

A Study on Investment Banking With Reference To Kotak Mahindra Bank

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ABSTRACT: An Investment Bank is a financial intermediary which specializes in the field of selling securities and underwriting the issuance of new equity shares to raise capital funds. The main objective of the study is to find out how the investment banking services is being working in Kotak Mahindra bank. To find out this we are taking the reference of the comparative balance sheet, comparative income statement and cash flow statement. So, from the financial statements i.e., the balance sheet and income statement we are making a comparative analysis by doing percentage change analysis and trend percentage analysis.

Further, for the assessment of the financial position, liquidity position, efficiency we are been drawn results by the technique of Ratio analysis using CAMEL model.

KEYWORDS: Financial Statements, Advances, Financial position, Liquidity position, CAMEL Model,

I. INTRODUCTION

In this paper At a very macro level, 'Investment Banking' as term suggests, is concerned with the primary function of assisting the capital market in its function of capital intermediation, i.e., the movement of financial resources from those who have them (the Investors), to those who need to make use of them for generating GDP (the Issuers). Banking and financial institution on the one hand and the capital market on the other are the two broad platforms of institutional that investment for capital flows in economy. Therefore, it could be inferred that investment banks are those institutions that are counterparts of banks in the capital markets in the function of intermediation in the resource allocation. Nevertheless, it would be unfair to conclude so, as that would confine investment

banking to very narrow sphere of its activities in the modern world of high finance. Over the decades, backed by evolution and also fuelled by recent technologies developments, investment banking has transformed repeatedly to suit the needs of the finance community and thus become one of the most vibrant and exciting segments of financial services. Investment bankers have always enjoyed celebrity status, but at times, they have paid the price for the price for excessive flamboyance as well.

Investment banks help companies and governments and their agencies to raise money by issuing and selling securities in the primary market. They assist public and private corporations in raising funds in the capital markets (both equity and debt), as well as in providing strategic advisory services for mergers, acquisitions and other types of financial transactions. Investment banks also act as intermediaries in trading for clients. Investment banks differ from commercial banks, which take deposits and make commercial and retail loans. In recent years, however, the lines between the two types of structures have blurred, especially as commercial banks have offered more investment banking services

Need of Investment Bank

Any firm contemplating a significant transaction can benefit from the advice of an investment bank. Although large corporations often have sophisticated finance and corporate development departments provide objectivity, a valuable contact network, allows for efficient use of client personnel, and is vitally interested in seeing the transaction close. Most small to medium sized companies do not have a large in-house staff, and in financial transaction may be at a disadvantage versus larger competitors. A quality investment banking firm can provide the services required to initiate and execute major transaction, thereby

empowering small to medium sized companies with financial and transaction experience without the addition of permanent overhead, an investment bank provides objectivity, available contact network, allows for efficient use of client personnel, and is vitally interested in seeing the transaction close.

Most small to medium sized companies do not have a large in-house staff, and in a financial transaction may be at a disadvantage versus larger competitors. A quality investment-banking firm can provide these services

TECHNIQUES OF ANALYSIS AND INTERPRETATION

The following techniques considered in connection with analysis and interpretation of Financial Statements:

1. Comparative Financial Statements
2. Trend Percentage Analysis
3. Comparative Income Statement
4. Cash Flow Statement
5. Ratio Analysis

Comparative Financial Statements:

A comparative statement is a document used to compare a particular financial statement with prior period statements. Previous financials are presented alongside the latest figures in side-by-side columns, enabling investors to identify trends, track a company's progress and compare it with industry rivals.

Comparative statements show the effect of business decisions on a company's bottom line. Trends are identified and the performance of managers, new lines of business and new products can be evaluated, without having to flip through individual financial statements.

