

# Performance analysis of various public sector banks

Business



International Institute Of Professional Studies Indore Term Paper:

PERFORMANCE ANALYSIS OF PUBLIC SECTOR BANKS (BANK OF INDIA AND PUNJAB NATIONAL BANK) AND THEIR COMPARATIVE ANALYSIS SUBMITTED TO: SUBMITTED BY: Dr. Kapil Sharma Atul Gupta IM-2K7-23 BANK OF INDIA INDUSTRY – Banking PSU BANK PROFILE Bank of India was founded on 7th September, 1906 by a group of eminent businessmen from Mumbai. The Bank was under private ownership and control till July 1969 when it was nationalized along with 13 other banks. Beginning with one office in Mumbai, with a paid-up capital of Rs. 0 lakh and 50 employees, the Bank has made a rapid growth over the years and blossomed into a mighty institution with a strong national presence and sizable international operations. In business volume, the Bank occupies a premier position among the nationalized banks. The Bank has 2644 branches in India spread over all states/ union territories including 93 specialized branches. These branches are controlled through 48 Zone Offices. There are 24 branches/ offices (including three representative offices) abroad. The Bank came out with its maiden public issue in 1997. Total number of shareholders as on 16/07/2010 is 218, 342.

While firmly adhering to a policy of prudence and caution, the Bank has been in the forefront of introducing various innovative services and systems. Business has been conducted with the successful blend of traditional values and ethics and the most modern infrastructure. The Bank has been the first among the nationalized banks to establish a fully computerized branch and ATM facility at the Mahalaxmi Branch at Mumbai way back in 1989. The Bank is also a Founder Member of SWIFT in India. It pioneered the introduction of the Health Code System in 1982, for evaluating/ rating its credit portfolio. <https://assignbuster.com/performance-analysis-of-various-public-sector-banks/>

The Bank's association with the capital market goes back to 1921 when it entered into an agreement with the Bombay Stock Exchange (BSE) to manage the BSE Clearing House.

It is an association that has blossomed into a joint venture with BSE, called the BOI Shareholding Ltd. to extend depository services to the stock broking community. Bank of India was the first Indian Bank to open a branch outside the country, at London, in 1946, The international business accounts for around 20. 0% of Bank's total business. Shareholding Pattern Indian Promoters| 64. 47%| Public shareholding| 35.

53%| ADR/GDR| 0. 0%| Shareholders| 218342| Market related data as on 20/10/11 Market Capital| 17743 (Rs Crore)| Face Value| Rs. 10| 52 Wks High/Low| 563. 45/290. 25| Market Price| 324. 25| CAPITAL ADEQUACY RATIO Particulars| Mar-11| Mar-10(%)| Mar-9(%)| Mar-08(%)| Capital adequacy ratio| 12.

17| 12. 63| 13. 21| 12. 04| Tier-I capital| 8. 33| 8. 29| 8.

73| 7. 70| Tier-II capital| 3. 84| 4. 34| 4. 48| 4.

34| FINANCIAL ANALYSIS BALANCE SHEET OF BANK OF INDIA FOR THE LAST THREE YEARS. Particulars| Mar-11| Mar-10| Mar-09| Mar-08| SOURCES OF FUNDS ???? | | | Capital| 547. 22| 525. 91| 525. 91| 525. 91| Reserves Total| 15424| 13, 704.

08| 12, 969. 01| 10, 063. 48| Deposits| 298885. 81| 229, 761. 94| 189, 708. 48| 150, 011.

98| Borrowings| 22021. 38| 22, 399. 90| 15, 673. 18| 7, 172. 45| Other  
Liabilities & Provisions| 12974.

69| 8, 574. 63| 7, 055. 06| 11, 086. 81| TOTAL LIABILITIES| 351, 172. 56| 274,  
966. 46| 225, 931.

64| 178, 860. 63| APPLICATION OF FUNDS ???? | | | Cash & Balances with  
RBI| 21782. 43| 15, 602. 62| 8, 915. 29| 11, 741. 85| Balances with Banks &  
money at Call| 15527.

