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A COMPARATIVE ANALYSIS OF FINANCIAL RATIOS OF SELECTED BANKS IN INDIA

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Abstract: *The aim of this article is to provide an analysis to determine the extent to which a company has achieved good and fair financial performance based on rules. This study examines the performance of the commercial banking sector for the period from April 2017 to March 2020. The financial statements of Axis Bank, ICICI Bank, SBI and HDFC Bank for the periods indicated are sourced from databases such as CMIE, Prowess, Money Control and Yahoo Finance. The information required from these annual financial statements has been summarized and used to calculate the key financial figures for the four-year period. Financial ratios are tools used to measure the profitability, liquidity and solvency of the four major commercial banks in India. This investigation consists of analyzing the annual financial statements of these banks using liquidity metrics, activity metrics, debt metrics, profitability metrics and market value metrics. The following ratios were used for liquidity: current ratio, fast ratio, or acid test. The inventory turnover rate, customer turnover rate, and working capital turnover rate were used for the activity. The following indices were used for leverage, namely the debt ratio, the equity ratio and the interest coverage ratio. Profit margin, net profit margin, return on investment, return on equity, and earnings per share were used for profitability. The price / earnings ratio and the earnings per share ratio were used for the market value.*

Key Words: : *Current Ratio, Acid ratio, Quick ratio, Return on Assets (ROA), Return on Shareholder's Equity (RONW), Earning per share (EPS).*

1. INTRODUCTION:

The massive amount of Numbers in a company's financial statements can be bewildering and intimidating to many investors. On the other hand, if you know how to analyze them, the financial statements are a gold mine of information. Financial statements are the medium by which a company discloses information concerning its financial performance. Followers of fundamental analysis use the information taken from financial statements to make investment decisions.

A recent article provides convincing evidence that data items stored in large databases have significance rates of errors (Klein, Goodhue and Davis, 1997). The problem is exemplified by the COMPUSTAT and CRSP Monthly Return Tape which are mistakenly thought to be accurate because they report information for publicly owned companies. However, both of these databases have significant error rates that distort analysis unless corrected (Kim, 1997; Courtnay and Keller, 1994; Kinny and Swanson, 1993; Bennin, 1980; Beedles and Simkowitz, 1978; and, Rosenberg and Houglet, 1974).Yusuf and Hakan, (2011) 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 current or short-term obligation as and when these become due. Ohlso (1980) concluded from his research that firm size was directly related to firm financial performance with smaller firms more likely to fail than larger ones. Following the receding studies, many additional research projects were undertaken in an attempt to validate the use of financial ratios for predicting financial performance of a firm. Some of the better-known studies include Altman, Haldeman and Narayanan (1977), Norton and Smith (1979), and Mensah (1983). These studies, like their predecessors, fail to demonstrate that normality of distribution or those necessary sample assumptions have been met prior to analysis. The paper proceeds as follows. In section 2, we explain the literature review detailed about the accounting and financial performance of banking sector. Section 3 applies the research problem, objectives and detailed methodology. Section 4 concludes the insights and result for all financial ratios has been applied to measure the performance of banks.

1.1 Indian Banking Sector

1.1.1 Axis Bank

Axis Bank Limited (formerly UTI Bank) is the third largest private bank in India. It provides financial services to customer segments that span large and medium-sized companies, MSMEs, agriculture, and retail. Axis Bank is based in Mumbai, Maharashtra. Axis Bank began operations in 1994 after the Indian government approved the establishment of new private banks. The bank was continuously founded in 1993 by the manager of Unit Trust India (UTI), Life

Insurance Corporation of India (LIC), General Insurance Corporation Ltd. (GICL), National Insurance Company Ltd. (NICL) and New India Assurance Company (TNIAC), Oriental Insurance Corporation (TOIC) and United India Insurance Company (UIIC). The Trust of India Unit has a special position in the busy Indian financial markets and has promoted several of the country's leading financial institutions. Products: Credit Cards, Consumer Banking, Corporate Banking, Finance and Insurance, Investment Banking, Mortgages, Private Banking, Private Equity and Asset Management. Axis Bank opened its Ahmedabad office and its Mumbai head office in December 1993. The first branch was opened on April 2, 1994 in Ahmedabad by Dr. Manmohan Singh, then Minister of Finance of India. As of March 31, 2014, the bank had a network of 2,402 branches and private branches and 12,922 ATMs. Axis Bank operates in four segments: Treasury, Distribution, Corporate / Wholesale and Other banking services.

1.1.2 Industrial Credit and Investment corporation of India (ICICI Bank)

ICICI Bank was founded in 1994 by the Indian Industrial Credit and Investment Corporation (ICICI) as a wholly owned subsidiary. The parent company was founded in 1955 as a joint venture with the World Bank. India's public sector banks and public sector insurance companies will provide project finance to Indian industry. The bank was originally known as the Bank of India Industrial Credit and Investment Corporation before being renamed ICICI Bank. The parent company then merged with the bank. ICICI Bank started internet banking in 1998. ICICI Bank is an Indian multinational banking and financial services company. The head office is in Vadodara. In 2014 it was the second largest bank in India in terms of assets and market capitalization. The bank has a network of 3,800 branches and 11,162 ATMs in India and is represented in 19 countries. ICICI Bank is one of the four largest banks in India alongside the State Bank of India, Punjab National Bank and Baroda Bank. The bank has subsidiaries in the UK, Russia and Canada. Offices in the USA, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar and the Dubai International Financial Centre; and representative offices in the United Arab Emirates, China, South Africa, Bangladesh, Thailand, Malaysia and Indonesia. The company's UK subsidiary has also set up offices in Belgium and Germany.

1.1.3 State Bank of India (SBI)

State Bank of India, popularly known as SBI, is the largest commercial bank in India with a glorious history of over 200 years. State Bank of India Introduction (SBI), owned by the Government of India, is classified as an Indian multinational public sector banking and financial services company based in Mumbai, Maharashtra. SBI is ranked 236th in the Fortune Global 500 list of the world's biggest corporations of 2019 With more than 14,000 branches in India, SBI is the largest and one of the premium banking and financial services companies in India in terms of assets, deposits, earnings, branches, customers and employees. With 191 overseas offices in 36 countries, SBI has established and consolidated its roots around the world.

1.1.4 HOUSING DEVELOPMENT FINANCING CORPORATION (HDFC) BANK

HDFC Bank was founded in August 1994. As of September 30, 2019, the bank had a nationwide distribution network of 5,314 branches and 13,514 ATMs in 2,768 cities. The Housing Development Finance Corporation Limited (HDFC) was one of the first to be established by the Reserve Bank of India (RBI) as part of the RBI liberalization of the Indian banking sector. The bank was founded in August 1994 under the name “HDFC Bank Limited” and is based in Mumbai, India. HDFC Bank was founded in January 1995 as a registered commercial bank. As of June 30, 2019, the authorized share capital of the bank was 650 million rupees. The paid-up share capital of the bank on that day is Rs. 546,56,24,542 / - consisting of 273,28,12,271 capital shares with a par value of Rs 2 / - each. The HDFC group holds 21.31% of the bank's capital and approximately 18.81% of the capital is held by ADS / DDR depositaries (in the context of the issue of American Depository Shares (ADS) and Global Depository Receipts (RFI) the Bank). 31.37% of the share capital is held by foreign institutional investors (FII) and the bank has 6.53,843 shareholders. The shares are listed on BSE Limited and the National Stock Exchange of India Limited. The bank's American Depository Shares (ADS) are listed on the New York Stock Exchange (NYSE) under the symbol “HDB” and the bank's Global Depository Receipts (DDR) are listed in Luxembourg shares.

