A

PROJECT REPORT

ON

“A Comprehensive Study On Financial Analysis”

OF H.D.F.C. BANK

RANIGANJ

<u>SUBMITTED TO</u>:

Kazi Nazrul University,Asansol In partial fulfillment of the Requirement for award of the degree of

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BANWARILAL BHALOTIA COLLEGE
ASANSOL – 713303(WEST BENGAL)

Banwarilal Bhalotia College
Constituent College of the KAZI NAZRUL UNIVERSITY, Asansol
(GOVT. SPONSORED U. G. & P. G. College)
ESTD. 1944


एचडीएफसी बँक
वागळे इस्टेट शाखा
HDFC BANK
Wagle Estate Branch
WANT THE BEST FOREX RATES?
Happiness delivered
Financial solutions to help your dreams come alive
DID YOU KNOW THIS ATM CAN DO A LOT MORE!
Loan for all types of Vehicles
Photo Credit:- bqprime

ACKNOWLEDGEMENT

No task is single man's effort. Any job in this world however trivial or tough cannot be accomplished without the assistance of others. An assignment puts the knowledge and experience of an individual to litmus test. There is always a sense of gratitude that one likes it express towards the persons who helped to change an effort in a success. The opportunity to express my indebtedness to people who have helped me to accomplish this task.

I deem it a proud privilege to extend my greatest sense of gratitude to my guide **MISS SNIGDHA DUTTA (ASSISTANT MANAGER, HDFC BANK RANIGANJ)** for the keen interest, inspiring guidance, continuous encouragement, valuable suggestions and constructive criticism throughout the pursuance of this report.

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EXECUTIVE SUMMARY

“Undertake something is difficult,

It will do you good,

Unless you try to do something

Beyond what you have already mastered

You will never grow”.

RONALDE. OSBORN

I did my training in HDFC BANK RANIGANJ.

The concept of this project is to check whether HDFC BANK is performing well year after year or lacking in performance. The performance can be evaluated by doing Financial Analysis of Financial Statements of Bank. The purpose of this project is to evaluate the performance of HDFC BANK. It primarily aims at learning the various factors that can help I evaluation process. I have tried to find out the reasons or ground where it is lacking. I have also tried to find out the areas of improvement.

In order to do financial analysis of co. the various tools like **RATIO ANALYSIS, COMPARATIVE FINANCIAL STATEMENT AND TREND PERCENTAGES** have been used. In statistical tools, I’ve used **CORRELATION, TIME SERIES ANALSIS (TREND VALUES)** .In Hypothesis testing, I’ve used ANOVA TEST. The project also includes objective of study, Research Methodology, Analysis and Interpretation, findings recommendations limitation of study conclusion bibliography and annexure.

INDEX

INTRODUCTION OF BANKING

MEANING AND DEFINITION:

Bank is an institution that deals in money and its substitutes and provides crucial financial services. The principal type of baking in the modern industrial world is commercial banking & central banking.

Banking Means "Accepting Deposits for the purpose of lending or Investment of deposits of money from the public, repayable on demand or otherwise and withdraw by cheque, draft or otherwise."

-Banking Companies (Regulation) Act,1949

The concise oxford dictionary has defined a bank as "Establishment for custody of money which it pays out on customers order." Infact this is the function which the bank performed when banking originated.

"Banking in the most general sense, is meant the business of receiving, conserving & utilizing the funds of community or of any special section of it."

-By H.Wills & J. Bogan

"A banker of bank is a person, a firm, or a company having a place of business where credits are opened by deposits or collection of money or currency or where money is advanced and waned.

-By Findlay Sheras

Thus

A Bank :

- Accept deposits of money from public,
- Pays interest on money deposited with it.
- Lends or invests money
- Repays the amount on demand,
- Allow the money deposited to be with drawn by cheque or draft.

ORIGIN OF WORD BANK:

The origin of the word bank is shrouded in mystery. According to one view point the Italian business house carrying on crude from of banking were called banchi bancheri" According to another viewpoint banking is derived from German word "Branck" which mean heap or mound. In England, the issue of paper money by the government was referred to as a raising a bank.

ORIGIN OF BANKING :

Its origin in the simplest form can be traced to the origin of authentic history. After recognizing the benefit of money as a medium of exchange, the importance of banking was developed as it provides the safer place to store the money. This safe place ultimately evolved in to financial institutions that accepts deposits and make loans i.e., modern commercial banks.

BANKING SYSTEM IN INDIA

A HISTORICAL PERSPECTIVE :

We can identify there distinct phases in the history of Indian banking:

1. Early phase from 1786-1969.
2. Nationalization of banks and up to 1991 prior to banking sector reforms.
3. New phase of Indian banking with the advent of financial banking. Banking in India has its origin as early or Vedic period. It is believed that the transitions from many lending to banking must have occurred even before Manu, the great Hindu furriest, who has devoted a section of his work to deposit and advances and laid down rules relating to the rate of interest. During the mogul period, the indigenous banker played a very important role in lending money and financing foreign trade and commerce.

   During the days of the East India Company it was the turn of agency house to carry on the banking business. The General Bank of India was the first joint stock bank to be established in the year 1786. The other which followed was the Bank of Hindustan and Bengal Bank. The Bank of Hindustan is reported to have continued till 1906. While other two failed in the meantime. In the first half of the 19th century the East India Company established there banks, The bank of Bengal in 1809, the Bank of Bombay in 1840 and the Bank of Bombay in1843. These three banks also known as the Presidency banks were the independent units and functioned well. These three banks were amalgamated in 1920 and new bank, the Imperial Bank of India was established on 27th January, 1921.

With the passing of the State Bank of India Act in 1955 the undertaking of the Imperial Bank of India was taken over by the newly constituted SBI. The Reserve Bank of India (RBI) which is the Central bank was established in April, 1935 by passing Reserve bank of India act 1935. The Central office of RBI is in Mumbai and it controls all the other banks in the country.

In the wake of Swadeshi Movement, number of banks with the Indian management were established in the country namely, Punjab National Bank Ltd., Bank of India Ltd., Bank of Baroda Ltd., Canara Bank. Ltd. on 19th July 1969, 14 major banks of the country were nationalized and on 15th April 1980, 6 more commercial private sector banks were taken over by the government.

FUNCTIONS OF BANKS

PRIMARY FUNCTIONS

- Acceptance of Deposits
- Making loans & advances
- Loans
- Overdraft
- Cash Credit
- Discounting of bills of exchange

SECONDARY FUNCTIONS

- Agency functions
- Collection of cheques & Bills etc.
- Collection of interest and dividends.
- Making payment on behalf of customers
- Purchase & sale of securities
- Facility of transfer of funds
- To act as trustee & executor.

UTILITY FUNCTIONS :

- Safe custody of customers valuable articles & securities.
- Underwriting facility
- Issuing of traveller's cheque letter of credit
- Facility of foreign exchanges
- Providing trade information
- Provide information regarding credit worthiness of their customer.

CLASSIFICATION ON BASIS OF OWNERSHIP

On the basis of ownership banks are of the following types :

1. **PUBLIC SECTOR BANK**

   Public sector banks are those banks which are owned by the Government. The Govt. runs these Banks. In India 14 banks were nationalized in 1969 & in 1980 another 6 banks were also nationalized. Therefore in 1980 the number of nationalized bank 20. But at present there are 9 banks are nationalized. All these banks are belonging to public sector category. Welfare is their principle objective.

2. **PRIVATE SECTOR BANKS**

   These banks are owned and run by the private sector. Various banks in the country such as ICICI Bank, HDFC Bank etc. An individual has control over there banks in preparation to the share of the banks held by him.

3. <u>CO-OPERATIVE BANKS</u>

Co-operative banks are those financial institutions. They provide short term & medium term loans to there members. Co-operative banks are in every state in India. Its branches at district level are known as the central co-operative bank. The central co-operative bank in turn has its branches both in the urban & rural areas. Every state co-operative bank is an apex bank which provides credit facilities to the central co-operative bank. It mobilized financial resources from richer section of urban population by accepting deposit and creating the credit like commercial bank and borrowing from the money mkt. It also gets funds from RBI.

ii ACCORDING TO RESERVE BANK OF INDIA ACT 1935

Banks are classified into following two categories son the basis of reserve bank Act. 1934.

1. SCHEDULED BANK

These banks have paid up capital of at least Rs. 5 lacks. These are like a joint stock company. It is a co-operative organization. These banks find their mention in the second schedule of the reserve bank.

