A Project Report on

Performance of Banking Sector Selected Companies Based on Macro and Micro Economic Variables

A Project Report Submitted in Partial Fulfillment for the Award of the Degree of

MASTER OF BUSINESS ADMINISTRATION

JNTUH HYDERABAD

Submitted

By

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MBA, JBIET [AUTONOMOUS]

UNDER THE GUIDANCE OF INTERNAL GUIDE

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STUDENT DECLARATION

DECLARATION

I, P.VIJAYALAKSHMI, hereby declare that the project report titled 'Performance of BANKING sector selected companies based on macro and micro economic variables', has been submitted to JNTUH through JBIET AUTONOMOUS, in partial fulfillment of the requirement for the award of master's degree in business administration from JNTUH. I hereby declare that this project report has not been submitted to any other institution for achieving any academic excellence.

P.VIJAYALAKSHMI
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Place
Date

ACKNOWLEDGEMENT

I express my sincere thanks to my supervisor **Mr. Raghu Ram Reddy**, Assistant professor for giving me moral support, kind attention and valuable guidance to me throughout this project work.

It is my privilege to thank all **Project Review Committee** members for allowing me to do this project and providing me all the facilities to do my project work.

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In all Sincerity,

P.VIJAYALAKSHMI (11671E0134)

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Meaning of Title

This project is an effort to study the performance of BANKING sector companies listed in our title based on the movement of equity share prices in cash markets which are an indication of the manner in which the information is received, processed, assessed and reflected by the investing community in the country. Concepts like efficiency market hypothesis which base themselves on the way in which the information about companies is internalized by the capital markets are utilized for our study. As this is an experiential study two methods of activity are implemented. A generalized risk diversified portfolio purchases and sales are made as well as a sector specific intensive portfolio trades are also made for a period of 45 days. An investment methodology which incorporates both the macro and micro economic variables is formulated and utilized for the purpose of selection of scripts based on various informational inputs. The results of the portfolio are analyzed both on a daily basis and a period basis using the following tools, viz: Treynor ratio, Sharpe ratio, and Jensen's alpha, which are accepted as valid barometers of the performance of a fund manager. The undersigned would be the fund manager for the limited purpose of this project and the finally the alpha would indicate the success or failure of the experiment on which this report is based.

Need for Research / RESEARCH GAP

There is a need to mix and match the best of fundamental analyses and technical analysis tools to arrive at a universal investment strategy for which an effort is made here in this project

RESEARCH QUESTION

Whether the investment strategy as shown in the equation is valid in the Indian context.Return on investment -=f(M,m, T) wherein the M indicates the macroeconomic indicators, m indicates the micro economic and firm level indicators and T indicate the technical analysis tools which are used to time the market for entry or exit.

Definition of Our Investment Strategy

Return on investment is a factor of both macro and micro economic variables and timing of purchase and sale based on various technical tools of investment.

ROI = F(M,m,T)

Macro Variables for Gauging/ Predicting the Market Mood

1. Movement of US market.
2. Movement of Japan market.
3. Movement of Hong Kong market.
4. Movement of Singapore market.
5. Movement of Europe market.

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6. Movement of the rupee dollar exchange rate.
7. FII money flow.
8. Movement of gold prices.
9. Movement of oil prices.
10. Movement of Treasury bill yield.

Micro Variables

1. Company financials and earning news
2. P/E ratio
3. Sales record or expectations

Technical Tools for Timing the Market

1. Spark lines graphs including yearly graph, monthly graph, and today graph
2. Moving average convergence divergence MACD
3. MFI – money flow index
4. Bollinger bands
5. Exponential Moving Average 20 day
6. RSI – relative strength index
7. Fast stochastic indicators like %K and its moving average of %D
8. Bar charts & candle charts

Outline of Proposed Steps in Data Analysis

This project makes use of the following concepts and tools:

- Efficient market hypothesis
- Portfolio formation or investment strategy
  - Fundamental vs. technical analysis
  - Technical analysis tools
- Evaluation of portfolio – ratios
  - Treynor ratio
  - Sharpe ratio
  - Jensen's alpha

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OBJECTIVE OF STUDY

1. To test the efficiency of the market, weak form, semi strong form, strong form efficiency
2. To identify the cause effect or covariance between fundamental factors and market price movement and arrival of some workable rules
3. The market expectation price vs. actual realized or published return
4. To link period of holding with the amount of return and evaluate the capacity of trader based on Jensen's alpha.
5. Performance of investor and portfolio evaluation based on Treynor ratio, Sharpe ratio, and Jensen's alpha.

HYPOTHESIS

NULL HYPOTHESIS

The investment strategy arrived at as above does not give a return which is better than the market indices. [If the alpha for the overall/sectoral portfolio is zero or negative]

ALTERNATE HYPOTHESIS

The investment strategy as above gives a positive alpha i.e. a return which is better than the market indices. [If the alpha for overall/sectoral portfolio is positive]

Research Design: This is an experiential virtual CUM real trading project based on ODIN platform of IDBI CAPITAL LTD.

SCOPE OF STUDY

Portfolio made up of scripts purchased from all sectors to indicate diversified portfolio as well as scrips from the chosen sector to represent the sectoral portfolio and compare the performance thereof with the return of the market indices for the relevant period.

The Detailed Procedure of Calculation Adopted By the Researcher:

- **Return Profile - Company Wise**
- **Return for - Day 1 Portfolio**
- **Return for - Sectoral sub-Portfolio for the Day**
- **BETA FOR ONE YEAR**
- **RISK FREE RATE: 10 YEAR TREASURY BILLS YIELD**
- **STANDARD DEVIATION**

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- **INDEX RETURN – RETURN OF THE MARKET**
- **Chi square result**
- **[Observed – expected/ observed]**
- **Treynor Ratio**
- **Sharpe Ratio**
- **Jensen's Alpha**

PERIOD OF STUDY: April to June 2013

SAMPLE: Judgmental sample made up of scripts purchased and sold based on above investment strategy adopted by the researcher.

DATA COLLECTION

PRIMARY DATA

Prices of purchase and sale made on the stock exchange via the broker IDBI CAPITAL and their statistical and mathematical procedure.

SECONDARY DATA

Market financial information, company financial information, sectoral financial and economic information, news and current event information from all sources available.

LIMITATION OF STUDY DONE

The study was conducted for a short period representing the period allotted for our project.

The study was limited by the tools used as detailed in our investment strategy.

REVIEW OF LITERATURE

INTORDUCTION

Review of literature has vital relevance with any research work due to Literature review the possibility of a repetition of study can be eliminated and Another dimension can be selected for the study. The literature review helps Researcher to remove limitations of existing work or may assist to extend Prevailing study.

Several types of research have been conducted to analyze the different aspects of Performance of commercial banks in India and abroad. But there are very few research and literature available on the subject related to financial reforms and its impact on Indian banks. The available literature and research are divided into four major parts according to the area of research i.e. literature.

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Related to:

1. Review of Literature related to Performance Appraisal of Banks.
2. Review of Literature related to Policy Framework and Recommendations for Banks.
3. Review of Literature related to Impact of Reforms on Indian Banks.
4. Review of Literature related to Service Quality of Indian Banks2.

The above mentioned literature have been obtained from following four major sources such as (i) Ph.D. research conducted in India, (ii) The research / studies carried over by the institutions like RBI, ICRA Limited and business magazines like Financial Express, Business Today, Money Outlook, Business India, etc. and (iii) Research Studies of individual scholars published in Journals and magazines and (iv) websites of RBI, Govt. of India and websites of various banks. The present study is undertaken in the light of the methodology adopted and conclusions emerged in the earlier studies relating to the performance evaluation, financial reforms and their impact on the Indian Banking sector. And a comparison between the two.

