

**A PROJECT REPORT  
ON**

**“FINANCIAL STATEMENT ANALYSIS  
OF THE BANK OF MAHARASHTRA  
SATANA BRANCH.”**

**SUBMITTED BY**

**Mr. ( )  
MBA (FINANCE)**

**PROJECT GUIDE**

**Mr. ( )  
PROF.( )**

**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS  
FOR THE AWARD OF DEGREE  
MASTERS OF BUSINESS ADMINISTRATION**

**(Institute Name)**

**UNIVERSITY OF ( )  
( )**

**(20 -20 )**

## ACKNOWLEDGEMENT

A Potter makes beautiful and attractive pots out of lumps of wet mud by providing guidance with his fingers at various different points. A novice in the field of management is just like the lump of wet mud, requiring guidance at every step of his/her learning experience. Summer internship is the arena where one can acquire knowledge and wisdom.

Acquiring the same however would be incomplete without proper guidance. I would hence, like to acknowledge the efforts of individuals who have guided this project to fruition.

I would like to express my sincere gratitude to **Mr. \_\_\_\_\_** for providing us this opportunity to work with the esteemed organization of **BANK OF MAHARASHTRA**. In my times of difficulty, I could not have wished for a more able guide than he could. This project report stands a testimony to the knowledge & experience that I have gained under his competent guidance.

I would also like to thank to the management of **BANK OF MAHARASHTRA**, for allowing me to work in the most exiting sectors in India. The experience that I have garnered has had a profound impact on my career choices and has helped me realize what is requisite for success in the competitive world.

I would like to put forth our earnest thanks to **Prof. \_\_\_\_\_** for providing me vital inputs to correlate the present project work with ratio analysis concept.

Lastly, I would like to thank my family & friends for all co-operations and god for giving me the strength to move on when times were difficult.

## **DECLARATION**

I am “\_\_\_\_\_” student of MBA at Institute of Management Research & Technology, Nashik, solemnly declare that the project work title as “Financial Statement Analysis of the BANK OF MAHARASHTRA”, in partial fulfillment of MBA program under University of Pune.

This project was undertaken as a part of the academic curriculum according to the university rules, norms and by no commercial motives.

Place: -

Date: -



(\_\_\_\_\_)

**(FINANCE)**

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Chapter No: 1

# Introduction

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## Introduction to Topic

“Financial statement analysis of the BANK OF MAHARASHTRA Satana Branch.”

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The rural market has a very good potential to being a progressive area for any firm, company, banks and other industries. So the area and topic I have chosen to study the performance of the bank with the help of the very important tool called ratio analysis.

Because it is very necessary to check the performance of any firm there is always need of tool like ratio analysis which gives real information about any firm and which is very beneficial to shareholders, creditors and general public to take some important decisions regarding to their own interest.

The financial statements may not be realistic because certain basic concepts and conventions prepare them. These statements are interim reports and not the final reports. The final picture can be known only when the business is closed.

Therefore, there is need of analysis and interpretation of financial statements. This is necessary to find out the realistic picture of the business. This is also necessary to analyze the business from various angles like liquidity, profitability, solvency etc.



### **1.1 Object of the study**

As per requirement of Master of Business Administration under Pune University, it is Mandatory for MBA students to undertake a project so as to gain the practical exposure to theory learnt and to submit a project in third semester. I have completed A Project Report on “Financial Statement Analysis of BANK OF MAHARASHTRA, Satana Branch. Which has been completed in time span of two months? Being MBA student only theoretical knowledge is not enough but actual exposure to the market and process in the market can be gained by working in the market, which is gained through summer project being part of MBA.

Hence the main object of the project is to understand the brand perception, field experience by being on field and help us to know how the positive perception is maintained for increase in business.

The project gives the live experience about the various aspects of the management that is helpful from future point of view. The project provides the opportunity to understand the trade, consumers or end users behavior very closely.



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## **1.2 Selection of the topic**

Banking Sector Business growing very fast and India is emerging as fourth largest market so, project in BANK OF MAHARASHTRA being beneficial for organization and me.

As we know, the performance on the basis of financial reports is not sufficient and to know the real position of the any organization.

Thus, the topic of study is Ratio Analysis is very useful in that regard, and also to check the performance of any organization.

Although, in rural area there is not a concept of branding positioning and any other marketing concept is important but to know the performance it is very good topic to choose.



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### **1.3 Objectives of the Study**

- To know the financial position of organization.
- To analyze the financial position of organization with the help of B/S. P & L A/C for previous 3 years.
- To find out whether Bank performs as per standard or not.

- To provide for the likely financial position of the plant and BANK OF MAHARASHTRA as a hold as an end of the budget year, duly compared with the actual of the previous year and latest estimates for the current year.
- To provide in summary form a profit and loss account for the previous year and current year and for budget year, with the help of ratio analysis, trend analysis.



#### **1.4 Research Methodology**

Intensive research has been done during this project to find out the necessary information regarding both the Ratio analysis in BANK OF MAHARASHTRA. While working in the organization, I could gather much information during practical work being carried out by me. Apart from this, the methodology applied to collect the necessary information is discussed below.

Research can be done primarily with the help of two types of data: -

➤ **Primary Data: -**

This is mainly concerned with first hand information. It consists of preparing the questionnaire or taking interviews, Based on the information received from the answer written in the questionnaire or the interviews detailed reports is being prepared.

➤ **Secondary Data: -**

This is mainly concerned with first hand information. It consists of collecting the relevant information from different documents, books, journals, previous reports etc.

During my project, there was a use of the second method i.e. Secondary data for my research. I used books, documents, previous year reports etc to get the detailed information regarding financial statements.

**Research Methodology can also be classified as: -**

➤ **Qualitative study : -**

This is mainly concerned with collecting theoretical information.

➤ **Quantitative study : -**

This is mainly concerned with collecting practical and numerical information.

I have used both the studies as research methodology for my project report. Thus, these are the methodology, which are used for preparing my project report.

## **1.5 Limitations of the Project**

- As the BANK OF MAHARASHTRA is Nationalized bank, so study was limited to only the particular branch
- The study had very limited area of Ratio analysis and in banking sector there are not so much Ratio analysis is done.



- As the data was collected of three years, so the growth aspect became so much in limited frame.
- As the duration of project was only two months, therefore it was not sufficient for the study.
- Though the banking sector has very much potential of being successful sector to flourish, but still it is only nationalized bank and in rural area. So, the scope of study is limited in those circumstances.



## **1.6 Executive Summary** Let's Business

Today, banking is no more practiced the way it was traditionally done earlier. It has its footprint in diverse fields. It has undergone change in both content and the way it is carried out.

Technology, new customized products, allied activities, intense competition, etc. have been the buzzword. Customer satisfaction has never been in so much focus as it is now. Survival has been rendered that much difficult.

The situation demands, among both things, empowering the staffs, who are the real ambassadors of the bank, with adequate product knowledge. A well-informed staff goes a long way in dealing efficiently with the customers, ensuring customer satisfaction, and ultimately good business for the bank.

In today's competitive world, banks are facing only two main challenges. Firstly, to retain the existing flock of their customers as also to add new accounts and secondly to have better efficiency ratios and consequently improve the bottomline. Banks are thus looking at new initiatives and products to woo customers by offering the best of services at their doorstep.

