

Fundamental Analysis of City Union Bank Limited

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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. Afterward, 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.

2.0 LITERATURE REVIEW

Manna Majumder and Anwar Hussian (2010): Evaluate a computational approach for expecting the returns on Nifty Index. In this paper researcher constructed a model that predict the closing prices of the stock. This result also confirms that the forecast the future movement of the stock will be done effectively. This model has process the data derived from Nifty Index. The data set comprise the data collected for a period of 10 years starting from 1st January 2000 to 31st December 2009. In this research the model is validated across the years.

Chandradar Panda (2009): Uses artificial neural network model to forecast the daily price returns of the prominent Indian Index Sensex. In this research researcher used random walk theory for evaluating the performance. This is applied to all the daily stock returns of Sensex, i.e. Bombay Stock Exchange.

Dutta. G (2009): Explores the usage of artificial neural networks for evaluating the stock returns as given by the Index of Bombay Stock Exchange, Sensex. For this purpose weekly closing values of Sensex is been considered. The author has considered two networks with inputs from weekly closing values. For this purpose of analysis root mean square error and absolute error are taken into consideration. The outcome has been tested to compare the results with the returns given by the bench mark index Sensex.

Dr. Y. V. Reddy in his article entitled “Developing Government Securities Market: Some Issues” has pointed out the current issues in Government Securities Market. He has also pointed hidden capabilities for the household’s savings to diversify their investment portfolio encompassing Government Securities.

(www.investopedia.com) “Fundamental analysis (FA) is a method of analyzing security's intrinsic value by examining country’s economic and company’s financial factors. Fundamental analysts study any parameter that can affect the security's value, from macroeconomic factors such as economy and industry conditions to microeconomic factors like to have impact on the effectiveness of the company's management.”

(www.myaccountingcourse.com) “Trend Analysis is a statistical technique that forecast the future movements of a given variable by analyzing historical data. In other words, it is a method that aims to forecast the future behaviors by examining past data.”

(www.toolshero.com) “The DuPont Analysis method divides and clarifies the different components of the **Return on Equity (ROE)** formula, which can help to the companies to find ways for improve their returns. Companies always use this method to improve their performance and also to increase the return that they can distribute to investors and shareholder”

(www.entrepreneur.com) “A competitive analysis is an important part of any companies plan. With this evaluation, companies can create what makes our product or service unique and therefore what characteristics can play up in order to attract investors.”

(www.toppr.com) “Ratio is a comparison of two numbers with respect to each other. Similarly, in finance, ratio analysis is a correlation between two numbers, or rather two accounts. So two numbers taken from the financial statements are compared to give us a more clear understanding of them”.

3.0 OBJECTIVES

- ❖ To study the equity research of City Union Bank.
- ❖ To study the past financial reports of the City Union Bank.
- ❖ To understand the movement and performance of stock of City Union Bank.
- ❖ To do fundamental analysis of City Union Bank.

4.0 RESEARCH METHODOLOGY

It is a secondary research. The secondary data was collected from the internet, company websites and portals for financial analysis such as Google Analytics. However the main source of information is

Annual Report issued by the banks and also quarterly reports of the current year showing their performance in current market scenario.

4.1 RESEARCH APPROACH

Firstly data was analyzed on the basis of the industry. The industry i.e. financial services sector were focused on and its performance and relation with the Indian economy was monitored and then specific stocks were chosen to be invested in depending upon the fundamentals of the company stocks. These stocks were individually analyzed and then measured whether it would give maximum returns if invested in.

Though, primary data collection for preparing this project was not possible due to time and money constraints. Thus, secondary data collection was been used. While preparing this project annual reports of the banks analyzed were taken into consideration for evaluation of bank performance. Internet was a major source of information while preparing the project as most of the data collected was gathered from various websites.

4.2 SCOPE

1. Research period was first week of June 2019 to last week of July 2019.
2. Study was carried for City Union Bank only.

4.3 RESEARCH TECHNIQUE

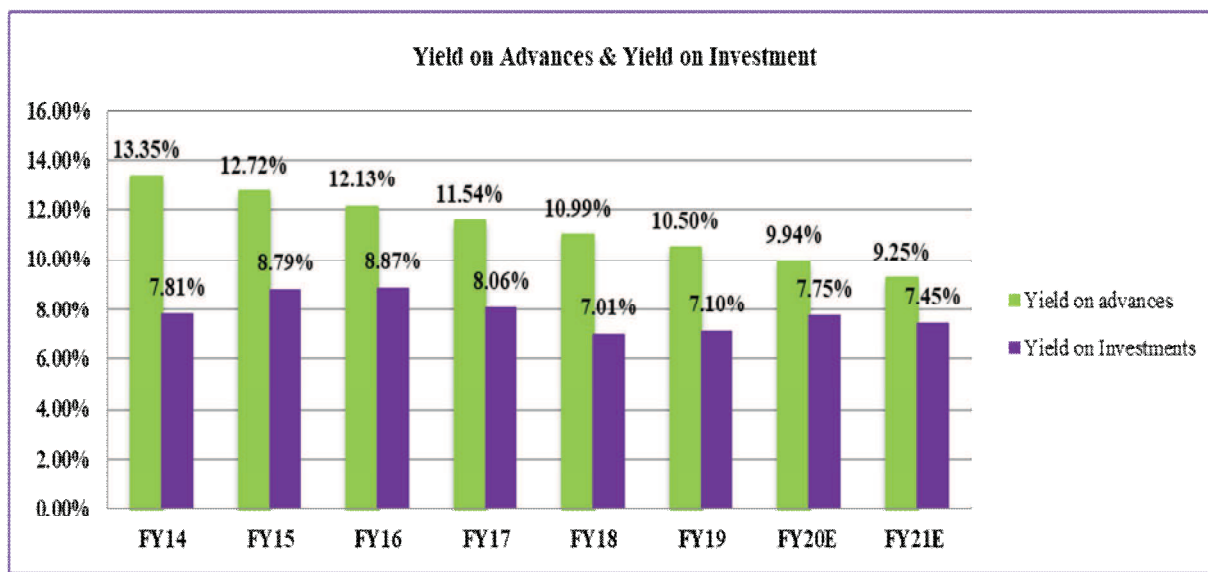
Analytical research is a specific type of research that involves critical thinking skills and the evaluation of facts and information relative to the research being conducted. Analytical research based upon secondary data sources.

