KARNATAKA UNIVERSITY, DHARWAD

University with Potential for excellence

GOVERNMENT FIRST GRADE COLLEGE YELLAPUR
KALAMMA NAGAR - 581359

A FINANCIAL ANALYSIS REPORT ON

"Ratio Analysis: Evaluating Karnataka Bank Ltd.'s Financial Health for Individual Investors"

SUBMITTED TO

KARNATAKA UNIVERSITY, DHARWAD

IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF BACHELOR OF COMMERCE

SUBMITTED BY

Ms. SAVITRI MAHABALESHWARA BHAT
B.COM VI Semester
Reg. No.: U02IU21C0020

Under the Guidance of

Mr. SHARATH KUMAR
Assistant Professor
Department of Commerce
Government First Grade College Yellapur

2023-2024

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Government of Karnataka

Department of Collegiate Education

GOVERNMENT FIRST GRADE COLLEGE, YELLAPUR

(ACCREDITED BY NAAC 'B' GRADE)

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Ltr. No. GFGCY/UG/2023-24/ Date: 02/06/2024

CERTIFICATE

This is to certify that **Ms. SAVITRI MAHABALESHWARA BHAT** is a bona-fide student of Government First Grade College Yellapur, has undertaken financial analysis research during sixth semester of Bachelor of Commerce course and prepared the financial analysis report titled **"Ratio Analysis: Evaluating Karnataka Bank's Financial Health for Individual Investors"** under the guidance **Mr. Sharath Kumar**, **Assistant Professor**, Department of Commerce, as internal guide in partial fulfillment of the requirements for the award of the Degree of Bachelor of Commerce (B.Com) of Karnataka University, Dharwad.

Signature of Principal

Dr. R. D. Janardhan

G. F. G. C. Yellapur

Government of Karnataka

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Ltr. No. GFGCY/UG/2023-24/ Date: 02/06/2024

CERTIFICATE

This is to certify that financial analysis report entitled **"Ratio Analysis: Evaluating Karnataka Bank's Financial Health for Individual Investors"** has been prepared by **Ms. Savitri Mahabaleshwara Bhat** under my supervision towards the partial fulfillment of requirements for the award of Bachelor of Commerce degree of Karnatak University, Dharwad has not been previously formed the basis for the award of any academic credential or title at any other university or institution, this work is record of the candidate's personal work.

Mr. Sharath Kumar
Assistant Professor
Department of Commerce
G. F. G. C. Yellapur

<u>DECLARATION</u>

Ms. **Savitri Mahabaleshwara Bhat** bearing **Reg. No.: U02IU21C0020** hereby declare that this financial analysis report entitled, **"Ratio Analysis: Evaluating Karnataka Bank's Financial Health for Individual Investors"** has been prepared by me towards the partial fulfillment of requirements for the award of Bachelor of Commerce Degree of Karnataka University, Dharwad under the valuable guidance of **Mr. Sharath Kumar,** Assistant Professor, Department of Commerce, G. F. G. C. Yellapur (UK).

I also declare that this report is my original work and has not been previously submitted or used as the basis for the award of any academic credential or title at any other university or institution. This work is entirely my own.

Date: 02/06/2024
Place: Yellapur

Signature
Savitri Mahabaleshwara Bhat
(Reg. No.: U02IU21C0020)

ACKNOWLEDGEMENT

Successfully undertaking and completing any report, regardless of its size, requires the active cooperation, supervision and guidance of the right individuals at the right moments. I am delighted to express my gratitude for the support provided by various individuals throughout the completion of this report.

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I am profoundly grateful to my mentor, **Mr. Sharath Kumar,** Assistant Professor, Department of Commerce, G. F. G. C. Yellapur, for his invaluable guidance and continuous encouragement throughout every phase of my financial analysis report.

I am thankful to the library staff of our college for their invaluable assistance in providing necessary reference materials, which greatly contributed to the successful completion of this financial analysis report.

Signature

Savitri Mahabaleshwara Bhat

(Reg. No.: U02IU21C0020)

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EXECUTIVE SUMMARY

This study aims to research into few ratios of Karnataka Bank Ltd., a prominent ‘A’ Class Scheduled Commercial Bank in India, operating within the private sector. The primary objective is to scrutinize the financial performance of the bank, which is crucial for equity traders striving to maximize returns. Preceding the core findings section, a detailed discussion on financial analysis concepts, types of financial statements and analytical techniques is provided.

Karnataka Bank's financial performance is scrutinized, identifying strengths and areas for improvement across key metrics. By focusing on ratio analysis, individual investors can gain insights into various aspects such as assets, advances, non-performing assets, loans, dividends, income, deposits, debt and provisions over time. This analytical approach not only helps in comprehending the reasons behind changes in these metrics but also aids in determining future profitability prospects.

Hence, this study seeks to offer a detailed examination of the financial standing of Karnataka Bank Ltd., thereby assisting investors in making informed decisions to optimize their returns.

CHAPTER – I

INTRODUCTION

1.1 INTRODUCTION

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CHAPTER – I

INTRODUCTION

1.1 INTRODUCTION

In today's world, equity shares being dematerialized, trading has become easily accessible, converting savings into investments and aiming to generate returns through the buying and selling of shares, thus becomes an integral part of financial life. Understanding financial statements is key for stock market participation.

Despite Karnataka Bank's strong presence in the banking sector, there remains a need to thoroughly evaluating its financial performance. This evaluation is essential for both long-term and short-term investors to make informed decisions regarding equity share purchases.

Therefore, this report aims to address this challenge by conducting a ratio analysis on Karnataka Bank's financial statements of past four years (2020-2023), focusing on key indicators such as non-performing assets, earnings per share, dividends, equity, short-term obligations, long-term obligations and more

The findings of this report will enable investors, particularly those focused on the banking sector, to make well-informed investment decisions.

The ratios explained in this report are calculated generally in case of such banks whose shares are traded in the stock exchanges. Shareholders are interested not only in the profits of the banks but also in the appreciation of the value of their shares in the stock market that is dividends declared, earning per share and so on.

1.2 TITLE OF THE STUDY

"Ratio Analysis: Evaluating Karnataka Bank Ltd.'s Financial Health for Individual Investors"

1.3 STATEMENT OF THE PROBLEM

In the dynamic landscape of financial market, investors face challenges in comprehensively evaluating financial performance. The complexity of financial statements and the abundance financial metrics make it more challenging for individual investors to assess the bank's true financial standing, as it has different schedules and way of presentation compared to manufacturing and other service sector financial statements.

Despite the availability of absolute financial values, the limitations of relying solely on absolute values become apparent when attempting to informed investment decisions. Hence, there is a need for research to explore the significance of ratio analysis in evaluating the financial performance of banking sector listed companies.

1.4 OBJECTIVES OF THE STUDY

- Providing actionable insights for investors to make informed decisions regarding investment in the equity shares of Karnataka Bank Ltd.
- This report also aims to justify the statement **“Absolute values are not enough for investors; that is why we compute ratios”**

1.5 SCOPE OF THE STUDY

The report analyses Karnataka Bank’s performance across liquidity, solvency, profitability, investment, assets quality and efficiency using ratio analysis. These quantitative assessments empower investors to make informed investment decisions, while strategic interpretations derived from the analysis aid the bank in enhancing financial performance and shareholders value.

1.6 RESEARCH METHODOLOGY

The systematic collection of data for research reports, utilizing both theoretical and practical approaches is known as research methodology. This particular research is done with the help of both primary data and secondary data.

Primary data

First-hand information is gained through personal experiences and direct interactions with other investors. As an active equity trader and an equity shareholder of Karnataka Bank Ltd., I was able to obtain data directly.

Secondary data

Secondary data is the data which is already collected. In this case the sources are books, journals and websites. Most importantly annual reports of Karnataka Bank are used for complete analysis to support the study.

1.7 LITERATURE REVIEW

Some of the important studies undertaken on Karnataka Bank’s financial performance with are closely related to current study.

1. **"ICICI Direct Research" by Pankaj Pandey. (September 18, 2023)**

The report scrutinizes Karnataka Bank's expansion and digital initiatives, prioritizing retail, MSME and agricultural sectors for growth. Goals encompass heightened credit growth, stable margins and enhanced asset quality despite anticipated cost challenges. Aiming for a target return on assets of approximately 1.2%, the bank aims to sustain profitability. Given its lower valuation and growth potential, the report recommends a "BUY" rating.

2. **"AnandRathi Share and Stock Brokers Limited" by Anand Rathi. (November 2, 2022)**

The report suggests a positive outlook for Karnataka Bank, upgrading it to a Buy rating with a target price of Rs. 140. They anticipate improvements in various financial metrics, including net interest income and profitability. The report also highlights the bank's asset quality improvements and its focus on retail loans. It warns the risks such as competition in the retail sector and potential slippages.

3. **"A Comparative Study of Canara Bank and Karnataka Bank- A Case Study" by Shaila Kamath and Ramesh Pai. (September 2022)**

Both Canara Bank and Karnataka Bank experienced notable profit boosts linked to increased advances and deposits. Effective loan portfolio management and deposit attraction are crucial for profitability. However, excessive interest expenses on deposits may erode profits, necessitating balance. Imbalanced advance-to-deposit ratios can result in idle funds, diminishing overall profitability.

4. **A Study on Functional Analysis of Karnataka Bank with Reference to Financial Parameters. (January 2017)**

The study assesses Karnataka Bank's performance from 2011 and 2015, focusing on liquidity, profitability and efficiency. Over the period, there were fluctuations in cash reserves. High cost to income ratios remained a concern throughout the study period, suggesting a need for cost saving measures. Recommendations include improving working capital, increasing loan advances and adopting innovative customer retention strategies. Overall, it focuses on improvement in operational efficiency and cost management.

5. **"Inventure Growth & Securities Ltd" by Anshuman Jain and Denil Savla. (July 21, 2010)**

The report delves into Karnataka Bank's financial performance, noting steady growth and strategic investments, warranting a "BUY" recommendation. Emphasizing branch expansion and tech upgrades for future growth, the bank faces challenges in managing its loan portfolio effectively, evidenced by a sudden rise in net NPAs. Highlighted risks include non-performing assets and provisioning levels.

1.8 CHAPTER SCHEME

Chapter - I Introduction

Introduction - Topic of The Study - Statement of The Problem - Objective of The Study - Scope of The Study - Research Methodology - Literature Review - Chapter Scheme - Limitation of The Study

CHAPTER - II Conceptual and Theoretical Framework

Introduction - Meaning, Definition and Types of Financial Statements - Meaning and Definition of Financial Analysis - Purpose of Financial Statement Analysis - Types of Financial Statement Analysis - Techniques and Tools to Measure Financial Performance - Concept of Financial Performance - Why Is Ratio Analysis Important?