2. NON SCHEDULED BANK

These banks are not mentioned in the second schedule of reserve bank paid up capital of these banks is less then Rs.5 lacs. The no. such bank is gradually tolling in India.

iii CLASSIFICATION ACCORDING TO FUNCTION

On the basis of functions banks are classified as under :-

1. COMMERCIAL BANKS

The commercial banks generally extend short-term loans to businessmen & traders. Since their deposits are for a short-period only. They cannot lend money for a long period. These banks reform various types or agency job for their customers. These banks are not in a position to grant long-term loans to industries because their deposits are only for a short period. The majority of joint stock banks in India are commercial banks which finance trade & commerce only.

2. SAVING BANKS

The principle function of these banks is to collect small saving across the country and put them into productive use. These banks have shown marked development in Germany & Japan. These banks are established in HAMBURG City of Germany in 1765. In India a department of post offices functions as a saving banks.

3. FOREIGN EXCHANGE BANKS

These are special types of banks which specialize in financing foreign trade. Their main function is to make international payments through purchase & sale of exchange bills. As it well known, the exporters of a country prefer to receive the payments for exports in their own currency. Thus these banks convert home currency into foreign currency and vice versa. It is on this account that these banks have to keep with themselves stock of the currency of various countries. Along with that, they have to open branches in foreign countries to carry on their business.

4. INDUSTIRAL BANKS

The industrial banks extends long term loans to industries. In fact, they also help industrials firms to sell their debentures and shares. Some times, they even underwrite the debentures & shares of big industrial concerns.

5. INDIGENIOUS BANKS

These banks found their origin in India. These banks made a significant contribution to the development of agricultural and industries before independence. Mahajans, rural moneylenders have been the forerunner of these banks in India.

6. CENTRAL BANK

The central bank occupies a pivotal position in the monetary and banking structure of the country. The central bank is the undisputed leader of the money market. As such it supervises controls and regulates the activities of commercial banks affiliated with it. The central bank is also the higher monetary institution in the country charged with the duty & responsibility of carrying out the monetary policy formulated by the government. India's central bank known as the reserve bank of India was set up in 1935.

7. <u>AGRICULTURAL BANK</u>

The commercial and the industrial banks are not in a position to meet the credit requirements of agriculture. Hence, there arises the need for setting up special type of banks of finance agriculture. The credit requirement of the farmers are two types. Firstly the farmers require short term loans to buy seeds, fertilizers, ploughs and other inputs. Secondly, the farmers require long-term loans to purchase land, to effect permanent improvements on the land to buy equipment and to provide for irrigation works. There are two types of agriculture banks.

1. Agriculture co-operative banks, and
2. Land mortgage banks. The farmer provide short-term credit, while the letter extend long-term loans to the farmers.

PROFILE OF THE ORGANISATION

HOUSING DEVELOPMENT FINANCE CORPORATION

(HDFC BANK)

INTRODUCTION

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 RBI liberalization of Indian banking industry in 1994. The bank was in corporate in Aug. 1994 in the name of HDFC Bank Ltd. With its registered office in Mumbai, India, HDFC Bank commenced operations as scheduled commercial bank in January 1995.

PROMOTOR

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 1997, the corporation has maintained a consistent and healthy growth in its operations to remain a market leader in mortgage. 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 franchise, HDFC was ideally positioned to promote a bank in the Indian environment.

BUSINESS FOCUS

HDFC bank's mission is to be a world class Indian bank. The bank has aim to build sound customer franchises across district business so as to be the prefer provider of banking services in the segment that the bank operates in 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 and regulatory compliance. HDFC bank's business philosophy is based on four core values:

1. Operational Excellence
2. Customer Focus
3. Product Leadership
4. People.

CAPITAL STRUCTURE

The authorized capital of HDFC bank is Rs. 45000 Lakhs. The issued, subscribed and paid-up capital is divided into 836,46 lacks equity shares @ Rs.10/- each.

TIMES BANKS AMALGAMATION

In a mile stone transaction in Indian banking industry, Times bank limited (another new private sector bank promoted by Bennett, Coleman & Co. times group) was merged with HDFC bank ltd., effective February 26, 2000. As per the scheme of amalgamation approved by the share holders of both banks and Reserve bank of India.

DISTRIBUTION NETWORK

HDFC bank has its Headquarters in Mumbai. The bank at present has an enviable network of 535branches spread over 312 cities across the country. All branches are linked on an online real time basis. Customer in 189 locations are also serviced through phone banking. The banks expansion plans take into account the need to have a presence in all major industrial and commercial centers where its corporate customers are located as well as the need to build a strong retail customer base for both deposits and loans products. Being a clearing settlement bank to various leading stock exchanges, the bank has branches in centers where the NSE/BSE have a strong and active member base.

The bank also have a network of 1323ATM's across there cities.

TECHNOLOGY

HDFC bank operates in a highly automated environment in terms of information technology and communication systems. All the bank's branches have connectivity which enables the bank to offer speedy funds transfer facility to its customers. Multi branch access is also provided to retail customers through the branch network and automated teller machines (ATMs)

The bank has made substantial efforts and investments in acquiring the best technology available internationally to build the infrastructure for a world class bank has prioritized its engagement in technology and the internet as one of its key goals and has already made significant progress in web enabling its core business. In each office its business, the Bank has succeeded in leveraging its market position, expertise and technology to create a competitive advantage and build market share.

BUSINESS PROFILE

HDFC Bank caters to wide range of banking services covering both commercial and investment banking on the wholesale side and transactional branch banking on the retail side. The bank three key business areas

1. WHOLESALE BANKING SERVICES

The Bank's target is primary large blue-chip manufacturing companies in the Indian corporate sector and to a lesser extent, emerging mid sized corporate. For these corporate the Bank provides a wide range of commercial and transactional Banking services including working capital finance trade services, transactional services, cash management etc. The Bank is also a leading provider of structure solution which combine cash management services with vendors and distributor finance for facilitating superior supply chain management for its corporate customers. Based on its superior product delivery service levels and strong customer orientation, the Bank has made significant in roads into the Banking consortia of a number of leading India corporate including Multinationals, Companies from the domestic business house and prime public sector companies. It is recognized as a leading provider of cash management and transactional Banking solutions to corporate customers, Mutual Funds, Stock Exchange Members and Bank.

2. <u>RETAIL BANKING SERVICES:</u>

The objective of retail bank is to provide its target market customer a full range of financial products and banking service, giving the customer a one-stop window for all his/her banking requirements. The products are backed by world-class services and delivered to the customers through the growing branch network as well as though alternative delivery channels like ATMs, phone banking, net banking and mobile banking. The HDFC bank preferred programs for high net worth individuals, the HDFC bank plus and the investment advisory services program have been designed keeping in mind heads of customers who seek distinct financial solutions information and advice on various investment avenues. The also had a wide array of retail ban products including auto loans, loans against marketable securities, personal loans and loans for two wheelers. It is also a leading provider of depository service to retail customers offering customers the facility to hold their investments in electronic form. HDFC Bank was the first bank in India to launch an international debit card in association with VISA (Visa election) and issue the master card Maestro debit card as well. The debit card allows the use to directly debit his account at the point of purchase at a merchant establishment, in India and overseas. The bank launch its credit card in association with VISA in November 2002. The bank is also one of the leading players in the "merchant acquiring" business with 26,400 point of sale (pos) terminals for debit/credit cards acceptance at merchant establishments. The bank is well positioned as a leader in various net based B2C opportunities including a wide range of interest banking services for fixed deposit, loans, bill payments etc.

3. TREASURY OPERATIONS

Within this business the bank has three main product areas foreign exchange and derivative, local currency, money market & debt securities and equities. With the liberalization of the financial market in India, corporate need more sophisticated risk management information advice and product structure. These and find pricing on various treasury product are provided through the bank treasury team.

