515.85	494.25	470.34
1-Mar	514	515.67	495.02	470.77
5-Mar	510.95	515.77	497.42	472.12
12-Mar	518.95	516.12	500.24	473.85
16-Mar	507.85	516.4	502.79	475.57
22-Mar	504.25	513.08	503.29	476.77
27-Mar	518.85	513.57	504.6	477.89
30-Mar	519.85	513.86	505.73	478.97
2-Apr	528.35	515.24	506.61	479.47
9-Apr	521.75	518	508.81	480.84
12-Apr	530.4	520.45	510.9	482.22
16-Apr	529.75	522.1	512.34	483.15
19-Apr	554.05	527.12	515.58	484.86
23-Apr	545.35	530.92	518.08	486.11

Source – Own creation

Fig 4.26 – Trend Line of HDFC Bank Exponential weighted moving average
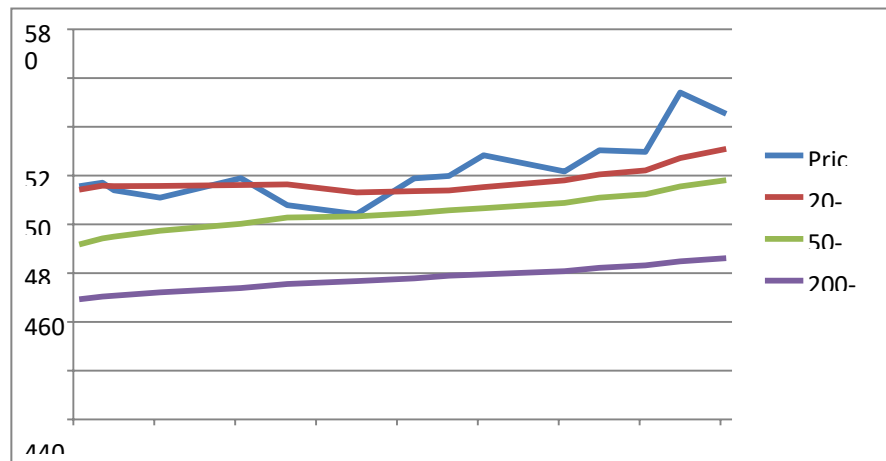
Source – Own creation

Interpretation: HDFC Bank is in a strong uptrend, according to EWMA. The numbers 531.9612, 519.0139, and 486.6645 are important support levels.

Technical Analysis shows that the technical strength of the HDFC Bank is 8.3 that is Strong.

Table 4.3 – Technical Analysis of HDFC Bank

Indicator	Analysis	Signal (0 - StrongSell, 10 - Strong Buy)
Simple Moving Average	"According to simple moving average analysis, HDFC bank is in a strong uptrend. Major support levels are 529.09, 522.98, 483.0292".	10.0
Exponential Moving Average	"According to exponential moving average analysis, HDFC bank is in a strong uptrend. Major support levels are 531.9612, 519.0139, 486.6645".	10.0

Source – Own creation

4.3 Findings

1. During the research, the current ratio implies that banks' liquidity and debt payments are solid.
2. The cash status ratio indicates that the bank's liquidity condition has improved over time.
3. The ratio reveals how much of the study period's working capital was financed by long-term funds.
4. The ratio indicates that the Bank's long-term solvency situation was good during the study period.

4.4 Suggestions

1. Although HDFC Ltd.'s total liquidity position has fluctuated over the research period, it still has sufficient funds to meet the company's short-term obligations.
2. The long-term solvency of the chosen unit is more than satisfactory, and HDFC is heavily reliant on outside finance rather than bond capital.
3. According to this study, HDFC Ltd will continue to provide housing loans to Indian individuals in order to help the country prosper.
4. After 2020, the CASA Ratio will decline; term deposits will be high in these years, but current and savings account deposits will be smaller when compared to term deposits. As a result, the bank is paying more interest on term deposits, which may lower the company's earnings. Customers who have placed current and savings deposits at HDFC Bank must be prioritized.
5. Because the Net Profit Margin is consistently improving year after year, I recommend that HDFC Bank's management continue in this direction and develop further technology aspects that make consumers more user-friendly and allow the bank to stay India's No. 1 Bank in the coming years.

4.5 Limitations of the Study

1. The research is limited to the five fiscal years 2018 to 2022.
2. The research is entirely based on secondary data, and the correctness of the analysis is entirely dependent on the information gathered.
3. This research may not be comprehensive enough to cover all of the ratios that should be examined when analyzing the bank's financial soundness.

Chapter – 5

CONCLUSION

The study looked at the financial performance of HDFC banks with the purpose of providing a better understanding of the bank's rating and functions to investors, shareholders, lessees, and management. During the process of evaluating the selected banks' financial performance, the study discovered that the banks were ranked differently in terms of fundamental ratios. According to the findings, HDFC bank has been ranked first in the capital adequacy ratio criteria. The capability of HDFC in terms of earning quality parameter was on the rise. Under the liquidity metric, HDFC Bank was on the rise. HDFC bank is the top bank for investing, according to a comparative balance sheet analysis.

