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**A COMPARATIVE STUDY OF FINANCIAL PERFORMANCE STABILITY OF TWO PRIVATE  
COMMERCIAL BANKS (ICICI AND HDFC) AND THEIR SUBSIDIARY COMPANIES IN  
INDIA**

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**ABSTRACT**

The financial statement provides rich information on the operational results of a business unit and much can be learnt from a careful examination of these statements. The purpose of financial statement 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 the process of identifying the financial strengths and weakness of the firm by properly establishing relationship between the items of the balance sheet and profit and loss account and other operative data. In the current research the author has analyzed the financial performance of ICICI Bank and HDFC Bank along with their subsidiary companies with the help of information collected from the annual records of the Banks. In order to evaluate the financial performance of the two banks, the powerful tools namely the Ratio analysis and Index were applied. Rate of interest earned for both banks are more or less same. But the rate of interest paid is much low for HDFC Bank. It is 7.12 percent in 2009 and 6.1 percent in 2013 for ICICI Bank whereas it was 4.64 percent in 2009 and 5.62 percent in 2013 for HDFC Bank. It shows high operational efficiency of HDFC Bank compared to ICICI Bank. The index value of equity of ICICI Bank was 162.43 in 2013 when compared to 2008. But it was 382.88 for HDFC Bank which shows 2.35 times higher for the HDFC Bank than for ICICI Bank. The index value of Deposits of ICICI Bank was only 119.83 Cr in 2013 when compared to 2009. But it is 364.77 for HDFC Bank which shows 3.04 times higher for the HDFC Bank than for ICICI Bank. Banking sector is chosen as it is highly regulated sector in India. HDFC bank has largest market capitalization among the banking players which is immediately followed by State bank of India (SBI) and ICICI

bank. Since SBI is largest PSU bank in India, ICICI bank and HDFC banks are considered for comparative analysis in order to create a level playing field. Different ratios are used in this study and particularly those which are related to the financial statement for this purpose balance sheet of 2009-2012 of both the banks are used and from them ratios are calculated so according to which we can easily compare the banks performance and tell which private banks grow faster and whose position is better than the other one. After comparing the financial position it is clear that position of ICICI is much better than the HDFC.

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### Introduction

In order to achieve its goal, every company must formulate its policy, including financial policy, more scientifically. The survival of any organization depends upon its financial soundness. The company is deemed to be financially sound if it runs the business effectively and efficiently by using the scarce resources. If a company fails to utilize its resources purposefully, its long term growth will be seriously affected. Therefore, it is highly necessary to have finance oriented policies. To assess the financial soundness of any organization, financial statements of that organization have to be analyzed. The financial statement provides rich information on the operational results of a business unit and much can be learnt from a careful examination of these statements. In the words of Metcalf and Titard, "Analyzing financial statement is a process of evaluating the relationship between component parts of a financial statement to obtain better understanding of a firm's position and performance". The purpose of financial statement 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 the process of identifying the financial strengths and weakness of the firm by properly establishing relationship between the items of the balance sheet and profit and loss account and other operative data. For analyzing the financial statement of an organization, a number of financial tools are being used. One such is ratio analysis which is considered to be the most powerful and popular tool very easily applied for practical purposes. The result of ratio analysis is more accurate and it can be used as basis for future decisions. Now-a-days all the organizations including banking companies have widely used this technique to evaluate performance.

ICICI Bank is an Indian Multinational Banking and Financial Services company head quartered in Vadodara. ICICI Bank was originally promoted in 1994 by ICICI Ltd. an Indian financial institution and was its wholly owned subsidiary. ICICI's shareholding in ICICI Bank was reduced to 46 percent through a public offering of shares in India in 1998, followed by various other offering. ICICI (The Parent Company) was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian Industry to provide long term project financing to Indian Industry. The parent company was later merged with the bank. 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. At present, it is the second largest bank in India in terms of assets and market capitalization. In 1999, ICICI became the first Indian Company and the first bank or financial institution from non-Japan Asia to be listed on the NYSE. In 2000, ICICI Bank became the first Indian Bank to list on the New York stock Exchange with its five million American depository shares issue generating a demand book 13 times the offer size. The Bank has contributed to set up of a number of Indian institutions to establish financial infrastructure in the country over the years.