2. ACCOUNTING STATEMENTS

2.1 The Income Statement

While the balance sheet takes an immediate approach to auditing a company, the income statement measures the performance of the company over a period of time. Technically, balance sheet could be a month or two even someday, but you'll only see public companies publish quarterly and annual reports. The income statement is presented Information on income, expenses and profits of activities Period.

2.2 The Balance Sheet

The balance sheet contains a record of the assets, liabilities and equity of a business at a given time. The balance sheet is named after the fact that a company's financial structure is balanced as follows:

Assets = Liabilities + Shareholder's\Equity …………………………………………………. Eqn (1)

Assets represent the resources that the company owns or controls at any given time. This includes articles such as cash, inventory, machines, and buildings. The other side of the equation is the total value of the Financing used by the company to acquire these assets. The financing comes from liabilities or equity. Liabilities represent debt (which, of course, must be repaid) while equity represents the full value of money that the owners have contributed to the business, including retained earnings, which are earned earnings in the last years.

2.3 Key financial ratios:

There are categories of ratios used in financial statement analysis. These are:

- Liquidity metrics that measure a company's ability to meet emerging cash flow needs.
- Profitability ratio, which measure the overall performance of a firm and its efficiency in managing assets, liabilities, and equity.
- Activity ratios or turnover ratio, which measures the liquidity of specific assets and the efficiency of managing assets.
- Assets turnover or management, which evaluates how well a company, is utilizing its assets to produce revenue.
- Long term debt of leverage ratios, which measure the extent of a firm's financing with debt relative to equity and its ability to cover interest and other fixed charges (Fraser & Ormiston, 2004); and
- Market value ratios bring to the stock price and give an idea of what investors think about the firm and its future prospects (Brigham & Houston, 2009).

2.4. LIQUIDITY RATIO

Current ratio

Liquidity ratios, that measures a company's ability to pay short-term obligations. If the current assets of a company are more than twice the current liabilities, then that company is generally considered to have good short-term financial strength and vice versa. The current ratio formula is:

Current Ratio = Current assets / Current liabilities …………………….……. Eqn (1.1)

Also known as "liquidity ratio", "cash asset ratio" and "cash ratio". The ideal ratio is 2:1

Quick ratio or acid test ratio

Quick ratio is an indicator of a company's short-term liquidity. The quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets. For this reason, the ratio excludes inventories from current assets; the ideal ratio is 1:1 and is calculated as follows:

Quick ratio = current assets – (cash and equivalents + marketable securities + accounts receivable) / current liabilities …………………………………………………… Eqn. (1.2)

2.5 PROFITABILITY RATIO

Profit margin

A ratio of profitability calculated as profit after tax by net sales. Profit margin is very useful when comparing companies in similar industries. A higher profit margin indicates a more profitable company that has better control over its costs compared to its competitors. It is calculated as**:**

Profit Margin = Profit after tax / Net sales ……………………………………….…….... (1.3)

Net profit margin

A ratio of profitability calculated as net income divided by revenues, or net profits divided by sales. It measures how much out of every rupee of sales a company actually keeps in earnings. Profit margin is very useful when comparing companies in similar industries. A higher profit margin indicates a more profitable company that has better control over its costs compared to its competitors. It is calculated as:

Net Income or Net Profit / Net Sales ……………………….………………………... (1.4)

Return on shareholder's equity (RONW)

Net income is for the full fiscal year (before dividends paid to common stock holders but after dividends to preferred stock.) Shareholder's equity does not include preferred shares. It is also known as "return on net worth" (RONW).

RONW = Net Income / Shareholder's Equity ………………………………………... (1.5)

Return on assets

An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. The formula for return on assets is:

Net Income / Avg. total assets ……………………………………………….…… (1.6)

2.6 MARKET BASED RATIOS

Earnings per share

The portion of a company's earnings allocated to each common share outstanding. Equity department income as an indicator of a company's profitability. It is calculated as follows:

EPS = Earning available / No. of share issued to shareholders ……….……..… (1.7)

Price earnings ratio

A valuation ratio of a company's current share price compared to its per-share earnings. It is calculated as:

P/E Ratio = Market price per share/ EPS ………………………………………………. (1.8)

2.7 SOLVENCY RATIO

Inventory turnover ratio

A ratio showing how many times a company's inventory is sold and replaced over a period. The days in the period can then be divided by the inventory turnover formula to calculate the days it takes to sell the inventory on hand or "inventory turnover days. It is calculated as:

Inventory turnover ratio = Cost of goods sold / Average inventory ………………………. (1.9)

Debtor turnover ratio

An activity or turnover ratio is calculated as credit sales by average debtors. A high debtor turnover ratio is not good for a company. It is calculated as:

Debtor turnover ratio = Credit sales / Average debtors ………………….………………. (1.10)

Working capital turnover

A measurement comparing the depletion of working capital to the generation of sales over a given period is known as working capital turnover. This provides some useful information as to how effectively a company is using its working capital to generate sales. It is calculated as:

Working capital turnover = Sales / Working capital ………………………..…………. (1.11)

Total asset turnover

It can be calculated as net sales divided by total assets. This is a measure of how well assets are being used to produce revenue. A high total asset turnover is beneficial for a company. It is calculated as:

Total asset turnover = Net sales / Total assets ……………………………………… (1.12)

LEVERAGE RATIOS

Debt to equity

A measure of a company's financial leverage is calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets. It is calculated as:

Debt to equity = Long term debt or liabilities / Total equity …………………………. (1.13)

Interest coverage ratio

A ratio used to determine how easily a company can pay interest on outstanding debt. The interest coverage ratio is calculated by dividing a company's earnings before interest and taxes (EBIT) of one period by the company's interest expenses of the same period: It is calculated as:

Interest coverage ratio = EBIT / Interest expenses …………………………………... (1.14)

DUPONT ANALYSIS

DuPont Corporation introduced a method of measuring performance in the 1920s. With this method Assets are measured at gross book value instead of net book value for a higher rate of return Equity (ROE). The higher the result, the higher the return on capital.

The DuPont system helps the analyst to see the decisions and activities of the company during a

The accounting period interacts to produce a total return for the company's shareholders, the return on equity (Fraser & Ormiston, 2004). In addition, according to Brigham and Houston (2009) it is a formula that shows that the rate of the return on equity can be the product of the profit margin, total sales and the equity multiplier. He shows the relationships between the activity, debt and profitability metrics. It is calculated as follows:
DuPont analysis = Profit after tax / Total assets ………………………………… (1.15)

3. RESEARCH METHODOLOGY:

3.1 Research problem and objectives

This research work aims to analyze the financial performance of Indian banking industries such as (AXIS, ICICI, HDFC and SBI Bank) for the periods from April 2017 to March 2020 using comparative financial ratios. As an investigation procedure, the investigator received the audited annual accounts for the four periods (from 2017 to 2020) from Indian banking firms by Prowess and the company's website. Necessary financial information the financial ratios were derived from these financial statements. They were then summarized and processed Suggest comparative financial metrics that were used in the analysis phase. As applied in this study, the The metrics were divided into five categories: **liquidity, profitability, solvency, market-based metric, and leverage.** Report. This helps answer the question: what are the standards, industry figures, and details in the banking sector of the Indian market using the ratios of liquidity, activity, debt, profitability and market value?

