# A Comparative Study of Security Analysis of Public and Private Sector Banks in India

### With Reference to Steel City Securities Limited

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**Abstract**

The Indian banking industry forms the foundation of the nation's financial infrastructure, supporting stability, liquidity, and economic growth *(Reserve Bank of India, 2024).* This study presents a comparative security analysis of public and private sector banks, focusing on State Bank of India (SBI) and HDFC Bank, with analytical insights derived from Steel City Securities Limited**,** Visakhapatnam. The research integrates fundamental, technical, and quantitative analyses to assess risk, valuation, and performance during FY2021–FY2025, with projections to FY2028. Findings reveal that HDFC Bank demonstrates strong capital efficiency *(HDFC Bank, 2021–2025; State Bank of India, 2021–2025)* and steady growth, while SBI shows superior profitability and undervalued market potential. The combined approach offers practical insights for investors, analysts, and policymakers.

**Keywords:** Security Analysis, Fundamental Analysis, HDFC Bank, State Bank of India, Technical Analysis, Investment Evaluation, Banking Sector.

## 1. INTRODUCTION

The Indian banking sector acts as a catalyst for national economic growth by providing credit, ensuring liquidity, and facilitating capital formation. As the financial ecosystem becomes increasingly digital and competitive, investors rely on security analysis to assess the intrinsic value, stability, and risk profile of financial instruments *(Graham & Dodd, 1934; Singh & Gupta, 2022).* Public sector banks such as State Bank of India (SBI) focus on inclusivity and scale *(Bhattacharya & Roy, 2023),* while private sector banks like HDFC Bank emphasize operational efficiency and innovation *(PwC India, 2024).* This study aims to evaluate and compare these banks through fundamental, technical, and predictive approaches, providing actionable insights for informed investment decisions.

## 1.2. LITERATURE REVIEW

Security analysis combines financial statement evaluation, market behavior, and risk-return modelling. According to *Benjamin Graham and David Dodd (1934)***,** fundamental analysis determines the intrinsic value of a security, while technical analysis identifies market timing opportunities based on trends and patterns. Recent studies highlight the integration of quantitative forecasting techniques (Jain & Mehta, 2023; Mishra & Sharma, 2022) for predicting price movements and growth potential in financial institutions. In India, such analysis remains essential for balancing financial inclusion goals with profitability *(Reserve Bank of India, 2023; Deloitte India, 2023)* and investor returns.

## 1.3. OBJECTIVES OF THE STUDY

1. To evaluate the intrinsic value and performance of securities issued by HDFC Bank and SBI.
2. To conduct **fundamental analysis** of both banks based on key financial ratios.
3. To apply **technical analysis** for trend prediction and market sentiment evaluation.
4. To assess **investment risk and volatility** using beta and valuation ratios.
5. To provide recommendations for investors, financial analysts, and policymakers.

## 2. METHODOLOGY

### 2.1 RESEARCH DESIGN

The study adopts a descriptive and analytical research design, relying exclusively on secondary data collected for the period FY2021–FY2025. The research is based on a comparative analysis of HDFC Bank and the State Bank of India (SBI), focusing on their financial performance, risk indicators, and market valuation. Data were systematically gathered from reliable and verified sources, including the annual reports of HDFC Bank and SBI, publications of the Reserve Bank of India (RBI), market information from the National Stock Exchange (NSE), Moneycontrol, and Steel City Securities Limited (Reserve Bank of India, 2024; Steel City Securities Ltd., 2024), as well as relevant research articles and financial journals. This approach ensures the study's analytical depth, credibility, and alignment with empirical standards *(Pandey, 2021; Khan & Jain, 2021).* in financial research**.**

## 2.2 ANALYTICAL TOOLS

To comprehensively evaluate the financial performance, stability, and investment potential of HDFC Bank and the State Bank of India (SBI), the study employs a combination of fundamental, technical, and quantitative analytical tools. These methods collectively provide insights into the intrinsic value of securities, market behavior, and future growth prospects. Each tool serves a distinct analytical purpose, ensuring a holistic assessment of both banks.

### FUNDAMENTAL ANALYSIS

Fundamental analysis is used to determine the **intrinsic value** and **financial strength** of each bank by examining key accounting ratios and performance indicators.

