A

Project Report on

"FUNDSFLOW ANALYSIS OF A HDFC BANK"

Palamuru University

This project Report submitted in partial fulfillment of the requirement for the award of the Degree of *"BACHELOR OF COMMERCE"*

2021-2022

Submitted By:

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UNDER THE ESTEEMED GUIDENCE OF

Mr. E.VENKATREDDY

(Lecturer of commerce)

DR.BRR GOVT DEGREE COLLEGE

(Affiliated to Palamuru University)

Jadcherla, Mahaboobnagar.

CERTIFICATE

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PRINCIPAL

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Mrs. Dr K. MANJULA

HEAD OF THE DEPARTMENT

HOD
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Dr.BRR GDC,Jadcherla

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EXTERNAL EXAMINAR INTERNAL EXAMINER

DECLARATION

I hereby declare that the project work entitled on **"FUNDSFLOW ANALYSIS OF A HDFC BANK"** submitted by us to the Department of Commerce is a Bonafide work done by us and it is not submitted to any other university to Institution for the award of any B.Com/Certificate or published any time before, under the guidance of Mr. E. VENKAT REDDY **, (Lecturer in commerce)**

The project embodies the result of original work and studies carried out by us and the contents of the project do not form the basis for the award of any other degree to us.

SUBMITTED BY

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ACKNOWLEDGEMENT

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My sincere thanks to **Mrs.Dr.Ch APPIYA CHINAMMA**, Principal Dr.BRR Govt College, Jadcherla, Mahabubnagar for giving us the permission to carry out the project work.

HOD **Mrs.Dr K.MANJULA** and My project guide **Mr. E. VENKAT REDDY,(Lecturer in commerce.)** for the kind encouragement and constant support extended completion of this project work from the bottom of my heart.

we are also thankful to all those who have incidentally helped us, through their valued guidance, Co-Operation and unstinted support during the course of our project.

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INTRODUCTION

FUNDS FLOW STATEMENT

The basic financial statements i.e., the Balance Sheet and Profit & Loss A/c or Income Statement of business reveals the net effect of various transactions on operational and financial position of the company. The balance sheet gives a summary of the assets & liabilities of an undertaking at a particular point of time.

There are many transactions that take place in an undertaking and which do not operate Profit & Loss A/c. Thus another statement has to be prepared to show the change in Assets & Liabilities from the end of one period of time to the end of another period of time. The statement is called a statement of changes in financial position or a Funds Flow Statement.

The Funds Flow Statement is a statement which shown the movement of funds and is a report of financial operations of business undertaking. In simple words it is a statement of source and application of funds.

MEANING & CONCEPT OF FUNDS

The term “Fund” has been defined and interpreted differing by different experts. Broadly the term fund refers to all the financial resource of the company on the other extreme fund has been understood as cash only. The most acceptance meaning of the “fund” is “working capital”.

A) CASH FUND OR NARROW SENSE

In a narrow sense, funds mean only cash. ‘Cash flow statement portrays net effect of various business transactions cash into account receipts & disbursement of cash.

The concept of preparing funds from statement is not accepted, as there are many such transactions that do not affect cash but represent the flow of fund.

For Ex:

Purchase of furniture on credit does not affect cash but there is flow of fund.

B) CAPITAL FUND (or) BROADER SENSE

Here funds means all financial resources used in business, whether in the form of men, money, material, machine & others.

C). NET WORKING CAPITAL (or) POPULAR SENSE

Networking capital means differences between current assets & current liabilities. A fund generally refers to cash or cash equipment or to working capital.

INTRODUCTION OF FUNDS FLOW ANALYSIS:

In any business we can not under estimate the flow of funds from two operations. The business runs with funds but the organization knows how to flow of funds.

The Funds Flow Statement is concerned with sources and applications of organization.

Statement of changes in working capital shows the increase or decrease in the working capital.

"Funds from Operations" statement shows how much funds from operations.

OBJECTIVES OF THE STUDY

- To know the operational efficiency of HDFC Bank
- To study & prepare Funds Flow Statements
- To analyze the movement of funds between the dates of two balance sheets in period of study.

SCOPE OF THE STUDY:

Financial analysis consists of ratio analysis and funds flow analysis. To know funds flow from one to one, as the time available is very li8mite3d and the subjects are very vast, the study is continued to over all financial condition of a firm. This study is to know working capital increase or decrease funds from operation, sources and application of funds of **M/S HDFC BANK,.**

TOOLS OF ANALYSIS:

Various statistical tools such as percentages, averages were used to process the date; various ratios are calculated to examine the causative factors in ascending the effectiveness of funds flow in organization and management in **M/S HDFC BANK.**

SCOPE OF STUDY

- Financial analysis consists of funds flow analysis. To know funds flow from one to one, as the time available is very limited and study is continued to over all financial condition of a firm.

- The study to know working capital increase or decrease, funds from operation, source and application of funds

Research Methodology:

Tools of Analysis

Various statistical tools such as percentages averages were used to process the date, of effectiveness of funds flow in organization & management in **HDFC BANK.**

Research Design: **Analytical Study**

Data Sources : **Secondary Data**

SECONDARY DATA

The secondary data was collected form already published sources such as annual reports, returns and internal records.

THE DATA COLLECTION INCLUDES:

a. Data collected from annual reports of HDFC Bank.,
b. Reference form textbooks relating to financial management.

RESEARCH TOOLS: **Funds Flow Statement**

Limitations of the Study:

- The study is only pertaining to **HDFC BANK**.
- The period of study is of 5 years and the performance evaluation is also limited to 5 years.
- The study is purely based on the data available the form of annual reports...
- Analysis is only means and not an end itself, different people interpret the same analysis in different ways.
- The over all financial performance is taken into consideration with out taking into account the minute values or individual values.

This study is conducted with in a short period. The time factor is also a limitation.

INDUSTRY PROFILE

Banking in India originated in the last decades of the 18th century. The oldest bank in existence in India is the State Bank of India, a government-owned bank that traces its origins back to June 1806 and that is the largest commercial bank in the country. Central banking is the responsibility of the Reserve Bank of India, which in 1935 formally took over these responsibilities from the then Imperial Bank of India, relegating it to commercial banking functions. After India's independence in 1947, the Reserve Bank was nationalized and given broader powers. In 1969 the government nationalized the 14 largest commercial banks; the government nationalized the six next largest in 1980.

Currently, India has 96 scheduled commercial banks (SCBs) - 27 public sector banks (that is with the Government of India holding a stake), 31 private banks (these do not have government stake; they may be publicly listed and traded on stock exchanges) and 38 foreign banks. They have a combined network of over 53,000 branches and 17,000 ATMs. According to a report by ICRA Limited, a rating agency, the public sector banks hold over 75 percent of total assets of the banking industry, with the private and foreign banks holding 18.2% and 6.5% respectively

Early history

Banking in India originated in the last decades of the 18th century. The first banks were The General Bank of India which started in 1786, and the Bank of Hindustan, both of which are now defunct. The oldest bank in existence in India is the State Bank of India, which originated in the Bank of Calcutta in June 1806, which almost immediately became the Bank of Bengal. This was one of the three presidency banks, the other two being the Bank of Bombay and the Bank of Madras, all three of which were established under charters from the British East India Company. For many years the Presidency banks acted as quasi-central banks, as did their successors. The three banks merged in 1921 to form the Imperial Bank of India, which, upon India's independence, became the State Bank of India.

Indian merchants in Calcutta established the Union Bank in 1839, but it failed in 1848 as a consequence of the economic crisis of 1848-49. The Allahabad Bank, established in 1865 and still functioning today, is the oldest Joint Stock bank in India. It was not the first though. That honor belongs to the Bank of Upper India, which was established in 1863, and which survived until 1913, when it failed, with some of its assets and liabilities being transferred to the Alliance Bank of Simla.

When the American Civil War stopped the supply of cotton to Lancashire from the Confederate States, promoters opened banks to finance trading in Indian cotton. With large exposure to speculative ventures, most of the banks opened in India during that period failed. The depositors lost money and lost interest in keeping deposits with banks. Subsequently, banking in India remained the exclusive domain of Europeans for next several decades until the beginning of the 20th century.

Foreign banks too started to arrive, particularly in Calcutta, in the 1860s. The Comptoire d'Escompte de Paris opened a branch in Calcutta in 1860, and another in Bombay in 1862; branches in Madras and Pondichery, then a French colony, followed. HSBC established itself in Bengal in 1869. Calcutta was the most active trading port in India, mainly due to the trade of the British Empire, and so became a banking center.

The Bank of Bengal, which later became the State Bank of India.

The first entirely Indian joint stock bank was the Oudh Commercial Bank, established in 1881 in Faizabad. It failed in 1958. The next was the Punjab National Bank, established in Lahore in 1895, which has survived to the present and is now one of the largest banks in India.

involvement of the state in different segments of the economy including banking and finance. The major steps to regulate banking included:

The reserve bank of India, India's central banking authority, was nationalized on January 1st 1949 under the terms of the Reserve Bank of India (transfer to public Ownership) Act, 1948 (RBI, 2005)

In 1949, the banking regulation act was enacted which empowered the Reserve Bank of India (RBI) "to regulate, control and inspect the banks in India."

The banking regulation act also provided that no new bank or branch of an existing bank could be opened without a license from the RBI, and no two banks could have common directors.

Nationalization:

Banks nationalization in India: Newspaper Clipping, Times of India, July 20, 1969Despite the provisions, control and regulations of Reserve bank of India, banks in India expect the State Bank if India or SBI, continued to be owned and operated by private persons. By the 1960s, The Indian banking industry had become an important tool to facilitate the development of the Indian economy. At the same time, it had emerged as a large employer, and a debate had ensued about the nationalization of the banking industry. Indira Gandhi, the prime Minister of India, expressed the intention of the government of India in the annual conference of the All India Congress meeting in a paper entitled "stray thoughts on banking nationalization." The meeting received the paper with enthusiasm.