BOARD OF DIRECTOR

Mr. Atanu Chakraborty, (Chairman)
Mrs. Renu Karnad, (Non-Executive Director)
Dr. (Mrs.) Sunita Maheshwari, (Independent Director)
Mrs. Lily Vadera, (Independent Director)
Mr. Sashidhar Jagdishan, (Managing Director& CEO)
Mr. Kaizad M Bharucha, (Deputy Managing Director)
Mr. Bhavesh Zaveri, (Executive Director)
Mr. Umesh Chandra Sarangi, (Independent Director)
Mr. Sanjiv Sachar, (Independent Director)
Mr. Sandeep Parekh, (Independent Director)
Mr. MD Ranganath, (Independent Director)

VICE PRESIDENT AND COMPANY SECRETARY

Mr. Santosh Haldankar

AUDITOR

MSKA & Associates

Chartered Accountant

REGISTERED OFFICE

HDFC House,

HT Parekh Marg,

165-166 Backbay

Reclamation,

Churchgate

Mumbai 400020

Tel. No. 66316000

Fax No. 22046834

SWOT ANALYSIS

STRENGHTS :

* It has an extensive distribution network comprising of 319 branches in 166 cities & one international office in Dubai this provides a competitive edge over the competitions.
* The Bank has a strong retail depository base & has more than million customers.
* Bank boasts of a strong brand equity.
* ISO 9001 certification for its depository & custody operations & for its backend processing of retail operation & direct banking operations.
* The bank has a near competitive edge in area of operations.
* The bank has a market leader in cash settlement service for the major stock exchanges in its country.
* HDFC Bank is one of the largest private sector bank working in India.
* It has a highly automated environment in terms of information technology & communication system.
* Infrastructure is best.
* It has many innovative products like kids Advantage scheme, NRI services.

WEAKNESS :

* Account opening and delivery of cheque book take comparatively more time.
* Lack of availability of different credit products like CC Limit, Bill discounting facilities.

OPPORTUNITY :

* Branch expansion
* Door step services
* Greater liberalization in foreign ownership via FDI in Indian Pvt. Sector Banks.
* CC/ OF Facilities.
* Infrastructure improvements & better systems for trading & settlement in the govt. securities & foreign exchange markets.

THREATS:

* The bank has started facing competition from players like SBI, PNB Bank in the finance market itself. This reduce the profit margins in the future.
* Some Pvt. Banks have 7 days banking.

JUSTIFICATION OF THE STUDY

Financial Statements are prepared primarily for decision-making. They play a dominant role in setting the framework of managerial decisions. But the information in the financial statement is not an end in itself as no meaningful can be drawn from these statements alone.

The information provided in the financial statement is of immense use in making decisions through analysis and interpretation of financial statements. The financial analysis is the process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of the balance sheet and P&L A/C.

There are various methods or techniques used in analyzing financial statement such as comparative statement, trend analysis, common size statement, schedule of changes in working capital, fund flow and cash flow analysis, cost volume profit analysis and “RATIO ANALYSIS”.

Ratio analysis is one of the most powerful tool of financial analysis. It is a process of establishing and interpreting various ratios that the financial statements can be analysed more clearly and decisions made from such analysis.

Just like a DOCTOR examines his patient by recording his body temperature, blood pressure etc before making his conclusion regarding the illness and before giving his treatment, a financial analyst analysis the financial statement with various tools of analysis before commenting upon the financial health or weaknesses of an enterprise.

The purpose of financial analysis is to diagnose the information contained in financial statements so as to judge the profitability and financial soundness of the firm. Financial statement analysis is an attempt to determine the significance and meaning of financial statement data so that forecast may be made of the future earning, ability to pay interest and debt maturities and profitability of a sound dividend policy.

A financial ratio is the relationship between two accounting figures expressed mathematically ratio provide clues to the financial position of the concern. These are the pointers and indicators of financial strength, soundness, position or weakness of an enterprise. One can draw conclusions about the exact financial position of a concern with the help of ratios.

OBJECTIVE OF THE STUDY

Objectives are the ends that states specifically how goal be achieved. Every study must have an objective for which all the efforts have been done. Without objective no research can be conducted and no result can be obtained. On the basis of objective all the research process is followed. Objectives are the main aspect of every study. The objective of the study gives direction to go through the research problem. It guides the researcher and keeps him on track.

I have two objectives regarding my research project. These are shown below :-

1. Primary objective
2. Secondary objective

1. Primary objective :-

1) To study the software used in HDFC Bank
2) To analyse the financial statements of the corporation to it's true financial position by the use of ratios

2. Secondary objective :-

1) To find out the shortcomings in HDFC Bank
2) To see whether HDFC is going well or not in different areas
3) To inform the management about the financial condition of HDFC
4) To inform the investor, enabling them to take the investment decision.

LITERARURE REVIEW

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INTRODUCTION OF THE TOPIC

MEANING OF FINANCIAL STATEMENTS:-

Financial statements refer to such statements which contains financial information about an enterprise. They report profitability and the financial position of the business at the end of accounting period. The team financial statement includes at least two statements which the accountant prepares at the end of an accounting period. The two statements are: -

1. **The Balance Sheet**
2. **Profit And Loss Account**

They provide some extremely useful information to the extent that balance Sheet mirrors the financial position on a particular date in terms of the structure of assets, liabilities and owners equity, and so on and the Profit And Loss account shows the results of operations during a certain period of time in terms of the revenues obtained and the cost incurred during the year. Thus the financial statement provides a summarized view of financial positions and operations of a firm.

MEANING OF FINANCIAL ANALYSIS

The first task of financial analysis is to select the information relevant to the decision under consideration to the total information contained in the financial statement. The second step is to arrange the information in a way to highlight significant relationship. The final step is interpretation and drawing of inference and conclusions. Financial statement is the process of selection, relation and evaluation.

Features of Financial Analysis

- - To present a complex data contained in the financial statement in simple and understandable form.
- - To classify the items contained in the financial statement in convenient and rational groups.
- To make comparison between various groups to draw various conclusions.

Purpose of Analysis of financial statements

- To know the earning capacity or profitability.
- To know the solvency.
- To know the financial strengths.
- To know the capability of payment of interest & dividends.
- To make comparative study with other firms.
- To know the trend of business.
- To know the efficiency of mgt.
- To provide useful information to mgt

Procedure of Financial Statement Analysis

The following procedure is adopted for the analysis and interpretation of financial statements:-

- The analyst should acquaint himself with principles and postulated of accounting. He should know the plans and policies of the management so that he may be able to find out whether these plans are properly executed or not.

- The extent of analysis should be determined so that the sphere of work may be decided. If the aim is find out. Earning capacity of the enterprise then analysis of income statement will be undertaken. On the other hand, if financial position is to be studied then balance sheet analysis will be necessary.

- The financial data be given in statement should be recognized and rearranged. It will involve the grouping similar data under same heads. Breaking down of individual components of statement according to nature. The data is reduced to a standard form.

- A relationship is established among financial statements with the help of tools & techniques of analysis such as ratios, trends, common size, fund flow etc.

- The information is interpreted in a simple and understandable way. The significance and utility of financial data is explained for help in decision making.

- The conclusions drawn from interpretation are presented to the management in the form of reports.

TYPES OF FINANCIAL ANALYSIS

A) Classification on the basis of natural used

a) External Analysis

Outsiders, who don't have access to the detailed internal accounting records of the business firm, do this analysis. These outsiders parties are potential investor, creditors, government agencies, credit agencies & general public.

b) Internal Analysis:

The analysis conducted by person who has access to the internal accounting records of a business firm is known as internal analysis.

B) On the basis of modus operand:

a) Horizontal Analysis:

Horizontal analysis refers to the comparison of financial data of a company for several years. The figures of this type of analysis are presented horizontally over a no. of columns. This type of analysis is also called "Dynamic Analysis".

b) Vertical Analysis:

This analysis refers to the study of relationship of the various items in the financial statements, of one accounting period. It is also known as "Static analysis".

FUNCTIONS OF FINANCE DEPARTMENT

The functions of finance department include the following areas:

1) Effective management of financial resources of the company.

2) Coordinates & Monitors the functions of accounts activities in the units/marketing offers.

3) Establish and maintain systems of financial control, internal check and render advice on financial & accounting matters including examination of feasibility report and detailed project reports.

4) Establish and maintain proper system of budgetary control, cost control and management reporting.

5) Maintain financial accounts and compile annual periodical accounts in accordance with the companies Act, 1956, ensuring the audit of accounts as per law/Govt. directions.

6) Looks after overall funds management and arranges funds required for the capital schemes and working capital form govt., banks and financial institutions etc.

7) Timely payment of all taxes, levies & duties under the Law, Maintenance of records and filing returns statements connected with

such taxes, levies and duties with the appropriate authorities , as per law.

All the power involving financial implications are to e exercised in prior consultation with head of concerned finance department. In the event of any difference of opinion between the General Manger and the Head of Finance Dept., the matter shall be referred to Managing Director who after consulting Director (Finance) shall issue appropriate instruction after following the prescribed procedures.

METHODS OF FINANCIAL ANALYSIS

A number of methods can be used for the purpose of analysis of financial statements. These are also termed as techniques or tools of financial analysis. Out of these, and enterprise can choose those techniques which are suitable to its requirements. The principal techniques of financial analysis are:

1. **Comparative Financial Statements.**
2. **Common – size Statements**
3. **Trend Analysis**
4. **Funds Flow statements**
5. **Cash Flow Statement**

COMPARATIVE FINANCIAL STATEMENTS

When financial statements figures for two or mote years are placed side-side to facilitate comparison, these are called ‘comparative Financial Statements’.