The foundation of any service industry is firmly rooted in customer satisfaction. Effective communication skill coupled with the sound product knowledge is very much essential in these days of intense competition.

“Financial statement analysis of the BANK OF MAHARASHTRA.”

Collecting primary as well as secondary data did the research. A questionnaire made before approaching the branch manager of BANK OF MAHARASHTRA.

As the BANK OF MAHARASHTRA is nationalized bank so, I have chosen the topic, which will provide me information about the overall performance of the bank in recent periods.

Primary data was collected through questionnaire method by asking relevant questions regarding to the bank. Also asking questions to staff members and with help of annual report.

Personal discussion with the manager and staff member had provided very important details about the bank.

Secondary data was collected with the help of Internet websites and Handbook and brochure of the bank.

The data was analyzed properly with the help of bar diagrams.

Through this analysis it is observed that the BANK OF MAHARASHTRA's performance found quite good and satisfactory in terms of profit, income and deposits. And it had seen growth in every year.

Hence, BANK OF NAHARASHTRA is going in the right direction to be a competitive bank in terms of its financial position.



### **Profile of the bank**

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BANK OF MAHARASHTRA is a public sector bank in Maharashtra. During the fiscal year ended March 31, 2008 (fiscal 2008) the bank opened 30 new branches including conversion of 10 extension counters.

As at March 31, 2008 the total branch network comprised of 1375 branches and 3 extensions counters spread over 22 states and two union territories.

The branch network includes specialized branches in the areas of foreign exchange, government business, treasury and international banking, industrial, small-scale industry and hi-tech agriculture

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It also opened three currency chests during fiscal 2008 taking the total to 19. The bank investment portfolio comprised held to maturity, available for sale and held for trading. The bank focused on retail credit and providing a range of products to the customers.



## **2.1 History of the Bank**

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Bank of Maharashtra was registered on September 16, 1935 with an authorized capital of RS 10.00 lakh. The Bank started its operations on February 8, 1936. Ever since its inception, Bank of Maharashtra is known as common man's bank. The Bank's initial help to small units has given birth too many of today's industrial houses.

In July 1969, Bank of Maharashtra was nationalized along with 13 other banks. After nationalization, the Bank expanded rapidly and today its branch network comprises of 1292 branches and 30 extension counters spread over 22 states and 2 union territories (as

of 30th September 2005). Bank of Maharashtra has the largest network of branches. By any Public sector bank in the state of Maharashtra

Bank of Maharashtra attained autonomous status in 1998. It has helped the Bank in providing more and more services with simplified procedures without intervention of Government. Bank of Maharashtra excels in Social Banking, and it has 46% of its branches in rural areas.

By March 2006 the Bank intends to achieve computerization of remaining 584 rural and semi urban branches by providing a cost effective small branch automation solution for rendering effective customer service to rural India.



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## **2.2 Achievements of the Bank (Branch)**

- From the last three years, Satana branch getting the remark “Very Good” from the Head office.
- From all over the Maharashtra in the semi-urban area, branch got No. 1 trophy for doing outstanding business in rural area.

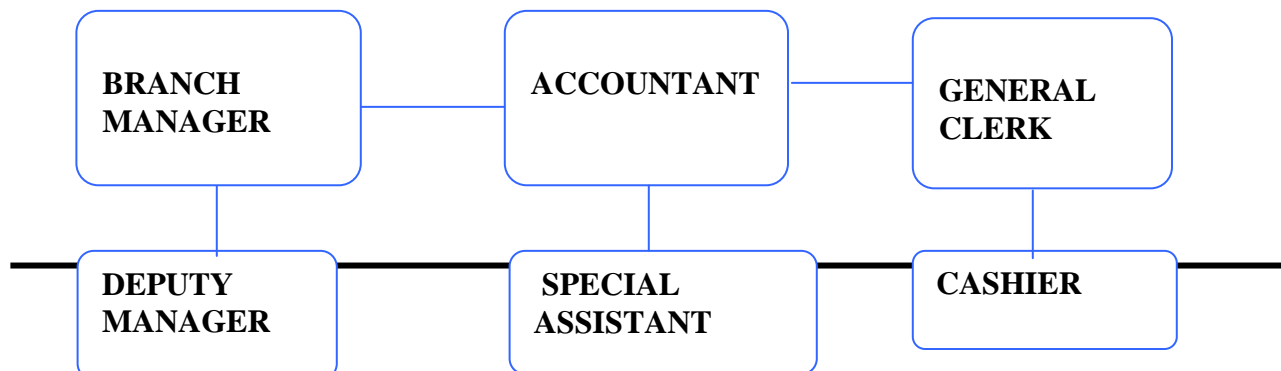
- Bank had given loans, which are noticeable, as these loans were given for non-conventional energy equipment like solar.  
500 customers had taken loan from the branch for buying solar.
- Power Minister Mr. Dilip Walse Patil recommended the branch contribution for helping MSEB to save energy and also pollution control.



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### 2.3 Organization Structure



TELLOR  
OPERATOR

**Branch Manager: -**

As the main responsibility of the manager is to handle the all critical matters and transaction and look after the every matter care fully.

The manager takes various important decisions regarding the business development of the bank. Sanctioning loan, checking every application carefully, collection policy etc. And other important aspects of branch's business and turnover.

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**Deputy Manager: -** Let's Business

The deputy manger helps branch manager in certain issues like providing every possible information of the financial position, loans, and also assists the branch manager in taking various confidential and important decisions.

**Accountant: -**

The accountant does the clerical and routine accounting work and accountant does other accounting process of branch.

Accountant also does signing and passing some of the business and accounting related documents.

**Special Assistant: -**

The special assistant helps and assists manager and accountant in their work. And also does some of the clerical routine work.

**General clerk: -**

General clerk does the work of clearing checks, checking passbook, making DD terms deposits of various sections and general transfer entries of daily transaction.

**Cashier: -**

The cashier handles all the cash receipts and payments of everyday challons of daily transactions and keeps all records and gives all this information to accountant and manager.

**Teller operator: -**

The teller operator receives cash and payments issuing and transferring the related documents.

**2.4 Some other information of Bank**

**Information technology in Bank:**

Technology is leveraged with twin objectives of taking care of the needs of the customers as well as the users in the bank. The year 2007-08 has been a fruitful year for the bank in the information technology area. During the year the bank stabilized the ATM Network and expanded the centralized banking solution to 650 plus branches.

**1. Branch computerization:-**

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All the branches of the bank stand fully computerized including rural branches.

## 2. **Core banking solutions (CBS):-**

The bank expanded core-banking solution in 650 branches including 35 new branches as against the expectation and target of 60 branches under CBS by March 2008.

The bank also developed other modular like trade finance, Internet banking, mobile banking, phone banking etc.

The bank has initiated steps for implementing other modules like Budgeting and transfer pricing, asset liability management (ALM) Anti-money laundering (AML) and customer relationship management (CRM) etc.

## 3. **Data Center:-**

The bank has its own data center at Pune, to take care of the IT processing requirements with disaster recovery (DR) site at Hyderabad.

## 4. **ATM Network:-**

The bank expanded the ATM network from 302 to 345 ATMs during 2007-08. The bank has entered into collaboration with VISA for issuance of debit cards to its customers. The card base has crossed 5.20 lacks. The average hits per ATM per day have increased from 37 to 91 during the year.

The bank has also joined national financial switch (CNFS) and MITR Network for broadening its own network.