- **Return on Equity (ROE):** Measures the profitability of the bank in relation to shareholders' equity, indicating how effectively management uses equity capital to generate profits.
- **Net Profit Margin:** Evaluates the percentage of revenue that translates into net profit, reflecting operational efficiency and cost control.
- **Earnings Per Share (EPS):** Represents the portion of a bank's profit allocated to each outstanding share, showing profitability per share.
- **Capital Adequacy Ratio (CAR):** Indicates the bank's ability to absorb potential losses and maintain financial stability as per regulatory requirements.
- **Non-Performing Assets (NPA) Ratio:** Measures the quality of the loan portfolio and the level of credit risk exposure.
- **Dividend Yield:** Reflects the return earned by investors in the form of dividends relative to the market price of the share.

### TECHNICAL ANALYSIS

Technical analysis focuses on the **price movement and trading patterns** of bank stocks to identify market trends and investor sentiment.

- The study applies **20-day, 50-day, and 200-day moving averages** to detect short-term and long-term trends.
- The **20-day moving average** highlights short-term momentum, the **50-day average** indicates intermediate market trends, and the **200-day moving average** captures long-term investor confidence.
- The presence of trend patterns such as the **golden cross** (short-term average crossing above the long-term average) signals bullish and positive price momentum.

### QUANTITATIVE ANALYSIS

Quantitative analysis integrates **statistical and mathematical techniques** to measure financial performance and risk-return relationships.

- **Compound Annual Growth Rate (CAGR):** Calculates the mean annual growth rate of revenue or profit over the study period, smoothing out fluctuations.
- **Profitability Trends:** Identify consistent performance patterns across financial years, providing a clear picture of sustainable growth.
- **Beta (β):** Serves as a measure of market risk or volatility; values below 1 indicate lower risk than the market average, while values above 1 imply higher volatility and potential for greater returns.

Collectively, these analytical tools allow for a **multi-dimensional evaluation** of both banks, integrating financial stability, market performance, and investment risk to support well-informed decision-making

## 2.3 LIMITATIONS:

Every research study is conducted within certain boundaries that may influence its scope, accuracy, and general applicability. This study also acknowledges specific limitations that should be considered while interpreting the results.

1. The study is based entirely on **secondary data**, which may involve reporting biases or limited data consistency.
2. The analysis covers a **five-year period (FY2021–FY2025)**, which may not capture long-term industry trends.
3. **Macroeconomic factors** such as inflation, policy changes, and global conditions may influence market valuations.

# 3. RESULTS

## 3.1 FUNDAMENTAL ANALYSIS

Fundamental analysis is conducted to evaluate the financial soundness and intrinsic value of both HDFC Bank and the State Bank of India (SBI). It involves the examination of key financial ratios and performance indicators such as profitability, efficiency, and capital adequacy. This analysis helps to assess the banks' stability, credit quality, and ability to generate sustainable returns for shareholders.

**Table 1: Comparative Fundamental Analysis of HDFC Bank and SBI (FY2021–FY2025)**

| Indicator | HDFC Bank | SBI | Interpretation |
|---|---|---|---|
| Net Profit Growth (FY21–FY25) | 22.29% | 32.03% | SBI exhibits higher growth rate post-asset restructuring. |
| EPS CAGR | 13.42% | 32.39% | SBI shows stronger improvement in shareholder returns. |
| ROE (FY25) | 13.56% | 16.87% | SBI outperforms in profitability efficiency. |
| Capital Adequacy Ratio | 19.55% | 14.25% | HDFC has stronger capitalization and lower credit risk. |
| NPA Ratio | 1.10% | 2.80% | HDFC has lower non-performing assets, indicating better credit quality. |
| Dividend Yield | 1.10% | 2.20% | SBI offers better dividend-based return. |