Such statements not only show the absolute figures of various years but also provide for columns to indicate to increase ort decrease in these figures from one year to another. In addition, these statements may also show the change from one year to another on percentage form. Such cooperative statements are of great value in forming the opinion regarding the progress of the enterprise.

PURPOSE OR UTILITY OR IMPORTANCE OF COMPARATIVE STATEMENTS

1. To make the Data simpler and more understandable
2. To indicate the Trend
3. To indicate the strong points weak points of the concern
4. To compare the firms performance with the average performance of the industry
5. To help in forecasting

FORMS OF PRESENTING COMPARATIVE STATEMENTS

1. To show only the absolute data of various items or in other words to show only rupee amounts of various items.
2. To show the increases and decreases in data in terms of money values
3. To show the increases and decreases in data in terms of percentages
4. Comparison expressed in ratios
5. Use of cumulative figures and averages

COMPARATIVE BALANCE SHEET

The Comparative Balance Sheet as on two or more different dates can be prepared to show the increase or decrease in various assets, liabilities and capital. Such a comparative Balance Sheet is very useful in studying the trends in a business enterprise.

ADVANTAGES OF COMPARATIVE BALANCE SHEET

1. Helpful for comparison.
2. Helpful in knowing changing in the size of items.
3. Helpful in knowing trends.
4. Link between income statement and Balance sheet

COMPARATIVE PROFIT & LOSS ACCOUNT

Profit and loss account shows the net profit or net loss of a particular year whereas comparative profit and loss account for a number of years provides the following information

1. Rate of increase or decrease in gross profit.
2. Rate of increase or decrease in operating profit.
3. Rate of increase or decrease in cost of goods sales
4. Rate of increase or decrease in net profit
5. Rate of increase or decrease in sales.

TREND ANALYSIS

Trend percentage are very useful is making comparative study of the financial statements for a number of years. These indicate the direction of movement over a long tine and help an analyst of financial statements to form an opinion as to whether favorable or unfavorable tendencies have developed. This helps in future forecasts of various items.

For calculating trend percentages any year may be taken as the ‘base year’. Each item of base year is assumed to be equal to 100 and on that basis the percentage of item of each year calculated.

RATIO ANALYSIS

MEANING :

Absolute figures expressed in financial statements by themselves are meaningfulness. These figures often do not convey much meaning unless expressed in relation to other figures.

Thus, it c an be say that the relationship between two figures, expressed in arithmetical terms is called a ratio.

"According to R.N. Anthony."

"A ration is simply one number expressed in terms of another. It is found by dividing one number into the other."

TYPES OF RATIOS

- Proportion or Pure Ratio or Simple ratio.
- Rate or so many Times.
- Percentage
- Fraction.

OBJECTS AND ADVANTAGES OR USES OF RATIO ANALYSIS

- Helpful in analysis of financial statements.
- Simplification of accounting data.

- Helpful in comparative study.
- Helpful in locating the weak spots of the business.
- Helpful in forecasting
- Estimate about the trend of the business
- Fixation of ideal standards
- Effective control
- Study of financial soundness.

LIMITATION OF RATIO ANALYSIS

- False accounting data gives false ratios
- Comparisons not possible of different firms adopt different accounting policies.
- Ratio analysis becomes less effective due to price level change
- Ratios may be misleading in the absence of absolute data.
- Limited use of a single Ratio.
- Window-Dressing
- Lack of proper standards.
- Ratio alone are not adequate for proper conclusions
- Effect of personal ability and bias of the analyst.

CLASSIFICATION OF RATIOS

In view of the financial management or according to the tests satisfied, various ratios have been classifieds as below

I. **Liquidity Ratios:** These are the ratios which measure the short-term solvency or financial position of a firm. These ratios are calculated to comment upon the short-term paying capacity of a concern or the firm's ability to meet its current obligations.

II. **Long –Term Solvency and Leverage Ratios :** Long-term solvency ratios convey a firm's ability to meet the interest cost and repayment schedules of its long-term obligation e.g. Debit Equity Ratio and Interest Coverage Ration. Leverage Ratios.

III. **Activity Ratios:** Activity ratios are calculated to measure the efficiency with which the resource of a firm have been employed. These ratios are also called turnover ratios because they indicate the speed with which assets are being turned over into sales e.g. debtors turnover ratio.

IV. **Profitablity Ratios:** These ratios measure the results of business operations or overall performance and effective of the firm e.g. gross profit ratio, operating ratio or capital employed. Generally, two types of profitability ratios are calculated.

(a) In relation to Sales, and

(b) In relation in Investment

FUNCTIONAL CLASSIFICATION IN VIEW OF FINANCIAL MANAGEMENT OR CLASSIFICATION ACCORDING TO TESTS

Liquidity Ratios	**Long-term Solvency and Leverage Ratios**	**Activity Ratios**	**Profitability Ratios**
(A)1. Current Ration 2. Liquid Ration (Acid) Test or Quick Ratio. 3. Absolute liquid or Cash Ratio. 4. Internal Measure (b) 1. Debtors Turnover Ratio 2. Creditors Turnover Ratio 3. Inventory Turnover Ratio	Financial Operating Composite 1. Debt. Equity Ratio 2. Debt to Total Capital Ratio 3. Interest Coverages 4. Cash Flow/ Debt 5. Capital Gearing	1. Inventory Turnover Ratio. 2. Debtors Turnover 3. Fixed Assets Turnover Ratio 4. Total Asset Turnover Ratio 5. Working Capital Turnover Ratio. 6. Payables Turnover Ratio 7. Capital Employed Turnover	(A) In Relation to Sales. 1. Gross Profit Ratio. 2. Operating Ratio. 3. Operating Profit Ratio. 4. Net Profit Ratio. 5. Expenses Ratio (B)In relation to investments 1. Return on Investments. 2. Return on capital. 3. Return on Equity Capital. 4. Return on total Resources 5. Earning per share. 6. Price Earning Ratio.

Show the proportions of debt and equity in financing of the firm. These ratios measure the contribution of financing by owner as compared to financing by outsiders. The leverage ratios can further be classified as: (i) Financial Leverages, (ii) Operating Leverage, (iii) Composite Leverages

CASH-FLOW STATEMENT

A cash – flow statement is a statement showing inflows (receipts) and outflows (payments) of cash during a particular period. In other words, it is a summary of sources and applications of each during a particular span of time.

Objectives of Cash Flow Statement :

- Useful for Short-Term Financial Planning.
- Useful in Preparing the Cash Budget.
- Comparison with the Cash Budget.
- Study of the Trend of Cash Receipts and Payments.
- It explains the Deviations of Cash from Earnings.
- Helpful in Ascertaining Cash Flow from various Separately.
- Helpful in Making Dividend Decisions.

RESEARCH METHODOLOGY

The procedure adopted for conducting the research requires a lot of attention as it has direct bearing on accuracy, reliability and adequacy of results obtained. It is due to this reason that research methodology, which we used at the time of conducting the research, needs to be elaborated upon. Research Methodology is a way to systematically study and solve the research problems. If a researcher wants to claim his study as a good study, he must clearly state the methodology adapted in conducting the research the research so that it way be judged by the reader whether the methodology of work done is sound or not.

The Research Methodology here includes.

1. **Meaning of Research.**
2. **Research Problem.**
3. **Research Design.**
4. **Sampling Design.**
5. **Data Collection method.**
6. **Analysis and interpretation of Data.**

Meaning Research:

Research is defined as "a **scientific and systematic search for pertinent information on a specific topic".** Research is an art of scientific investigation. Research is a systematized effort to gain now knowledge. It is a careful investigation or inquiry especially through search for new facts in any branch of knowledge. Research is an academic activity and this term should be used in a technical sense. Research comprises defining and redefining problems, formulating hypothesis or suggested solutions. Making deductions and reaching conclusions to determine whether they if the formulating hypothesis. Research is thus, an original contribution to the existing stock of knowledge making for its advancement. The search for knowledge through objective and systematic method of finding solutions to a problem is research.

Research Problem

The first step while conducting research is careful definition of Research Problem. "To ERR IS THE HUMAN" is a proverb which indicates that no one is perfect in this world. Every researcher has to face many problems which conducting any research that's why problem statement is defined to know which type of problems a researcher has to face while conducting any study. It is said that,

"Problem well defined is problem half solved."

