

RATIO ANALYSIS OF AXIS BANK

RAJ GUPTA

ABSTRACT

This report presents a thorough examination of AXIS Bank's financial performance utilizing ratio analysis as the primary tool. Ratio analysis offers a quantitative method to assess the bank's financial health and operational efficiency by comparing key financial metrics over time and against industry benchmarks.

The analysis begins by evaluating AXIS Bank's current ratio, which measures the proportion of current assets to current liabilities. A higher current ratio indicates a greater ability to cover short-term obligations, suggesting a healthy liquidity position. Conversely, a lower ratio may raise concerns about liquidity risk. In the case of AXIS Bank, the current ratio analysis reveals a robust position, indicating a prudent allocation of resources towards current assets.

Furthermore, the report explores the quick ratio, also known as the acid-test ratio, which provides a more stringent assessment of liquidity by excluding inventory from current assets. This ratio helps determine the bank's ability to meet short-term obligations without relying on inventory liquidation. Comparing the quick ratio with the current ratio provides additional insights into the composition of AXIS Bank's current assets and its liquidity management practices.

Additionally, the analysis considers the fixed/worth ratio, which assesses the proportion of fixed assets financed by owner's equity. A higher fixed/worth ratio suggests greater reliance on equity financing for fixed asset investments, indicating a lower financial risk. Conversely, a lower ratio may signal higher leverage and potential financial vulnerability. Evaluating this ratio provides valuable insights into AXIS Bank's capital structure and risk management strategies.

Furthermore, the report examines the cash flow statement to assess the bank's cash generation and utilization across operating, investing, and financing activities. Analyzing cash flow patterns helps identify trends in cash generation, liquidity management, and investment decisions. In the case of AXIS Bank, the analysis reveals a positive trend in cash generated from operating and financing activities, indicating healthy cash inflows. However, negative cash flow from investing activities warrants further investigation into the bank's investment strategies and capital expenditure decisions.

Overall, this comprehensive analysis of AXIS Bank's financial ratios and cash flow dynamics provides valuable insights into the bank's financial position, liquidity management, and operational efficiency. The findings offer a basis for strategic decision-making and recommendations to optimize performance and ensure sustained growth and stability.

PROFIT AND LOSS ACCOUNT

| | Mar '11 | Mar '10 | Mar '09 | Mar '08 | Mar '07 |
|------------------------------------|------------------|------------------|------------------|-----------------|-----------------|
| | 12 mths | 12 mths | 12 mths | 12 mths | 12 mths |
| Income | | | | | |
| Interest Earned | 15,154.81 | 11,638.02 | 10,835.49 | 7,005.32 | 4,560.40 |
| Other Income | 4,632.13 | 3,945.78 | 2,896.88 | 1,750.59 | 986.49 |
| Total Income | 19,786.94 | 15,583.80 | 13,732.37 | 8,755.91 | 5,546.89 |
| Expenditure | | | | | |
| Interest expended | 8,591.82 | 6,633.53 | 7,149.27 | 4,419.96 | 2,993.32 |
| Employee Cost | 1,613.90 | 1,255.82 | 997.66 | 670.25 | 381.35 |
| Miscellaneous Expenses | 3,496.55 | 2,502.55 | 2,008.57 | 1,483.94 | 812.03 |
| Preoperative Exp Capitalised | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Operating Expenses | 5,734.55 | 5,066.76 | 3,590.42 | 2,454.03 | 1,387.06 |
| Provisions & Contingencies | 2,072.08 | 1,368.98 | 1,177.31 | 810.88 | 507.49 |
| Total Expenses | 16,398.45 | 13,069.27 | 11,917.00 | 7,684.87 | 4,887.87 |
| | Mar '11 | Mar '10 | Mar '09 | Mar '08 | Mar '07 |
| | 12 mths | 12 mths | 12 mths | 12 mths | 12 mths |
| Net Profit for the Year | 3,388.49 | 2,514.53 | 1,815.36 | 1,071.03 | 659.03 |
| Extraordinary Items | 0.00 | 0.00 | 0.00 | 0.00 | -31.80 |
| Profit brought forward | 3,427.43 | 2,348.09 | 1,553.87 | 1,029.07 | 731.04 |
| Total | 6,815.92 | 4,862.62 | 3,369.23 | 2,100.10 | 1,358.27 |
| Preference Dividend | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Equity Dividend | 670.36 | 567.45 | 420.52 | 251.64 | 148.79 |
| Corporate Dividend Tax | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Per share data (annualized) | | | | | |
| Earning Per Share (Rs) | 82.54 | 62.06 | 50.57 | 29.94 | 23.40 |

