FINANCIAL ACCOUNTING

Sample ASSIGNMENT

The entire assignment is split into 4 parts. All the parts are contained in the same document, with the details of each part given as a separate heading.

Follow links to access the topics

All the data required to compute the various performance measures are available in the attached excel sheet. Please refer to the excel sheet for the details "**Arvind_Mills_CF.xls**".

Download:

http://www.expertsmind.com/sample-assignment/Arvind-Mills.xls

For computing the industry averages, I have considered 6 company's though there are about 400+ companys in the TEXTILE sector.

1. Bombay Dyeing
2. Garden Silks
3. Indian Rayon and Industries
4. Indo Rama Synthetics
5. Mahavir Spinning Mills
6. Raymond

The financial information (BS, P&L) are downloaded from the www.moneycontrol.com, the values fed into an excel sheet and their averages computed. This is considered for the comparing the financial figures of Arvind Mills vis-à-vis industry average.

Disclaimer:- *Except for the financial figures and the company background information, not a single analysis statement have been replicated nor copied from any source. All the write-up is only my personal interpretation.*

(1) Shareholder Value

Company Background

Arvind Mills (AML), the flagship company of Lalbhai Group was incorporated in 1931 to manufacture cotton textiles. AML, for long has been one of the leading cotton manufacturing company in the country producing conventional suiting fabrics, shirting fabrics, sarees has moved into denim manufacturing in 1980's is currently the largest denim manufacturer in the world.The company with both international and local brands is one of the leading player in the domestic ready to wear garment industry.

The company has the rights to market international brands such as Arrow, Lee, Flying Machine etc in India. The company has also owns popular brands such as Newport, Ruggers, Excalibre and Ruf & Tuf. It has tied-up with H I Lee for Lee brand in denim Jeans and with Cluett International, US, for Arrow Shirts for manufacturing and marketing in India. AML's recent tie-ups include its technical and marketing alliance with F M Hammerie Von-Ogensver Waltungs, Austria, the US-based Alamac Knit

Fabrics & Spinners and Webexi Dict Turt, Switzerland. The denim project went on stream in 1991. Arvind Mills in 1985 has diversified into electronics by setting up a plant to manufacture electronic telephone exchanges (EPABX). It also entered into marketing pharmaceutical products and B&W and colour television sets under the name Pyramid.

The company has also ventured into production of Video Magnetic Tape of VHS Standards in 1988. In this regard the company has signed an agreement with Victor Company of Japan for technical assistance and license for production and marketing of video tapes. The company has taken over the management of Nagri Mills Co. Ltd. The company has merged Rohit Mills, a sick textile unit with it effective from Nov 1, 1996 and renamed Rohit mills as Asoka Cotsyn. The green field textile project at village Santej with a capacity of processing 34 million meters per annum has commenced commercial production with effect from 1st April, 1999. It also started operating two captive Co-generation Power plants after test runs in the 2nd and 3rd quarter of 1998-99.The Company commissioned its Shirtings facility at Santej during the first quarter of 2000 and the Knits facility was commissioned in the third quarter of 2000.

The company intends to raise Rs 100 crore through the rights issue and Rs 75 crore through sale of assets, mostly real estate. The money would be used to buy back debt. The restructuring proposal is strictly subject to the lenders agreeing to sell back a minimum of Rs 550 crore debts and the company would raise new debt to part-finance the buyback.

It has acquired a sick cotton mill Ankur Textiles. Arvind Overseas(Mauritius) Limited, a subsidiary of Arvind Mills Limited is setting up a 2.1 Million pieces p.a garment manufacturing plant which is expected to be commissioned during 2003-04. Arvind Mills has set up a new 100% subsidiary 'Arvind Spinning Ltd' to manufacture yarn in Mauritius for AOML.