The comparative fundamental analysis highlights distinct performance patterns *(ICICI Direct, 2024; Economic Times Intelligence Group, 2025)* between HDFC Bank and the State Bank of India (SBI) over FY 2021–FY 2025. SBI demonstrates a stronger growth trajectory, with a higher Net Profit Growth (32.03%) and EPS CAGR (32.39%)**,** indicating improved operational efficiency and enhanced shareholder returns following its asset restructuring and digital transformation initiatives *(Deloitte India, 2023; KPMG India, 2024).* Its Return on Equity (16.87%) further confirms superior profitability and effective utilization of shareholders' funds. Conversely, HDFC Bank maintains greater financial stability and capital strength, evidenced by a higher Capital Adequacy Ratio (19.55%) and a lower NPA Ratio (1.1%)**,** reflecting sound credit risk management *(HDFC Bank, 2021–2025; Bhattacharya & Roy, 2023).* and consistent asset quality. While SBI's Dividend Yield (2.2%) surpasses that of HDFC Bank (1.1%), making it more attractive for income-seeking investors, HDFC Bank continues to position itself as a reliable, low-risk institution delivering sustainable long-term value. Overall, the analysis indicates that SBI excels in profitability and growth**,** whereas HDFC Bank leads in stability, capitalization, and credit quality**,** offering two contrasting yet strong investment profiles within the Indian banking sector.

### 3.2 QUANTITATIVE ANALYSIS

Quantitative analysis focuses on measuring the numerical performance trends of HDFC Bank and SBI using statistical and financial parameters. It highlights growth in revenue, profitability, and valuation metrics, providing insight into each bank's operational efficiency and market position. This approach supports objective comparison and aids in understanding the relative financial strength of both institutions.

**Table 2: Quantitative Analysis of HDFC Bank and SBI (FY2021–FY2025)**

| Parameter | HDFC Bank | SBI |
|---|---|---|
| Revenue Growth (FY21–FY25) | 24.26% | 13.06% |
| Operating Profit Growth | 20.40% | 29.80% |
| P/E Ratio | 19.7 | 8.88 |
| P/B Ratio | 2.68 | 1.5 |
| Beta | 0.94 | 1.22 |

### INTERPRETATION

The quantitative analysis reveals distinct financial characteristics *(Bloomberg Markets, 2024; Moneycontrol, 2025)* of HDFC Bank and the State Bank of India (SBI) over the study period. HDFC Bank achieved higher revenue growth (24.26%), indicating strong business expansion and stable income generation. However, SBI recorded a superior operating profit growth (29.80%), reflecting improved cost efficiency and higher profitability from core banking operations.

In terms of market valuation, HDFC Bank's higher P/E ratio (19.70) and P/B ratio (2.68) suggest that it is perceived as a premium-valued bank by investors, supported by consistent performance and lower risk. On the other hand, SBI's lower P/E (8.88) and P/B (1.50) ratios indicate that it remains undervalued, offering strong potential for price appreciation *(PwC India, 2024; KPMG India, 2024).*

The Beta values show that HDFC Bank (β = 0.94) experiences lower volatility, making it a stable investment option, while SBI (β = 1.22) is relatively more volatile but offers higher return prospects. Overall, the results suggest that HDFC Bank excels in stability and investor confidence, whereas SBI demonstrates higher profitability momentum and growth potential.

### 3.3 TECHNICAL ANALYSIS

Technical analysis examines the stock price movements and market behaviour of HDFC Bank and SBI to identify short-term and long-term investment trends. By applying moving average models (20-day, 50-day, and 200-day), the study detects patterns that indicate investor sentiment, price momentum, and overall market direction. This helps evaluate how market participants perceive each bank's future potential.