CHAPTER - III Company Profile

Introduction - History and Milestones of Bank - Mission, Vision and Values - Logo and Slogan - Operations and Services Offered - Award and Recognitions - Board of Directors - Listing and Shareholding

CHAPTER - IV Data Analysis and Interpretation

Data Analysis - Table - Chart - Interpretation

CHAPTER - V Findings, Suggestions and Conclusion

Findings - Suggestions - Conclusion

1.9 LIMITATION OF THE STUDY

- Limited data from 2020 to 2023 makes forecasting future conditions challenging. (The 2023-24 annual report was not published during the research)
- Excluding external factors like regulatory changes from the analysis will affect prediction accuracy.
- The quality of the annual report (FRQ) directly affects data reliability and comprehensiveness, because the accounting framework cannot prevent manipulation.
- There might be errors in the data collected, which will affect drawn conclusions.
- Investors have diverse objectives. This research may complicate a unified understanding of the findings, suggestions and conclusions.

CHAPTER – II

CONCEPTUAL AND THEORETICAL FRAMEWORK

CHAPTER – II

CONCEPTUAL AND THEORETICAL FRAMEWORK

2.1 INTRODUCTION

Analysis is a simplification of complexity of financial statements. In short, financial analysis is to diagnose the information contained in financial statements so as to judge the profitability and financial soundness of the firm. Financial statement basically records facts and summarises as per accounting concepts and conventions on true assumptions and personal judgement at the end of accounting period.

2.2 CONCEPT OF STOCK MARKET

Understanding the dynamics of the stock market and the fundamentals of investing is crucial for anyone looking to participate in financial markets effectively. The process begins with the primary market, where companies raise capital either through private placements or by issuing an IPO. **Private placements** involve negotiating with financial institutions like banks to buy shares directly, suitable for smaller funding requirements. On the other hand, an **Initial public offer** (IPO) is the initial offering of shares to the public, allowing a company to transition from private ownership to becoming publicly traded. This step not only raises substantial capital but also enhances the company's visibility and liquidity.

Once a company's shares are listed on stock exchanges such as the NSE (National Stock Exchange) or BSE (Bombay Stock Exchange) in India, they enter the secondary market. Here, investors trade these shares based on their perceived value, influenced by factors such as company performance, market demand, economic conditions and industry trends. The price of shares fluctuates dynamically, reflecting changes in demand and supply as well as broader economic indicators.

Shares represent ownership in a company, entitling shareholders to a portion of its profits and assets. Investors can hold shares in electronic form through dematerialized accounts (demat accounts), managed by depository participants like CDSL and NSDL. This system eliminates the risks and complexities associated with physical share certificates, providing a secure and efficient way to trade and manage investments. It is trusted because Securities Exchange Board of India (SEBI) regulates this process. SEBI provides all the guide lines to the companies, stock exchanges and the public.

Market environment plays a crucial role in determining stock prices. A bullish market signifies optimism and expectations of rising prices, driven by positive economic indicators, company earnings growth, or market trends. a bearish market indicates pessimism and expectations of price declines, influenced by factors such as economic downturns, geopolitical tensions, or poor corporate performance.

Benchmark indices like the NIFTY and SENSEX serve as indicators of overall market performance, comprising the most actively traded stocks on their respective exchanges. These indices help investors gauge the market's health and direction, providing benchmarks against which individual stock performance can be measured.

Investors employ various strategies to analyses stocks and make informed decisions. **Technical analysis** involves studying historical price charts and trading volumes to forecast future price movements, using tools like moving averages and chart patterns. **Fundamental analysis**, on the other hand, evaluates a company's financial statements, management quality, competitive advantages, and industry position to assess its intrinsic value and growth prospects.

Trading in the stock market involves buying shares to acquire ownership in companies and selling them to realize profits or cut losses. Orders are executed through brokerage firms, which match buyers and sellers electronically. This process is essential for maintaining market liquidity and ensuring fair pricing based on supply and demand dynamics.

Understanding these foundational concepts empowers investors to navigate the complexities of the stock market confidently. By staying informed about market trends, conducting thorough research, and utilizing analytical tools, investors can make well-informed investment decisions aligned with their financial goals and risk tolerance.

2.3 MEANING, DEFINITION AND TYPES OF FINANCIAL STATEMENTS

Meaning:

Financial statements are like mirror which reflects the financial position and operating strength or weakness of the concern. It is also called SWOT analysis of the business. It means to know the financial **strength** identify **weakness** explore the **opportunities** and meet the **threats**.

Definition:

The American institute of certified public accountants (**AICPA**) define, "Financial statements are prepared for the purposes of presenting a periodical review or report by the management and deal with status of the investment in the business and the results achieved during the period under review".

TYPES OF FINANCIAL STATEMENTS: (GAAP)

1. Profit and loss account (i.e. Income statement)
2. Balance sheet (i.e. financial statement).
3. cash and fund flow statements.

2.4 MEANING AND DEFINITION OF FINANCIAL ANALYSIS

Meaning:

Analysis of a financial statement is a study of relationships among different components of financial activities of a business enterprise as has been disclosed in financial statements.

Definition:

According to stock exchange official directory, "The first step in the analysis is to re-organise the data in these financial statements and make it more understandable and meaningful by simplification, re-grouping and rearrangement".

2.5 PURPOSE OF FINANCIAL STATEMENT ANALYSIS

Financial statement analysis serves as the foundation for informed decision making in the investment world by evaluating profitability, measuring liquidity, assessing solvency, analyzing efficiency, understanding growth potential, monitoring cash flow and identifying risk and opportunities.

From the perspective of investors, financial statement analysis is indispensable for making sound investment decisions. It delves into how investors influence financial data to assess the essential value of a company's stock and helps to forecast future performance. Beyond investors, various stakeholders rely on financial statement analysis to fulfill their respective objectives. Creditors evaluate a company's ability to repay debts, regulators ensure compliance with standards and shareholders monitor financial performance. By scrutinizing trends and patterns, stakeholders can anticipate challenges and capitalize on emerging prospects, fostering flexibility and growth.

By pinpointing areas for improvement, optimizing resource allocation and identifying avenues for expansion, companies can enhance competitiveness and drive sustainable growth.

2.6 TYPES OF FINANCIAL STATEMENT ANALYSIS

Financial Statement analysis can be classified into different categories on different basis. Following two bases are considered. As this report is in the perspective of investors.

1. On the basis of Users

- External analysis
- Internal analysis

2. On the basis of Objective

- Short term analysis
- Long term analysis

External analysis

This analysis is undertaken by the outsiders of the business namely investors, credit agencies, government agencies and other creditors who have no access to the internal records of the company. They mainly use published financial statements for the analysis and it serves limited purposes.

Internal analysis

This analysis is undertaken by the persons namely executives and employees of the organization or by the officers appointed by government or court who have access to the books of accounts and other information related to the business.

Short-term analysis

This analysis is made to determine the short-term solvency of the business. Ratio analysis is the main tool employed for short term analysis.

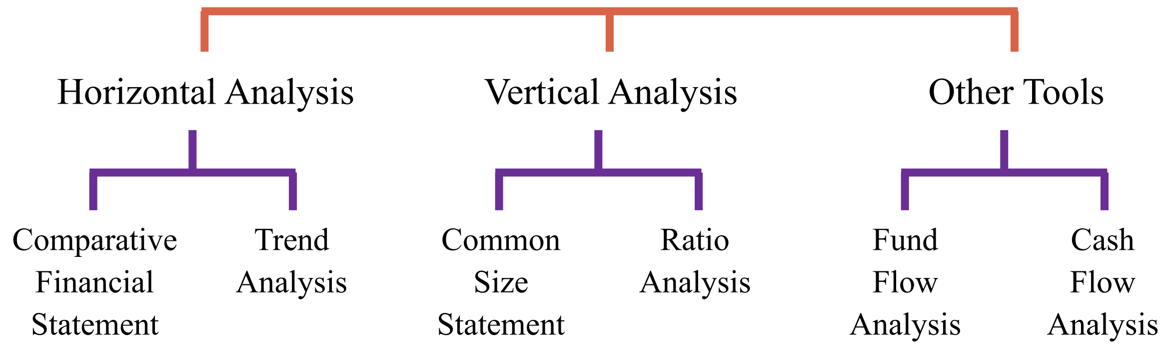
Long-term analysis

This analysis is made to determine the long-term solvency and financial stability of the business. This analysis helps the management and investors to prepare long term financial and investment plan.

2.7 TECHNIQUES TO MEASURE FINANCIAL PERFORMANC

Some of the techniques used for analyzing financial statement are as follows.

Financial analysis Techniques



1. Comparative Financial Statement

According to A.F. Foulke, "Comparative financial statements are statements of the financial position of a business so designed as to provide time prospective to the consideration of various elements of financial position embodied in such statements".

Comparative financial statements are statements which help in determining the profitability of the business by comparing financial data from two or more accounting periods.

2. Trend Analysis

Comparison of past data over a period of time with a base year is known as trend analysis. Each item in the base year is taken as 100 and, on that basis, trend analysis for the corresponding items in the other years are calculated. They provide a horizontal analysis of comparative statements and reflect the behavior of various items with the passage of time.

3. Common Size financial statements

Common size financial statements are those in which figures reported are converted into percentages to some common base. For this, items in the financial statements are presented as percentages or ratios to total of the items and a common base for comparison is provided. Each percentage shows the relation of the individual item to its respective total.

4. Ratio analysis

The relationship between two accounting figures expressed mathematically is known as a financial ratio. An analysis of financial statements with the help of 'ratio' is called Ratio Analysis. Ratio analysis is an instrument of diagnosis for the financial health of an enterprise, that is efficiency of the enterprise.

5. Fund flow statement

Foulke defines, "A statement of sources and application of fund is a technical device designed to analyse the changes in the financial conditions of a business enterprise between two dates".

The fund flow statement describes the sources from which additional funds were derived and the uses to which these funds were put.

6. Cash flow Statement

Cash flow means actual movement of cash in and out of an enterprise. A statement of changes in the financial position of firm on cash basis is called a cash flow statement. Cash flow statement is analysis of movement of cash i.e. inflows and outflows of cash into end from a firm in a given period of time. This shows changes in cash position.

