

Fundamental Analysis of City Union Bank Limited

Trupti Kokane¹, Prof. Mahesh Mahankal² and Prof. Sarang Annasaheb Dani³
Student¹ and Faculty^{2,3}, Yashaswi Education Society's IIMS- Chinchwad

ABSTRACT

This Paper Is An Equity Research Analysis Of The City Union Bank Limited. This Study Is A Secondary Research And The Analysis Was Carried On The Basis Of Information And News Available About The City Union Bank Limited. This Research Was Completed By Execution Of Fundamental Analysis For The City Union Bank. For The Analysis The Authors Have Considered Yield Ratio Of Advances And Investments, Cost Of Funds And Deposits, Credit And Investment Deposit Ratio, Casa Ratio, Total Business Growth Rate, Gross Npa And Net Npa, Capital Adequacy Ratio Etc. Pertaining To Liquidity Ratio, Activity Ratio, Profitability Ratio And Leverages Are Calculated To Determine The Financial Position Of The Company Also Dupont Identity Was Also Carried To Determine Fundamental Performance Of The Bank In Order To Determine The Return On Equity. Peer Comparisons And Trend Analysis Is Considered To Determine The Financial Position Of The Bank.

Keywords: Fundamental Analysis, Ratio Analysis, Dupont Identity, Trend Analysis, Peer Comparison.

1.0 INTRODUCTION

1.1 MEANING OF AN EQUITY

In accounting and finance, equity is the residual claim or interest of the most junior class of investors in assets, after all liabilities are paid. If valuations placed on assets do not exceed liabilities, negative equity exists. In an accounting context, Shareholders equity (or stockholders equity, shareholders' funds, shareholders capital or similar terms) represent the remaining interest in assets of a company, spread among individual shareholders of common or preferred stock. This definition is helpful to understand the liquidation process in case of bankruptcy. At first, all the secured creditors are paid against proceeds from assets. Afterword, a series of creditors, ranked in priority sequence, have the next claim/right on the residual proceeds. Ownership equity is the last or residual claim against assets, paid only after all other creditors are paid. In such cases where even creditors could not get enough money to pay their bills, nothing is left over to reimburse owners' equity. Thus owner's equity is reduced to zero. Ownership equity is also known as risk capital, liable capital and equity.

1.2 EQUITY SHARES

An equity share, commonly referred to as ordinary share also represents the form of fractional or part ownership in which a shareholder, as a fractional owner, undertakes the maximum entrepreneurial risk associated with a business venture. The holders of such shares are members of the company and have voting rights.

1.3 DERIVATIVES

A derivative is a financial instrument that gets its value from some real good or stock. It is the derived value of an underlying asset. It is, in its most basic form, simply a contract between two parties to exchange value based on the action of a real good or service. Typically, the seller receives money in exchange for an agreement to purchase or sell some good or service at some specified future date.

Derivatives offer the some degree of leverage or multiplication as a mortgage. For a small amount of money, the investor can control a much larger value of company stock than would be possible without use of these instruments. This can work both ways, though. If the investor is correct, then more money can be made than if the investment had been made directly into the company itself. The losses are multiplied instead, however, if the investor is wrong. The basic concept of a derivative contract remains the same whether the underlying happens to be a commodity or a financial asset. However, there are some features which are very peculiar to commodity derivative markets.