5. 0 DATA ANALYSIS AND INTERPRITATION

1) Yield on Advances & Yield on Investment

Table1.1

Particulars	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Yield on advances	13.35%	12.72%	12.13%	11.54%	10.99%	10.50%	9.94%	9.25%
Yield on Investments	7.81%	8.79%	8.87%	8.06%	7.01%	7.10%	7.75%	7.45%



Graph1.1

Yield on advances
Yield on Advances =

$$\frac{\text{Interest earned on advances}}{\text{Advances}}$$

Interpretation

In case of city union bank the ratio of yield on advances is decreasing from 2014 to 2019 which is a good for the bank. In the year 2014 yield on advances ratio was 13.35% and in the year 2019 the ratio is 10.50%. In upcoming year it is expected that the ratio will decreasing upto 9.25% in the year 2021.

Yield on Investment

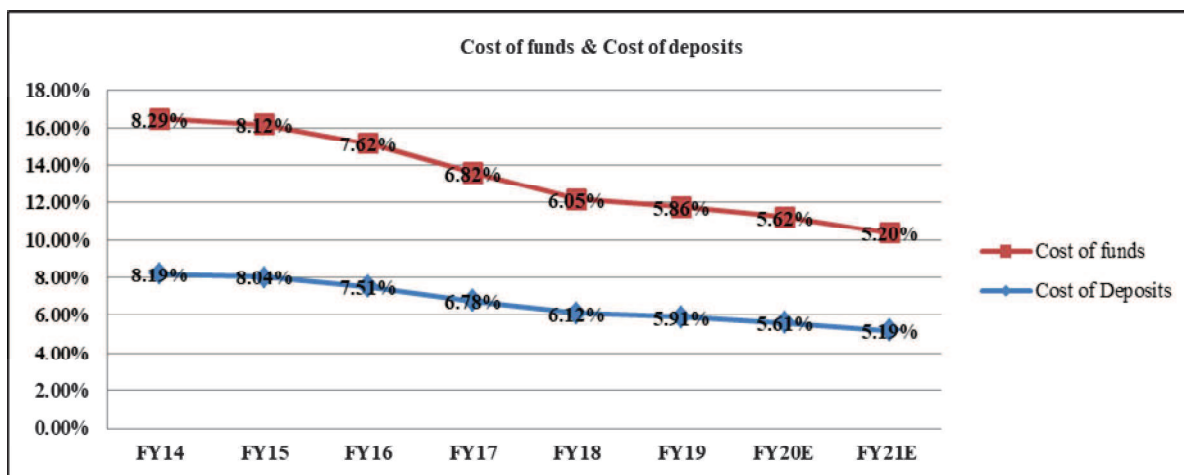
$$\text{Yield on Investment} = \frac{\text{Interest earned on Investment}}{\text{Average Investment}}$$

Interpretation

In case of city union bank from the table and graph we can see that yield on investment is fluctuating and at the end of 2019 it is declining from 7.81(2014) to 7.10 (2019). In upcoming years it is expected that yield on investment ratio will be 7.45% (2021E).

Table 2.1 2. Cost of Deposits & Cost of Funds

Particulars	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Cost of Deposits	8.19%	8.04%	7.51%	6.78%	6.12%	5.91%	5.61%	5.19%
Cost of funds	8.29%	8.12%	7.62%	6.82%	6.05%	5.86%	5.62%	5.20%



Graph 2.1

Cost of Deposits

$$\text{Cost of Deposits} = \frac{\text{Interest paid on deposits}}{\text{Average Deposits (or borrowings)}}$$

Interpretation

In case of city union bank cost of deposit is decrease from 8.19% (2014) to 5.91%(2019). In upcoming year cost of deposit ratio also going to decrease.

Cost of funds

$$\text{Cost of Funds} = \frac{\text{Interest Expended}}{\text{Average Deposits + Average Borrowing}}$$

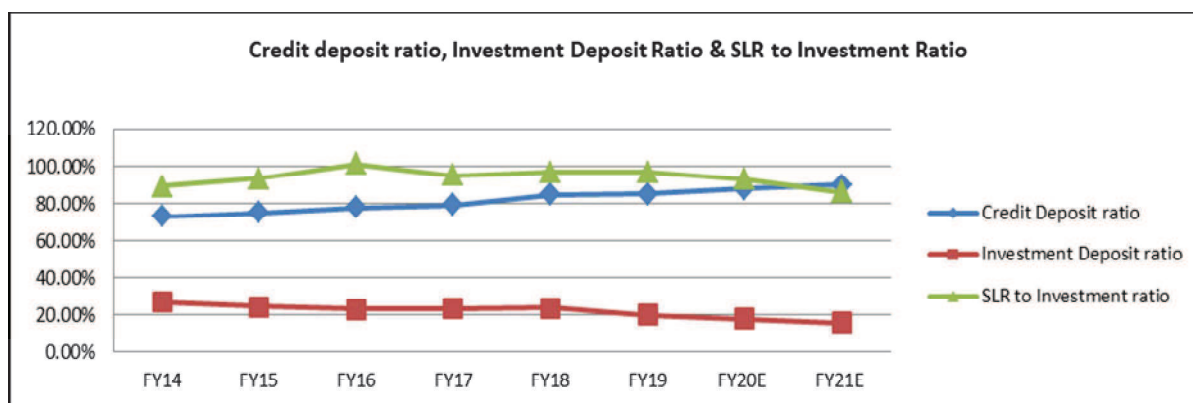
Interpretation

In case of city union bank cost of funds is declined from 8.29% (2014) to 5.86% (2019) which indicates that bank generating better returns when the funds are used for short-term and long term loans to borrowers. In upcoming year it is expected that interest on investment will increase upto 5.20% (2021E).