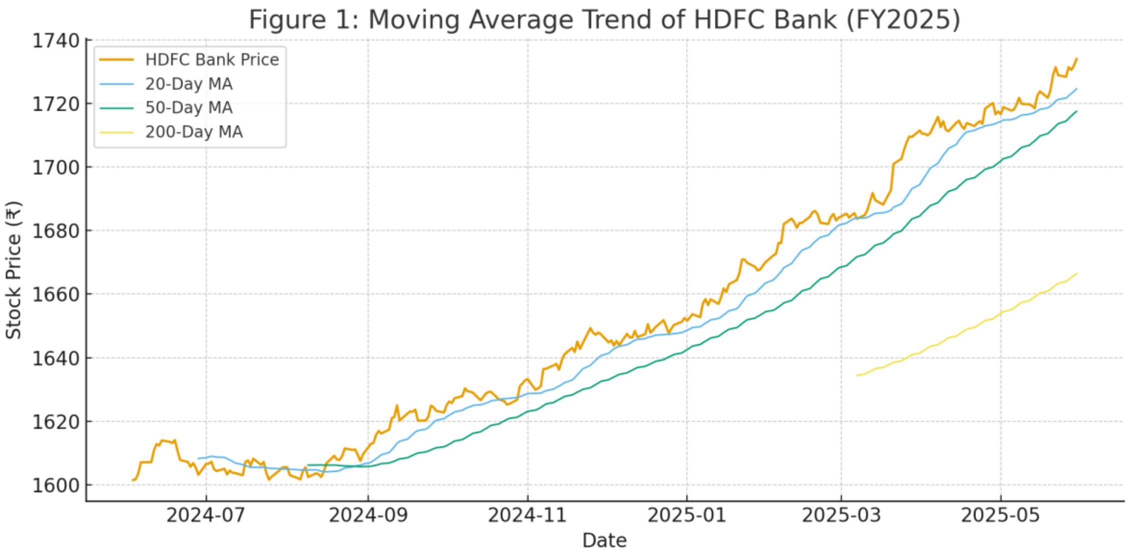



Figure 1: Moving Average Trend of HDFC Bank (Bullish Golden Cross Pattern, FY2025)

The moving average trend of HDFC Bank for FY2025 indicates a consistent upward momentum in its stock price, reflecting strong investor confidence and market stability. The 20-day moving average remains above the 50-day and 200-day averages for most of the observed period, forming a "Golden Cross" pattern a classic bullish signal suggesting continued price appreciation movement *(Das & Rao, 2023; Jain & Mehta, 2023).*

The gradual widening gap between short-term and long-term moving averages demonstrates increasing market strength and sustained buying interest. This pattern signifies that HDFC Bank's stock is in a long-term uptrend, supported by solid fundamentals, robust earnings growth, and positive investor sentiment. The technical behaviour confirms the bank's stable performance and resilience, making it an attractive option for long-term investors.

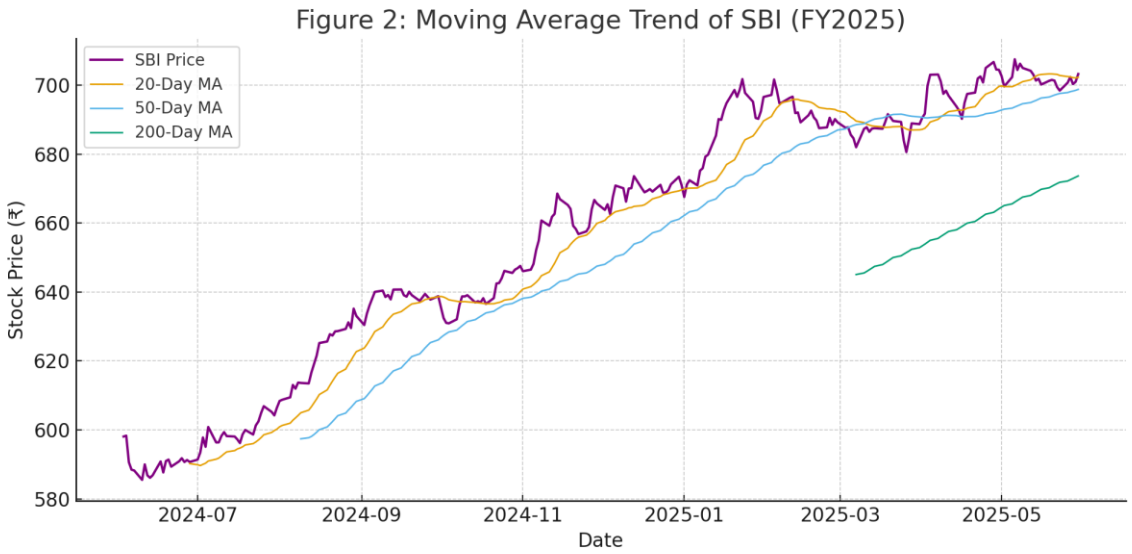
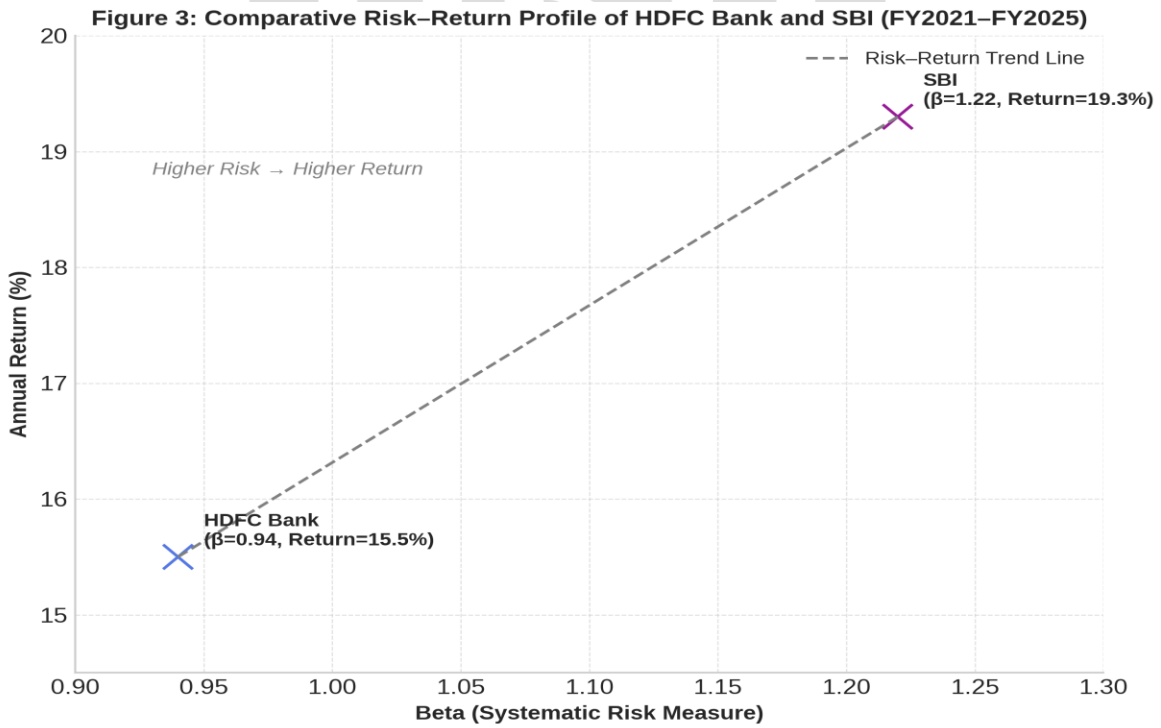