| | | | | | |
|------------------------------------|----------|----------|----------|----------|----------|
| Equity Dividend (%) | 140.00 | 120.00 | 100.00 | 60.00 | 45.00 |
| Book Value (Rs) | 462.77 | 395.99 | 284.50 | 245.13 | 120.80 |
| Appropriations | | | | | |
| Transfer to Statutory Reserves | 836.95 | 867.43 | 600.62 | 294.60 | 180.40 |
| Transfer to Other Reserves | 338.84 | 0.31 | 0.00 | -0.01 | 0.00 |
| Proposed Dividend/Transfer to Govt | 670.36 | 567.45 | 420.52 | 251.64 | 148.79 |
| Balance c/f to Balance Sheet | 4,969.77 | 3,427.43 | 2,348.09 | 1,553.87 | 1,029.07 |
| Total | 6,815.92 | 4,862.62 | 3,369.23 | 2,100.10 | 1,358.26 |

BALANE SHEET

| | Mar '11 | Mar '10 | Mar '09 | Mar '08 | Mar '07 |
|-----------------------------------|------------|------------|------------|------------|-----------|
| | 12 mths | 12 mths | 12 mths | 12 mths | 12 mths |
| Capital and Liabilities: | | | | | |
| Total Share Capital | 410.55 | 405.17 | 359.01 | 357.71 | 281.63 |
| Equity Share Capital | 410.55 | 405.17 | 359.01 | 357.71 | 281.63 |
| Share Application Money | 0.00 | 0.17 | 1.21 | 2.19 | 0.00 |
| Preference Share Capital | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Reserves | 18,588.28 | 15,639.27 | 9,854.58 | 8,410.79 | 3,120.58 |
| Revaluation Reserves | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Worth | 18,998.83 | 16,044.61 | 10,214.80 | 8,770.69 | 3,402.21 |
| Deposits | 189,237.80 | 141,300.22 | 117,374.11 | 87,626.22 | 58,785.60 |
| Borrowings | 26,267.88 | 17,169.55 | 10,185.48 | 5,624.04 | 5,195.60 |
| Total Debt | 215,505.68 | 158,469.77 | 127,559.59 | 93,250.26 | 63,981.20 |
| Other Liabilities & Provisions | 8,208.86 | 6,133.46 | 9,947.67 | 7,556.90 | 5,873.80 |
| Total Liabilities | 242,713.37 | 180,647.84 | 147,722.06 | 109,577.85 | 73,257.21 |
| | Mar '11 | Mar '10 | Mar '09 | Mar '08 | Mar '07 |
| | 12 mths | 12 mths | 12 mths | 12 mths | 12 mths |
| Assets | | | | | |
| Cash & Balances with RBI | 13,886.16 | 9,473.88 | 9,419.21 | 7,305.66 | 4,661.03 |
| Balance with Banks, Money at Call | 7,522.49 | 5,732.56 | 5,597.69 | 5,198.58 | 2,257.27 |
| Advances | 142,407.83 | 104,343.12 | 81,556.77 | 59,661.14 | 36,876.48 |
| Investments | 71,991.62 | 55,974.82 | 46,330.35 | 33,705.10 | 26,897.16 |
| Gross Block | 3,426.49 | 2,107.98 | 1,741.86 | 1,384.70 | 1,098.93 |
| Accumulated Depreciation | 1,176.03 | 942.79 | 726.45 | 590.33 | 450.55 |