2.8 CONCEPT OF FINANCIAL PERFORMANCE

Financial performance reflects the effectiveness of management in utilizing resources, generating revenue, controlling costs and maximizing shareholders value. It provides insights into the company's competitive position, growth potential and ability to adapt to changing market conditions. Ultimately, it serves as a crucial barometer of the company's overall health and success in achieving its financial goals.

2.9 WHY IS RATIO ANALYSIS IMPORTANT?

A ratio is arithmetical expression of the relationship of one number in terms of another. It is calculated by dividing one item of relationship with the other.

Ratio analysis provides significant information to stakeholders, identifies risks, opportunities and provides a systematic framework for financial statement interpretation. Also, it enhances transparency, accountability and informed decision-making in the world of business as well as trading.

Ratio can be expressed in three ways:

1. Time or rate
2. Percentage
3. Pure ratios or proportions

Advantages of Ratio Analysis

- It shows the efficiency, market performance which helps in planning and budgeting.
- They diagnose the financial health by evaluating liquidity, solvency, profitability.
- Plays a significant role in cost accounting, financial accounting, budgetary control and auditing.
- It helps in the identification, tracing and fixing of the responsibilities of managerial personnel at different levels.

Disadvantages of Ratio Analysis

- It is based on historical data which can be incomplete, manipulated, inaccurate so it has a limited scope.
- It only focuses on financial facts and does not consider non-financial factors such as customer satisfaction, employee morale and brand image.
- They do not take into account the real values of various items involved. Thus, the technique is not realistic in its approach.
- Comparisons of performance on the basis of ratios may be confusing.

- Ratio analysis is only a technique for making judgements and not a substitute for judgement.

Ratios are interested by number of parties like creditor, shareholders, management and so on. Different parties are interested in different ratios. It can be classified on different basis. It also differs when the objective of usage is different for different users. But this report is focused only on those ratios which are most essentially considered while buying shares of a listed Banking Sector Company.

Below are the important ratios considered while buying shares of a listed banking sector company in stock exchange.

1. Provisioning Coverage Ratio
2. Capital Adequacy Ratio
3. Current Account Saving Account Ratio
4. Net Interest Margin Ratio
5. Price to Book Ratio
6. Return on Equity Ratio
7. Earnings Per Share Ratio
8. Debt to Equity Ratio
9. Dividend Yield
10. Price to Earnings Ratio
11. Tier-1 Leverage Ratio
12. Loans to Deposit Ratio
13. Cost to Income Ratio
14. Return on Assets Ratio
15. Net Profit Margin Ratio
16. Gross Non-performing Assets Ratio
17. Net Non-performing Assets Ratio

1. Provisioning Coverage Ratio (PCR)

When a bank issues loans, it knows that some borrowers might default and not be able to repay the amount. To ensure that such defaults don't derail the bank's finances, it sets aside an amount every year for non-performing assets. This amount is called **provisions**.

PCR ratio tells, if the bank is helpless to NPAs or not. Ideally, this ratio should be 70% or higher, indicating that the bank has set aside enough provisions to cover potential losses from non-performing assets.

2. **Capital Adequacy Ratio (CAR)**

The ratio measures how much capital a bank have in comparison to its credit exposure. The CAR is enforced by banking regulators to ensure that banks don't take excess leverage and turn insolvent.

A high CAR indicates that the bank has enough capital to manage sudden losses. On the other hand, a low CAR indicates a bank that carries the risk of failure. The ideal ratio varies by regulatory requirements, but a common target is around 10-12%, ensuring the bank has sufficient capital to absorb losses.

3. **Current Account Savings Account (CASA) Ratio**

The CASA Ratio is the ratio of the deposits across current and savings accounts to the total deposits of the bank. A healthy CASA ratio is around 30-40%, indicating a stable source of low-cost funds for the bank. A high CASA ratio would mean that the bank has enough funds at a lower cost offering an opportunity to earn good profits. If it is low, then the bank might have to rely on more costly sources of funds.

4. **Net Interest Margin (NIM)**

A bank accepts deposits from customers at a lower rate and offers loans to borrowers at a higher rate. To understand the profitability and efficiency of a bank's investment decisions, we compute the Net Interest Margin Ratio. A higher NIM is generally desirable, with a typical range of 2-4%, indicating better profitability.

NIM offers a quick insight into the difference between the interest earned by a bank on loans as opposed to the interest paid on deposits. Banks with high NIM ratios tend to have low-cost deposits and/or high lending rates.

5. **Price to Book (P/B) Ratio**

It is the ratio of a company's share price to its book value. This is an excellent way of understanding the relationship between the market's perception of the bank's stocks and its book value. This ratio will reflect the bank's market value relative to its book value. A lower ratio may indicate an undervalued stock, while a higher ratio will suggest overvaluation.

6. **Return on Equity (ROE)**

It is a measure of profitability of a business in relation to its equity, calculated by dividing net income by shareholders' equity. The ideal ROE often targeted above 10-15%, indicating efficient use of shareholders' equity to generate profits.

7. **Earnings Per Share (EPS)**

Earnings Per Share indicates how much money a company makes for each share of its stock. Higher EPS indicates better profitability per share.

8. **Debt to Equity Ratio**

Debt to Equity Ratio is a percentage of the total liability of a company (debt) to its equity. A higher debt to equity means a company is using more debt funds than equity fund, a lower debt to equity means more equity than debt funds. A lower ratio, typically below 2 times, indicates a healthier balance between debt and equity financing, reducing financial risk.

9. **Dividend Yield**

Dividend yield percentage is the amount of money a company pays its shareholders for owing a share of its stock divided by its current stock price. This varies based on the bank's market conditions, but a healthy dividend yield often falls between 2-6%.

10. **Price to Earning (P/E) Ratio**

It is the ratio of a company's share price to its earnings per share. This ratio is used for valuing company and to find out whether they are overvalued or undervalued.

11. **Tier-1 Leverage Ratio**

A simple, a transparent, non-risk-based ratio which acts as a "backstop" measure to the risk-based capital requirements. It aims to constrain leverage buildup in banks, requiring a minimum ratio around 3.50%, signaling the bank's capacity to absorb losses with core capital.

12. **Loans to Deposit Ratio**

It is type of liquidity ratio which assesses a bank's total loans in relation to its total deposit. The ratio indicates the ability of the bank to meet its obligations. A balanced LDR is typically around 80-90%, indicating efficient use of deposits for lending while maintaining liquidity.

13. **Cost to Income Ratio**

It is calculated by dividing the operating expenses by operating income generated. Cost to Income Ratio determines the profitability of the bank. A lower ratio, typically below 50%, indicates better cost management and operational efficiency.

14. **Return on assets ratio (ROA)**

It is a financial metric that indicates the company's profitability in relation to its total assets. Investors use this ratio to analyze whether a company uses its assets efficiently to generate a profit. The ideal ROA varies, but it's often targeted above 1-2%, indicating efficient asset utilization and profitability.

15. **Net Profit Margin Ratio**

It measures how much net income or profit is generated as a percentage of revenue. It is the ratio of net profits to revenues for a company. A higher net profit margin, typically above 20%, indicates better profitability after accounting for all expenses

16. Gross Non-performing Assets Ratio

The loans offered by banks are the assets. If the borrower starts defaulting and reaches a stage where repayment of the loan is not possible, then the asset is said to be non-performing. Ideally, this ratio should be low, indicating a low proportion of non-performing loans relative to total loans.

17. Net Non-performing Assets Ratio

By subtracting the provisions from the GNPA we get net non-performing assets. NNPA ratio is calculated by dividing total NNPA by total assets. Similar to GNPA, a lower NNPA ratio is preferable, indicating fewer non-performing assets after considering provisions.

CHAPTER – 3

COMPANY PROFILE

3.1 INTRODUCTION

3.2 HISTORY AND MILESTONES OF BANK

3.3 MISSION, VISION AND VALUES

3.4 LOGO AND SLOGAN

3.5 OPERATIONS AND SERVICES OFFERED

3.6 AWARD AND RECOGNITIONS

3.7 BOARD OF DIRECTORS

3.8 SWOT ANALYSIS

3.9 LISTING AND SHAREHOLDING

CHAPTER – 3

COMPANY PROFILE

Karnataka Bank Ltd. at Mangalore

3.1 INTRODUCTION

In the field of wealth and economy, banks stand tall, their roots tangled with the heartbeat of commerce, echoing its call. They are the guardians of treasure, the keepers of gold, were money flows freely. Money plays a leading role in today’s life. Commercial transactions have increased in content and quantity from simple banker to international trading. Hence the need for a third party who will assist for smooth transaction, mediate between the seller and buyer. That third party is “Banker”. Such mediating agencies gave birth to the concept of “Banks” and “Banking”. The banking industry plays a dynamic role in the economic development of the country. The growth story of an economy depends on the power of its banking industry.

3.2 HISTORY AND MILESTONES OF BANK

Karnataka Bank Limited, a leading ‘A’ Class Scheduled Commercial Bank in India, was incorporated on 18th February 1924 at Mangalore, a coastal town of Dakshina Kannada district in Karnataka State. Among the founders, who created the bank to serve the South Canara region, was **B. R. Vysaray Achar** and **K. Suryanarayana Adiga,** served as the chairman from 1958 to 1979. Karnataka Bank Limited achieves and celebrates 100 years of excellence and many awards till date. The branches are available in 22 Indian states and 2 Union Territories.

Karnataka Bank Ltd., founded in 1924 by Late Shri B. R. Vyasarayachar, began with 25,000 equity shares in 1952. It upgraded to 'C' class in 1958. In 1964, it acquired Chitaldurg Bank Ltd., followed by Bank of Karnataka Ltd., Hubli in 1966. Over the years, it issued additional equity shares, introduced Quick Remit in 2008 a facility to make money transfers easy for Non-Resident Indians living in Canada, United States and the UK and ventured into agreements with Indian Railways and insurance companies. In 2011 it offers Online Trading Services. In 2020, it issued bonus shares and expanded its insurance product distribution network.

3.3 MISSION AND VISION

Mission is to be a technology savvy, customer centric progressive bank with a national presence, driven by the highest standards of corporate governance and guided by sound ethical values.

Vision is to be a progressive, prosperous and well governed bank.

3.4 LOGO AND SLOGAN

"Your Family Bank Across India"

Karnataka Bank Ltd.
Your Family Bank. Across India.