## 5. **Networking:-**

The bank has established its own corporate network MAHANET. The network was restructured to take care of the latest IT 769 locations, 725 branches, and regional offices, circle offices, raining colleges / centers and central office.

Applications like CBS, ATM Networking, RTGS, DEMAT, INTRANET, Credit risk rating, online tax collection system (OLTCS), Cream data downloading etc. are put to use through MAHANET.



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**BOARD OF DIRECTORS**

1. Shri. M.D. Mallya  
Chairman and Managing Director.
2. Shri. Allen C. A. Periera  
Chairman and Managing Director.
3. Shri Rajiv Madhok  
Executive Director.

4. Mrs. Shukriti likhi
5. Shri. S.K.Gupta
6. Shri. D.R Tuljapurkar
7. Shri. A. A. Azizi
8. Shri. R. K. Deshpande
9. Shri. T. Parmeswara Rao
10. Shri. Chittaranjan Patwari
11. Shri. A. K. Pandit
12. Dr. D. S. Patel
13. Dr. S. V. Deshpande
14. Shri. Tarun Bajaj
15. Shri. A. L. Patil
16. Shri. P.N. Deshpande



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### **Introduction to Ratio Analysis**

#### **INTRODUCTION: -**

The basis for financial analysis, planning and decision making is financial information. A business firm prepares its final accounts viz. Balance Sheet & Profit and Loss Account, which provides useful financial information for the purpose of decision

making. Financial information is needed to predict compare and evaluate the firm's earning ability. The former statement viz. Profit & Loss Account shows the operating activities of the concern and the later Balance Sheet depicts the balance value of the acquired assets and of liabilities at a particular point of time. However, these statements do not disclose all of the necessary and relevant information. For the purpose of obtaining the material and relevant information necessary for ascertaining the financial strengths and weaknesses of an enterprise, it is necessary to analyze the data depicted in the financial statement. The financial manager has certain analytical tools which helps is financial analysis and planning. For instance funds flow statement is a valuable aid to a financial manager or creditors in evaluating the uses of funds by a firm and in determine how the firms finance those uses. In addition to studying past flow, the financial manager can evaluate future flows by means of funds statement based on forecasts. Now, we shall discuss various tools of financial analysis and planning viz. financial statement analysis, its type etc.



### **Financial statement analysis**

It's the process of identifying the financial strength and weakness of a firm from the available accounting data and financial statements. The analysis is done by properly establishing the relationship between the items of balance sheet & profit & loss account. The first task of financial analyst is to determine the information relevant to the decision under consideration from the total information contained in the financial statement. The

second step is to arrange information in a way to highlight significant relationships. The final step is interpretation and drawing of inference and conclusion. Thus financial analysis is the process of selection, relating and evaluation of the accounting data / information.

### **Purpose of Financial Statement analysis**

‘Financial Statement Analysis’s is the meaningful interpretation of ‘Financial Statements’ for ‘Parties Demanding Financial Information’. It’s not necessary for the proprietors alone.

Following are the example of the purpose of Financial Statement Analysis

- The Govt. may be interested in knowing the comparative energy consumption of some private sector and public sector cement companies :
- A nationalized bank may be keen to know the possible debts coverage out of profit at the time of lending.
- Prospective investors may be desirous to know the actual and forecasted yield data.
- Customers want to know the business viability before entering into a long-term contract.

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In general, the purpose of financial statement analysis is to aid decision making by the users of accounts.

Step to be taken for financial statement analysis is:

- Identification the user’s purpose.
- Identification of data source is required to be analyzed to suck the purpose.
- Selecting the techniques to be used for analysis.

Financial Statement Analysis covers study of relationships with a set of financial statements at the point of time and with the trends in these relationship over time, This means that it may be study of some comparable firms at the particulars time, say financial year 1999-2000, or it may be study of a particulars form over a period of time, say 1991-2000 or it may covers both.

### **Types of financial statement analysis:**

The main objective of financial analysis is to determine the financial health of a business enterprise. The analysis may be of the following types:

- **External analysis:** - This analysis is performed by outside parties such as trade creditors, investors, suppliers of long term debts etc.
- **Internal analysis:** - This analysis is performed by the corporate finance and accounting department and is more detailed than external analysis.
- **Horizontal analysis:** - This analysis compares the financial statement viz. Profit & Loss A/Cs and Balance Sheet of previous year along with the current year.
- **Vertical analysis:** - This analysis converts each element of the information into a % of the total amount of statement so as to establish relationship with other components of the same statement.
- **Trend analysis:** - This analysis compares ratio of different components of the financial statement related to different period to those of the base year.
- **Ratio analysis:** -This analysis establishes the numerical or quantitative relationship between two items /variables of financial statement so that the strengths and weaknesses of a firm as well as its historical performance and ~~current financial position can be determined.~~

- **Funds flow statement:** - This statement provides a comprehensive idea about the movement of finance in a business unit during a particular period of time.
- **Break even analysis:** - This type of analysis refers to the interpretation of financial data that represent operating activities.

## **RATIO ANALYSIS**

Ratio Analysis is a widely used tool of financial analysis. The term ratio in it refers to the relationship expressed in mathematical terms between two individual figures and group of figures connected with each other in some logical manner and is selected from financial statements of the concern. The ratio analysis is based on the fact that a single accounting figure by itself may not communicate any meaningful information but when expressed as a relative to some other figure, it may definitely provide some significant information. The relationship between two or more accounting figures/groups is called a financial ratio. A financial ratio helps to express the relationship between two accounting figures in such a way that users can draw conclusion about the performance, strengths and weaknesses of a firm.

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### **Classification of Ratios:**

1. **According to source:** According to source: Financial ratios can be classified on following basis according to source:

- (i) **Revenue Ratios:**

When two variables are taken from revenue statement the ratio so computed is known as Revenue ratio, for example,

$$\frac{\text{Net Profit}}{\text{Sales}} \times 100$$

Or

$$\frac{\text{Material Consumed}}{\text{Cost of Goods Sold}} \times 100$$

(ii) **Balance Sheet ratio:**

When two variables are taken from the Balance Sheet the ratio so computed is known as a Balance Sheet ratio, for example,

$$\frac{\text{Current Assets}}{\text{Current liabilities}} ; \frac{\text{Net Worth}}{\text{Total liabilities}}$$

(iii) **Mixed ratio :**

When one variable is taken from the Revenue Statement and other is taken from the Balance Sheet the ratios so computed are known as mixed ratios, for example,

$$\frac{\text{Net profit} \times 100}{\text{Capital Employed}} \quad \frac{\text{Sales}}{\text{Average Total Assets}}$$

2. **According to usage** : The following seven categories of financial ratios have been advocated by George Foster of Stanford University and these seem to cover



exhaustively different aspects of a business organization, these categories have been listed as below:

1. Cash position
2. Liquidity
3. Working Capital/ Cash Flow
4. Capital structure
5. Profitability
6. Debt Services Coverage
7. Turnover

Large number of financial ratios is used within each category and some of these may carry same information rather than focusing on any new light.

Therefore, it is necessary to avoid duplication of information. The analyst should be selective with regard to the use of financial ratios.

Broadly speaking, the operations and financial position of firm can be described by studying its short term and long term liquidity position, profitability and its operational activities. Therefore, ratios can be classified into following four broad categories:

- (i) Liquidity Ratios
- (ii) Capital Structure/ leverage Ratios.
- (iii) Activity Ratios.
- (iv) Profitability Ratios.