3) Credit Deposit Ratio, Investment Deposit Ratio & SLR to Investment Ratio

Particulars	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Credit Deposit ratio	73.11%	75%	78%	79.14%	84.78%	84.98%	88.0%	89.8%
Investment Deposit ratio	27.04%	24.38%	23.29%	23.35%	23.98%	20.06%	18.0%	16.0%
SLR to Investment ratio	89.34%	93.47%	101.30%	95.15%	96.89%	96.94%	92.9%	86.0%

Table 3.1



Graph 3.1

Credit Deposit Ratio

Credit Deposit Ratio = (Credit / Deposits)*100

Interpretation

In case of city union bank credit deposit ratio is increasing which indicates that bank has more reliance on deposits for lending. Credit deposit ratio over the 70% indicates pressure on resources as they have to set aside funds to maintain a cash reserve ratio of 4.5 per cent and a statutory liquidity ratio of 23 per cent.

Investment Deposit ratio

Investment Deposit ratio = (Investment / Deposits)*100

Interpretation

In case of city union bank investment deposit ratio is decreasing at 20.06% as on 2019 which indicates that bank using less money from their deposits for investment purpose. In future it is expected that investment deposit ratio will decrease.

SLR to Investment Ratio

SLR to Investment Ratio = (SLR/Investment)*100

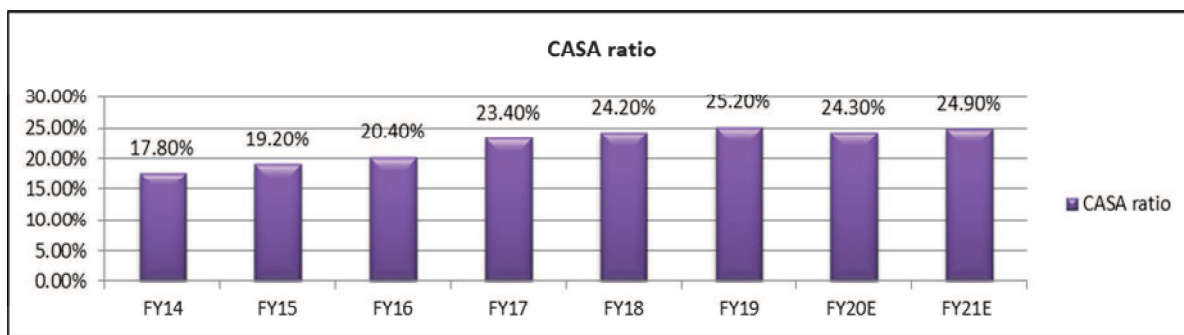
Interpretation

In case of city union bank SLR to investment ratio is increasing upto 96.94% in the year 2019. In upcoming year it is expected that SLR to investment ratio will be decreasing upto 86.0% (2021E).

3) CASA Ratio

Table 4.1

Particulars	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
CASA Ratio	17.8%	19.2%	20.4%	23.4%	24.2%	25.2%	24.3%	24.9%



Graph 4.1

CASA Ratio

$$\text{CASA Ratio} = \frac{\text{Deposits in Current \& Saving Account}}{\text{Total Deposits}}$$

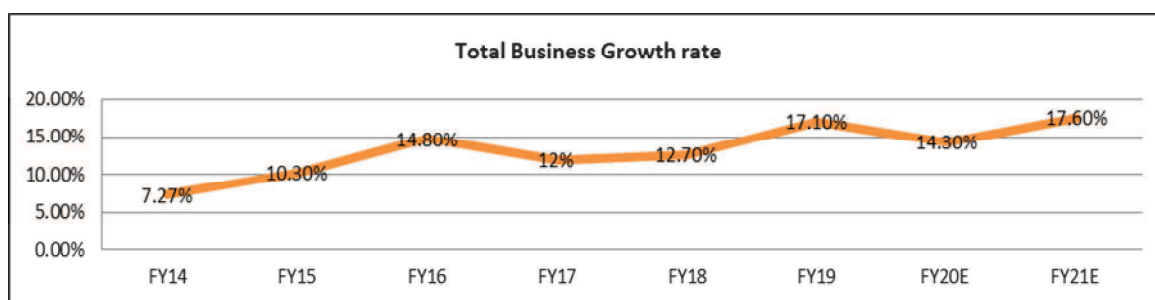
Interpretation

In case of city union bank CASA Ratio as on 2019 is almost 25% which is good for the bank because higher CASA ratio indicates a lower cost of funds. In upcoming year it is expected that CASA ratio will be 24.90% (2021E).

5) Total Business Growth Rate

Table 5.1

Particulars	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Total Business Growth rate	7.27%	10.3%	14.8%	12%	12.7%	17.1%	14.3%	17.6%



Graph 5.1

Total Business Growth Rate

$$\text{Total Business Growth Rate} = \frac{\text{Current Total Business} - \text{Past Total Business}}{\text{Past Total Business}}$$

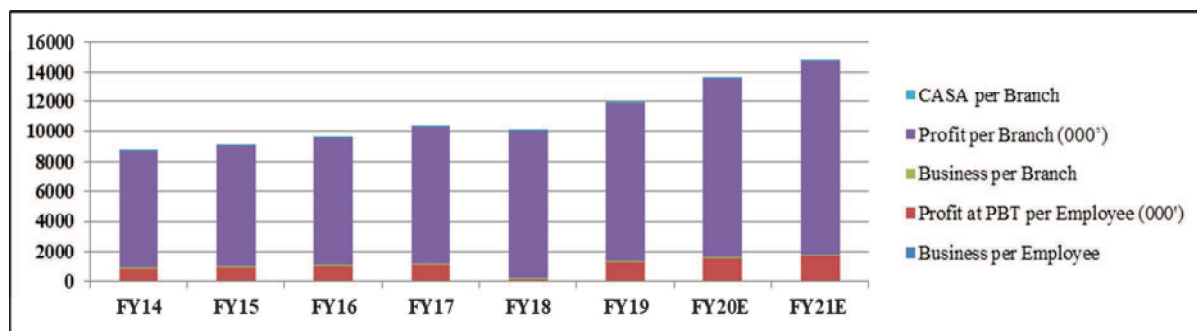
Interpretation

In case of city union bank total business is increased from 15% (2014) to 17% (2019) which is a good for financial health of the bank. In upcoming year it is expected that total business growth ratio will be 17.60% (2021E).