56| 15, 627. 51| 12, 845. 97| 5, 975. 54| Investments| 85872. 2| 67, 080.

18| 52, 607. 18| 41, 802. 88| Advances| 213, 096. 18| 168, 490. 71| 142,  
909. 37| 113, 476.

33| Fixed Assets| 2365. 93| 2, 351. 81| 2, 531. 93| 2, 426. 07| Other Assets|  
12413.

22| 5, 813. 63| 6, 121. 90| 3, 437. 96| Miscellaneous Expenditure not written  
off| 0. 00| 0. 00| 0.

00| 0. 00| TOTAL ASSETS| 351, 172. 55| 274, 966. 46| 225, 931. 64| 178,  
860.

63| Contingent Liability| 143, 699. 22| 135, 098. 78| 122, 266. 59| 149, 488.

98| Bills for collection| 32, 505. 88| 28, 372.

75| 11, 490. 74| 8, 094. 58| Profit & Loss (Rs. in Crores) Particulars| Mar-11|  
Mar-10| Mar-09| Mar-08| INCOME ???? | | | Interest Earned| 21751. 2| 17,  
877. 99| 16, 347.

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36| 12, 355. 22| Other Income| 2641. 77| 2, 616. 63| 3, 051. 86| 2, 116.

93| Total II| 24393. 49| 20, 494. 62| 19, 399. 22| 14, 472. 15| II. Expenditure| |  
| | | Interest expended| 13941.

03| 12, 122. 04| 10, 848. 45| 8, 125. 95| Payments to/Provisions for  
Employees| 3475. 44| 2, 296.

07| 1, 937. 41| 1, 657. 01| Operating Expenses & Administrative Expenses| |  
612. 79| 513. 33| 439.

84| Depreciation| 140. 56| 101. 29| 69. 37| 73. 13| Other Expenses,  
Provisions & Contingencies| 1841. 22| 2, 868.

60| 1, 866. 23| 1, 491. 51| Provision for Tax| | 504. 54| 795. 56| 683. 77|  
Fringe Benefit tax| 0.

0| 0. 00| 0. 00| 0. 00| Deferred Tax| | 248. 22| 361.

52| -8. 46| Total III| 21904. 79| 18, 753. 55| 16, 391. 87| 12, 462.

75| III. Profit & Loss| | | | Reported Net Profit| 2488. 71| 1, 741. 07| 3, 007.  
35| 2, 009.

40| Extraordinary Items| 0. 00| 0. 00| 0. 00| 0. 03| Adjusted Net Profit| 2488.

71| 1, 741. 07| 3, 007. 35| 2, 009. 37| Prior Year Adjustments| 0. 00| 0. 00| 0.

00| 0. 00| Profit brought forward| 0. 00| 0. 00| 0. 00| 541.

76| IV. Appropriations| | | | Transfer to Statutory Reserve| 828. 54| 450. 00|  
800. 00| 700.

00| Transfer to Other Reserves| 1215. 87| 862. 42| 1, 715. 81| 1, 605. 9|  
Trans.

to Government /Proposed Dividend| 444. 30| 428. 65| 491. 54| 245. 77|  
Balance carried forward to Balance Sheet| 0. 00| 0.

00| 0. 00| 0. 00| Equity Dividend %| 70| 70. 00| 80. 00| 40.

00| Earnings Per Share-Unit Curr| 45. 54| 31. 96| 55. 84| 37. 53| Earnings Per  
Share(Adj)-Unit Curr| 45.

54| 31. 96| 55. 84| 37. 53| Book Value-Unit Curr| 292. 26| 243.

41| 224. 08| 167. 83| | NET PROFIT GROWTH STOCK PRICE KEY FINANCIAL  
RATIOS: Particulars| MARCH 2008| MARCH 2009| MARCH 2010| MARCH 2011|  
Earning per Share| 38. 26| 57. 26| 33.

15| 45. 54| Dividend PayoutRatio| 12. 23| 16. 34| 24. 61| 17.