| | | | | | |
|--------------------------|------------|------------|------------|------------|-----------|
| Net Block | 2,250.46 | 1,165.19 | 1,015.41 | 794.37 | 648.38 |
| Capital Work In Progress | 22.69 | 57.24 | 57.48 | 128.48 | 24.82 |
| Other Assets | 4,632.12 | 3,901.06 | 3,745.15 | 2,784.51 | 1,892.07 |
| Total Assets | 242,713.37 | 180,647.87 | 147,722.06 | 109,577.84 | 73,257.21 |
| Contingent Liabilities | 429,069.63 | 296,125.58 | 104,428.39 | 78,028.44 | 55,993.04 |
| Bills for collection | 57,400.80 | 35,756.32 | 29,906.04 | 16,569.95 | 11,751.83 |
| Book Value (Rs) | 462.77 | 395.99 | 284.50 | 245.13 | 120.80 |

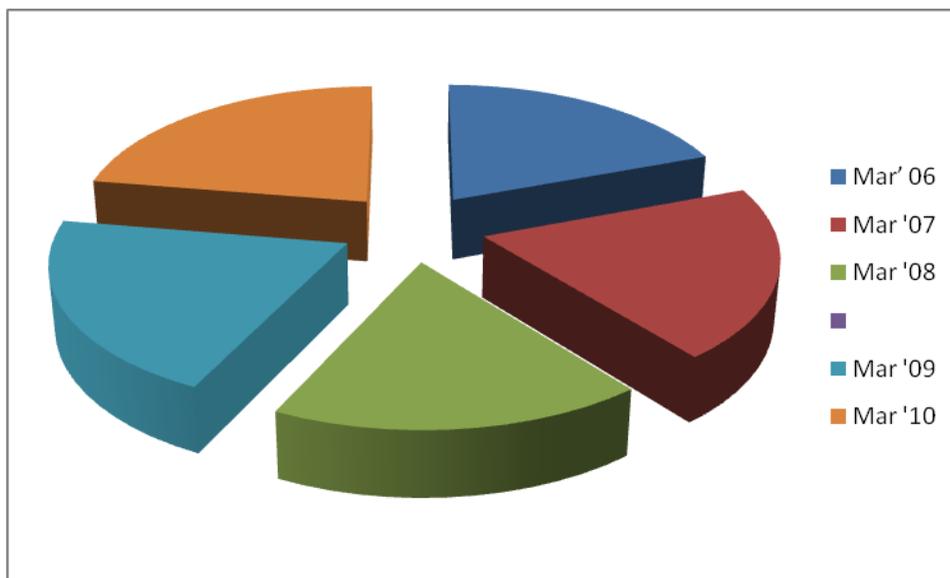
Ratio Analysis

Capital Adequacy Ratio:

A measure of a bank's capital. It is expressed as a percentage of a bank's risk weighted credit exposures.

Table: 1.1

| Mar' 06 | Mar '07 | Mar '08 | Mar '09 | Mar '10 |
|---------|---------|---------|---------|---------|
| 13.12 | 13.56 | 12.09 | 13.93 | 15.21 |