#### Subsidiaries:

- ICICI Prudential Life Insurance Company Ltd.
- ICICI Lombard General Insurance Company Ltd.
- ICICI Securities Ltd.
- ICICI Prudential AMC & Trust
- ICICI Venture Funds Management Company Ltd.
- ICICI Direct

- ICICI Venture
- ICICI Foundation

ICICI Bank has also banking subsidiaries in UK, Canada & Russia

HDFC Bank Ltd. is an Indian banking and financial services company based in Mumbai. It was incorporated in August 1994. HDFC Bank is the fifth largest bank in India by assets. The Bank was promoted by the Housing Development Finance Corporation, a premier housing finance company (established in 1977) of India. The Housing Development Finance Corporation (HDFC) was amongst the first to receive an „in principle“ approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of RBI's liberalization of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 and commenced operations as a scheduled commercial bank in January 1995. HDFC Bank's mission is to be a world class Indian Bank. The bank is committed to maintain the highest level of ethical standards, professional integrity, corporate governance and regulatory compliance. Bank's business philosophy is based on five core values: operational excellence, customer focus, product leadership, people and sustainability. 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 (GDRs) are listed on Luxembourg Stock Exchange.

### **Subsidiaries**

HDFC Bank has two subsidiaries:

HDB Financial Services Limited (HDBFS)

HDFC Securities Ltd. (HSL)

### **Research Methodology**

In this present study, an attempt has been made to evaluate and compare the financial performance of ICICI and HDFC and both of these are banks related with the private sector. The study is based on secondary data and the details are collected through websites, magazines and journals. The time period of study is four years 2008 to 2012. Ratio analysis was applied to analyse the performance of these banks.

### **Review of Literature**

N. S. Varghese (2000)<sup>1</sup> is of the opinion that new generation private sector banks with their latest technology are able to implement e-banking and are highly preferred by investors in the stock market. He also points out that prominent new generation private sector banks like HDFC and ICICI have entered into internet banking through which greater convenience is offered with lower transaction cost.

Bharathi Pathak (2003)<sup>2</sup> makes a study of "The financial operations of new generation private sector banks in India". Five banks (Indusind bank, Centurion bank, HDFC bank, ICICI bank and UTI bank) are taken up for financial analysis for a period of five years from 1996-97 to 2000-01. Their financial performance is studied under four different parameters – financial, operating, profitability and productivity. His conclusion is that the working of all banks is satisfactory but HDFC bank comes at the top closely followed by ICICI bank

Gilotra (2003)<sup>3</sup>, in his study on retail lending, views that the success of retail lending of a bank depends on factors like marketing efficiency, proper appraisal and follow-up. He also finds that HDFC has become very excellent in housing finance solely due to the long term strategies adopted by them.

Arti (2009)<sup>4</sup> in her comparative study of ICICI bank and SBI found that ICICI bank perform better in staff behaviour and services than SBI. She also found that the competitive rate and commitment make satisfied customers while hidden charges is the reason for dissatisfaction with ICICI bank.

Delvin James (1995)<sup>5</sup> makes a case study of the retail banking services in UK using First Direct, a subsidiary of Midland Bank. He concludes that banks can increase their market share through proper communication and prompt delivery of their products.

### **NEED FOR THE STUDY**

The financial performance of ICICI Bank and HDFC Bank has become a fascinating topic for conversation, comment and debate. There is growing evidence of concern by the authorities on the declining financial performance of the banking system due to unsecured loans and advances. The RBI pressures on banks profitability and suggest various methods to reduce the unsecured loans and advances, with changes in the social and economic objective of ICICI commercial banks particularly of State Bank of India and its associates. It becomes extremely over and finds remedial measures to reduce the financial performance in the

value of new banking philosophy. The approach of policy makers towards financial performance has changed, with the result that low profits have become a fact of life. Therefore, it is high time to concentrate on analysis of the financial performance of ICICI Bank and HDFC Bank.

**SCOPE OF THE STUDY**

The study greatly giving attention on appraising any changes that perceived and revealed in the financial performance of ICICI Bank and HDFC Bank. Furthermore, the study attempted to identify areas so as to improve the financial performance of ICICI Bank and HDFC Bank

**Objectives of the Study**

1. To study the financial performance of ICICI and HDFC.
2. To compare the financial performance of ICICI and HDFC.
3. To analyze the profitability performance of ICICI and HDFC bank on the basis of net profit

**LIMITATIONS OF THE STUDY**

Financial analysis is mainly done to compare the growth, profitability and financial soundness of the respective banks by analysing the information contained in the financial statements. Financial analysis is done to identify the financial strengths and weaknesses of the two banks by properly establishing relationship between the items of Balance Sheet and Profit & Loss Account. It helps in better understanding of banks financial position, growth and performance by analysing the financial statements with various tools and evaluating the relationship between various elements of financial statements

