A COMPARATIVE ANALYSIS OF THE FINANCIAL RATIOS OF SELECTEDBANKS LISTED IN NIFTY - 50 NATIONAL STOCK EXCHANGE (NSE)

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ABSTRACT:
Most financial statement analyses focus on firms belonging to industries that either contribute significantly to economic figures or which are in a highly competitive business environment. The objective of this paper is to make an analysis the financial performance of banks through its ratios.This study investigates the performance of commercial banking sector for the period from April- 2018 to March -2022. Financial statements of HDFC Bank, ICICI Bank, IndusInd Bank,Kotak Mahindra Bank and AXIS Bank for the indicated periods were obtained from database such as Audited Financial Statements of banks, Money control and Economic times. Necessary information derived from these financial statements were summarized and used to compute the financial ratios for the five-year period. Financial ratios were the tools used to measure the profitability, liquidity and solvency performance of five major Indian commercial banks. This research paper is to analyze the financial statements of these banks using profitability ratioslike profitability, profit margin, net profit margin, return on assets and return on shareholder's equity.

KEYWORDS: Return on Assets (ROA), Return on Equity (ROE), Net Profit (NP).

INTRODUCTION:
The massive amount of numbers in a company's financial statements may be confusing tomany investors. But if one knows how to analyze them, the financial statements were the good sourceofinformation. Financial statements are the medium through which a company discloses information concerning itsfinancial performance. Followers of fundamental analysis use the information through financial statements tomake investment decisions.

The short-term creditors of a company like suppliers of goods of credit and commercial banks providing short-term loans are primarily interested in knowing the company's ability to meet its obligations as and when those become due. The short-term obligation of a firm can be met only if there are sufficient liquid assets. Therefore, a firm must ensure that it doesn't suffer from lack of liquidity or the capacity to pay its current obligations. If a firm fails to meet such current obligations due to lack of good liquidity position,then its goodwill in the market is likely to be affected beyond repair.

A BRIEF HISTORY OF SELECTED BANKS:
AXIS BANK LIMITED:
Axis Bank Limited, formerly known as Unit Trust of India(UTI) Bank (1993–2007), is an Indian banking and financial services company headquartered in Mumbai, Maharashtra. It sells financial services to large and mid-sized companies, SMEs and retail businesses.

The bank was founded on 3 December 1993 as UTI Bank, opening its registered office in Ahmedabad and corporate office in Mumbai. The bank was promoted jointly by the Administrator of the Unit Trust of India, Life Insurance Corporation of India, General Insurance Corporation, National Insurance Company, The New India Assurance Company, The Oriental Insurance

Corporation and United India Insurance Company. The first branch was inaugurated on 2 April 1994 in Ahmedabad by Sir Manmohan Singh, theFinance Minister of India.

HOUSING DEVELOPMENT FINANCING CORPORATION (HDFC) BANK LIMITED:
HDFC Bank Limited is an Indian banking and financial services company which has headquarters in Mumbai. It is India's largest private sector bank by assets and world's 10th largest bank by the market capitalization as of April 2021. It is the third largest company by market capitalization of $127.16 billion on the Indian stock exchange. It is the fifteenth largest employer in India with about 150,000 employees. HDFC Bank was incorporated in 1994 as a subsidiary of the Housing Development Finance Corporation, with its registered office in Mumbai, India. Its first corporate office and a full-service branch at Sandoz House, was inaugurated by the then Union Finance Minister Sir Manmohan Singh.

As of 30th June 2022, the bank's distribution network was at 6,378 branches across 3,203 cities. It could install430,000 POS terminals and issued 23,570,000 debit

cards and twelve million credit cards in the FY 2017. It has a base of about 1,52,511 permanent employees as of 30 June 2022.

INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA(ICICI BANK) LIMITED:
ICICI bank was established by the Industrial Credit and Investment Corporation of India, an Indian financial institution, as a wholly owned subsidiary in 1994. The Industrial Credit and Investment Corporation of India was established on 5 January 1955 and Sir Arcot Ramasamy Mudaliar was elected as the first Chairman of ICICI Ltd. It was structured as a joint venture of the World Bank, India's public-sector banks and public-sector insurance companies to provide project financing to the industry. The bank was initially known as the Industrial Credit and Investment Corporation of India Bank, before it changed its name to the abbreviated ICICI Bank. ICICI Bank launched internet banking operations in 1998 and it is an Indian multinational banking and financial services company which had headquarters in Mumbai.