Performance Indicators

Let us look at the following performamce indicators, P/BV, EPS, P/E

	Mar-00	Sep-01	Mar-02	Mar-03	Mar-04	Industry Avg
Price-to-Book Value (PBV)	0.31	0.36	0.17	0.38	0.79	NA
Price-to-Earnings (PE)	-0.93	-0.23	6.91	2.92	9.09	NA
Earnings Per Share	(26.99)	(49.67)	1.45	7.35	4.95	16.48
Dividend per Share	0.00	0.00	0.00	0.00	0.00	4

The PBV ratio is less than 1 which indicates that the perceived value in the market is greater than what the shares of the company is worth in its books which is a good sign. The PE ratio has increased from 2.92 to 9.09 which indicates that the market is willing to pay 9 times the earning of the share. Though the company is seen to have not given any dividend for the past 5 years vis-à-vis the industry average payout of 40%. This could be a slight set back from an investor point of view, but considering the earnings of the company, it is not an alarming sign. The company could be retaining its earnings for business expansion like takeover or larger production plan etc. This in turn might only lead to the increased scale of operations and hence more revenue and more dividends in the future. This is evident from the company's history and profile in the past.

Shareholder Value Maximization Framework

The framework depends on the following four parameters / attributes

Profitability

Growth

Risk

Capital Market Conditions

Lets look at the some ratios that are computed to see how they fit into defining the above four parameters

EPS = Rs 4.95

Market Cap. = 880 Cr.

Book value = Rs 56.91

P/E = Rs 9.09

P/BV = 0.79

Parameter	Value
Profitability	+
Growth	+
Risk	-
Capital Market Conditions	+
TOTAL	2+

Accordingly if we calculate the Expected market price, it would be 2*BV = 114. The current market value per Share of the company is trading at 80/- as of 30-Aug-2004.

(2) Valuation

It can be seen that the company has not paid any dividend to its shareholders for the past 4 years and it is very unlikely that it is going to declare a dividend this year too. The only thing that has happened is the increase in the BV of the stocks. It is difficult to compute the Intrinsic value of the stock in the above scenario, however let is look at some alternate mechanisms of doing the same though not a practice.

Dividend is an component of the earnings that the company will have during the financial year.

So EPS along with the P/E might indicate some means of valuating the intrinsic value of the company.

	Mar-00	Sep-01	Mar-02	Mar-03	Mar-04
Price-to-Earnings (PE)	-0.93	-0.23	6.91	2.92	9.09
Earnings Per Share	(26.99)	(49.67)	1.45	7.35	4.95
Book Value (Rs.)	81.70	32.03	59.75	56.60	56.91
Pref. Diviidend	0.37	0.00	0.00	6.69	8.34
Equity Dividend	0.00	0.00	0.00	0.00	0.00
Pref. Dividend per Share (%)				3.8	4.3

The market is willing to pay 3 times the EPS in the year 2003 and 9 times in the year 2004. This indicates that even thought the EPS of the company have gone down from Rs. 7.35 to Rs. 4.95, the market is willing to treat the stock as valuable and worthy enough to invest. Going by this above argument, if the EPS for the next year is say Rs. 6 (we have considered 6 as an average of the past two years) and the P/E ration is 15 (keeping in mind the future capital appreciation of the stocks), then the Intrinsic value of the stock would be

V0 = E1 * (P/E) = 6 * (15) = Rs. 80.

The stock is trading at a rate of Rs. 79 in the market and hence, we can either can take a decision of being neutral or be optimistic and invest in the stock.

Another way of calculating the IV of the stocks. If we look at the past data, the company did not issue any Equity dividend is because, it has to first satisfy the obligation of the Preference Dividend and only then would distribute the earnings to the equity share holders. So going by this logic, the company will definitely be able to give equity devidend in the year 2005 as it has already satisfied its preference share holders.

Lets assume that the company would pay out the devidend in the following fashion and continue to do so in the future for the years to come (perpetual), but be decide to sell the shares in the year 2007 for a value of 125.

