

A STUDY ON EQUITY ANALYSIS IN BANKING SECTOR

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Abstract

A stock or some other security representing to a possession intrigue. On an organization's accounting report, the measure of the assets contributed by the proprietors (the investors) in addition to the held income (or misfortunes). Additionally alluded to as "investors' value". With regards to edge exchanging, the estimation of protections in an edge account short what has been obtained from the brokerage. In the setting of land, the distinction between the current market estimation of the property and the sum the proprietor despite everything owes on the home loan. An association's bookkeeping report, the proportion of the benefits contributed by the owners (the financial specialists) not with standing the held salary (or mishaps). Moreover implied as "financial specialists' worth". With respect to edge trading, the estimation of protections in an edge account short what has been acquired from the business. In the setting of land, the qualification between the current market estimation of the property and the total the owner despite everything owes on the home advance. The total the owner would get in the wake of selling a property and taking care of the home credit. With respect to frameworks, esteem (stocks) are one of the main asset classes. The other two are settled compensation (securities) and cash/cash partners. These are used as a piece of bit of leeway assignment aiming to structure a pined for peril and return profile for a theorist's portfolio. In subsidize, generally speaking, you can consider esteem ownership in any bit of leeway after all commitments related with that advantage are paid off. For example, an auto or house with no remarkable commitment is seen as the owner's an incentive since the individual can quickly offer the thing for cash.

Key words: - Stock, security, income, portfolio.

INTRODUCTION

India is a developing country. Nowadays many people are interested to invest in financial markets especially on equities to get high returns, and to save tax in honest way. Equities are playing a major role in contribution of capital to the business from the beginning. Since the introduction of shares concept, large numbers of investors are showing interest to invest in stock market.

The cost of a security speaks to an agreement. It is the cost at which one individual consents to purchase and another consents to sell. The cost at which a speculator is eager to purchase or sell relies principally upon his desires. On the off chance that he anticipates that the security's cost should rise, he will get it; if the financial specialist anticipates that the cost should fall, he will sell it. These straightforward explanations are the reason for a significant test in determining security costs, since they allude to human desires. As we as a whole know firsthand, people desires are neither effectively quantifiable nor unsurprising. On the off chance that costs depend on financial specialist desires, at that point comprehending what a security should sell for (i.e., central investigation) turns out to be less significant than recognizing what different speculators anticipate that it should sell for. Saying this doesn't imply that that realizing what a

security should sell for isn't significant - it is. In any case, there is typically a genuinely solid accord of a stock's future profit that the normal financial specialist can't invalidate. Essential investigation and specialized examination can exist together in harmony and supplement one another. Since all the speculators in the financial exchange need to make the most extreme benefits conceivable, they just can't stand to overlook either basic or specialized investigation.

Axis Bank Limited provides corporate, retail, and business banking products and services in India. The company's deposit products include demand, savings bank, current account, and term deposits. The company also provides home loans, car loans, personal loans, loan against shares and security, loan against property, education and consumer loans, structured finance and microfinance products, short-term loans, loans for small and medium enterprises, agriculture loans, as well as credit and debit cards, and insurance services.

In addition, it engages in investing in sovereign and corporate debt, equity, and mutual funds; trading operations; derivative trading and foreign exchange operations; and central funding operations. Further, the company offers corporate advisory, placements and syndication, public issue management, project appraisal, capital market related, card, Internet banking, ATM, depository, financial advisory, NRI, international banking, cash management, and other services, as well as liability products and government services.

Vision: - To be the preferred financial solutions provider excelling in customer delivery through insight, empowered employees and smart use of technology

Mission: - Customer service and product innovation tuned to diverse need of individual of corporate clientele.

OBJECTIVES OF THE STUDY

1. To study the overall growth of Indian Economy which is growing at a fast pace.
2. Detailed analysis of Banking Sector which is gearing towards international standards
3. Analyse the impact of qualitative factors on industry's and company's prospects
4. Comparative analysis of two main banks in the industry ICICI Bank, Axis Banks through fundamental analysis.
5. Suggesting as to which company's shares would be best for an investor to invest.

HYPOTHESIS

H0: There is no significant difference between the selected variables of selected banks.

H1: There is a significant difference between the selected variables of selected banks.

RESEARCH METHODOLOGY

Research outline or research strategy is the method of gathering dissecting and deciphering the information to analysis the issue and respond to the open door in such a way where the expenses can be limited and the coveted level of exactness can be accomplished to land at a specific conclusion.

