

Project Report

“A Study of Financial Performance Based On Ratio Analysis of HDFC Bank (2018-21) ”

Submitted to

G. S. College of Commerce & Economics, Nagpur

Affiliated to

Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur

In partial fulfillment for the award of the degree of

Bachelor of Business Administration

Submitted by

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Under the Guidance of

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G.S. College Of Commerce & Economics, Nagpur

Academic Year 2022 – 23



G.S. College Of Commerce & Economics , Nagpur

Academic Year 2022 – 23



CERTIFICATE

This is to certify that **Prachi Barapatre OF Student BBA Final** has submitted the project report titled **A Study of Financial Performance Based On Ratio Analysis of HDFC Bank 2018-21**, towards partial fulfillment of **BACHELOR OF BUSINESS ADMINISTRATION** degree examination. This has not been submitted for any other examination and does not form part of any other course undergone by the candidate.

It is further certified that he/she has ingeniously completed his/her project as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

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Name of Project Guide
(Project Guide)

Dr. Afshar Sheikh
Name of Coordinator
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Place:Nagpur

Date:



DECLARATION

I here-by declare that the project with title "A Study of Financial Performance Based On Ratio Analysis of HDFC Bank (2018-21) " has been completed by me in partial fulfillment of BACHELOR OF BUSINESS ADMINISTRATION degree examination as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur and this has not been submitted for any other examination and does not form the part of any other course undertaken by me.

Name and Student Signature

Prachi Barapatre

Place: Nagpur

Date:



ACKNOWLEDGEMENT

With immense pride and sense of gratitude, I take this golden opportunity to express my sincere regards to Dr. S.S. Kathaley, Principal, G.S. College of Commerce & Economics, Nagpur.

I am extremely thankful to my Project Guide Prof. Prof. Ashima Varghese for his/her guideline throughout the project. I tender my sincere regards to Co-Ordinator, Dr. Afshar Sheikh for giving me outstanding guidance, enthusiastic suggestions and invaluable encouragement which helped me in the completion of the project.

I will fail in my duty if I do not thank the Non-Teaching staff of the college for their Co-operation.

I would like to thank all those who helped me in making this project complete and successful.

(ABOVE MATTER IS OPTIONAL, STUDENT MAY ADD OR DELETE)

Student Name and Signature
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Place: Nagpur

Date:

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INTRODUCTION

RATIO ANALYSIS

When we observed the financial statement comprising the balance sheet and profit or loss account is that they do not give all the information related to financial operations of firm, they can provide some extremely useful information to the extent that the balance sheet shows the financial position on a particular date in terms of structure of assets, liabilities and owner's equity and profit or loss account shows the results of operation during the year. Thus, the financial statements will provide a summarized view of the firm. Therefore, in order to learn about the firm the careful examination of an valuable reports and statements through financial analysis or ratio is required.

Meaning and Definition:

Ratio analysis is one of the powerful techniques which are widely used for interpreting financial statements. This technique serves as a tool for assessing the financial soundness of the business. it can be used to compare the risk and return relationship of firms of different sizes. The term ratio refers to the numerical or quantitative relationship between two items/ variables.

The idea of ratio analysis was introduced by Alexander Wall for the first time in 1919. Ratios are quantitative relationship between two or more variables taken from financial statements.

It is a process of comparison of one figure against another. It enables the users like shareholders, Government, and analysts etc. to get better understanding of financial statements.

Ratio analysis is defined as, **"the systemic use of ratio to interpret the financial statement so that the strength and weakness of the firm a well as its historical performance and current financial condition can be determined"**.

Accounting ratios may just be used as symptom like blood pressure, pulse rate, body temperature etc. The physician analyses these information to know the causes of illness. Similarly, the financial analyst should also analyse the accounting ratios to diagnose the financial health of an enterprise.