REVIEW RELATED TO DEVELOPMENT & PERFORMANCE MEASURES

Prashanta Athma (2000), in his Ph.D. research submitted at Osmania University Hyderabad, "Performance of Public Sector Banks – A Case Study of State Bank of Hyderabad made an attempt to evaluate the performance of Public Sector Commercial Banks with special emphasis on State Bank of Hyderabad. The period of the study for evaluation of performance is from 1980 to 1993-94, a little more than a decade. In this study, Athma outlined the Growth and Progress of Commercial Banking in India and. analyzed the trends in deposits, various components of profits of SBH, examined the trends in Asset structure, evaluated the level of customer satisfaction and compared the performance of SBH with other PSBs, Associate Banks of SBI and SBI. Statistical techniques like Ratios, Percentages, Compound Annual rate of growth and averages are computed for the purpose of meaningful comparison and analysis. The major findings of this study are that since nationalization, the progress of banking in India has been very impressive. All three types of Deposits have continuously grown during the study period, though the rate of growth was highest in fixed deposits. A comparison of SBH performance in respect of resource mobilization with other banks showed that the average growth of deposits of SBH is higher than any other bank group. Profits of SBH showed an increasing trend indicating a more than proportionate increase in spread than in burden. Finally, the majority of the customers have given a very positive opinion about the various statements relating to counter service offered by SBH.

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Zacharias Thomas (1997) Ph.D. Thesis, 'Performance effectiveness of Nationalized Bank A Case Study of Syndicate Bank', submitted to Cochin University (1997), Thesis studied the performance effectiveness of Nationalized Bank by taking Syndicate Bank as a case study in his Ph.D. thesis. Thomas has examined various aspects like growth and development of banking industry, achievements of Syndicate Bank in relation to capital adequacy, quality of assets, Profitability, Social Banking, Growth, Productivity, Customer Service and also made a comparative analysis of 'the Performance Effectiveness of Syndicate Bank in relation to the Nationalized bank. A period of ten years from 1984 to 1993-94 is taken for the study. This study is undertaken to review and analyze the performance effectiveness of Syndicate Bank and other Nationalized banks in India using an Economic Managerial-Efficiency Evaluation Model (EMEE Model) developed by the researcher. Thomas in this study found that Syndicate Bank got 5th Position in Capital adequacy and quality of assets, 15th in Profitability, 14th Position in Social Banking, 8^{th} in Growth, 7th in Productivity and 15th position in Customer Service among the nationalized banks. Further, he found that five nationalized banks showed low health performance, seven low priority performance and eleven low efficiency performance in comparison with Syndicate Bank.

Vashisht (2004) studied recent global developments, which has transformed the environment in which commercial banks operate. Globalization has expanded economic interdependence and interaction of countries greatly. Under the regime of the globalized environment, the financial performance of the commercial banks has changed and the commercial banks will face a new challenge and also new opportunities in the coming years.

ABOUT IDBI CAPITAL

IDBI Capital Market Services Ltd. (IDBI Capital) is a wholly owned subsidiary of IDBI Ltd. and a leading Indian securities firm.

About Idbi Bank Ltd Which is the Holding Company Of Idbi Capital Ltd

IDBI Bank Ltd is one of India's largest commercial Banks. The Bank is a Universal Bank with their operations driven by a cutting edge core Banking IT platform. The Bank operates in four segments, namely Wholesale Banking, Retail Banking, Treasury Services and Other Banking Operations.

IDBI Bank Ltd was incorporated in the year 1964 as a wholly owned subsidiary of Reserve Bank of India with the name Industrial Development Bank of India. It changed its name to Industrial Development Bank of India Ltd. In 2005, Industrial Development Bank of India Ltd merged their banking subsidiary IDBI Bank with themselves. The name of the bank was changed to IDBI Bank Ltd with effect from May 07, 2008.

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They formalized tie-ups with IDBI Capital Market Services Ltd, a 100% subsidiary of the Bank, with Motilal Oswal Securities Ltd to offer state-of-the-art internet-based trading facility in Equities,

Futures and Options markets. They have six wholly-owned subsidiaries, namely IDBI Home finance Ltd, IDBI Gilts Ltd, IDBI Intec Ltd, IDBI Capital Market Services Ltd, IDBI Asset Management Ltd and IDBI MF Trustee Company Ltd.

Products and Services offered by IDBI CAPITAL

IDBI Capital offers a full suite of products and services to individual, institutional and corporate clients namely: Stock Broking-Institutional and Retail (Through investment portal) Distribution of Financial Products Merchant Banking Corporate Advisory Services Debt Arranging & Underwriting Managing Client Assets-Pension/PF fund manager Research Services IDBI Capital is highly regarded for safety and trust and enjoys a credit rating of "AAA" by CARE for its medium-term borrowings and P1+ by ICRA for its short-term borrowings. With over 50 lakh IDBI Flexi-Bond holders spread over 800 towns, IDBI has become a household name.

CHAPTER 2: INDUSTRY PROFILE AND COMPANY PROFILES

Sector Analysis: BANKING SECTOR

A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly or through capital markets. A bank connects customers that have capital deficits to customers with capital surpluses.

Due to their critical status within the financial system and the economy generally, banks are highly regulated in most countries. They are generally subject to minimum capital requirements which are based on an international set of capital standards, known as the Basel Accords.

Banking in India originated in the last decades of the 18th century. The first banks were The General Bank of India, which started in 1786, and Bank of Hindustan, which started in 1790; both are now defunct. The oldest bank in existence in India is the State Bank of India, which originated in the Bank of Calcutta in June 1806, which almost immediately became the Bank of Bengal. This was one of the three presidency banks, the other two being the Bank of Bombay and the Bank of Madras, all three of which were established under charters from the British East India Company. For many years the Presidency banks acted as quasi-central banks, as did their successors. The three banks merged in 1921 to form the Imperial Bank of India, which, upon India's independence, became the State Bank of India in 1955.

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Structure of Indian Banking

As per Section 5(b) of the Banking Regulation Act 1949: "Banking" means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawal by cheque, draft, order or otherwise."

All banks which are included in the Second Schedule to the Reserve Bank of India Act, 1934 are scheduled banks. These banks comprise Scheduled Commercial Banks and Scheduled Cooperative Banks.

Scheduled Commercial Banks in India are categorized into five different groups according to their ownership and/or nature of the operation. These bank groups are:

(i) State Bank of India and its Associates,
(ii) Nationalized Banks,
(iii) Regional Rural Banks,
(iv) Foreign Banks and
(v) Other Indian Scheduled Commercial Banks (in the private sector).

Besides the Nationalized banks (majority equity holding is with the Government), the State Bank of India (SBI) (majority equity holding being with the Reserve Bank of India) and the associate banks of SBI (majority holding being with State Bank of India), the commercial banks comprise foreign and Indian private banks. While the State bank of India and its associates, nationalized

Banks and Regional Rural Banks are constituted under respective enactments of the Parliament; the private sector banks are banking companies as defined in the Banking Regulation Act. These banks, along with regional rural banks, constitute the public sector (state owned) banking system in India.

The Public Sector Banks in India are back bone of the Indian financial system. The cooperative credit institutions are broadly classified into urban credit cooperatives and rural credit cooperatives. Scheduled Co-operative Banks consist of Scheduled State Co-operative Banks and Scheduled Urban Co-operative Banks.