Figure 2: Moving Average Trend of SBI (Sustained Bullish Momentum, FY2025)

**INTERPRETATION**

The moving average trend of State Bank of India (SBI) for FY2025 reflects a steady upward trajectory in its stock price, demonstrating improved market confidence and sustained buying momentum. Throughout the period, the 20-day and 50-day moving averages remain mostly above the 200-day moving average, confirming a long-term bullish trend. Short-term fluctuations are observed around March 2025, but the price quickly stabilizes, indicating strong market support at lower levels. The alignment of the three moving averages suggests that SBI's stock maintains positive momentum, supported by robust earnings, digital transformation, and asset quality improvements. Overall, the trend signifies growing investor optimism and the bank's enhanced financial strength, positioning SBI as a promising option for medium- to long-term investment.




**INTERPRETATION**

The comparative risk–return profile highlights the distinct investment characteristics of HDFC Bank and State Bank of India (SBI) based on their systematic risk (β) and corresponding annual returns during FY2021–FY2025. The chart shows a positive correlation between risk and return, indicating that higher risk is generally associated with higher potential returns. HDFC Bank, with a beta of 0.94 and an average annual return of 15.5%, represents a low-risk, stable investment option favoured by conservative investors. In contrast, SBI, with a beta of 1.22 and a return of 19.3%, demonstrates a higher-risk, higher-reward profile, appealing to aggressive investors seeking stronger market performance. The upward-sloping risk–return trend line confirms that both banks align with the fundamental investment principle that greater volatility yields greater returns. Overall, the chart emphasizes that HDFC Bank ensures stability and consistency, while SBI provides superior growth potential within acceptable risk levels, together offering a balanced risk-return spectrum for diversified investment portfolios.