Basis of comparison:

Ratios are relative figures reflecting the relationship between variables. They enable analysts to draw conclusions regarding financial operations. The use of the ratios, as a

tool of financial analysis involves their comparison, for a single ratio like absolute figures, fails to reveal the true position. For example, if in the case of a firm, the return on capital employed is 15 percent in a particular year, what does it indicate? Only if the figure is related to the fact that in the preceding year the relevant return was 12 per cent or 18 percent, it can be inferred whether the profitability of the firm has declined or improved. Alternatively, if we know that the return for the industry as a whole is 10 percent or 20 percent, the profitability of the firm in question can be evaluated. Comparison with related facts is, therefore, the basis of ratio analysis.

Three types of comparison are involved

i. PROFITABILITY RATIOS:

Profitability ratio is used to evaluate the company's ability to generate income as compared to its expense and other cost associated with the generation of income during particular period. This ratio represents the final result of the company. Profitability represents final performance of company. It also represents how profitable owner's funds have been utilized in the company.

ii. OPERATING RATIO:

Operating ratio is a company's operating expenses as a percentage of revenue. This financial ratio is most commonly used for industries which require a large percentage of revenues to maintain operating, such as railroads. The Operating ratio can be used to determine the efficiency of a company's management by comparing operating expenses to net sales.

iii SOLVENCY RATIO:

A solvency ratio measures the extent to which asset cover commitments for future payments, the liabilities. The solvency ratio of a insurance company is the size of its capital relative to all risk it has taken. Different countries use different methodologies to calculate the solvency ratio and have different requirement. For example I India insurers are required to maintain a minimum ratio of 1.5.

LIQUIDITY RATIO :

Liquidity ratio helps in measuring the cash sufficiency of a enterprise to pay of its short-term liabilities. A high liquidity ratio ensure the company is in a good position to pay its creditors.

When analyzing a company investors and creditors want to see a company with liquidity ratios above 1.0. A company with healthy liquidity ratios is more likely to be approved for credit.

Profitability Ratio

Operating Ratio

Solvency Ratio

Liquidity Ratio

COMPANY PROFILE



HDFC BANK

We understand your world

HDFC is India's premier housing finance company and enjoys an impeccable track record in India as well as in international markets. Since its inception in 1977, the Corporation has maintained a consistent and healthy growth in its operations to remain the market leader in mortgages. Its outstanding loan portfolio covers well over a million dwelling units. HDFC has developed significant expertise in retail mortgage loans to different market segments and also has a large corporate client base for its housing related credit facilities. With its experience in the financial markets, a strong market reputation, large shareholder base and unique consumer franchise, HDFC was ideally positioned to promote a bank in the Indian environment.

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalization of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995.

HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995.

MISSION:

HDFC Bank's mission is to be "a World-Class Indian Bank" which is benchmarked against international standards and best practices in terms of product offerings, technology, service levels, risk management and audit compliance.

Objectives of HDFC bank:

The **objective** is to build sound customer franchises across distinct businesses so as to be the preferred provider of banking services for target retail and wholesale customer segments, and to achieve healthy growth in profitability, consistent with the bank's risk appetite. The bank is committed to maintain the highest level of ethical standards, professional integrity, corporate governance and regulatory compliance.

HDFC Bank's business philosophy is based on four core values - Operational Excellence, Customer Focus, Product Leadership and People.

AWARDS AND ACHIEVEMENTS:

HDFC Bank began operations in 1995 with a simple mission: to be a "World-class Indian Bank". They realized that only a single-minded focus on product quality and service excellence would help them get there. Today, they are proud to say that they are well on the way towards that goal

LITERATURE RIVIEW

REVIEW OF LITERATURE

▪ FINANCIAL STATEMENT:

Is a formal record of the financial activities of a business, person or other entity? In British English Including United Kingdom Company law a financial statement is often referred as an account although the term financial statement is also used particular by accountants.

▪ BALANCE SHEET:

Also referred to as statement of financial position or condition, reports on a company assets, liabilities, and ownership equity at given point time. Balance sheet is called by different name generally the following titles are used in respect of a Balance sheet.