**Table 1: Key Indicators of ICICI Bank**

Items	2007-08	2008-09	2009-10	2010-11	2011-12
Deposits (Rs.)	2444311	2183478	2020166	2256021	2555000
Advances(Rs.)	2256161	2183108	1812056	2163659	2537277
Net NPA (%)	1.55	2.09	2.12	1.11	0.73
No. of Branches	1271	1432	1719	2565	2780
No. of Employees	40686	34596	35256	26929	25253
Source: A Profile of Bank: 2011-12, RBI Report					

Above Table No. 1 shows five key indicators of ICICI Bank. The deposit of ICICI Bank shows a mix trend during the study period. It was Rs. 2444311 million during the year 2007 -08 and then afterwards decreased up to year 2009-10, again increased and it was Rs. 2555000 million in 2011 -12.

The Advances of ICICI Bank also shows a mix trend during the study period. It was Rs. 2256161 million in 2007 -08 and then afterwards reduced up to year 2009-10, again increased and it was Rs. 2537277 million in 2011-12.

The Net NPA Ratio of ICICI represents a mix trend during the study period. It was 1.55 percent in 2007-08 and went up to 2.12 percent in 2009 -10 and then afterwards reduced and it was 0.73 percent in 2011 -12. The number of branches continuously increased during the study period. Numbers of branches were 1271 in 2007-08 and went up to 2780 in 2011-12. Number of employees shows a mix trend during the study period No. of employees were 40686 in 2007 -08, Decreased in 2008-09, increased in 2009-10 and then afterwards decreased and they were 25253 in 2011 -12.

While studying the responses of the field staff of ICICI Bank, who are involved in the actual implementation of marketing policies such as marketing executives' direct sales associates, etc were contacted to find out their responses. On analysis of the responses the following financial products were identified by the researcher in the form of marketing of banking services. These products marketed by ICICI Bank marketing staff is presented in the table 2

**Table 2: Key Indicators of HDFC Bank**

Items	2007-08	2008-09	2009-10	2010-11	2011-12
Deposits (Rs.)	1007686	1428116	1674044	2085864	2467064
Advances(Rs.)	634269	988830	1258306	1599827	1954200

## G.SRINIVASA BABU

Net NPA (%)	0.47	0.63	0.31	0.19	0.18
No. of Branches	745	1422	1729	1980	2186
No. of Employees	37386	52687	51888	55752	66076

Above Table No. 3 shows five key indicators of HDFC Bank. The deposits of HDFC Bank continuously increased during the study period. It was Rs. 1007686 million during the year 2007-08 and went up to Rs. 2467064 million in the year 2011-12.

The advances of HDFC Bank also continuously increased during the study period. It was Rs. 634269 million in 2007-08 and finally went up to Rs. 1954200 million in 2011-12.

The Net NPA Ratio shows a mix trend during the study period. It was 0.47 percent in the year 2007-08, went up to 0.63 percent in 2008-09 and then afterwards continuously decreased and it was 0.18 percent in 2011-12. The number of branches continuously increases during the study period. It was 745 during the year 2007-08 and finally went up to 2186 in 2011-12. Number of employees shows a mix trend during the study period. No. of employees were 37386 in 2007-08, increased up to 52687 in 2008-09 then decreased in 2009-10 and again increased in next two years and final they were 66076 in 2011-12.

TABLE 3: GROWTH RATE OF BOTH BANKS NET PROFIT FROM 2006-2013

(AMOUNT IN CRORES)				
	HDFC		ICICI	
YEAR	AMOUNT	GROWTH RATE	AMOUNT	GROWTH RATE
2007-08	1,590.18	39.3	415.8	33.7
2008-09	2,244.93	41.2	375.8	-9.7
2009-10	2,948.70	31.34	402.5	7.1
2010-11	3,926.40	33.15	515.1	28
2011-12	5,167.07	31.6	646.5	25.5
2012-13	6,726.28	30.2	832.5	28.8

As average growth rate in net profit of HDFC in study period is 34% and average growth of ICICI is 19.4. Profits of both banks are increasing but average growth of HDFC is greater than ICICI.