Thereafter, her move was swift and sudden. The Government of India issued an ordinance and nationalized the 14 largest commercial banks with effect from the midnight of July 19, 1969. Jayaprkash Narayan, a national leader of India, described the step as a "masterstroke of political sagacity." Within two weeks of the issue of the ordinance, the parliament passed the Banking Companies Bill, and it received the presidential approval on 9 August 1969.

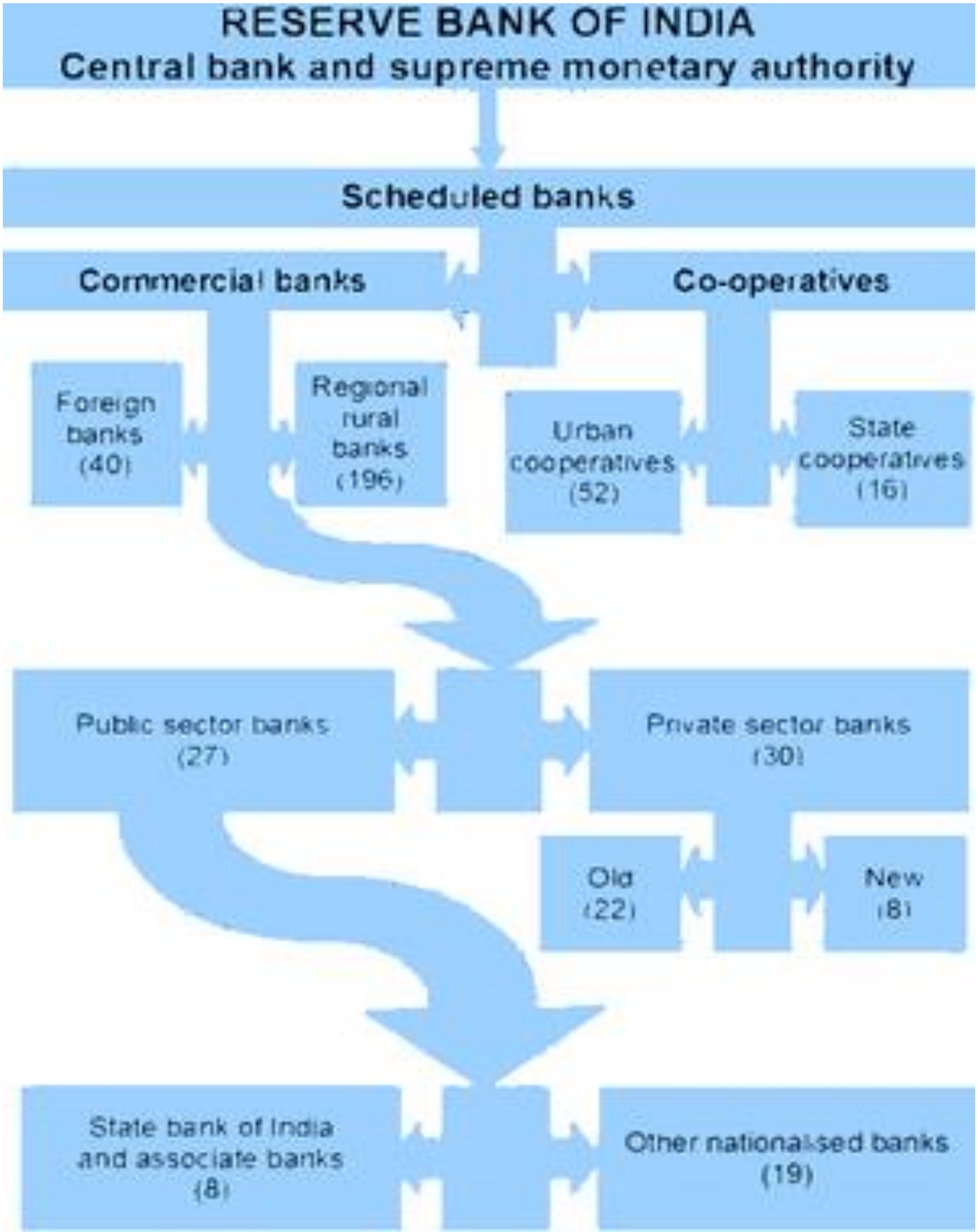
A second dose of nationalization of 6 more commercial banks followed in 1980. The stated reason for the nationalization was to give the government more control of credit delivery. With the second dose of nationalization, the government of India controlled around 91% of the banking business of India. Later on, in the 1993, the government merged New Bank of India with Punjab National Bank. It was the only merger between nationalized banks and resulted in the reduction of the number of nationalized banks from 20 to 19. After this, until the 1990s, the nationalized banks grew at a pace of around 4%, closer to the average growth rate of Indian economy

Liberalization:

In the early 1990s, the then P V Narsimha Rao government embarked on a policy of liberalization, licensing a small number of private banks. These came to be known as New Generation tech-savvy banks, and included Global Trust Bank (the first of such new generation banks to be set up), which later amalgamated with Oriental Bank of Commerce, Axis Bank (earlier as the UTI Bank), Hdfc bank and Hdfc bank. This move, along with the rapid growth in the economy of India, revitalized the banking sector in India, which has seen rapid growth with strong contribution from all the three sectors of banks, namely, government banks, private banks, foreign banks.

The next stage for the Indian banking has been set up with the proposed relaxation in the norms for Foreign Direct Investment, where all Foreign Investors in banks may be given voting rights which could exceed the present cap of 10%, at present it has gone up to 74% with some restrictions.

The new policy shook the Banking sector in India completely. Bankers, till this time, were used to the 4-6-4 method (Borrow at 4%; Lend at 6%; Go to home at 4%) of functioning. The new wave ushered in a modern outlook and tech-savvy methods of working for traditional banks. All this led to the retail boom in India. People not just demanded more from their banks but also received more.


RESERVE BANK OF INDIA
Central bank and supreme monetary authority
Scheduled banks
Commercial banks
Co-operatives
Foreign banks (40)
Regional rural banks (196)
Urban cooperatives (52)
State cooperatives (16)
Public sector banks (27)
Private sector banks (30)
Old (22)
New (8)
State bank of India and associate banks (8)
Other nationalised banks (19)

The Reserve Bank of India

The Reserve Bank of India (RBI) is the central banking system of India and controls the monetary policy of the rupee as well as US$3000.21 billion (2010) of currency reserves. The institution was established on 1st April 1935 during the British Raj in accordance with the provisions of the Reserve Bank of India Act, 1934 and plays an important strategy of the government. It is a member of Asian Clearing Union.

History;

1935-1950

The central bank was founded in 1935 to respond to economic troubles after the first world war. The Reserve Bank of India was set up on the recommendation of the Hilton Young Commission. The commission submitted is report in the year 1926, though the bank was not set up for another nine years. The preamble of the Reserve Bank of India describes the basic functions of Reserve Bank as to regulate the issue of bank notes, to keep reserve with a view to securing monetary stability in India and generally to operate the currency and credit system in the best interests of the country. The Central Office of the reserve Bank was initially established in Kolkata, Bengal, but was permanently moved to Mumbai in 1937.The Reserve Bank continued to act as the central bank for Myanmar till Japanese occupation of Burma and later up to April 1947, though Burma seceded from the Indian Union in 1937. After partition, the Reserve Bank served as the central bank for Pakistan until June 1948 when the State bank of Pakistan commenced operations. Though originally set up as a shareholders bank, the RBI has been fully owned by the government of India since its nationalization in 1949.

1950-1960:

Between 1950 and 1960, the Indian government developed a centrally planned economic policy and focused on the agricultural sector. The administration nationalized commercial banks and established, based on the Banking Companies Act, 1949 (later called Banking Regulation Act) a central bank regulation as part of the RBI. Furthermore, the central bank was ordered to support the economic plan with loans

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1960-1969:

As a result of bank crashes, the reserve bank was requested to establish and monitor a deposit insurance system. It should restore the trust in the national bank system and was initialized on 7 December 1961. The Indian government founded funds to promote the economy and used the slogan Developing Banking. The Gandhi administration and their successors restructured the national bank market and nationalized a lot of institute. As a result, the RBI had to play the central part of control and support of this public banking sector.

1969-1985:

Between 1969 and 1980, the Indian government nationalized 20 banks. The regulation of the economy and especially the financial sector was reinforced by the Gandhi administration and their successors in the 1970s and 1980s. The central bank became the central player and increased its policies for a lot of tasks like interests, reserve ratio and visible deposits. The measures aimed at better economic development and had a huge effect on the company policy of the institutes. The banks lent money in selected sector, like agri-business and small trade companies.

The branch was forced to establish two new offices in the country for every newly established office in a town. The oil crises in 1973 resulted in increasing inflation, and the RBI restricted monetary policy to reduce the effects.

1985-1991:

A lot of committees analysed the Indian economy between1985 and 1991. Their results had an effect on RBI. The board for Industrial and Financial Reconstruction, the Indira Gandhi Institute of Development Research and the Security & Exchange Board of India investigated the national economy as a whole, and the security and exchange board proposed better methods for more effective markets and the protection of investor interests.

COMPANY PROFILE

The Housing Development Finance Corporation Limited (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 the RBI's liberalization of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995.

OVERVIEW OF THE COMPANY

HDFC is India's premier housing finance company and enjoys an impeccable track record in India as well as in international markets. Since its inception in 1977, the Corporation has maintained a consistent and healthy growth in its operations to remain the market leader in mortgages. Its outstanding loan portfolio covers well over a million dwelling units. HDFC has developed significant expertise in retail mortgage loans to different market segments and also has a large corporate client base for its housing related credit facilities. With its experience in the financial markets, a strong market reputation, large shareholder base and unique consumer franchise, HDFC was ideally positioned to promote a bank in the Indian environment.