Basically, a problem statement refers to some difficulty, which researcher experiences in the context of either a theoretical or practical situation and wants to obtain the solution for the same.

The problem statement here is:

"To make a Financial Analysis of Financial statements of HDFC BANK RANIGANJ.

Research Design

A research designs is the arrangement of conditions for collection and analysis data in a manner that aims to combine relevance to the research purpose with economy in procedure. Research Design is the conceptual structure with in which research in conducted. It constitutes the blueprint for the collection measurement and analysis of data. Research Design includes and outline of what the researcher will do form writing the hypothesis and it operational implication to the final analysis of data. A research design is a framework for the study and is used as guide in collection and analyzing the data. It is a strategy specifying which approach will be used for gathering and analyzing the data. It also include the time and cost budget since most studies are done under these two cost budget since most studies are done under theses tow constraints.

The design is such studies must be rigid and not flexible and most focus attention on the following.

1. What is the study about?
2. Why is the study being made?
3. Where will the study be carried out?
4. What type of data is required?
5. Where can be required data be found?
6. What period of time will the study include?
7. What will be sample design?
8. What techniques of data collection will be used?
9. How will the data be analyzed?
10. In what style will the report be prepared?

TYPES OF RESEARCH DESIGN:

- **EXPERIMENTAL RESEARCH DESIGN**
- **EXPLORATORY RESEARCH DESIGN**
- **DESCRIPTIVE& DIAGNOSTIC RESEARCH**

Exploratory Research Design: This research design is preferred when researcher has a vague idea about the problem the researcher has to explore the subject.

Experimental Research Design – The research design is used to provide a strong basis for the existence of casual relationship between two or more variables.

Descriptive Research Design – It seeks to determine the answers to who, what, where, when and how questions. It is based on some previous understanding of the matter.

Diagnostic Research Design It determines the frequency with which something occurs or its association with something else.

Research Design Used in this Project

Research Design chosen for this study is Descriptive Research Design. Descriptive study is based on some previous understanding of the topic. Research has got a very specific objective and clear cut data requirements.

Sampling Design

Sampling is necessary because it is almost impossible to examine the entire parent population (i.e. the entire universe) various factors such as time available cost, purpose of study etc. make it necessary for the researchers to choose a sample. It should neither be too small nor too big. It should be manageable. THE sample size of past 3 years is taken for present study due to time limitation.

DATA COLLECTIONS

The process of data collection begins after a research problem has been defined and research design ahs been chalked out. There are two types of data –

METHODS OF PRIMARY DATA

- **OBSERVATION METHOD**
- **INTERVIEW METHODS**
- **QUESTIONAIRE METHOD**
- **SCHEDULE METHOD**

PRIMARY DATA -

It is first hand data, which is collected by researcher itself. Primary data is collected by various approaches so as to get a precise, accurate, realistic and relevant data. The main tool in gathering primary data was investigation and observation. It was achieved by a direct approach and observation from the officials of the company.

SECONDARY DATA - it is the data which is already collected by someone else. Researcher has to analyze the data and interprets the results. It has always been important for the completion of any report. It provides reliable, suitable, adequate and specific knowledge.

I took data comprise annual reports and post records. Bank has provided me annual reports from 2004-05 to 2007-08 by help of which, I prepared my report.

The valuable cooperation extended by staff members contributed a lot to fulfill the requirements in the collection of data in order to complete the project. Various statistical tools are applied depending on the research problem. In this study ratio analysis, comparative financial statements analysis, common size statements and Trend Analysis has been used for analyzing and interpreting the result.

COMPARATIVE PROFIT AND LOSS OF HDFC BANK FOR THE YEAR ENDED 31ST MARCH, 2022

COMPARATIVE INCOME STATEMENT
for the year ended 31st march 2023

PARTICULARS	MAR 2022 (RS.) CR.	MAR 2021 (RS.) CR	MAR 2020 (RS.) CR	MAR 2019 (RS.) CR	MAR 2018 (RS.) CR
INCOME:					
INTEREST EARNED	135936.41	128552.40	122189.29	105160.74	85287.84
OTHER INCOME	31758.99	27332.88	24878.97	18947.05	16056.60
TOTAL	167695.40	155885.28	147068.26	124107.79	101344.44
II. EXPENDITURE					
INTEREST EXPENDED	58584.33	59247.59	62137.42	53712.69	42381.48
PAYMENTS TO/PROVISIONS FOR EMPLOYEES	15897.03	13676.67	12920.13	10451.15	9193.90
OPERATING EXPENSES & ADMINISTRATIVE EXPENSES	7186.84	6435.33	5489.56	5187.30	4976.65
MINORITY INTEREST (BEFORE TAX)	0.00	0.00	0.00	0.00	0.00
DEPRECIATION	1680.73	1385.01	1276.77	1220.67	966.78
OTHER EXPENSES,PROVISIONS & CONTINGENCIES	33473.09	32344.53	27049.53	19217.82	15361.70
PROVISION FOR TAX	14324.66	12336.79	10422.14	12961.15	10848.11
FRINGE BENEFIT TAX	0.00	0.00	0.00	0.00	0.00
DEFERRED TAX	-1602.18	-1397.41	476.45	-1088.60	-945.03
TOTAL EXPENDITURE	129544.50	124028.51	119772.00	101662.18	82783.60
III.PROFIT & LOSS					
NET PROFIT	38150.90	31856.77	27296.27	22445.61	18560.84
MINORITY INTEREST (AFTER TAX)	98.15	23.56	42.31	113.18	51.34
PROFIT/LOSS OF ASSOCIATE COMPANY	0.00	0.00	0.00	0.00	0.52
NET PROFIT AFTER MINORITY INTERESTS & P/L ASSO.CO.	38052.75	31833.21	27253.95	22332.43	18510.02
EXTRAORDINARY ITEMS	50.84	33.15	18.52	20.51	-0.73
ADJUSTED NET PROFIT	38001.91	31800.06	27235.43	22311.92	18510.75
PRIOR YEAR ADJUSTMENTS	-48.34	0.00	0.00	0.00	0.00
PROFIT BROUGHT FORWARD	78594.20	61817.68	52849.61	43098.98	34532.33

INTERPRETATION

Since the profit of the bank has been inc.by 19.75% during last fiscal so financial of bank is satisfactory.

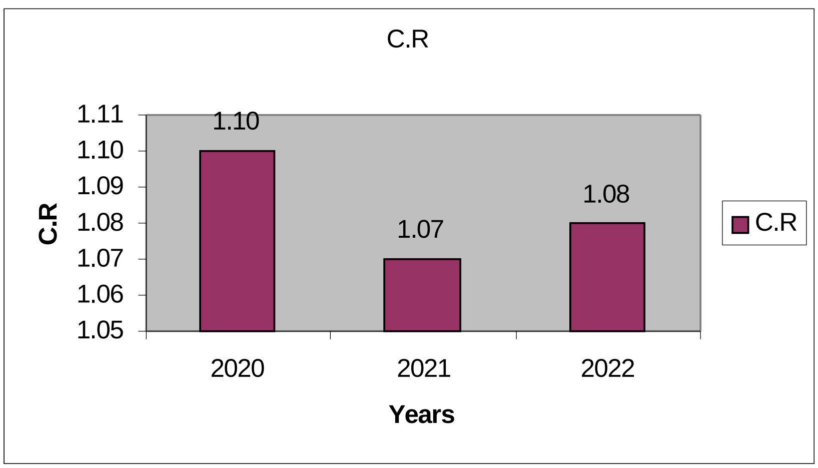
VARIOUS CALCULATED RATIOS OF NLL

- ## Current Ratio

Current ratio may be defined as the relationship between current assets and current liabilities.