This development finance institution has a network of 5,275 branches and 15,589 ATMs across India and has a presence in seventeen countries.

In 1999, ICICI become the first Indian company and the first bank from non-Japan Asia to be listed on the NYSE.

INDUSIND BANK LIMITED:
IndusInd Bank Limited is an Indian financial service bank headquartered in Mumbai, India. The bank offers transactional, electronic and commercial banking products and services. IndusInd Bank was inaugurated in April 1994 by the Union Finance Minister Manmohan Singh. The bank started its operations with ₹100 crores in capital, of which ₹60 crores were raised by Indian residents and₹40 crores by Non-Resident Indians. The bank specializes mainly in retail banking services and is also working on expanding its network of branches all across the country.

As on September 30, 2021, IndusInd Bank had 2,015 Branches and 2,886 ATMs spread across 760 geographical locations of the country. It enjoys clearing bank status for both major stock exchanges BSE and NSE - and major commodity exchanges in the country, including MCX, NCDEX and NMCE. IndusInd Bank was included in the NIFTY - 50 benchmark index on April 1, 2013.

KOTAK MAHINDRA BANK LIMITED:
Kotak Mahindra Bank Limited is an Indian banking and financial services company which is headquartered in Mumbai. It offers banking products and financial services for corporate and retail customers in the areas of personal finance, investment banking, life insurance, wealth management etc. It is India's third largest private sector bank by market capitalization and as of February 2021, the bank had 1600 branches and 2519 ATMs.

In February 2003, Kotak Mahindra Finance received a banking license from the Reserve Bank of India(RBI). With this, it became the first non-banking finance company in India to be converted into a bank.

OBJECTIVE:
The main objective of the study is to find out the profitability ratios like profit margin ,net profit margin, return of equity, return of asset of selected banking companies .

LIMITATIONS:
Profitability ratios analysis is a good way for measuring the performance of a company and it is the reason how businesses know if their capital allocation is right. As it is quite common for any study. These are certain limitations for this study also.

- This study is restricted only for a period of five years i.e., from the FY 2017-2018 to 2021-2022.
- Just like many other ratios, profitability ratios are indicatorsof the present performance and of any the future performance of an organisation and future predictions are solely based on the analyst research and findings.

RIVEW OF LITERATURE:

- **C. ASHOK KUMAR (2021),**conducted a study for which the main objective was to analyses the financial structure, and profitability performance of the select listed companies on BSE SME Exchange. The research study is confined to the study of performance of select SMEs listed on the Bombay Stock Exchange. For qualitative and quantitative analysis of the financial data over time, a minimum period of seven full listed years was preferred. For this, full seven years' data i.e., from 01.04.2013 to 31.03.2020 was to be considered. Hence companies listed on or before 01.04.2013 were considered.

- **Jain & Mehta (2013)** studied about profitability analysis using profitability ratios such as gross profit ratios, net profit ratios, operating profit ratios, return on capital employed ratios, and return on net worth ratios of selected five automobile companies viz., Tata Motors, Maruti Suzuki, Ashok Leyland, Hero MotoCorp, Mahindra and Mahindra for the period from 2009 to 2013. Using mean, standard deviation and coefficient of variation, they have revealed about 63th average position of companies. They concluded using the ANOVA that the Indian automobile industry's performance has significant difference in terms of their profit levels. It was also been disclosed from the analysis about the existence of some relationship between Maruti Suzuki & Tata Motors in terms of profitability. Hero MotoCorp was noticed to have performed very well with the use of new technology and skilled manpower. Tata Motors hadshown a poor performer due to increased manufacturing overheads and cutthroat competition.

- **Tariq Zafar & Khalid (2012)**This study about "A Comparative Evaluation of Financial Performance and Market Value of Maruti& Tata Company". For the purpose of analysis, they selected two most popular companies like Maruti Suzuki Ltd. and Tata Motors Ltd., and for the using period of five years from 2006-2010. They tried to analyses the qualitative and quantitative performance of both the companies investigating their risk and returns factors, their market position, their collective impact on profitability and attempted identify the best and worst performing company by using modern performance evaluating techniques and finally ranked them according to their achieved performance. They concluded from the ratio analysis there was a lack of authenticity in data, in calculation which might have been manipulated by the promoters. Also they found that different firms followed different accounting policies like depreciation allowance; valuation of inventory etc. and that often the management ignored these differences while making inter-firm comparison. They revealed that the change in price levels due to inflation were also not properly considered by the management.