1. Balance Sheet or General Balance Sheet
2. Statement of financial position or condition
3. Statement of Assets and Liabilities
4. Statement of resource and Liabilities
5. Statement of assets Liabilities and Owner's Fund.

▪ BASIC DIVISION OF BALANCE SHEET:

1. Current Assets
2. Fixed Assets
3. Intangible Assets
4. Other Assets
5. Deferred Expenditure

▪ LIABILITIES

1. Current Liability
2. Non-current Liability

OBJECTIVES OF STUDY

OBJECTIVES

- 1) To know the financial performance of the organization.
- 2) To study different ratios of HDFC bank.
- 3) To determine the profitability and liquidity of the bank through ratios analysis.

SCOPE OF STUDY

SCOPE

- 1) The scope of the study is limited to financial aspects of HDFC bank.
- 2) Analyze financial ratios to assess profitability, solvency, working capital management, liquidity, and operating effectiveness.
- 3) Compare current performance with historical conditions using trend analysis.
- 4) Compare with peer companies or industry averages to find out how well companies are performing.

LIMITATIONS OF STUDY

LIMITATIONS OF STUDY

The use of estimates in allocating costs to each period. The ratios will be as accurate as the estimates.

The cost principle is used to prepare financial statements. Financial data is not adjusted for price changes or inflation deflation.

Diversified companies are difficult to classify for comparison purposes.

Financial statement analysis does not provide answers to all the users' questions. In fact, it usually generates more question!

HYPOTHESIS

Hypothesis:

HO- There is no significance difference of gross profit ratio is selected HDFC

Bank

HI-There is a significance difference of gross profit ratio is selected HDFC

Bank

HO = There is no significance difference of return on assets ratio is selected HDFC Bank

HI-There is significance difference of return on assets ratio is selected HDFC Bank

RESEARCH METHODOLOGY

RESEARCH METHODOLOGY

Research is common parlance refers to a search for knowledge. One can also define research as a scientific and systematic search for pertinent information on a specific topic. The research methodology defines what the activity of research is, how to measure progress, and what constitutes success. It provides us an advancement of wealth of human knowledge, tools of the trade to carry out research, tools to look at things in life objectively; develops a critical and scientific attitude, disciplined thinking to observe objectively (scientific deduction and inductive thinking); skill of research particularly in the age of information'

The research methodology is a science that studies how research is done scientifically. It is the way to systematically solve the research problem by logically adopting various steps. Also, it defines the way in which the data are collected in a research project.

Analytical Research - The researcher has to use facts or information already available, and analyze these to make a critical evaluation of the material. Applied research is a methodology used to solve a specific, practical problem of an individual or group. The study and research is used in business, medicine and education in order to find solutions that may cure disease, solve scientific problems or develop technology.

Research Instrument

1. Tabulation
2. Pie chart
3. Annual Report of the company

DATA COLLECTION

DATA COLLECTION

The task of data collection begins after a research problem has been defined and research design plan chalked out. While deciding about the method of data collection to be used for the study, the researcher should keep in mind two types of data viz., primary and secondary.

Primary Data:- The primary data are those which are collected afresh and for the first time, and thus happen to be original in character. we collect primary data during the course of doing the doing experiments in an experiments is an experimental research. Then we can obtain primary data either through observation or through direct communication with respondents in one form or another or through personal interviews.

My study will be based on secondary data.

Secondary Data:- The secondary data, on the other hand, are those which have already been collected by someone else and which have already been passed through the statistical process. The researcher would have to decide which sort of data he would be using (thus collecting) for this study and accordingly he will have to select on or other method of data collection.

The sources of secondary data include:

- Books
- Websites
- Journals
- Magazine

DATA ANALYSIS &
INTERPRETATION

Financial Statement is mainly prepared for decision making purpose. But the information as is provided in the financial statement is not adequately helpful in drawing a meaningful conclusion. Those, an effective analyses and interpretation of financial statement is required.