In India, HDFC Bank is the largest private sector bank. From 2018 to 2022, the research looked at the financial performance of the company. The information was gathered from the bank's annual reports and its website. The information was examined using various ratios. The HDFC bank's financial performance was strong during the study period, according to this research paper.

Certain conclusions that are made on the basis of research are:

1. HDFC Bank is one of the country's leading private banks.
2. Because of its unrivalled dependability, it has made a reputation for itself.
3. The company's current ratio is quite good, indicating that it can satisfy its short-term obligations.
4. In the year 2022, the bank was able to raise its net profit by 4%. This demonstrates the company's internal financial strength.

Ratios can be used to evaluate a company's financial status. Various important performance banking ratios were used in the research. The research looked into many areas of the bank, such as interest, loans, assets, expenses, deposits, and so on.

Certain learnings based on the research are:

1. How to keep the statements up to date.
2. The significance of financial statements in a business, as well as the importance of ratios and their impact on the company's operations.
3. Understand the terminologies of the banking industry and the services provided by banks.

The study's findings suggest that the bank has a few small concerns with deposit management, but everything else is running smoothly. This research also includes suggestions to improve the overall position of the company. Finally, HDFC Bank's financial performance from 2018 to 2022 has been satisfactory. The researchers will be able to use this study to analyze HDFC Bank's financial performance in the future.

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ANNEXURE I

Balance Sheet of HDFC Bank

(last 5 years)

BALANCE SHEET OF HDFC BANK (in Rs. Cr.) ▾	22-Mar ▾	21-Mar ▾	20-Mar ▾	19-Mar ▾	18-Mar ▾
	12 mths	12 mths	12 mths	12 mths	12 mths
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	554.55	551.28	548.33	544.66	519.02
TOTAL SHARE CAPITAL	**554.55**	**551.28**	**548.33**	**544.66**	**519.02**
Revaluation Reserve	0	0	0	0	0
Reserves and Surplus	239,538.38	203,169.55	170,437.70	148,661.69	105,775.98
Total Reserves and Surplus	239,538.38	203,169.55	170,437.70	148,661.69	105,775.98
TOTAL SHAREHOLDERS FUNDS	**240,092.93**	**203,720.83**	**170,986.03**	**149,206.35**	**106,295.00**
Deposits	1,559,217.44	1,335,060.22	1,147,502.29	923,140.93	788,770.64
Borrowings	184,817.21	135,487.32	144,628.54	117,085.12	123,104.97
Other Liabilities and Provisions	84,407.49	72,602.15	67,394.40	55,108.29	45,763.72
TOTAL CAPITAL AND LIABILITIES	**2,068,535.07**	**1,746,870.52**	**1,530,511.26**	**1,244,540.69**	**1,063,934.32**
ASSETS					
Cash and Balances with Reserve Bank of	129,995.64	97,340.74	72,205.12	46,763.62	104,670.47
Balances with Banks Money at Call and Short Notice	22,331.30	22,129.66	14,413.60	34,584.02	18,244.61
Investments	455,535.70	443,728.29	391,826.66	290,587.88	242,200.24
Advances	1,368,820.93	1,132,836.63	993,702.88	819,401.22	658,333.09
Fixed Assets	6,083.68	4,909.32	4,431.92	4,030.00	3,607.20
Other Assets	85,767.82	45,925.89	53,931.09	49,173.95	36,878.70
TOTAL ASSETS	**2,068,535.07**	**1,746,870.52**	**1,530,511.26**	**1,244,540.69**	**1,063,934.32**
OTHER ADDITIONAL					
Number of Branches	0	5,608.00	5,416.00	5,103.00	4,787.00
Number of Employees	0	120,093.00	116,971.00	98,061.00	88,253.00
Capital Adequacy Ratios (%)	18.9	18.79	19	17	15
KEY PERFORMANCE INDICATORS					
Tier 1 (%)	0	17.56	17	16	13
Tier 2 (%)	0	1.23	1	1	2
ASSETS QUALITY					
Gross NPA	16,140.96	15,086.00	12,649.97	11,224.16	8,606.97
Gross NPA (%)	1	1	1	1	1
Net NPA	4,407.68	4,554.82	3,542.36	3,214.52	2,601.02
Net NPA (%)	0.32	0.4	0.36	0	0
Net NPA To Advances (%)	2	0	0	0	0
CONTINGENT LIABILITIES, COMMITMENTS					
Bills for Collection	0	44,748.14	51,584.90	49,952.80	42,753.83
Contingent Liabilities	0	971,097.60	1,128,953.40	1,024,715.12	875,488.23

ANNEXURE II

Profit & Loss Account of HDFC Bank

(last 5 years)