- **Chakraborty (2008)** in his study tried to evaluate the relationship between working capital and profitability of selecting 25 companies from the Indian pharmaceutical industry for a period from 1996-97 to 2007-08. For the purpose of analysis, he used important ratios such as regression, coefficient variation, coefficient relation and multiple regressions to study their working capital and profitability. On the basis of analysis he noticed that the inadequacy of working capital had the firm to insolvency, and excessive working capital resulted into an idle fund which earned no profits. Therefore, it is cleared that efficient management of working capital is an integral part of the overall corporate strategy to improve corporate profitability. The results also showed that the partial regression coefficients shown in the multiple regression equation of ROCE on CR, ITR and DTR fitted in this study and revealed that the liquidity management, inventory management and credit management made positive contribution towards improvement of the corporate profitability.

- **Aggarwal & Singla (2001)** Explored about using a single index of financial performance through the technique of Multiple Discriminate Analysis (MDA), by selecting 11 ratios.Selected ratios were used as inputs. For the purpose of analysis they selected only those ratios, which were relevant to distinguish between profit making units and loss making units in Indian paper industry. They concluded that, the model control correctly classify 82.14% of units selected as profit making and loss making once. They mentioned in their study that the inventory turnover ratio, interest coverage ratio, net profit to total assets and earnings per share were the most important indicators of financial performance. Also they suggested that the results of Multiple Discriminate Analysis could be used as predictors of future profitability / sickness.

- **Pai, Vadivel & Kamala (1995)** have studied about thefinancial performance of some diversified companies . Themain purpose of research was to final out the relationship between diversified firms and their financial performance. For the purpose of research, they selected seven large firms and analyzed those firms which had different products. In this study, a set of performance measures / ratios was employed to determine the level of financial performance and variation in the performance of one firm to another which had been observed and statistically established. The study revealed that the diversified firms studied had healthy financial performance.

- **Rao (1993**) conducted a study about theprospective and retrospective inter-company financial analysis of tea industry. He attempted to analyse the important variables of tea industry and projected future trends regarding sales and profit for the next 10 year period, with a view to help the policy makers to take appropriate decisions. He calculated various financial ratios for analyzing the financial health of the industry. After the comparison of ratios, he came to a conclusion that the forecast of sales and profits of tea manufacturing companies showed that the Indian tea industry has bright prospects. Furtherhe also revealed that the recent changes in the Indian economic policies may boost up the foreign exchange earnings, which may benefit those companies, that are exporting to hard currency areas.

RESEARCH METHODOLOGY:

The primary purpose of the present study has been to obtain a deep insight and full familiarity with the profitability of all private sector banking companies which are listed in the NIFTY-50 National stock exchange (HDFC Bank, ICICI Bank, IndusInd Bank, Kotak Bank, Axis Bank). A five year period commencing from the FY 2017-2018 to 2021-2022 has been considered for the study. The present study is based on secondary data. The secondary source of information of the study were collected from the websites, published literature , research papers, published annual reports, audited financial statements and various reports of selected banking companies. Profitability of the companies selected for the study has been analyzed with the help of ratio analysis. These data have been tabulated, analyzed and interpreted with the help of different profitability ratios.

PROFITABILITY RATIOS:

Profit margin:

A ratio of profitability is calculated as profit after tax by net sales. Profit margin is very useful while comparing the companies in similar industries. A higher profit margin indicates one as a profitable company and it has better control over its costs compared to its competitors.

