International Journal of Research and Engineering
ISSN: 2348-7860 (O) | 2348-7852 (P) | Vol. 04 No. 10 | October 2017 | PP. 255-257

Comparative Analysis of HDFC Bank

Author(S): [1]J.S. Bhatnagar, [2]Neelam Thakur
Affiliation: [1]Research Supervisor, [2]Ph.D. Student, Department of Commerce, Bhagwant University, Ajmer

Abstract: "A comparative analysis of HDFC bank financial performance before and after acquisition with centurion bank of Punjab". The HDFC Bank was incorporated on August 1994 by the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. India's third-largest lender, HDFC Bank, is acquiring Centurion Bank of Punjab for about 95.1 billion rupees ($2.4 billion) in stock, extending its network before foreign institutions are allowed larger access to the Indian banking market next year. Centurion Bank merged with Bank of Punjab (at swap ratio to 4:9) to form Centurion Bank of Punjab. Finally on May 23, 2008, the one of India's most renowned banks - HDFC Bank acquired Centurion Bank of Punjab Methodology is defined to study of methods by which we again knowledge, it deals with cognitive processes imposed on research the problems arising from the nature of its subject matter. Ratio analysis is the calculation and comparison of various financial ratio derived company's financial statements. Total Debt Ratio, Efficiency Ratio, Return on Average Asset Ratios, Asset Utilization, Return on assets (ROA), Equity Multiplier, Tax Ratio, Profit Margin The total share capital for the year 2010 is 457.7 is higher than the other year total share capital value. The company should increase the profit margin after the acquisition the profit margin it's continually lower then following years. The HDFC Bank should take necessary steps to improve the return on asset. The HDFC Bank is performing well after the acquisition but some of the variable like profit margin, tax ratio, returns on asset, borrowing. If all these variables are rectified then the company gets more profit.

Keywords: Acquisition, HDFC Bank, share capital, profit margin.

Introduction

Side by side examination of two or more alternatives, processes, products, qualifications, sets of data, systems, etc., to determine if they have enough common-ground, equivalence, or similarities to permit a meaningful comparative analysis. A methodology of comparative analysis of evolutionary models is proposed. The main aim of this proposition is to identify to what extend different models can be called 'evolutionary ones'

1. Banking: summary of the activities in an account over a certain period, such as average daily balance, overdraft balance, banking services provided, and fees charged for them.

2. Accounting: measurement of cost behavior, by analyzing accounting data and classifying each account as a fixed cost, or variable cost. In this context, the financial performance of HDFC Bank before and after the acquisition with centurion bank of Punjab was analyzed.

Introduction to HDFC bank:

The HDFC Bank the Housing Development Finance Corporation (HDFC) was incorporated on August 1994 by 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. The Housing Development Finance Corporation (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. HDFC Bank is headquartered in Mumbai. The Bank at present has an enviable network of over 1416 branches spread over 550 cities across India. All branches are linked on an online real-time basis. Customers in over 500 locations are also serviced through Telephone Banking. The Bank also has a network of about over 3382 networked ATMs across these cities.

Amalgamation of Times Bank & Centurion Bank of Punjab With HDFC Bank:

On May 23, 2008, the amalgamation of Centurion Bank of Punjab with HDFC Bank was formally approved by Reserve Bank of India to complete the statutory and regulatory approval process. As per the scheme of amalgamation, shareholders of CBoP received 1 share of HDFC Bank for every 29 shares of CBoP. The merged entity will have a strong deposit base of around Rs1, 22,000 crore and net advances of around Rs 89, 000 crore. The balance sheet size of the combined entity would be over Rs1, 63,000 crore. The amalgamation added significant value to HDFC Bank in terms of increased branch network, geographic reach, and customer base, and a bigger pool of skilled manpower.

II. Objectives

Primary objective:

1. To study the comparative analysis of HDFC Bank financial performance before and after the acquisition with centurion bank of Punjab.

Secondary objectives:

2. To study the financial performance of HDFC Bank.
   To study about the profitability position of HDFC Bank.
3. To study about the future positioning of HDFC Bank.
4. 4. To study the relationship between the profit and acquisition.

Scope:

This study is undertaken for the purpose of knowing the comparative analysis of HDFC Bank financial performance before and after the acquisition with centurion Bank of Punjab. • The study focuses attention mainly on the level of financial performance analysis of HDFC Bank.

III. Research Methodology

Research Design: Analytical and descriptive research design

Data Collection: The researcher has used secondary data for the study. The data are collected from secondary source such as websites and portals.

Research Tools: 1. Comparative analysis 2. Ratio Analysis 3. Two way table analysis 4. Chi-square analysis

Findings

HDFC Bank Limited FINANCIAL RESULTS (INDIAN GAAP) FOR THE QUARTER AND YEAR ENDED MARCH 31, 2017

The Board of Directors of HDFC Bank Limited approved the Bank's (Indian GAAP) results for the quarter ended March 31, 2017 and the audited results for the full year ended March 31, 2017 at their meeting held in Mumbai on Friday, April 21, 2017.