Trends Percentage Analysis:

A trend percentage is a type of horizontal analysis that shows a change in a financial statement account over a period of time. The first, or earliest, year of the trend is the "base year," with which you compare the amounts in each subsequent year. You convert the amounts of each subsequent year into a percentage of the base year amount in separate columns. For example, the third year's amount may be 150 percent of the base year. You can calculate trend percentages for one or multiple accounts to identify areas of strength or weakness on a company's financial statements.

Cash Flow Statements:

A cash flow statement is a financial statement that provides aggregate data regarding all cash inflows a company receives from its ongoing operations and external investment sources. It also includes all cash outflows that pay for business activities and investments during a given period.

Ratio Analysis:

Ratio analysis is the process of identifying the Ratio strengths and weaknesses firm by properly establishing relationship between the items of the Balance sheet and the profit and loss account. Ratio analysis can be undertaken by the management of the firm or by parties outside the firm, viz owners, creditors, investors and others. The nature of analysis will differ depending on the purpose of the analyst.

II. KOTAK MAHINDRA BANK

Kotak Mahindra Bank Limited is an Indian banking & financial services company headquartered in the city of Mumbai, India. It offers banking products and financial services for corporate and retail customers in the areas of personal finance, investment banking, life insurance, and wealth management.

In 1985, Uday Kotak founded what later became an Indian financial services conglomerate. In February 2003, Kotak Mahindra Finance Ltd. (KMFL), the group's flagship company, received a banking license from the Reserve Bank of India. With this, KMFL became the first non-banking finance company in India to be converted into a bank.

In February 2003, Kotak Mahindra Finance Ltd, the group's flagship company was given the license to carry on banking business by the Reserve Bank of India (RBI). This approval created banking history since Kotak Mahindra Finance Ltd. is the first non-banking finance company in India to convert itself into a bank as Kotak Mahindra Bank Ltd. Today, the bank is one of the fastest growing banks and among the most admired financial institutions in India.

III. OBJECTIVES OF THE STUDY

1. To analyze the changes in financial statements of investment banking in KOTAK MAHINDRA BANK.
2. To evaluate the growth trends in investment in KOTAK MAHINDRA BANK.

3. To know the various strategies followed by KOTAK MAHINDRA BANK in investment banking.

IV. RESEARCH METHODOLOGY

Data is collected through the company website and annual reports of the company.

WEBSITES:

www.kotakmahindra.com
www.moneycontrol.com

V. TOOLS & TECHNIQUES

- Financial statement analysis
- Trend analysis
- Ratio analysis (CAMEL Model)
- Charts
- Graphs

VI. LIMITATIONS OF THE STUDY

- The study is limited to KOTAK MAHINDRA BANK, only.
- The study is limited for a period of 5 years i.e., (2015-2020)

VII. ANALYSIS AND INTERPRETATION:

TABLE: 1 - COMPARATIVE BALANCE SHEET OF KOTAK MAHINDRA BANK FOR THE YEARS 2015-16 TO 2019-20

	— IN Rs Cr —									
	Mar '16		Mar '17		Mar '18		Mar '19		Mar '20	
	Absolute change	% of change	Absolute change	% of change	Absolute change	% of change	Absolute change	% of change	Absolute change	% of change
Capital and Liabilities:										
Total Share Capital	917.19	137.50	920.45	0.36	932.82	3.52	1,484.38	52.64	1,456.52	0.15
Equity Share Capital	917.19	137.50	920.45	0.36	932.82	3.52	954.38	0.36	956.52	0.22
Share Application Money	3.41	13.67	1.87	-45.16	2.17	16.04	2.67	-4.61	2.87	38.65
Preference Share Capital	0.00		0.00		0.00		500.00		500.00	0.00
Reserves	23,041.87	67.52	26,695.62	15.86	36,520.85	36.83	41,444.00	13.46	47,538.79	14.75
Net Worth	23,962.47	69.42	27,617.94	15.25	37,463.82	35.72	42,900.45	14.45	49,018.17	14.26
Deposits	1,38,643.02	85.20	1,57,425.86	13.55	1,92,649.27	22.37	2,25,880.36	17.25	2,62,820.52	16.35
Borrowings	20,975.34	72.64	21,095.48	0.57	25,154.15	19.24	32,248.29	28.20	37,995.31	17.81
Total Debt	1,59,618.36	83.45	1,78,521.34	11.84	2,17,797.42	22.00	2,58,128.65	18.52	3,00,815.83	16.54
Other Liabilities & Provisions	8,678.96	78.65	8,450.68	-2.63	9,652.15	14.22	11,142.98	15.45	10,419.68	-6.49
Total Liabilities	1,92,259.79	81.36	2,14,589.96	11.61	2,64,933.39	23.46	3,12,172.08	17.83	3,60,251.68	15.40