Current ratio = Current assets/current liabilities

Year	2020	2021	2022
Current Ratio	1.10	1.07	1.08

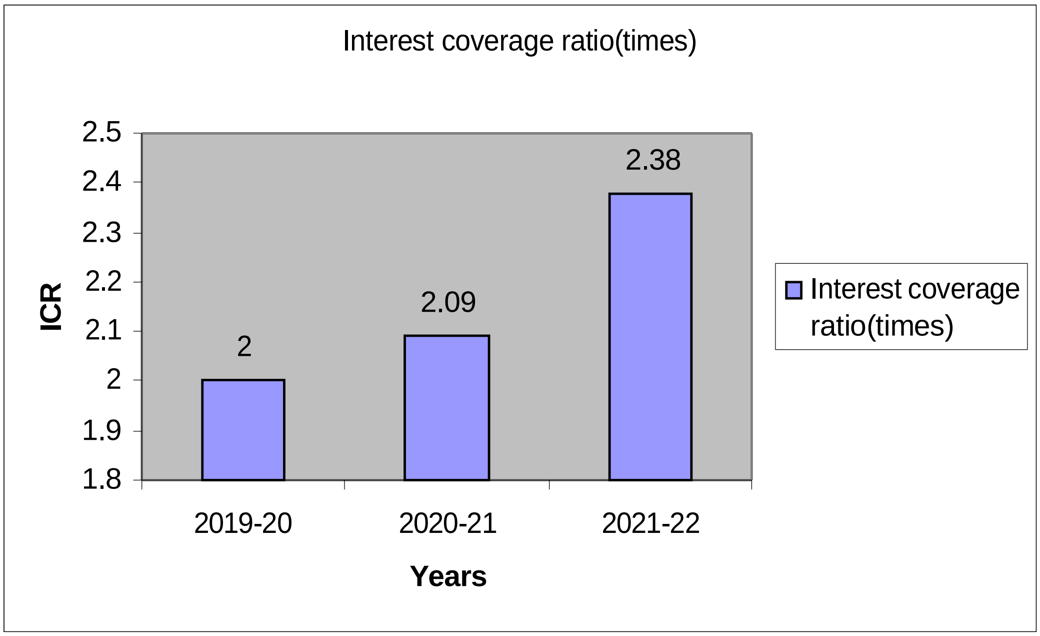


Interpretation

If the C.R. is less than 2 : 1, it indicates lack of liquidity and shortage of working capital. But a much higher ratio, even though it is beneficial to the short-term creditors, is not necessarily good for the company. A much higher ratio than 2 : 1 may indicate the poor investment policies of the management. So liquidity of Bank is satisfactory.

Interest coverage/debt service ratio

= Net profit (before interest and taxes)/ Fixed interest charge



Interpretation :

Since this Ratio indicates the interest paying capability of firm and ideal Ratio is 6 to 7 times. So interest paying capacity of the firm is moderate.

Operating ratio= (Operating cost / Net income)*100

<u>Interpretation :</u>

Operating Ratio is a measurement of the efficiency and profitability of the business enterprise. The ratio indicate the extent of sales that is absorbed by the cost of goods sold and operating expenses. Lower the operating ratio, the better it is , because it will leave higher margin of profit on sales.

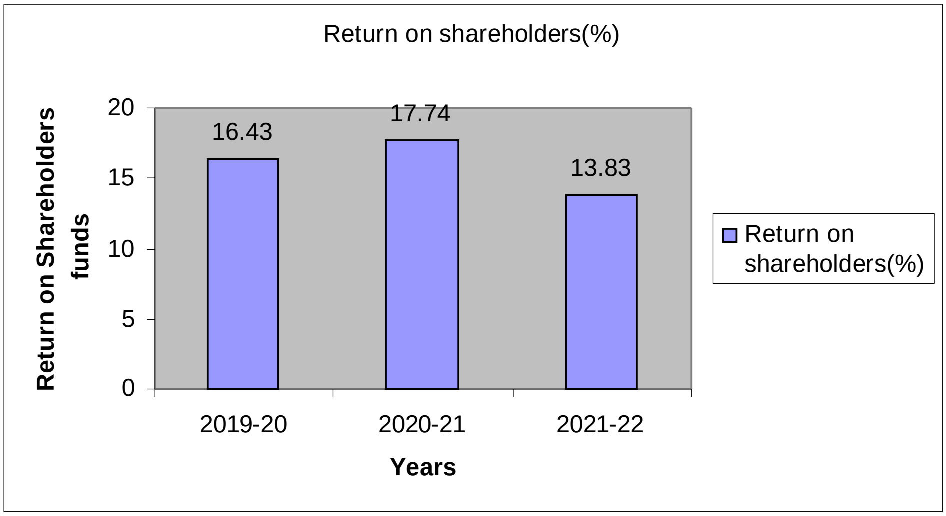
Return on gross capital employed=(Net profit / Gross capital employed) * 100

Gross capital employed= fixed assets + current assets

<u>Interpretation :</u>

Since profit is the overall objective of a business enterprise, this ratio is a barometer of the overall performance of the enterprise. It measures how efficiently the capital employed in the business is being used.

Return on shareholders=(Net profit / Shareholders funds) *100



<u>Interpretation :</u>

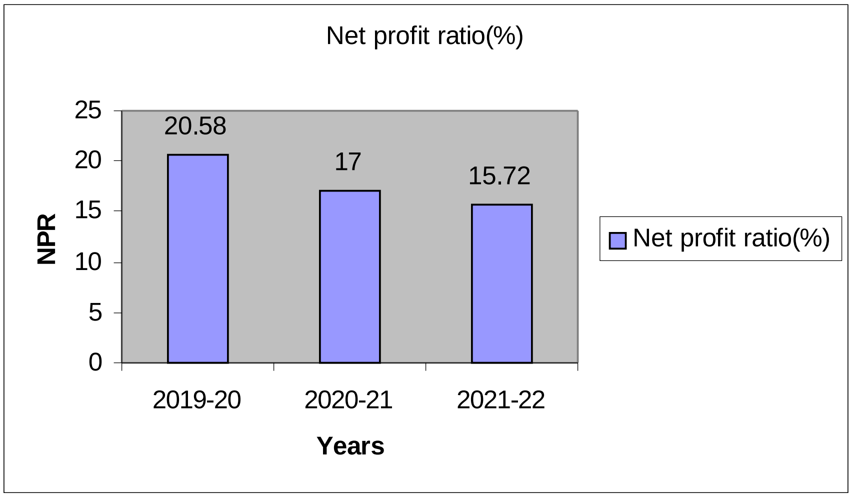
This Ratio indicates what amount of return has been given to the Share holders of the firm which help in building the good will firm.

Interest expense ratio= (Interest expense / income) * 100

Interpretation :

This Ratio indicates that what is the Ratio of Total Interest Expenses to the Income. So that we can know about profitability of firm.

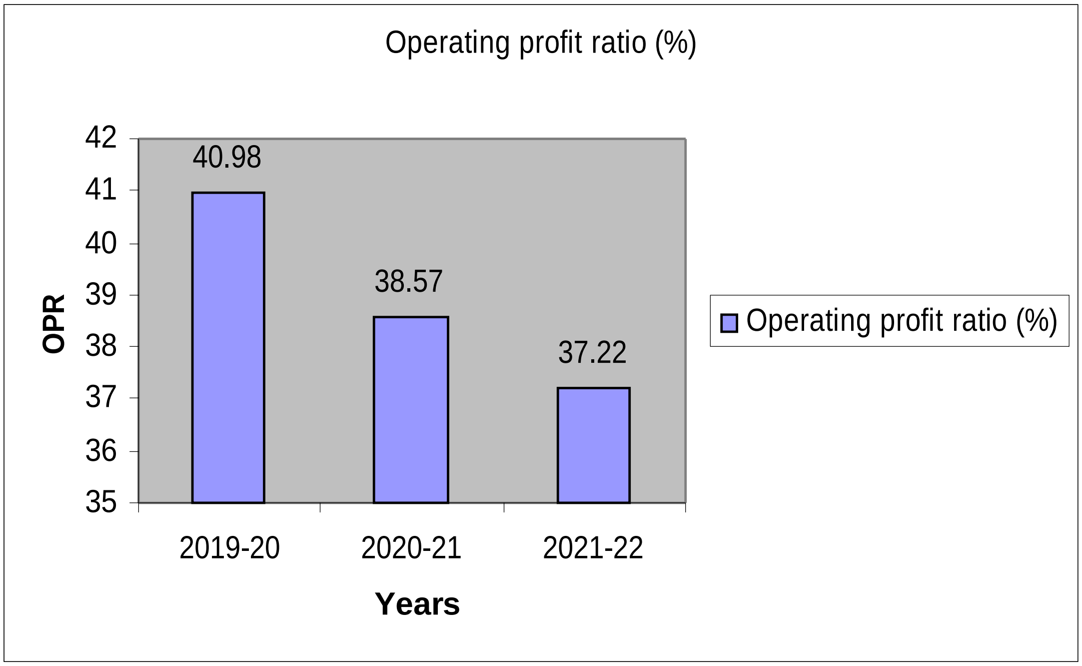
Net profit ratio = (Net profit / Net income) * 100



<u>Interpretation :</u>

This Ratio measures the rate of net profit earned on sales. It helps in determining the overall efficiency of the business operations. An increase in the ratio over the previous year shows improvement in the overall efficiency and profitability of the business.