Profit margin is calculated as:

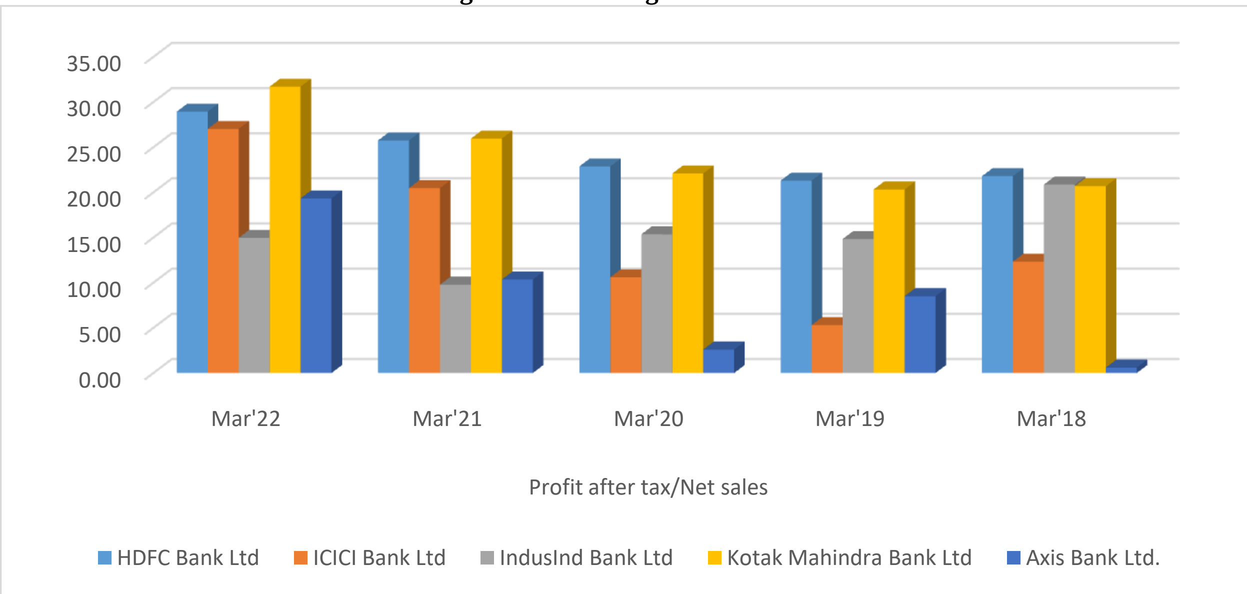
Profit Margin = Profit after tax / Net sales.

The Profit margin ratio of 5 banks are presented in Table-1.

Table 1-Prafit Margin Ratios and Selected Banks

	Mar'22	Mar'21	Mar'20	Mar'19	Mar'18
HDFC Bank Ltd	23.50	21.30	19.02	18.08	18.32
ICICI Bank Ltd	22.25	16.51	8.69	4.32	9.36
IndusInd Bank Ltd	12.06	7.98	12.36	11.83	16.37
Kotak Mahindra Bank Ltd	25.67	21.56	18.41	17.04	17.16
AXIS Bank Ltd.	15.77	8.39	2.08	6.87	0.49

Chart -1 showing the Profit Margin Ratios of Selected Banks.



Based on the above table-1 the researcher understood that the Profit margin of the HDFC Bank Ltd was in decreasing trend from 2018 to 2019 and it subsequently experienced with an increasing trend. Initially, the Profit margin of ICICI Bank Ltd was in an increasing trend, later it decreased and it started to grow again with an increasing trend.

The Profit marginratios of IndusInd Bank Ltd started with 16.37 in 2018 and ended with 12.06 in 2022. In between there was a fluctuation among the year wise Profit margins. The Profit margin of Kotak Mahindra Bank Ltd was in decreasing trend from 2018 to 2019 and later it increased with an increasing trend. The Profit margin of AXIS Bank Ltd was in an increasing trend from 2018 to 2019 and it decreased and later raised with an increasing trend.