3.5 OPERATIONS AND SERVICES OFFERED

Karnataka Bank Limited operates branches in 22 Indian states and 2 Union Territories. In 2008, it launched Quick Remit for NRIs in Canada, US and UK, alongside its 24-hour internet banking service, MoneyClick. The bank's business areas include Treasury, Corporate/Wholesale Banking, Retail Banking and Other Banking Operations. It offers a range of banking products such as savings and current accounts, loans, cards, insurance, investments, remittance services, forex services and agricultural loans. Additionally, it provides services like internet banking, mutual funds, demat services, locker facility and funds transfer services.

3.6 AWARD AND RECOGNITIONS

- Special award for the effective use of information technology in 2009.
- ASSOCHAM SMEs Excellence Award, 2018.
- ET NOW BFSI Awards, 2018.
- IBA Banking Technology Awards, 2018.

- ET Business Excellence Award in 2019 for outstanding banking services.
- Indian Banks Association (IBA) Technology Award, 2022.
- Prathista Puraskar - Digidhan Award, 2023.

3.7 BOARD OF DIRECTORS

1. Srikrishnan Hari Hara Sarma (C.E.O. & M.D)
2. Mr. P. Pradeep Kumar (Part Time Chairman and Independent Director)
3. Mr. Sekhar Rao (Executive Director)
4. Mr. B. R. Ashok (Non-Executive Director)
5. Justice A. V. Chandrashekar (Independent Director)
6. Mrs. Uma Shankar (Independent Director)
7. Dr. D. S. Ravindran (Independent Director)
8. Mr. Balakrishna Alse S. (Independent Director)
9. Mr. Jeevandas Narayan (Independent Director)
10. Mr. Kalmanje Gururaj Acharya (Independent Director)
11. Mr. Harish H V (Independent Director)

3.8 SWOT ANALYSIS

Strengths

- Consistent Highest Return Stocks over Five Years – Nifty50
- Company with Low Debt
- Increasing Revenue every quarter for the past 3 quarters
- Company able to generate Net Cash - Improving Net Cash Flow for last 2 years
- Annual Net Profits improving for last 2 years
- Book Value per share Improving for last 2 years
- Company with Zero Promoter Pledge
- FII / FPI or Institutions increasing their shareholding
- MFs increased their shareholding last quarter

Weakness

- Red Flag: High Interest Payments Compared to Earnings
- Low Piotroski Score: Companies with weak financials
- Sell Zone: Stocks in the sell zone based on days traded at current PE and P/BV
- Stocks Underperforming their Industry Price Change in the Quarter

Opportunity

- Brokers upgraded recommendation or target price in the past three months
- Street Favourite: High Analyst Rating with at least 20% upside
- PEG lower than Industry PEG (Price/Earnings to growth ratio)
- Relative Outperformance versus Industry over 1 Week
- Decrease in NPA in recent results
- Stock with Low PE (PE < = 10)

Threats

- Increasing Trend in Non-Core Income
- Increase in Provisions in Recent Results

3.9 LISTING AND SHAREHOLDING

Karnataka Bank's shares are listed on NSE and BSE, face value of Rs. 10. With a view to maintain a healthy capital position, bank raised capital funds by issuing subordinated debt instruments (i.e., Unsecured Non-Convertible Subordinated (Lower Tier-2) BASEL III Debt Instruments) as part of Tier-2 Capital under different series by private placement. These are listed on National Stock Exchange of India Ltd. (NSE).

Listing Code

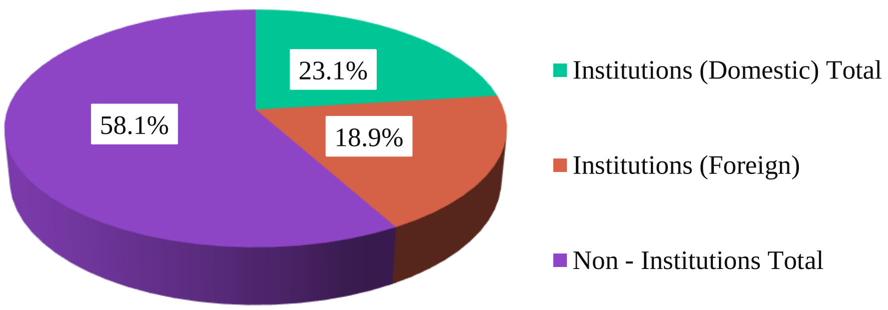
Equity

- BSE Code 532652
- NSE Code KTKBANK

Bonds

- NSE Debt segment

Shareholding pattern (March 2024)



CHAPTER – 4

DATA ANALYSIS AND INTERPRETATION

4.1 DATA ANALYSIS

4.2 TABLE

4.3 CHART

4.4 INTERPRETATION

CHAPTER – 4

DATA ANALYSIS AND INTERPRETATION

4.1.1. Provisioning Coverage Ratio (PCR)

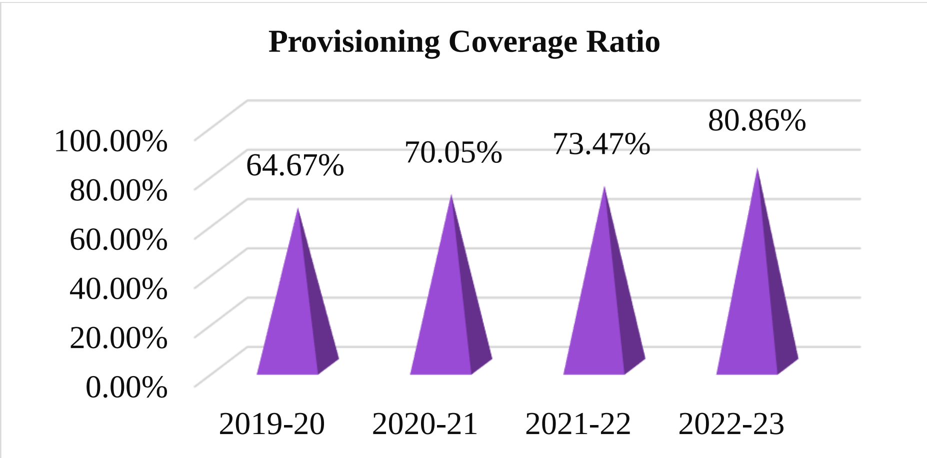
$$\text{PCR} = \frac{\text{Total Provisions}}{\text{Gross NPAs.}}$$

Table 4.2.1: Provisioning Coverage Ratio **₹ in crores**

Years	Total Provisions (₹)	Gross Non-Performing Assets (₹)	PCR (%)
2019-20	1810.71473	2799.93	64.67
2020-21	1813.17420	2588.40	70.05
2021-22	1653.67745	2250.82	73.47
2022-23	1854.04703	2292.91	80.86

(Source: Annual Reports 2019-2020 to 2022-2023)

Chart 4.3.1



Interpretation:

From the above table and graph, it can be analyzed that the gradual increase in the PCR from 64.67% to 80.86% indicates a consistent approach in enhancing the financial safeguards against non-performing assets, reflecting a sound risk management strategy.

4.1.2. Capital Adequacy Ratio (CAR)

$$CAR = \frac{(\text{Tier-1 Capital} + \text{Tier-2 Capital})}{\text{Risk Weighted}}$$

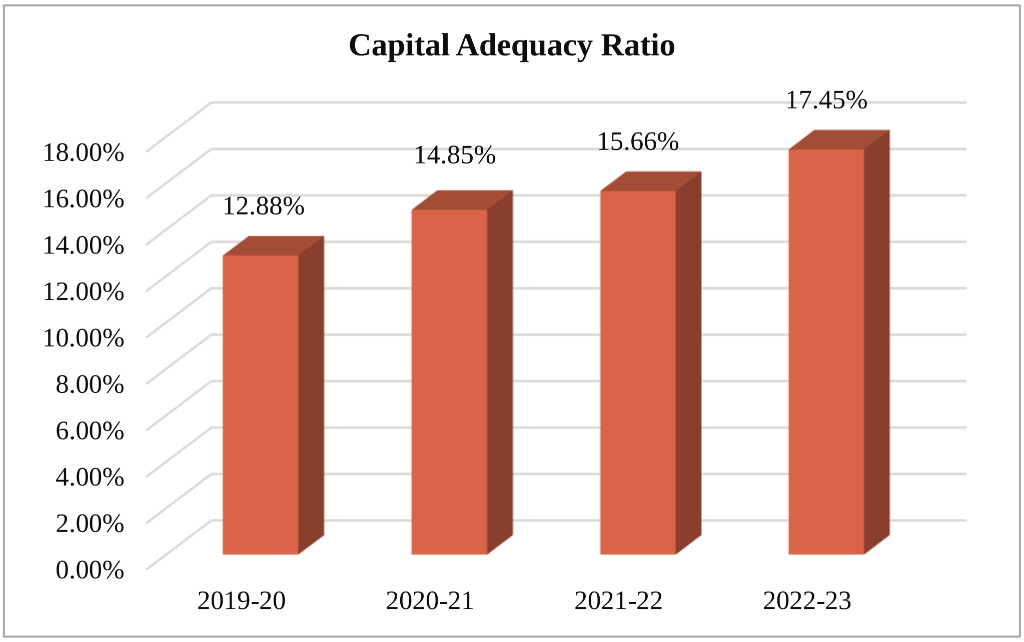
Table 4.2.2: Capital Adequacy Ratio

₹ in crores

Years	Tier-1 Capital (₹)	Tier-2 Capital (₹)	Risk Weighted (₹)	CAR Ratio (%)
2019-20	5734.66290	1054.17	52708.33	12.88
2020-21	6142.65209	1246.65	49759.61	14.85
2021-22	6560.21190	1560.35	51855.44	15.66
2022-23	7572.66255	1741.87	53378.41	17.45

(Source: Annual Reports 2019-2020 to 2022-2023)

Chart 4.3.2



Interpretation:

Bank's Comparative Financial Statement is above ideal percentage 11.50%. The steady increase (12.88% < 17.45%) in the CAR over the four years is a positive sign. The bank is becoming stronger to potential financial shocks and is in a better position to manage its obligations.