### Capital Structure

As on 31<sup>st</sup> March, 2012 the authorized share capital of the Bank is ` 550 crore. The paid-up capital as on the said date is ` 469,33,76,540 (234,66,88,270 equity shares of ` 2/- each). The HDFC Group holds 23.15% of the Bank's equity and about 17.29 % of the equity is held by the ADS / GDR Depositories (in respect of the bank's American Depository Shares (ADS) and Global Depository Receipts (GDR) Issues). 30.68 % of the equity is held by Foreign Institutional Investors (FIIs) and the Bank has 4,47,924 shareholders. The shares are listed on the Bombay Stock Exchange 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 (GDRs) are listed on Luxembourg Stock Exchange under ISIN No US40415F2002.

The Bank's target market ranges from large, blue-chip manufacturing companies in the Indian corporate to small & mid-sized corporate and agri-based businesses. For these customers, 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 structured solutions, which combine cash management services with vendor 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 inroads into the banking consortia of a number of leading Indian corporates including multinationals, companies from the domestic business houses and prime public sector companies. It is recognised as a leading provider of cash management and transactional banking solutions to corporate customers, mutual funds, stock exchange members and banks.

The Bank also has a wide array of retail loan products including Auto Loans, Loans against marketable securities, Personal Loans and Loans for Two-wheelers. It is also a leading provider of Depository Participant (DP) services for retail customers, providing 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 Electron) and issues the Master card Maestro debit card as well. The Bank launched its credit card business in late 2001. By March 2010, the bank had a total card base (debit and credit cards) of over 14 million. The Bank is also one of the leading players in the “merchant acquiring” business with over 90,000 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 internet banking services for Fixed Deposits, Loans, Bill Payments, etc. It was found that there is highly significant variation in the opinion of bankers regarding the factors influencing to provide varied range of services by the selected financial institutions. Selected factors were given different weightages by selected financial institutions. Increasing urbanisation was given highest weightage by ICICI bank and lowest weightage by State Bank of India and HDFC Bank. ICICI Bank gave lowest weightage to longer life span. Double income group was given highest weightage by ICICI Bank.

**DEPOSITS**

Money is placed in a banking institution for safekeeping. Bank deposits are made to deposit accounts at a banking institution, such as savings accounts, checking accounts and money market accounts. The account holder has the right to withdraw any deposited funds, as set forth in the terms and conditions of the account. The "deposit" itself is a liability owed by the bank to the depositor (the person or entity that made the deposit), and refers to this liability rather than to the actual funds that are deposited. The details of Deposits of ICICI and HDFC Bank from 2008 to 2012 are stated in Table 4

Table 4: The details of Deposits of ICICI and HDFC Bank from 2008 to 2012

Year	ICICI BANK		HDFC BANK	
	AMOUNT ( Rs.in.Cr )	INDEX	AMOUNT ( Rs.in.Cr )	INDEX
2008	276983.23	100	100631.38	100
2009	261855.75	94.53	142644.8	141.74
2010	202016.6	72.93	167297.78	166.24
2011	225602.11	81.44	208287.21	206.98
2012	255499.96	92.24	246539.58	244.99

Source: Annual Audited Balance sheet of the ICICI and HDFC Bank

Table 4 reveals that the Deposits of ICICI Bank increased from Rs.276983.23 crores to Rs. 255499.96 crores from the year 2008 to 2012. It shows an increase of the index value of 19.83 percentages. But the deposits of HDFC Bank increased at higher rate when compared to those of ICICI Bank. They increased from Rs.100631.38 crores to Rs. 246539.58crores from the year 2008 to 2012.It shows an increase of the index value of 264.77 percentage. With respect to ICICI Bank the amount of deposit decreased from 2008 to 2012, with a decrease of deposit of 8 percentages. But in HDFC Bank the deposit increased in all the years, and it continuously increased at high rate in 2012

Analysis of the Comparative performance of ICICI Bank and HDFC Bank is done through the financial statements for five years from 2008 to 2012. The final result of this analysis is stated in Table 5

Table 5: COMPARATIVE STATEMENT ABOUT THE FINANCIAL PERFORMANCE OF ICICI AND HDFC BANK

S. NO	Factors	ICICI		HDFC	
		2008	2012	2008	2012
1	Deposits (Rs.in crores)	276983.2	331913.7	100631.4	367080.33
2	Borrowings (Rs.in crores)	84566.05	154759.1	4478.86	49596.72
3	Advances (Rs.in crores)	240846.5	338702.7	6346.9	315418.86
4	Investment (Rs.in crores)	160046.8	177021.8	49288.01	119571.06
5	Equity	45072.23	73213.32	11535.15	44166.63
6	Debt	276983.2	486672.8	1051102.24	416677.1
7	Debt Equity Ratio	6.14	6.64	9.11	9.43
8	Return on Equity	4.06	9.38	9.6	14.1