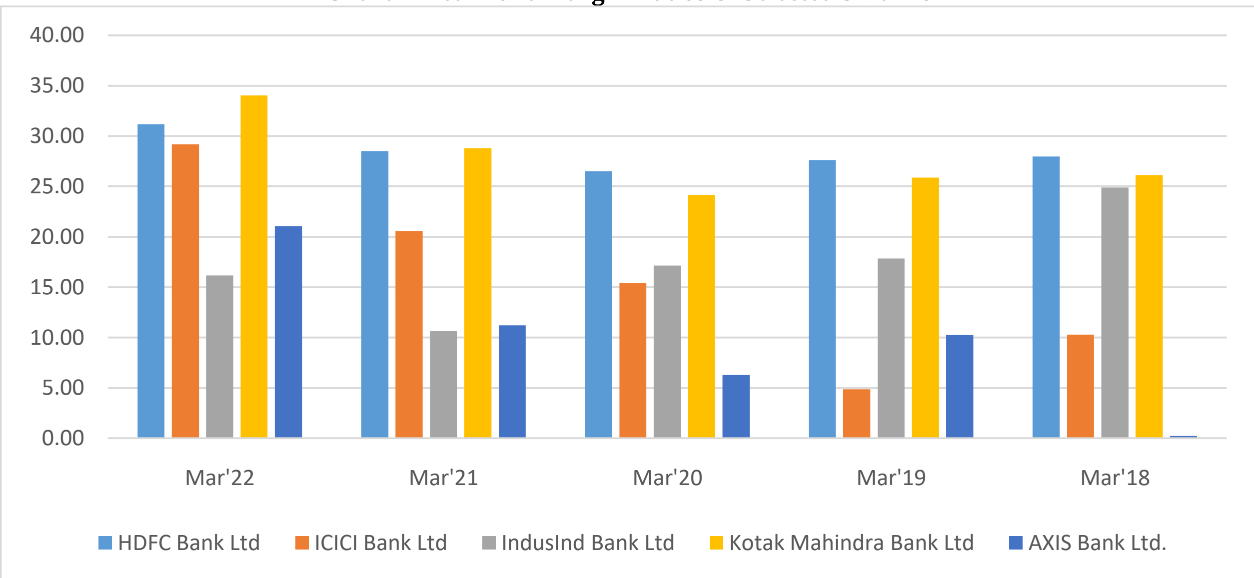
Overall, the average Profit margin of HDFC Bank Ltd was higher when compared to the other banks and Axis Bank Ltd was having a lower Profit margin.

Net profit margin:
A ratio of profitability is calculated as net income divided by revenue, or net profit divided by sales. Profit margin is very useful while comparing companies in similar industries. A higher profit margin indicates that the company is profitable and has better control over its costs compared to its competitors.
It is calculated as: Net Income or Net Profit / Net Sales.
The Net profit margin ratio of 5 banks are presented in Table-2.

Table-2 Net Profit Margin Ratios & Selected 5 Banks

	Mar'22	Mar'21	Mar'20	Mar'19	Mar'18
HDFC Bank Ltd	31.17	28.52	26.51	27.62	27.97
ICICI Bank Ltd	29.18	20.58	15.40	4.85	10.27
IndusInd Bank Ltd	16.15	10.64	17.13	17.85	24.88
Kotak Mahindra Bank Ltd	34.02	28.80	24.16	25.87	26.13
AXIS Bank Ltd.	21.04	11.22	6.27	10.24	0.21

Chart-2 Net Profit Margin Ratios & Selected 5 Banks



Based on the above table-2 the researcher understood that the Net Profit margin of the HDFC Bank Ltd was in decreasing trend from 2018 to 2020 and rates it increased with an increasing trend. Initially, the Net Profit margin of ICICI Bank Ltd was in an increasing trend, later it decreased and it started to grow again in an increasing trend.