» The system utilized as a part of the examination for the fruition of the task and the satisfaction of the venture destinations, is as per the following:

» Market costs of the organizations have been taken for the long periods of various dates, there by separating the organizations in to 5 segments.

DATA ANALYSIS AND INTERPRETATION

ICICI Bank – Comparative Balance Sheets (Rs. in Crores)

Standalone Balance Sheet		----- in Rs. Cr. -----				
	Mar '19	Mar '18	Mar '17	Mar '16	Mar '15	
Capital and Liabilities:						
Total Share Capital	1,179.66	1,175.04	1,173.64	1,172.77	1,171.82	
Equity Share Capital	1,179.66	1,175.04	1,173.64	1,172.77	1,171.82	
Share Application Money	7.44	6.57	4.48	2.39	0.29	
Preference Share Capital	0.00	0.00	0.00	0.00	0.00	
Reserves	79,262.26	72,051.71	65,547.84	59,250.09	53,938.82	
Net Worth	80,429.36	73,216.32	66,705.96	60,405.25	55,090.93	
Deposits	361,562.73	331,916.66	292,616.63	255,499.96	225,602.15	
Borrowings	192,419.35	174,759.05	185,341.49	180,184.91	109,554.28	
Total Debt	533,980.15	486,672.71	437,955.17	395,664.87	335,176.39	
Other Liabilities & Provisions	31,719.86	34,755.55	32,163.60	19,576.98	17,986.35	
Total Liabilities	646,179.30	594,641.58	536,794.68	473,647.10	406,233.67	
Assets						
Cash & Balances with RBI	25,652.91	21,821.83	19,052.73	20,461.29	20,906.97	
Balance with Banks, Money at Call	18,651.71	19,707.77	22,364.79	17,768.02	16,183.15	
Advances	387,522.07	338,702.65	290,249.44	253,727.66	218,365.90	
Investments	186,580.03	197,021.82	191,393.60	179,560.04	164,685.96	
Gross Block	4,725.52	4,678.18	4,647.06	4,618.69	4,744.26	
Revaluation Reserves	0.00	0.00	0.00	0.00	0.00	
Accumulated Depreciation	0.00	0.00	0.00	0.00	0.00	
Net Block	4,725.52	4,678.18	4,647.06	4,618.69	4,744.26	
Capital Work In Progress	0.00	0.00	0.00	0.00	0.00	
Other Assets	24,997.05	32,709.39	29,157.07	19,517.39	18,347.47	

Total Assets	646,179.29	594,641.60	536,794.69	473,647.09	406,233.67
Contingent Liabilities	868,190.58	794,965.35	802,383.84	923,037.18	931,651.64
Bills for collection	0.00	0.00	0.00	0.00	0.00
Book Value (Rs)	168.72	633.92	578.21	524.01	478.31

ICICI Bank – Comparative Profit & Loss Accounts (Rs. in Crores)

Standalone Profit & Loss account	----- in Rs. Cr. -----				
	Mar '19	Mar '18	Mar '17	Mar '16	Mar '15
Income					
Interest Earned	49,091.18	44,198.17	40,075.60	33,542.65	25,974.05
Other Income	17,196.16	10,427.87	8,345.70	7,502.76	6,647.89
Total Income	61,267.27	54,606.02	48,421.30	41,045.41	32,621.94
Expenditure					
Interest expended	30,051.53	27,702.59	26,209.18	22,815.50	18,957.17
Employee Cost	4,749.88	4,220.15	3,893.29	3,517.28	2,818.93
Selling, Admin & Misc Expenses	18,631.56	17,296.88	9,503.20	7,731.85	7,164.05
Depreciation	658.95	575.97	490.18	524.53	562.44
Preoperative Exp Capitalised	0.00	0.00	0.00	0.00	0.00
Operating Expenses	15,495.83	10,315.86	9,017.89	7,850.44	6,619.25
Provisions & Contingencies	8,544.56	6,784.10	4,873.76	3,921.22	3,896.19
Total Expenses	50,091.92	44,795.55	40,095.83	34,580.18	27,470.57
Net Profit for the Year	15,195.35	9,810.48	8,325.47	6,465.26	5,171.38
Extraordinary Items	0.00	0.00	0.00	0.00	0.00
Profit brought forward	16,318.59	9,902.29	7,054.23	5,018.18	3,464.38
Total	24,493.94	19,717.77	17,379.70	15,483.44	8,617.76
Preference Dividend	0.00	0.00	0.00	0.00	0.00
Equity Dividend	2,898.81	2,656.28	2,307.23	1,902.04	1,617.58
Corporate Dividend Tax	271.17	231.25	292.18	220.35	202.28
Per share data (annualised)					
Earning Per Share (Rs)	19.28	84.95	72.19	56.09	44.73
Equity Dividend (%)	250.00	230.00	200.00	185.00	180.00
Book Value (Rs)	168.72	633.92	578.21	524.01	478.31
Appropriations					
Transfer to Statutory Reserves	4,062.57	3,506.65	2,878.03	2,306.49	1,782.45
Transfer to Other Reserves	0.00	0.00	0.00	0.33	0.26
Proposed Dividend/Transfer to Govt	3,189.96	2,887.53	2,599.39	2,172.39	1,818.86
Balance c/f to Balance Sheet	19,261.42	16,318.59	9,902.29	7,054.23	5,018.18
Total	24,493.95	19,717.77	17,379.71	15,483.44	8,617.75