These ratios are discussed now:

### **Liquidity Ratios:**

The terms 'liquidity' and 'short-term solvency' are used synonymously. Liquidity or short-term solvency means ability of the business to pay its short-term liabilities. Inability to pay-off short-term liabilities affects its credibility as well as its credit rating. Continuous default on the part of the business leads to commercial bankruptcy.

Eventually such commercial bankruptcy may lead to its sickness and dissolution. Short-term lenders and creditors of a business are very much interested to know its state of liquidity because of their financial stake.

Traditionally, two ratios are used to highlight the business 'liquidity'. These are current ratio and quick ratio. Other ratios include cash ratio, interval measure ratio and networking capital ratio.

(i) **Current ratio:**      **Current Assets**  
   **Current Liabilities**

(ii) **Quick ratio:**      **Quick Assets**  
   **Current Liabilities**

### **Capital Structure/ Leverage ratios:**

The capital structure/ leverage ratios may be defined as those financial ratios, which measure the long-term stability and structure of the firm. These ratios indicate the mix of

funds provided by owners and lenders and assure the lenders of the long-term funds with regard to –

- (i) Periodic payment of interest during the period of the loan and
- (ii) Repayment of principal amount on maturity.

Therefore leverage ratios are of two types:

- a) Capital structure ratios and
- b) Coverage ratios.

**(a) Capital Structure Ratios :**

These ratios provide an insight into the financing techniques used by a business and focus, as a consequence, on the long-term solvency position. From the Balance Sheet one can get only the absolute fund employed and its sources, but only capital structure ratios show the relative weight of different sources. In the Balance Sheet the student may find shareholders' fund, loan fund and current liabilities and provisions.

These are very often classified as owners' equities and external equities. "Owners' equity" means share capital, both equity share capital and preference share capital and reserves and surplus.

'External Equity' means all outside liabilities (inclusive of current liabilities and provisions). Also these are sometimes classified as equity and debt. 'Equity' means shareholders fund and 'Debt' means long term Borrowed fund (so short term loans,

current liabilities and provisions are excluded). As per guidelines for issue of ‘ Debentures by Public Limited Company’ debt means term loan, debentures and bonds with an initial maturity period of five years or more, including interest accrued thereon. It also includes all deferred payment liabilities but it does not include short-term bank borrowing and advances, unsecured deposits or loans from the public, shareholders and employees, and unsecured loans and deposits from others. It should also include proposed debenture issue. Equity means paid up share capital including preference share capital and reserves.

Two popularly used capital structure ratios are:

**(a) Owner’s Equity**

**Total Equity**

This ratio indicates proportion of owners’ fund to total fund invested in the business. Traditionally it is believed that higher the proportion of owners’ fund lower is the degree of risk.

**(b) Debt Equity Ratio =  $\frac{\text{Debt}}{\text{Equity}}$**

This ratio indicates the proportion of debt fund in relation to equity. This ratio is very often referred in capital structure decision as well as in the legislation dealing with the capital structure decisions (i.e. issue of shares and debentures). Lenders are also very keen to know this ratio since it shows relative weights of debt and equity.

**(b) Coverage Ratios: -**

The coverage ratios measure the firm's ability to service the fixed liabilities. These ratios establish the relationship between fixed claims and what is normally available out of which these claims are to be paid. The fixed claims consist of

- (i) Interest on loans
- (ii) Preference dividend
- (iii) Amortization of principal or repayment of the installment of loans or redemption of preference capital on maturity.

The following are important coverage ratios:

**(i) Debt service coverage ratio :**

Lenders are interested in debt service coverage to judge the firm's ability to pay off current interest and installments.

$$\text{Debt service coverage ratio} = \frac{\text{Earning available for debt service}}{\text{Interest + Installments}}$$

**(c) Capital Gearing Ratio:**

In addition to debt-equity ratio, sometimes capital-gearing ratio is also calculated to show the proportion of fixed interest (dividend) bearing capital to funds belonging to equity shareholders.

$$\text{Capital Gearing Ratio} = \frac{\text{Preference Share Capital + Debentures + Long Term Loan}}{\text{Equity Share Capital + Reserves \& Surplus-Losses}}$$

For judging long term solvency position, in addition to debt-equity ratio and capital gearing ratio, the following ratios are also used.

(i) **Fixed Assets**

**Long Term Fund**

It is expected that fixed assets and core working capital be to be covered by long term fund. In various industries the proportion of fixed assets and current assets are different. So there is no uniform standard of this ratio too. But it should be less than one. If it is more than one, it means short-term fund has been used to finance fixed assets. Very often many companies resort to such practice during expansion. This may be a temporary arrangement but not a long-term remedy.

(ii) **Proprietary Ratio** = **Proprietary Fund**  
**Total Assets**

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## Analysis and Interpretation

### 4.1 Data Analysis

#### RATIOS OF BANK OF MAHARSHTRA (GENERAL)

##### Profitability Ratios: -

##### 1. Return on capital employed: -

$$= \frac{\text{Net Profit} \times 100}{\text{Capital employed}}$$

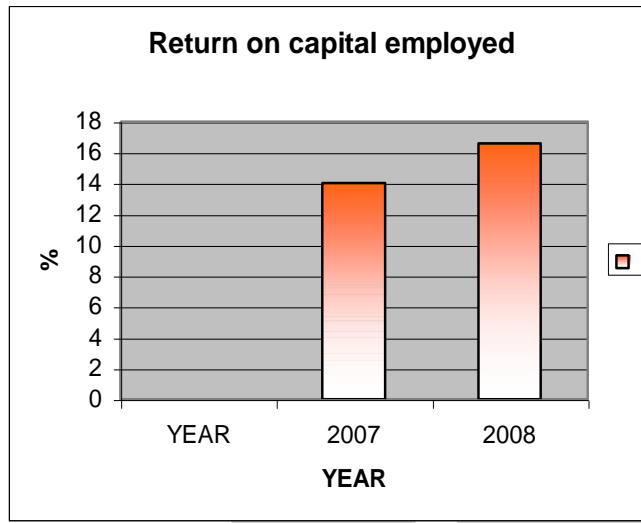
$$\text{Year 2007} = \frac{2718367000 \times 100}{19427868000}$$

$$= 13.99 \%$$

$$\text{Year 2008} = \frac{3283872000 \times 100}{19807509000}$$

$$= 16.57 \%$$

Year	Ratio
2006-07	13.99
2007-08	16.57



### **Return on Capital employed**

This ratio indicates the percentage of net profit to total capital employed. In 2006-07 net capital employed 13.99%, and in 2007-08 it was found 16.57, so there is an increased in that ratio. Therefore there is an increase in net profit.