PROFIT & LOSS ACCOUNT OF HDFC BANK (in Rs. Cr.)	22-Mar	21-Mar	20-Mar	19-Mar	18-Mar
	12 mths	12 mths	12 mths	12 mths	12 mths
INCOME					
Interest / Discount on Advances / Bills	98,512.02	94,834.54	91,787.88	77,544.19	62,661.79
Income from Investments	26,046.13	23,214.27	20,633.32	19,997.46	16,222.37
Interest on Balance with RBI and Other Inter-Bank funds	2,552.37	2,341.25	1,828.93	635.7	523.88
Others	642.59	468.17	562.52	794.7	833.31
TOTAL INTEREST EARNED	**127,753.11**	**120,858.23**	**114,812.65**	**98,972.05**	**80,241.36**
Other Income	29,509.90	25,204.89	23,260.82	17,625.88	15,220.30
TOTAL INCOME	**157,263.01**	**146,063.12**	**138,073.47**	**116,597.94**	**95,461.66**
EXPENDITURE					
Interest Expended	55,743.54	55,978.66	58,626.40	50,728.83	40,146.49
Payments to and Provisions for Employees	12,031.69	10,364.79	9,525.67	7,761.76	6,805.74
Depreciation	0	1,302.41	1,195.85	1,140.10	906.34
Operating Expenses (excludes Employee Cost & Depreciation)	25,410.50	21,055.42	19,976.01	17,217.51	14,978.30
TOTAL OPERATING EXPENSES	**37,442.19**	**32,722.63**	**30,697.53**	**26,119.37**	**22,690.38**
Provision Towards Income Tax	12,054.12	11,644.77	9,833.15	12,129.61	10,107.25
Provision Towards Deferred Tax	0	-1,102.31	516.69	-1,008.12	-896.68
Other Provisions and Contingencies	15,061.83	15,702.85	12,142.39	7,550.08	5,927.49
TOTAL PROVISIONS AND CONTINGENCIES	**27,115.95**	**26,245.31**	**22,492.23**	**18,671.57**	**15,138.06**
TOTAL EXPENDITURE	**120,301.68**	**114,946.59**	**111,816.15**	**95,519.77**	**77,974.93**
NET PROFIT / LOSS FOR THE YEAR	**36,961.33**	**31,116.53**	**26,257.32**	**21,078.17**	**17,486.73**
NET PROFIT / LOSS AFTER EI & PRIOR YEAR ITEMS	**36,961.33**	**31,116.53**	**26,257.32**	**21,078.17**	**17,486.73**
Profit / Loss Brought Forward	0	57,492.40	49,223.30	40,453.42	32,668.94
TOTAL PROFIT / LOSS AVAILABLE FOR APPROPRIATIONS	**0**	**88,608.93**	**75,480.62**	**61,531.58**	**50,155.67**
APPROPRIATIONS					
Transfer To / From Statutory Reserve	0	7,779.13	6,564.33	5,269.54	4,371.68
Transfer To / From Capital Reserve	0	2,291.68	1,123.85	105.34	235.52
Transfer To / From Revenue And Other Reserves	0	0	0	0	0
Dividend and Dividend Tax for The Previous Year	0	0	0	0	3,390.58
Equity Share Dividend	0	0	6,540.31	4,052.59	0
Tax On Dividend	0	0	0	0	0
Balance Carried Over To Balance Sheet	0	73,652.79	57,492.40	49,223.30	40,453.42
TOTAL APPROPRIATIONS	**0**	**88,608.93**	**75,480.62**	**61,531.58**	**50,155.67**
OTHER INFORMATION					
EARNINGS PER SHARE					
Basic EPS (Rs.)	66.8	56.58	48.01	78.65	67.76
Diluted EPS (Rs.)	66.3	56.32	47.66	77.87	66.84
DIVIDEND PERCENTAGE					
Equity Dividend Rate (%)	1,550.00	650	250	750	650

ANNEXURE III

Cash Flow of HDFC Bank

(last 5 years)

CASH FLOW OF HDFC BANK (in Rs. Cr.)	22-Mar	21-Mar	20-Mar	19-Mar	18-Mar
	12 mths	12 mths	12 mths	12 mths	12 mths
NET PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS AND TAX	**0**	**41,658.98**	**36,607.15**	**32,199.66**	**26,697.30**
Net CashFlow From Operating Activities	0	41,494.79	-16,689.78	-56,054.67	26,074.07
Net Cash Used In Investing Activities	0	-1,120.17	-1,104.92	-1,326.12	-533.1
Net Cash Used From Financing Activities	0	-7,381.11	22,851.79	15,718.00	48,411.43
Foreign Exchange Gains / Losses	0	-141.83	213.99	95.35	10.59
NET INC/DEC IN CASH AND CASH EQUIVALENTS	**0**	**32,851.68**	**5,271.08**	**-41,567.44**	**73,962.99**
Cash And Cash Equivalents Begin of Year	0	86,618.72	81,347.64	122,915.08	48,952.10
Cash And Cash Equivalents End Of Year	0	119,470.40	86,618.72	81,347.64	122,915.08