Regional Rural Banks (RRB's) are state sponsored, regionally based and rural oriented commercial banks. The Government of India promulgated the Regional Rural Banks Ordinance on 26th September 1975, which was later replaced by the Regional Rural Bank Act 1976. The preamble to the Act states the objective to develop rural economy by providing credit and facilities for the development of agriculture, trade, commerce, industry and other productive activities in the rural areas, particularly to small and marginal farmers, agricultural laborers, artisans and small entrepreneurs.

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Bank Nationalization

The Government of India issued an ordinance and nationalized the 14 largest commercial banks with effect from the midnight of July 19, 1969. Within two weeks of the issue of the ordinance, the Parliament passed the Banking Companies (Acquisition and Transfer of Undertaking) Bill, and it received the presidential approval on 9 August 1969.

The need for the nationalization was felt mainly because private commercial banks were not fulfilling the social and developmental goals of banking which are so essential for any industrializing country. Despite the enactment of the Banking Regulation Act in 1949 and the nationalization of the largest bank, the State Bank of India, in 1955, the expansion of commercial banking had largely excluded rural areas and small-scale borrowers.

A second dose of nationalization of 6 more commercial banks followed in 1980. The stated reason for the nationalization was to give the government more control of credit delivery. With the second dose of nationalization, the Government of India controlled around 91% of the banking business of India. Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was the only merger between nationalized banks and resulted in the reduction of the number of nationalized banks from 20 to 19. After this, until the 1990s, the nationalized banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy.

List of Nationalized Banks in India in 2012

1. Allahabad Bank
2. Andhra Bank
3. Bank of Baroda
4. Bank of India
5. Bank of Maharashtra
6. Canara Bank
7. Central Bank of India
8. Corporation Bank
9. Dena Bank
10. Indian Bank
11. Indian Overseas Bank
12. Oriental Bank of Commerce
13. Punjab and Sind Bank
14. Punjab National Bank
15. State Bank of Bikaner & Jaipur
16. State Bank of Hyderabad
17. State Bank of India (SBI)
18. State Bank of Indore
19. State Bank of Mysore
20. State Bank of Patiala
21. State Bank of Travancore
22. Syndicate Bank

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23. UCO Bank
24. Union Bank of India
25. United Bank of India
26. Vijaya Bank

Reserve Bank of India

The Reserve Bank of India is the central bank of the country. Central banks are a relatively recent innovation and most central banks, as we know them today, were established around the early twentieth century. The Reserve Bank of India was set up on the basis of the recommendations of the Hilton Young Commission. The Reserve Bank of India Act, 1934 (II of 1934) provides the statutory basis of the functioning of the Bank, which commenced operations on April 1, 1935.

The Bank was constituted to:

• Regulate the issue of banknotes

• Maintain reserves with a view to securing monetary stability and

• To operate the credit and currency system of the country to its advantage.

The Bank began its operations by taking over from the Government the functions so far being performed by the Controller of Currency and from the Imperial Bank of India, the management of Government accounts and public debt. The existing currency offices at Calcutta, Bombay, Madras, Rangoon, Karachi, Lahore and Cawnpore (Kanpur) became branches of the Issue Department. Offices of the Banking Department were established in Calcutta, Bombay, Madras, Delhi and Rangoon.

Burma (Myanmar) seceded from the Indian Union in 1937 but the Reserve Bank continued to act as the Central Bank for Burma till Japanese Occupation of Burma and later up to April, 1947. After the partition of India, the Reserve Bank served as the central bank of Pakistan up to June 1948 when the State Bank of Pakistan commenced operations. The Bank, which was originally set up as a Shareholder's bank was nationalized in 1949.

The Reserve Bank of India was nationalized with effect from 1st January, 1949 on the basis of the Reserve Bank of India (Transfer to Public Ownership) Act, 1948. All shares in the capital of the Bank were deemed transferred to the Central Government on payment of a suitable compensation.

An interesting feature of the Reserve Bank of India was that at its very inception, the Bank was seen as playing a special role in the context of development, especially Agriculture. When India commenced its plan endeavors, the development role of the Bank came into focus, especially in the sixties when the Reserve Bank, in many ways, pioneered the concept and practice of using finance to catalyze development.

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The Bank was also instrumental in institutional development and helped set up institutions like the Deposit Insurance and Credit Guarantee Corporation of India, the Unit Trust of India, the Industrial Development Bank of India, the National Bank of Agriculture and Rural Development, the Discount and Finance House of India etc. to build the financial infrastructure of the country.

With liberalization, the Bank's focus shifted back to core central banking functions like Monetary Policy, Bank Supervision, and Regulation, and Overseeing the Payments System and onto developing the financial markets. Regulation of Banks by RBI

The Reserve Bank of India has been empowered under the Banking Regulation Act, 1949 to regulate and supervise banks' activities in India and their branches abroad. While the regulatory provisions of this Act prescribe the policy framework to be followed by banks, the supervisory framework provides the mechanism to ensure banks' compliance with the policy prescription.

While the Department of Banking Operations and Development exercises regulatory powers in respect of commercial banks and Local Area Banks (LABs), Regional Rural Banks/District and State Co-operative Banks and Urban Cooperative Banks are regulated by Rural Planning and Credit Department and Urban Banks Department, respectively.

Important Legislations Pertaining to Banking Sector are:

Core Legislations:

1. The Banking Regulation Act, 1949
2. The Reserve Bank of India Act, 1934

Acts Governing Specific Functions:

1. Public Debt Act, 1944
2. Government Securities Act 2006
3. Securities Contract (Regulation) Act, 1956
4. Indian Coinage Act, 1906
5. Foreign Exchange Management Act, 1999
6. Payment and Settlement Systems Act, 2007

Acts governing Banking Operations

1. Companies Act, 1956
2. Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970
3. Bankers' Books Evidence Act, 1891
4. The Negotiable Instruments Act, 1881
5. The Prevention of Money Laundering Act, 2002
6. Securities and Exchange Board of India Act, 1992

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Acts Governing Individual Institutions

1. The State Bank of India Act, 1954
2. The Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003
3. The Industrial Finance Corporation (Transfer of Undertaking and Repeal) Act, 1993
4. National Bank for Agriculture and Rural Development Act, 1981
5. National Housing Bank Act, 1987
6. Deposit Insurance and Credit Guarantee Corporation Act, 1961
7. Regional Rural Banks Act, 1976

PEST ANALYSIS
TECHNOLOGICAL ENVIROMENT

Technology plays a very important role in bank's internal control mechanisms as well as services offered by them. It has in fact given new dimensions to the banks as well as services that they cater to and the banks are enthusiastically adopting new technological innovations for devising new products and services.

The latest developments in terms of technology in computer and telecommunication have encouraged the bankers to change the concept of branch banking to anywhere banking. The use of ATM and Internet banking has allowed 'anytime, anywhere banking' facilities. Automatic voice recorders now answer simple queries, currency accounting machines make the job easier and self-service counters are now encouraged. Credit card facility has encouraged an era of cashless society. Today MasterCard and Visa card are the two most popular cards used the world over. The banks have now started issuing smartcards or debit cards to be used for making payments. These are also called as an electronic purse. Some of the banks have also started home banking through telecommunication facilities and computer technology by using terminals installed at customers home and they can make the balance inquiry, get the statement of accounts, give instructions for fund transfers, etc. Through ECS we can receive the dividends and interest directly to our account avoiding the delay or chance of losing the post.

Today banks are also using SMS and Internet as a major tool of promotions and giving great utility to its customers. For example, SMS functions through simple text messages sent from your mobile. The messages are then recognized by the bank to provide you with the required information.

All these technological changes have forced the bankers to adopt customer-based approach instead of product-based approach.