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**Return on equity: -**

$$\frac{\text{Net Profit} \times 100}{\text{Equity Shareholders fund}}$$

$$\text{Year 2007} = \frac{2718367000 \times 100}{17418860000}$$

$$= 15.60 \%$$

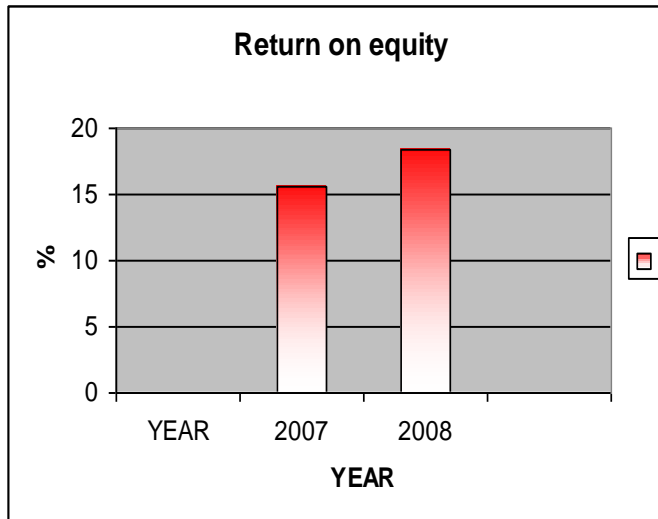
$$\text{Year 2008} = \frac{3283872000 \times 100}{17815026000}$$

$$= 18.43 \%$$

Year	Ratio
2006-07	15.60
2007-08	18.43

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**Return on Equity:-**

Return on equity found of bank was in the year 2007 15.60 and after the next year it was increased by 18.43. So we can say that bank is earning good in terms of return on equity.

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**Return on Total Assets: -**

$$= \frac{\text{Net Profit} \times 100}{\text{Total Assets}}$$

$$\text{Year 2007} = \frac{2718367000}{14503082000} \times 100$$

$$= 18.74 \%$$

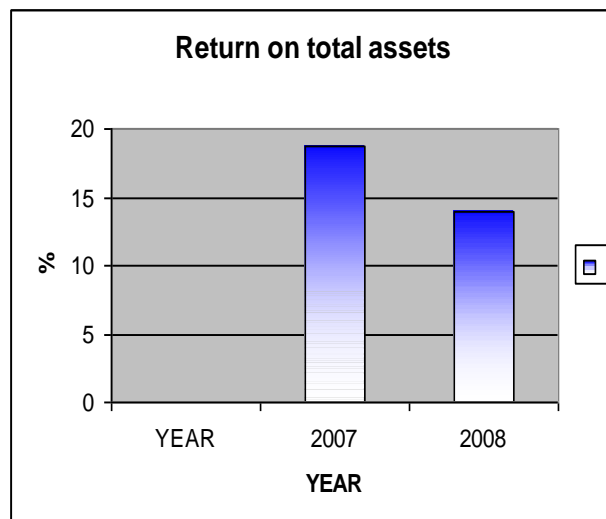
$$\text{Year 2008} = \frac{3283872000 \times 100}{23562116000}$$

$$= 13.93 \%$$

Year	Ratio
2006-07	18.74
2007-08	13.93

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### **RETURN ON TOTAL ASSETS:-**

Return on assets measures the profitability of the investment in a firm. In BANK OF MAHARASHTRA return on assets ratio was 18.74%, in 2006-07. In 2007-08 there was an increase in net profit, but as compare to net profit total assets had increased more than net profit. Therefore, the ratio has decreased to 13.93%.

As per the analysis we can say that organization can be able to increases its turnover and profit with little increase in the fixed assets, which can shows the efficiency of the organization.

## FINANCIAL RATIOS

### Current Ratios: -

$$= \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{Year 2007} = \frac{45767933000}{31473474000}$$

$$= 1.45$$

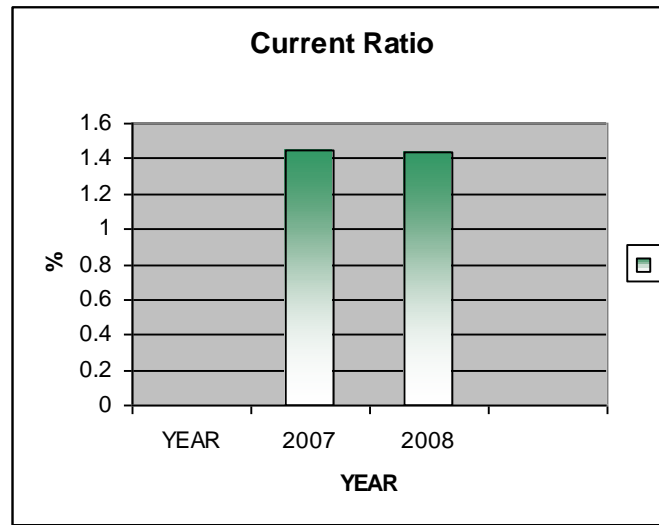
$$\text{Year 2008} = \frac{63617262000}{44118302000}$$

$$= 1.44$$

Year	Ratio
2006-07	1.45
2007-08	1.44

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**Current Ratio: -**

As a conventional rule current ratio of 2 of 1 or more is considered satisfactory. BANK OF MAHARASHTRA has current ratio 1.45 in year 2006-07, which has been decreased by 1.44 in 2007-08 and. As per the analysis current assets like bank balance, deposits and cash are increased year by year. Current liabilities are also increased but not as current assets proportion.

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**Proprietary Ratio: -**

$$= \frac{\text{Proprietor's Fund}}{\text{Total Assets}}$$

$$\text{Year 2007} = \frac{6314208000}{390094727000}$$

$$= 0.016$$

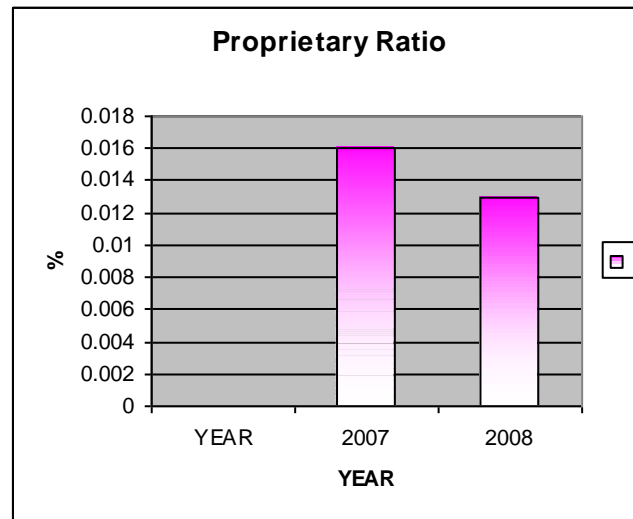
$$\text{Year 2008} = \frac{6297683000}{481509413400}$$

$$= 0.013$$

Year	Ratio
2006-07	0.016
2007-08	0.013

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**PROPRIETARY RATIO:**

Proprietary ratio is the relationship between fixed assets and shareholders fund. Here total assets are exceeding the owners funds in year 2006-07 are 0.016, which is decreased in year 2007-08 by 0.013. As compare to 2006-07 in 2007-08 owner's fund decreased and the fixed assets increased therefore ratio decreased. Which indicates that organization can be increased its profit and owners share.