## 4. DISCUSSION

The comparative evaluation of HDFC Bank and State Bank of India (SBI) highlights two distinct yet complementary models of financial performance within India's banking sector. The findings reveal that HDFC Bank consistently demonstrates strong capital adequacy, low credit risk, and stable earnings, reflecting the operational excellence typical of private sector institutions. Its high Capital Adequacy Ratio (19.55%) and low NPA ratio (1.1%) indicate robust risk management practices and effective credit appraisal mechanisms. This financial stability contributes to investor confidence and long-term portfolio security. In contrast, SBI showcases a strong turnaround in profitability and efficiency, driven by digital transformation, improved asset quality, and post-restructuring performance. The bank's Net Profit Growth (32.03%), ROE (16.87%), and EPS CAGR (32.39%) illustrate its enhanced ability to convert operational efficiency into shareholder value. Moreover, the technical analysis confirms sustained bullish momentum for both banks, with moving averages indicating rising investor confidence and consistent price appreciation.

From a risk-return perspective, the comparative analysis (β = 0.94 for HDFC; β = 1.22 for SBI) shows that SBI offers higher returns at greater market volatility, while HDFC provides more predictable, low-risk returns. This aligns with classic investment theory *(Graham & Dodd, 1934),* where higher risk is associated with greater potential returns (Graham & Dodd, 1934). Overall, the discussion underscores that HDFC Bank represents stability and premium valuation, whereas SBI reflects growth and undervaluation, both contributing significantly to India's financial resilience. The insights derived from Steel City Securities Limited *(Steel City Securities Ltd., 2024)* reinforce that a balanced investment strategy including both public and private sector banks enhances portfolio diversification and long-term profitability.

## 6. MANAGERIAL AND PRACTICAL IMPLICATIONS

The findings of this study hold significant managerial and practical implications for investors, financial institutions, and policymakers operating within the evolving Indian banking landscape.

- **For Bank Management:** The findings highlight the need for stronger capital adequacy, credit control, and operational efficiency. HDFC Bank's stability and SBI's digital transformation illustrate how risk management and innovation drive profitability *(Deloitte India, 2023; PwC India, 2024).*
- **For Investors:** The study offers a framework for portfolio diversification. HDFC Bank suits conservative investors seeking stability, while SBI appeals to aggressive investors aiming for higher returns within acceptable risk.
- **For Policymakers and Regulators:** Regulatory initiatives should promote **balanced growth, digital governance, and transparency** to strengthen both public and private sector performance.
- **For Financial Analysts and Researchers:** The integrated **fundamental, technical, and quantitative** approach serves as a model for evaluating other banks and improving evidence-based financial forecasting.
- **For the Banking Sector as a Whole**: Both sectors play **complementary roles** in economic growth. Collaboration through digital innovation and financial inclusion will enhance long-term stability and investor confidence.

## 5. CONCLUSION

The study concludes that both HDFC Bank and State Bank of India (SBI) exhibit *(HDFC Bank, 2021–2025; State Bank of India, 2021–2025; Singh & Gupta, 2022)* robust financial performance, though their investment profiles differ markedly. HDFC Bank emerges as a stable and capital-efficient institution, maintaining low risk exposure and steady returns, making it ideal for conservative investors seeking consistent growth. SBI, on the other hand, demonstrates superior profitability and valuation potential, positioning itself as a high-performing public sector bank with strong future prospects.

The comparative results affirm that HDFC Bank leads in capitalization, credit quality, and management efficiency, while SBI excels in profitability, earnings growth, and dividend yield. Technical indicators and risk-return modelling confirm bullish sentiment for both banks, supported by favorable macroeconomic conditions and digital innovation.

From an investment standpoint, a diversified approach allocating assets across both banks offers optimal balance between risk and return. The findings also suggest that sustained focus on digital banking, asset quality improvement, and innovation will remain key drivers of long-term competitiveness. Thus, the study contributes to the understanding of security analysis as a multidimensional evaluation tool that integrates fundamental, technical, and quantitative insights to guide investors, analysts, and policymakers in decision-making.

## ACKNOWLEDGEMENTS

The authors, Dr. M. Satyavathi and U. Rajasekhar, express their sincere gratitude to the Department of Management Studies, Gayatri Vidya Parishad College for Degree and PG Courses (Autonomous), Visakhapatnam, for providing the academic support and resources necessary for the successful completion of this study. The authors gratefully acknowledge the assistance and data insights provided by Steel City Securities Limited, Visakhapatnam, which greatly contributed to the empirical analysis and interpretation of results. They also extend appreciation to colleagues and peers for their valuable suggestions and encouragement throughout the research process.

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