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ECONOMICAL ENVIROMENT

Banking is as old as authentic history and the modern commercial banking are traceable to ancient times. In India, banking has existed in one form or the other from time to time. The present era in banking may be taken to have commenced with the establishment of a bank of Bengal in 1809 under the government charter and with government participation in share capital. Allahabad bank was started in the year 1865 and Punjab national bank in 1895, and thus, others followed

Every year RBI declares its 6 monthly policy and accordingly, the various measures and rates are implemented which has an impact on the banking sector. Also, the Union budget affects the banking sector to boost the economy by giving certain concessions or facilities. If in the Budget savings are encouraged, then more deposits will be attracted towards the banks and in turn, they can lend more money to the agricultural sector and industrial sector, therefore, booming the economy. If the FDI limits are relaxed, then more FDI is brought in India through banking channels.

POLITICAL/ LEGAL ENVIROMENT

Government and RBI policies affect the banking sector. Sometimes looking into the political advantage of a particular party, the Government declares some measures to their benefits like waiver of short-term agricultural loans, to attract the farmer's votes. By doing so the profits of the bank get affected. Various banks in the cooperative sector are open and run by the politicians. They exploit these banks for their benefits. Sometimes the government appoints various chairmen of the banks.

Various policies are framed by the RBI looking at the present situation of the country for better control over the banks.

SOCIAL ENVIROMENT

Before nationalization of the banks, their control was in the hands of the private parties and only big business houses and the effluent sections of the society were getting benefits of banking in India. In 1969 government nationalized 14 banks. To adopt the social development in the banking sector it was necessary for speedy economic progress, consistent with social justice, in the democratic political system, which is free from the domination of law, and in which opportunities are open to all. Accordingly, keeping in mind both the national and social objectives, bankers were given direction to help economically weaker section of the society and also provide need-based finance to all the sectors of the economy with flexible and liberal attitude.

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Now the banks provide various types of loans to farmers, working women, professionals, and traders. They also provide education loan to the students and housing loans, consumer loans, etc.

Banks having big clients or big companies have to provide services like personalized banking to their clients because these customers do not believe in running about and waiting in queues for getting their work done. The bankers also have to provide these customers with special provisions and at times with benefits like food and parties. But the banks do not mind incurring these costs because of the kind of business these clients bring to the bank. Banks have changed the culture of human life in India and have made life much easier for the people.

SPorter's 5 Forces for Banking Sector

The threat of New Entrants:

In the first of the five forces, new competitors in the industry can raise the level of competition, reducing its attractiveness to current members. The threat of new entrants largely depends on the height of the barriers to entry. Very high entry barriers exist in certain industries, such as shipbuilding, while other industries are quite easy to enter, such as real estate or restaurants. Some of the key barriers to entry include:

• Economies of scale

• Capital and/or investment requirements

• Customer's costs to switch

• Access to industry distribution channels

• Likelihood of retaliation from existing industry players

The threat of Substitutes:

The presence of substitute products can also decrease industry attractiveness and profitability by limiting price levels. The threat of substitute products is correlated with:

• Buyers' willingness to substitute products/services

• the relative price and performance of substitutes

• the cost of switching to one of the substitutes

Bargaining Power of Suppliers:

Suppliers are defined as the businesses that supply materials & other products to the businesses within an industry. The cost of items purchased from suppliers, such as raw materials and component parts, can have a significant impact on a company's bottom line. If suppliers gain strong bargaining power over an individual company, the company's industry becomes less attractive. The bargaining power of suppliers will be high when:

• There are many buyers and few dominant suppliers

• There are undifferentiated, highly valued products in the industry

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• Suppliers threaten to integrate forward into the industry, illustrated by brand-name manufacturers threatening to set up their own retail outlets

• Buyers do not threaten to integrate backwards into the supply chain

• The industry does not play a key customer group role to the suppliers

Bargaining Power of Buyers:

Buyers are the people and/or organizations who create the demand in an industry. The bargaining power of buyers is greater in the following instances:

• There are few dominant buyers and many sellers in the industry

• Products are standardized

• Buyers threaten to integrate backward into the industry

• Suppliers do not threaten to integrate forward into the buyer's industry

• the industry is not a main supplying group for the buyers

Intensity of Rivalry

The fifth of the five forces, the intensity of rivalry between competitors in an industry, depends chiefly on:

• The structure of competition - a rivalry is more intense where there are many small or closely-sized competitors; a rivalry is less intense when an industry has a clear market leader

• The structure of industry costs – an industry with high fixed costs motivates competitors to cut prices

• Degree of differentiation - industries where products are commodities, such as steel or coal, experience a greater degree of rivalry; industries where competitors can clearly differentiate their products find less rivalry

• Switching costs - rivalry is lowered where buyers face high switching costs, as when there is a high cost associated with the decision to buy a product from an alternative supplier

• Strategic objectives - when competitors are pursuing aggressive growth strategies, rivalry becomes more intense; when competitors are milking the profits in a mature industry, the degree of rivalry is lower

• Exit barriers - when the barriers (such as the cost to close down factories) to leaving an industry are high, then competitors tend to show a greater degree of rivalry.

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COMPANY PROFILES

Profiles of following companies which form part of the portfolio is included:

1. AXIS BANK
2. SBI
3. YES BANK
4. UNION BANK
5. PNB
6. KOTAK MAHINDRA
7. BANK OF BARODA

AXIS BANK

INTRODUCTION

Axis bank was the first new private banks to have begun operations in 1994, after the government of India allowed new private banks to be established.

The bank was promoted jointly by the administrator of the specified undertaking of the

- UNITED TRUST OF INDIA (UTI-I).
- LIFE INSURANCE CORPORATION OF INDIA (LIC).
- GENERAL INSURANCE CORPORATION OF INDIA (GIC).
- The bank today is capitalized to the extent of Rs.359.76 Crores with the public holding (other than promoters) at 57.79%.

Axis Bank was the first of the new private banks to have begun operations in 1994, after the Government of India allowed new private banks to be established. The Bank was promoted jointly by the Administrator of the specified undertaking of the Unit Trust of India (UTI - I), Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC) and other four PSU insurance companies, i.e. National Insurance Company Ltd., The New India Assurance Company Ltd., The Oriental Insurance Company Ltd. and United India Insurance Company Ltd.

The Bank as on 31st December, 2011 is capitalized to the extent of Rs. 412.57 crores with the public holding (other than promoters and GDRs) at 53.63%. The Bank's Registered Office is at Ahmedabad and its Central Office is located at Mumbai. The Bank has a very wide network of more than 1281 branches (including 169 Service Branches/CPCs as on 31st March, 2011). The Bank has a network of over 7591 ATMs (as on 30th September, 2011) providing 24 hrs a day banking convenience to its customers.

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This is one of the largest ATM networks in the country. The Bank has strengths in both retail and corporate banking and is committed to adopting the best industry practices internationally in order to achieve excellence.

SWOT ANALYSIS

STRENGTHS

- Support of various promoters.
- High level of services.
- Knowledge of Indian market.

WEAKNESSESS

- Not have a good image.
- Market capitalization is very low.
- Not been fully able to position it correctly.

OPPURTUNITIES

- Growing Indian banking sectors.
- People are becoming more service oriented in the global market.

THREATS

- From various competitors
- Foreign banks
- Government banks
- Future market trends.

STATE BANK OF INDIA

INTRODUCTION

- The State Bank of India is the oldest and largest bank in India, with more than $250 billion (USD) in assets.
- It is the second-largest bank in the world in a number of branches; it opened its 10,000th branch in 2008.
- The bank has 84 international branches located in 32 countries and approximately 8,500 ATMs.
- Additionally, SBI has controlling or complete interest in a number of affiliate banks, resulting in the availability of banking services at more than 14,600 branches and nearly 10,000 ATMs.