As on 31st December, 2009 the authorized share capital of the Bank is Rs. 550 crore. The paid-up capital as on said date is Rs. 455,23,65,640/- (45,52,36,564 equity shares of Rs. 10/- each). The HDFC Group holds 23.87 % of the Bank's equity and about 16.94 % of the equity is held by the ADS Depository (in respect of the bank's American Depository Shares (ADS) Issue). 27.46 % of the equity is held by Foreign Institutional Investors (FIIs) and the Bank has about 4,58,683 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.

Mr. Jagdish Capoor took over as the bank's Chairman in July 2001. Prior to this, Mr. Capoor was Deputy Governor of the RBI

MANAGEMENT

The Managing Director, Mr. Aditya Puri, has been a professional banker for over 25 years, and before joining HDFC Bank in 1994 was heading Citibank's operations in Malaysia.

The Bank's Board of Directors is composed of eminent individuals with a wealth of experience in public policy, administration, industry and commercial banking. Senior executives representing HDFC are also on the Board.

Senior banking professionals with substantial experience in India and abroad head various businesses and functions and report to the Managing Director. Given the professional expertise of the management team and the overall focus on recruiting and retaining the best talent in the industry, the bank believes that its people are a significant competitive strength.

BOARD OF DIRECTORS

Mr. Jagdish Capoor, Chairman
Mr. Keki Mistry
Mrs. Renu Karnad
Mr. Arvind Pande
Mr. Ashim Samanta
Mr. Chander Mohan Vasudev
Mr. Gautam Divan
Dr. Pandit Palande
Mr. Aditya Puri, Managing Director
Mr. Harish Engineer, Executive Director
Mr. Paresh Sukthankar, Executive Director
Mr. Vineet Jain (upto 27.12.2008)

REGISTERED OFFICE

HDFC Bank House,
Senapati Bapat Marg,
Lower Parel,
Website: www.hdfcbank.com

HDFC Bank offers a wide range of commercial and transactional banking services and treasury products to wholesale and retail customers. The bank has three key business segments

Distribution Network

HDFC Bank is headquartered in Mumbai. As on December 31, 2009, the Bank has a network of 1725 branches in 771 cities across India. All branches are linked on an online real-time basis. Customers in over 500 locations are also serviced through Telephone Banking. The Bank's expansion plans take into account the need to have a presence in all major industrial and commercial centres, where its corporate customers are located, as well as the need to build a strong retail customer base for both deposits and loan products. Being a clearing / settlement bank to various leading stock exchanges, the Bank has branches in centres where the NSE / BSE have a strong and active member base.
The Bank also has a network of 3898 ATMs across India. HDFC Bank's ATM network can be accessed by all domestic and international Visa / MasterCard, Visa Electron / Maestro, Plus / Cirrus and American Express Credit / Charge cardholders

Wholesale Banking Services

The Bank's target market ranges from large, blue-chip manufacturing companies in the Indian corporate to small & mid-sized corporates 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.

Retail Banking Services

The objective of the Retail Bank is to provide its target market customers a full range of financial products and banking services, giving the customer a one-stop window for all his/her banking requirements. The products are backed by world-class service and delivered to customers through the growing branch network, as well as through alternative delivery channels like ATMs, Phone Banking, NetBanking and Mobile Banking.

The HDFC Bank Preferred program for high net worth individuals, the HDFC Bank Plus and the Investment Advisory Services programs have been designed keeping in mind needs of customers who seek distinct financial solutions, information and advice on various investment avenues. 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 Mastercard Maestro debit card as well. The Bank launched its credit card business in late 2001. By March 2009, the bank had a total card base (debit and credit cards) of over 13 million. The Bank is also one of the leading players in the “merchant acquiring” business with over 70,000 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.

Treasury

Within this business, the bank has three main product areas - Foreign Exchange and Derivatives, Local Currency Money Market & Debt Securities, and Equities. With the liberalisation of the financial markets in India, corporates need more sophisticated risk management information, advice and product structures. These and fine pricing on various treasury products are provided through the bank's Treasury team. To comply with statutory reserve requirements, the bank is required to hold 25% of its deposits in government securities. The Treasury business is responsible for managing the returns and market risk on this investment portfolio

Credit Rating

The Bank has its deposit programs rated by two rating agencies - Credit Analysis & Research Limited (CARE) and Fitch Ratings India Private Limited. The Bank's Fixed Deposit programme has been rated 'CARE AAA (FD)' [Triple A] by CARE, which represents instruments considered to be "of the best quality, carrying negligible investment risk." CARE has also rated the bank's Certificate of Deposit (CD) programme "PR 1+" which represents "superior capacity for repayment of short term promissory obligations". Fitch Ratings India Pvt. Ltd. (100% subsidiary of Fitch Inc.) has assigned the "AAA (ind)" rating to the Bank's deposit programme, with the outlook on the rating as "stable". This rating indicates "highest credit quality" where "protection factors are very high".

The Bank also has its long term unsecured, subordinated (Tier II) Bonds rated by CARE and Fitch Ratings India Private Limited and its Tier I perpetual Bonds and Upper Tier II Bonds rated by CARE and CRISIL Ltd. CARE has assigned the rating of "CARE AAA" for the subordinated Tier II Bonds while Fitch Ratings India Pvt. Ltd. has assigned the rating "AAA (ind)" with the outlook on the rating as "stable". CARE has also assigned "CARE AAA [Triple A]" for the Banks Perpetual bond and Upper Tier II bond issues. CRISIL has assigned the rating "AAA / Stable" for the Bank's Perpetual Debt programme and Upper Tier II Bond issue. In each of the cases referred to above, the ratings awarded were the highest assigned by the rating agency for those instruments

Awards and Achievements - Banking Services

2010

Global Finance Award	**Best Trade Finance Provider in India for 2010**
2 Banking Technology Awards 2009	**1) Best Risk Management Initiative and 2) Best Use of Business Intelligence.**
SPJIMR Marketing Impact Awards (SMIA) 2010	**2nd Prize**
Business Today Best Employer Surve	**Listed in top 10 Best Employers in the country**

- **2009**

Business India Businessman of the Year Award for 2009.	**Mr. Aditya Puri, MD, HDFC Bank**
Businessworld Best Bank Awards 2009	**Most Tech-savvy Bank**
Outlook Money NDTV Profit Awards 2009	**Best Bank**

Forbes Asia	**Fab 50 Companies in Asia Pacific**
GQ India's Man of the Year (Business)	**Mr. Aditya Puri, MD, HDFC Bank**
UTI MF-CNBC TV18 Financial Advisor Awards 2009	**Best Performing Bank**
Business Standard Best Banker Award	**Mr. Aditya Puri, MD, HDFC Bank**
Fe Best Bank Awards 2009	**- Best Innovator of the year award for our MD Mr. Aditya Puri** **- Second Best Private Bank in India** **- Best in Strength and Soundness Award**
Euromoney Awards 2009	**Best Bank in India**
Economic Times Brand Equity & Nielsen Research annual survey 2009	**Most Trusted Brand - Runner Up**
Asia Money 2009 Awards	**Best Domestic Bank in India**
IBA Banking Technology Awards 2009	**Best IT Governance Award - Runner up**
Global Finance Award	**Best Trade Finance Bank in India for 2009**
IDRBT Banking	**Best IT Governance and Value Delivery**

Technology Excellence Award 2008	
Asian Banker Excellence in Retail Financial Services	**Asian Banker Best Retail Bank in India Award 2009**

Corporate Governance:

The bank was among the first four companies, which subjected itself to a Corporate Governance and Value Creation (GVC) rating by the rating agency, The Credit Rating Information Services of India Limited (CRISIL).

The rating provides an independent assessment of an entity's current performance and an expectation on its "balanced value creation and corporate governance practices" in future.

The bank has been assigned a 'CRISIL GVC Level 1' rating, which indicates that the bank's capability with respect to wealth creation for all its stakeholders while adopting sound corporate governance practices is the highes

We are aware that all these awards are mere milestones in the continuing, never-ending journey of providing excellent service to our customers. We are confident, however, that with your feedback and support, we will be able to maintain and improve our services.
On May 23, 2008, the amalgamation of Centurion Bank of Punjab with HDFC Bank was formally approved by Reserve Bank of India to complete the statutory and regulatory approval process. As per the scheme of amalgamation, shareholders of CBoP received 1 share of HDFC Bank for every 29 shares of CBoP.

The merged entity will have a strong deposit base of around Rs1,22,000 crore and net advances of around Rs89,000 crore. The balance sheet size of the combined entity would be over Rs1,63,000 crore. The amalgamation added significant value to HDFC Bank in terms of increased branch network, geographic reach, and customer base, and a bigger pool of skilled manpower.

In a milestone transaction in the Indian banking industry, Times Bank Limited (another new private sector bank promoted by Bennett, Coleman & Co. / Times Group) was merged with HDFC Bank Ltd., effective February 26, 2000. This was the first merger of two private banks in the New Generation Private Sector Banks. As per the scheme of amalgamation approved by the shareholders of both banks and the Reserve Bank of India, shareholders of Times Bank received 1 share of HDFC Bank for every 5.75 shares of Times Bank.

Technology:

HDFC Bank operates in a highly automated environment in terms of information technology and communication systems. All the bank's branches have online connectivity, which enables the bank to offer speedy funds transfer facilities to its customers. Multi-branch access is also provided to retail customers through the branch network and Automated Teller Machines (ATMs).

The Bank has made substantial efforts and investments in acquiring the best technology available internationally, to build the infrastructure for a world class bank. The Bank's business is supported by scalable and robust systems which ensure that our clients always get the finest services we offer.

The Bank has prioritised its engagement in technology and the internet as one of its key goals and has already made significant progress in web-enabling its core businesses. In each of its businesses, the Bank has succeeded in leveraging its market position, expertise and technology to create a competitive advantage and build market share.

