

Analysis of the ICICI Bank and the HDFC Bank: Performance Comparison

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Abstract – Banking sector is picked as it is very managed part in India. HDFC bank has biggest market capitalization among the managing account players which is quickly trailed by State bank of India (SBI) and ICICI bank. Since SBI is biggest PSU bank in India, ICICI bank and HDFC banks are considered for relative investigation so as to make a dimension playing field.

Keywords - ICICI, HDFC, Bank

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1. INTRODUCTION

Managing an account part is picked as it is very controlled division in India. Save Bank of India is the Banking administrative summit body in India. All the managing an account players are required to fit in with the principles and controls of RBI which incorporates CRR, SLR, Repo rate, Reverse Repo rate, Base rate, Marginal standing office, Bank rate and settled store rate. All recorded open part attempted banks and in addition Private Banks need to comply with posting criteria according to the SEBI provision 49. Aside from that, banks need to adjust to the standards and directions of Basel Committee on Banking Supervision so as to accomplish universal benchmark in managing an account. Thus, capacity to quantify, screen, oversee and moderate the hazard winds up basic achievement factor for any managing an account player. Aside from that, structure of managing an account sector in India is one of a kind naturally. Banks can be comprehensively classified into two gatherings – planned banks and non-booked banks. Booked banks are of two kinds Scheduled Commercial banks and Scheduled Cooperative Banks. Planned business banks are arranged into four noteworthy heads-the Public Sector Undertaking banks, the Private area banks, the remote banks and the Regional Rural Banks. The PSU banks are for the most part partitioned into two gatherings, for example, SBI and its Associates and other PSU banks. The private division banks are ordered into old age private part banks and new age private sector banks. Planned Cooperative Banks are basically arranged into Scheduled Urban Cooperative Banks and Scheduled State Cooperative Banks. HDFC bank¹ has biggest market capitalization among the managing an account

players which is promptly trailed by State bank of India² (SBI) and ICICI bank. Since SBI is biggest PSU bank in India, ICICI bank and HDFC banks are considered for relative investigation so as to make a dimension playing field.

2. REVIEW OF LITERATURES

India turns into an intriguing contextual investigation in light of the fact that since the mid 1990s, some extremely principal changes have occurred at the Indian capital market. These incorporate the introduction of the Securities and Exchange Board of India (SEBI) as a controller of the Indian capital market, the introduction of the National Stock Exchange (NSE) as a contender of the Bombay Stock Exchange (BSE), presentations of modernized screen based exchanging at both the trades and dematerialization of offers. These progressions have prompted considerable enhancement in market capitalization, liquidity and proficiency of the Indian capital market, particularly amid the second 50% of the 1990s' (Bhattacharya K. S., 2003:554).

Greater part of the models, instruments and strategies of valuation depend on the supposition that the capital market is impeccable. Be that as it may, developing markets are not described by an all around created data payment instrument. Henceforth, any news, after its discharge, may achieve diverse gatherings of speculators at various focuses in time. This lead– slack connection between the news and its gathering may incidentally improve a few financial specialists educated than others, making potential outcomes for one gathering of speculators to make better

than average benefit (Mishra and Mishra, 2011:467).

'Instability is central in the exchange off among hazard and expected return. An ascent in unpredictability can have a possibly destabilizing impact particularly if monetary markets are thin; this is all the time the case in building up nations' (Lakshmi, 2012:58). A few scholarly yields are accessible on execution of Indian capital market (Bhattacharya, 2002 ; Kadapakkam, 2003; Dhankar, 2005; Bhaduri, 2008). Inside the expansive ambit of the money related area, the managing an account sector establishes an essential sector of any economy. It goes about as the most imperative middle person for directing assets from extreme loan specialists to conclusive borrowers. The Banking industry has its unmistakable attributes in correlation with different businesses (Ghosh, 2005:89).

3. PERFORMANCE ANALYSIS

The focal point of the investigation is capital market execution examination of ICICI bank and HDFC bank. Subsequently pointers of Economy – Industry-Company examination of a bank are execution of market file, Banking file and the specific managing an account stock cost. Sensex created normal day by day return of 0.139 % over a time of ten months from first January, 2014 to 31st October, 2014. Banking list created normal every day return of 0.209 % amid that day and age. So as to get genuine status, normal day by day standard deviation of Sensex and also Banking Index ought to be considered. Normal every day standard deviation of Sensex was 0.811% and normal day by day standard deviation of Banking area was 1.362% amid that day and age. The coefficient of variety of Sensex and keeping money file amid that time was 5.82 and 6.52 separately. Henceforth it tends to be reasoned that Banking division failed to meet expectations concerning Sensex amid that period. The normal day by day return of HDFC bank and ICICI bank were 0.164% and 0.208% separately. All the while the normal day by day standard deviation of HDFC bank and ICICI bank were 1.278% and 1.7272% individually.