Operating profit ratio= (Operating profit / Income) * 100



Interpretation :

Operating Ratio and Operating Profit Ratio are inter-related and total of both these Ratio is 100. Both Ratios indicated the profitability of firm.

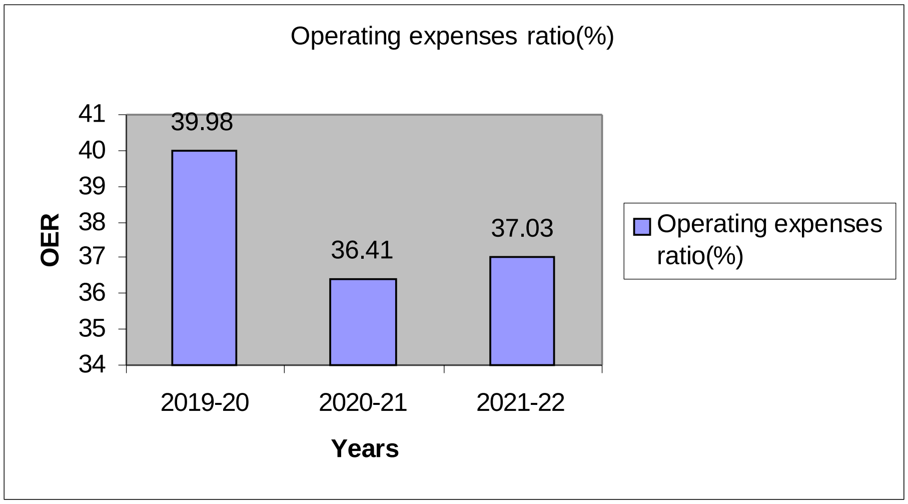
Return on net capital employed = (Net profit / Net capital employed) * 100

Net capital employed = Total assets- Current liability

<u>Interpretation :</u>

This Ratio indicates how well the Capital employed is being use in business. Even the performance of two Dissimilar firms may be compared with the help of this Ratio.

Operating expenses ratio= (Operating Expenses /Income) *100



<u>Interpretation :</u>

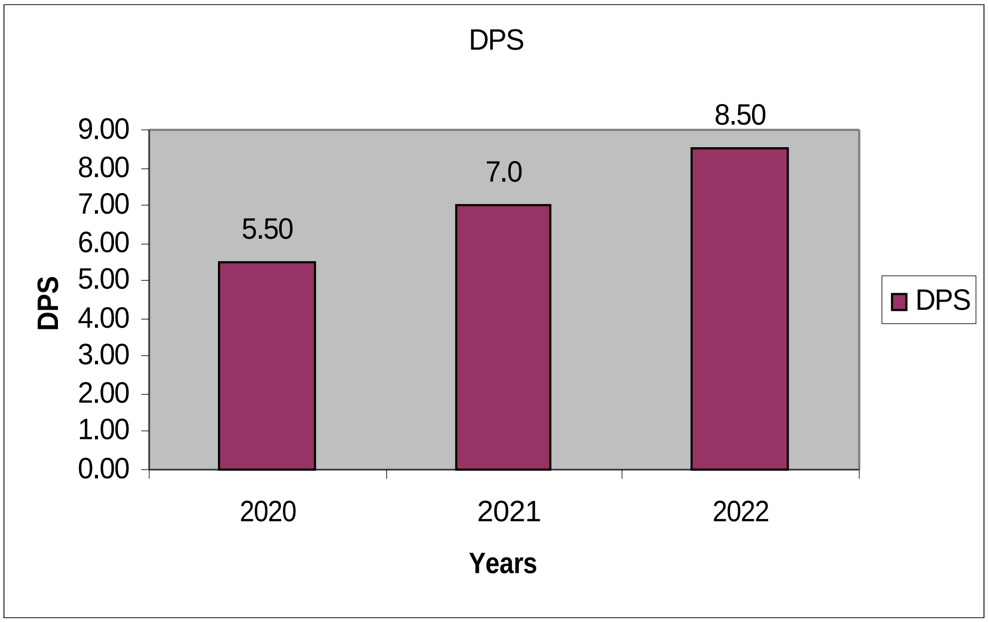
This Ratio indicates the how much expenses has been spent on selling and administration use of organization.

EPS = Net profit after interest, tax & preference dividend / No. of equity shares

Interpretation :

This ratio is helpful in the determination of the market price of the equity share of the company. The ratio is also helpful in estimating the capacity of the company to declare dividends on equity shares.

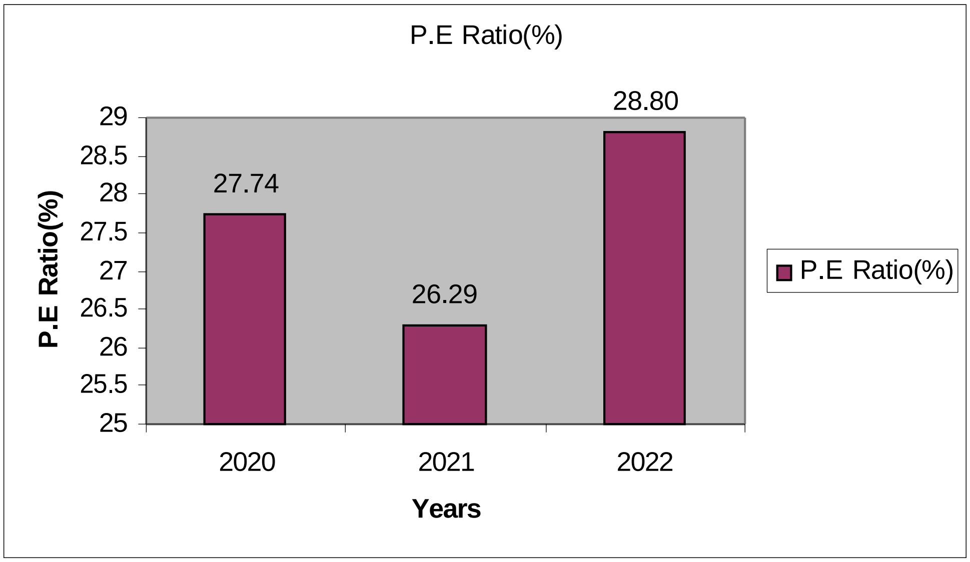
DPS = Dividend paid to equity shareholders / No. of equity shares



Interpretation :

This Ratio indicates how much profit has been given in hand to the equity share holders. This represents higher the ratio more is the good will of the firm.

P.E Ratio = Market price per share / Earning per share



<u>Interpretation :</u>

This ratio shows how much is to be invested in the market in this company's shares to get each rupee of earning on its shares. The ratio is used to measure whether the market price of a share is high or low.

<u>STATISTICAL TOOLS</u>

<u>Introduction:</u>

An educated citizen needs an understanding of basic statistical tools to function in a world that is becoming increasingly dependent on quantitative information.

<u>Statistics means numerical description to most people</u>

In fact the term statistics is generally used to mean numerical facts and figures such as agricultural production during a year, rate of inflation and so on. However as a subject of study, statistics refers to the body of principles and procedures developed for collection, classification, summarization and interpretation of numerical data and for the use of such data.

<u>Meaning:</u> Broadly speaking the term statistics has been generally used in two senses:

- **Singular Sense**
- **Plural sense**

The term statistics in its **<u>PLURAL SENSE</u>**, refers to the numerical data or statistical data. In its **<u>SINGULAR SENSE</u>**, the term refers to a science in which we deal with the techniques or methods of collecting, classifying, presenting, analyzing and interpreting the data. In other words, the concept in its singular sense, refers to statistical methods.

<u>Purpose</u>

Without the assistance of statistical methods an organization would find it impossible to make a sense of huge data.
The purpose of statistics is to-
-Manipulate
-Summarize
-Investigate
The data so that useful making information results could be found out. In fact every business manager needs a sound background of statistics.

Statistics is a set of Decision Making Techniques, Which aids businessmen in drawing inferences from the available data

STATISTICAL TOOLS

Statistical tools are the basic measures, which help in defining the relation between different items, present, past and future trend of particular business etc. A wide variety of statistical tools are available and businessmen depending upon the nature of his trade can use any of them. Various statistical tools are-

1. **Correlation**
2. **Time series**
3. **Factor analysis**
4. **principal component analysis**
5. **multiple correlation**

Here I am using correlation statistical tool to define the relationship between sales and profit of company, Trend analysis in order to project future trend values and ANOVA TEST as Hypothesis testing. So, before using the tool one should have the knowledge about that statistical tool. Therefore this tool is defined as under-

CORRELATION

Correlation analysis is basically used to determine the degree of relationship between different variables. It refers to the statistical technique that is used in measuring the closeness of relationship between two or more variables, with the help of correlation analysis we can measure-

-The degree of relationship in one figure
-The mutual relationship between two variables.
-economic relationship between demand and supply
-The estimation of costs, sales, prices etc. is possible for a trader with the help of correlation.