4.1.3. Current Account Saving Account Ratio (CASA Ratio)

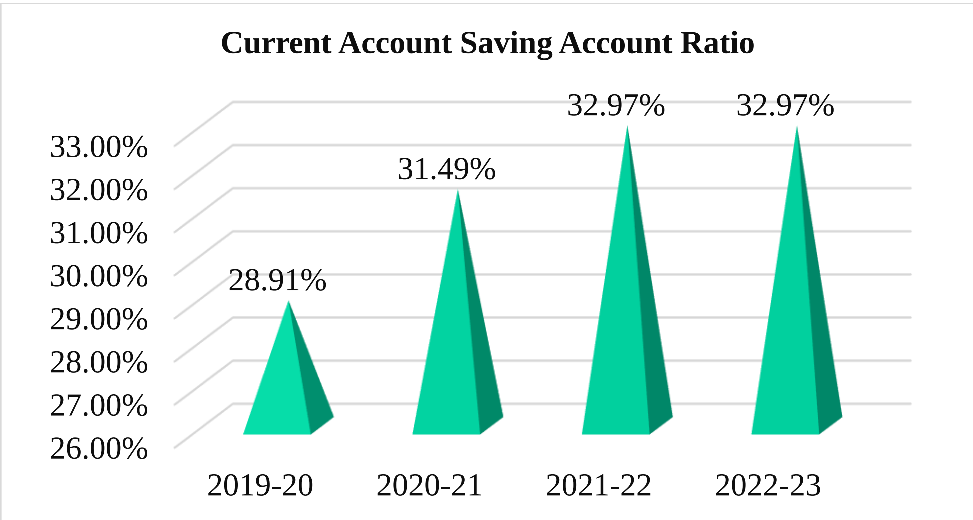
$$\text{CASA} = \frac{\text{Current Account + Savings Account}}{\text{Total Deposit}}$$

Table 4.2.3: Current Account Saving Account Ratio **₹ in crores**

Years	Current A/C (₹)	Savings A/C (₹)	Total Deposit (₹)	CASA Ratio (%)
2019-20	4164.40357	16588.683	71785.15	28.91
2020-21	4822.69680	19001.063	75655	31.49
2021-22	4830.71445	21672.830	80386.85	32.97
2022-23	5313.75290	23491.480	87368.01	32.97

(Source: Annual Reports 2019-2020 to 2022-2023)

Chart 4.3.3



Interpretation:

The growth from 28.91% to 31.49% in CASA ratio reflects the bank's enhanced efficiency in attracting low-cost deposits. Stabilizing at 32.97%, it shows a sustained strategy, indicating a strong deposit mix and improved financial performance. The stabilization of the ratio in the last two years could indicate a sustained strategy to maintain a healthy mix of deposit types.

4.1.4. Net Interest Margin Ratio (NIM Ratio)

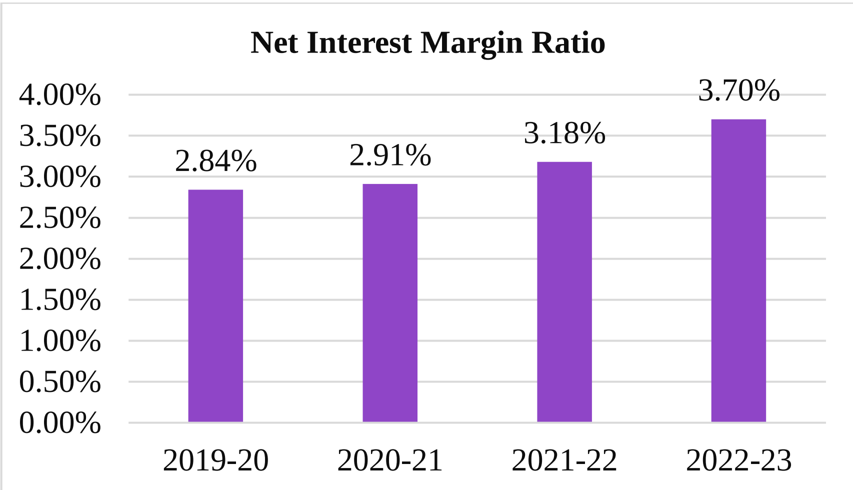
$$\text{NIM} = \frac{\text{Income from Investments - Interest Expenses}}{\text{Average Earning Assets}}$$

Table 4.2.4: Net Interest Margin Ratio **₹ in crores**

Years	Income from Investment (₹)	Interest Expenses (₹)	Average Earning Assets (₹)	NIM Ratio (%)
2019-20	6474.77	4444.41	71491.46	2.84
2020-21	6232.41	4049.22	75023.97	2.91
2021-22	6221.66	3730.63	78334.39	3.18
2022-23	7220.23	4035.13	86083.82	3.70

(Source: Annual Reports 2019-2020 to 2022-2023)

Chart 4.3.4



Interpretation:

The Net Interest Margin ratio of past four years show a steady increase from 2.84% to 3.70%, indicating an improving interest income efficiency relative to the bank's earning assets. The slight uplift from 2.84% to 2.91% suggests marginal growth, while the jump to 3.18% and 3.70% in subsequent years reflects a stronger expansion in net interest earnings.

4.1.5. Price to Book Ratio (P/B Ratio)

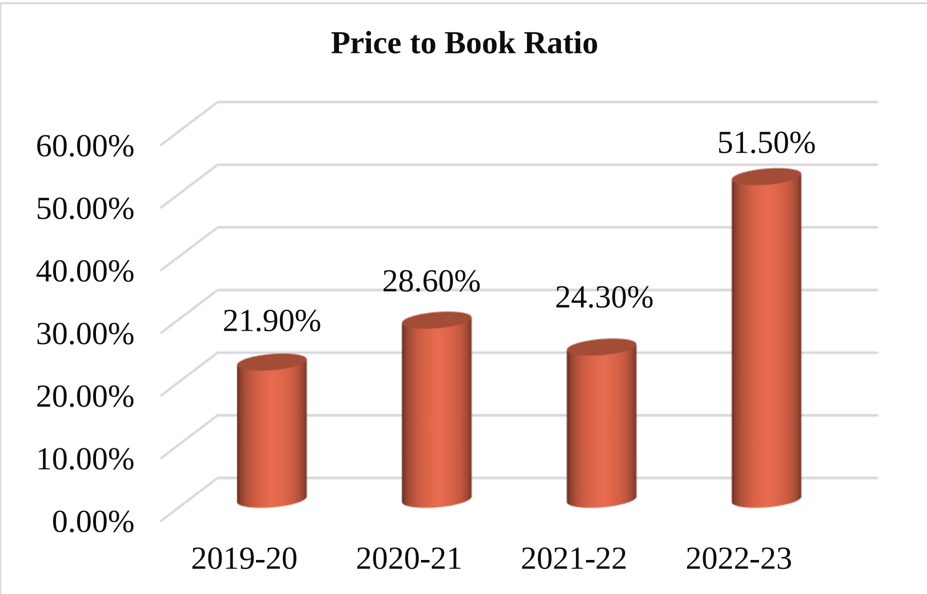
$$\text{P/B Ratio} = \frac{\text{Market Price per Share}}{\text{Book Value per Share}}$$

Table 4.2.5: Price to Book Ratio **₹ in crores**

Years	Market Value Per Share (₹)	Book Value of Shares (₹)	P/B Ratio (%)
2019-20	42.06114	192.06	21.90
2020-21	61.10962	213.67	28.60
2021-22	55.40643	228.01	24.30
2022-23	135.4244	262.96	51.50

(Source: Annual Reports 2019-2020 to 2022-2023)

Chart 4.3.5



Interpretation:

P/B ratio 21.90% and peaking at 51.50% suggests an improved financial performance, leading to a higher valuation of the company's stock relative to its book value. The variation from 28.60% to 24.30% and then to 51.50% reflects changes in investor perception, earnings growth and adjustments in the company's asset value.

4.1.6. Return on Equity Ratio (ROE Ratio)

$$ROE = \frac{\text{Net Income}}{\text{Shareholders' Equity}}$$

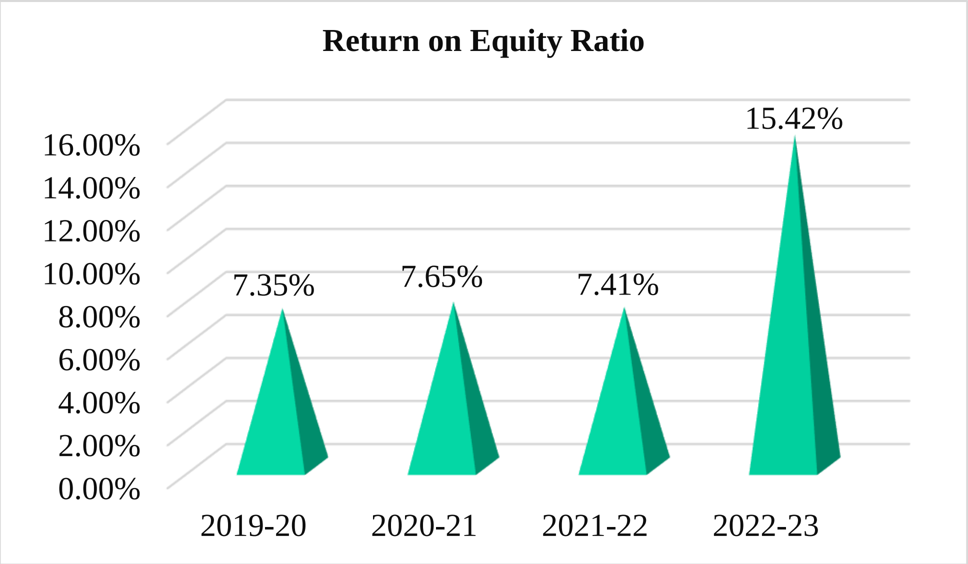
Table 4.2.6: Return on Equity Ratio

₹ in crores

Years	Net Profit After Interest and Tax (₹)	Shareholders Fund (₹)	ROE Ratio (%)
2019-20	431.8	5970.44	7.35
2020-21	482.5	6642.36	7.65
2021-22	508.6	7094.73	7.41
2022-23	1177.3	8213.36	15.42

(Source: Annual Reports 2019-2020 to 2022-2023)

Chart 4.3.6



Interpretation:

The ROE ratios show a general stable performance with financial figures of 7.35%, 7.65% and 7.41% from 2019-20 to 2021-22 respectively indicating consistent profitability over time. The notable increase to 15.42% suggests a significant improvement in financial efficiency, reflecting a stronger return on shareholders' equity.

4.1.7. Earnings Per Share Ratio (EPS Ratio)

$$EPS = \frac{\text{Net Profit Available for Equity Shareholders}}{\text{Number of Equity Shares}}$$

Table 4.2.7: Earnings Per Share Ratio

Years	Net Profit Available for Equity Shareholders (₹)	Number of Equity Shares	EPS (₹)
2019-20	4317979980	310869689	13.89
2020-21	4824697573	310869689	15.52
2021-22	5085828112	310869689	16.36
2022-23	11772635122	310869689	37.87

(Source: Annual Reports 2019-2020 to 2022-2023)

Chart 4.3.7

Interpretation:

Earnings per share of Karnataka Bank from ₹13.89 to ₹16.36, represents the increase in earnings per share in three years. But EPS in 2022-23 ₹37.87, reflects a substantial earnings per share. It attracts investors.