Moreover, this study specifically aims to meet the following objectives:

- To determine the liquidity, activity, leverage, profitability, and market value ratios of AXIS, ICICI, HDFC, and SBI bank.
- To determine norms, industry figures, and peculiarities of the Indian banking sector.
- To find comparative financial analysis among these banking companies.
- To evaluate financial performance using DuPont analysis.

3.2 DESCRIPTIVE STATISTICS

TABLE 1 FINANCIAL RATIOS OF AXIS BANK

Ratios	2017	2018	2019	2020
Current ratio	0.11	0.11	0.10	0.13
Quick Ratio	16.62	19.22	17.65	17.14
Return on asset %	0.64	0.06	0.61	0.19
Return on shareholder’s Equity	7.01	0.70	7.43	2.14
Earnings Per Share	16.54	1.86	19.61	6.83
Price Earnings Ratio	14.23	134.5	13.44	44.80
Net Profit Margin	8.78	0.99	9.00	2.94
Profit margin	-18.71	-24.45	-16.31	-22.69
Debt to Equity	9.35	9.52	10.52	9.23
Total asset turnover	0.08	0.07	0.07	0.07
Interest coverage ratio	0.66	0.57	0.57	0.62
Dupont Analysis	0.006	0.0006	0.005	0.0017

Table 1 explains the result of several financial ratios of AXIS BANK from 2017 to 2020. It contains liquidity ratio i.e. current ratio and acid test ratio, profitability ratio i.e. return on assets (ROA), return on net worth (RONW), return on capital employed (ROCE), earning per share (EPS), price earnings ratio (P/E), net profit margin, and profit margin, activity ratio i.e. inventory turnover ratio, debtor turnover ratio, and working capital turnover assets turnover ratio i.e. fixed assets and total assets turnover. Leverage ratio i.e. debt to equity, interest coverage ratio, shareholder’s equity ratio, and return on total asset and finally, DuPont analysis have been employed in this paper to measure the financial performance of a company.

TABLE 2 FINANCIAL RATIOS OF ICICI BANK

Ratio	2017	2018	2019	2020
Current ratio	0.12	0.12	0.12	0.09
Quick Ratio	16.31	20.44	18.66	15.76

Return on asset	1.03	0.68	0.34	0.69
Return on shareholder's Equity	10.03	7.16	3.82	7.98
Earnings Per Share	15.91	12.02	6.61	14.81
Price Earnings Ratio	10.95	13.92	26.08	12.49
Net Profit Margin	18.60	14.63	7.90	13.23
Profit margin	-67.47	-76.74	-74.51	-63.32
Debt to equity	6.58	7.28	7.77	8.24
Interest Coverage Ratio	1.84	1.80	1.67	1.70
Total asset turnover	0.07	0.07	0.07	0.07
Dupont Analysis	0.01	0.007	0.003	0.007

Table 2 shows the results of ICICI BANK's various financial metrics from 2017 to 2020. It includes cash Index, Liquidity rate and acid test rate, profitability rate. Return on investment (ROA), return on equity (RONW), return on capital employed (ROCE), earnings per share (EPS), profitability ratio (PER), net profit Margin and profit margin, activity rate, Inventory turnover rate, debtor turnover rate and working capital Asset turnover rate, Fixed assets and total turnover. Leverage, Debt / principal, interest Funding ratio, equity ratio and return on investment, and finally, the analysis was from DuPont Employees in this document to measure a company's financial performance.

TABLE 3 FINANCIAL RATIOS OF SBI BANK

Ratios	**2017**	**2018**	**2019**	**2020**
Current ratio	0.07	0.08	0.09	0.08
Quick Ratio	7.90	8.09	9.13	8.57
Return on asset %	0.00	-0.12	0.05	0.47
Return on shareholder's Equity	0.13	-2.21	0.98	8.69
Earnings Per Share	0.31	-5.34	2.58	22.15
Price Earnings Ratio	734.67	-43.11	101.84	11.49
Net Profit Margin	-0.16	-1.82	1.21	6.73
Profit margin	-29.76	-35.70	-29.14	-29.63
Total asset turnover	0.07	0.06	0.07	0.07
Interest coverage ratio	1.47	1.43	1.38	1.45
Debt to equity	16.17	15.04	15.98	15.87
Dupont Analysis	-0.0001	-0.001	0.0006	0.004

Table 3 explains the result of several financial ratios of SBI BANK from 2017 to 2020. It contains liquidity ratio i.e. current ratio and acid test ratio, profitability ratio i.e. return on assets (ROA), return on net worth (RONW), return on capital employed (ROCE), earning per share (EPS), price earnings ratio (P/E), net profit margin, and profit margin, activity ratio i.e. inventory turnover ratio, debtor turnover ratio, and working capital turnover assets turnover ratio i.e. fixed assets and total assets turnover. Leverage ratio i.e. debt to equity, interest coverage ratio, shareholder's equity ratio, and return on total asset and finally, DuPont analysis have been employed in this paper to measure the financial performance of a company.

TABLE 4 FINANCIAL RATIOS OF HDFC BANK

Ratios	**2017**	**2018**	**2019**	**2020**
Current ratio	0.06	0.05	0.05	0.05
Quick Ratio	11.19	17.40	16.55	16.53
Return on asset %	1.68	1.64	1.69	1.71
Return on shareholder's Equity	16.26	16.45	14.12	15.35
Earnings Per Share	57.18	67.76	78.65	48.01
Price Earnings Ratio	6.10	8.08	5.20	6.49
Net Profit Margin	20.99	21.79	21.29	22.86
Profit margin	3.25	2.82	3.48	2.60
Total asset turnover	0.09	0.09	0.09	0.09
Interest coverage ratio	2.08	2.23	2.17	2.26
Debt to equity	8.08	8.62	7.03	7.56
Dupont Analysis	0.01	0.01	0.01	0.01

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Table 4 explains the result of several financial ratios of SBI BANK from 2017 to 2020. It contains liquidity ratio i.e. current ratio and acid test ratio, profitability ratio i.e. return on assets (ROA), return on net worth (RONW), return on capital employed (ROCE), earning per share (EPS), price earnings ratio (P/E), net profit margin, and profit margin, activity ratio i.e. inventory turnover ratio, debtor turnover ratio, and working capital turnover assets turnover ratio i.e. fixed assets and total assets turnover. Leverage ratio i.e. debt to equity, interest coverage ratio, shareholder's equity ratio, and return on total asset and finally, DuPont analysis have been employed in this paper to measure the financial performance of a company.