**Debt-Equity Ratio: -**

$$= \frac{\text{Long term debt}}{\text{Shareholder's Fund}}$$

$$\text{Year 2007} = \frac{17418860000}{2009008000}$$

$$= 8.67$$

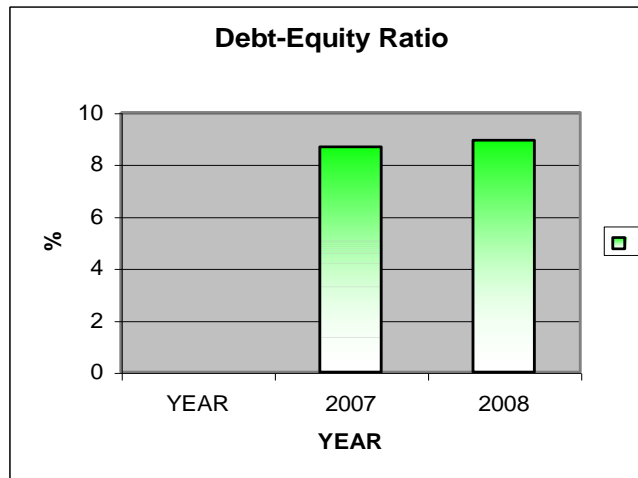
$$\text{Year 2008} = \frac{17815026000}{1992483000}$$

$$= 8.94$$

Year	Ratio
2006-07	8.67
2007-08	8.94

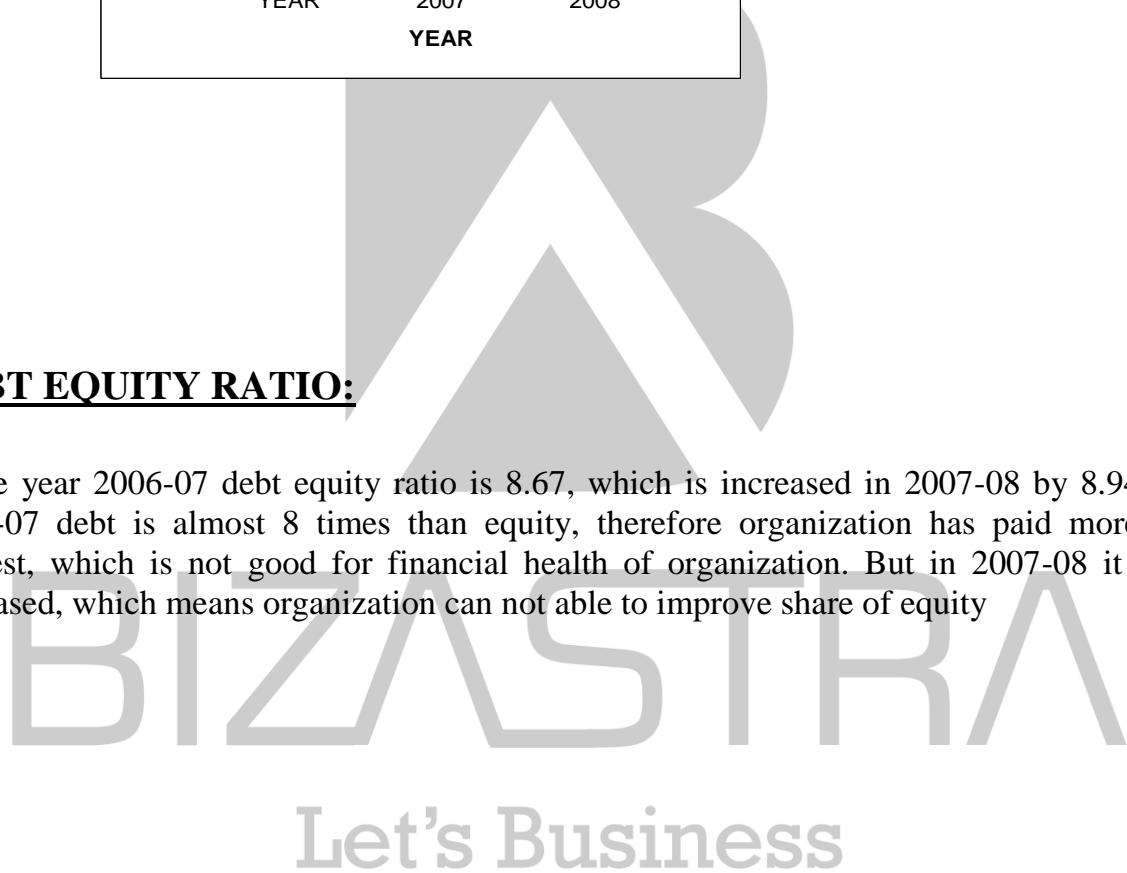
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**DEBT EQUITY RATIO:**

In the year 2006-07 debt equity ratio is 8.67, which is increased in 2007-08 by 8.94. In 2006-07 debt is almost 8 times than equity, therefore organization has paid more on interest, which is not good for financial health of organization. But in 2007-08 it was increased, which means organization can not able to improve share of equity



**Ratio of Current Assets to Fixed Assets: -**

$$= \frac{\text{Current Assets}}{\text{Fixed Assets}}$$

$$\text{Year 2007} = \frac{45767933000}{2148990000}$$

$$= 21.29$$

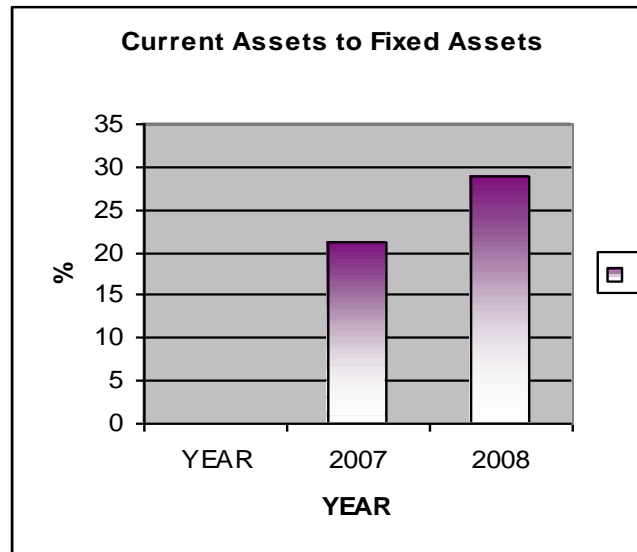
$$\text{Year 2008} = \frac{63617262000}{2204219000}$$

$$= 28.86$$

Year	Ratio
2006-07	21.29
2007-08	28.86

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**Current Assets to Fixed Assets:-**

The current assets to fixed assets ratio was found in the year 2006-07 21.29, and in the next year it was found and increased by 28.86. So that tells us the proportion of the current assets to fixed assets which had increased in positive way.

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**Net Profit to Fixed Assets: -**

$$= \frac{\text{Net Profit}}{\text{Fixed Assets}}$$

$$\text{Year 2007} = \frac{2718367000}{2148990000}$$

$$= 1.26 \text{ times}$$

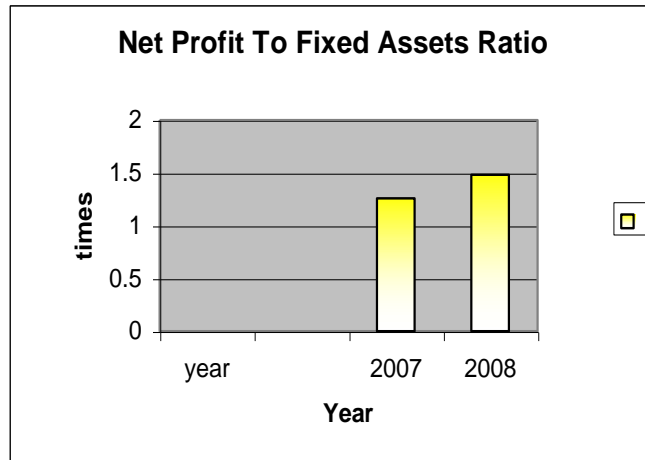
$$\text{Year 2008} = \frac{3283872000}{2204219000}$$

$$= 1.48 \text{ times}$$

Year	Ratio
2006-07	1.26
2007-08	1.48

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**Net profit to fixed assets:-**

The net profit to fixed asset ratio was in the year 2007 was 1.26, and it had increase in the next year 2008 by 1.48 that shows us that the net profit had increased in the right proportion to fixed assets which was good sign for the bank.