EQUITY SHARE DATA				
		HDFC BANK Mar-18	ICICI BANK Mar-18	HDFC BANK/ ICICI BANK
High	Rs	2,014	362	556.20%
Low	Rs	1,425	244	583.30%
Income per share (Unadj.)	Rs	328.7	106.7	307.90%
Earnings per share (Unadj.)	Rs	71.3	13.2	538.70%
Cash flow per share (Unadj.)	Rs	176.4	77.1	228.60%
Dividends per share (Unadj.)	Rs	13	1.5	866.70%
Avg Dividend yield	%	0.8	0.5	152.80%
Book value per share (Unadj.)	Rs	422.3	189.9	222.40%
Shares outstanding (eoy)	m	2,595.09	5,824.48	44.60%
Bonus Rights Conversion ns		-	ESOS	-
Avg Price / Income ratio	x	5.2	2.8	184.20%
Avg P/E ratio	x	24.1	22.9	105.30%
Avg P/CF ratio	x	17.8	6.6	271.10%
Avg Price/Bookvalue ratio	x	4.1	1.6	255.00%
Dividend payout	%	18.2	11.3	160.90%
Avg Mkt Cap	Rs m	44,62,257	17,65,982	252.70%
No. of employees	'000	88.3	81.5	108.20%
Total wages & salary	Rs m	91,939	83,335	110.30%
Avg. income/employee	Rs Th	9,664.00	7,622.80	126.80%
Avg. wages/employee	Rs Th	1,041.80	1,021.90	101.90%
Avg. net profit/employee	Rs Th	2,097.40	945.7	221.80%

INCOME DATA				
Interest income	Rs m	8,52,878	6,21,624	137.20%
Other income	Rs m	1,60,566	5,68,068	28.30%
Interest expense	Rs m	4,23,815	3,42,621	123.70%
Net interest income	Rs m	4,29,064	2,79,003	153.80%
Operating expense	Rs m	2,39,272	5,57,556	42.90%
Gross profit	Rs m	1,89,791	-2,78,553	-68.10%
Gross profit margin	%	22.3	-44.8	-49.70%
Provisions/contingencies	Rs m	65,718	1,91,949	34.20%
Profit before tax	Rs m	2,83,612	97,565	290.70%
Extraordinary Inc (Exp)	Rs m	0	0	-
Minority Interest	Rs m	513	-13,874	-3.70%
Prior Period Items	Rs m	5	0	-
Tax	Rs m	99,031	6,570	1507.30%
Profit after tax	Rs m	1,85,100	77,122	240.00%
Net profit margin	%	21.7	12.4	174.90%

BALANCE SHEET DATA				
Advances	Rs m	70,00,338	56,68,542	123.50%
Deposits	Rs m	78,83,751	58,57,961	134.60%
Credit/Deposit ratio	x	88.8	96.8	91.80%
Yield on advances	%	9.7	7.6	126.70%
Cost of deposits	%	4.2	4.1	102.60%
Net Interest Margin	%	4	2.7	148.90%
Net fixed assets	Rs m	38,106	94,650	40.30%
Share capital	Rs m	5,190	12,858	40.40%
Free reserves	Rs m	8,32,486	5,91,640	140.70%
Net worth	Rs m	10,95,991	11,06,241	99.10%
Borrowings	Rs m	15,64,421	22,94,018	68.20%
Investments	Rs m	23,84,609	37,22,077	64.10%
Total assets	Rs m	1,10,31,862	1,12,42,810	98.10%
Debt/equity ratio	x	8.6	7.4	117.00%
Return on assets	%	1.7	0.7	244.60%
Return on equity	%	16.9	7	242.30%
Capital adequacy ratio	%	14.8	18.4	80.30%
Net NPAs	%	0.4	4.8	8.40%

CASH FLOW				
From Operations	Rs m	1,72,144	1,93,829	88.80%
From Investments	Rs m	-8,522	-5,05,735	1.70%
From Financial Activity	Rs m	5,73,777	3,96,760	144.60%
Net Cashflow	Rs m	7,37,399	85,083	866.70%

SHARE HOLDING				
Indian Promoters	%	22.6	0	-
Foreign collaborators	%	0	0	-
Indian inst./Mut Fund	%	9.9	23.1	42.90%
FII's	%	34.1	40	85.30%
ADR/GDR	%	17	29.2	58.30%
Free float	%	16.4	7.8	210.30%
Shareholders		4,15,166	5,85,463	70.90%
Pledged promoter(s) holding	%	0	0	-

Source: equitymaster.com

4. INSURANCE SEGMENT

Between the life insurance backups, investigators are increasingly bullish on ICICI Prudential Life protection in the close term as they expect 21 percent upside versus HDFC Standard Life's 2 percent. This is for the most part because of time rectification in the HDFC Standard Life stock on account of its high valuation following powerful posting and post-posting execution.

Additionally, however HDFC Standard Life is evaluated to report higher development in new business APE (annualized premium equal) and VNB (estimation of new business) over FY18-FY20, Motilal Oswal expects enhancement in VNB edge for ICICI Prudential Life Insurance from the current 17.5 percent, and the equivalent to be supported at 24 percent if there should arise an occurrence of HDFC Standard Life.

HDFC Asset Management Company's underlying open offer got bought in an incredible multiple times because of strong budgetary execution and predominant brand picture/showcase position. Despite the fact that the posting execution will be powerful because of gigantic reaction from financial specialists, it may again observe a period revision later on as occurred in HDFC Standard Life Insurance, At the upper end of the value band, it is as of now esteemed higher at multiple times FY18 profit/7.8 percent to FY18 AUM, contrasted with multiple times/5.6 percent if there should be an occurrence of Reliance Nippon Life AMC.

CONCLUSION

ICICI and HDFC bring us a host of services at our fingertips during the year. A user friendly automated service menu offers you convenient access to your account coupled with security as; all your transactions are protected. ICICI Bank aims at the delivery of superior shareholder value by achieving an appropriate trade-off between risk and returns.

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