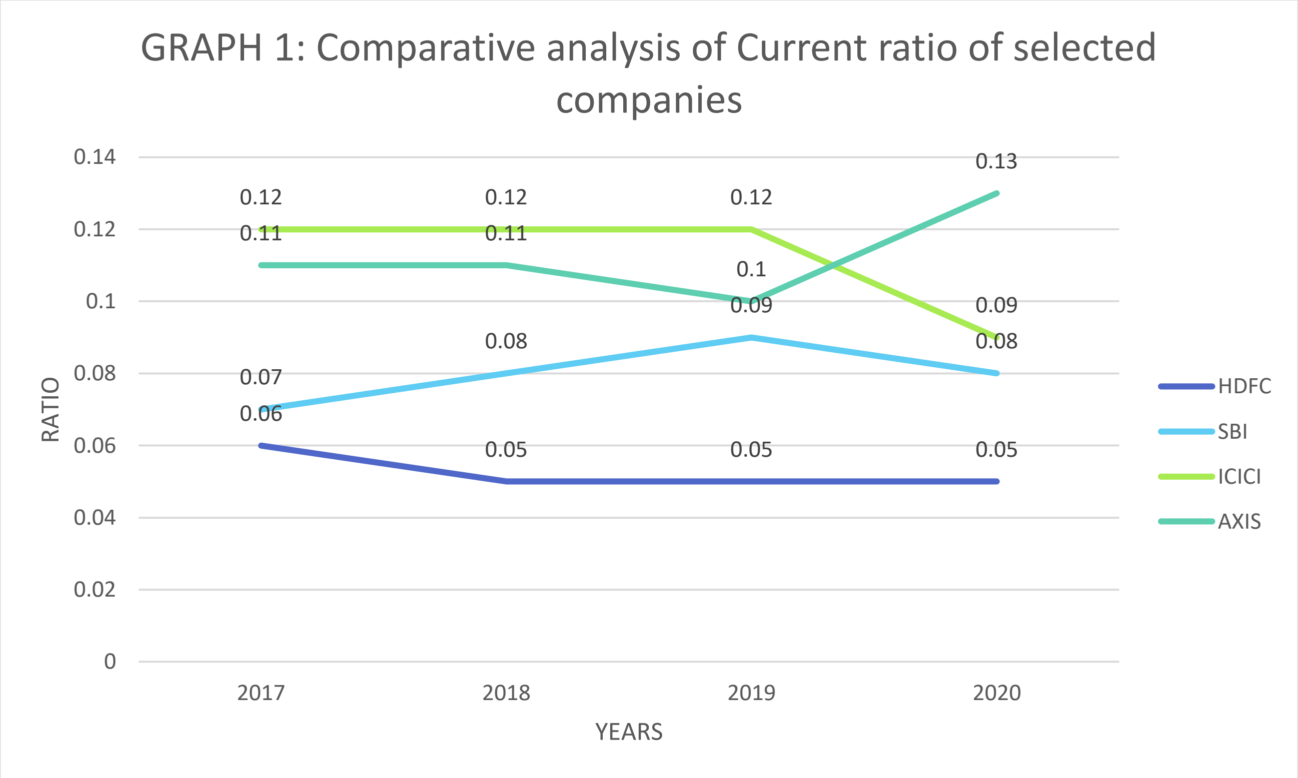
4. RESULTS AND LEARNING INSIGHTS:

This part of the research paper is organized using the five categories of financial ratios. Specific ratios for each category are also presented and discussed. At the end of this part, the DuPont equation derived was also presented and discussed.

4.1 LIQUIDITY RATIOS

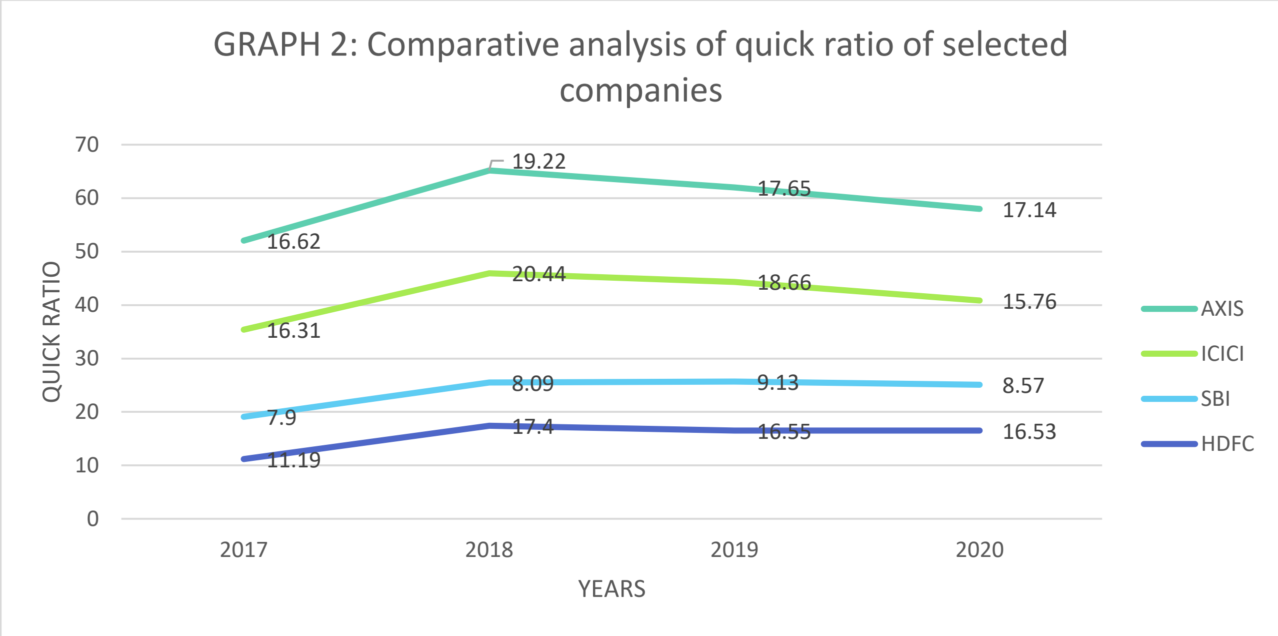
4.1.1 Current ratio: analysis and insights

This ratio shows the current assets available to cover current liabilities at the balance sheet date. There should be a reasonable buffer of current assets over current liabilities as an indication of the ability of the firm to pay its debts as and when they fall due. From the year 2017-2019, the current ratio for ICICI bank, AXIS bank and HDFC bank is almost constant. The current ratio for ICICI has declined drastically from 2019 to 2020 So, we infer that AXIS has greater number of resources to pay off its current debts.



4.1.2 *Quick ratio:* analysis and insights

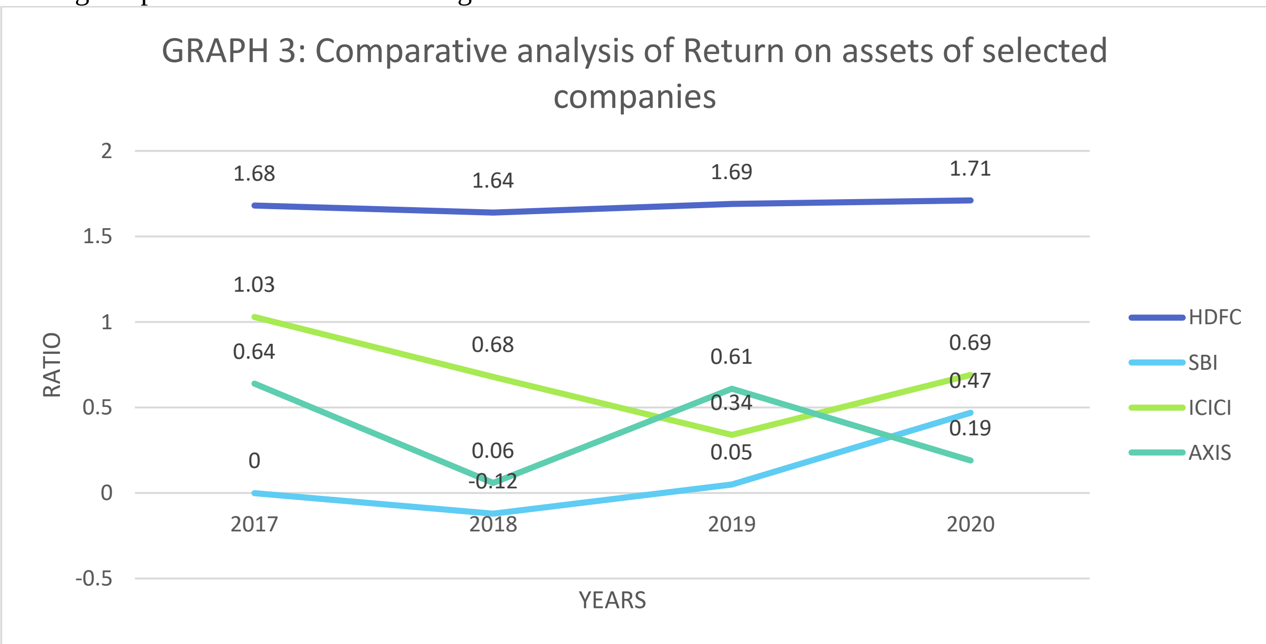
As a supplement to current ratio, quick or acid-test ratio aims to show the more liquid current assets available to pay the more immediately payable liabilities. With reference to current assets, the results are not significantly affected since only inventories are not considered here. Initially, the quick ratio for AXIS and ICICI is almost equal about 16.62 and 16.31 respectively for the year 2017. But from the year of 2017 - 2018, the ratio for AXIS and ICICI bank has increased to 17.14 and 15.76 respectively. Similarly, SBI and HDFC bank started from 7.9 and 11.19 respectively in year 2017 and reached to 8.57 and 16.53 respectively. By looking at the chart I can see axis bank has more liquid assets available to pay the more immediately payable liabilities