## G.SRINIVASA BABU

9	Return on Capital Employed	8.9	7.31	5.51	6.92
10	Equity Dividend (Rs.in crores)	1227.7	2656.28	301.27	1643.35
11	Earnings per share(Rs)	28	101.22	44.92	36.53
12	Book value of share (Rs)	401.93	662.49	325.45	184.1
13	Rate of return Earned	8.5	9.59	8.28	9.78
14	Rate of return Paid	7.12	6.1	4.64	5.62

The above Table 5 reveals that the Deposit of HDFC Bank was 36.37 percent more than that of ICICI Bank during 2008. But it increased to 110.59 percent in 2012. It shows a higher growth rate of HDFC Bank to the extent of exceeding the deposits of ICICI Bank in 2012.

The index value of Deposits of ICICI Bank was only 119.83 in 2012 when compared to 2008. But it is 364.77 for HDFC Bank which shows 3.04 times higher for the HDFC Bank than for ICICI Bank.

Borrowing of HDFC Bank was 5.29 percent more than that of ICICI Bank during 2008. But it increased to 32.04 percent in 2012. It shows a remarkable growth rate of HDFC Bank.

The index value of Borrowings of ICICI Bank was only 183 in 2012 when compared to 2008. But it was 1107.07 for HDFC Bank which shows 6.05 times higher for the HDFC Bank than for ICICI Bank.

Advance of HDFC Bank was 26.33 percent more than that of ICICI Bank during 2008. But it increased to 93.12 percent in 2012. It shows a high growth rate of HDFC Bank as for as advances are concerned.

The index value of advances of ICICI Bank was only 140.06 in 2012 when compared to that of 2008. But it was 497.29 for HDFC Bank which shows 3.55 times higher for the HDFC Bank than for ICICI Bank.

Investment of HDFC Bank was 30.79 percent more than that of ICICI Bank during 2008. But it increased to 67.54 percent in 2012. It shows a high growth rate of HDFC Bank as for as investments are concerned.

The index value of investments of ICICI Bank was only 110.6 in 2012 when compared to 2008. But it was 242.59 for HDFC Bank which shows 2.19 times higher for the HDFC Bank than for ICICI Bank.

Equity for HDFC Bank was 25.59 percent higher than that of ICICI Bank during 2008. But it increased to 60.32 percent in 2012.

The index value of equity of ICICI Bank was 162.43 in 2012 when compared to 2008. But it was 382.88 for HDFC Bank which shows 2.35 times higher for the HDFC Bank than for ICICI Bank.

Debt of HDFC Bank was 37.94 percent higher than of ICICI Bank during 2008. But it increased to 85.61 percent in 2012. It shows a high growth rate of HDFC Bank as for as debt is concerned.

The index value of debt of ICICI Bank was only 175.7 in 2012 when compared to 2008. But it was 396.41 for HDFC Bank which shows 2.25 times higher for the HDFC Bank than for ICICI Bank.

Debt Equity ratio slightly increased from 6.14 to 6.64 and 9.11 to 9.43 from 2008 to 2012 for ICICI Bank and HDFC Bank respectively. HDFC Bank recorded high Debt Equity ratio than ICICI Bank. It shows that HDFC Bank more percentage of debt than equity when compared to ICICI Bank.

Return on Equity is comparatively high for HDFC Bank. It increased from 9.6 percent to 14.1 percent whereas it increased from 4.06 percent to 9.38 percent for ICICI Bank from 2008 to 2012.

Equity dividend is comparatively low for HDFC Bank. Its share when compared to that of ICICI Bank was 24.53 percent in 2008. But it increased to 61.86 in 2012. It is evident from the index value which is 216.36 for ICICI Bank and 445.47 for HDFC Bank. It shows 2.05 times higher for the HDFC Bank than ICICI Bank.

Earning per Share shows a decreasing trend for HDFC Bank. It decreased from Rs.44.92 in 2008 to Rs.36.53 in 2012 whereas it increased for ICICI Bank from Rs.28 in 2008 to Rs.101.22 in 2012. It is evident from the index value which is 361.6 for ICICI Bank and 118.12 for HDFC Bank. It shows 0.32 times for the HDFC Bank than ICICI Bank.