TYPES OF CORRELATION

Positive and negative correlation

When two variables X and Y move in same direction i.e. positive correlation and when both variables move in opposite direction, which is negative correlation.

Linear and Curvy-linear Correlation

When the ratio of change of two variables X and Y remains constant throughout, then they said to be linearly correlated and when the ratio of change between the two variables is not constant but changing, then correlation is said to be curvy-linear.

Simple, Partial and Multiple Correlation

When we study the relationship up to variables only, then it is called simple correlation.

When three or ore variables are taken but relationship between any two of the variables as constant, then it is called partial correlation and when we study the relationship among three or more variables, it is called multiple correlation.

DEGREE OF CORRELATION

Sr. No.	Degree of correlation	Positive	Negative
1.	Perfect correlation	+1	-1
2.	High degree of correlation	Between +0.75 to +1	Between -0.75 to -1
3.	Moderate degree of correlation	Between +0.25 to +0.75	Between -0.25 to -0.75
4.	Low degree of correlation	Between 0+ to +0.25	Between 0 to -0.25
5.	Absence of correlation	0	0

WHY TO USE CORRELATION

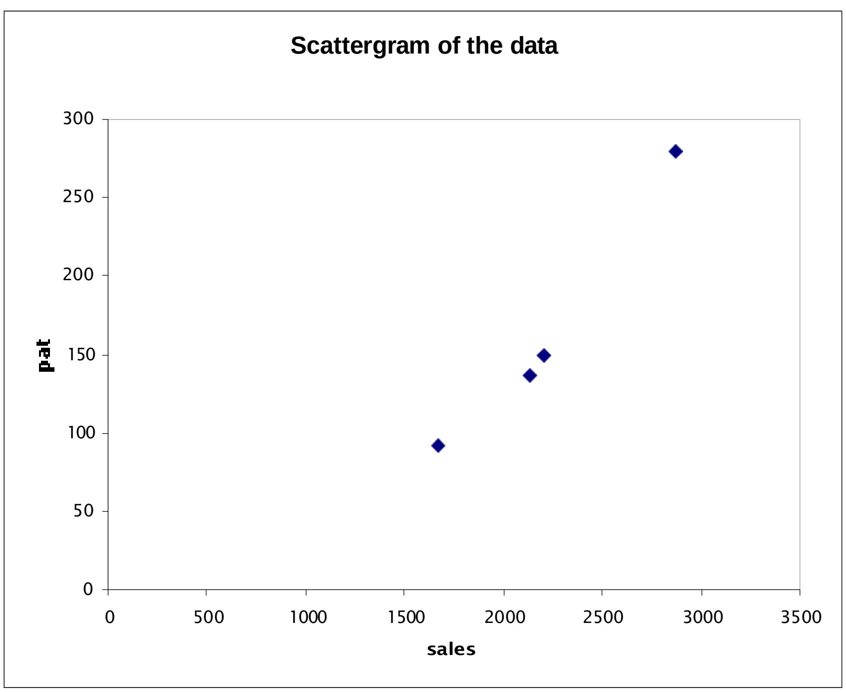
Different types of statistical tools are available but for using specifically correlation is of having a major reason i.e. only this statistical tool was giving the satisfactory results. I have to show the relationship between sales and profits, which can be purely defined with the help of this statistical tool only. Furthermore, with the help of time series analysis we can define the further trends of business by using trend analysis.

CORRELATION BETWEEN SALES AND NET PROFIT NECTOR LIFESCIENCES LTD.

YEAR	SALES(X)	PAT(Y)
2019	2134	137
2020	2207	149
2021	2873	280
2022	4652	358
TOTAL	11866	924

Pearson's correlation coefficient test (parametric test):

Observed value	**0.981**
Two-tailed p-value	**0.019**
Alpha	**0.05**



DECISION

At the level of significance Alpha=0.050 the decision is to reject the null hypothesis of absence of correlation.
In other words, the correlation
is significant.

Interpretation:

1. There is a high degree of correlation between sales & profit of NLL.
2. There is a positive correlation between sales & profit of NLL.

This shows that as the sales of NLL increases profit also moves in the same direction

TREND ANALYSIS

TREND ANALYSIS OF NET PROFIT AFTER TAX OF NLL

YEAR	PROFIT(MN) Y	DEVIATION FROM 2020 X	XY	X^2
2019	137	1	137	1
2020	149	2	298	4
2021	280	3	840	9
2022	358	4	1432	16
TOATL	924	10	2707	30

The equation of the straight line is

$Y = a + bX$

Since $\sum Y = Na + b\sum X$

$\sum XY = a\sum X + b\sum X^2$

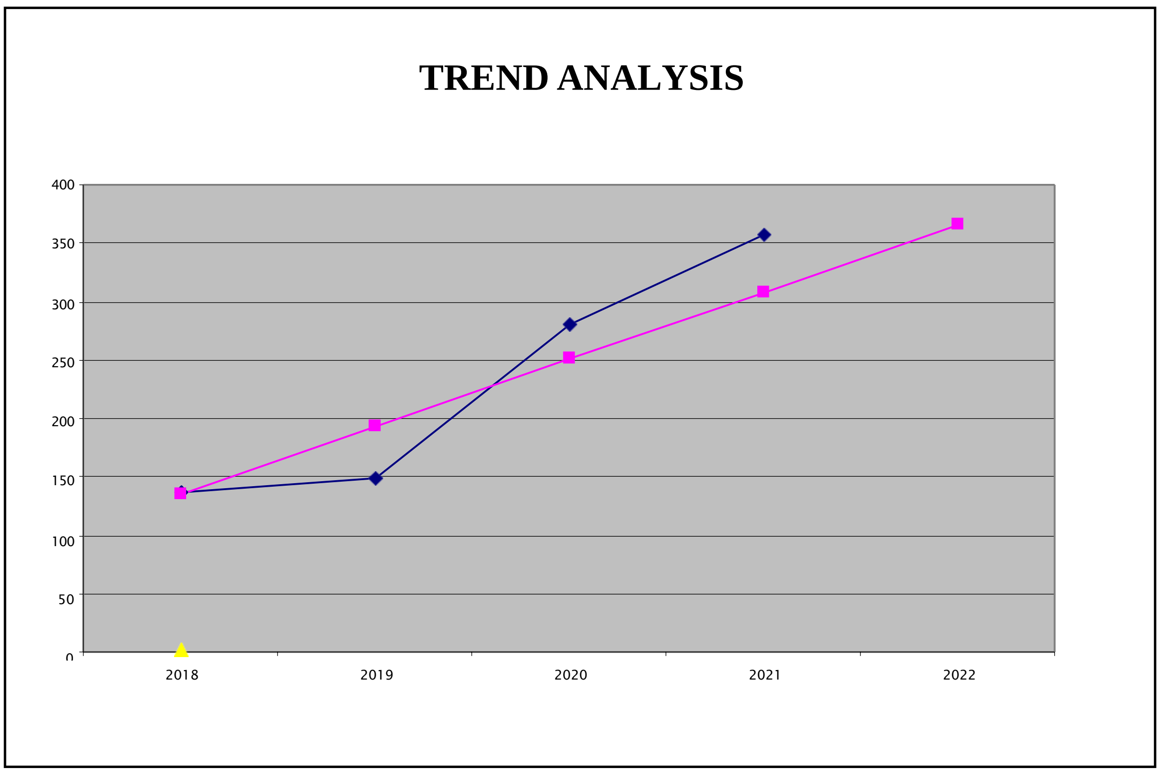
Substituting the values, we get

a = 65/5 = 13, b = 859/10 = 85.9

Thus the straight line trend is

Y = 13+85.9, Origin = 2017, X unit = 1 year

YEAR	ACTUAL VALUE	TREND VALUE
2018	137	135.7
2019	149	193.3
2020	280	250.9
2021	358	308.5
2022		366.1



Interpretation:

1. The projection of profit for the year 2021-22 is 366.1 mn.
2. In the year 2019-20 and 2020-21, company was not able to achieve its expected profits.
3. In the year after 2018, company was able to achieve more than its expected profits.
4. The profits of the company show an increasing trend.