Assets													
Cash & Balances with RBI	6,951.43	75.74	7,482.43	8.53	8,908.51	18.90	10,877.52	22.10	9,505.05	-12.62			
Balance with Banks, Money at Call	3,976.28	70.36	15,079.58	279.24	10,713.60	-28.97	13,798.02	28.81	43,787.25	217.34			
Advances	1,18,665.30	79.36	1,36,082.13	14.68	1,69,737.92	24.72	2,05,684.81	21.20	2,18,748.39	6.83			
Investments	51,260.22	68.50	45,074.19	-12.07	64,562.35	43.24	71,389.09	10.26	75,051.35	5.43			
Gross Block	1,553.59	28.58	1,537.63	-0.90	1,527.18	-0.68	1,651.55	8.43	1,623.13	-1.72			
Net Block	1,553.59	28.58	1,537.63	-0.90	1,527.18	-0.68	1,651.55	8.43	1,623.13	-1.72			
Other Assets	9,902.97	404.34	9,324.00	-5.85	9,505.86	1.95	9,961.11	5.79	10,536.52	5.78			
Total Assets	1,92,259.79	81.36	2,14,589.96	11.61	2,64,933.40	23.46	3,12,172.10	17.83	3,60,251.69	15.40			
Contingent Liabilities	2,57,574.13	278.27	2,13,385.80	-17.28	2,29,360.15	7.49	2,41,934.50	6.35	2,28,796.34	-7.03			
Book Value (Rs)	135.61	-28.66	150.01	14.81	196.09	33.32	222.13	12.93	253.60	14.17			

SOURCE: www.moneycontrol.com

INTERPRETATION:

- Deposits are increasing at a decreasing rate. During 2015-16 it increases by 85.20% and in 2016-17 it increases by 13.55% but thereafter it increases by 22.37% in 2017-18, 17.25% in 2018-19 and in 2019-20 it increases by 16.35%. This represents deposits are repaid during those years.
- In 2016-17 it decreased to 0.57% and thereafter the amount of borrowings is increasing at an increasing rate.
- Cash and balances with RBI are decreases during 2019-2020. This is due to decreases in CRR by RBI.
- Advances are increasing at a decreasing rate. During 2015-16 increases by 79.36% and 14.68% in 2016-17 and in 2017-18 by 24.72% and thereafter it increases by 21.20% in 2018-19 and by 6.83% in 2019-2020.
- Investments are the second major asset of the banking company. But during 2019-20 it increases only by 5.43%.