	Mar-05	Mar-06	Mar-07

Pref. Diviidend (%)	6	6	6
Equity Dividend (%)	5	5	5

IV = D(2005) / (1+Ke) + D(2006) / (1+Ke)(1+Ke) + (D(2007)+125) / (1+Ke)(1+Ke)(1+Ke)

= 83.55 @ Ke = 15%

Since the Intrinsic value is greater than the market price, we can go ahead and purchase the stocks of Arvind Mills.

(3) Cost of Capital

Cost of Capital can be computed as the weighted average of the (cost of debt and cost of equity)

Cost of Capital = (Kd*Pd) + (Ke*Pe) where

Kd – cost of DEBT

Pd – portion of the debt in the company's overall captial structure

Ke – cost of EQUITY

Pe – portion of the equity capital in the company's overall capital structure

Kd = Interest Rate * (1 – Tax Rate)

Ke = Rf + B*(Rm-Rf)

Some of the key values that are considered while computing the cost of capital are

Tax Rate – 30%

Interest rate – 14% - This is as per the payments that the Arvind Mills have incurred and also the prevailing long term lending rates during that period.

Beta – 1.51 – As taken from the www.nseindia.com from its archived data for the year 2003.

Risk free return (Rf) – 5%

Market return (Rm) – 20%

By sustituting the above values into the excel sheet, we can get the values as

Kd = 9.80%

Ke = 27.65%

Cost of Captial (CoC) for the various years are:

Year	Mar 2000	Sep 2001	Mar 2002	Mar 2003	Mar 2004
CoC	**11.21%**	**11.02%**	**11.82%**	**12.56%**	**12.72%**

We can observe that the cost of capital remains fairly static over the period of time and it is closer to cost of debt (Kd). This could be because on an average 85% of the funds for the company are sourced from the long term debts and very small portion is contributed by the Equity. But if we take a closer look at the capital structure of the company, the company is trying to lower its debts and increase on the equity, an increase in equity from 7.88% in the year 2000 to 16.35% in the year 2004. So effectively the company is trying to mitigate the risk by minimizing its long term loans and increase the less liable equity funding.

Year	**Mar 2000**	**Sep 2001**	**Mar 2002**	**Mar 2003**	**Mar 2004**
Equity	**7.88%**	**6.81%**	**11.34%**	**15.47%**	**16.35%**
Debts	**92.12%**	**93.19%**	**88.66%**	**84.53%**	**83.65%**

Overall the company is moving in the proper direction of reducing its liability.

Let us look at some of the combinations possible for the Pe and Pd and their impact on the cost of capital for the company, given the same set of Ke and Kd

Pe-Pd (%)	CoC
20-80	**13.37%**
30-70	**15.16%**
40-60	**16.94%**
50-50	**18.73%**
60-40	**20.51%**
70-30	**22.30%**
80-20	**24.08%**

As an optimal, the company can choose to operate and set its capital structure somewhere around the 50%-50% mark.

(4) Financial Statement Analysis

All the calculations are mentioed in the excel sheet attached along with the document. To highlight, the same values are copied onto this page as well to discuss more about them.

Common Sized Analysis / Time Trend Analysis (Index Based Analysis)

Liabilities Side

	Arvind Mills	Arvind Mills	Arvind Mills	Arvind Mills	Arvind Mills	IND. Average	Arvind Mills	Arvind Mills
Year	Mar-00	Sep-01	Mar-02	Mar-03	Mar-04	Mar-04	Mar-03	Mar-04
Total Share Capital	5.9%	6.3%	8.2%	10.2%	10.4%	5.1%	100.0 %	108.0 %
Reserves	25.0%	8.1%	27.4%	34.1%	36.1%	53.2%	100.0 %	111.8 %
Net Worth	30.9%	14.4%	35.6%	44.3%	46.6%	60.6%	100.0 %	110.9 %
Total Debt	69.1%	85.6%	64.4%	55.7%	53.4%	39.4%	100.0 %	101.1 %
Total Liabilitie	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	105.5 %

s

Common Sized Analysis

The Share capital of the Arvind mills as well as the industry average is on the lower side, this can be attributed to the difficulty in getting larger share capital from the investors whose expected returns could be higher. The industry average on the reserves seems to be higher for the textile segment compared to the Arvind mills as most of the industries are trying to retain more funds towards supporting the future growth of the business than distributing back to the owners.