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SWOT ANALYSIS

STRENGTHS

- The biggest bank in the country
- Has a separate act for itself. Thus, a special privilege.
- Biggest branch network in the country
- First public sector to move to CBS

WEAKNESSESS

- Huge amount of staff
- Expected to experience high level of attrition due to retirement of its top management
- Still carries the image of the old Govt. sector bank.

OPPURTUNITY

- Pool in talent to replace the going top management to serve the next generation
- Make better use of its CRM
- Expansion into rural areas

THREATS

- Consolidation among private banks
- New bank licenses by RBI
- Foreign banks that have sophisticated products.

COMPETITORS

- ICICI
- PNB
- Bank of Baroda

YES BANK LTD

YES, Banks one of the fastest growing Indian private sector banks with a total business size of over 800,000 million.

The bank provides a full gamut of products and services in the field of corporate and institutional banking, financial markets, investment banking, corporate finance, business and transaction banking, retail and wealth management to its clients from across the country.

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STRENGTHS

- The capital adequacy ratio of YBL at 17.9% is well above minimum requirements of 9% which supports the long term soundness and sustainability of its business.
- YBL's annualized RoA has been at or above 1.5% over last 4 years and its annualized RoE has been at or above 20% over last 4 years. This stands in testimony to the bank’s lucrative business model.
- Over the years, YBL has brought down the cost to income ratios to 36%-38%,, which is far below the industry average Cost to income ratio of approx. 45% and retains high profitability per employee as compared to peers.

WEAKNESSESS

- Although YBL has made significant strides over the last few years, it is still a very small player in the banking space. It suffers from low market share as its network of branches (~360) is still relatively smaller than its peers in both the public and the private sector.
- Being a new Bank in the industry, YBL’s brand awareness among retail customers is lower than its peers who have been in the business for a significantly longer time.
- YBL also has a relatively lower Current and Saving Account (CASA) base against its peers due to higher exposure to corporate banking.

OPPURTUNITY

- Savings rate deregulation by the RBI has offered YBL an opportunity to gain significant savings account market share by offering better rates and services to customers.
- YBL’s entry into a new product or segments like retail assets offers significant potential for the Bank to build on its expanding custom base. The ability to cross sell the product to retail customers would enhance the profitability of the Bank over the long run.
- The large middle class population of India, with increasing incomes and banking needs along with a huge unbanked population below the age of 25 offers an enormous retail opportunity for banks in India. Smaller towns and rural India still provide a huge untapped potential for expansion

THREATS

- The tight monetary policy adopted by the RBI with a view to tame inflation could dampen corporate credit off taking. Overall business could also be impacted due to a reduction in asset quality and rise in NPAs.
- Expansion may lead to increase in costs and an overall reduction in operating profit accompanied by a decrease in quality of assets with exposure to retail in the future.
- Recent regulatory changes including revised priority sector norms, adoption of BASEL III norms could result in lower profitability for the banking system in general, thereby also impact YBL.

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UNION BANK OF INDIA

INTRODUCTION

Union bank was established in 1991 and was backed by a major Middle Eastern Group. Union Bank expands and strengthens itself through acquisitions. With enhanced accessibility and superior operational capabilities, the aim is to provide the customer with a memorable banking experience.

BRANCH EXPANSION

- During the year 2002, the bank has expanded its branch network with the aim to increase accessibility for its customers as per their own convenience.
- A total of 8 new branches were opened in various cities of the country. These include branches in existing and new cities thereby taking the final toll to 42 branches in 17 cities. With a correspondent banking network of over 500 banks in 87 countries, Union Bank is rapidly gaining ground in the global financial market.
- The existing, as well as new branches, successfully prepare the grounds to utilize new banking systems including online real time connectivity and an automated front office system enabling to deliver the service in accordance with highest quality standards.

SWOT ANALYSIS

STRENGTHS

Financial products for agricultural sector

- Products aligned to Government schemes
- Emphasis on Customer Satisfaction
- Union bank of India has over 27,700 employees
- It has representative offices in Abu Dhabi, United Arab Emirates, and Shanghai, Peoples Republic of China, Australia and a branch in Hong Kong.
- Online Tele banking facility is available to all its Core Banking Customers - individual as well as corporate

WEAKNESSESS

- Nominal International presence as compared to leading players
- Advertising is lesser which leads to lower brand presence

OPPURTUNITIES

- Small scale business banking.
- More global penetration through International banking.
- Acquisition of smaller local banks.

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THREATS

- Economic crisis.
- Highly competitive environment.
- Stringent Banking Norms.

COMPETITORS

- Indian bank
- Corporation Bank
- Dena bank

PUNJAB NATIONAL BANK

INTRODUCTION

1. PNB has a wide variety of products and services that meet diverse requirements of its vast customer base.
2. In the light of growing importance of financial inclusion, the bank has introduced PNB Mitra- a no-frills savings bank account that can be opened either by an individual or jointly.
3. A number of deposit and loan schemes are available to customers such as housing loans, car finance, customer finance, personal and several types of educational loans.
4. It has an international credit card, issued in collaboration with Hong Kong and Shanghai Banking Corporation.
5. HSBC is the issuer bank for the co-branded credit card and it undertakes all front-end and back-end operations relating to the co-branded credit card.
6. Punjab National Bank has formulated the Gold Card Scheme for its exporter clients based on the scheme drawn up by Reserve Bank of India.
7. The scheme ensures easy availability of export credit on best terms to credit worthy exporters with a good track record.
8. The card offered by PNB is known as PNB Expo Gold Card.
9. The bank offers 12-hour banking services in 77 branches across India.

SWOT ANALYSIS

STRENGTHS

- Diversified operations with 5100 branches
- Strong I. T support with "best fit" approach
- Schemes for small and medium scale businesses
- It is the second largest state-owned commercial bank in India with about 5000 branches across 764 cities
- Its 56,000+ workforce serves over 37 million customers

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WEAKNESSESS

- Less penetration in the urban areas
- Inadequate advertising and branding as compared to other banks
- Legal issues regarding employees caused a bad name for PNB

OPPURTUNITIES

- Small scale business banking across India
- Expansion in other countries for international banking
- Installation of more ATM's and better customers services

THREATS

- Economic crisis and economic fluctuations
- Highly competitive environment
- Stringent Banking Norms by the RBI and the Government.

COMPETITORS

- Indian bank
- Andhra Bank
- Canara bank
- ICICI Bank
- HDFC Bank
- SBI

KOTAK MAHINDRA

HISTORY OF KOTAK MAHINDRA

- ❖ The Kotak Mahindra group was born in1985 as Kotak capital management finance limited.
- ❖ In 1986 the company changed its name to Kotak Mahindra finance limited.
- ❖ In 2003 it converted into Kotak Mahindra bank.
- ❖ It is the first company in the Indian banking history to be converted from a financial institution bank.

SWOT ANALYSIS

STRENGTHS

- Strong brand image.
- Dedicated sales team.
- Value added services.
- Mainly concern on customer services.
- Deals in innovative products better than others and focuses on quality.

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- Provide phone banking, mobile banking, it makes work easier.
- Providing home banking facility.

WEAKNESSESS

- New in market
- Less number of ATM'S
- A limited number of branches.

OPPURTUNITIES

- Large untapped market.
- Distinguish product (for different customers).

THREATS

- Presence of very strong competitors.
- Aggressive marketing by competitors.
- Various investments schemes with high returns.
- New and upcoming banks in retail.