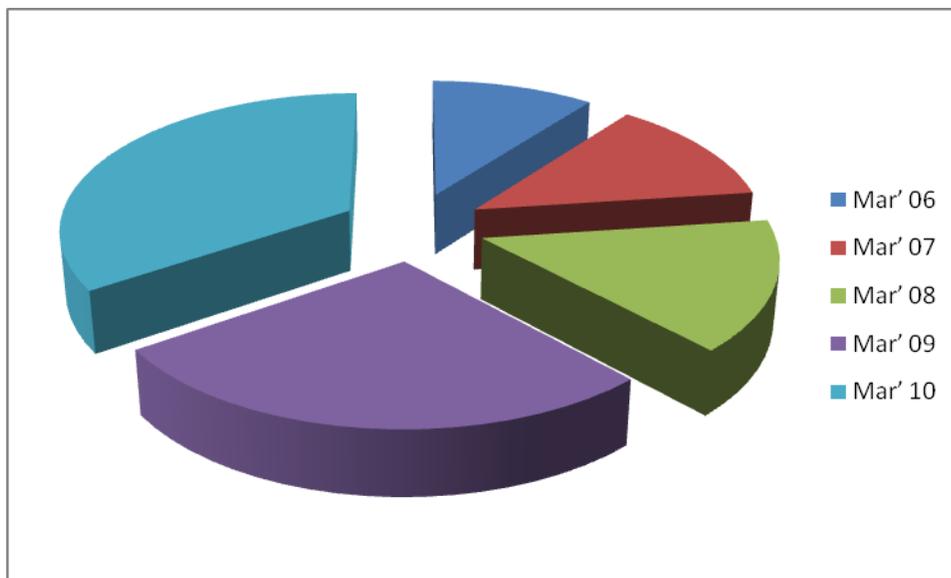
Capital adequacy ratio (CAR) is a ratio of a bank's capital to its risk. National regulators track a bank's CAR to ensure that it can absorb a reasonable amount of loss and are complying with their statutory Capital requirements. Capital adequacy ratio is the ratio which determines the capacity of the bank in terms of meeting the time liabilities and other risks such as credit risk, operational risk, etc. Here, in case of AXIS Bank we can see that its CAR showed a sudden dip in the year 2008 but after that it has shown a steady rise for the next 2 years which is a good sign for its depositors and investors.

Debt-Equity Ratio:

A measure of a company's financial leverage 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.

Table: 1.2

| Mar'' 06 | Mar'' 07 | Mar'' 08 | Mar'' 09 | Mar'' 10 |
|----------|----------|----------|----------|----------|
| 70.93 | 85.22 | 103.11 | 187.19 | 235.24 |



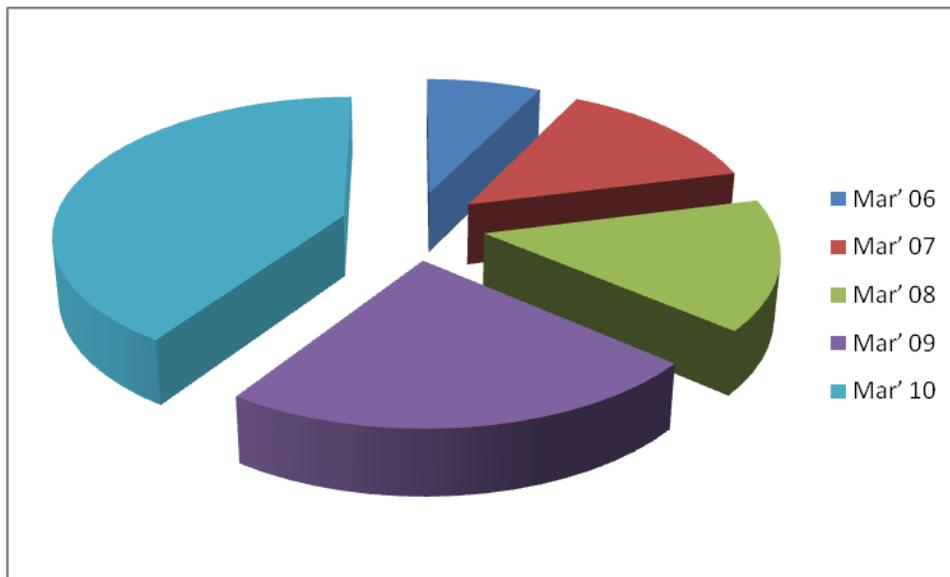
The debt-to-equity ratio (D/E) is a financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets. Here, in case of AXIS Bank we can see that the Debt-Equity ratio has increased over the years. This is because its equity capital showed no growth from the year 2006 to 2008 and it decreased by around Rs250 crore in 2009 and remained the same for the year 2010. But its debt capital has shown a steady increase over the past 5 years. From this we can infer that since AXIS Bank is a public sector undertaking it depends much more on debt capital rather than equity capital.