85| Return onNet worth(%)| 22. 76| 25. 51| 13. 60| 15. 58| Book Value| 168.

06| 224. 39| 243. 75| 292. 26| INTERPRETATION: The profit of the bank is not  
increasing much, which can be the reason which has bought the return on  
equity down. The other reason for ROE decreasing may be high distribution  
of dividend.

Slow growth of the EPS can be the reason for the shareholder to worry because which has brought down the profit and therefore the EPS. As against this the P/E is on an increase. The increasing book value shows that the bank has collected a good sum for the shareholders as reserves. The dividend payout ratio is growing which is good for the holders who like to have some kind of cash flow from their investments. The bank has gone strength by strength in capital adequacy ratio which has increased in 2010 which shows the financial strength of the company.

however to maintain adequate capital, the bank has ample options to augment its capital resources by raising subordinated debt and hybrid instruments, besides Equity as and when required. While talking about the stock prices there has been steady growth in the market share from March 2008 to March 2010. There hasn't been drastic increase in the share prices and the market share has been volatile in middle years. PUNJAB NATIONAL BANK INDUSTRY: Banking PSU BANK PROFILE: Established in 1895 at Lahore, undivided India, Punjab National Bank (PNB) has the distinction of being the first Indian bank to have been started solely with Indian capital. The bank was nationalised in July 1969 along with 13 other banks. From its modest beginning, the bank has grown in size and stature to become a front-line banking institution in India at present.

Punjab National Bank is the fourth largest banking entity in the country (in terms of asset size) with 4.2% share of the total credit disbursements at the end of FY07. Given its geographic concentration in the northern regions, the bank was a laggard in terms of credit growth until FY04, which led to it barely

sustaining its share of non-food credit at 4. 5%. However, not able to keep up with its private sector peers in incremental credit disbursements and low retail credit exposure resulted in a loss of market share (from 4. % in FY04 to 4% in FY06).

Nevertheless, an operating overhaul in terms of asset quality and retention of high margins has helped the bank position itself favourably amongst its peers and marginally enhance its share in FY07. Adequate capital, high NPA coverage and interest rate insulation pegs the bank Amongst the frontrunners in the public sector banking space. A professionally managed bank with a successful track record of over 110 years. Largest branch network in India – 4525 offices including 432 Extension counters spread throughout the country. Strategic business area covers the large Indo – Gangetic belt and the metropolitan centres. Rupee drawing arrangements with M/s UAE Exchange Centre, UAE, M/s Al Fardan Exchange Co.

Doha, Qatar , M/s Bahrain Exchange Co, Kuwait, M/s Bahrain Finance Co, Bahrain , M/s Thomas Cook PNB had entered into MoU with India Infrastructure Finance Company (IIFC) in October of the year 2007 with an aim to extend its cooperation and support to IIFC in areas of creating a deal flow of infrastructure projects. RBI rejected Punjab National Bank's proposal to float a credit card joint venture with insurer American International Group Inc. (AIG) and Venture InfoTech Global Pvt. Ltd, a third-party processor for credit card companies. The Bank had commenced commercial banking operations in Hong Kong on 17th December 2007 and made a formal inauguration on 30th of January 2008. As on June 2008, Punjab National Bank



has entered into MoU with ILFS Cluster Development Initiative Ltd in order to provide an impetus to financing of various industrial infrastructure projects in the country.

PNB aims to expand its base in the entire northern India region for providing banking facilities at the doorsteps of the peoples. The Bank is serving over 3. crore customers through 4540 Offices including 421 extension counters – largest amongst Nationalized Banks. PNB is moving with the vision, to be India's most profitable Universal Bank. Share Holding Pattern. Indian Promoters| 57.

8%| FIIS| 19. 08%| Indian Inst/Mut Fund| 16. 18%%| Shareholders| 197984|  
Market related data as on 20/10/11 Market Capital| 31101. 45(Rs Crore)|  
Face Value| Rs. 10| 52 Wks High/Low| 1399. 90/871| Market Price| 982.