4.1.8. Debt to Equity Ratio

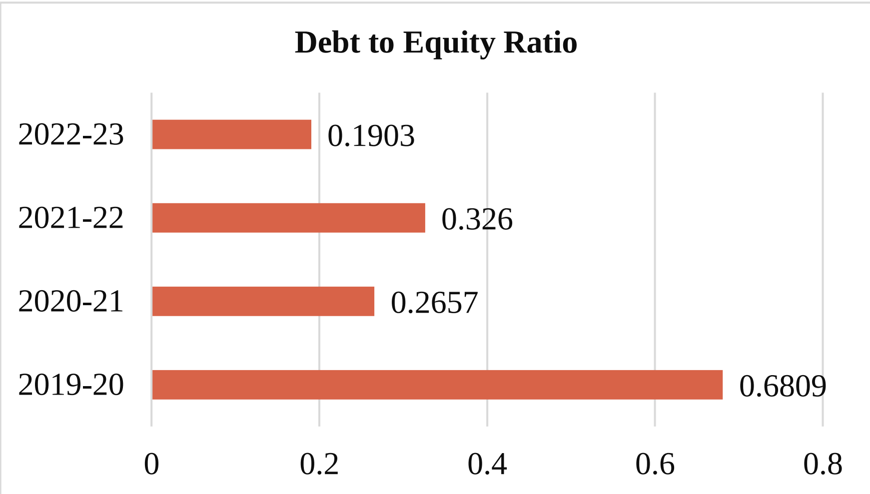
$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Shareholders' Equity}}$$

Table 4.2.8: Debt to Equity Ratio **₹ in crores**

Years	Total Debts (₹)	Shareholders Fund (₹)	Debt to Equity Ratio (%)
2019-20	4065.27	5970.44	0.68
2020-21	1764.88	6642.36	0.26
2021-22	2312.88	7094.73	0.35
2022-23	1563.00	8213.36	0.19

(Source: Annual Reports 2019-2020 to 2022-2023)

Chart 4.3.8



Interpretation:

The debt-equity ratios 0.68%, 0.26%, 0.35% and 0.19% indicates very low level of debt compared to equity, suggesting the companies are conservatively financed and potentially less risky for investors. But low debt-equity ratio means the company is not able to raise funds from outsiders. Which means the company is not able to benefit from its increasing profit. Debt is quite cheaper as compared to equity. The company earnings will automatically be divided into numerous people, which will decrease the earnings of shareholders.

4.1.9. Dividend Yield

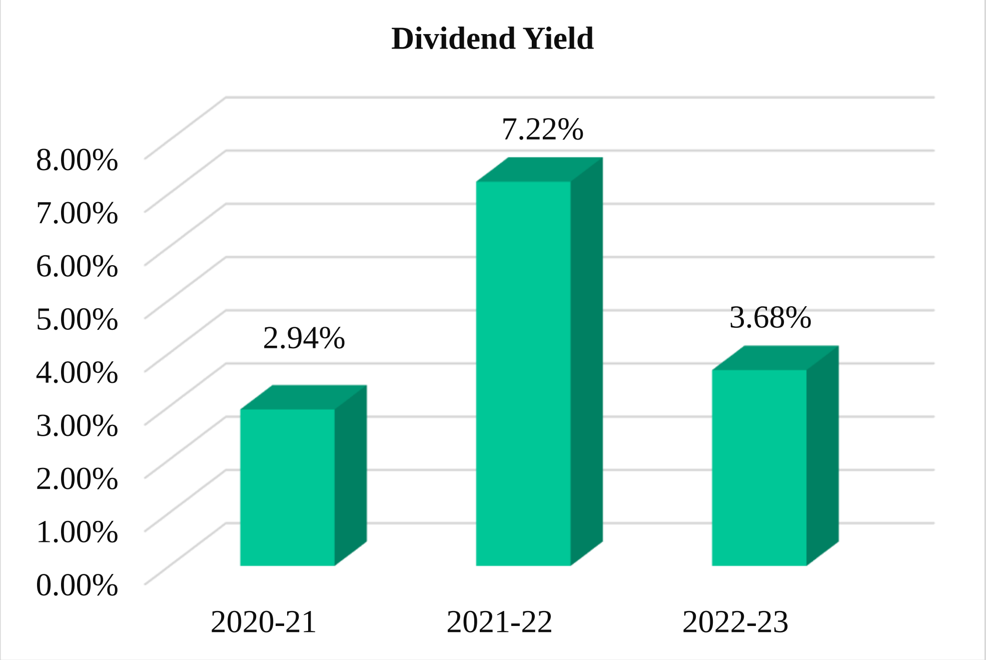
$$\text{Dividend Yield} = \frac{\text{Dividend Per Share}}{\text{Share Price}}$$

Table 4.2.9: Dividend Yield

Years	Dividend (₹)	Market Value Per Share (₹)	Dividend Yield (%)
2019-20	Nil	42.06	Nil
2020-21	1.8	61.11	2.94
2021-22	4	55.41	7.22
2022-23	5	135.42	3.68

(Source: Annual Reports 2019-2020 to 2022-2023)

Chart 4.3.9



Interpretation:

In 2019-20, RBI suggested not to distribute the dividends due to Covid-19. Further 2.94% dividend yield is solid, reflecting a balanced return without financial overreach. 7.22% is high, potentially profitable but warrants caution for sustainability. 3.68% suggests a good balance of shareholder income and company growth.

4.1.10. Price to Earnings Ratio (P/E Ratio)

$$\text{P/E Ratio} = \frac{\text{Market Share Price}}{\text{Earnings Per Share}}$$

Table 4.2.10: Price to Earnings Ratio

Years	Market Value Per Share (₹)	EPS (₹)	PE Ratio (in times)
2019-20	42.06	13.89	3.03
2020-21	61.11	15.52	3.94
2021-22	55.41	16.36	3.39
2022-23	135.42	37.87	3.58

(Source: Annual Reports 2019-2020 to 2022-2023)

Chart 4.3.10

Interpretation:

Price-to-earnings (P/E) ratio has shown a slight fluctuation, ranging from 3.03 times to 3.94 times. Despite minor variations, the ratio has generally remained within a narrow band, indicating relative stability in the company's valuation compared to its earnings.

4.1.11. Tier-1 Leverage Ratio

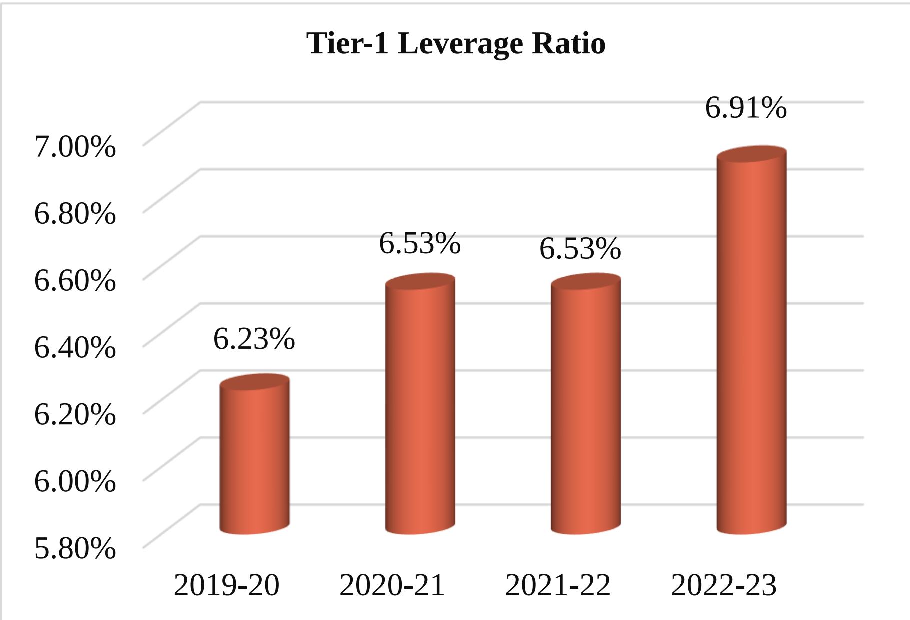
$$\text{Leverage Ratio} = \frac{\text{Tier-1 Capital}}{\text{Leverage Exposure}}$$

Table 4.2.11: Tier-1 Leverage Ratio **₹ in crores**

Years	Tier-1 Capital (₹)	Leverage Exposure (₹)	Leverage Ratio (%)
2019-20	5734.66	92049.16	6.23
2020-21	6142.65	93976.86	6.53
2021-22	6560.21	100400.50	6.53
2022-23	7572.66	109485.85	6.91

(Source: Annual Reports 2019-2020 to 2022-2023)

Chart 4.3.11



Interpretation:

The Tier-1 leverage ratios over the past four years comfortable as against the regulatory minimum requirement of 3.50%. Starting at 6.23% and rising to 6.91%, this suggests an expansion strategy. The consistent financial figures in 2021-22 and 2022-23 6.53% will imply a stabilization in the company's leverage before the uptick.