AXIS Bank – Comparative Balance Sheets

(Rs. in Crores)

Standalone Balance Sheet	----- in Rs. Cr. -----				
	Mar '19	Mar '18	Mar '17	Mar '16	Mar '15
Capital and Liabilities:					
Total Share Capital	474.10	469.84	467.95	416.20	410.55
Equity Share Capital	474.10	469.84	467.95	416.20	410.55
Share Application Money	0.00	0.00	0.00	0.00	0.00
Preference Share Capital	0.00	0.00	0.00	0.00	0.00
Reserves	44,202.41	37,750.64	32,639.91	22,395.34	18,588.28
Net Worth	44,676.51	38,220.48	33,107.86	22,815.54	18,998.83
Deposits	322,441.94	280,944.56	252,616.59	220,104.30	189,237.80
Borrowings	79,758.27	50,290.94	43,951.10	34,071.67	26,267.88
Total Debt	402,200.21	331,235.50	296,564.69	254,195.97	217,505.68
Other Liabilities & Provisions	17,055.67	16,788.89	10,888.15	8,643.28	8,215.86
Total Liabilities	461,932.39	383,244.87	340,560.66	285,627.79	242,716.37
Assets					
Cash & Balances with RBI	19,818.84	19,041.32	18,792.09	10,702.92	16,886.18
Balance with Banks, Money at Call	18,280.19	15,197.38	5,642.87	3,230.99	7,522.49
Advances	281,153.03	230,066.76	196,965.96	189,759.54	182,407.83
Investments	162,342.83	154,548.43	154,737.54	93,192.09	71,991.62
Gross Block	2,416.05	2,310.54	2,230.54	2,188.56	2,250.46
Revaluation Reserves	0.00	0.00	0.00	0.00	0.00
Accumulated Depreciation	0.00	0.00	0.00	0.00	0.00
Net Block	2,416.05	2,310.54	2,230.54	2,188.56	2,250.46
Capital Work In Progress	101.26	99.67	175.15	70.77	22.69
Other Assets	9,893.19	8,980.79	7,066.56	6,482.93	4,632.17
Total Assets	461,932.39	383,244.89	340,560.67	285,627.80	242,716.37
Contingent Liabilities	640,183.59	615,547.25	574,782.38	518,871.98	477,864.55
Bills for collection	0.00	0.00	0.00	0.00	0.00
Book Value (Rs)	188.47	816.47	707.50	551.99	462.77

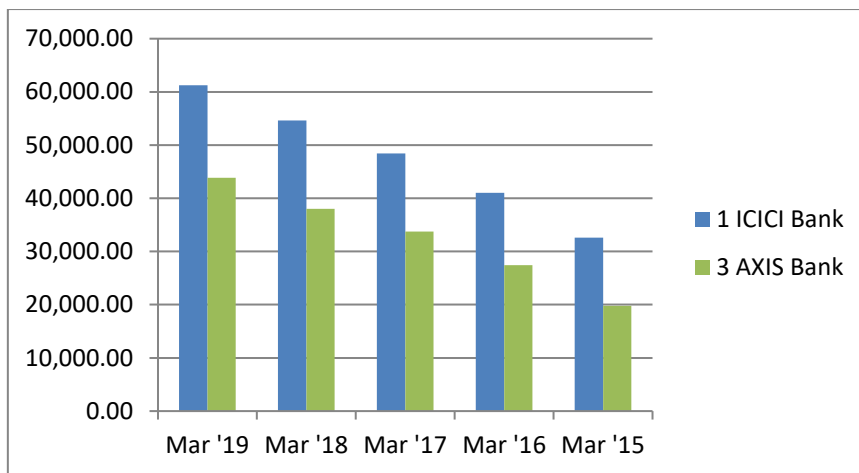
AXIS Bank – – Comparative Profit & Loss Accounts (Rs. in Crores)