The net worth of the arvind mills seems to be less than the industry as it is on more and more debts than the peer company's, compare 53% against 39%.

Index Based Analysis

The share capital is incresing, a positive sign and the total debt almost remaining constant, which could be OK for short time but have to try and reduce over a longer period of time.

conclusion

Overall on the liabilities side, the Arvind mills needs to reduce its debt and try to increase the share capital and also try and distribute some portion of its retained earnings into the real owners of the company.

Assets Side

	Arvind Mills	Arvind Mills	Arvind Mills	Arvind Mills	Arvind Mills	IND. Average	Arvind Mills	Arvind Mills
Year	Mar-00	Sep-01	Mar-02	Mar-03	Mar-04	Mar-04	Mar-03	Mar-04
Net Block	67.1%	65.6%	66.6%	64.9%	57.2%	49.4%	100.0%	92.9%
Investments	8.4%	9.7%	4.8%	5.5%	5.8%	31.6%	100.0%	110.5%
Inventories	7.0%	8.4%	8.4%	15.9%	15.0%	23.5%	100.0%	99.2%
Total CA	14.8%	19.0%	28.8%	26.2%	24.8%	35.3%	100.0%	99.7%
CA + Loans	35.8%	38.0%	38.8%	38.0%	42.3%	47.3%	100.0%	117.5%

& Advs								
Total CL + prov	14.0%	13.9%	11.7%	10.4%	7.1%	29.7%	100.0%	72.4%
Net CA	21.8%	24.1%	27.1%	27.6%	35.2%	17.6%	100.0%	134.4%
Total Assets (TA)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	105.5%

Common Sized Analysis

The Net block of the company is more than half of the TA, whereas the industry average is just about 50%. The company could have been investing or acquiring more of its Fixed Assets. Look at the investments, the company has only about 6% vis-à-vis an industry average of about 31%. Also the company is also having a very less inventory base compared to the industry average. The current liabilities are very less at 7% compared to an industry average of 30%, this could be because the company must have been disposing the payments to the suppliers without dealy.

Index Based Analysis

The company is trying to reduce the net block YoY, trying to catch up with the industry average. The total CA is also increasing YoY to catch up with the industry average.

conclusion

Overall the liabilities position of the company looks OK, however the company could try and increase the CL so as to increasse the other liquid assets like the Investments.

Income Side

	Arvind Mills	Arvind Mills	Arvind Mills	Arvind Mills	Arvind Mills	IND. Average	Arvind Mills	Arvind Mills
Year	Mar-00	Sep-01	Mar-02	Mar-03	Mar-04	Mar-04	Mar-03	Mar-04
Net Sales	93.2%	97.6%	100.6%	96.1%	92.9%	92.8%	100.0%	94.2%
Total Income (TI)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	97.5%

<u>Common Sized Analysis</u>

More or less the company's figures match with the industry averages and it is above 92% which is looking good.

<u>Index Based Analysis</u>

The company's Net sales has come down from 2003 to 2004, this could be because of the lower demand in the market for the Denim, the primary product of the Arvind Mills and also because of the closing down of some of the operations of the company which it acquired over a period of time.