Mission and Business Strategy:

Our mission is to be "a World Class Indian Bank", benchmarking ourselves against international standards and best practices in terms of product offerings, technology, service levels, risk management and audit & compliance. The objective is to build sound customer franchises across distinct businesses so as to be a preferred provider of banking services for target retail and wholesale customer segments, and to achieve a healthy growth in profitability, consistent with the Bank's risk appetite. We are committed to do this while ensuring the highest levels of ethical standards, professional integrity, corporate governance and regulatory:

Review of Literature

MEANING & CONCEPT OF FLOW OF FUNDS:

The term flow means movement & includes both ‘inflow’ & ‘outflow’. The term flow of funds means transfer of economic values from one asset of equity to another. Flow of funds is said to have taken place when any transaction makes changes in amount of funds available before happening of transactions. If the effect of transaction results in increase of funds. It is called a “source of funds” and it is results in decrease of funds, it is known as an application of funds.

RULE

The flow of funds occurs when a transaction changes on one hand a non-current A/c and on the other a current A/c and Vice-versa. According to working capital concept of funds the term “Flow o Funds” return to movement of funds in working capital.

If any transaction results in increase in working capital. It is said to be a “source” or “inflow of funds” and if it results in decrease of working capital, it is said to be “application” or “out flow of funds”.

CURRENT ASSETS

Current Assets are those assets, which in the ordinary course of business can be or will be converted into cash with in a short period of normally one accounting year.

CURRENT LIABILITIES

Current liabilities are those liabilities which are intended to be paid in ordinary course of business with in short period of normally one accounting year out of the current assets or the income of the business.

Differences between current liabilities & current assets

CURRENT LIABILITIES	CURRENT ASSETS
1. Bills Payable	1. Cash in Hand
2. Sundry Creditors	2. Cash at Bank
3. Accrued or O/s Expenses	3. Bills Receivable
4. Dividends Payable	4. Sundry Debtors or A/c's receivable
5. Bank Overdraft	5. Short term loans & advances
6. Short term loans, advances & deposits	6. Short term investment
7. Provision for taxation.	7. Inventories or stock
8. Proposed Dividend	8. Prepaid Expenses
	9. Accrued incomes.

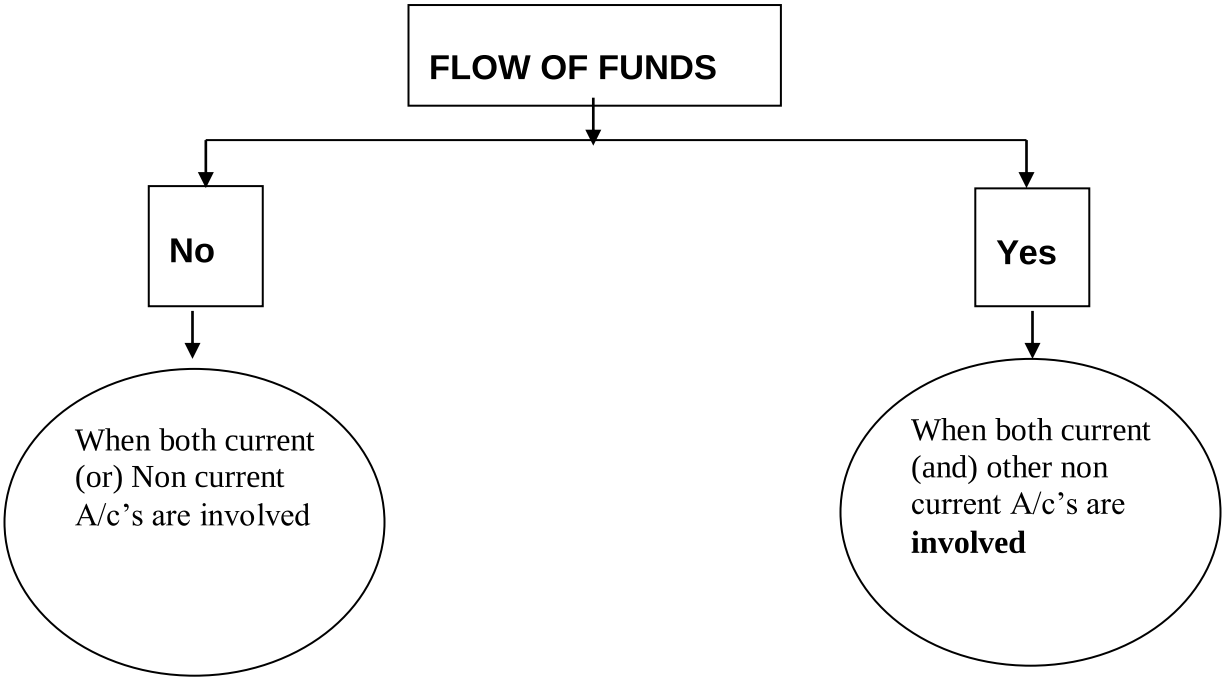
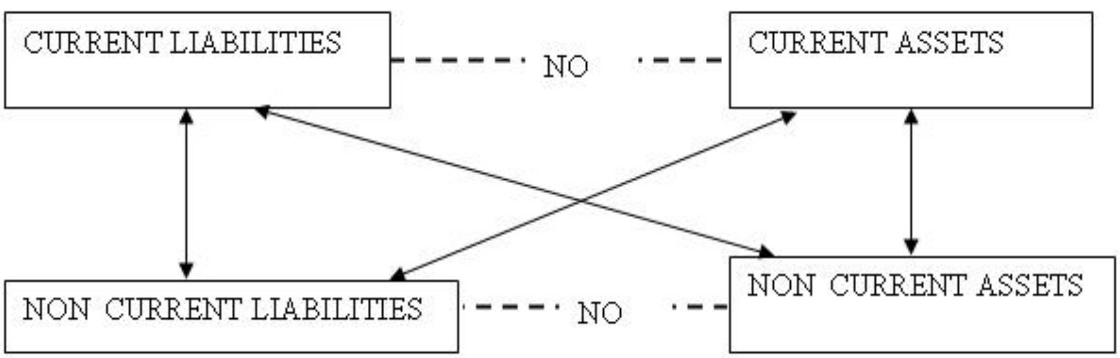


FIGURE SHOWING FLOW OF FUND



MEANING & DEFINITION OF FUNDS FLOW STATEMENT

Funs Flow Statement is a method by which we study changes in the financial position of business enterprise beginning & ending financial statement dates. It is a statement showing sources & uses of funds for a period of time.

FOUIKE DEFINES

"A statement of sources & application of funds is technical devices designed to analyses the changes in the financial condition of business enterprise between two date'

ANTHONY DEFINES

"The Funds Flow Statement describes the sources from which additional funds were derived and the use to which these sources were put.

I.C.W.A IN GLOSSARY OF MANAGEMENT ACCOUNTING TERMS DEFINES FUNDS FLOW STATEMENT

- Funds Flow Statement as "a statement either prospective or retrospective setting out of sources & application of the funds of an enterprise.
- The purpose of statement is to indicate clearly the requirement of funds and how they are proposed to be raised and efficient utilization & application of the same.
- Funds,Flow statement is called by various names such as sources and application of funds, statement of changes in financial position, sources and uses of funds, summary of financial operations, movement of working capital, movement of funds statement, sources of increase and application of decrease etc…

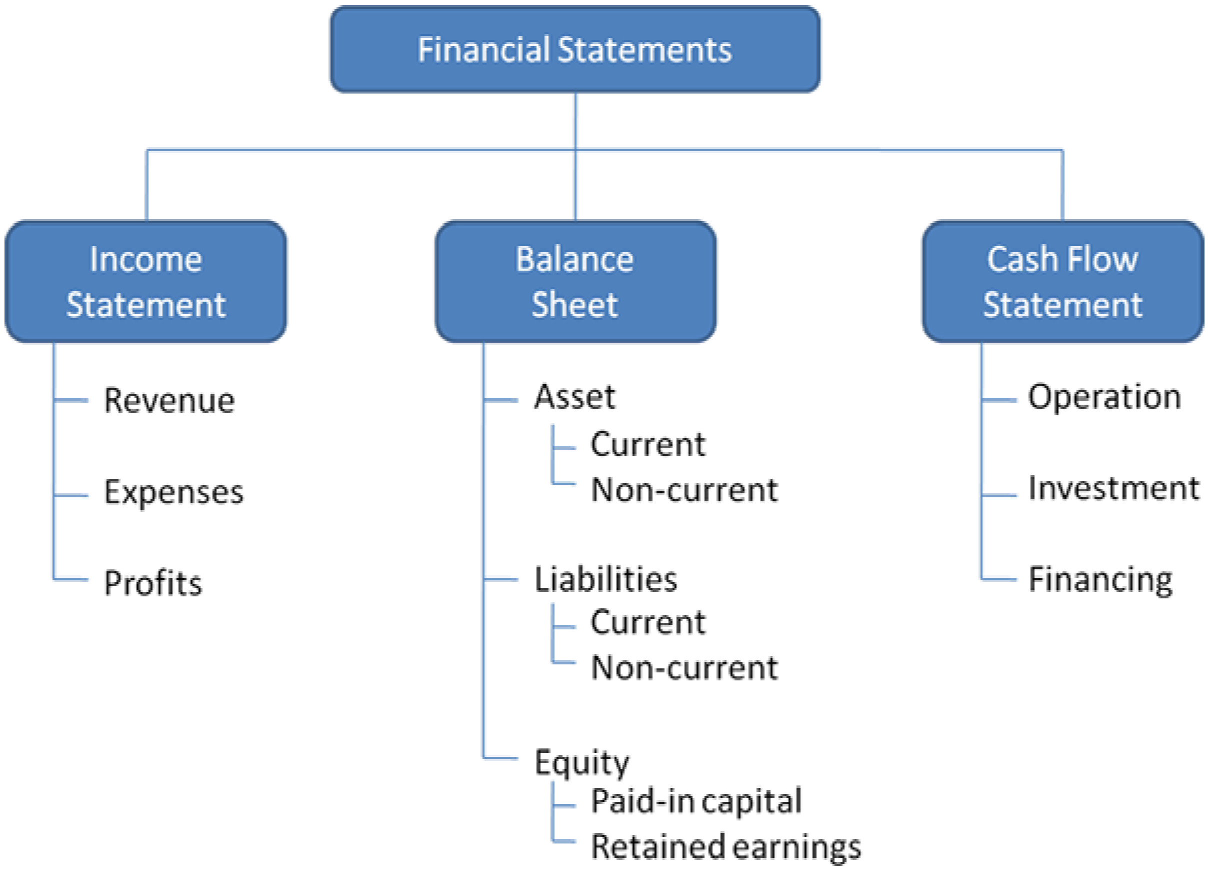
USES, SIGNIFICANCE AND IMPORTANCE OF FUNDS FLOW STATEMENT

A Funds Flow Statement is an essential too for the financial analysis and is of primary importance to finanacial management. Now a day it is being widening used by the financial analysis.