TABLE : 2- COMPARATIVE INCOME STATEMENT OF KOTAK MAHINDRA BANK FROM 2015-16 TO 2019-20

	Mar '16		Mar '17		Mar '18		Mar '19		Mar '20	
	Absolute change	% of change	Absolute Change	% of change	Absolute Change	% of change	Absolute Change	% of change	Absolute Change	% of change
Income										
Interest Earned	16384.18	68.36	17698.93	8.025	19748.5	11.58	23943.21	21.24	26929.41	12.47
Other Income	2612.23	28.78	3477.16	33.111	4052.21	16.24	4604.03	13.62	5372.11	16.68
Total Income	18996.41	61.69	21176.09	11.474	23800.71	12.39	28547.24	19.94	32301.52	13.13
Expenditure										
Interest expended	9483.81	72.55	9572.78	0.938	10216.81	6.73	12684.25	24.15	13429.95	5.88
Employee Cost	2816.97	92.66	2768.53	-1.720	2950.23	6.56	3183.81	7.91	3891.12	22.85
Selling, Admin & Misc Expenses	5355.86	87.05	5139.22	-1.846	6352.35	21.66	8409.32	34.50	10857.89	29.11
Depreciation	287.36	48.90	290.66	1.141	302.89	4.14	366.92	21.22	371.95	1.37
Operating Expenses	6388.9	92.01	5825.1	-11.855	6491.6	14.34	8477.2	31.81	11087.1	30.55
Provisions & Contingencies	1951.31	72.46	2373.31	31.876	3073.87	18.43	3482.85	13.31	4073.66	16.96
Total Expenses	17,824.01	79.05	17,771.98	-0.296	19,722.98	10.98	24,644.30	24.96	28,570.71	13.34

Net Profit for the Year	1172.41	-34.62	3404.89	190.418	4078.42	19.78	3902.94	-4.30	3731.02	-4.40
Profit brought forward	6769.97	69.03	8214.12	21.332	10756.29	30.93	13684.6	26.48	16919.29	24.36
Total	7942.38	36.97	11679.01	46.291	14834.71	27.68	17587.54	18.02	20650.31	17.95
Equity Dividend	0	-100.00	0	0	0	0	0	0	103.26	
Corporate Dividend Tax	91.84	576.29	0.07	-99.924	114.21	16387.14	160.28	40.34	0	-100.00
Per share data (annualised)	18.7		-0.68	-103.636	21.7	-3291.18	23.68	9.12	29.09	22.85
Earning Per Share (Rs)	6.39	-72.48	18.5	189.515	21.4	15.68	20.45	-4.44	18.49	-0.58
Equity Dividend (%)	10	-44.44	12	20.000	14	16.67	16	14.29	0	-100.00
Book Value (Rs)	130.61	-28.66	150.01	14.833	196.69	31.12	222.13	12.93	253.6	14.17
Appropriations										
Transfer to Statutory Reserves	535.1	-8.85	869.94	62.575	1100.08	26.43	1366.68	24.23	2132.31	36.02
Transfer to Other Reserves	-0.01	-100.01	0	-100.000	0.01	0	-100.00	0		
Proposed Dividend/Transfer to Govt	110.54	15.57	-0.61	-100.552	135.91	-22380.33	183.96	35.33	222.35	20.87
Balance c/f to Balance Sheet	8214.12	61.21	10756.29	30.940	13804.6	26.48	16919.29	24.36	20511.81	21.23
Total	8897.79	59.90	11625.62	31.218	14840.6	27.65	18469.93	24.46	22866.47	23.80

SOURCE: www.moneycontrol.com

INTERPRETATION:

- For banking company the major income and expenditure are interest income and interest expenses. The interest incomes are increases by 68.56% in 2015-2016, 8.025% in 2016-2017 and 11.58% in 2017-2018 and 21.24% in 2018-19 and 12.47% in 2019-2020.
- The interest expenses are also increases by 0.938% in 2016-17 and 24.15% during 2018-19. This is due to increases in borrowings.
- The net profits for the year are increases at a decreasing rate. This is because of the increases in expenses than increases in income.