4.2 PROFITABILITY RATIO

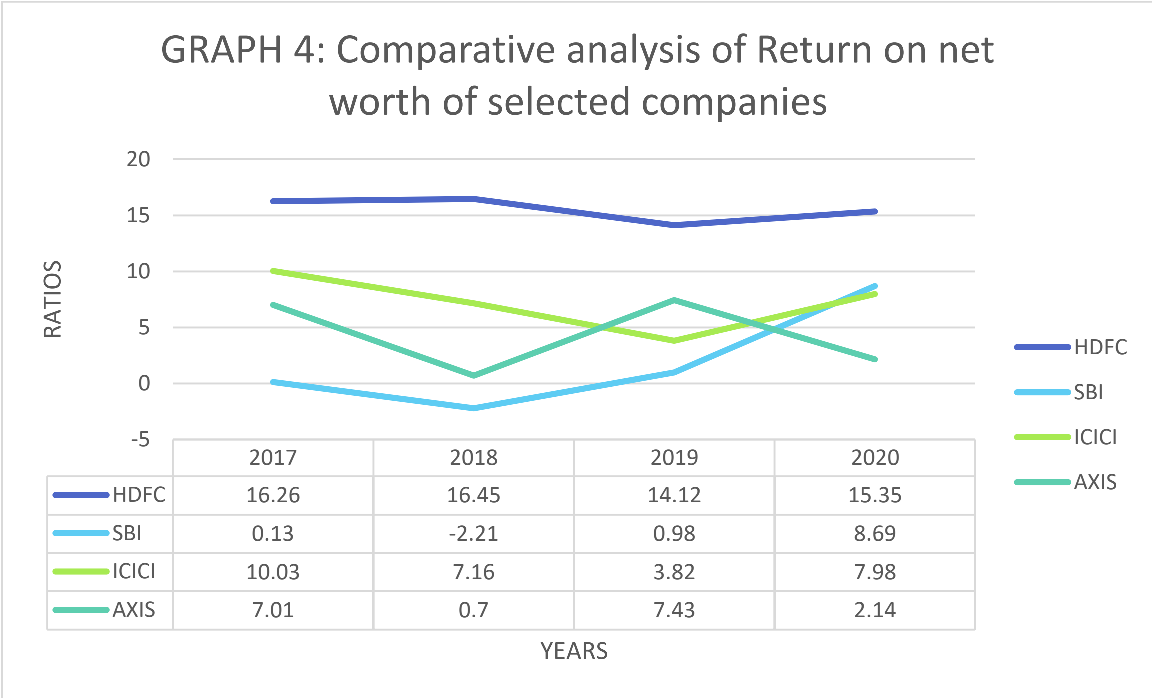
4.2.1 Return on assets: analysis and insights

Generally, the higher this ratio is the more effective. This ratio indicates the effectiveness of using assets to generate revenues. Similar to the previous financial ratio, as a rule of thumb, to be considered effective, it should be at least 0.30 times. Using this, it can be said that all four firms keep an effective mechanism on utilizing their total assets. The return on assets of HDFC bank is similar throughout the period of 2017-20. The ratios of ICICI and SBI banks are increasing side by side in the same manner. Here, we can say that HDFC bank has been able to use its assets efficiently to generate good profit as the Bank is earning more on less investment.



4.2.2 Return on net worth: analysis and insights

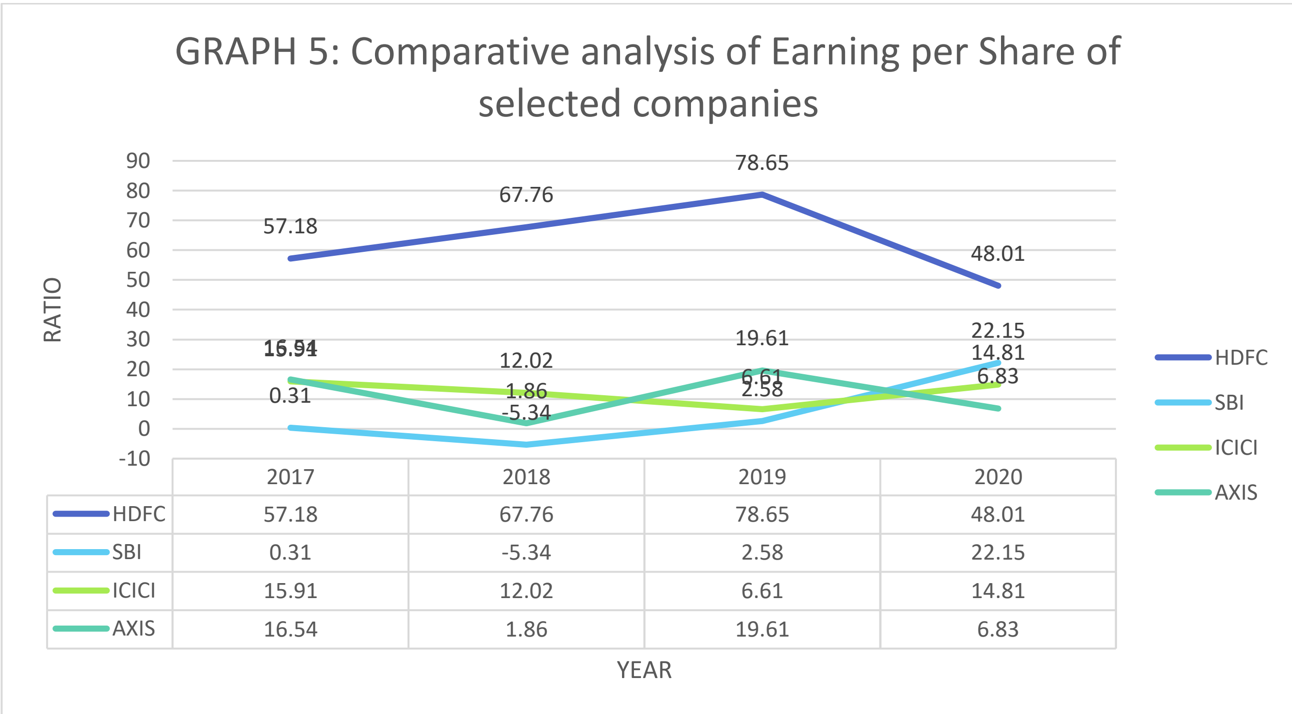
This ratio measures the rate of return on net worth's investment. This is considered as the most important financial ratio as this has something to do with the return on shareholder's equity. As a rule of thumb, the higher the RONW, the better is the firm's financial performance. In this study, 2019 is a great year for Axis bank's shareholders since the RONW rose to 7.43 in 2019 from 0.7 in 2018. The RONW for ICICI and SBI banks has risen in the similar way. Overall, HDFC provided greatest returns on the equity of their shareholders.