The basic purpose of funds flow statement is to reveal the changes in working capital on 2 balance sheets

DIFFERENCE BETWEEN FUNDS FLOW STATEMENT & CASH FLOW STATEMENT

BASIS OF DIFFERENCE	FUNDS FLOW STATEMENT	CASH FLOW STATEMENT
1.Basis of concept	It is based on a wider concept of funds, i.e., working capital.	It is based on a narrower concept of funds, i.e., cash.
2. Basis of Accounting	It is based on accrual basis of accounting	It is based on cash basis of accounti
3. Schedule of changes in working capital	Schedule of changes in working capital is prepared to show the changes in current assets and current liabilities.	No such Schedule of changes in working Capital is prepared.
4. Method of preparing	Funds flow statement reveals the sources and applications of funds. The net difference between sources and applications of funds represent net increase or decrease in working capital.	It is prepared by classifying all cash inflows and outflows in terms operating, investing and financi activities. The net differen represents the net Increase or decre in Cash and cash equivalents.
5. Basis of usefulness.	It is useful in planning intermediate and long term financing.	It is more useful for short-term analysis and cash planning of the business.



LIMITATIONS OF FUNDS FLOW STATEMENT

The funds flow statement has a number of uses, however, it has certain limitations also, which are listed below.

1. It should be remembered that a funds flow statement is not a substitute of an income statement or a balance sheet. It provides only some additions information as regards charges in working capital.
2. Cannot reveal continuous changes.
3. It is not an original statement but simply is arrangement of data given in financial statements.
4. It is essentially historic in nature and projected funds flow statement cannot be prepared with much accuracy.
5. Change in cash is more important & relevant for financial management than the working capital

PROCEDURE FOR PREPARING A FUNDS FLOW STATEMENT

Funds flow Statement is a method by which we study changes in financial position of business enterprise between beginning & ending financial statement dates. Hence the funds flow statement is prepared by comparing two balance sheets and any of such other information derived from the Accounts as may be needed

The preparation of funds flow statement consists of two parts.

- **A.** Statement or schedule of changes in working capital.
- **B.** Statement of sources & application of fund.

A.) STATEMENT OR SCHEDULE OF CHANGES IN W.C.

- Working Capital means the excess of current assets over current liabilities.
- Statement of changes in working capital is prepared to show the changes in working capital between two balance sheet dates.
- This statement is prepared with help of current assets and current liabilities derived from two balance sheets.

Working capital = Current Assets – Current Liabilities

- An increase in current assets increases W.C.
- A decrease in current assets decreases W.C.
- An increase in current liabilities decreased W.C.
- A decrease in current liabilities increases W.C.

STATEMENT OF SCHEDULE OF CHANGES IN WORKING CAPITAL

Particulars	Previous Year	Current Year	Effect of W.C.	
			Increase	Decrease
Current Assets :				
Cash in Hand	xx	xx	xx	
Cash at Bank	xx	xx	xx	
Bills Receivable	xx	xx		Xx
Sundry Debtors	xx	xx		Xx
Temporary investments	xx	xx	xx	
Stock / Inventions	xx	xx	xx	
Prepaid Expenses	xx	xx	xx	
Accrued Incomes	xx	xx		Xx
Total Current Assets	**xxx**	**xxx**		
Current Liabilities :				
Bills Payable	xx	xx	xx	
Sundry Creditors	xx	xx		Xx
Outstanding Expenses	xx	xx		Xx
Bank Overdraft	xx	xx	xx	
Short term Advances	xx	xx	xx	
Dividend Payable	xx	xx		Xx
Proposed Dividend	xx	xx		Xx
Provision for Taxation	xx	xx		Xx
Total Current Liabilities	**xxx**	**xxx**		
Working Capital (C.A. – C.L.)	**xxx**	**xxx**		
Net increase or decrease in W.C	xxx			Xxx
	xxxx	**xxxx**	**xxxx**	**Xxxx**

STATEMENT OF SOURCES & APPLICATION OF FUNDS. :

Funds flow statement is a statement, which indicates various sources from which funds (W.C.) have been obtained during a certain period and uses or applications to which these funds have been put during that period.

Generally this statement is prepared in two formats.

a) T Form (or) An A/c Form (or) Self Balancing Type

b) Report Form.

a.) T FORMS AN ACCOUNT FORM

FUNDS FLOW STATEMENT
(For the year ended)

Sources	Rs.	Applications	Rs.
Funds from operations	xx	Funds lost in operations	Xx
Issue of share capital	xx	Redemption of preference share	Xx
Issue of Debentures	xx	Capital	Xx
Raising of long term loans	xx	Redemption of debentures	Xx
Sale of non current (fixed) assets	xx	Repayment of long term loan	Xx
Non-trading receipts such as dividends	xx	Purchase of long term investments	Xx
Scale of long term investments	xx	Non-trading payments	Xx
Net decrease in working capital	xx	Payment of Dividends	Xx
	xx	Payment of Tax	Xx
	xx	Net increase in working capital	Xx
	xxx		**Xxx**

REPORT FORM OF FUNDS FLOW STATEMENT

SOURCES OF FUNDS	
Funds from Operation	Xx
Issue of Share Capital	Xx
Raising of long term loans	Xx
Receipts from partly paid shares	Xx
Sale of non-current (fixed) assets	Xx
Non trading receipts, such as dividends	Xx
Sale of investment (long term)	Xx
Decrease in working capital	Xx
Total	**Xxx**
APPLICATION OR USES OF FUNDS :	
Funds lost in operations	Xx
Redemption of preference share capital	Xx
Redemption of debentures	Xx
Repayment of long term loans	Xx
Purchase of non current (fixed) assets	Xx
Purchase of long term investments	Xx
Non-trading payment	Xx
Payment of dividends	Xx
Payment of tax	Xx
Increase in working capital	Xx
Total	**Xxx**

There are **two** methods of calculating funds from operation.

a. **Funds from operation.**

b.Adjusted Profit & Loss A/c

FUNDS FROM OPERATION

Closing Balance of Profit & Loss A/c		**Xxx**
Add:	Non-fund or Non-operating items Depreciation	Xx
	Loss on sale of fixed assets	Xx
	Under Writing Commission	Xx
	Discount on issue of shares & debentures	Xx
	Preliminary exp. Written off	Xx
	Deferred revenue expenses	Xx
	Goodwill Written off	Xx
	Patent or trade mark	Xx
	Provision for taxes	Xx
	Proposed Dividend	Xx
	Transfer to resure	Xx
	Provision for doubtful debts.	Xx
Less:	Non-operating Income	Xx
	Profit / Gain on scale of fixed assets	Xx
	Dividend Received	Xx
	Dividend Received	Xx
	Interest Received on Investments	Xx
	Profit on revaluation of assets	Xx
	Fund from operations	**Xxx**

Product profile

SHARE CAPITAL OF HDFC BANK

	31st December 2019 (Amalgamated)
1. Share Capital **Authorized**	
27,00,00,000 (Previous period : 27,00,00,000) equity shares of Rs.10 each	**27,000.00**
17,00,00,000 (previous period : 17,00,00,000) 9% redeemable non-convertible cumulative preference shares of Rs. 10 each	**17,000.00**
Issued, subscribed and fully paid up 25,79,61,400 (previous period : 25,79,61,400) equity shares of Rs.10 each [refer to note (a) and note (b) below]	**25,796.14**
17,00,00,000 (previous period : 17,00,00,000) 9% redeemable non-convertible cumulative preference shares of Rs. 10 each	**17,000.00**
	42,796.14

TAX ASSET / LIABILITY AT THE BALANCE SHEET OF HDFC BANK

Major components of deferred tax asset / liability as at the balance sheet date comprises of the following:

	31st December 2019 (Amalgamated)
Deferred tax liability	
Excess of depreciation allowable under Income-Tax Act, 1961 over depreciation provided in accounts.	6,449.72
Total	**6,449.72**
Deferred tax asset	
Unabsorbed losses and depreciation (to the extent of virtual certainty) [refer Note I below)	**--**
Provision for leave encashment	**187.37**
Voluntary retirement expenditure allowable under Income-Tax Act 1961.	42.25
Disallowance under Section 43B	134.08
Provision for doubtful debts and advances	50.93
Provision for stores and spares	205.01
Others	170.72
Total (B)	**790.36**

DATA ANALYSIS

AND

INTERPRETATION

STATEMENT OF CHANGES IN WORKING CAPITAL

(Rs in lakhs)

particulars	31-03-2018	31-03-2019	Increase	Decrease
Current Assets :				
Inventories	3036.66	2693.46		343.20
Sundry Debtors	3534.10	1838.11		1695.99
Cash & Bank Balances	4164.68	1371.05		2793.63
Loans & Advances	3744.19	1983.03		1761.16
Total Current Assets	**14479.63**	**7885.65**		
Current Liabilities :				
Current Liabilities	3448.29	3557.46		109.17
Provisions	35.25	36.29		1.04
Total Current Liabilities	**3483.54**	**3593.75**		
Working Capital (C.A. – C.L.)	**10996.09**	**4291.9**		
Decrease in Working Capital		6704.19	6704.19	
	10996.09	**10996.09**	**6704.19**	**6704.19**