CURRENT RATIO:

Current Ratio may be defined as the relationship between current assets and current liabilities.

Table: 1.3

| Mar ⁰⁶ | Mar ⁰⁷ | Mar ⁰⁸ | Mar ⁰⁹ | Mar ¹⁰ |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| 46.17 | 86.27 | 95.16 | 146.22 | 255.24 |



(Source: Calculated from the annual report of AXIS Bank.)

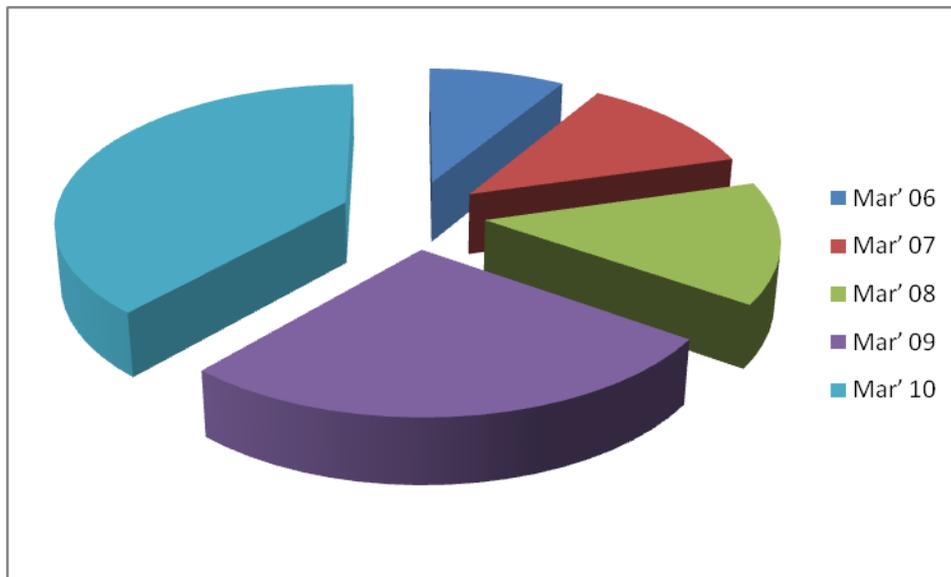
A relatively high current ratio is an indication that the firm is liquid and has the ability to pay its current obligations in time as and when they become due. An increase in the current ratio represent improvement in the liquidity position of the firm while a decrease in the current ratio indicates that there has been deterioration in the liquidity position of the firm.

QUICK RATIO:

Quick ratio also known as Acid test or Liquid Ratio is more rigorous test of liquidity than the current ratio.

Table: 1.4

| Mar'' 06 | Mar'' 07 | Mar'' 08 | Mar'' 09 | Mar'' 10 |
|----------|----------|----------|----------|----------|
| 56.16 | 76.37 | 91.14 | 173.46 | 248.26 |