1. Profit & Loss A/C or income statement
2. Balance sheet Statements.

BALANCE SHEET OF HDFC BANK.

Rs. In Cr	MAR 21 12 mths	MAR 20 12 mths	MAR 19 12 mths	MAR 18 12 mths
EQUITIES AND LIABILITIES				
SHAREHOLDER'S FUNDS				
Equity Share Capital	551.28	548.33	544.66	519.02
TOTAL SHARE CAPITAL	551.28	548.33	544.66	519.02
Revaluation Reserve	0.00	0.00	0.00	0.00
Reserve and surplus	203,169.55	170,437.70	148,661.69	105,755.98
Total Reserves and surplus	203,169.55	170,437.70	148,661.69	105,755.98
TOTAL SHAREHOLDERS FUNDS	203,720.83	170,986.03	149,206.35	106,295.00
Deposits	1,335,060.22	1,147,502.29	923,140.93	788,770.64
Borrowings	135,487.32	144,628.54	117,085.12	123,104.97
Other Liabilities and Provision	72,602.15	67,394.40	55,108.29	45,763.72
TOTAL CAPITAL AND LIABILITIES	1,530,511.26	1,244,540.69	1,063,934.32	1,063,934.32
ASSETS				
Cash and Balance with RBI	97,340.74	72,205.12	46,763.62	104,670.47
Balances with Banks Money at Call and Short Notice	22,129.66	14,413.60	34,584.02	18,244.61
Investments	443,728.29	391,826.66	290,587.88	242,200.24
Advances	1,132,836.63	993,702.88	819,401.22	658,333.09
Fixed Assets	4,909.32	4,431.92	4,030.00	3,607.20
Other Assets	45,925.89	53,931.09	49,173.95	36,878.70
TOTAL ASSETS	1,746,870.52	1,530,511.26	1,244,540.69	1,063,934.32

PROFIT & LOSS ACCOUNT OF HDFC BANK

	MAR 21	MAR 20	MAR 19	MAR 18
	<u>12 mths</u>	<u>12 mths</u>	<u>12 mths</u>	<u>12 mths</u>
INCOME				
Interest/ Discount on Advances /Bills	<u>94,834.54</u>	<u>91,787.88</u>	<u>77,544.19</u>	<u>62661.79</u>
Income from Investment	23,214.27	20,633.32	19,997.46	16222.37
Interest on Balance with RBI and Other Inter- Bank funds	2,341.25	1,828.93	635.70	523.02
Others	468.17	562.52	794.70	833.31
TOTAL INTEREST EARNED	120,858.23	114,812.65	98,972.05	80241.36
Other Income	25, 204.89	23,260.82	17,625.88	15220.30
TOTAL INCOME	146,063.12	138,073.47	116,597.94	95461.66
EXPENDITURE				
Interest Expended	55,978.66	58,626.40	50,728.83	40416.49
Payment to and provision for Employees	10,364.79	9,525.67	7,761.76	6805.74
Depreciation	1,302.41	1,195.85	1,140.10	906.34
Operating Expenses (excludes Employee Cost & Depreciation)	21,055.42	19,976.01	17,217.51	14,978.30
TOTAL OPERATING EXPENSES	32,722.63	30,697.53	26,119.37	22,690.38
Provision Towards Income Tax	11,644.77	9,833.15	12,129.61	10,107.25
Provision Toward Deferred Tax	-1,102.31	516.69	-1,008.12	-896.68
Other provisions and Contingencies	15,702.85	12,142.39	7,550.08	5927.49
TOTAL PROVISION AND CONTINGENCIES	26,245.31	22,492.23	18,671.51	15,138.06
TOTAL EXPENITURE	114,946.59	111,816.15	95,519.77	77,974.93
NET PROFIT / LOSS FOR THE YEAR	31,116.53	26,257.32	21,078.17	17,486.73
NET PROFIT / LOSS AFTER EI & PRIOR YEAR ITEMS	31,116.53	26,257.32	21,078.17	17,486.73
Profit /loss Brought Forward	57,492.40	49,223.30	40,453.42	32,668.94
TOTAL PROFIT / LOSS AVAILABLE FOR APPRORITIONS	88,608.93	75,480.62	61,531.58	50,155.67
APPROPRIATIONS				