	2017	2018	2019	2020
HDFC	16.26	16.45	14.12	15.35
SBI	0.13	-2.21	0.98	8.69
ICICI	10.03	7.16	3.82	7.98
AXIS	7.01	0.7	7.43	2.14

4.2.3 Earnings per share: analysis and insights

This ratio indicates the ability of the firm's assets to generate operating income. As a rule of thumb, the higher this ratio is the better. It is important to realize that this ratio shows the return shareholders are actually achieving on their investment, using current market value for listed shares. In 2019, Axis bank has recorded its best EPS of 19.61 over the past four years. HDFC had kept its earnings per share steady from 57.18 in 2017 to 78.65 in 2019. The shareholders can be assured that HDFC and SBI banks can be considered the safe players in terms of investment.

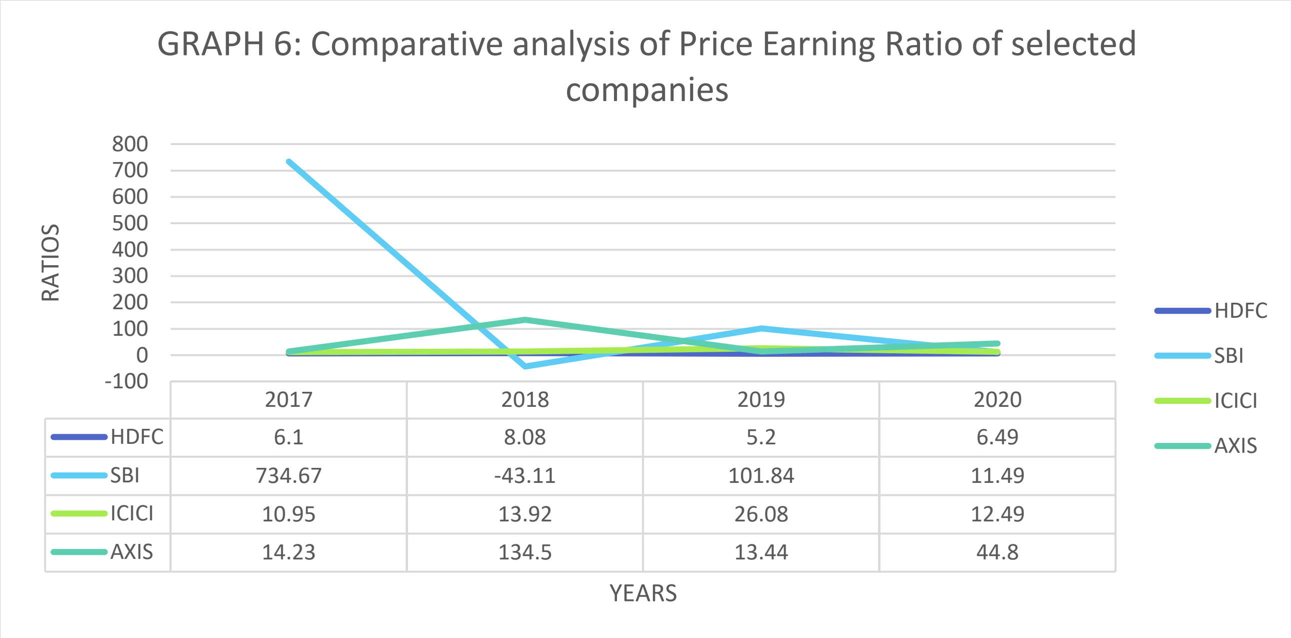


	2017	2018	2019	2020
HDFC	57.18	67.76	78.65	48.01
SBI	0.31	-5.34	2.58	22.15
ICICI	15.91	12.02	6.61	14.81
AXIS	16.54	1.86	19.61	6.83

4.2.4 Price earnings ratio: analysis and insights

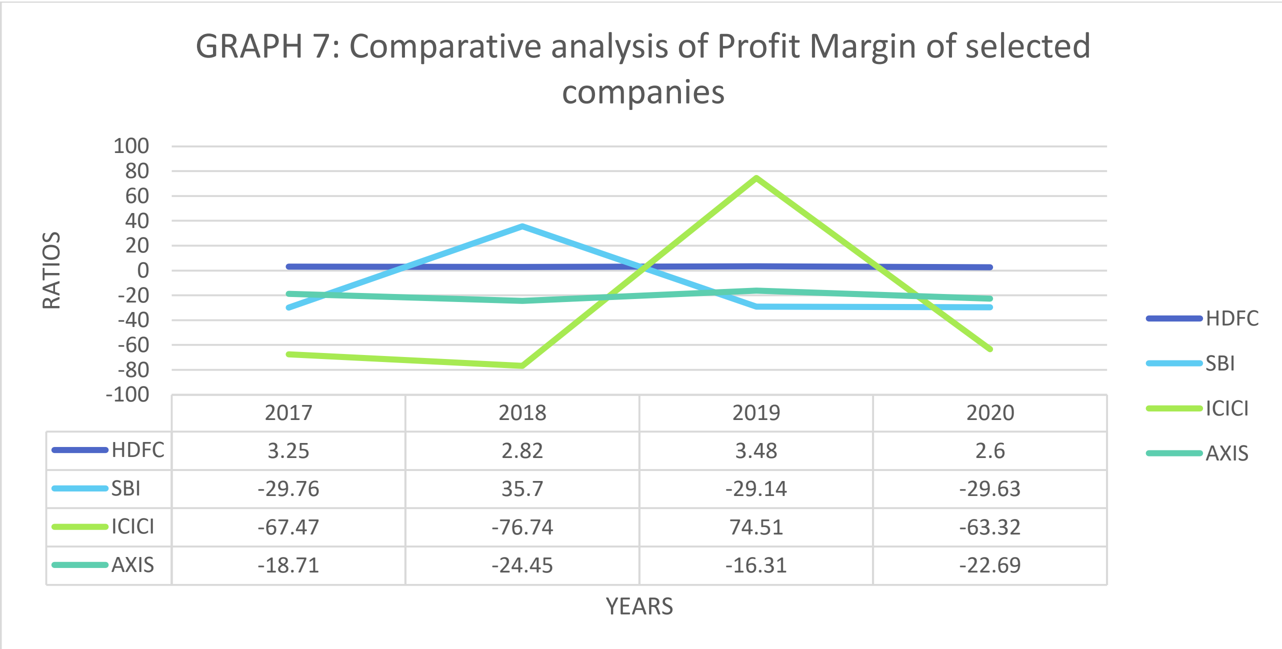
This ratio shows how much investors are willing to pay per peso of reported profits. The price earnings ratio for ICICI has always been growing from 10.95 to 26.08 from 2017 to 2019, Whereas SBI showed up and down trend from 734.67 to 11.49. HDFC bank ratio remained constant throughout 2017-2020. So, we can conclude that AXIS has the best price earnings ratio among other banks.