FUNDS FLOW STATEMENT FOR THE PERIOD(2017-2018)

(Rs in lakhs)

Source	Rs.	Application	Rs.
Issue of share capital	17,000.00	Funds lost in operation	6528.76
Raising of long term loans	765.63	Repayment of long term loan loans	11969.5
Sale of non-current (fixed) assets	2656.16	Purchase of long term investments	36233.88
Non-trading receipts	10.79		
Sale of investment	27595.37		
Decrease in working capital	6704.19		
	54732.14		**54732.14**

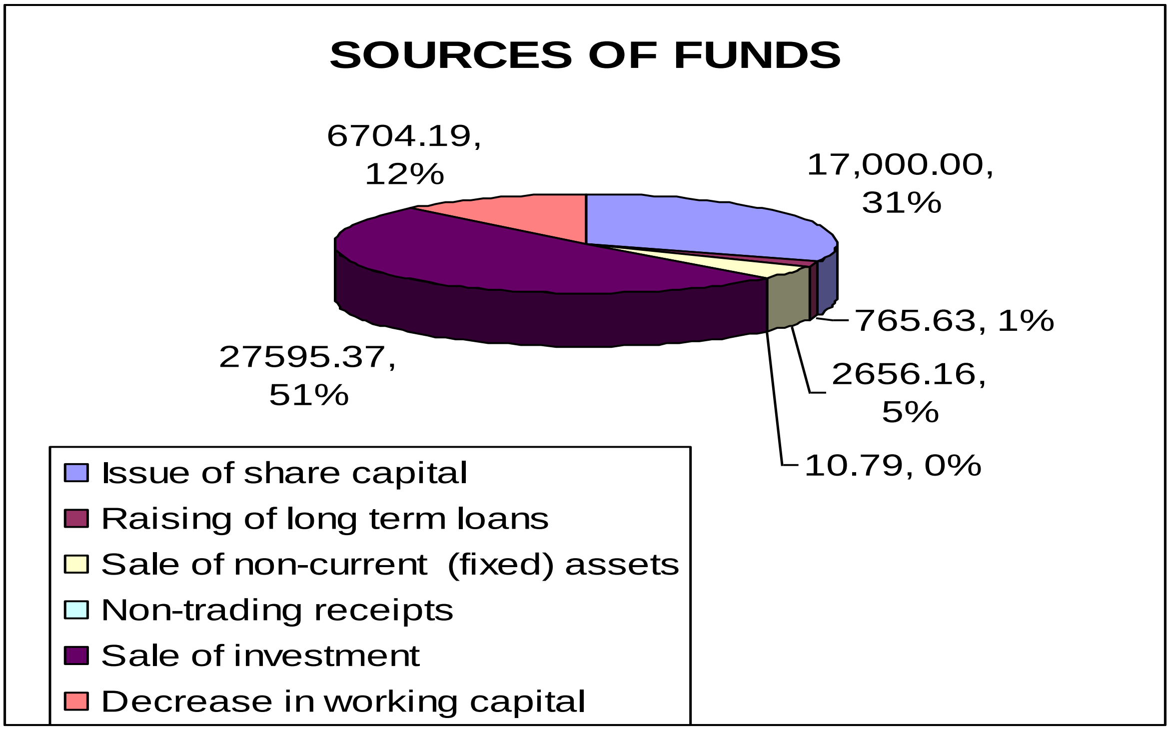


TABLE-1

INTERPRETATION

From the table it is observed that the working capital of company shows decreased trend. The current Asset of the company has decreased Rs 14479.63 in 2004-2005 to Rs 7885.65 in 2005-06. But the item cash balance showing increasing trend in 2003-04. The current liabilities of company are decreased 3483.54 in 2005 to Rs 3593.75 in 2006.In 2004-05 the net working capital of company stood 10996.09. It is decreased to Rs 4291.9 in 2005-06. The decreasing net working capital is Rs 6704.19

It is evident from the above table that the total funds flow during the period from 2005-06 amounts Rs 54732.14. In the total funds 23.32% was received from funds from operation 4.42 from unsecured loans.

Regarding the application of funds 33.71% used for investment in fixed assets and funds used for working capital purpose. Constitute 30.77% respectively

STATEMENT OF CHANGES IN WORKING CAPITAL

(Rs in lakhs)

Particulars	31-3-2020	31-3-2021	Effect of W.C.	
			Increase	Decrease
Current Assets :				
Inventories	2693.46	2281.92		411.54
Sundry Debtors	1838.11	3109.72	1271.61	
Cash & Bank Balances	1371.05	1716.40	345.35	
Loans & Advances	1983.03	1771.46		211.57
Total Current Assets	**7885.65**	**8879.50**		
Current Liabilities :				
Current Liabilities	2664.13	3827.14		1163.01
Provisions	36.29	50.43		14.14
Total Current Liabilities	**2700.42**	**3877.84**		
Working Capital (C.A. – C.L.)	**5185.23**	**5001.66**		
		183.57	183.57	
Decrease in Working Capital	**5185.23**	**5185.23**	**1800.53**	**1800.53**

STATEMENT OF SOURCES AND APPILICATION OF FUNDS FOR THE PERIOD (2008-09)

Rs in lakhs

Source	Rs.	Application	Rs.
Issue of share capital	17,000.00	Funds lost in operation	2747.91
Raising of long term loans	6195.00	Redemption of pre share capital	1700.00
Sale of non-current (fixed) assets	2689.41	Repayment of long term loan	6129.33
Non-trading receipts	100.41	Purchase of long term investments	291.15
Decrease in working capital	1835.57	Dividend Paid	1652.00
	27820.39		**27820.39**

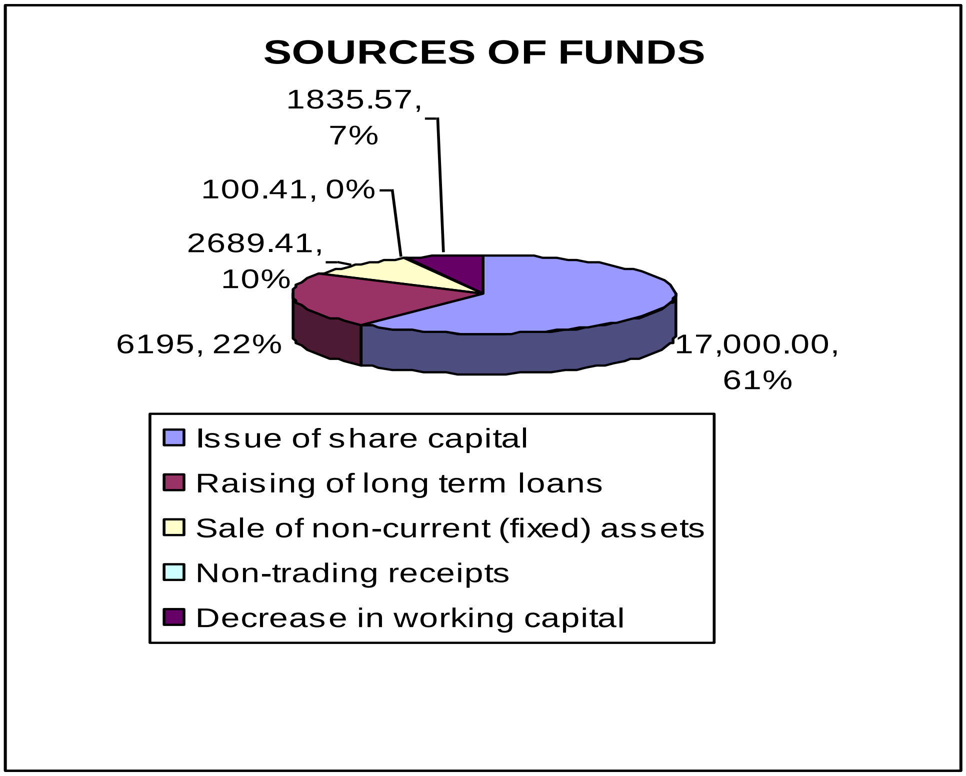


TABLE-2

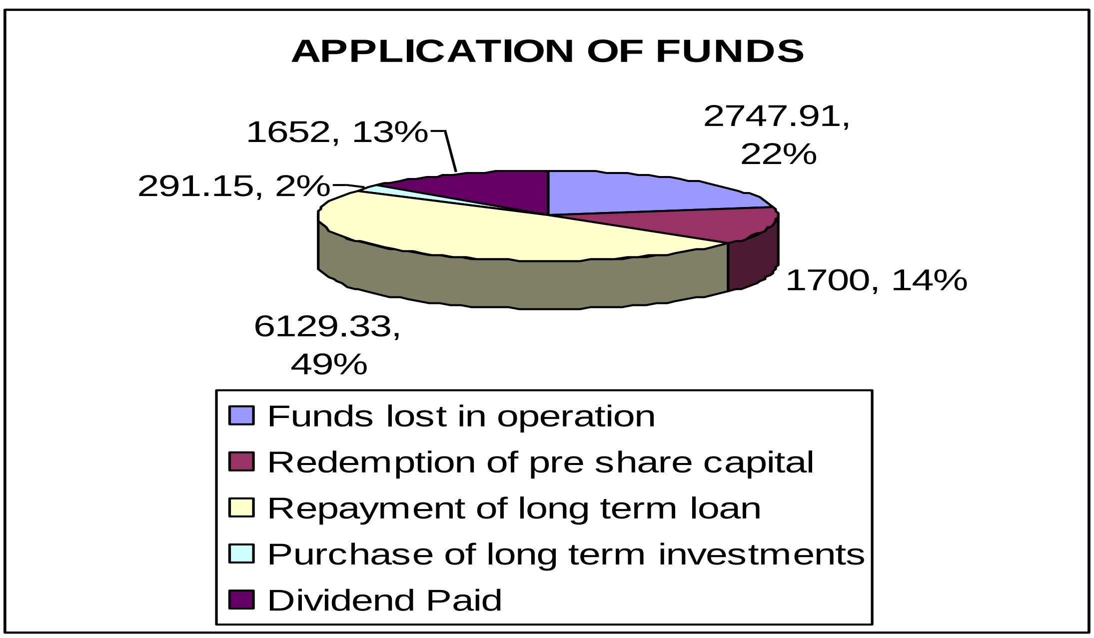


TABLE-2.1

INTERPRETATION

From the table it is observed that the working capital of company shows decreased trend. The current Asset of the company has decreased Rs 7885.65 in 2005-2006to Rs 8879.50 in 2006-07. The current liabilities of company are decreased 2700.42 in 2006 to Rs 3877.84 in 2009.In 2005-06 the net working capital of company stood 5185.23. It is decreased to Rs 5001.66 in 2006-07. The decreasing net working capital is Rs 183.57

It is evident from the above table that the total funds flow during the period from 2006-07 amounts Rs 27820.39. In the total funds 9.82% was received from funds from operation 35.82 from unsecured loans.