Transfer To / from Statutory Reserves	7,779.13	6,564.33	5,269.54	4,371.68
Transfer To / from capital reserve	2,291.68	1,123.85	105.34	235.52
Transfer To / from Revenue And other reserves	0.00	0.00	0.00	0.00
Equity Share dividend	0.00	6,540.31	4,052.59	3,390.58
Balance Carried Over To Balance Sheet	73,652.79	57,492.40	49,223.30	40,453.42
TOTAL APPROPRIATIONS	88,608.93	75,480.62	61,531.58	50,155.67

RATIO ANALYSIS

† PROFITABILITY RATIOS:

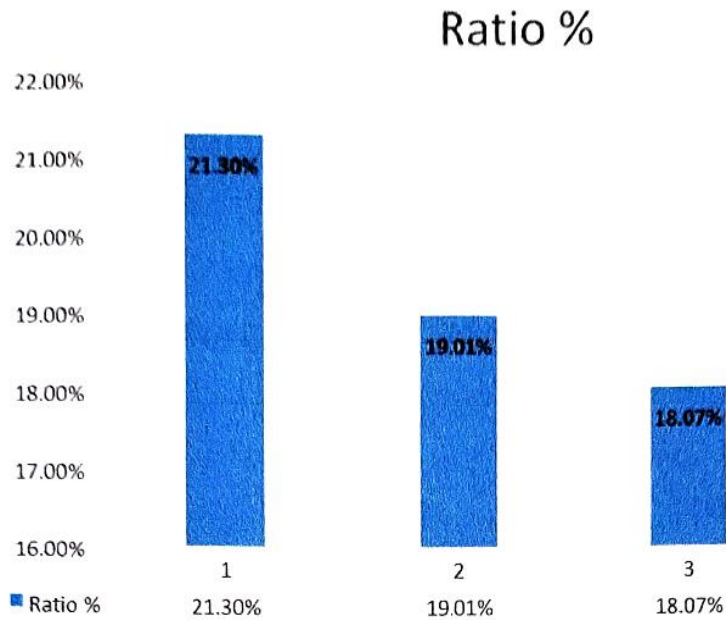
Profitability ratio is used to determine how well the business is generating profit from its operation. Profit is the Balance of income earned after deducting all related expenses.

1. Ratio of Net profit to total income:

This ratio implies that the percentage of profit earned by the organization out of its income.

$$\frac{\text{Net profit} \times 100}{\text{Total income}}$$

Year (Rs in cr)	Mar 2020-21	Mar 2019-20	Mar 2018-19
Profit (Rs)	31,116.53	26,257.32	21,078.17
Total income (Rs)	146,063.12	138,073.47	116,597.94
Ratio (%)	21.30%	19.01%	18.07%



Interpretation:

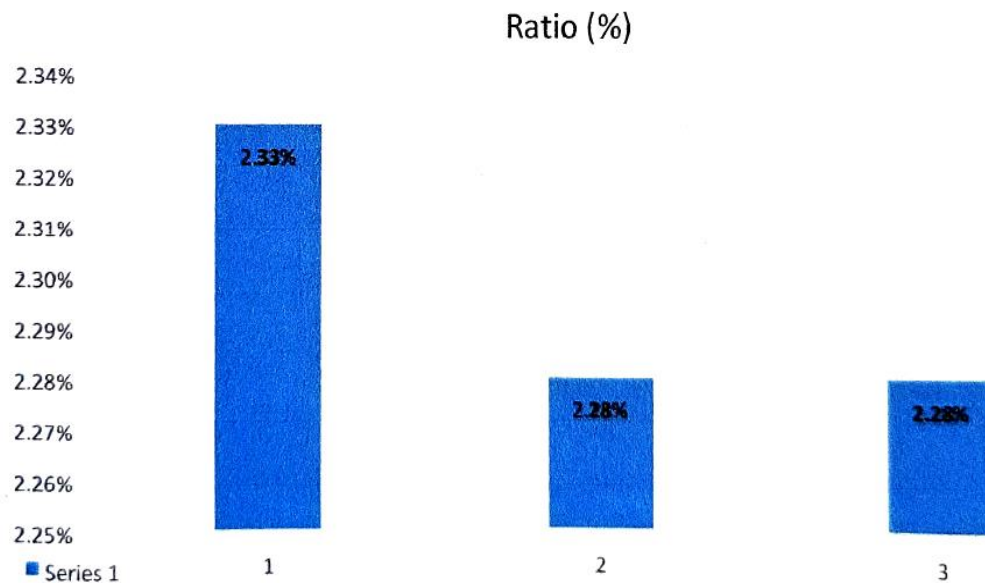
The ratio of profit to total income in the first year 2018-19 was 18.07% and in 2019-20 ratio decreased 19.01% due to in decreased in interest income and non-interest Income but in 2020-21 was 21.30% ratio increased because there was high income.

2. Ratio of Net profit to total deposit:

This ratio shows organization earning on deposits.

$$\frac{\text{NET PROFIT}}{\text{TOTAL DEPOSIT}} \times 100$$

(Rupees in Cr.)Year	Mar 20-21	Mar 2019-20	Mar 2018-19
Profit (Rs)	31,116.53	26,257.32	21,078.17
Total Deposit (Rs)	1,335,060.22	1,147,502.29	923,140.93
Ratio (%)	2.33%	2.28%	2.28%



Interpretation:

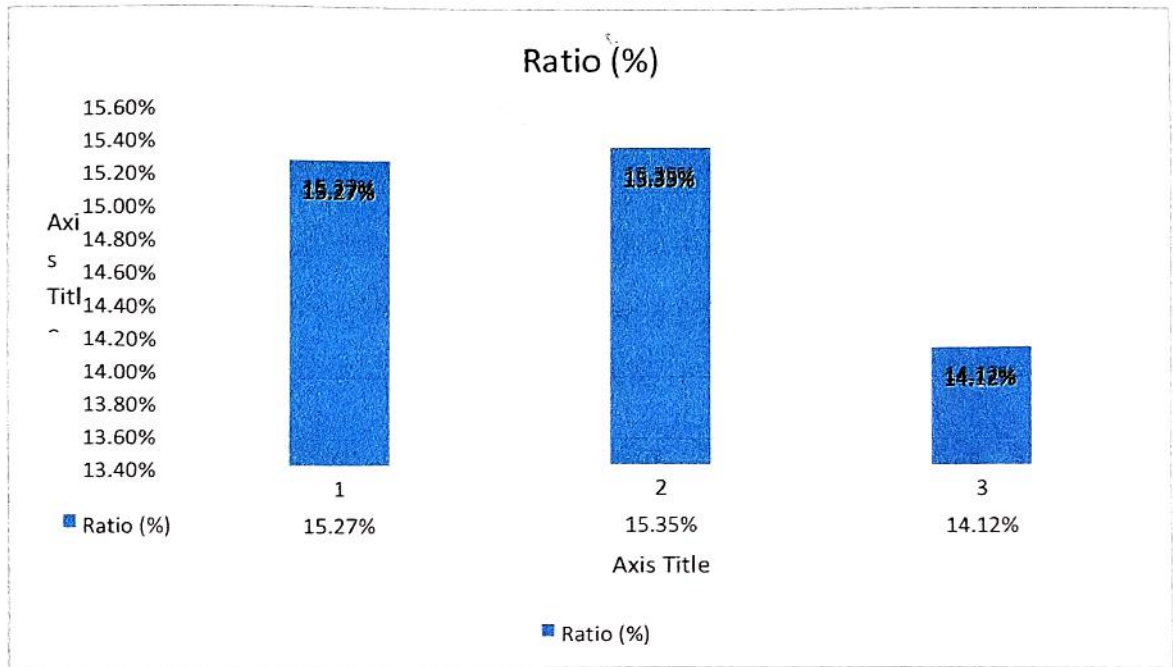
The ratio of profit to deposits in the year 2018-19 was 2.28 % it is constant in the year 2019-20. But as compare to the last year it was less. This shows that the deposits have increased at a faster rate than income.