TABLE :3 -Trend percentage of Kotak Mahindra bank balance sheet from 2015-16 to 2019-20

	Trend Percentage (base year 2015)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Capital and Liabilities:					
Total Share Capital	200	200.0004	200.0047	200.0091	200.0136
Equity Share Capital	200	200.0004	200.0047	200.0091	200.0136
Share Application Money	200	54.83873	63.53036	60.70381	64.38412
Preference Share Capital	200				
Reserves	200	115.857	158.5324	179.8889	198.4016
Net Worth	200	115.255	158.4272	179.8135	198.3625
Deposits	200	113.5476	118.9491	132.3213	138.5668
Borrowings	200	202.5738	219.8235	232.2488	248.1122
Total Debt	200	111.8628	136.8891	162.2361	188.4982
Other liabilities & Provisions	200	91.58979	111.2182	128.9907	128.6968
Total Liabilities	200	111.6146	137.7987	162.3099	187.1775
Assets:					
Cash & balances with RBI	200	208.552	229.8447	257.5009	257.8859
Advances with Banks, Money at Call	200	179.2284	209.3875	247.8083	248.1111
Investments	200	114.6773	140.8234	179.3826	185.2862
Fixed Assets	200	81.9527	115.9621	138.8136	146.4179
Other Assets	200	99.12028	98.42549	126.4418	134.8308
Other assets	200	94.12527	95.98999	90.8812	106.3676
Total Assets	200	111.6146	137.7987	162.3099	187.1775

INTERPRETATION:

- Deposits are increasing in trend year to year it increases by 188.56% in 2019-20.
- Borrowings increases at increasing rate till 2018-19. Thereafter decreases in 2019-20.
- Advances and Investments are also increased, in the last five years.
- Fixed assets increase as well as decreases in the last five years. This is due to change in depreciation rates and revaluation of assets.

TABLE :4 - Trend percentage of Kotak Mahindra bank income statement from 2015-16 to 2019-20

	Trend Percentage (base year 2015)				
	Mar '16	Mar '17	Mar '18	Mar '19	Mar '20
Profit & Loss account					
Income	200	100.0241	100.134	140.1182	164.5825
Interest Earned	200	100.1108	100.1341	140.1182	164.5825
Other Income	200	100.1108	100.1341	140.1182	164.5825
Total Income	200	100.1108	100.1341	140.1182	164.5825
Expenditure	200	100.1108	100.1341	140.1182	164.5825
Interest expended	200	100.1108	100.1341	140.1182	164.5825
Employee Cost	200	100.1108	100.1341	140.1182	164.5825
Selling, Admin & Misc Expenses	200	100.1108	100.1341	140.1182	164.5825
Depreciation	200	100.1108	100.1341	140.1182	164.5825
Operating Expenses	200	100.1108	100.1341	140.1182	164.5825
Provisions & Contingencies	200	100.1108	100.1341	140.1182	164.5825
Total Expenses	200	100.1108	100.1341	140.1182	164.5825
Net Profit for the Year	200	100.1108	100.1341	140.1182	164.5825
Profit brought forward	200	100.1108	100.1341	140.1182	164.5825
Total	200	100.1108	100.1341	140.1182	164.5825
Equity Dividend	200	100.1108	100.1341	140.1182	164.5825
Corporate Dividend Tax	200	100.1108	100.1341	140.1182	164.5825
Per share data (annualised)	200	100.1108	100.1341	140.1182	164.5825
Earning Per Share (Rs)	200	100.1108	100.1341	140.1182	164.5825
Equity Dividend (%)	200	100.1108	100.1341	140.1182	164.5825
Book Value (Rs)	200	100.1108	100.1341	140.1182	164.5825
Appropriations	200	100.1108	100.1341	140.1182	164.5825
Transfer to Statutory Reserves	200	100.1108	100.1341	140.1182	164.5825
Transfer to Other Reserves	200	100.1108	100.1341	140.1182	164.5825
Proposed Dividend/Transfer to Govt	200	100.1108	100.1341	140.1182	164.5825
Balance c/f to Balance Sheet	200	100.1108	100.1341	140.1182	164.5825
Total	200	100.1108	100.1341	140.1182	164.5825

SOURCE: www.moneycontrol.com

INTERPRETATION:

- Interest income as well as other income increases in the last five years.
- Interest Expenses increased from 107.729% in 2017-18 to 141.609% in 2019-20.

