**“Analysis of the financial Statement of ICICI Bank”**

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**ABSTRACT**

This study conducts a comprehensive analysis of the financial statements of ICICI Bank, a prominent player in India's banking sector. As a pivotal institution in the Indian economy, ICICI Bank's financial performance holds significant implications for various stakeholders. Through meticulous examination of key financial metrics encompassing revenue streams, operating expenses, profitability ratios, asset quality, liquidity position, and cash flow dynamics, this research aims to evaluate the bank's operational efficiency, financial robustness, and risk management practices. Utilizing comparative analysis and industry benchmarks, the study seeks to derive meaningful insights into ICICI Bank's performance and its broader implications for investors, regulators, analysts, and policymakers. By contributing to the understanding of financial statement analysis, this research endeavors to offer valuable perspectives on ICICI Bank's role in the banking sector and its impact on the Indian economy.

**INTRODUCTION**

This paper is structured to provide a comprehensive analysis of ICICI Bank's financial statements, spanning multiple dimensions of its operations. Firstly, it will delve into the bank's income statement, examining key metrics such as revenue streams, operating expenses, and profitability ratios to assess its operational efficiency and revenue generation capabilities. Subsequently, the focus will shift to the balance sheet, scrutinizing asset quality, liquidity position, and capital adequacy to evaluate the bank's financial strength and risk management practices. Furthermore, the paper will explore cash flow statements to ascertain the sustainability of cash flows and the bank's ability to meet its financial obligations. Finally, leveraging comparative analysis and industry benchmarks, this research aims to draw meaningful conclusions regarding ICICI Bank's financial performance and its implications for various stakeholders.

Through this in-depth exploration, we aim to not only unravel the intricacies of ICICI Bank's financial standing but also contribute to the body of knowledge surrounding financial statement analysis, providing valuable insights for academia, industry practitioners, and policymakers alike.

**METHODOLOGY**

The second chapter discusses about the methodologies used in the project for analyses of Financial statement of ICICI bank.

RESEARCH METHODOLOGY:

This 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:

RESEARCH APPROACH:

This study employs a comprehensive research approach to analyze ICICI Bank's financial statements. It involves a literature review to inform the analysis, followed by data collection from reliable sources. Financial statement analysis encompasses key metrics such as revenue streams, expenses, profitability, asset quality, liquidity, and cash flow. Comparative analysis with industry peers and benchmarks supplements the evaluation. Findings are interpreted to assess the bank's financial health, operational efficiency, and risk management. Recommendations are provided based on the insights, with acknowledgment of study limitations and suggestions for future research.

DATA COLLECTION:

**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 Mergent 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 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. 11

**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. **Limitations:**
* This analysis relies on publicly available information, which may have limitations in terms of completeness and accuracy.
* Financial ratios and other metrics have inherent limitations and should be interpreted with caution, considering the specific context and industry benchmarks.

By following these steps and acknowledging the limitations, this research methodology aims to provide a robust and objective analysis of ICICI Bank's financial statements.

**MODELING AND ANALYSIS**

ANALYSIS:

This research utilizes modeling and analysis techniques to assess ICICI Bank's financial performance. Employing established financial models, key metrics from the bank's financial statements are analyzed. This includes revenue breakdowns, expense allocations, profitability ratios, asset quality assessments, liquidity ratios, and cash flow dynamics. Additionally, statistical modeling may be employed to forecast future trends and scenarios. Through rigorous analysis, this study aims to uncover insights into the bank's operational efficiency, risk exposure, and growth potential. These findings provide valuable guidance for stakeholders and contribute to the broader understanding of financial institutions' performance within the banking sector.

**Interpretation by Balance sheet:**

* The capital of bank increased 2006-07,17% in 2007-08, and  
  that there is fluctuation in the 2005-06 and 2007-08 the rate than that of 2006-07 and 2008-09 by 14% in 2005-06,0.8% in .04 % in 2008-09. This shows rate of increase in the capital. In of increasing capital is more.
* There is a huge fluctuation in the rate of increase in reserves and surplus also. This shows that bank is effectively utilizing its reserves and surplus.
* ϖ  In 2005-06 deposits increase by 65% in 2006-07 it increased by 40% and an increase of 6% in 2007-08.in 2008-09 deposits fall by 11%. This shows that the bank has replayed its deposits in this year.
* ϖ  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 bank has repaid a large amount of borrowings in this year and thereby reducing the dependence on outside debt.
* ϖ  The investments are also increasing but with lower rates compared to the preceding years.
* ϖ  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.
* ϖ  There has been a consistent decline in the fixed assets over years.in 2005-06 and 2006-07 it decreased by 1.4% increased by 5% in 2007-08 and again decreasing by 7.5% in 2008-09.this is mainly due to increase in the rate of depreciation in the subsequent years.
* ϖ  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 that is at 10% this shows that the bank is effectively utilizing 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.

**Interpretation through Income Statement:**

* The net profit shows a fluctuating trend that is it increased by 27% in 2005-06,22.4% increase in 2006-07, and increased by 34% in 2007-08 and finally if falls by 10% in2008-09 this may be due to decline in operating income and increased tax liability in the year 2008-09.
* ϖ  The interest expenses from the period 2005 to 2008 showed an increasing trend but decreased in 2008-09 due to repayment of borrowings.
* There is a continuous increase in the deposits till the year ending 2008 followed by a downfall in the year ending 2009 due to repayment deposits in this year.
* ϖ  Similarly advances also shows as increasing trend till the year ending 2008 followed by a slight downfall in the year ending 2009.
* ϖ  There has been a substantial increase in net profit till the year ending 2008.In four years it has been more than double.