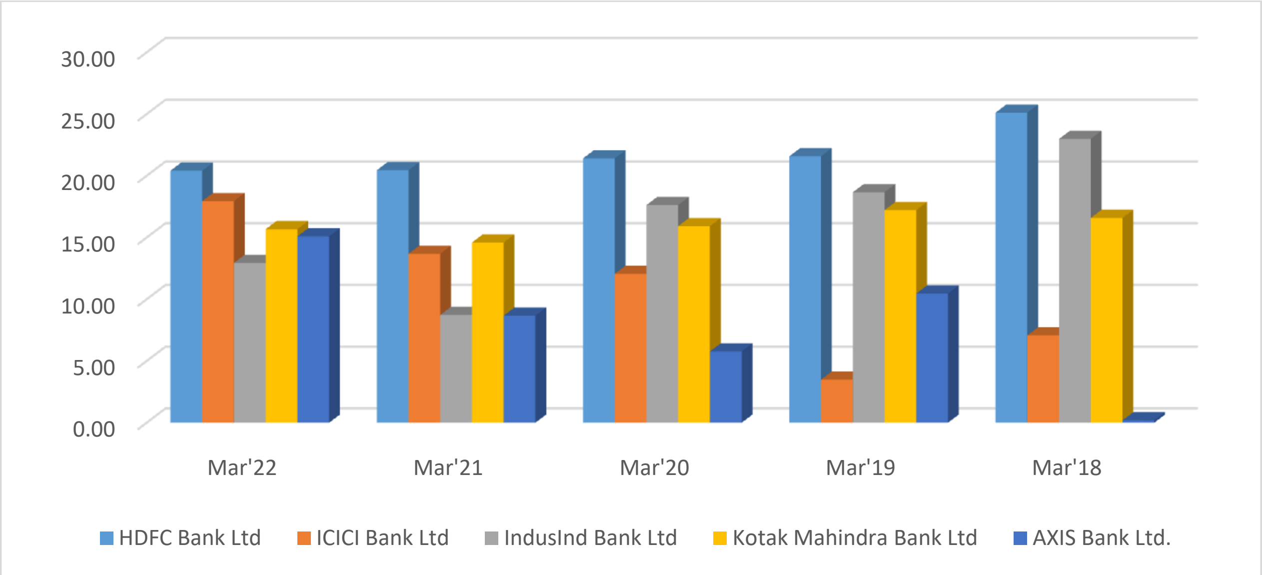
The Net Profit margin of IndusInd Bank Ltd started with 24.88 in 2018 and ended with 16.15 in 2022. In between there was a fluctuation among the year wise Net Profit margin. The Net Profit margin of Kotak Mahindra Bank Ltd was in decreasing trend from 2018 to 2020 and it increased with an increasing trend. The Net Profit margin of AXIS Bank Ltd was in an increasing trend from 2018 to 2019 and it decreased and later it raised with an increasing trend.
Overall, the average Net Profit margin of HDFC Bank Ltd was higher when compared with the other banks and Axis Bank Ltd was having a lower Net Profit margin.

Return on equity (ROE):
Net income is for the full fiscal year. Shareholders equity does not include preferred shares. It is also known as "Return on Net worth"Return on Shareholder's equity = Net Income / Shareholder's Equity.
Particulars of the Returns on shareholder's equity ratios of 5 banks are presented in Table-3.

Table-3 Returns of Shareholders Equity Shares 5 of Selected Banks

	Mar'22	Mar'21	Mar'20	Mar'19	Mar'18
HDFC Bank Ltd	20.42	20.45	21.41	21.58	25.12
ICICI Bank Ltd	17.95	13.68	12.06	3.49	7.07
IndusInd Bank Ltd	12.94	8.73	17.64	18.66	22.99
Kotak Mahindra Bank Ltd	15.67	14.60	15.92	17.22	16.59
Axis Bank Ltd.	15.09	8.67	5.77	10.46	0.19

Chart-3 Returns of Shareholders Equity Shares 5 of Selected Banks



Based on the above table-3 it can be understood that the RONW of the HDFC Bank Ltd was in decreasing trend from 2018 to 2020 and it increased with a decreasing trendrates. Initially, the RONW of ICICI Bank Ltd was in an increasing trend, but later it decreased and further it started to grow again with an increasing trend.

The RONW of IndusInd Bank Ltd started with 22.99 in 2018 and it decreased with an decreasing trend and it later increased in 2022. The RONW of Kotak Mahindra Bank Ltd started with 16.59 in 2018 and ended with 15.67 in 2022. The RONW of AXIS Bank Ltd was in an increasing trend from 2018 to 2019 and it decreased and later it raised with an increasing trend.