4.1.12. Loans to Deposit Ratio (LDR)

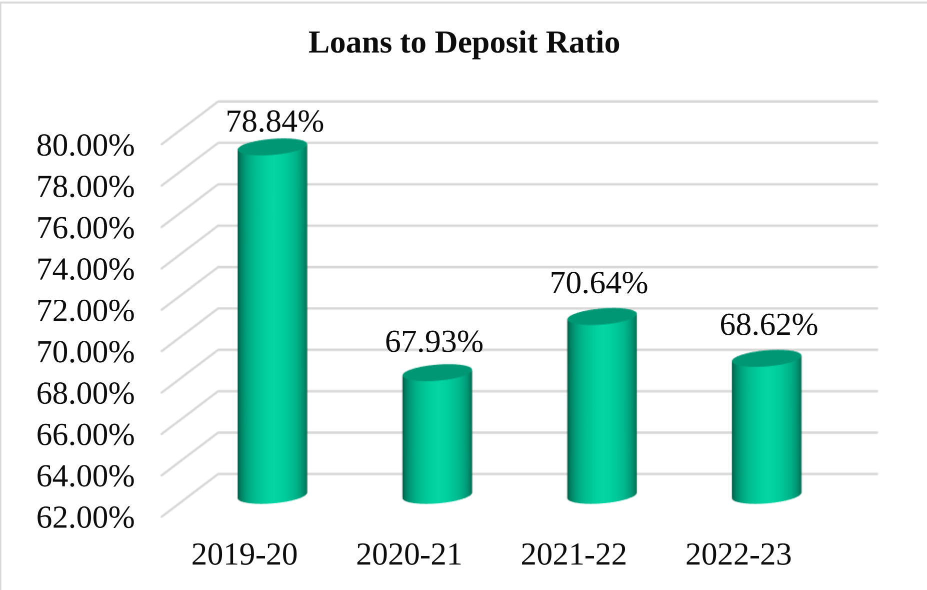
$$\text{LDR} = \frac{\text{Total Loans}}{\text{Total Deposits}}$$

Table 4.2.12: Loans to Deposit Ratio **₹ in crores**

Years	Total Loans (₹)	Total Deposit (₹)	Loans to Deposit Ratio (%)
2019-20	56594	71785.2	78.84
2020-21	51392	75655.0	67.93
2021-22	56785	80386.9	70.64
2022-23	59952	87368.0	68.62

(Source: Annual Reports 2019-2020 to 2022-2023)

Chart 4.3.12



Interpretation:

The loans to deposit ratio (LDR) 78.84% suggests that the bank is lending a high proportion of its deposits, which can indicate good profitability but may also imply higher risk. A lower LDR of 67.93% and 68.62% reflects a more conservative lending approach, potentially indicating a focus on stability and lower risk.

4.1.13. Cost to Income Ratio

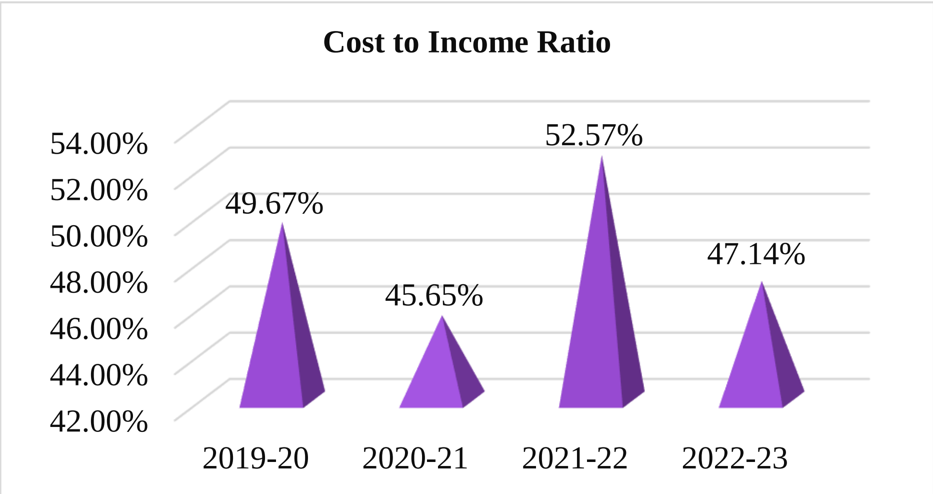
$$\text{Cost to Income Ratio} = \frac{\text{Operating Expenses}}{\text{Operating Income}}$$

Table 4.2.13: Cost to Income Ratio **₹ in crores**

Years	Operating Expenses (₹)	Operating Income (₹)	Cost to Income Ratio (%)
2019-20	1635.22	3292.16	49.67
2020-21	1679.23	3587.39	45.65
2021-22	1810.92	3444.91	52.57
2022-23	1969.45	4177.68	47.14

(Source: Annual Reports 2019-2020 to 2022-2023)

Chart 4.3.13



Interpretation:

The cost to income ratio data indicates fluctuations in the bank's operational efficiency over the past four years. The decrease from 49.67% to 45.65% suggests improved efficiency, but the subsequent rise to 52.57% indicates higher costs and lower income comparatively with other previous years. The latest financial figure of 47.14% shows a recovery.

4.1.14. Return on Assets Ratio (ROA Ratio)

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$$

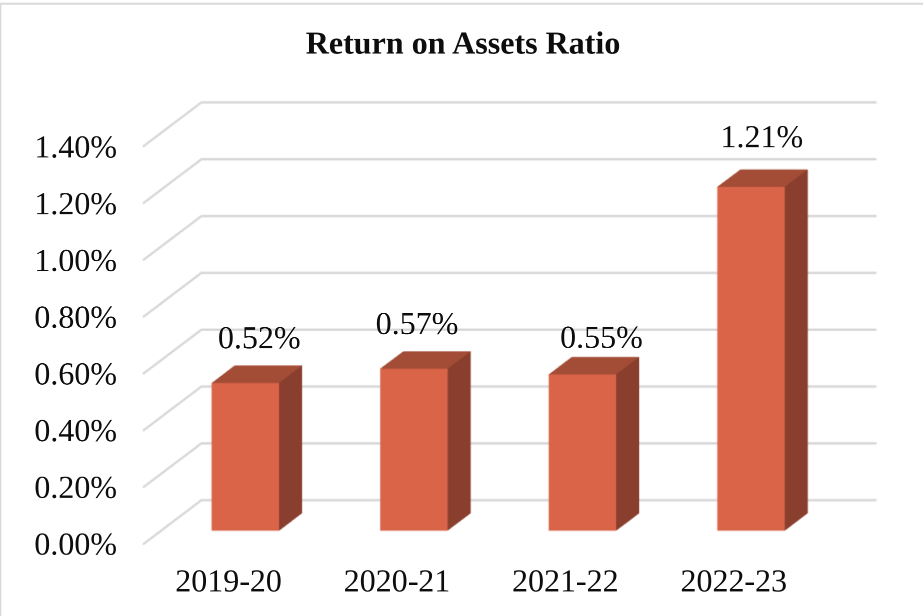
Table 4.2.14: Return on Assets Ratio

₹ in crores

Years	Net Income (₹)	Total Assets (₹)	ROA Ratio (%)
2019-20	433.230	83313.488	0.52
2020-21	487.814	85581.339	0.57
2021-22	503.708	91583.340	0.55
2022-23	1198.591	99057.120	1.21

(Source: Annual Reports 2019-2020 to 2022-2023)

Chart 4.3.14



Interpretation:

The ROA ratio of 0.52% in 2019-20 is a stable ratio, indicating a consistent percentage of assets relative to total earnings. And 0.57% is a slight increase. In 2021-22, 0.55% reflects a minor decrease. But in 2022-23 ROA ratio of 1.21% is a significant jump, indicating substantial asset growth and notable increase in earnings.

4.1.15. Net Profit Margin Ratio

$$\text{Net profit margin ratio} = \frac{\text{Net profit}}{\text{Net Revenue}}$$

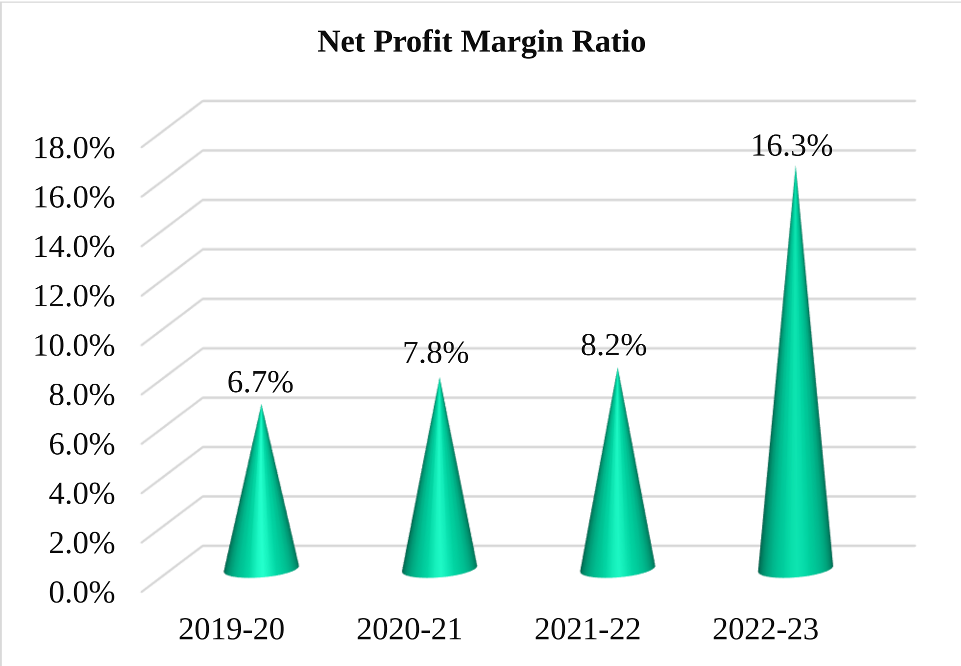
Table 4.2.15: Net Profit Margin Ratio

₹ in crores

Years	Net Profit After Interest and Tax (₹)	Net Revenue (₹)	Net Profit Margin Ratio (%)
2019-20	431.8	6464.1	6.7
2020-21	482.5	6209.8	7.8
2021-22	508.6	6225.2	8.2
2022-23	1177.3	7205.0	16.3

(Source: Annual Reports 2019-2020 to 2022-2023)

Chart 4.3.15



Interpretation:

The net profit margin ratios indicate a company's increasing profitability over the past four years, starting from 6.7% and showing a steady rise to 7.8% and 8.2%. This upward movement reflects effective cost management and potentially growing revenues. The significant jump to 16.3% in the last year suggests a substantial improvement in generating profit.