6) Business per Employee, Profit per Employee, Business per Branch, Profit per Branch, CASA per Branch

Particulars	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Business per Employee	9.07	9.66	10.72	11.56	11.49	12.96	14.53	16.84
Profit at PBT per Employee (000')	785.9	880.1	984.5	1072.3	114.5	1242.9	1489.6	1652.3
Business per Branch	89.98	88.77	92.21	98.60	101.82	110.02	116.79	131.68
Profit per Branch (000')	7794	8088	8471	9142	9880	10551	11976	12919
CASA per Branch	9.22	9.75	10.54	12.80	13.26	14.92	15.00	17.16

Table 6.1



Graph 6.1

CASA Per Branch

$$\text{CASA Per Branch} = \frac{\text{Deposits in Current \& Saving Account}}{\text{No. of Branches}}$$

Interpretation

In case of city union bank CASA per branch is continuously increasing from 9.22 (2014) to 14.92(2019) which indicates good financial performance of city union bank. In future date it is expected that it will increase to 17.16 (2021E).

Profit Per Branch

$$\text{Profit Per Branch} = \frac{\text{Net Profit}}{\text{No. of Branches}}$$

Interpretation

In case of city union bank as on 2019 profit per branch is 10551 which indicates good health and efficiency of the bank. In upcoming year it is expected that profit per branch will increase.

Business Per Branch

$$\text{Business Per Branch} = \frac{\text{Deposit + advance/ Total Business}}{\text{No. of Branches}}$$

Interpretation

In case of city union bank business per branch increased from 89.98 (2014) to 110.02 (2019).

Profit Per Employee

$$\text{Profit Per Employee} = \frac{\text{Net Profit}}{\text{No. of Employees}}$$

Interpretation

In case of city union bank profit per employee increased from 785.9 (2014) to 1242.9 (2019) which indicates better the profit per employee, which means employees are utilizing higher efficiency in his/her workings in the firm/bank. In upcoming year it is also increasing up to 1652.3 (2021E).

Business Per Employee

$$\text{Business Per Employee} = \frac{\text{Deposit + Advance/ Total Business}}{\text{No. of Employees}}$$

Interpretation

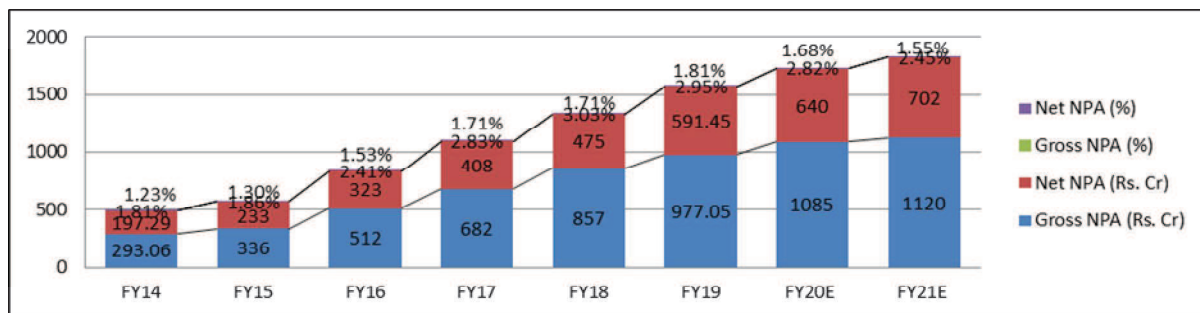
In case of city union bank there is drastic improvement in business per employee ratio which is increase from 9.07 (2014) to 12.96 (2019). In upcoming year it will increase up to 16.84 in the year 2021.

7) Gross NPA & Net NPA

Particulars	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Gross NPA (Rs. Cr)	293.06	336	512	682	857	977.05	1085	1120

Net NPA (Rs. Cr)	197.29	233	323	408	475	591.45	640	702
Gross NPA (%)	1.81%	1.86%	2.41%	2.83%	3.03%	2.95%	2.82%	2.45%
Net NPA (%)	1.23%	1.30%	1.53%	1.71%	1.71%	1.81%	1.68%	1.55%

Table 7.1



Graph 7.1

Gross NPA (%)
Gross NPA (%) =

$$\frac{\text{Gross NPA}}{\text{Advances}}$$

Interpretation

The above table and graph makes it very clear that the average gross NPA of city union bank is increases from 1.81% (2014) to 2.95% (2019) regularly which is not a good for city union bank.

Net NPA(%) :-

Net NPA (%) =
$$\frac{\text{Net NPA}}{\text{Advances}}$$

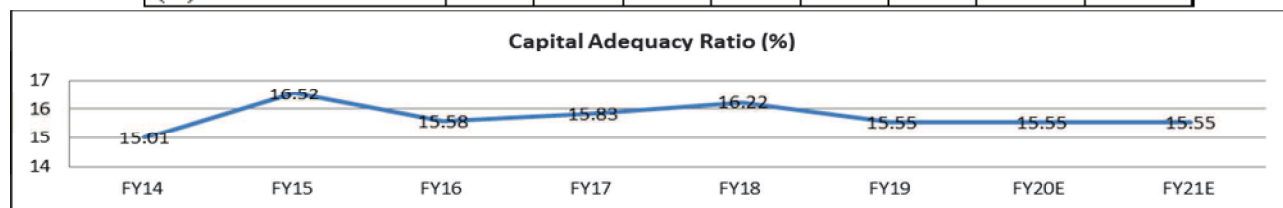
Interpretation

The above graph indicates that net NPA of city union bank increased from 1.23% (2014) to 1.81% (2019) which indicates bank have lesser funds to advance because of the higher provisioning that they have to provide i.e. lesser funds on which they can potentially earn interest income.