<u>Expenses Side</u>

	Arvind Mills	Arvind Mills	Arvind Mills	Arvind Mills	Arvind Mills	IND. Average	Arvind Mills	Arvind Mills
Year	Mar-00	Sep-01	Mar-02	Mar-03	Mar-04	Mar-04	Mar-03	Mar-04
Raw Materials	43.4%	42.3%	32.9%	32.7%	35.0%	49.7%	100.0%	104.3%
Total Expenses	86.4%	88.3%	75.7%	71.2%	74.1%	81.4%	100.0%	101.4%
Operating Profit	3.6%	9.6%	20.1%	27.3%	20.8%	11.4%	100.0%	74.3%
PBDIT	13.6%	11.7%	24.3%	28.8%	25.9%	18.6%	100.0%	87.7%
Interest	21.8%	26.4%	10.8%	10.8%	9.1%	2.4%	100.0%	82.6%
PBDT	-8.2%	-14.6%	13.6%	18.1%	16.8%	16.3%	100.0%	90.7%
PBT	-21.0%	-26.3%	2.9%	8.4%	6.8%	11.4%	100.0%	78.3%
Net Profit	-21.0%	-26.3%	2.9%	8.4%	6.5%	8.1%	100.0%	74.8%

<u>Common Sized Analysis</u>

The company has less expenses than the industry average, this could mean that the company either has a better bargaining power over procuring the raw materials or its volume of production could be lower and hence consuming less of the raw materials. Since the Operating profit is above the industry average the first point could be considered to be valid.

The PBDIT looks very good over the industry average, but since the Interest payout is higher its PBT has reduced and is lower than the industry average by about 5%.

Index Based Analysis

We can see that the company has incurred more expenses in the raw materials, attributing to the increase in the cost of cotton. As an effect the OP of the company has come down to 74% of that of the previous year and hence the Net profit.

conclusion

The company can look at decreasing the Interest payout by disposing off some of its long term liabilities and loans. However there is always a trade-off as the Interest payout brings in Tax rebate unlike the other types of funding like Equity which would expect a higher returns and higher cost of the capital.

Ratio Analysis

Short Term Liquidity Ratios

Year	Arvind Mills Mar-00	Arvind Mills Sep-01	Arvind Mills Mar-02	Arvind Mills Mar-03	Arvind Mills Mar-04	IND. Average Mar-04
Current Ratio	1.06	1.37	2.45	2.52	3.48	1.19
Quick Ratio	0.56	0.77	1.74	0.99	1.37	0.40

The company has a higher CR compared to the industry average. This indicates that the company might be having higher cash & cash equivalents which could have been effectively used towards the WC, on the other hand higher CR also indicates a minimal CL of the company which is true in this case (7%). The company is safe from a liquidity perspective, but could manage its trade creditors more effectively.

Long Term Liquidity Ratios

Year	Arvind Mills Mar-00	Arvind Mills Sep-01	Arvind Mills Mar-02	Arvind Mills Mar-03	Arvind Mills Mar-04	IND. Average Mar-04
D/E	2.23	5.94	1.81	1.26	1.15	0.65
Times Int. Earned Ratio	0.62	0.45	2.26	2.67	2.84	7.89

D/E is calculated in this case as the ratio of the Debt to the NW of the company as against Debt to Equity. From a lender perspective, this ratio indicates a positive trend. The TIER is very low compared to the industry average, meaning the company's capability to pay the Interest on its LTD, quite low for this company attributing to its higher Interest than the industry average. Arvind Mills should aim at either reducing the Interest payable or it should try and increase the Operating profit.

Activity Ratios

Year	Arvind Mills Mar-00	Arvind Mills Sep-01	Arvind Mills Mar-02	Arvind Mills Mar-03	Arvind Mills Mar-04	IND. Average Mar-04
Receivables Turnover Ratio (RTR)		5.91	8.29	2.97	6.28	7.77
Avg Collection Period (ACP)		61.79	44.01	123.00	58.09	47.00
Inventory Turnover Ratio (ITR)		4.43	6.74	1.53	2.59	3.07
Inventory Conversion Period (ICP)		82.36	54.12	237.79	141.12	118.75
Operating Cycle		144.15	98.14	360.79	199.21	165.75
Operating Cycle per Year		2.53	3.72	1.01	1.83	2.20
Sales-to-Assets Ratio	0.42	0.68	0.27	0.61	0.55	0.97

The ACP have to be reduced and the ICP have to be increased. The company should try and increase the Operating cycles per year.