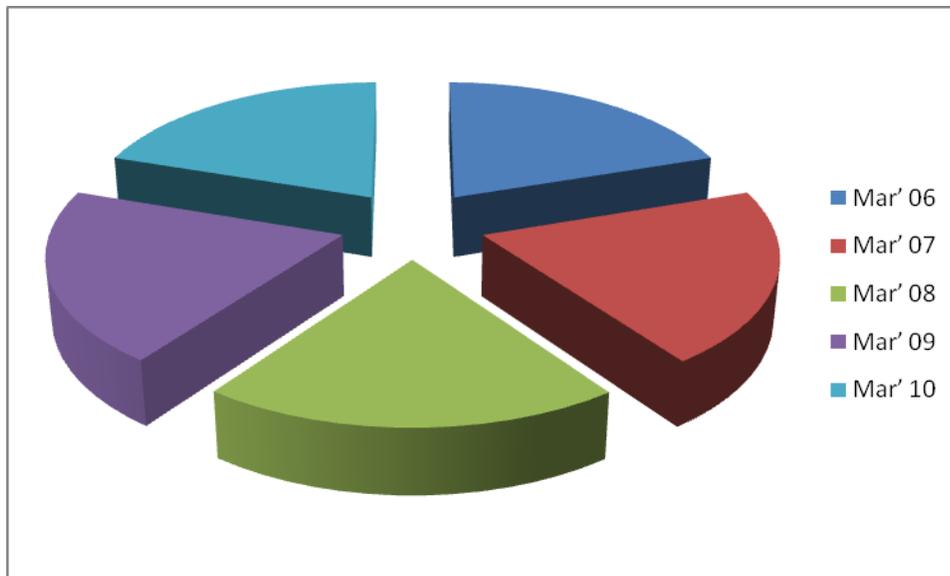
Usually, a high test ratio is an indication that the firm is liquid and has the ability to meet its current or liquid liabilities in time and on the other hand a low quick ratio represent that the firm's liquidity position is not good.

Advances to Assets:

A high ratio of Advances to Assets would mean that the chances of Non Performing Assets formation are also high, which is not a good scenario for a bank.

Table: 2.1

| Mar ⁰⁶ | Mar ⁰⁷ | Mar ⁰⁸ | Mar ⁰⁹ | Mar ¹⁰ |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| 1.60 | 1.63 | 1.61 | 1.62 | 1.60 |



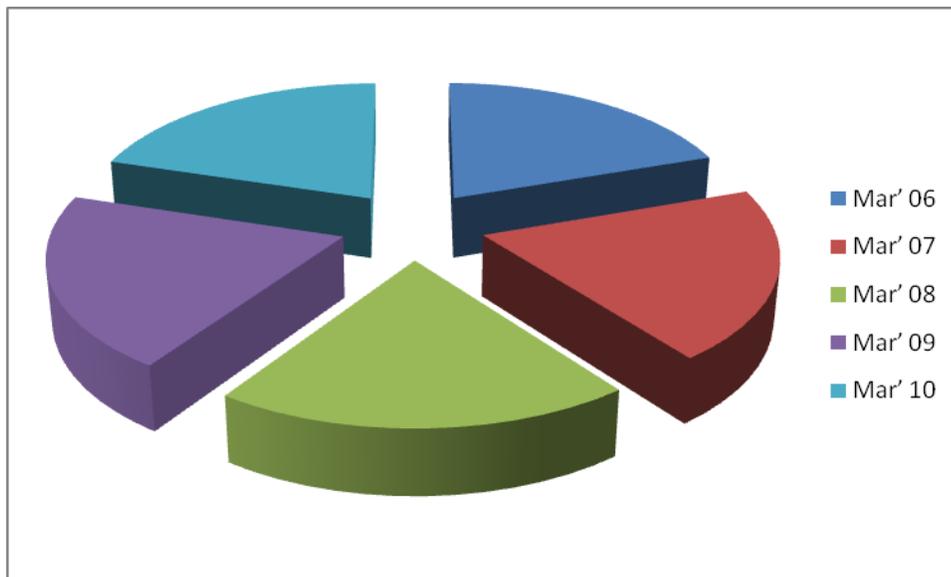
“Advances to Asset” is also a good indicator of a firm’s Capital Adequacy. A high ratio of Advances to Assets would mean that the chances of Non Performing Assets formation are also high, which is not a good scenario for a bank. This would mean the credibility of its assets would go down. In case of AXIS Bank we can see that it is able to maintain a pretty steady ratio of its Advances to Assets which means the credibility of its assets is good.

Government Securities to Total Investments:

The ratio of Government Securities to Total investments shows how safe are the company's investments.