8) Capital Adequacy Ratio (%)

Table 8.1

Particulars	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Capital Adequacy Ratio (%)	15.01	16.52	15.58	15.83	16.22	15.55	15.55	15.55



Graph 8.1

Capital Adequacy Ratio % =
$$\frac{\text{Tier I Capital} + \text{Tier II Capital} + \text{Tier III Capital}}{\text{Total Risk Weighted Assets}}$$

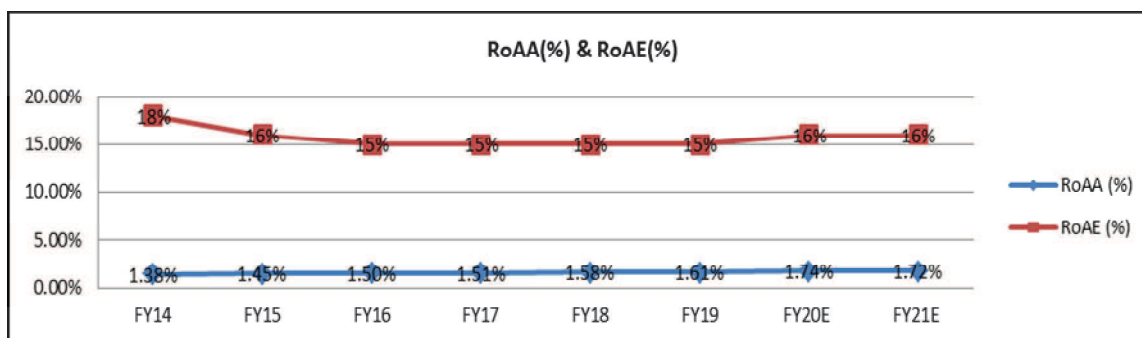
Interpretation

City union bank had 15.01% capital adequacy ratio in the year 2014 and in the current year the ratio is increasing up to 15.55% as on 2019. In upcoming year it is expected remain same.

9) RoAA & RoAE

Table 9.1

Return Ratio	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
RoAA (%)	1.38%	1.45%	1.50%	1.51%	1.58%	1.61%	1.74%	1.72%
RoAE (%)	18%	16%	15%	15%	15%	15%	16%	16%



Graph 9.1

RoAA

$$\text{RoAA} = \frac{\text{Net Profit or Loss}}{\text{Total Asset}}$$

Interpretation

In case of city union bank RoAA as on 2014 was 1.38% . It will increases upto 1.61% as on 2019 which indicate the profitability of the city union bank. In the upcoming year it is expected that it will continuously growing upto 1.72% as on the year 2021.

RoAE

$$\text{RoAE} = \frac{\text{Net Profit or Loss}}{\text{Equity}}$$

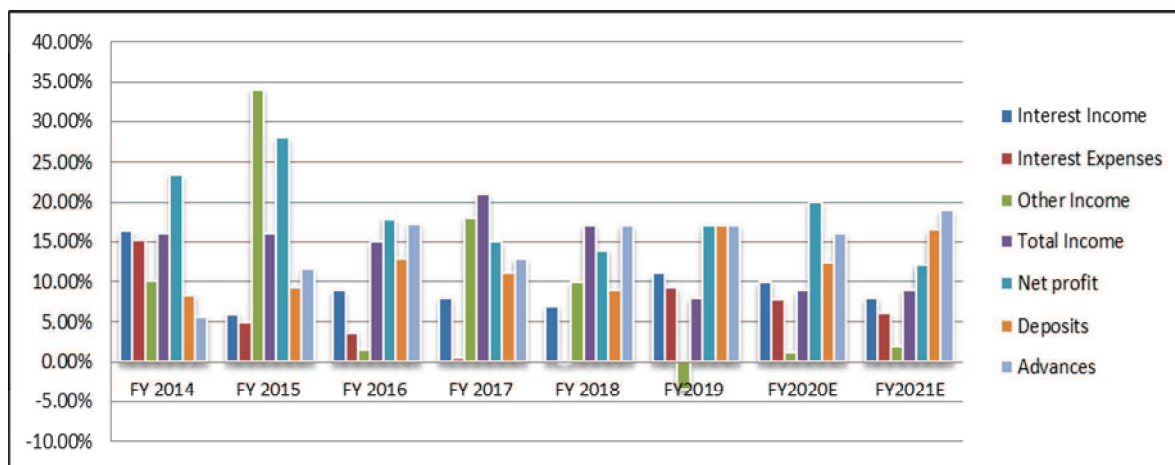
Interpretation

RoAE of city union bank decreasing from 18% (2014) to 15% (2019) which simply indicate that shareholder get less returns as compared with financial year 2014. In upcoming year i.e in FY20 and FY21 it is expected that it will increase at 16%.

10) Growth Ratio (%)

Growth Ratio (%)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY2019	FY2020E	FY2021E
Interest Income	16.32%	6%	9%	8%	7%	11%	10%	8%
Interest Expenses	15.19%	4.94%	3.79%	0.60%	-0.15%	9.31%	7.81%	6.13%
Other Income	10.08%	34.16%	1.45%	18.04%	10%	-3.33%	1.15%	2.10%
Total Income	16%	16%	15%	21%	17%	8%	9%	9%
Net profit	23.52%	28%	18%	15%	14%	17%	20%	12%
Deposits	8.43%	9.35%	13%	11%	9%	17.03%	12.49%	16.44%
Advances	5.60%	12%	17%	13%	17%	17%	16%	19%

Table 10.1



Graph 10.1

Interest Income

$$\text{Interest Income Growth} = \frac{\text{Present Interest Income} - \text{Past Interest Income}}{\text{Past Interest Income}}$$

Interpretation

In case of city union bank interest income growth is 11% as on 2019 it is higher as compared with previous year growth rate which is 7% as on 2018.