Regarding the application of funds 17.13% used for investment in fixed assets and funds used for working capital purpose. Constitute 0.84% respectively.

STATEMENT OF CHANGES IN WORKING CAPITAL

(Rs in lakhs)

Particulars	31-3-2020	31-3-2021	Effect of W.C.	
			Increase	Decrease
Current Assets :				
Inventories	2281.92	2503.20	221.28	
Sundry Debtors	3109.72	2467.39		642.33
Cash & Bank Balances	1716.40	1290.71		425.69
Loans & Advances	1771.46	1906.20	134.74	
Total Current Assets	**8879.50**	**8167.50**		
Current Liabilities :				
Current Liabilities	3827.41	3381.69	445.72	
Provisions	50.43	127.90		77.47
Total Current Liabilities	**3877.84**	**3509.59**		
Working Capital (C.A. – C.L.)	**5001.66**	**4657.91**		
Decrease in Working Capital		343.75	343.75	
	5001.66	**5001.66**	**1145.49**	**1145.49**

STATEMENT OF CHANGES IN WORKING CAPITAL

(Rs in lakhs)

Particulars	31-3-2020	31-3-2021	Effect of W.C.	
			Increase	**Decrease**
Current Assets :				
Inventories	2281.92	2503.20	221.28	
Sundry Debtors	3109.72	2467.39		642.33
Cash & Bank Balances	1716.40	1290.71		425.69
Loans & Advances	1771.46	1906.20	134.74	
Total Current Assets	**8879.50**	**8167.50**		
Current Liabilities :				
Current Liabilities	3827.41	3381.69	445.72	
Provisions	50.43	127.90		77.47
Total Current Liabilities	**3877.84**	**3509.59**		
Working Capital (C.A. – C.L.)	**5001.66**	**4657.91**		
Decrease in Working Capital		343.75	343.75	
	5001.66	**5001.66**	**1145.49**	**1145.49**

STATEMENT OF SOURCES AND APPILICATION OF FUNDS FOR THE PERIOD (2019-18)

Rs in lakhs

Source	Rs.	Application	Rs.
Raising of long term loans	696.90	Funds lost in operation	2104.92
Sale of non current (fixed) assets	2575.09	Repayment of long term loans	1587.48
Non-trading receipts	109.09	Purchase of long term investments	32.43
Decrease in working capital	343.75		
	3724.83		**3724.83**

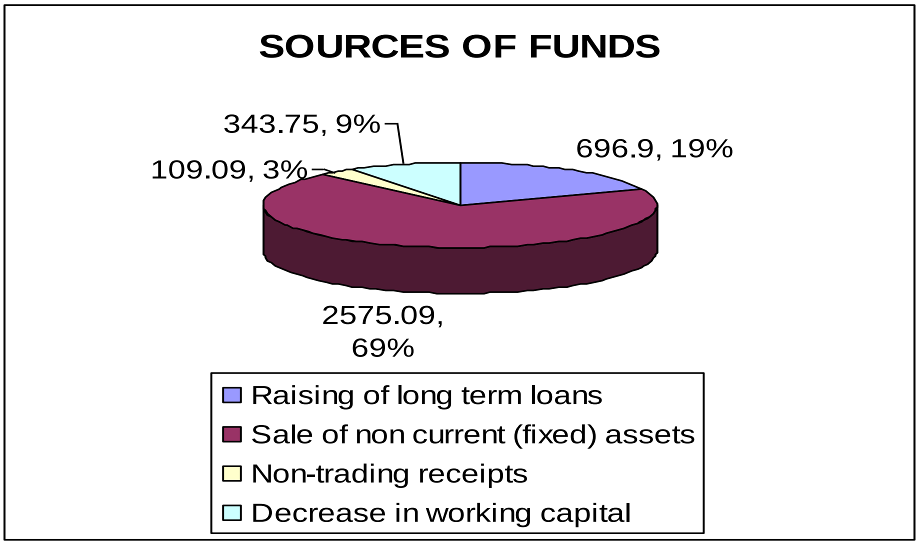


TABLE 3

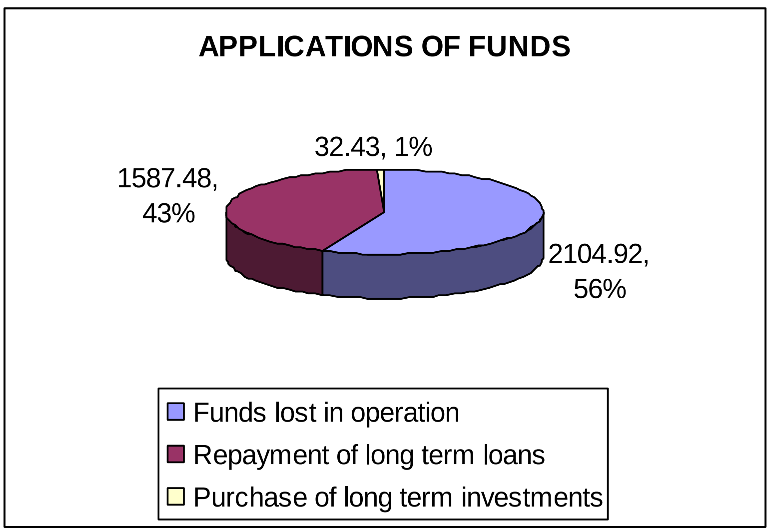


TABLE-3.1

STATEMENT OF CHANGES IN WORKING CAPITAL

(Rs in lakhs)

Particulars	31-3-2020	31-3-2021	Effect of W.C.	
			Increase	Decrease
<u>**Current Assets :**</u>				
Inventories	2503.20	3114.57	611.37	
Sundry Debtors	2467.39	943.79		1523.60
Cash & Bank Balances	1290.71	1383.35	92.64	
Loans & Advances	1906.20	5284.23	3378.03	
Total Current Assets	**8167.50**	**10725.94**		
<u>**Current Liabilities :**</u>				
Current Liabilities	3381.69	3758.62		376.93
Provisions	127.90	163.86		35.96
Total Current Liabilities	**3509.59**	**3922.48**		
Working Capital (C.A. – C.L.)	4657.91	6803.46		
Increase in Working Capital	2145.55			2145.55
	6803.46	**6803.46**	**4082.04**	**4082.04**

<u>STATEMENT OF SOURCES AND APPILICATION OF FUNDS FOR THE PERIOD (2010-11)</u>

Rs in lakhs

Source	Rs.	Application	Rs.
Funds from operations	2265.11	Repayment of long term loans	2100.56
Raising of long term loans	101.14	Purchase of long term investments	166.03
Sale of non-current (fixed) assets	1944.29	Increase in Working Capital	2145.55
Non-trading receipts	102.00		
	4412.54		**4412.14**