4.2.5 Profit margin: analysis and insights



	2017	2018	2019	2020
HDFC	6.1	8.08	5.2	6.49
SBI	734.67	-43.11	101.84	11.49
ICICI	10.95	13.92	26.08	12.49
AXIS	14.23	134.5	13.44	44.8

This ratio measures operating income relative to peso revenue. As a rule of thumb, a higher operating margin is preferred since lower profit margin (as compared with similar firm) may mean higher accounting costs. The profit margin in the year 2019 was highest and almost same for Axis and ICICI banks. The growth increased from -67.47 to 74.51. The margin has increased from -18.71 in 2017 to -16.31 for AXIS bank in 2019. So, we can conclude that HDFC have a better control over all expenses.

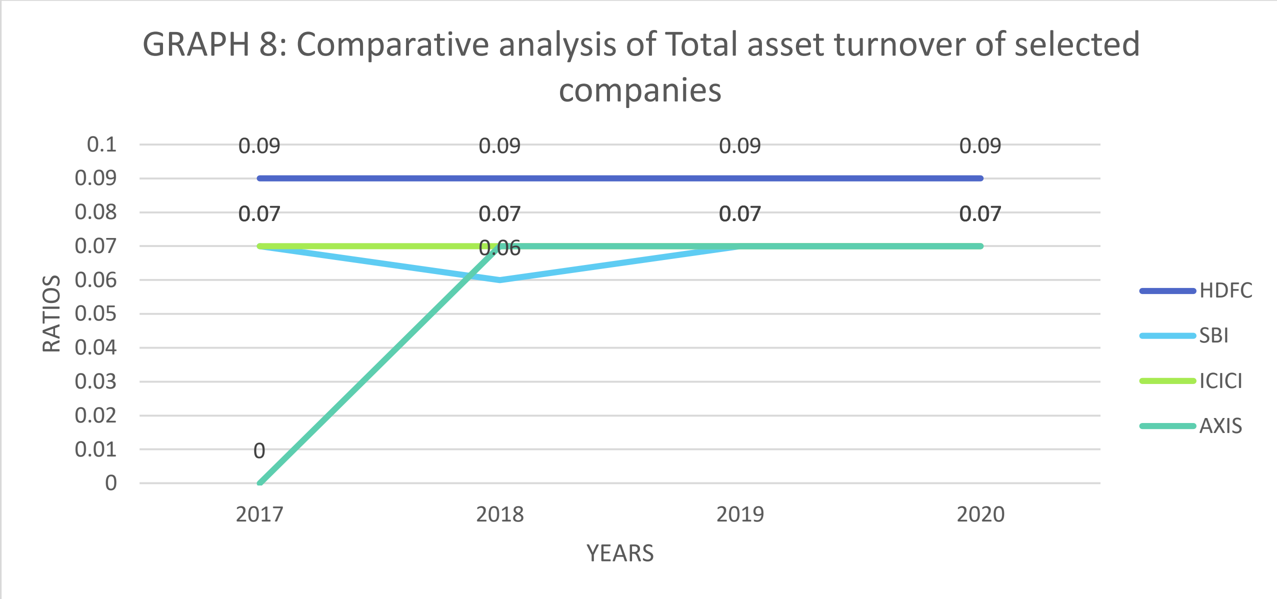


	2017	2018	2019	2020
HDFC	3.25	2.82	3.48	2.6
SBI	-29.76	35.7	-29.14	-29.63
ICICI	-67.47	-76.74	74.51	-63.32
AXIS	-18.71	-24.45	-16.31	-22.69

4.3 Asset Turnover Ratio

4.3.1 Total Assets Turnover: analysis and insights

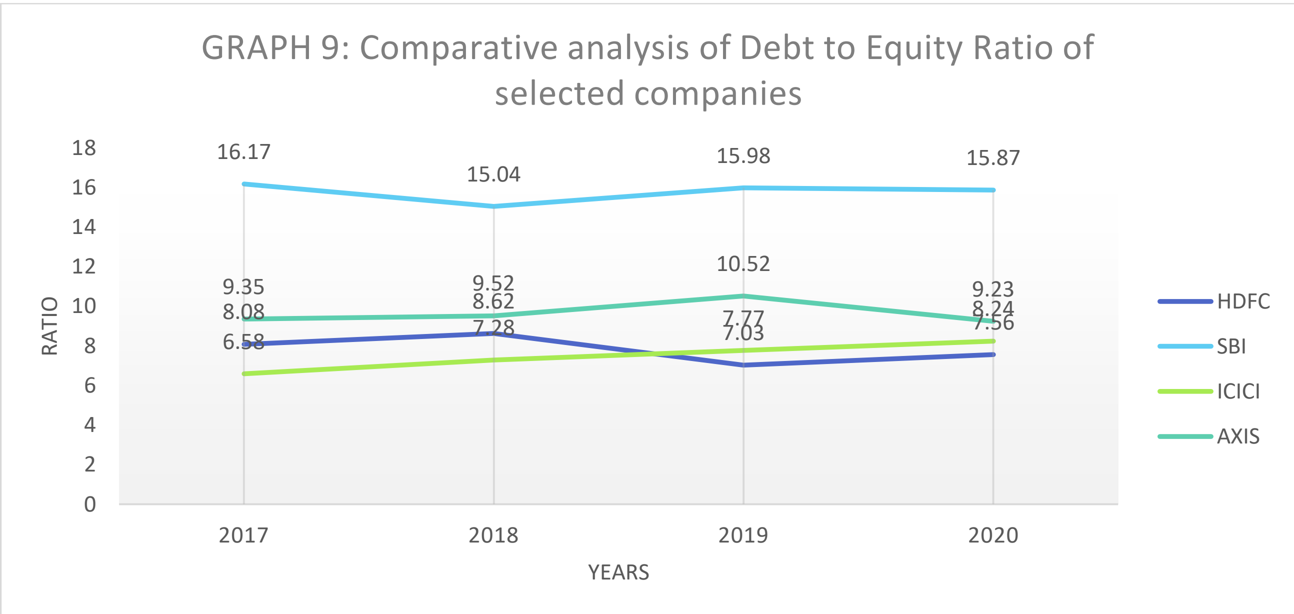
The asset turnover ratio calculates the efficiency of a company's assets to generate revenue or sales. It compares the amount of revenues to its total assets. The asset turnover ratio calculates the net sales as a percentage of the total assets**.** The assets turnover ratio for the three banks (HDFC, ICICI, AXIS), have been consistent over the years, with HDFC leading at 0.09. On the other hand, SBI's asset turnover had shrunk in 2018 but has bounced back ever since to its original value, 0.7. In these terms, all the banks are holding up a sound asset turnover.



4.4 Leverage Ratio

4.4.1 Debt to equity ratio: analysis and insights

This ratio shows the dependence on debt (borrowing) finance compared with equity funding. The greater is the reliance on debt financing, the greater is the level of interest and the greater the risk from exposure to rising interest rates. Firms listed on stock exchange tend to follow a pattern of raising additional finance through borrowing for a number of years and then raise equity though issuing new shares. Equity will be used more when the interest rate is too high, the share market perceives certain levels of debt funding to be bad, or market conditions favour a share issue just like in the case of rising share prices. SBI had the highest Debt to equity ratio as compared with other banks, conveying that the bank is functioning with high risk of uncertainty. Hence it can be inferred that SBI is the best investment option among four owning to its null debt record.