Other Income

$$\text{Other Income Growth} = \frac{\text{Present Other Income} - \text{Past Other Income}}{\text{Past Other Income}}$$

Interpretation

Other income is the income earned by the banks which was 10.08% in the year 2014 which is not constant in Y-O-Y. In upcoming years other income is expected upto 2.10% as on 2021E.

Total Income

$$\text{Total Income Growth} = \frac{\text{Present Total Income} - \text{Past Total Income}}{\text{Past Total Income}}$$

Interpretation

City union bank current have 8% growth in its total income. In upcoming year it is expected that total income will increase up to 9%.

Net profit

$$\text{Net profit Growth} = \frac{\text{Present Net profit} - \text{Past Net profit}}{\text{Past Net profit}}$$

Interpretation

City union bank have 17% growth in Net profit which shows good financial health of the bank. In the year 2020 it is expected that net profit of the bank will be 20%.

Deposits

$$\text{Deposits Growth} = \frac{\text{Present Deposits} - \text{Past Deposits}}{\text{Past Deposits}}$$

Interpretation

City union bank have tremendous growth in deposit as compared with 2014 deposit which was 8.43% in the year 2019 deposit growth is 17%. In upcoming year it will increase upto 16.44%.

Advances

$$\text{Advances Growth} = \frac{\text{Present Advances} - \text{Past Advances}}{\text{Past Advances}}$$

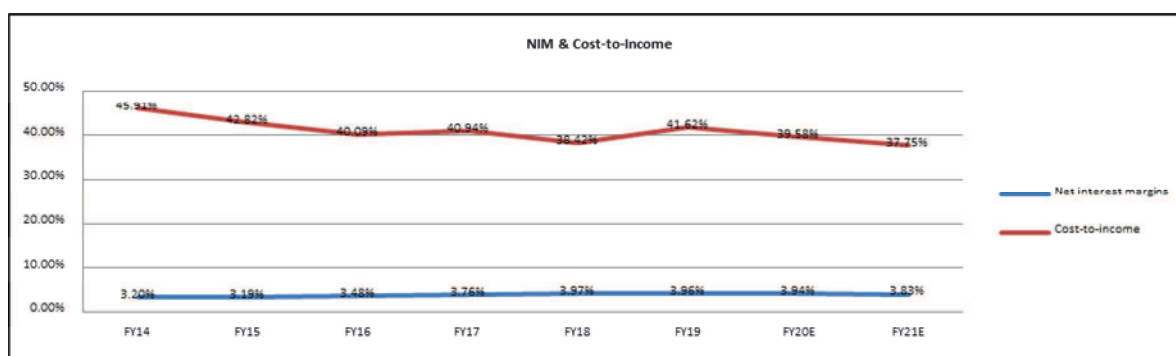
Interpretation

City union banks have 17% growth in advances in the year 2019 which is a very huge growth as compared with advances growth in the year 2014 which is 5.58%. In upcoming year it will be 19% in the year 2021E.

11) Net Interest Margin & Cost-to-income

Particulars	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Net interest margins	3.20%	3.19%	3.48%	3.76%	3.97%	3.96%	3.94%	3.83%
Cost-to-income	45.91%	42.82%	40.09%	40.94%	38.42%	41.62%	39.58%	37.75%

Table 11.1



Graph 11.1

Net Interest Margin (NIM)

Interpretation

In case of city union bank net interest margin is continuously growing from 3.20% (2014) to 3.96 (2019) which means bank's NPA's are goes down.

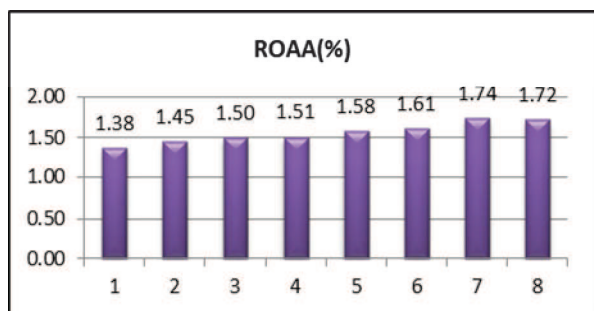
Cost To Income

Interpretation:- In case of city union bank cost to income ratio is fluctuating . on financial year 2019 cost to income ratio is 41.62% which is greater than previous year. In upcoming year cost to income ratio is expected to become decrease.

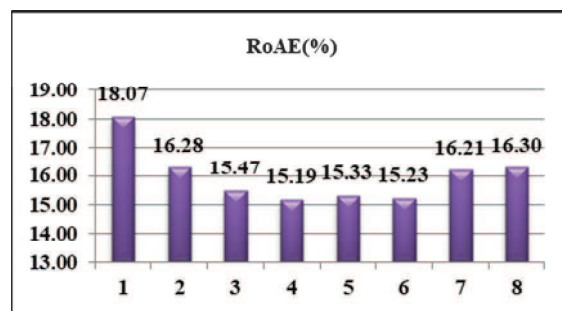
12. DuPont Analysis

Particulars	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
NIM(%)	3.50%	3.44%	3.81%	4.17%	4.42%	4.32%		
Dupont Analysis								
% of Average Total Asset								
Net Interest Income	3.10	3.05	3.32	3.60	3.80	3.79	3.77	3.69
Non-Interest Income	1.26	1.53	1.39	1.45	1.42	1.21	1.08	0.97
Net Total Income	4.36	4.58	4.71	5.06	5.22	5.00	4.85	4.66
Operating Expenses	1.00	0.98	0.94	1.04	1.00	1.04	0.96	0.88
Operating Profit	565.2	692.7	833.3	993.8	1208.5	1242.9	1408.1	1587.5
Provisions & Contingencies	233.9	308.51	388.59	490.96	615.7	557.1	569.745	644.37
ROAA(%)	1.38	1.45	1.50	1.51	1.58	1.61	1.74	1.72
Leverage(x)	13.09	11.20	10.29	10.05	9.73	9.46	9.29	9.47
RoAE(%)	18.07	16.28	15.47	15.19	15.33	15.23	16.21	16.30