25| CAPITAL ADEQUACY RATIO Particulars| Mar-11(Rs. cr. )| Mar-10(Rs. cr. )|  
Mar-9(Rs. cr.

)| Mar-08(Rs. cr. )| Capital adequacy ratio| 12. 42| 14. 16| 14. 3| 13.

46| Tier-I Capital| | 8. 39| 8. 05| 8. 52| Tier-II Capital| | 4. 59| 4. 54| 4.

44| Balance Sheet (Rs. in Crores) Particulars| Mar-11| Mar-10| Mar-09| Mar-  
08| SOURCES OF FUNDS ???? | | | Capital| 316. 81| 315. 30| 315. 30| 315.  
30| Reserves Total| 21191.

75| 17, 407. 62| 14, 338. 33| 12, 003. 04| Deposits| 312898. 73| 249, 329.

80| 209, 760. 50| 166, 457. 23| Borrowings| 31589. 69| 19, 262. 37| 12, 459.

66| 5, 446. 56| Other Liabilities ; Provisions| 12328. 27| 10, 342. 85| 10, 065.  
85| 14, 826. 64| TOTAL LIABILITIES| 378325.

25| 296, 657. 94| 246, 939. 64| 199, 048. 77| APPLICATION OF FUNDS ???? | |  
| | Cash ; Balances with RBI| 23776. 90| 18, 327. 57| 17, 058.

25| 15, 258. 15| Balances with Banks ; money at Call| 5914. 32| 5, 145. 99| 4,  
354. 89| 3, 572.

57| Investments| 95162. 35| 77, 724. 47| 63, 385. 18| 53, 991. 71| Advances|  
242106. 67| 186, 601.

21| 154, 702. 99| 119, 501. 57| Fixed Assets| 3105. 59| 2, 513. 47| 2, 397.

11| 2, 315. 52| Other Assets| 8259. 42| 6, 345. 23| 5, 041. 22| 4, 409. 25|  
Miscellaneous Expenditure not written off| 0.

00| 0. 00| 0. 00| 0. 00| TOTAL ASSETS| 378325. 25| 296, 657.

94| 246, 939. 64| 199, 048. 77| Contingent Liability| 101465. 73| 91, 813. 44|  
103, 650.

26| 96, 951. 0| Bills for collection| 37449. 53| 9, 526. 83| 7, 561. 84| 7, 104.

56| | Profit ; Loss Particulars| Mar-11| Mar-10| Mar-09| Mar-08| INCOME ???? |  
| | Interest Earned| 26986.

48| 21, 466. 91| 19, 127. 22| 14, 265. 02| Other Income| 3612. 58| 3, 621.  
71| 3, 367.

61| 2, 026. 46| Total II| 30599. 06| 25, 088. 62| 22, 494. 83| 16, 291. 48| II.

Expenditure| | | | Interest expended| 15179. 14| 12, 944. 02| 12, 295. 30| 8,  
730. 86| Payments to/Provisions for Employees| 4461. 1| 3, 121.

14| 2, 924. 38| 2, 461. 54| Operating Expenses ; Administrative Expenses|  
2813. 45| 804. 50| 663. 75| 563.

61| Depreciation| 255. 85| 222. 3| 191. 06| 170. 23| Other Expenses,  
Provisions ; Contingencies| 2618. 46| 2, 093.

52| 1, 656. 92| 1, 072. 78| Provision for Tax| | 2, 109. 18| 1, 701. 32| 1, 264.

75| Fringe Benefit tax| | 0. 68| 12. 68| 10. 45| Deferred Tax| | -112. 61| -41.  
46| -31.

50| Total III| | 21, 183. 26| 19, 403. 95| 14, 242. 72| III. Profit ; Loss| | | |  
Reported Net Profit| 4433. 5| 3, 905.

36| 3, 090. 88| 2, 048. 76| Extraordinary Items| 0. 00| 1. 60| 1.

17| 0. 70| Adjusted Net Profit| 4433. 5| 3, 903. 76| 3, 089. 71| 2, 048. 06|  
Prior Year Adjustments| 0.