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## **RATIO OF BANK OF MAHARASHTRA (BRANCH)**

### **Return on Total Assets: -**

$$= \frac{\text{Net Profit} \times 100}{\text{Total Assets}}$$

$$\text{Year 2006} = \frac{5004000 \times 100}{235350000}$$

$$= 2.12$$

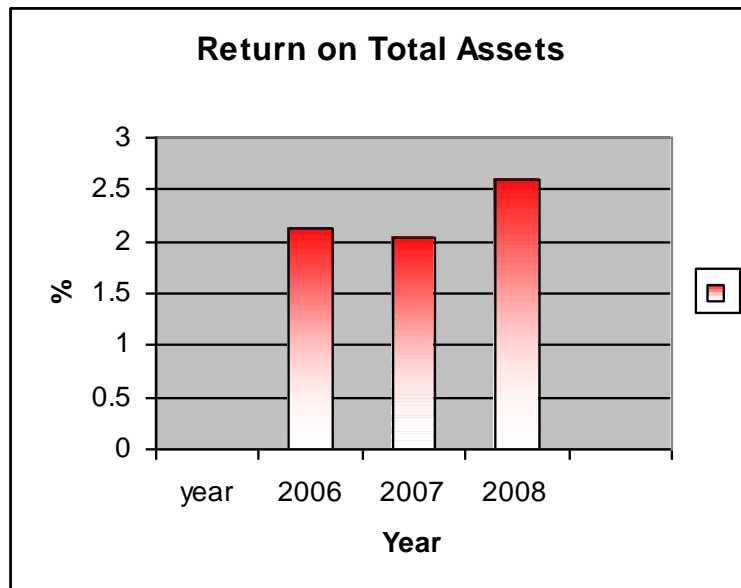
$$\text{Year 2007} = \frac{6600000 \times 100}{322200000}$$

$$= 2.04$$

$$\text{Year 2008} = \frac{12400000 \times 100}{475700000}$$

$$= 2.60$$

<b>Year</b>	<b>Ratio</b>
2005-06	2.12
2006-07	2.04
2007-08	2.60



### **RETURN ON TOTAL ASSETS:-**

Return on assets measures the profitability of the investment in a firm. In BANK OF MAHARASHTRA return on assets ratio was 2.12 %, in 2006-07. In 2007-08 there was an increase in net profit, but as compare to net profit total assets had increased more than net profit. Therefore, the ratio has decreased to 2.04%. And again it had increased in 2008 because of increase in Net profit; therefore there is an increase in ratio.

As per the analysis we can say that organization can be able to increases its turnover and profit with little increase in the fixed assets, which can shows the efficiency of the organization.



**Current Ratio: -**

$$= \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{Year 2006} = \frac{139800000}{66200000}$$

$$= 2.11$$

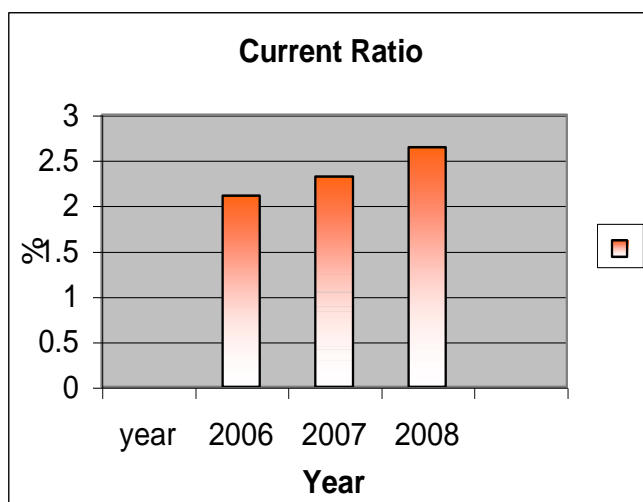
$$\text{Year 2007} = \frac{205700000}{88300000}$$

$$= 2.32$$

$$\text{Year 2008} = \frac{319300000}{120800000}$$

$$= 2.64$$

<b>Year</b>	<b>Ratio</b>
2005-06	2.11
2006-07	2.32
2007-08	2.64



**Current Ratio: -**

As a conventional rule current ratio of 2 of 1 or more is considered satisfactory. BANK OF MAHARASHTRA has current ratio 2.11 in year 2006-07, which has been increased by 2.32 in 2007-08 and, again it had increase in 2008-09 by 2.64 because there is an increase in current assets. As per the analysis current assets like bank balance, deposits and cash are increased year by year. Current liabilities are also increased but not as current assets proportion. And there is an intensive investment in the assets, which will affect the performance of bank.

**Ratio of Current Assets to Fixed Assets: -**

$$= \frac{\text{Current Assets}}{\text{Fixed Assets}}$$

$$\text{Year 2006} = \frac{4800000}{350000}$$

$$= 13.71$$

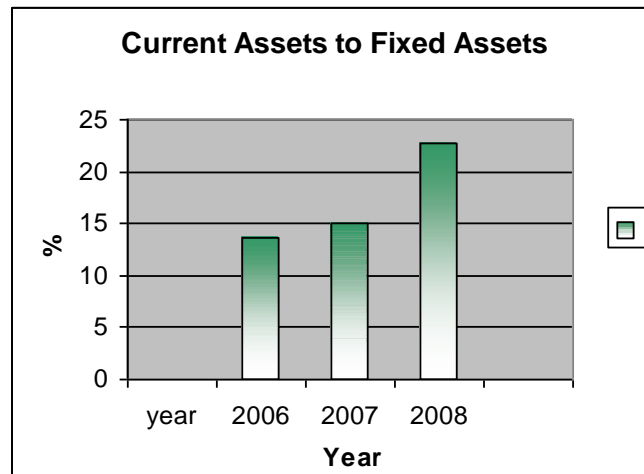
$$\text{Year 2007} = \frac{6000000}{400000}$$

$$= 15$$

$$\text{Year 2008} = \frac{9100000}{400000}$$

$$= 22.75$$

Year	Ratio
2005-06	13.71
2006-07	15.00
2007-08	22.75



**Ratio of Current Assets to Fixed Assets: -**

As this ratio shows the proportion of current assets to fixed assets, and its standard cannot be laid down.

In 2006 the ratio is 13.71 and it had increased 2007 by 15. And again it had increased in 2008 by 22.75. Therefore, we can conclude this as in 2006 the position and trading was very good and in 2008 fixed assets have been used intensively.