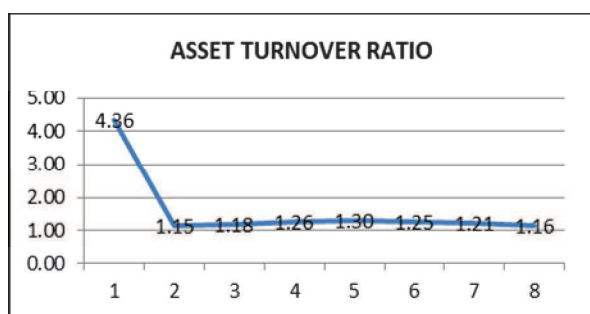
Table 12.1



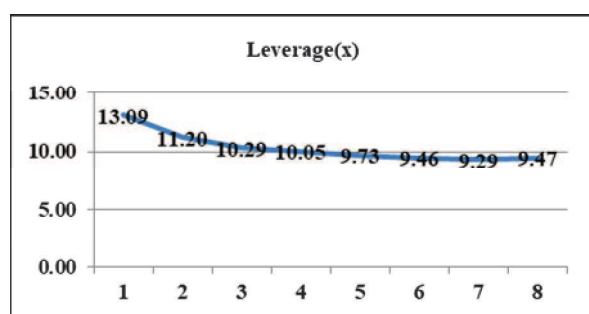
Graph 12.1



Graph 12.2



Graph 12.3



Graph 12.4

DuPont Analysis is very important for an investor as it answers the question what is actually causing the ROE to be what it is. If there is an increase in the Net Profit Margin without a change in the Financial Leverage, it shows that the company is able to increase its profitability.

But if the company is able to increase its ROE only due to increase in Financial Leverage, it's risky since the company is able to increase its assets by taking debt.

Thus we need to check whether the increase in company's ROE is due to increase in Net Profit Margin or Asset Turnover Ratio (which is a good sign) or only due to Leverage (which is an alarming signal).

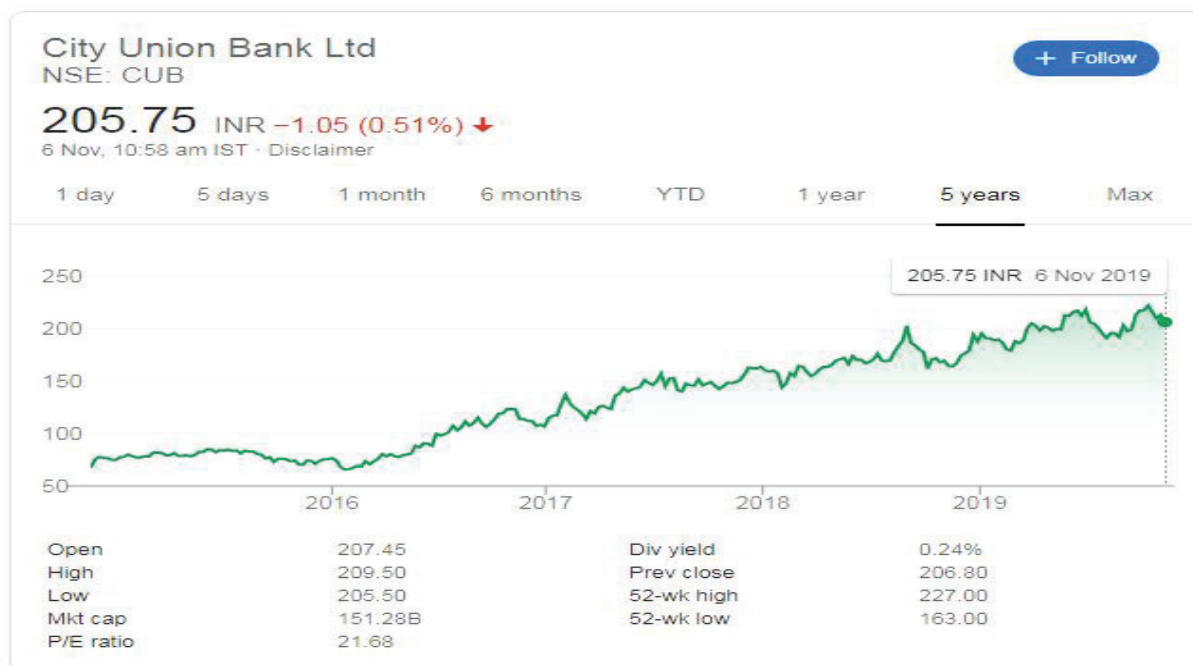
In case of city union bank we can see from the above table and graph leverage is decreasing from 13.09 (FY2014) to 9.46 (FY2019). At the same time asset turnover ratio also decreases from 4.42 (2014) to 1.25 (2019). As a result we can see that ROE also falling from 15.31 (2014) to 9.86 (2019) which is somewhere indicate that ROE is decreases due to decrease in leverages and asset turnover ratio. It is a not good sign for city union bank. This situation clearly explains that bank tries to decrease their debt but this action affected their ROE. Asset turnover ratio is also decreasing which means bank is not generate income from the each rupee of asset or profit margin of the bank is very high. Due to this ROAA also decreases.