Book value per Share also shows a decreasing trend for HDFC Bank. It decreased from Rs.325.45 in 2008 to Rs.184.1 in 2012 whereas it increased for ICICI Bank from Rs.401.93 in 2008 to Rs.662.49 in 2012. It is evident from the index value which is 164.82 for ICICI Bank and 56.56 for HDFC Bank. It shows 0.34 times for the HDFC Bank than ICICI Bank.

Rate of interest earned for both banks are more or less same. But the rate of interest paid is much low for HDFC Bank. It is 7.12 percent in 2008 and 6.1 percent in 2012 for ICICI Bank whereas it was 4.64 percent in 2008 and 5.62 percent in 2012 for HDFC Bank. It shows high operational efficiency of HDFC Bank compared to ICICI Bank.

With most of the key subsidiaries listed now, comparison between ICICI Bank and HDFC group shares deserves attention or seems to be well-timed. HDFC and HDFC Bank have been definitely and consistently superior than ICICI Bank in terms of important financial metrics. Accordingly, their shares have significantly outperformed ICICI Bank with market capitalisation jumping more than five and 12 times, respectively, in the last one decade, compared to the latter's three times, according to Capitaline data.

Even HDFC's newly-listed subsidiary, HDFC Standard Life Insurance, has done better than ICICI Prudential Life Insurance though listing dates are different. The stock of ICICI Prudential Life Insurance has gained close to 42 % in almost two years of listing, while HDFC Standard Life is up 44 % in just eight months.

According to analysts, premium valuations of HDFC group's shares are indeed justified but currently they are fairly valued and most offer limited upside.

On the other hand, ICICI Bank and its subsidiaries, which have underperformed HDFC group due to a variety of reasons, can be considered as value buy, they added.

"While the company (HDFC) is tracking steady core performance, its valuation at 3.1 times adjusted book value for core return on equity of 16.5 % appears to be fair," said Kunal Shah, analyst at Edelweiss. He expects 9 % upside from current levels.

HDFC Securities has a similar view and added: "Despite building in relatively lower recoveries and cutting earnings by 31 %, ICICI Bank can yield return on average assets of 1.11 % in FY12. This, and inexpensive valuations, drive our positive view. Further dilution in subsidiaries and robust recoveries could push earnings upwards."

Insurance segment: Between the life insurance subsidiaries, analysts are more bullish on ICICI Prudential Life insurance in the near term as they expect 21 % upside versus HDFC Standard Life's 2 %. This is mainly due to time correction in the HDFC Standard Life stock thanks to its high valuation following robust listing and post-listing performance.

Also, though HDFC Standard Life is estimated to report higher growth in new business APE (annualised premium equivalent) and VNB (value of new business) over FY18-FY20, Motilal Oswal expects improvement in VNB margin for ICICI Prudential Life Insurance from the current 17.5 %, and the same to be sustained at 24 % in case of HDFC Standard Life.

HDFC Asset Management Company's initial public offer got subscribed a whopping 83 times thanks to robust financial performance and superior brand image/market position. Even though the listing performance will be robust thanks to huge response from investors, it might again see a time correction later on as happened in HDFC Standard Life Insurance. At the upper end of the price band, it is already valued higher at 32 times FY12 earnings/7.8 % to FY12 AUM, compared to 26 times/5.6 % in case of Reliance Nippon Life AMC.

### Conclusions

The current study and discussions thereon, certainly reveals that financial performance of ICICI Bank and HDFC Bank. Based on the study HDFC Bank financial performance is better than ICICI Bank. But in many cases, the financial performance of ICICI Bank and HDFC Bank are good. After analysing the above ratio it is clear that position of ICICI is better in comparison to HDFC. As we saw in the above tables and graphs that in current ratio, quick ratio, credit deposit ratio and Cash deposit ratio the ICICI bank performance is better and in case of earning per share the ICICI bank increasing continuously while HDFC bank earnings per share goes down in the last year. The average growth rate of total income is higher in HDFC bank then that of ICICI bank. The average growth rate is 34% in HDFC and 16.6% in ICICI bank. The average growth rate of total expenditure in HDFC bank is 25.2% which is higher than the ICICI bank which is 16.42%. The average growth rate of net profit is higher in HDFC bank than that of ICICI bank. The average growth rate of net profit is 34% in HDFC bank and 19.4% in ICICI bank. Hence it is concluded that the total performance and efficiency of HDFC bank is better than that of ICICI bank.



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