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**Absolute Liquidity Ratio: -**

$$= \frac{\text{Cash at bank + Short term investments}}{\text{Current Liabilities}}$$

$$\text{Year 2006} = \frac{1600000}{66200000}$$

$$= 0.024$$

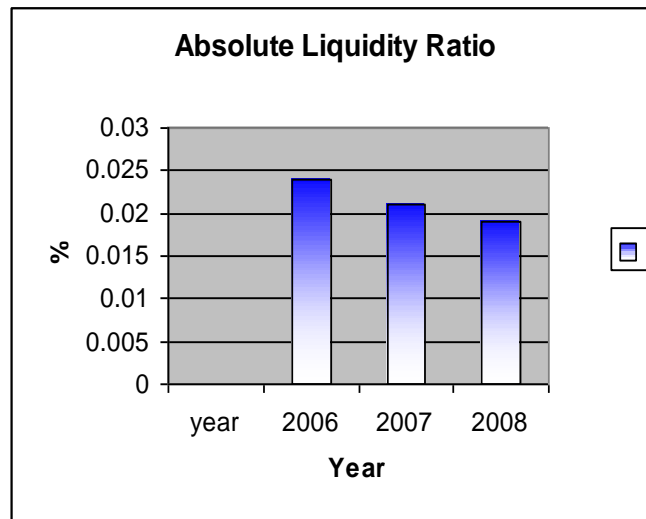
$$\text{Year 2007} = \frac{1900000}{88300000}$$

$$= 0.021$$

$$\text{Year 2008} = \frac{2400000}{120800000}$$

$$= 0.019$$

Year	Ratio
2005-06	0.024
2006-07	0.021
2007-08	0.019



**Absolute liquidity Ratio:-**

The absolute liquidity ratio was in the year 2005-06 0.024, and in next year it had decrease as 0.021 in the 2006-07. And again in next year 2007-08 it had decrease by 0.019, which shows bank had very less absolute liquid assets to convert in money, but on the other hand we can say that they had utilized their funds quite well.

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**Deposits to Advances: -**

$$= \frac{\text{Total Deposits}}{\text{Total Advances}}$$

$$\text{Year 2006} = \frac{169150000}{95200000}$$

$$= 1.77$$

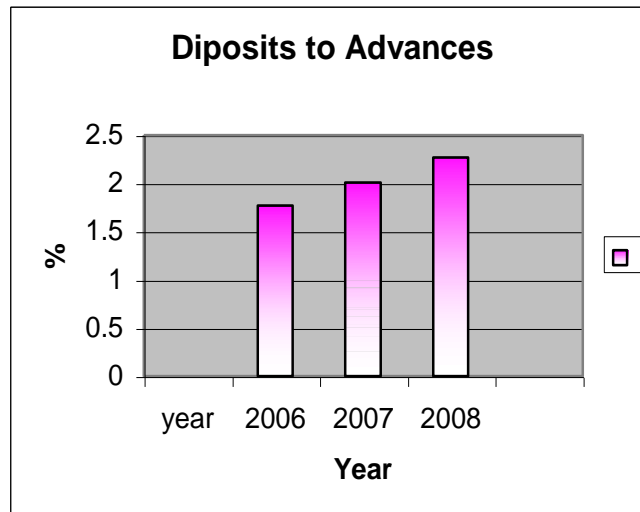
$$\text{Year 2007} = \frac{233900000}{116100000}$$

$$= 2.01$$

$$\text{Year 2008} = \frac{354900000}{156000000}$$

$$= 2.27$$

Year	Ratio
2005-06	1.77
2006-07	2.01
2007-08	2.27



**Deposits to advances:-**

The ratio of deposits to advances in the year 2005-06 was 1.77, which had increased in the next year 2006-07 were 2.01. And again in the next year 2007-08 it had increased by 2.27. That shows the proportion of deposits in the terms of advances was quite good, and bank was able to provide loan to its customers.



**Net Profit to Fixed Assets: -**

$$= \frac{\text{Net Profit}}{\text{Fixed Assets}}$$

$$\text{Year 2006} = \frac{5004000}{350000}$$

$$= 14.29 \text{ times}$$

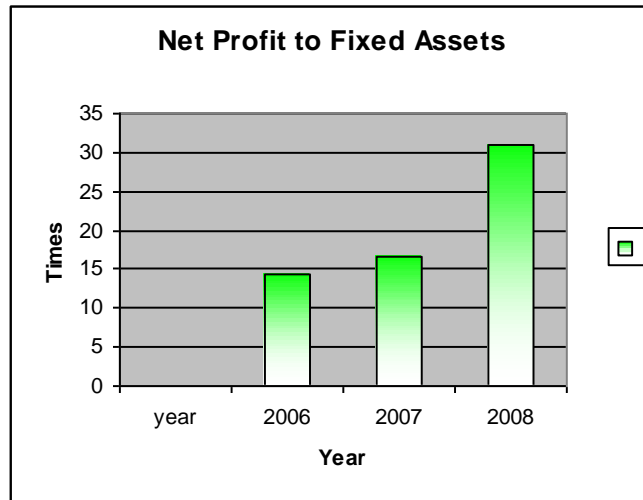
$$\text{Year 2007} = \frac{6600000}{400000}$$

$$= 16.5 \text{ times}$$

$$\text{Year 2008} = \frac{12400000}{400000}$$

$$= 31 \text{ times}$$

Year	Ratio
2005-06	14.29
2006-07	16.50
2007-08	31.00



**Net Profit to Fixed Assets: -**

This ratio shows the proportion of Net profit to Fixed Assets.

As we came to know the ratio was 14.29 times in year 2006, and it had increased by 16.5 times in the year 2007 and in the year 2008 the Net profit increased almost 100% of the last year and the ratio also had increased rapidly to 31 times.

Therefore, it seems branch is doing quite good business and growth also sufficient.

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## **Conclusion**

Finally, we came to the part of project, which is very important aspect of this Management study program.

The final reference or conclusion can be drawn after studying overall performance of the BANK OF MAHARASHTRA.

Conclusions Are: -

- The current ratio of the overall branches is quite satisfactory. Which had decreased in the Year 2007-08, but in the Branch the current ratio was 2.11 which is more than normal standard, and increasing in next years?
- The other financial ratios are found very good like net profit to fixed assets ratios is considered to be very good in both general as well as in Satana Branch.
- Return on total Assets ratio had seem to be very fluctuating in Satana Branch and there seem to be ups and downs in this ratio. On the other hand, in general it had decreased from last year, but net profit was increased also.
- The Satana Branch had seen increased in deposits every year and therefore the ratios had also increased in year by year.
- The current Assets to Fixed Assets ratio also had increased in every year, which is seen to be intensive use of the fixed assets in the proportion to current assets.

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## **Recommendations and Suggestions**

### **6.1 Suggestions**

- The branch's performance in terms of current ratio seems to be satisfactory, and performance found very good as current assets are found twice of the current liabilities. But they should look after it properly and should not invest excessive amount in current assets, because it will decrease profitability and large fund will block in working capital.
- Return on total assets ratio found fluctuating, but there is an increase in Net Profit but excessive amount had invested in total assets it should be cut down.
- The overall branches proprietary ratio was found to be unsatisfactory and therefore they should take some steps to make it sufficient. To increase the strength of the organization it is necessary to increase this ratio.
- The current assets to fixed assets ratio was found increasing in both general as well as in the Satana Branch. But they should not intensively use the fixed assets so much.
- The absolute liquidity ratio had seen decreasing in year after year, and current liabilities had increased very rapidly which is a concern for the Branch. And they must look to avoid it to increase the profitability of the bank.

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