Standalone Financial Results:

Profit & Loss Account: Quarter ended March 31, 2017

The Bank's total income for the quarter ended March 31, 2017 was ' 21,560.7 crore, up from ' 18,862.6 crore for the quarter ended March 31, 2016. Net revenues (net interest income plus other income) increased by 21.1% to ' 12,501.4 crore for the quarter ended March 31, 2017 as against ' 10,319.2 crore for the corresponding quarter of the previous year. Net interest income (interest earned less interest expended) for the quarter ended March 31, 2017 grew by 21.5% to ' 9,055.1 crore from ' 7,453.3 crore for the quarter ended March 31, 2016 driven by average assets growth of 19.0% and a core net interest margin for the quarter of 4.3%.

Other income (non-interest revenue) at ' 3,446.3 crore was 27.6% of the net revenues for the quarter ended March 31, 2017 and grew by 20.3% over ' 2,865.9 crore in the corresponding quarter ended March 31, 2016. The four components of other income for the quarter ended March 31, 2017 were fees & commissions of ' 2,523.0 crore (' 2,172.4 crore in the corresponding quarter of the previous year), foreign exchange & derivatives revenue of' 356.7 crore ('282.8 crore for the corresponding quarter of the previous year), gain on revaluation / sale of investments of 180.4 crore ('1 15.5 crore in the corresponding quarter of the previous year) and miscellaneous income including recoveries of ' 386.2 crore ('295.2 crore for the corresponding quarter of the previous year).

Operating expenses for the quarter ended March 31, 2017 were ' 5,222.0 crore, an increase of 13.9% over' 4,584.3 crore during the corresponding quarter of the previous year. The core cost-to-income ratio for the quarter was 42.4% as against 44.9% for the corresponding quarter ended March 31, 2016.

Provisions and contingencies for the quarter ended March 31, 2017 were ' 1,261.8 crore (consisting of specific loan loss provisions ' 977.9 crore, general provisions ' 280.3 crore, and other provisions ' 3.6 crore) as against ' 662.5 crore (consisting of specific loan loss provisions ' 490.3 crore, general provisions ' 161.1 crore and other provisions ' 11.1 crore) for the corresponding quarter ended March 31, 2016. The specific loan loss provisions for the quarter ended March 31, 2017 include provisions on accounts that would have turned non-performing (NPA) during the quarter ended December 31, 2016, but were classified as NPA during the quarter ended March 31, 2017, in line with the additional 60/90 day dispensation provided by the Reserve Bank of India vide its circulars dated November 21,2016 and December 28, 2016.

After providing ' 2,027.5 crore for taxation, the Bank earned a net profit of' 3,990.1 crore, an increase of 18.3% over the quarter ended March 31, 2016.

Profit & Loss Account: Year ended March 31, 2017

For the year ended March 31, 2017, the Bank earned total income of 81,602.5 crore. Net revenues (net interest income plus other income) for the year ended March 31, 2017 were ' 45,435.7 crore, up by 18.5% over ' 38,343.2 crore for the year ended March 31, 2016. For the year ended March 31, 2017, the net interest margin was 4.3%. Core cost to income ratio was at 44.5% for the year ended March 31, 2017, as against 45.1% for the previous year.

The Bank's net profit for year ended March 31, 2017 was ' 14,549.7 crore, up 18.3%, over the year ended March 31,2016.

Balance Sheet: As of March 31, 2017

Total balance sheet size as of March 31, 2017 was ' 863,840 crore as against ' 740,796 crore as of March 31,2016.

Total deposits as of March 31, 2017 were ' 643,640 crore, an increase of 17.8% over March 31, 2016. Current account deposits grew by 30.7% over the previous year to reach ' 115,574 crore and savings account deposits by 30.9% over the previous year to reach ' 193,579 crore. Term deposits, net of maturities of about US$ 3 billion of Foreign Currency Non- Resident (FCNR) deposits during the quarter ended December 31, 2016, were at ' 334,487 crore, an increase of 7.9% over the previous year. CASA deposits were therefore at 48% of total deposits as on March 31, 2017.

Advances as of March 31, 2017 were ' 554,568 crore, an increase of 19.4% over March 31, 2016, and 12.0% over December 31, 2016. The Bank's domestic loan portfolio at' 538,642 crore as of March 31, 2017, grew by 23.7% over March 31,_ 2016. Both segments of the Bank's loan portfolio grew faster than system loan growth. As per regulatory (Basel 2) segment classification, the domestic retail loans and wholesale loans grew by 26.6% and 20.7% respectively, with the domestic loan mix between retail and wholesale at 53:47.