00| 0. 00| 0. 00| 0. 00| Profit brought forward| 0. 00| 7.

64| 0. 00| 15. 52| IV. Appropriations| | | | Transfer to Statutory Reserve|  
1258. 39| 976.

34| 772. 72| 512. 19| Transfer to Other Reserves| 2365. 05| 2, 126. 57| 1,  
572. 74| 1, 072.

54| Trans. to Government /Proposed Dividend| 810. 06| 810. 09| 737. 78|  
479. 55| Balance carried forward to Balance Sheet| 0.

00| 0. 00| 7. 64| 0. 00| Equity Dividend %| 220| 220. 00| 200.

00| 130. 00| Earnings Per Share-Unit Curr| 139. 94| 120. 17| 94. 63| 62.

77| Earnings Per Share(Adj)-Unit Curr| 139. 94| 120. 17| 94. 63| 62. 77| Book  
Value-Unit Curr| 632. 48| 514.

78| 416. 74| 341. 98| NET PROFIT GROWTH RATE STOCKPRICE KEY

FINANCIAL RATIOS: Particulars| MARCH 2008| MARCH 2009| MARCH2010|  
MARCH2011| Earning per Share| 64. 98| 98. 03| 123.

86| 139. 94| Dividend PayoutRatio| 23. 40| 23. 86| 20. 74| 18.

27| Return onNet worth(%)| 18. 99| 23. 52| 24. 06| 22. 12| Book Value| 341.  
98| 416.

74| 514. 77| 632. 48| INTERPRETATION: The trends of profits are leading the  
EPS; i. e. the profit has shown a stable growth from the year 2008 to 2010  
and similarly the EPS follows the trend.

The dividend payout ratio is increasing and the share holders are enjoying  
the current inflow of cash. The P/E ratio is volatile because of the price  
volatility. The company with the help of the growing profit is retaining the  
profit which in turn is supporting to the book value of the share. The investor  
must look over the return on equity and the deviations of the share price

that is depicted in the price graph. Investor with low risk profile must be careful if they have this stock in their portfolio.

Still there has been strong growth in the share prices of the PNB from march 2008 to march 2011 which is almost 100%. The capital adequacy ratio of the bank does show financial stability and strength of the company which is 12.

97 Cr. COMPARATIVE ANALYSIS OF THE 2 BANKS: COMPARISON CHART:

Bank Name	ROE	EPS( Rs. )	P/E
BANK OF INDIA	14.76%	5.55	45.48
PUNJAB NATIONAL BANK	22.12%	26.60	20.25

Price as on 19 oct 2011| 11-Mar| 10-Mar| Change| 11-Mar| 10-Mar| Change| 19-oct| BOI| 15.

58%| 14.76%| 5.55| 45.48| 33.15| 35.07%| 7.

51| 341.95| PNB| 22.12%| 26.60%| 20.25%| 139.

94| 123.86| 12.98%| 7| 979.70| CONCLUSION: On comparing Bank of India with Punjab National Bank, we can see that Punjab National Bank is being greater in increase in the return on equity than Bank Of India. The return on equity is also the highest for PNB. On the basis of Return on Equity we can select PNB for investment.

Now comparing both the banks on the basis of earning per share we can see that again PNB is providing the best earning per share on their stocks but the increase in EPS is higher in the case of Bank Of India than PNB. On comparing both the banks on the basis of capital adequacy ratio we can say that Punjab national Bank has the highest CAR which shows the financial strength of the company The P/E is considered one of the important factor that attract the buyer. The P/E ratio is high for the bank Indicating that they

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have stability in their earnings. On comparing the banks on the basis of price earning ratio, we can say that Punjab National Bank is the dividend yield stock having a low growth rate and net profit. While the price earning ratio of Bank of India indicates that it is growth stock and there is high growth rate in its business and net profit. The price of the share of SBI is also attractive which could fetch investors a good amount of return for the long term .

The ratios considered above thus show that Bank of India has generated good profit over the years. The Higher P/E multiple shows that