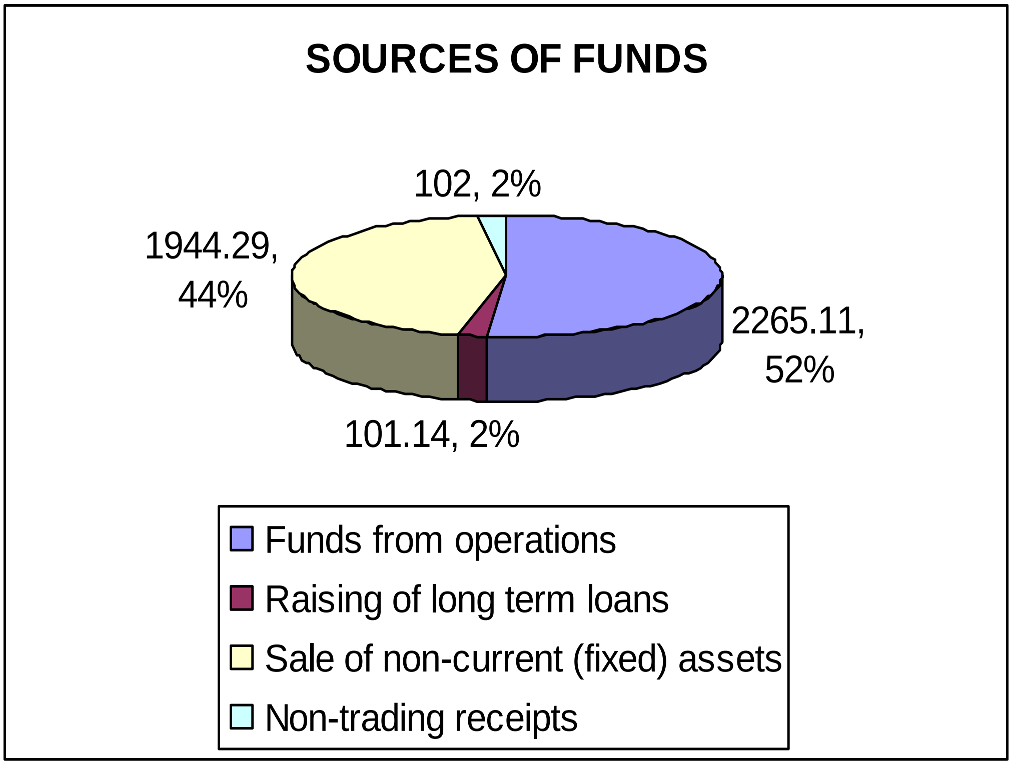


TABLE 4

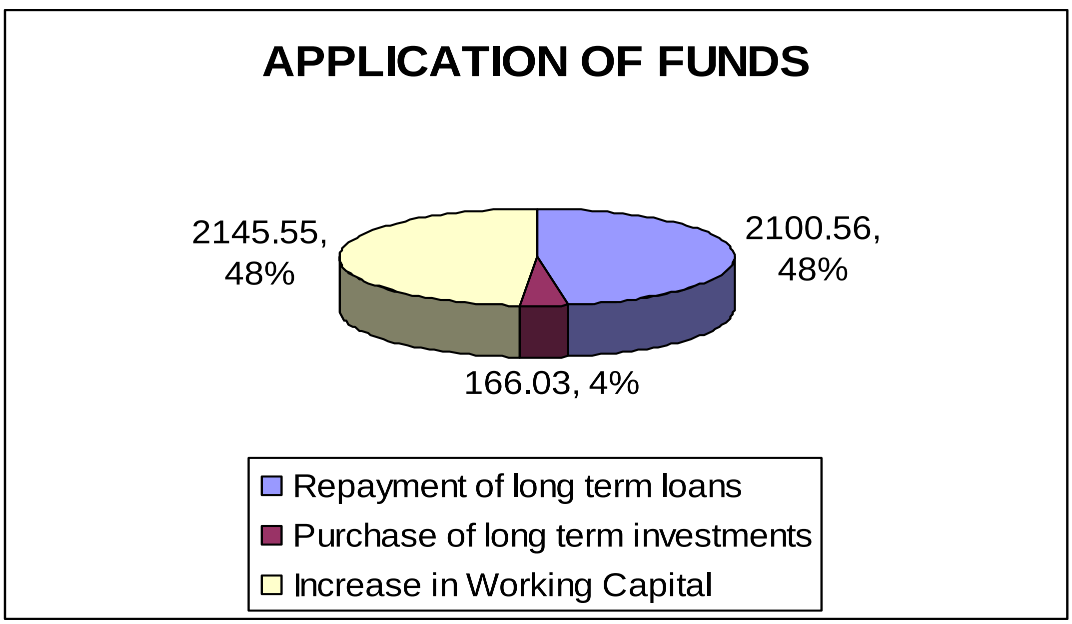


TABLE 4.1

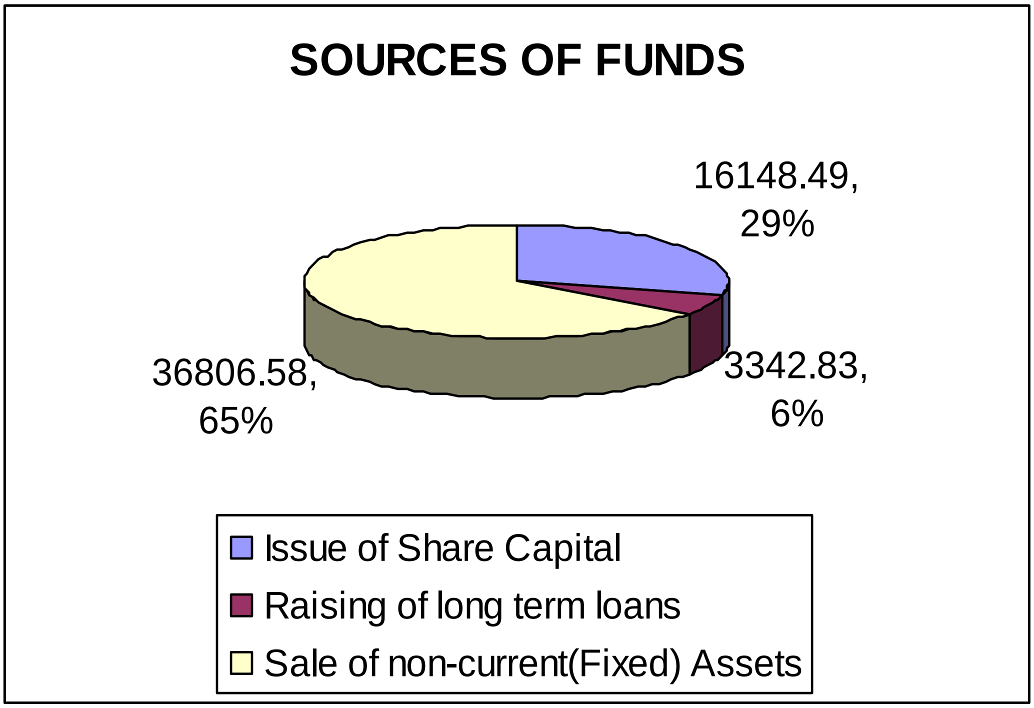


TABLE-5

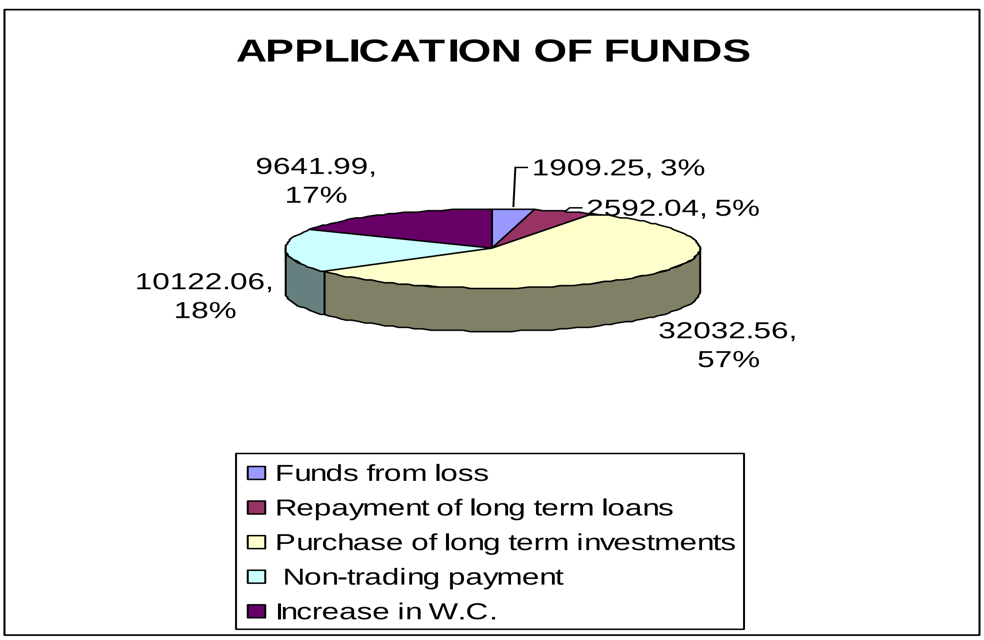


TABLE 5.1

SUMMARY OF FINDINGS

1. In the year 2006 the application of funds around 33.71% utilized for investing in fixed assets. In subsequent year it is 17.13%, 2.29%, 9.44 and 34.68% following the years 2009, 2010, 2011, and 2012.

2. Unsecured loans to get 4.42% in the year 2006 and subsequent year it is 35.82%, 4.03%, 0.58% and 19.33% following the years 2009,2010,2011 and 2012.

3. In the year 2005 the repayment of secured loans is 44.60% and subsequent year 22.84%, 5.91%, 7.82%, and 9.66% following the years 2009,2010,2011 and 2012.

4. Repayment of unsecured loans 35.79% in the year 2011 and remaining Years Company has not repayment of unsecured loans.

5. In the year 2006 & 2009 the issue of share capital is 8.69 % and 8.26 % is in 2012 remaining years company has not issue of share capital.

6. In the year 2009 sale of fixed asset is 5.69% and subsequent years 5.76%, 5.51%, 4.16%, and 78.86 % following the years 2010,2011,2012

7. In the year 2006 the long term investments is 48.88% and subsequent years 0.39%, 0.04%, 7.23%, and 13.65 following years 2009,2010,2011,2012

8. Non- trading receipts to get 2.36% in 2006 and subsequent years 21.99%, 23.89%, 22.34%, and 29.39% following years 2009,2010,2011,2012.

9. In the year 2009 Dividends are 13.95% and subsequent years is 0.56 %, 85.48 % in 2009 and 2012 remaining Years Company has not any payments.

10. Current assets are Decreased to 39.29% in the year 2006 and subsequent year 18.52%, 17.87% and 9.87% following years 2009,2010 and April 2011

11. Current assets are increased to59.36%in the year 2011 and next year is 40.63 % in 2012.

12. Current Liabilities are Increased to 23.85% in the year 2006 and subsequent years is 27.80%, 25.89%, and 22.45% following years 2009, 2010, and April 2011.

13. Current Liabilities are decreased to 34.65% in the year 2011 and next year 65.34% in 2012.

14. In the year 2006 the net decrease in working capital 60.07% and subsequent year it is 1.83%, 3.43%, and 27.65% following the years 2009, 2010, and April 2011.

15. In the year 2011 the net increase in working capital 18.20 and next year it is 81.79 in 2012.

SUGGESTIONS

- Net working capital is very low; it is suggested to maintain sufficient net working capital.
- Effective inventory management is needed in the company
- The firm should increase investment in current assets to create sufficient securities for the current liabilities.

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