Standalone Profit & Loss account	----- in Rs. Cr. -----				
	Mar '19	Mar '18	Mar '17	Mar '16	Mar '15
Income					
Interest Earned	35,478.60	30,641.18	27,182.57	21,994.65	17,174.81
Other Income	8,365.05	7,405.22	6,551.15	5,420.22	4,632.16
Total Income	43,843.65	38,046.38	33,733.68	27,418.87	19,786.94

Expenditure					
Interest expended	21,254.46	18,689.52	19,518.31	16,976.90	8,591.82
Employee Cost	3,156.97	2,601.35	2,376.98	2,150.19	1,616.90
Selling, Admin & Misc Expenses	15,710.72	10,193.91	8,309.22	6,773.35	5,903.18
Depreciation	405.67	363.93	351.73	342.24	289.59
Preoperative Exp Capitalised	0.00	0.00	0.00	0.00	0.00
Operating Expenses	9,203.74	7,900.77	6,918.23	6,007.10	4,779.43
Provisions & Contingencies	6,027.62	5,238.42	4,173.70	3,188.66	3,027.20
Total Expenses	36,485.82	31,828.71	28,554.24	23,192.66	18,398.45
Net Profit for the Year	7,357.82	6,219.67	5,199.43	4,242.21	3,388.49
Profit brought forward	16,501.45	10,029.26	7,329.45	4,969.77	3,427.43
Total	20,859.27	18,246.93	17,515.88	9,215.98	6,817.92
Equity Dividend	1,157.54	939.69	843.86	658.24	573.00
Corporate Dividend Tax	221.42	181.44	183.37	151.83	97.35
Per share data (annualised)					
Earning Per Share (Rs)	31.04	162.33	150.68	102.67	82.54
Equity Dividend (%)	230.00	200.00	180.00	180.00	180.00
Book Value (Rs)	188.47	816.47	707.50	551.99	462.77
Appropriations					
Transfer to Statutory Reserves	1,926.82	1,644.36	1,492.38	1,155.46	836.95
Transfer to Other Reserves	0.00	-0.01	0.01	0.00	338.85
Proposed Dividend/Transfer to Govt	1,315.96	1,101.16	987.23	770.07	670.35
Balance c/f to Balance Sheet	19,623.49	16,501.45	10,029.26	7,329.45	4,969.77
Total	20,859.27	18,246.93	17,515.88	9,215.98	6,817.9

1. Total Income

Total Income (In Rs Crores)						
S.No.	Company Name	Mar '19	Mar '18	Mar '17	Mar '16	Mar '15
1	ICICI Bank	61,267.27	54,606.02	48,421.30	41,045.41	32,621.94
2	AXIS Bank	43,843.65	38,046.38	33,733.68	27,418.87	19,786.94