13) Peer Comparison

Bank		City Union Bank	Federal Bank	Karur Vysya Bank	South Indian Bank
NII	(Rs. cr)	1611.5	4176.35	2,362.82	499
NIM	(%)	4.32%	3.14%	3.67	2.18
Cost-to-income	Ratio	41.67%	50.01%	45.94	32.86
Non-Interest Income	(Rs. cr)	1962.4	1351.02	962.77	120
PAT	(Rs. cr)	685.8	1,243.89	211	71
EPS	(Rs)	9.18	6.28	2.64	1.37
Current Market Price	(Rs)	206.2	104.2	68.35	13.31
P/E	(x)	3.37	1.68	0.98	0.44
Adj BVPS	(Rs)	57.85	58.65	50.04	16.20

P/Adj BV	(x)	3.37	1.59	1.32	0.76
Advances	(Rs. cr)	33,065.00	110,222.95	48,580.81	62,693.74
Deposit	(Rs. cr)	38,448.00	134954	59,867.95	80,420.12
C/D	Ratio	86%	81.7	79.98	76.92
RoA	(%)	1.64%	0.88%	0.3	0.26
RoE	(%)	15.25%	9.81%	3.28	4.85
CAR	(%)	15.55%	14.14%	16	12.61
GNPA	(%)	2.95%	2.92%	8.79	5
NNPA	(%)	1.81%	1.48%	4.98	3
No. of Employees		5,518	12,227	7,368	8,440
No. of Branches		650	1,251	789	870
Business per Employee	Rs.	114,129,362	200,521,222	147,188,879	169,566,188
Profit per Employee	(000')	1,112,987	1,017,329	286,194	293,287
Business per Branch	Rs.	1,011,756,793	1,959,850,504	1,374,509,074	1,644,986,928
Profit per Branch	Rs.	9,866,632	9,943,152	2,672,591	2,845,224

14. TRENDANAYSIS



Standalone		Consolidated	
Market Cap (Rs Cr.)	15,179.82	Market Lot	1
P/E	21.45	Price/Book	3.14
Book Value (Rs)	65.84	Industry P/E	37.94
Dividend (%)	50.00	Dividend Yield (%)	0.24
		EPS (TTM)	9.61
		Face Value (RS)	1.00
		P/C	19.73
		Deliverables (%)	78.58

* Note - PE (TTM) is displayed only when latest 4 quarter results are positive.

Interpretation

In last 5 years of trend analysis it is seen that in 2015 the share price of City Union Bank is Rs.96.89 and it is going down in 2016. In 2016 Gross NPA and Net NPA of City Union Bank was increases as well as Capital Adequacy Ratio of City Union Bank was decreases as compared with the performance of the financial year 2015. In January 2016 share price touches lowest price at the Rs.79.44 which was the lowest price in last 5 years. In 2017 share price of City Union Bank was increasing drastically which was going up to Rs.197.78 which was the highest share price in last five years. On 8th November 2016 demonetization of Rs.500 and Rs.1000 banknotes of Mahatma Gandhi series was announced by Government of India. After that share price of City Union Bank was continuously increasing. In 2018 it was touches at Rs.215.99. In 2019 shares of City Union Bank was traded at highest price at Rs.221.45. So from the last 5 years trend analysis it is observe that share price of City Union Bank was increasing continuously. Credit Rating Agencies like ICRA and CRISIL also gives good rating to City Union Bank.

6.0 FINDINGS AND SUGGESTIONS

6.1 FINDINGS

1. While doing research it was found that the yield on advances was decreasing and same time yield on investment was also decreasing.
2. It is found that the cost of deposits was decreasing and cost of fund also decreasing.
3. The CASA ratio (Current Account and Saving Account ratio) was increasing which means bank's deposits in current and saving account is increasing.
4. The growth in total business was increasing because business per employee, profit per employee, business per branch, profit per branch and CASA per branch is continuously increasing.
5. The business per employee, profit per employee, business per branch, profit per branch as well as CASA per branch was continuously increasing.
6. The Gross NPA was decreasing and Net NPA was also decreasing.
7. The credit deposit ratio and SLR to investment ratio was increasing and investment deposit ratio was decreasing.
8. The Capital Adequacy Ratio(CAR) was increasing.
9. The Net Profit and Deposits is fluctuating and Advances is increasing.
10. The RoAA(*Return on average assets*) and RoAE (*return on average equity*) was continuously increasing.
11. The NIM (Net Interest Margin) was increasing and cost-to-income also increasing.

6.2 SUGGESTIONS

- Bank must have to try to reduce their gross NPA and net NPA through aggressive recoveries of loans. Banks should assess the companies thoroughly before granting loans and should act strictly towards willful defaulters.
- Bank have to control their interest expenses.
- Bank must have to try to improve their income from other sources like income from commission, exchange and brokerage, income from sale of investment and miscellaneous income.
- Bank must have to try to increase their net profit and deposits which is important indicator of financial performance of banks. If bank will control their interest expenses then this can helpful for increase in bank's net profit.

7.0 CONCLUSION

Equity research is mainly help to investors for taking investment decisions. This report deals with the analysis of City Union Bank's (CUB) past 5 years financial statements and projections of upcoming 2 years financial data. Through the calculating various kind of ratios, graphs, market study I tried to

understand what will be the bank's situation in upcoming years. In the current situation where financial intuition is becomes more helpful, when it comes to investing. The analysis of financial statements is one of the most important elements in fundamental analysis process.

At the same time the massive amount of numbers in a bank's financial statements can be understand by investors. However, through financial ratio analysis, I tried to work with these numbers in an organized manner and presented them in a such way which is easy to understand and helpful to management as well as investors who want to invest money in the City Union Bank.

Generally banks or company's publish their financial statements on regular intervals like quarterly, monthly, half yearly but as a normal investor or the person who is not financial analyst for them financial statement analysis is not possible or not easy task. So as a finance manager or financial analyst primary responsibility is to manage the financial matters of the bank by evaluating the financial statement. I am also providing some important suggestions and opinions about the financial matters of the business.

From the study of financial statements of City Union Bank I would like to conclude that investment in City Union Bank is profitable in future. The overall performance of City Union Bank is increasing continuously. As per current market situation bank's performance will also increase in future. If bank properly manage their NPA then City Union Bank will perform more efficiently in future. As compared City Union Bank with competitors like Federal Bank, Karur Vysya Bank, South Indian Bank perform very well. So investment in this bank will give good returns in future to investors.

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