BANK OF BARODA

INTRODUCTION

- Bank of Baroda was incorporated in 1908 as a privately owned institution.
- The bank expanded its operations through merger and acquisition before it was nationalized in 1969.
- The government of India has a shareholding of 53.81% in BOB.
- BOB is among the five largest banks in India, with total assets of 2.8 trillion (tn) as on march 31^{st} 2010.
- The bank's domestic network consists of 3100 branches as on the same date.
- It has the second largest international presence among the Indian banks with 78 overseas offices across 25 countries for 24% of its total business.

SWOT ANALYSIS

STRENGTHS

- One of the biggest names in public sector banking.
- No. of services and products offered by the bank.
- CBS implementation in its branches.
- International presence adds to the credibility.

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WEAKNESSESS

- Lesser branches across the country when compared with SBI and PNB.
- Due to focus on international branches, local focus sometimes gets diluted.

OPPURTUNITIES

- International branches give scope to expand into other economies.
- Expansion in the rural areas to include the unbanked and under banked.
- Bob Caps can contribute more to the revenues.

THREATS

- New banking licenses by RBI.
- Foreign banks.

COMPETITORS

- SBI'
- PNB
- ICICI

DATA ANALYSIS

Punjab National Bank

TREYNOR RATIO

Date	Nifty Close	Company close	Company Open	Return X	Return Y
31-May-12	9441	755.5	724	0.095292	0.069887
29-Jun-12	10340.65	808.3	795	0.004202	-0.10046
31-Jul-12	10384.1	727.1	732.9	-0.0379	-0.06952
31-Aug-12	9990.5	676.55	678	0.146769	0.242037
28-Sep-12	11456.8	840.3	845	-0.01641	-0.12127
31-Oct-12	11268.8	738.4	724.5	0.078988	0.062974
30-Nov-12	12158.9	784.9	770.25	0.025936	0.110078
31-Dec-12	12474.25	871.3	844.1	0.018787	0.046827
31-Jan-13	12708.6	912.1	832	-0.0961	-0.13337
28-Feb-13	11487.35	790.45	814	-0.01093	-0.09178
28-Mar-12	11361.85	717.9	713.35	0.10559	0.069648
30-Apr-13	12561.55	767.9	786	-1	-1

BETA
1.002996

TREYNORS RATIO 10.85415

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SHARP RATIO

Date	Nifty Close	Company close	Company Open	Portfolio
31-May-12	9441	755.5	724	31.5
29-Jun-12	10340.65	808.3	795	13.3
31-Jul-12	10384.1	727.1	732.9	-5.8
31-Aug-12	9990.5	676.55	678	-1.45
28-Sep-12	11456.8	840.3	845	-4.7
31-Oct-12	11268.8	738.4	724.5	13.9
30-Nov-12	12158.9	784.9	770.25	14.65
31-Dec-12	12474.25	871.3	844.1	27.2
31-Jan-13	12708.6	912.1	832	80.1
28-Feb-13	11487.35	790.45	814	-23.55
28-Mar-12	11361.85	717.9	713.35	4.55
30-Apr-13	12561.55	767.9	786	-18.1

MEAN	782.558333			
			AVG	10.96667
SD	67.4952484			
SHARP RATIO		0.161295305		

JENSENS ALPHA

Date	Nifty Close	Portfolio	Index(RM)
31-May-12	9441	31.5	0.095292
29-Jun-12	10340.65	13.3	0.004202
31-Jul-12	10384.1	-5.8	-0.0379
31-Aug-12	9990.5	-1.45	0.146769
28-Sep-12	11456.8	-4.7	-0.01641
31-Oct-12	11268.8	13.9	0.078988
30-Nov-12	12158.9	14.65	0.025936
31-Dec-12	12474.25	27.2	0.018787
31-Jan-13	12708.6	80.1	-0.0961
28-Feb-13	11487.35	-23.55	-0.01093
28-Mar-12	11361.85	4.55	0.10559
30-Apr-13	12561.55	-18.1	-1
AVERAGE		10.96667	-0.05715

COVARIANCE		1.982637
VARIANCE		750.0324
BETA	0.002643	
RF	0.08	
RM-RF	-0.13715	
B(RM-RF)	-0.00036	
RF+B(RM-RF)		0.079637

JENSENS ALPHA	RP-(RF+B(RM-RF))	-0.13679

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State Bank of India

TREYNOR RATIO

Date	Nifty Close	Company close	Company open	Return X	Return Y
31-May-12	9441	2056.05	2080	0.095292	0.050072
29-Jun-12	10340.65	2159	2130	0.004202	-0.07128
31-Jul-12	10384.1	2005.1	2038	-0.0379	-0.08366
31-Aug-12	9990.5	1837.35	1839	0.146769	0.219474
28-Sep-12	11456.8	2240.6	2269.4	-0.01641	-0.05818
31-Oct-12	11268.8	2110.25	2072	0.078988	0.028456
30-Nov-12	12158.9	2170.3	2149	0.025936	0.099157
31-Dec-12	12474.25	2385.5	2370	0.018787	0.022008
31-Jan-13	12708.6	2438	2436	-0.0961	-0.14647
28-Feb-13	11487.35	2080.9	2234	-0.01093	-0.00392
28-Mar-12	11361.85	2072.75	2048.85	0.10559	0.092413
30-Apr-13	12561.55	2264.3	2282	-1	-1

BETA

1.000304

TREYNORS RATIO -10.75590171

SHARP RATIO

Date	Nifty Close	Company Close	Company Open	Portfolio
31-May-12	9441	2056.05	2080	-23.95
29-Jun-12	10340.65	2159	2130	29
31-Jul-12	10384.1	2005.1	2038	-32.9
31-Aug-12	9990.5	1837.35	1839	-1.65
28-Sep-12	11456.8	2240.6	2269.4	-28.8
31-Oct-12	11268.8	2110.25	2072	38.25
30-Nov-12	12158.9	2170.3	2149	21.3
31-Dec-12	12474.25	2385.5	2370	15.5
31-Jan-13	12708.6	2438	2436	2
28-Feb-13	11487.35	2080.9	2234	-153.1
28-Mar-12	11361.85	2072.75	2048.85	23.9
30-Apr-13	12561.55	2264.3	2282	-17.7

AVG -10.67916667

MEAN 2151.675

SD 165.1533

SHARP RATIO -0.06515

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JENSENS ALPHA

Date	Nifty Close	Company Close	Index(RM)		
31-May-12	9441	-23.95	0.095292		
29-Jun-12	10340.65	29	0.004202		
31-Jul-12	10384.1	-32.9	-0.0379		
31-Aug-12	9990.5	-1.65	0.146769	COVARIANCE	1.46354783
28-Sep-12	11456.8	-28.8	-0.01641		
31-Oct-12	11268.8	38.25	0.078988	VARIANCE	2585.977481
30-Nov-12	12158.9	21.3	0.025936		
31-Dec-12	12474.25	15.5	0.018787	BETA	0.000565955
31-Jan-13	12708.6	2	-0.0961		
28-Feb-13	11487.35	-153.1	-0.01093	RM-RF	-0.137147603
28-Mar-12	11361.85	23.9	0.10559		
30-Apr-13	12561.55	-17.7	-1	B(RM-RF)	-7.76194E-05
	AVG	-10.67916667	-0.05715	RF+B(RM-RF)	0.079922381