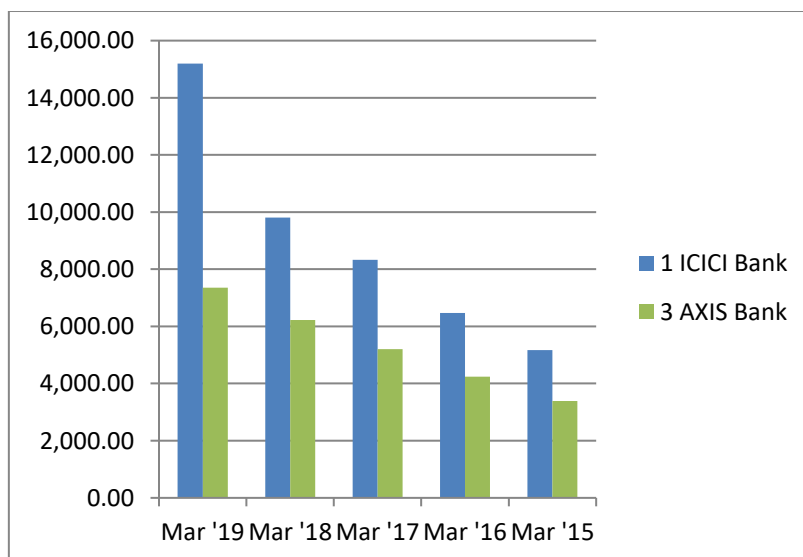


Interpretation

The above analysis total income indicates the growth of the company. The above table indicates that the total income of all the banks under consideration have increased considerably. ICICI Bank has been at the top in terms of total income followed by AXIS Banks.

2. Net Profit

Net Profit (In Rs Crores)						
S.No.	Company Name	Mar '19	Mar '18	Mar '17	Mar '16	Mar '15
1	ICICI Bank	15,195.35	9,810.48	8,325.47	6,465.26	5,171.38
2	AXIS Bank	7,357.82	6,219.67	5,199.43	4,242.21	3,388.49

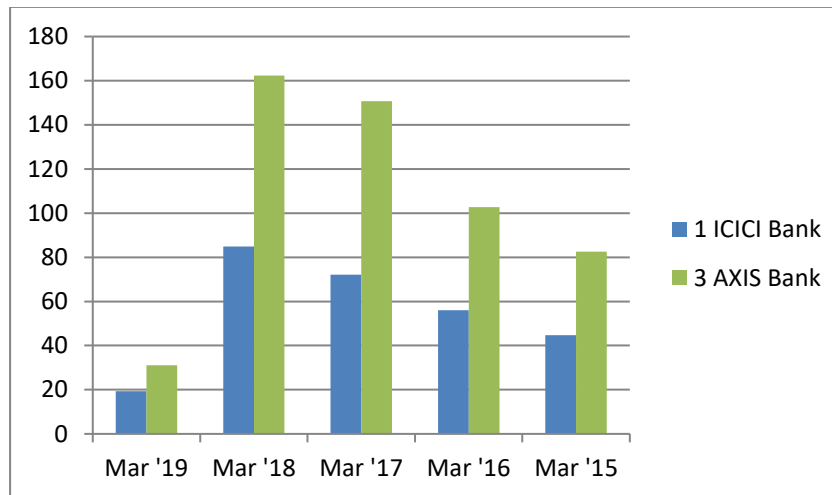


Interpretation

The above analysis net profit indicates the profitability of the companies. The above table indicates that all the companies showed a positive trend in net profits over the last few years. The net profits of all the companies have increased significantly in 2019 compared to the previous year.

3. Earnings Per Share

Earnings Per Share						
S.No.	Company Name	Mar '19	Mar '18	Mar '17	Mar '16	Mar '15
1	ICICI Bank	19.28	84.95	72.19	56.09	44.73
2	AXIS Bank	31.04	162.33	150.68	102.67	82.54



Interpretation

The above analysis EPS measures the profit available to the equity shareholders per share, that is, the amount that they can get on every share held.. EPS of ICICI and AXIS banks has recorded a drastic fall in 2019 compared to the previous years.

FINDINGS

1. The two banks have been performing well in the wake of growing Indian economy. ICICI Bank appears to have reached its saturation point as it is maintaining stable ratios in the last five years.
2. AXIS bank has been showing good growth in all the aspects over the last few years.
3. Axis Bank has shown a considerable increase in the total income, while ICICI have maintained a good growth in their total income in 2019 compared to 2018.
4. The total income of ICICI Bank has started increasing in the last two years, while AXIS bank is improving its positions quite rapidly when compared to the previous years.
5. All the companies showed a positive trend in net profits over the last few years

SUGGESTIONS

1. Before investing on any shares investors can use Technical analysis for safe investment and for better returns.
2. To get good return investors must invest considering the time horizon of at least two to three years. This will help him in getting good returns.

3. **Business:** An investor must look into what kind of business the company is doing, visibility of the business, its past track record, capital needs of the company for expansion etc.
4. **Balance Sheet:** The investor must focus on its key financial ratios such as earnings per share, price-earning ratio; debt-equity ratio, dividends per share etc and he must also check whether the company is generating cash flows.
5. **Bargaining:** This is the most important factor which shows the true worth of the company. An investor needs to choose valuation parameters which suit its business.

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