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"ANALYSIS OF FINANCIAL STATEMENT OF ICICI BANK"

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ABSTRACT

This research paper delves into the comprehensive analysis of the financial statements of ICICI Bank, one of India's leading private-sector banks. Through a meticulous examination of its balance sheets, income statements, and cash flow statements over a specified period, this study aims to uncover crucial insights into the bank's financial performance, liquidity, solvency, and profitability. Employing various financial ratios, including liquidity ratios, profitability ratios, and efficiency ratios, the paper evaluates the bank's operational efficiency and strategic positioning within the competitive banking industry landscape. Additionally, it investigates the impact of macroeconomic factors and regulatory changes on ICICI Bank's financial health and strategic decision-making. By synthesizing both quantitative and qualitative analyses, this research paper provides valuable insights for investors, analysts, regulators, and stakeholders interested in understanding the financial dynamics and future prospects of ICICI Bank.

1. INTRODUCTION

In the dynamic world of finance, understanding the health and performance of a company is crucial for various stakeholders, including investors, analysts, and even potential customers. Financial statements serve as the cornerstone of this understanding, offering a window into a company's financial position, profitability, and cash flow. This analysis delves specifically into the financial statements of ICICI Bank, a leading Indian financial institution, providing insights beyond a basic overview. By dissecting key components and exploring various metrics, we aim to paint a more comprehensive picture of ICICI Bank's financial landscape, enabling informed decision-making for those with vested interests. In the ever-evolving realm of finance, navigating the intricate details of a company's financial health can feel like deciphering a complex code. For investors, analysts, and even regular customers, understanding a company's financial well-being is paramount for informed decision- making. Enter financial statements: the Rosetta Stone of finance, unlocking a wealth of information about a company's financial position, profitability, and cash flow. This in-depth exploration delves beyond the surface level of ICICI Bank's financial statements, a leading financial institution in India. We embark on a journey to dissect key components, analyze crucial metrics, and unveil the intricate financial tapestry of ICICI Bank. Through this deeper analysis, we aim to equip stakeholders with a comprehensive understanding of the bank's financial landscape, empowering them to make informed decisions with greater confidence.

2. METHODOLOGY

his analysis will employ a qualitative and quantitative research methodology to gain a comprehensive understanding of ICICI Bank's financial performance and position. Here's a breakdown of the key steps:

1. DATA COLLECTION:

• Primary source: The annual report of ICICI Bank, including its financial statements and the Management Discussion & Analysis (MD&A) section, will be the primary source of data.

• Secondary sources: Financial databases like Bloomberg or Emergent Online may be used to access additional financial data and industry benchmarks.

2. DATA ANALYSIS:

• Financial Statement Analysis: Techniques like horizontal and vertical analysis will be used to analyze trends and changes in key financial statement line items over time.

• Ratio Analysis: Various financial ratios, such as profitability ratios (e.g., net interest margin, return on equity), liquidity ratios (e.g., current ratio), and solvency ratios (e.g., debt-to-equity ratio), will be calculated to assess different aspects of the bank's financial health and performance.

• Benchmarking: The bank's financial ratios will be compared to those of its peers in the Indian banking sector to identify its relative strengths and weaknesses.

3. QUALITATIVE ANALYSIS:

• The information provided in the MD&A section of the annual report will be reviewed to understand

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management's perspective on the bank's financial performance, future strategies, and risk factors.

• Additional research may be conducted to gather insights into the broader economic and regulatory environment in which the bank operates.

4. SYNTHESIS AND INTERPRETATION:

• The findings from the quantitative and qualitative analysis will be synthesized to create a comprehensive picture of ICICI Bank's financial health, performance, and risk profile.

• The results will be interpreted and presented clearly and concisely, drawing conclusions and highlighting key insights for various stakeholders.

3. MODELING AND ANALYSIS

ANALYSIS:

The capital of the bank increased by 14% in 2005-06,0.8% in 2006-07,17% in 2007-08, and .04 % in 2008-09. This shows that there is fluctuation in the rate of increase in the capital. In 2005-06 and 2007-08, the rate of capital increase is more than that of 2006-07 and 2008-09.

There is a huge fluctuation in the rate of increase in reserves and surplus also. This shows that the bank is effectively utilizing its reserves and surplus.

In 2005-06 deposits increased by 65%, in 2006-07 it increased by 40%, and an increased of 6% in 2007-08.in 2008-09 deposits fell by 11%.this shows that the bank has repaid its deposits in this year.

The borrowings are also showing a fluctuating rate of increase.in 2008-08 the borrowings have increased at a very low rate. This shows that the bank has repaid a large amount of borrowings in this year and thereby reducing the dependence on outside debt.