Table: 2.2

| Mar' 06 | Mar' 07 | Mar' 08 | Mar' 09 | Mar' 10 |
|---------|---------|---------|---------|---------|
| 1.81 | 1.83 | 1.83 | 1.86 | 1.86 |



The ratio of Government Securities to Total investments shows how safe are the company's investments. Here, in case of AXIS Bank we can see that its ratio of investments in Government Securities to Total Investments is very high and it has remained quite steady over the years with minimal fluctuations. The high ratio tells that AXIS Banks investment policy is conservative and their investments are safe.

FINANCIAL RATIOS

| | Mar '11 | Mar '10 | Mar '09 | Mar '08 | Mar '07 |
|---|---------|---------|---------|---------|---------|
| Investment Valuation Ratios | | | | | |
| Face Value | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Dividend Per Share | 14.00 | 12.00 | 10.00 | 6.00 | 4.50 |
| Operating Profit Per Share (Rs) | 129.26 | 97.29 | 83.56 | 56.88 | 42.36 |
| Net Operating Profit Per Share (Rs) | 471.17 | 380.27 | 377.46 | 244.63 | 193.93 |
| Free Reserves Per Share (Rs) | 373.06 | 325.87 | 230.47 | 208.03 | 86.60 |
| Bonus in Equity Capital | -- | -- | -- | -- | -- |
| Profitability Ratios | | | | | |
| Interest Spread | 3.73 | 3.95 | 4.24 | 3.77 | 3.27 |
| Adjusted Cash Margin(%) | 18.71 | 17.63 | 14.76 | 14.19 | 14.11 |
| Net Profit Margin | 17.20 | 16.10 | 13.31 | 12.22 | 12.01 |
| Return on Long Term Fund(%) | 72.29 | 66.34 | 97.35 | 71.17 | 119.74 |
| Return on Net Worth(%) | 17.83 | 15.67 | 17.77 | 12.21 | 19.37 |
| Adjusted Return on Net Worth(%) | 17.87 | 15.69 | 17.85 | 12.38 | 19.45 |
| Return on Assets Excluding Revaluations | 462.77 | 395.99 | 284.50 | 245.13 | 120.80 |
| Return on Assets Including Revaluations | 462.77 | 395.99 | 284.50 | 245.13 | 120.80 |
| Management Efficiency Ratios | | | | | |
| Interest Income / Total Funds | 9.14 | 9.38 | 10.53 | 9.57 | 8.88 |
| Net Interest Income / Total | 5.08 | 5.34 | 4.98 | 4.74 | 4.01 |

| | | | | | |
|--------------------------------|-------|-------|-------|-------|-------|
| Funds | | | | | |
| Non Interest Income / Total | 0.17 | 0.12 | 0.06 | 0.02 | 0.03 |
| Funds | | | | | |
| Interest Expended / Total | 4.06 | 4.04 | 5.56 | 4.83 | 4.87 |
| Funds | | | | | |
| Operating Expense / Total | 2.57 | 2.94 | 2.64 | 2.51 | 2.07 |
| Funds | | | | | |
| Profit Before Provisions / | 2.54 | 2.38 | 2.25 | 2.07 | 1.79 |
| Total Funds | | | | | |
| Net Profit / Total Funds | 1.60 | 1.53 | 1.41 | 1.17 | 1.07 |
| Loans Turnover | 0.16 | 0.17 | 0.19 | 0.18 | 0.18 |
| Total Income / Capital | 9.30 | 9.51 | 10.60 | 9.59 | 8.92 |
| Employed(%) | | | | | |
| Interest Expended / Capital | 4.06 | 4.04 | 5.56 | 4.83 | 4.87 |
| Employed(%) | | | | | |
| Total Assets Turnover Ratios | 0.09 | 0.09 | 0.11 | 0.10 | 0.09 |
| Asset Turnover Ratio | 5.65 | 7.31 | 7.78 | 6.32 | 4.97 |
| Profit And Loss Account Ratios | | | | | |
| Interest Expended / Interest | 56.69 | 57.00 | 65.98 | 63.09 | 65.64 |
| Earned | | | | | |
| Other Income / Total Income | 1.78 | 1.30 | 0.60 | 0.16 | 0.39 |
| Operating Expense / Total | 27.65 | 30.96 | 24.95 | 26.20 | 23.26 |
| Income | | | | | |
| Selling Distribution Cost | 0.40 | 0.30 | 0.34 | 0.85 | 0.54 |
| Composition | | | | | |
| Balance Sheet Ratios | | | | | |
| Capital Adequacy Ratio | 12.65 | 15.80 | 13.69 | 13.73 | 11.57 |
| Advances / Loans Funds(%) | 76.16 | 72.96 | 73.87 | 75.89 | 69.07 |
| Debt Coverage Ratios | | | | | |
| Credit Deposit Ratio | 74.65 | 71.87 | 68.89 | 65.94 | 59.85 |
| Investment Deposit Ratio | 38.71 | 39.55 | 39.04 | 41.39 | 48.96 |