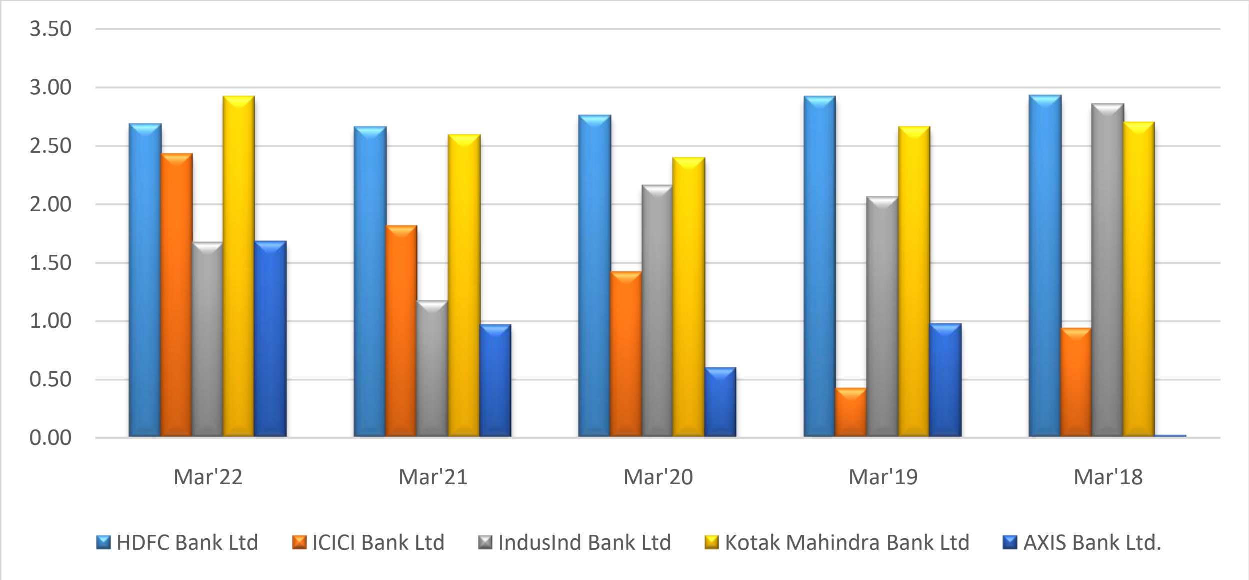
Overall, the average RONW of HDFC Bank Ltd was higher when compared with the other banks and Axis Bank Ltd was having a lower RONW.

Return on assets:
It is an indicator of how profitable a company is relative to its total assets. ROA gives an understanding of how efficient a management is at using its assets to generate earnings. The formula for return on assets is:
ROA = Net Income / Avg. total assets.
The Return on assets ratio of 5 banks are presented in Table-4.

Table-4 Returns on Assets Ratios of 5 Selected Banks

	Mar'22	Mar'21	Mar'20	Mar'19	Mar'18
HDFC Bank Ltd	2.68	2.66	2.76	2.92	2.93
ICICI Bank Ltd	2.43	1.81	1.42	0.42	0.94
IndusInd Bank Ltd	1.67	1.17	2.16	2.06	2.86
Kotak Mahindra Bank Ltd	2.92	2.59	2.40	2.66	2.70
AXIS Bank Ltd.	1.68	0.97	0.60	0.97	0.02

Table-4 Returns on Assets Ratios of 5 Selected Banks



Based on the above table-4 it can be understood that the ROA of the HDFC Bank Ltd was in decreasing trend from 2018 to 2021 and later it increased with 2.68. Initially, the ROA of ICICI Bank Ltd was in an increasing trend, but later it decreased and it started to grow again with an increasing trend.

The ROA of IndusInd Bank Ltd started with 2.86 in 2018 and ended with 1.67 in 2022. In between there was a fluctuation among the year wise ROAs. The ROAsof Kotak Mahindra Bank Ltd was in decreasing trend from 2018 to 2020 and it increased with an increasing trend. The ROA of AXIS Bank Ltd was in an increasing trend from 2018 to 2019 and it decreased next and later it raised with an increasing trend.

Overall, the average ROA of HDFC Bank Ltd was higher when compared with the other banks and Axis Bank Ltd was having a lower ROA.

CONCLUSION:

Profitability ratios are a class of financial metrics that are used to assess theability of businessesto generate earnings relative to its revenue, operating costs, balance sheet assets, or shareholders equity over time, using data from a specific point of time. Profitability ratios help indetermining the financial performance of business at the end of an accounting period. Profitability ratios help the investors to know how well a company is able to make profits from its operationsand activities. One of the important factors that an investor is concerned about is getting back the investment made along with fruitful returns. After conducting a comprehensive profitability ratio analysis of the above five banks, it is understood that HDFC Bank ltd is having highest Profit Margin,Net profit margin,Return on shareholder's equity (RONW) and Return on assets.Whereas, AXIS Bank ltd is having low Profit Margin,Net profit margin,Return on shareholder's equity (RONW) and Return on assets. Therefore, it is inferred that on the whose HDFC Bank is the most financially stable bank in comparison to the other banks.

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