4.1.16. Gross Non-Performing Assets Ratio (GNPA Ratio)

$$\text{GNPA Ratio} = \frac{\text{Gross non-performing assets}}{\text{Total Loans}}$$

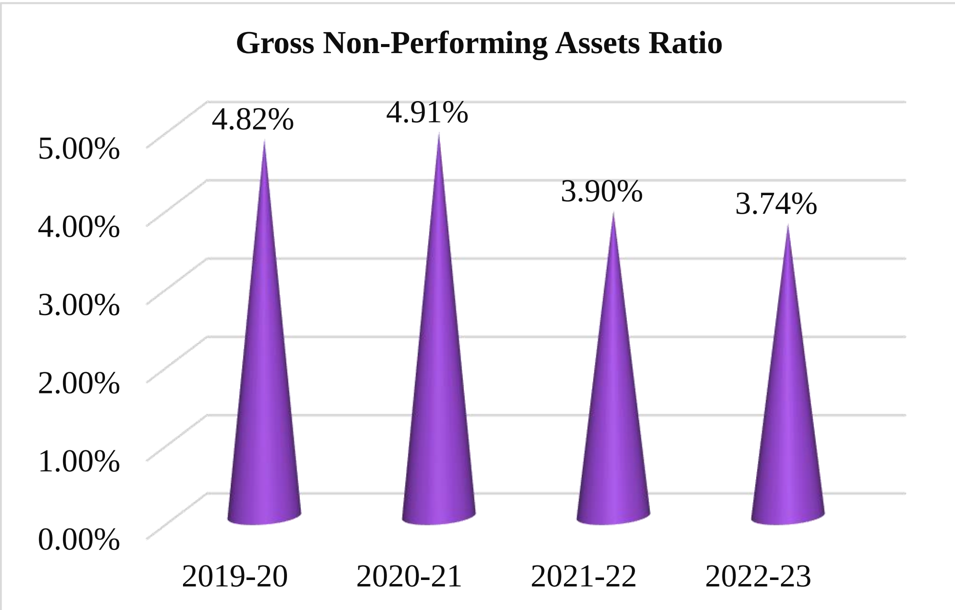
Table 4.2.16: Gross Non-Performing Assets Ratio

₹ in crores

Years	Gross non-performing assets (₹)	Total Loans (₹)	GNPA Ratio (%)
2019-20	2799.9	56594	4.82
2020-21	2588.4	51392	4.91
2021-22	2250.8	56785	3.90
2022-23	2292.9	59952	3.74

(Source: Annual Reports 2019-2020 to 2022-2023)

Chart 4.3.16



Interpretation:

The GNPA ratio, reflecting the percentage of non-repaid bank loans, showing a declining trend over four years starting at 2019-20 is 4.82%, peaking at 4.91% and then improving to 3.90% and 3.74%. This suggests enhanced loan recovery and stronger financial management within the bank, indicating an overall upturn in the bank's loan portfolio health.

4.1.17. Net Non-Performing Assets Ratio (NNPA Ratio)

$$\text{NNPA Ratio} = \frac{\text{Net non-performing assets}}{\text{Total Loans}}$$

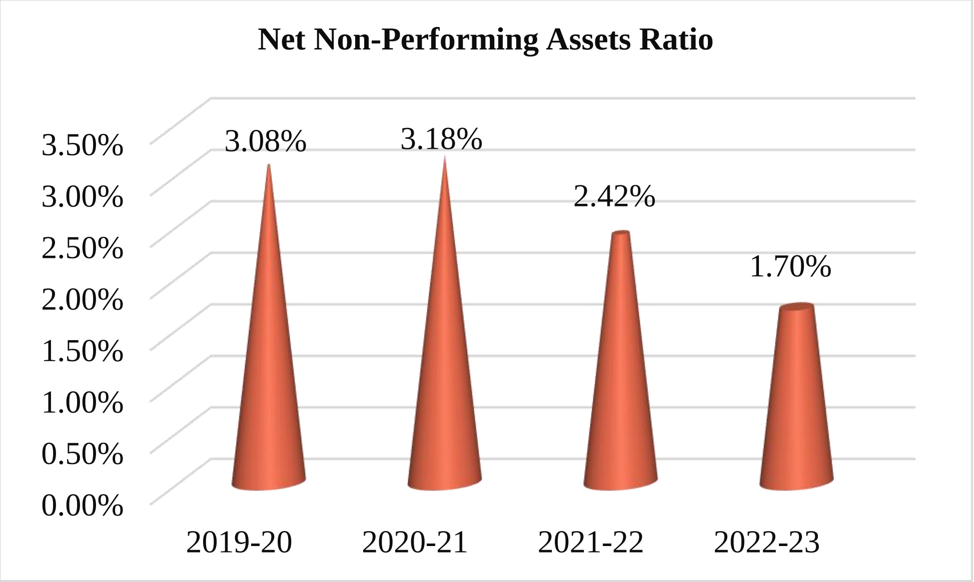
Table 4.2.17: Net Non-Performing Assets Ratio

₹ in crores

Years	Net Nonperforming assets (₹)	Total Loans (₹)	NNPA Ratio (%)
2019-20	1743.10	56594	3.08
2020-21	1634.25	51392	3.18
2021-22	1374.20	56785	2.42
2022-23	1019.18	59952	1.70

(Source: Annual Reports 2019-2020 to 2022-2023)

Chart 4.3.17



Interpretation:

The net non-performing assets (NNPA) ratio of the banking company showing a declining trend over the past four years. Starting from 2019-20 that is 3.08%, it peaked slightly at 3.18%, then decreased significantly to 2.42% and further to 1.70%. This suggests an improvement in the bank's asset quality and potentially better management of NPA.

CHAPTER – 5

FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS

5.2 SUGGESTIONS

5.3 CONCLUSION

CHAPTER – 5

FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS

The findings of the study are based on the ratio analysis, which provides insights into the bank's financial health, includes the following:

1. Karnataka Bank is steady at strong risk management strategy, reassuring the commitments to mitigate potential losses from NPAs and ensuring financial stability.
2. CAR consistently beats the standard percentage of 11.50%, showcasing the bank's potential to financial shocks and improved capacity to manage obligations.
3. The upward path of CASA ratio highlights efficacy in attracting low-cost deposits, indicative of improved operational efficiency, maintaining a healthy mix of deposit types, contributing to the bank's overall financial performance.
4. NIM ratio is an indication of improved financial performance and asset utilization.
5. The fluctuation in P/B ratio suggests improved financial performance and higher stock valuation relative to book value.
6. The notable increase in ROE, 15.42% in the most recent period indicates a significant improvement in financial efficiency. This implies that the bank has become more expert at generating profits. from shareholders' equity, which is a positive sign for investors.
7. Karnataka Bank's increasing EPS reflects the bank's profitability and attracts investors.
8. The consistently low debt-equity ratios of Karnataka Bank indicate conservative financing and lower risk for investors.
9. Dividend yield reflects a balanced return to shareholders without overextending financially.
10. Despite minor fluctuations in P/E ratio, the bank has generally remained within a fine band. This indicates a relative stability in the company's valuation when compared to its earnings.
11. The bank's Tier-1 Leverage Ratio indicates a strong financial position and ability to absorb potential losses.
12. The LDR of Karnataka Bank suggests a balance between profitability and risk, with a high proportion of lending relative to deposits.
13. The recent recovery in the cost to income ratio signifies an ongoing effort to enhance operational efficiency within Karnataka Bank.

14. The significant jump in ROA ratio in 2022-23 indicates substantial asset growth and improved earnings, contributing to the bank's overall performance.
15. The jump in the Net Profit Margin Ratio in last year signifies a substantial improvement in profit generation from revenue, highlighting the bank's financial strength.
16. The decreasing GNPA ratio indicates an overall improvement in the health of the bank's loan portfolio, which is crucial for its financial stability and growth prospects.
17. A lower NNPA ratio is viewed positively by investors and indicates a healthier balance sheet for the bank.

5.2 SUGGESTIONS

To an investor, it can be assured that the bank is capable of withstanding financial shocks and manage its obligations. So, the following suggestions are recommended.

1. Invest for long term.
2. Consider dividend income.
3. Continue monitoring PCR, GNPA and NNPA ratios for potential risks.
4. Estimate risk management continuously.
5. Keep an eye on interest rate changes.
6. Monitor operational efficiency (cost to income ratio).
7. Diversify portfolio, which minimize risk and maximize returns.
8. Keep an eye on the financial health by evaluating liquidity, solvency and profitability
9. Evaluate the impact of economic cycles.
10. Evaluate market conditions and the bank's competitors.

5.3 CONCLUSION

Karnataka Bank's financial analysis reveals a healthy and steadily improving performance across key metrics over the observed four previous years. With a strong focus on profitability, asset quality and shareholder value, Karnataka Bank presents promising opportunities for investors seeking both income and long-term growth. And absolute values, such as profits or assets, did not provide a complete picture of a company's performance. Ratios, on the other hand, offered valuable insights into various aspects of a company's financial health, efficiency and profitability. This information enables investors to make more informed decisions, rather than relying solely on absolute values. Hereby the report justifies the statement **"Absolute values are not enough for investors; that is why we compute ratios".**

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Annexure

Below are the financial figures, collected from the annual report for data analysis, are used to calculate the required metrics during analysis. (₹ in Crores)

Years	2019-20	2020-21	2021-22	2022-23
Current a/c (₹)	4164.403565	4822.6968	4830.714445	5313.752897
Savings a/c (₹)	16588.6833	19001.0627	21672.83	23491.48
Total deposit (₹)	71785.15	75655	80386.85	87368.01
Tier-1 capital (₹)	5734.662904	6142.652085	6560.211904	7572.662545
Tier-2 capital (₹)	1054.17	1246.65	1560.35	1741.87
Risk weighted (₹)	52708.33	49759.61	51855.44	53378.41
Total provisions (₹)	1810.714731	1813.1742	1653.677454	1854.047026
Gross non-performing assets (₹)	2799.93	2588.4	2250.82	2292.91
Total loans (₹)	56594.1	51391.64	56785.27084	59951.92846
Net income (₹)	433.2301355	487.8136334	503.70837	1198.591152
Total assets (₹)	83313.4876	85581.3392	91583.34	99057.12
Market Value Per Share (₹)	42.06	61.11	55.41	135.42
Book value of shares (₹)	192.06	213.67	228.01	262.96
Net profit available for equity shareholders (₹)	4317979980	4824697573	5085828112	11772635122
Number of equity shares	310869689	310869689	310869689	310869689
Net profit after interest and tax (₹)	431.8	482.5	508.6	1177.3
Shareholders fund (₹)	5970.44	6642.36	7094.73	8213.36
Total Debts (₹)	4065.272596	1764.875052	2312.88198	1563.002408
dividend (₹)	Nil	1.8	4	5
EPS (₹)	13.89	15.52	16.36	37.87
Net non-performing assets (₹)	1743.09828	1634.254152	1374.197	1019.184
Net revenue (₹)	6464.071856	6209.78121	6225.214198	7205.01836
Income From Investment (₹)	6474.7699	6232.4147	6221.6637	7220.2312
Interest Expenses (₹)	4444.4124	4049.2172	3730.63	4035.13
Average Earning Assets (₹)	71491.46127	75023.96907	78334.39308	86083.81622
Operating expenses (₹)	1635.2176	1679.2292	1810.92	1969.45
operating income (₹)	3292.163479	3587.39	3444.91	4177.68
Leverage Exposure (₹)	92049.16372	93976.86	100400.5	109485.85
Total Revenue (₹)	6464.1	6209.8	6225.2	7205