The Sales to Assets ratio is low, indicating either a low sales or higher assets. The company is able to make a sales of only 55 paise per rupee of its investment into Assets. The company should try and reduce the assets base and maybe sell some of its non productive plants.

Profitability Ratios

	Arvind Mills	Arvind Mills	Arvind Mills	Arvind Mills	Arvind Mills	IND. Average
Year	Mar-00	Sep-01	Mar-02	Mar-03	Mar-04	Mar-04
ROA	-9.43%	-18.37%	0.80%	5.38%	3.81%	8.48%
Net Profit Margin	-22.51%	-27.00%	2.90%	8.76%	6.96%	8.75%
Gross Profit Margin	14.57%	12.04%	24.20%	30.03%	27.94%	20.10%
Return on Net Worth	-30.46%	-127.57%	2.24%	12.15%	8.19%	13.98%
Return on Capital Employed	0.37%	0.03%	3.73%	12.27%	9.21%	10.94%
ROE	-159.62%	-293.73%	9.67%	52.71%	36.53%	164.77%
Financial Leverage	16.93	15.99	12.15	9.80	9.58	19.44

The ROA is lower indicating a huge Asset base or low productivity. The Gross profit margin seems good at 27% against an industry average of 20%, but its Net profit margin is lower because of its huge Interest payments.

Its RONW is lower, indicating the capacity of the company to generate profit per 1 rupee of its NW, this is because of one single fact that the company is sitting on huge Surplus and Reserves and is not effectively managing its funds to convert them into Sales.

The ROE is alarmingly low compared to the industry average, but if we get into the details, thought the company has a less of share capital, it is still on the higher side when compared to the industry average where the Equity as well as the Debt's are lower. The company has to strive and see how to achieve greater returns on less of Equity.

capital of the bank, Institutional investors hold about 24%, while the Indian public holds around 14 percent. The Chairman of the bank is Mr. K. M. Gherda and the Executive VC and Managing Director is Mr. Uday Kotak.

The registered office of the bank is in Mumbai. As of September 30th 2009, the bank has 230 full-fledged bank branches across 135 locations, and 410 ATMs. Kotak Mahindra was recently honored with the "Best Private Banking Services" award by Euromoney 2009, and is ranked as one of the top five companies for "Corporate Governance Best Practices" in the Asia Pacific region, according to the IR Global Rankings 2009.[i]

SERVICES

The bank offers services in retail and corporate banking. In retail banking it offers deposits such as saving and current accounts and term deposits. Retail banking also offers loans such as personal and home loans. To the retail customers these above services are further facilitated with Net Banking, Phone Banking, Home Banking, ATM Network, Mobile Banking etc. The corporate banking division offers current accounts, asset reconstruction, trade finance, treasury products, investment products etc. The investment products of the bank include term deposits and mutual funds. The bank also offers services to the NRI community.

The Management team is as follows:

Name	Designation
Shankar Acharya	Part Time Chairman
Anand Mahindra	Non Executive Director
Cyril Shroff	Director
Shishir Bajaj	Director
C Jayaram	Executive Director
Sudipto Mundle	Additional Director
Name	Designation
Uday Kotak	Exec. Vice Chairman & Mang Dir
Asim Ghosh	Director
Pradeep N Kotak	Director
Shivaji Dam	Director
Dipak Gupta	Executive Director

PROMOTERS

Kotak Mahindra Group holds around 58% of the share capital. The promoters held around 52.39% of the shares, and the non promoters hold around 32.09% (March 2009).[ii] Among these, Mr. Uday Kotak holds 44.30% of the shares, other executive directors hold around 0.80% and Kotak Trustee Company Pvt. Ltd. holds 3.89% of the shares. However with Anand Mahindra end as its promoter, the promoters share is now 48.40%, and non-promoters have 51.60% (Sept '09). [iii] The top promoters are:

1. Uday Suresh Kotak - 44.30%

2. Kotak Trustee Company Pvt. Ltd. - 3.89%

3. Anuradha Mahindra - 2.49%

4. Avion Aerosols Pvt Ltd - 1.10%

The bank has its branches in 135 locations, and plans to increase it to around 150 by the end of fiscal year 2010.