3. Ratio of return on equity:

This ratio measures the return on the owners (both equity and preference shareholders) invested in the firm.

$$= \frac{\text{Profit after tax} \times 100}{\text{Net worth}}$$

(Rupees in Cr. Year)	Mar 20-21	Mar 19-20	Mar 2018-19
Profit(Rs)	31,116.53	26,257.32	21,078.17
Net worth(Rs)	203,720.83	170,986.03	149,206.35
Ratio(%)	15.27%	15.35%	14.12%



Interpretation

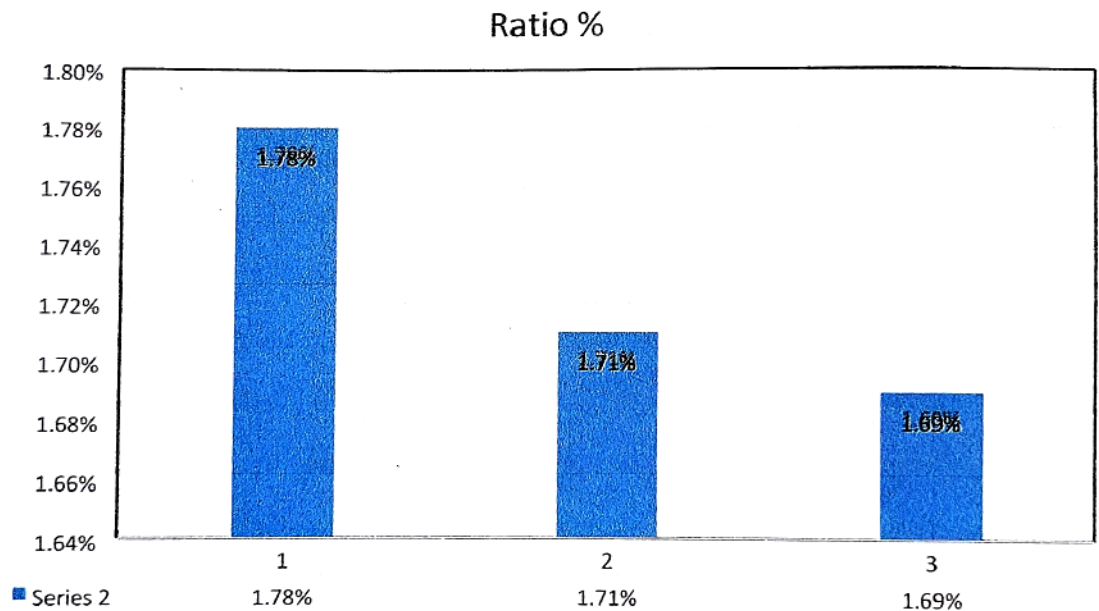
Return on equity in the first year was 14.12% it has increased to 15.35% to 15.27% in the year 2010-20 and 2020-21 compared to first year. Return on equity is constant for the year. This indicates generation of return for capital invested by owner of the company is constant for last two year. Major portion of net profit is transfer to general reserve which leads to decrease in the return of shareholder .