| | | | | | |
|---|---------|---------|---------|---------|---------|
| Cash Deposit Ratio | 7.07 | 7.30 | 8.16 | 8.17 | 7.17 |
| Total Debt to Owners Fund | 9.96 | 8.81 | 11.49 | 9.99 | 17.28 |
| Financial Charges Coverage Ratio | 0.66 | 1.62 | 1.43 | 1.46 | 1.41 |
| Financial Charges Coverage Ratio Post Tax | 1.43 | 1.41 | 1.28 | 1.28 | 1.26 |
| Leverage Ratios | | | | | |
| Current Ratio | 0.02 | 0.03 | 0.03 | 0.03 | 0.03 |
| Quick Ratio | 19.60 | 19.19 | 9.52 | 9.23 | 7.39 |
| Cash Flow Indicator Ratios | | | | | |
| Dividend Payout Ratio Net Profit | 19.78 | 22.56 | 23.16 | 23.49 | 22.57 |
| Dividend Payout Ratio Cash Profit | 18.22 | 20.64 | 20.98 | 20.47 | 19.30 |
| Earning Retention Ratio | 80.26 | 77.47 | 76.94 | 76.84 | 77.53 |
| Cash Earning Retention Ratio | 81.81 | 79.39 | 79.11 | 79.78 | 80.78 |
| AdjustedCash Flow Times | 51.35 | 51.33 | 58.33 | 70.42 | 75.97 |
| | Mar '11 | Mar '10 | Mar '09 | Mar '08 | Mar '07 |
| Earnings Per Share | 82.54 | 62.06 | 50.57 | 29.94 | 23.40 |
| Book Valu | 462.77 | 395.99 | 284.50 | 245.13 | 120.80 |

CONCLUSION

Our project report aimed to deepen our understanding of organizational operations by immersing ourselves in its working patterns. By translating theoretical knowledge into practical application, we honed our abilities in planning, organizing, and executing tasks within specified deadlines.

Analyzing the financial statements through ratio analysis revealed intriguing insights about AXIS Bank. Notably, the bank's current ratio surpasses the quick ratio and fixed/worth ratio, indicating a heavier investment in current assets over fixed and liquid assets. Examining the cash flow statement unveiled a net increase in cash from operating and financing activities compared to the previous year, albeit with negative cash flow from investing activities. Consequently, AXIS Bank exhibits a favorable cash inflow versus outflow scenario.

Delving further into the analysis, it's evident that AXIS Bank maintains a solid financial position, with profitability showing an upward trend, albeit not at an exceptional rate. While liquidity stands at a fair level, the bank's emphasis on current assets over liquid assets warrants attention. Despite AXIS Bank's prominent standing as the leading private sector bank in India, there's room for improvement in profitability and liquidity to ensure sustained stability.