PEER GROUP

Kotak Mahindra Bank is a private sector bank, but its peer group can include even the public sector banks. However, the financials of the company are such that it would be best to compare it to the banks in the private sector. From the BT 500 list, I got the top 10 private sector banks. Using data from CMIE, I compared the bank with its other peers, and included State Bank of India in order to get an idea of the best industry figures. This was the result:

Rs. Crores	PAT	MC	BVPS	EPS	MP	P/E	P/BV
Axis Bank Ltd.	1815.36	40910.20	253.07	44.98	1013.55	22.54	4.00
Federal Bank Ltd.	500.49	4232.58	253.06	29.28	247.60	8.46	0.98
H D F C Bank Ltd.	2244.94	78007.06	321.85	49.31	1713.55	34.75	5.32
I C I C I Bank Ltd.	3758.13	97303.23	447.96	33.75	873.80	25.89	1.95
I N G Vysya Bank Ltd.	188.78	3379.23	142.59	15.81	282.95	17.90	1.98
IndusInd Bank Ltd.	148.34	5822.59	40.61	3.62	142.05	39.25	3.50
Karur Vysya Bank Ltd.	235.84	2096.61	250.25	43.71	388.60	8.89	1.55
Kotak Mahindra Bank Ltd.	276.10	29224.66	112.62	7.96	842.75	105.85	7.48
Yes Bank Ltd.	303.84	7841.88	54.47	10.19	263.00	25.81	4.83
State Bank of India	9121.23	145197.11	912.73	143.67	2287.00	15.92	2.51

Source: CMIE Prowess

Based on the market cap of Kotak Mahindra Bank, I have chosen its peers as Axis Bank Ltd., HDFC Bank Ltd. and ICICI Bank Ltd.

Based on the firms' values, the average values were:

PAT/NW= 51.86; MC/PAT= 32.15; MC/NW=3.51; PAT= 1052.42; MC= 29868.67; BVPS= 208.50; EPS= 26.51; MP= 640.87

These values will be used as a reference (average of the top 9 private banks) in assigning +,- or 0 in the valuation framework.

LISTINGS

The company is listed on Bombay Stock Exchange Ltd., National Stock Exchange of India Ltd. and Luxembourg Stock Exchange.[iv] It is in the BSE Group A, which is a list of 200 companies, selected on the basis of market capitalization. **(BSE Code 500247, NSE Code KOTAKBANK)**

The company is a part of the BSE-100, BSE-200 and S&P CNX 500 Indices. The **S&P CNX 500** is India's first broad-based stock market index of the Indian stock market. The S&P CNX 500 represents about 96% of total market capitalization and about 93% of the total turnover on the NSE.[v]

NON-FINANCIAL INDICATORS

The performance measure of a bank is measured not just by its financial indicators, but also by the convenience it provides to its customers. No one would like to have an account at a bank which is not located at other cities, or has a limited presence around the country. This brings the need for Net Banking and also ATMs across the country. As per reports, as on may 31, the total number of ATMs in India was 44857. The number of ATMs per million people is as low as 33 units, which is expected to increase to 56 by 2010.[vi] Kotak Mahindra Bank has 410 of these ATMs.

SBI	1250	12250
ICICI	950	4831
Axis	831	3752
HDFC	1315	3295

Source: http://dqindia.ciol.com/content/dqtop20_09/IndustryAnalyses/2009/109081301.asp

Also important are the waiting time for a customer in the bank, and how efficient the processes are. The third indicator can be the number of transactions in a day per the total number of bank customers. If this is high, the bank is doing well.

Thus, the indicators are Reachability, measured by the no. of ATMs and the no. of branches; Efficiency, measured by the Cycle time, and the Waiting time; and the Average no. of transactions per day by the total no. of customers.