4. Return on Asset:

An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing net income by its total assets.

$$\frac{\text{Net income} \times 100}{\text{Total asset}}$$

Year (Rs.in Cr.)	Mar 2020-21	Mar 2019-20	Mar 2018-19
Profit (Rs)	31,116.53	26,257.32	21,078.17
Total Assets (Rs)	1,746,870.52	1,530,511.26	1,244,540.69
Ratio (%)	1.78%	1.71 %	1.69%



Interpretation:

Ratio of return on asset in first year was 1.69% and in second year it increased to 1.71% it indicates that company is better at converting its investment into profit but in third year earnings generated from invested capital has been reduced to 1.78 % this indicates company is slow in converting its investment into profits.

FINDING

FINDINGS

1. In the every, the performance of HDFC growing well.
2. Following are the value of ratio which is calculated it show the performance of HDFC Bank.

NAME OF RATIO	Mar 21	Mar 20	Mar 19
1.PROFIT TO TATAL INCOME	21.30%	19.01%	18.07%
2.NET PROFIT TO TOTAL DEPOSITS	2.33%	2.28%	2.28%
3.RATIO OF RETURN ON EQUITY	15.27%	15.35%	14.12%
4.RATIO OF RETURN ON ASSETS	1.78%	1.71%	1.69%
5.INTREST PAID TO TOTAL INCOME	38.32%	42.46%	43.50%
6. RATIO OF STAFF.EX. TO TOTAL EXP.	7.93%	7.68%	7.53%
7.INTREST EARNED TO INTREST PAID	2.15%	1.95%	1.95%
8. RATIO OF EXP. TO TOTAL INCOME.	89.44%	89.77%	88.39%
9.CREDIT DEPOSIT RATIO	7.29%	6.29%	5.06%
10.RATIO OF LOANS TO TOTAL ASSETS	64.84%	64.92%	65.83%

SUGGESTIONS

SUGGESTIONS

The organization

can improve on selection of assets class for

investment and other related factors such as timing etc. This could enhance their Return to Total Assets and Total Investment to Total

Deposits ratios.

The organization

can concentrate on improving on Net Margin

ratio which is relatively low. The above-mentioned suggestion would extend to better this position.

The organization might reconsider their dividend policy, which has been pretty dormant. In view of increased free reserves as well as EPS, this suggestion holds sanctity. It would enhance the market positioning of the organization.

The organization could improve on its short term (liquid) investments to take care of returns as well as liquidity.

Compared to previous year NPA has increased so Bank should adopt new strategy to improve NPA and also take almost care in lending the money. It should follow tight credit policy.

CONCLUSION

CONCLUSION

Overall Prospects of the bank looks good. HDFC is doing well in its performance. To maintain the same position in market it as to concentrate on liquidity position and make the investment in good class of asset to earn more returns. HDFC should also concentrate highly on expenses which is increasing year by year which would lead to decrease in the profitability of the firm.

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- Dr. Akash Agrawal

Websites:

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www.bussinessworld.com

www.Moneycontrol.com

ANNEXURE

Annexure

1. Are you aware of the financial services provided by HDFC bank?

a) Yes b) No c) May be

2. Which of the financial services have you used that are provided by HDFC bank?

a) Banking b) Commodities c) Insurance d) Mortgage loan

e) Mutual funds f) Private equity g) Risk management h) Credit card

3. Which kind of account do you have in HDFC bank?

a) Saving account b) Current account c) Loan account d) Fixed deposit account e) Others:

4. Are you satisfied with the savings account interest rate and fixed deposit interest rate provided by HDFC bank?

a) Yes b) No c) May be

5. Is it easy to reach out to HDFC bank's ATM or its branch in your locality?

a) Yes b) No c) May be

6. Have you ever used HDFC bank's credit card service?

a) Yes b) No c) May be

7. Have you experienced loan services of HDFC bank?

a) Yes b) No c) May be

8. Have you ever experienced insurance services provided by HDFC bank?

a) Yes b) No c) May be

9. Are you satisfied with the services of HDFC bank?

a) Yes b) No c) May be

10. If yes, then please rate your experience of the services provided by HDFC bank?