JENSENS ALPHA RP-(RF+B(RM-RF)) -10.7591

YES BANK

TREYNOR RATIO

Date	Nifty Close	Company close	Company open	Return X	Return Y	
31-May-12	9441	329.85	321	0.095292	0.028953	
29-Jun-12	10340.65	339.4	336	0.004202	0.076016	
31-Jul-12	10384.1	365.2	359.85	-0.0379	-0.09981	
31-Aug-12	9990.5	328.75	330.05	0.146769	0.162129	BETA
28-Sep-12	11456.8	382.05	381.9	-0.01641	0.077346	1.015832
31-Oct-12	11268.8	411.6	407.3	0.078988	0.074466	
30-Nov-12	12158.9	442.25	444	0.025936	0.050311	
31-Dec-12	12474.25	464.5	463	0.018787	0.124112	
31-Jan-13	12708.6	522.15	520.05	-0.0961	-0.09605	
28-Feb-13	11487.35	472	495.05	-0.01093	-0.09131	
28-Mar-12	11361.85	428.9	444	0.10559	0.16962	
30-Apr-13	12561.55	501.65	506	-1	-1	

TREYNORS RATIO -1.711241424

SHARP RATIO

Date	Nifty Close	Company close	Company open	Portfolio
31-May-12	9441	329.85	321	8.85
29-Jun-12	10340.65	339.4	336	3.4
31-Jul-12	10384.1	365.2	359.85	5.35
31-Aug-12	9990.5	328.75	330.05	-1.3
28-Sep-12	11456.8	382.05	381.9	0.15
31-Oct-12	11268.8	411.6	407.3	4.3
30-Nov-12	12158.9	442.25	444	-1.75
31-Dec-12	12474.25	464.5	463	1.5
31-Jan-13	12708.6	522.15	520.05	2.1
28-Feb-13	11487.35	472	495.05	-23.05
28-Mar-12	11361.85	428.9	444	-15.1
30-Apr-13	12561.55	501.65	506	-4.35
			AVG	-1.658333333

MEAN 415.6916667

SD 67.15035651

SHARP RATIO 0.02588718

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JENSENS ALPHA

Date	Nifty Close	Company close	Index(RM)		
31-May-12	9441	8.85	0.095292		
29-Jun-12	10340.65	3.4	0.004202		
31-Jul-12	10384.1	5.35	-0.0379		
31-Aug-12	9990.5	-1.3	0.146769	COVARIANCE	0.204365184
28-Sep-12	11456.8	0.15	-0.01641		
31-Oct-12	11268.8	4.3	0.078988	VARIANCE	81.24219697
30-Nov-12	12158.9	-1.75	0.025936		
31-Dec-12	12474.25	1.5	0.018787	BETA	0.002515505
31-Jan-13	12708.6	2.1	-0.0961		
28-Feb-13	11487.35	-23.05	-0.01093	RM-RF	-0.137147603
28-Mar-12	11361.85	-15.1	0.10559		
30-Apr-13	12561.55	-4.35	-1	B(RM-RF)	-0.000344996
	AVG	-1.658333333	-0.05715	RF+B(RM-RF)	0.079655004
		JENSENS ALPHA		RP-(RF+B(RM-RF))	-1.73799

UNION BANK

TREYNOR RATIO

Date	Nifty Close	Company close	Company open	Return X	Return Y	
31-May-12	9441	201.65	195.8	0.095292	0.036945	
29-Jun-12	10340.65	209.1	206.05	0.004202	-0.19751	
31-Jul-12	10384.1	167.8	169.95	-0.0379	-0.06585	
31-Aug-12	9990.5	156.75	152.5	0.146769	0.325997	BETA
28-Sep-12	11456.8	207.85	207	-0.01641	-0.0587	1.043383
31-Oct-12	11268.8	195.65	195	0.078988	0.240225	
30-Nov-12	12158.9	242.65	234	0.025936	0.130641	
31-Dec-12	12474.25	274.35	275.8	0.018787	-0.07035	
31-Jan-13	12708.6	255.05	240.85	-0.0961	-0.16801	
28-Feb-13	11487.35	212.2	225	-0.01093	0.027333	
28-Mar-12	11361.85	218	210.55	0.10559	0.122936	
30-Apr-13	12561.55	244.8	247.1	-1	-1	

TREYNORS RATIO 2.01987233

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SHARP RATIO

Date	Nifty Close	Company close	Company open	Portfolio
31-May-12	9441	201.65	195.8	5.85
29-Jun-12	10340.65	209.1	206.05	3.05
31-Jul-12	10384.1	167.8	169.95	-2.15
31-Aug-12	9990.5	156.75	152.5	4.25
28-Sep-12	11456.8	207.85	207	0.85
31-Oct-12	11268.8	195.65	195	0.65
30-Nov-12	12158.9	242.65	234	8.65
31-Dec-12	12474.25	274.35	275.8	-1.45
31-Jan-13	12708.6	255.05	240.85	14.2
28-Feb-13	11487.35	212.2	225	-12.8
28-Mar-12	11361.85	218	210.55	7.45
30-Apr-13	12561.55	244.8	247.1	-2.3
			AVG	2.1875

MEAN 215.4875

SD 34.44687032

SHARP RATIO 0.061181175

JENSENS ALPHA

Date	Nifty Close	Company close	Index(RM)
31-May-12	9441	5.85	0.095292
29-Jun-12	10340.65	3.05	0.004202
31-Jul-12	10384.1	-2.15	-0.0379
31-Aug-12	9990.5	4.25	0.146769
28-Sep-12	11456.8	0.85	-0.01641
31-Oct-12	11268.8	0.65	0.078988
30-Nov-12	12158.9	8.65	0.025936
31-Dec-12	12474.25	-1.45	0.018787
31-Jan-13	12708.6	14.2	-0.0961
28-Feb-13	11487.35	-12.8	-0.01093
28-Mar-12	11361.85	7.45	0.10559
30-Apr-13	12561.55	-2.3	-1
	AVG	2.1875	-0.05715

COVARIANCE 0.40600654

VARIANCE 46.64823864

BETA 0.008703577

RM-RF -0.137147603

B(RM-RF) -0.001193675

RF+B(RM-RF) 0.078806325

JENSENS ALPHA RP-(RF+B(RM-RF)) 2.108694

KOTAK MAHINDRA

TREYNOR RATIO

Date	Nifty Close	Company close	Company open	Return X	Return Y
31-May-12	9441	563.5	544.9	0.095292	0.051109
29-Jun-12	10340.65	592.3	576.85	0.004202	-0.09548
31-Jul-12	10384.1	535.75	539	-0.0379	0.071582
31-Aug-12	9990.5	574.1	590.8	0.146769	0.13003
28-Sep-12	11456.8	648.75	648.5	-0.01641	-0.06936
31-Oct-12	11268.8	603.75	600	0.078988	0.110476
30-Nov-12	12158.9	670.45	657	0.025936	-0.03043
31-Dec-12	12474.25	650.05	649.15	0.018787	0.046612
31-Jan-13	12708.6	680.35	677	-0.0961	-0.0305
28-Feb-13	11487.35	659.6	654.9	-0.01093	-0.01001
28-Mar-12	11361.85	653	640	0.10559	0.07366
30-Apr-13	12561.55	701.1	707.1	-1	-1

BETA 0.978151

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TREYNORS RATIO	3.964964126

SHARP RATIO

Date	Nifty Close	Company close	Company open	Portfolio
31-May-12	9441	563.5	544.9	18.6
29-Jun-12	10340.65	592.3	576.85	15.45
31-Jul-12	10384.1	535.75	539	-3.25
31-Aug-12	9990.5	574.1	590.8	-16.7
28-Sep-12	11456.8	648.75	648.5	0.25
31-Oct-12	11268.8	603.75	600	3.75
30-Nov-12	12158.9	670.45	657	13.45
31-Dec-12	12474.25	650.05	649.15	0.9
31-Jan-13	12708.6	680.35	677	3.35
28-Feb-13	11487.35	659.6	654.9	4.7
28-Mar-12	11361.85	653	640	13
30-Apr-13	12561.55	701.1	707.1	-6
			AVG	3.958333333