The investments are also increasing but with lower rates compared to the preceding years.

Similarly advances rose by 60% in 2005-06, an increase of 34% in 2006-07,15% increase in 2007-08 and finally decreased by 3.25% in 2008-09.

There has been a consistent decline in the fixed assets over the years.in 2005-06 and 2006- 07 it decreased by 1.4 % ,increased by 5% in 2007-08 and again decreased by 7.5% in 2008-09.this is mainly due to increase in the rate of depreciation in the subsequent years.

A huge fluctuation is revealed from current assets. it increased by 37% in 2005- 06,rate of increase rose to 80% in 2006-07 and then the it increased at a much lower rate i.e at 10%.this shows that the bank is effectively ustilising its working capital.there is a fall in current assets in 2008-09 by 8 %.this is mainly due to the repayment of deposits in the years 2008-09.

4. RESULTS AND DISCUSSION

Profit before tax for the year ended March 31, 2009 (FY2009) was Rs. 5,117 crore (US$ 1,009 million), compared to Rs. 5,056 crore (US$ 997 million) for the year ended March 31, 2008 (FY2008).

Profit after tax for FY2009 was Rs. 3,758 crore (US$ 741 million) compared to Rs. 4,158 crore (US$ 820 million) for FY2008 due to the higher effective tax rate account of lower proportion of income taxable as dividends and capital gains. Net interest income increased 15% from Rs. 7,304 crore (US$ 1,440 million) for FY2008 to Rs. 8,367 crore (US$ 1,650 million) for FY2009. While the advances declined marginally year-on-year, the net interest income increased due to improvement in net interest margin from 2.2% in FY2008 to 2.4% in FY2009. Operating expenses (including direct marketing agency expenses) decreased 14%to Rs. 6,835 crore (US$ 1,348 million) in FY2009 from Rs. 7,972 crore (US$ 1,572 million) in FY2008. The cost/average asset ratio for FY2009 was 1.8% compared to 2.2% for FY2008. During the year, the Bank has pursued a strategy of prioritizing capital conservation, liquidity management and risk containment given the challenging economic environment. This is reflected in the Bank's strong capital adequacy and its focus on reducing its wholesale term deposit base and increasing its CASA ratio. The Bank is maintaining excess liquidity on an ongoing basis. The Bank has also placed strong emphasis on efficiency improvement and cost rationalization. The Bank continues to invest in expansion of its branch network to enhance its deposit franchise and create an integrated distribution network for both asset and liability products.

In line with the above strategy, the total deposits of the Bank were Rs. 218,348crore (US$ 43.0 billion) at March 31, 2009, compared to Rs. 244,431 crore (US$ 48.2 billion)at March 31, 2008. The reduction in term deposits by Rs. 24,970 crore (US$

4.9 billion) was primarily due to the Bank's conscious work.

5. DISCUSSION

Although the short term liquidity position is quite satisfactory as per revealed by liquid ratio but the current ratio is below the ideal ratio of 2:1.So the bank should make effort to increase its current assets to maintain a safety margin and to maintain a better liquidity position.

The profitability of the bank for the period under study is not satisfactory. Profits are increasing but not with same pace as of the expenditure due to higher reliance on debt capital in the form of borrowings and loans for financing capital structure. So in order to improve profitability, the bank should reduce its dependence on external equities for meeting capital requirements. Consequently, the interest expenses will decline and profits will increase which is good for the bank. Similarly non productive expenses should be curtailed to improve profitability.

Higher trend of credit deposit ratio reveals that the bank has performed satisfactorily as regard to granting loans and advances to generate income. It suggests that the credit performance of bank is good and it is performing its business well by fulfilling the major.

6. CONCLUSION

Based on various techniques applied for the financial analysis of ICICI Bank, we can conclude that the financial position and overall performance of the bank is satisfactory. Though the income of the bank has increased over the period but not in the same pace as of expenses. But the bank has succeeded in maintaining a reasonable profitability position.

The bank has succeeded in increasing its share capital also which has increased around50% in the last 5 years. Individuals are the major shareholders. The major achievement of the bank has been a tremendous increase in its deposits, which has always been its main objective. Fixed and current deposits have also shown an increasing trend.

Equity shareholders are also enjoying an increasing trend in the return on their capital. Though current assets and liabilities (current liquidity) of the bank is not so satisfactory but bank has succeeded in maintaining a stable solvency position over the years. As far as the ratio of external and internal equity is concerned, it is clear that bank has been using more amount of external equity in the form of loans and borrowings than owner's equity. Bank's investments are also showing an increasing trend. Due to increase in advances,the interest received by the bank from such advances is proving to be the major source of income for the bank.

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