4.4.2 Interest coverage ratio: analysis and insights

The interest coverage ratio is used to determine how comfortably accompany can pay interest on its outstanding debt. The higher the times interest earned ratio the better. however, if a firm is generating high profits, but no cash flow from operations, this ratio is misleading. HDFC has the highest interest coverage ratio ranging from 2.08 to 2.26 times in 2017 to 2020 respectively. Axis stands lowest with only a mean of 0.61, consistently. So, we can say that HDFC has the ability to pay interest-due from the earnings of the bank.

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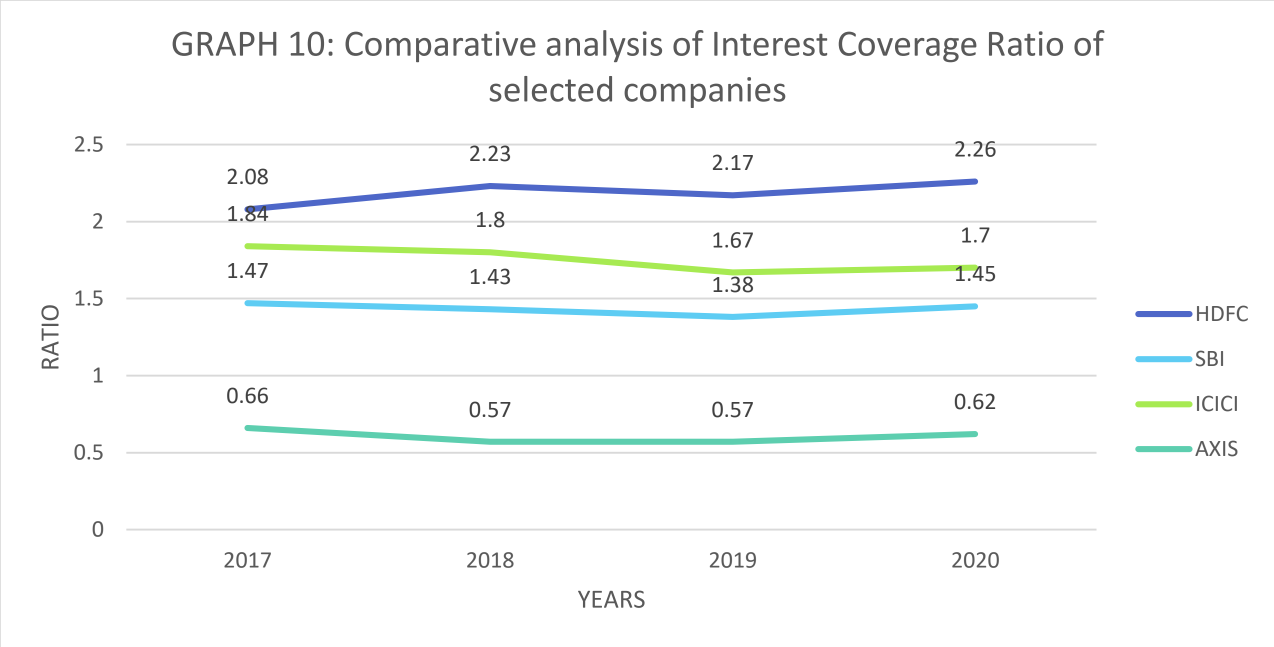
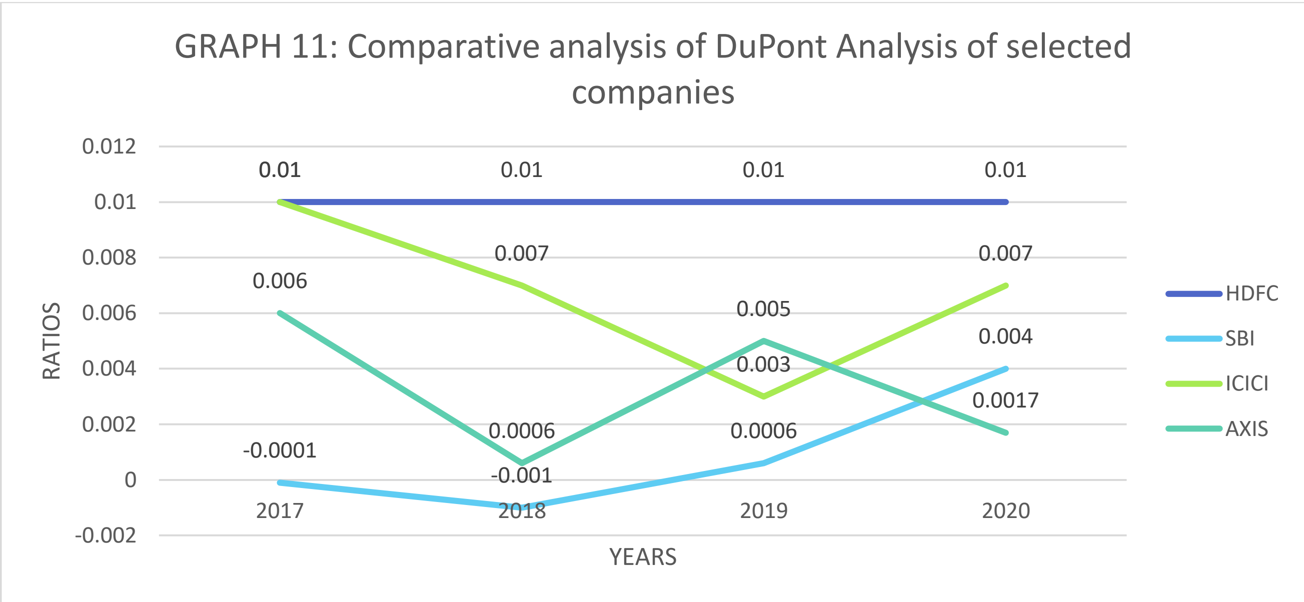


4.5 DuPont analysis: analysis and insights

The Dupont analysis is an expanded return on equity formula, calculated by Dividing the profit after tax by the total asset turnover. From the graph, we can infer that HDFC has had a fairly high return on equity, maintaining a standstill at 0.01. On the other hand, we see fluctuations with other banks. ICICI had taken a steep fall previously but has managed to pick an upward pace again in terms of return on capital, still below its 2017 level. Axis bank is down to 0.0017, while in terms of growth, SBI is leading, jumping from -0.0001 in 2017 to 0.004 in 2020.



5. DISCUSSION & ANALYSIS : A comparative analysis of financial ratios of selected banks in India. Ratio Analysis observed in this study.

6. RESULT:

Through the above analysis of graphical patterns of the four banks, in terms of chosen financial ratios, we can draw a conclusion that HDFC Bank has been a consistent performer in terms of return on capital, interest coverage, asset turnover, return on net worth and earnings per share, and has been leading in these terms. SBI, having a high debt-equity ratio, has high risk. HDFC bank has maintained a low current ratio, signifying that it might not meet its immediate credit needs. On the other hand, Axis bank, with a high current ratio, is safe in terms of short-term liquidity requirements. Overall, we can say that HDFC bank has been a good performer, and SBI is risky to invest in.

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7. CONCLUSION :

Through the above analysis of graphical patterns of the four banks, in terms of chosen financial ratios, we can draw a conclusion that HDFC Bank has been a consistent performer in terms of return on capital, interest coverage, asset turnover, return on net worth and earnings per share, and has been leading in these terms. SBI, having a high debt-equity ratio, has high risk. HDFC bank has maintained a low current ratio, signifying that it might not meet its immediate credit needs. On the other hand, Axis bank, with a high current ratio, is safe in terms of short-term liquidity requirements. Overall, we can say that HDFC bank has been a good performer, and SBI is risky to invest in.

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