- The Net profit increased to Rs.4078.42 crores in 2017-18 compared to the previous year's profit and gradually decreased in the year 2019 and 2020.

	in Rs. Cr.				
	2015-16	2016-17	2017-18	2018-19	2019-20
Cash Flow	2089.78	3411.50	4084.30	4865.33	5947.18
Net Profit Before Tax	6133.72	14411.92	-10274.92	-3387.72	30159.43
Net Cash From Operating Activities Net Cash (used in)/from	-6363.01	-2971.84	-2515.50	798.11	-7454.06
Investing Activities	-1463.91	256.52	9837.22	7633.07	5882.91
Net Cash (used in)/from Financing Activities	-1693.19	11692.29	-2951.90	5055.43	28616.76
Net (decrease)/increase In Cash and Cash Equivalents	12572.91	10879.72	22572.01	19620.11	24675.54
Opening Cash & Cash Equivalents Closing Cash & Cash Equivalents	10879.72	22572.01	19620.11	24675.54	53292.30

TABLE: 4.5 - Cash flow statement of Kotak Mahindra bank

SOURCE: www.moneycontrol.com

INTERPRETATION:

- It is revealed that the cash flow from operating activities is in negative in 2017 and 2018. In 2019 it is in positive and 2020 it is in negative.
- The cash flows of the bank are in a good condition. In 2019-20 the cash flow from financing activities increased at high level i.e., to Rs. 28616.76 crores. It is a good sign.

VIII. FINDINGS

- Comparative statement:** The growth rate of deposits portfolio is decreasing. During 2015-16, increases by 22.37% in 2017-18, 17.25% in 2018-19 and in 2019-20 it increases by 16.35%. This represents deposits are repaid during those years.
- The borrowings are increases at increasing rate. In 2018-19 it increases by 28.2% and later in 2019-20 it is increased by 17.81%..
- The most important and major assets for a bank, are advances and investments. It is observed that the advances are increased at a marginal level. But during 2019-20 it increases only by 5.43%. Amount of advances increases by 21.20% in 2018-19 and by 6.83% in 2019-2020.
- The major income and expenses in a Kotak Mahindra bank is interest earned and interest expenses. Interest Income being 21.24% in 2018-19 and 12.47% in 2019-2020. Interest

expenses tends to 24.15% in 2018-19 to 5.88% in 2019-20

- Trend Analysis:** It is observed that, deposits are increased marginally. But the borrowings are increased tremendously. Both Advances and investments are increased marginally. The interest earned is increased marginally. But the interest expenses are increased at tremendously. So, the net profit increases slowly.
- Cash Flow Statement:** Cash flow statement shows the inflow and outflow of cash for a particular period. It is observed that the bank is good at maintaining the flows of cash when compared previous years i.e., from 2015-16 to 2018-19 there is a marginal increase of net increase in cash flows amounting to rs.24675.54 crores.

IX. SUGGESTIONS

- Kotak Mahindra Bank must try to control their borrowings. Because more borrowings leads to increase their interest expenses which reduces their profits. At the same time, low borrowings are also not good for the company. Here, the borrowings are increasing to an extent. So, the bank shall try to reduce the borrowings which automatically reduce the interest expenses to a certain extent.
- Advances are the major assets of a banking company. Increase in advances pays a way to increase in interest income which automatically increases the profits of the bank.
- The important source of funds for bank is Deposits. Deposits provide the bank to get interest income as well as safety for its funds. So, the bank needs to increase its deposits.
- The bank has to work to attract the new customers and rendering all types of financial services. The bank has to promote its services through advertisements which increase the new customers.

X. CONCLUSION

The ratio analysis and trend analysis and analysis of cash flow statement and comparative statement show that KOTAK MAHINDRA Bank's financial position is fair. Bank's profitability is increasing but not at high rate. Bank's liquidity position is good because bank invests more in liquid assets than the current assets. The Kotak Mahindra schemes for industrial customers etc. Bank's position is stable.

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