Capital Adequacy

The Bank's total Capital Adequacy Ratio (CAR) as per Basel III guidelines, was at 14.6% as at March 31, 2017 (15.5% as at March 31, 2016) as against a regulatory requirement of 10.25% including Capital Conservation Buffer of 1.25%. Tier-I CAR was at 12.8% as on March 31, 2017 compared to 13.2% as at March 31, 2016. Risk-weighted Assets were at' 640,030 crore (' 529,768 crore as at March 31, 2016).

Dividend

The Board of Directors recommended a dividend of 11 per equity share of' 2 for the year ended March 31, 2017, as against v 9.50 per equity share of" 2 for the previous year. This would be subject to approval by the shareholders at the next annual general meeting.

Network

As of March 31, 2017, the Bank's distribution network was at 4,715 branches and 12,260 ATMs in 2,657 cities / towns as against 4,520 branches and 12,000 ATMs in 2,587 cities / towns as of March 31, 2016. Of the branches, 52% are in semi-urban and rural areas. Number of employees were at 84,325 as of March 31, 2017.

Asset Quality

Gross non-performing assets (NPAs) were at 1.05% of gross advances as on March 31, 2017, as against 1.05% as on December 31, 2016 and 0.94% as on March 31, 2016. Net non-performing assets were at 0.3% of net advances as on March 31, 2017.

V. Suggestions

1. The company should increase the profit margin after the acquisition the profit margin it's continually lower then following years.

2. Tax ratio also increased the company should construct provision tax.

3. The return on asset in HDFC Bank is in decreasing trend. The HDFC Bank should take necessary steps to improve the return on asset.

4. Before acquisition the borrowing is low but in the year 2010 the borrowing level of HDFC Bank it's very high so HDFC Bank concentrates in this regard.

IV. Conclusion

1. HDFC Bank the total share capital, the reserves, net worth, deposit. This entire ratio is giving very positive opinion after the acquisition.

2. The HDFC Bank is performing well after the acquisition but some of the variable like profit margin, tax ratio, returns on asset, borrowing. If all these variables are rectified then the company gets more profit.

References

[1] The Times of India "To stay afloat, Coimabtore traders seek card swipe machines", 20 November 2016
[2] The Times of India "Winter Session debate". . 15 November 2016.
[3] The Times of India "Why's Mamata Banerjee against demonetization?". . 12 November 2016.
[4] The Times of India"Modi's demonetisation move a reckless bungle: Foreign media". . 28 December 2016.
[5] The Times of India. 11 November 2016. "2 die in queue to exchange banned notes at bank". 13 November 2016.
[6] Thorn, S.R. Introduction to Money and Banking, 1976.
[7] Thorn, S.R. Introduction to Money and Banking, 1976.
[8] Timberlake, R.H. Money Banking and Central Banking, 1965.
[9] Timberlake, R.H. Money Banking and Central Banking, ^ 1965.
[10] Times of India "97% of scrapped notes deposited with banks as on Dec 30: Report - ".
[11] Times of India "Cops look for Maoists with old currency –".
[12] Times of India "Local daily's April 1 joke turns news break of the year –". 24 November 2016.
[13] Times of India "Netas using co-op banks for backdated FDs, DDs ".
[14] Times of India "New notes worth Rs 4.7 crore seized in I-T raids in Bengaluru".
[15] Times of India "Religious places getting over the 'demon' of note ban ".
[16] Times of India "Rs 76 lakh cash seized from vehicle in Mandi –".
[17] Times of India "Rush to offer Rs 500, Rs 1000 donations at Puri Temple - ".
[18] Times of India "Unrest erupts in UP towns as cashless crowds vent ire on bank staff –". 24 November 2016.
[19] Times of India Blogs "Rs 500, 1000 notes pulled out: How Twitter reacted". . 8 November 2016.
[20] Times of India."Modi's demonetization set to cripple Naxalites financially".
[21] United News of India. "Demonetization: 96 year-old died while standing in queue". November 12, 2016.
[22] Venkateshwarlu, K. (9 November 2016). "Demonetisation of Rs. 500, Rs. 1000 notes: Naidu had inkling of the ban?". The Hindu.
[23] Weintraub, R., Introduction to Monetary Economics, 1970.
[24] Weintraub, R., Introduction to Monetary Economics, 1970.
[25] Whittle Say, C.R., Principles and Practices of Money and Banking, 1954.
[26] Worstall, Tim. "India's Rs 500 And 1,000 Demonetization Is Lowering Interest Rates And Also Inflation". Retrieved 24 November 2016.
[27] Yadav, Anumeha. "Cashless and demonetised: Meet three Indians who once had jobs".
[28] zeenews.India.com "Parties gear up for debate on demonetisation". . 15 November 2016.
[29] Zeenews.India.com. "Congress initiates demonetization debate". 16 November 2016.