MEAN	627.725	
SD	52.10446456	
SHARP RATIO		0.074433801

JENSENS ALPHA

Date	Nifty Close	Company close	Index(RM)		
31-May-12	9441	18.6	0.095292		
29-Jun-12	10340.65	15.45	0.004202		
31-Jul-12	10384.1	-3.25	-0.0379		
31-Aug-12	9990.5	-16.7	0.146769	COVARIANCE	0.823437068
28-Sep-12	11456.8	0.25	-0.01641		
31-Oct-12	11268.8	3.75	0.078988	VARIANCE	101.8403788
30-Nov-12	12158.9	13.45	0.025936		
31-Dec-12	12474.25	0.9	0.018787	BETA	0.008085566
31-Jan-13	12708.6	3.35	-0.0961		
28-Feb-13	11487.35	4.7	-0.01093	RM-RF	-0.137147603
28-Mar-12	11361.85	13	0.10559		
30-Apr-13	12561.55	-6	-1	B(RM-RF)	-0.001108916
	AVG	3.958333333	-0.05715	RF+B(RM-RF)	0.078891084
		JENSENS ALPHA		RP-(RF+B(RM-RF))	3.879442

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BANK OF BARODA

TREYNOR RATIO

Date	Nifty Close	Company close	Company open	Return X	Return Y	
31-May-12	9441	688.75	683	0.095292	0.064102	
29-Jun-12	10340.65	732.9	728	0.004202	-0.10479	
31-Jul-12	10384.1	656.1	677.95	-0.0379	-0.03696	
31-Aug-12	9990.5	631.85	629	0.146769	0.262641	BETA
28-Sep-12	11456.8	797.8	785	-0.01641	-0.09044	1.005065
31-Oct-12	11268.8	725.65	716.25	0.078988	0.05781	
30-Nov-12	12158.9	767.6	745.95	0.025936	0.128778	
31-Dec-12	12474.25	866.45	860	0.018787	0.0015	
31-Jan-13	12708.6	867.75	831.05	-0.0961	-0.19833	
28-Feb-13	11487.35	695.65	739.5	-0.01093	-0.02911	
28-Mar-12	11361.85	675.4	664.9	0.10559	0.034868	
30-Apr-13	12561.55	698.95	703	-1	-1	

TREYNORS RATIO 3.340581393

SHARP RATIO

Date	Nifty Close	Company close	Company open	Portfolio
31-May-12	9441	688.75	683	5.75
29-Jun-12	10340.65	732.9	728	4.9
31-Jul-12	10384.1	656.1	677.95	-21.85
31-Aug-12	9990.5	631.85	629	2.85
28-Sep-12	11456.8	797.8	785	12.8
31-Oct-12	11268.8	725.65	716.25	9.4
30-Nov-12	12158.9	767.6	745.95	21.65
31-Dec-12	12474.25	866.45	860	6.45
31-Jan-13	12708.6	867.75	831.05	36.7
28-Feb-13	11487.35	695.65	739.5	-43.85
28-Mar-12	11361.85	675.4	664.9	10.5
30-Apr-13	12561.55	698.95	703	-4.05

AVG 3.4375

MEAN 733.7375

SD 77.09813736

SHARP RATIO 0.043548393

JENSENS ALPHA

Date	Nifty Close	Company close	Index(RM)		
31-May-12	9441	5.75	0.095292		
29-Jun-12	10340.65	4.9	0.004202		
31-Jul-12	10384.1	-21.85	-0.0379		
31-Aug-12	9990.5	2.85	0.146769	COVARIANCE	0.624875607
28-Sep-12	11456.8	12.8	-0.01641		
31-Oct-12	11268.8	9.4	0.078988	VARIANCE	414.5191477
30-Nov-12	12158.9	21.65	0.025936		
31-Dec-12	12474.25	6.45	0.018787	BETA	0.001507471
31-Jan-13	12708.6	36.7	-0.0961		
28-Feb-13	11487.35	-43.85	-0.01093	RM-RF	-0.137147603
28-Mar-12	11361.85	10.5	0.10559		
30-Apr-13	12561.55	-4.05	-1	B(RM-RF)	-0.000206746

AVG 3.4375 -0.05715 RF+B(RM-RF) 0.079793254

JENSENS ALPHA RP-(RF+B(RM-RF)) 3.357707

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FINDINGS

- ❖ Fundamental factors
- ❖ There is a positive correlation between the macro factors and the return of the daily portfolio.
- ❖ Micro factors have helped in identifying the correct scripts for purpose of buying and selling.
- ❖ Technical tools have helped in timing the market to yield a better than the market return.

- ❖ **One Year Performance of AXIS BANK**
- ➢ BETA is
- ➢ Standard deviation is
- ➢ Sharpe ratio is
- ➢ Treynor ratio is
- ➢ Jensen's alpha is

Therefore from the above calculations, we can observe that the alpha is positive. Hence null hypothesis is rejected and the alternative hypothesis is accepted.

- ❖ **One Year Performance of SBI**
- ➢ BETA is 1.0003036
- ➢ Standard deviation is 165.1533
- ➢ Sharpe ratio is -0.06515
- ➢ Treynor ratio is -10.7559
- ➢ Jensen's alpha is -10.7591

Therefore from the above calculations, we can observe that the alpha is negative. Hence null hypothesis is accepted and the alternative hypothesis is rejected.

- ❖ **One Year Performance of YES BANK**
- ➢ BETA is 1.015832
- ➢ Standard deviation is 67.150357
- ➢ Sharpe ratio is -0.0258872
- ➢ Treynor ratio is -1.71124
- ➢ Jensen's alpha is -1.73799

Therefore from the above calculations, we can observe that the alpha is Negative. Hence null hypothesis is accepted and the alternative hypothesis is rejected.

- ❖ **One Year Performance of UNION BANK**
- ➢ BETA is 1.043383
- ➢ Standard deviation is 34.44687
- ➢ Sharpe ratio is 0.0611812
- ➢ Treynor ratio is 2.019872
- ➢ Jensen's alpha is 2.108694

Therefore from the above calculations, we can observe that the alpha is positive. Hence null hypothesis is rejected and the alternative hypothesis is accepted.

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- **One Year Performance of KOTAK MAHINDRA**
  - BETA is 0.978151
  - Standard deviation is 52.104465
  - Sharpe ratio is 0.0744338
  - Treynor ratio is 3.964964
  - Jensen's alpha is 3.879442

Therefore from the above calculations, we can observe that the alpha is positive. Hence null hypothesis is rejected and the alternative hypothesis is accepted.

- **One Year Performance of BANK OF BARODA**
  - BETA is 1.005065
  - Standard deviation is 77.098137
  - Sharpe ratio is 0.0435484
  - Treynor ratio is 3.340581
  - Jensen's alpha is 3.357707

Therefore from the above calculations, we can observe that the alpha is positive. Hence null hypothesis is rejected and the alternative hypothesis is accepted.

CONCLUSIONS

- **Sector Portfolio**

1. Beta is positive = 0.176334913
2. Standard Deviation is positive = 2.280431772
3. Sharpe ratio is positive = 0.043530983
4. Treynor ratio is positive = 0.237844519
5. Jensen's alpha is positive = 0.089160308

- **NOTE:** Therefore from the above calculations we can observe that the alpha is Negative. Hence null hypothesis is accepted and the alternative hypothesis is rejected.

SUGGESTIONS

There is good empirical evidence in support of blending both fundamental factors and technical factors for portfolio selection and timing the market. Hence the artificial demarcation regarding each being superior to the other should be done away with. The specific strategy that was subject matter of this project needs to be further validated by using the same in all phases of the market and for a longer period of time.

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