The overall performance of the bank is satisfactory.

**Interpretation through Ratio analysis:**

**CURRENT RATIO:**

An indication of a company's ability to meet short-term debt obligations; the  
higher the ratio, the more liquid the company is. Current ratio is equal to current assets divided by current liabilities. If the current assets of a company are more than twice the current liabilities, then that company is generally considered to have good short-term financial strength. If current liabilities exceed current assets, then the company may have problems meeting its short-term obligations.

Interpretation:

An ideal solvency ratio is 2. The ratio of 2 is considered as a safe margin of solvency due to the fact that if current assets are reduced to half (i.e.) 1 instead of 2, then also the creditors will be able to get their payments in full.

But here the current ratio is less than 2 and more than 1 which shows that the bank have current assets just equal to the current liabilities which is not satisfactory as the safety margin is very less or zero. Therefore, the bank should keep more current assets so that it can maintain a satisfactory safety margin

**LIQUID RATIO:**

Liquid ratio is also known as **‘Quick’ or ‘Acid Test ‘Ratio**. Liquid assets refer to  
assets which are quickly convertible into cash. Current Assets other stock and prepaid expenses are considered as quick assets.

Interpretation:

A quick ratio of 1:1 is considered favourable because for every rupee of current liability, there is atleast one rupee of liquid assets. A higher value of ratio is considered favourable. Here this ratio is less than 1 in 2005,2006 & 2009 but in 2007 & 2008 it is close to 1 which is not satisfactory. This means the bank has not managed its funds properly in this particular period. Therefore bank should rationally utilize its funds to maintain an ideal liquid ratio.

**EARNING PER SHARE:**

In order to avoid confusion on account of the varied meanings of the term capital employed, the overall profitability can also be judged by calculating earning per share

Interpretation:

Earning Per Share is the most commonly used data which reflects the performance and prospects

of the company. It affects the market price of shares. Here the Earning Per Share is shows a persistent increase till the year 2008 after that in the year 2009 Earning Per share is followed by a downfall due to decline in profits.

**DIVIDEND PER SHARE :**

It is expressed by dividing dividend paid to equity shareholders by no. of equity shares. this shows the per share dividend given to equity shareholders. It is very helpful for potential investors to know the dividend paying capacity of the company. It affects the market value of the company.

Interpretation:

Here the Dividend Per Share is increasing year after year except a little decline in 2009.otherwise the dividend per share ratio of the bank is quite satisfactory which shows the bank has a good dividend paying capacity.

**NET PROFIT RATIO:**

This ratio helps in determining the efficiency with which affairs of the business  
are being managed. An increase in the ratio over the previous period indicates improvement in the operational efficiency of the business. The ratio is thus on effective measure to check the profitability of business.

***Interpretation:***

Although both the sales and net profit have increased during the above period but the Net Profit Ratio of the bank is declining continuously. This is because of the reason that net profits have not increased in the same proportion as of the sales.

**OPERATING PROFIT RATIO:**

The difference between net profit ratio and net operating profit ratio is that net operating profit is calculated without considering non-operating expenses and non-operating incomes. If we deduct this ratio from 100, the result will be operating ratio. Higher operating profit ratio enable the organization to recoup non-operating expenses out of operating profits and provide reasonable return.

Interpretation:

In the year 2005 & 2006 the operating profit is 31.41% & 34.02% respectively. After that it has been consistently declined from the year 2007 till 2008 and again gaining momentum in 2009. This may be due to the reason that operating expenses have been increased more as compared to sales during the above period consequently reducing the operating profits. Therefore the bank should check on unnecessary operating expenses to correct this situation and to provide a sufficient return.

**DEBT- EQUITY RATIO:**

The Debt-Equity ratio is calculated to find out the long-term financial position of the firm. This ratio indicates the relationship between long-term debts and shareholder’s funds. The soundness of long-term financial policies of a firm can be determined with the help of this ratio.  
It helps to assess the soundness of long-term financial policies of a business. It also helps to determine the relative stakes of outsiders and shareholders. Long-term creditors can assess the security of their funds in a business.it indicates to what extent a firm depends upon lenders to meet its long-term financial requirements. A low Debt-Equity ratio is considered better from the point of view of creditors.

***Interpretation:***

The ratio shows the extent to which funds have been provided by long-term creditors as compared to the funds provided by the owners. Here the Debt-Equity ratio for the above period is always high. This shows that the bank is more relying on outside funds as compared to internal sources of capital, in its capital structure. From the long-term lenders point of view this ratio is not satisfactory.

**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).
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* 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 on 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.
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* ¬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. 218,348 crore (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 strategy of paying off wholesale deposits. During Q4-2009, total deposits increased by Rs. 9,283 crore (US$ 1.8 billion), of which Rs. 5,286 crore (US$ 1.0 billion), or about 57%, was in the form of CASA deposits. The CASA ratio improved to 28.7% of total deposits at March 31, 2009 from 26.1% at March 31, 2008.
* ¬ The branch network of the Bank has increased from 755 branches at March 31, 2007 to 1,438 branches at April 24, 2009. The Bank is also in the process of opening 580 new branches which would expand the branch network to about 2,000 branches, giving the Bank a wide distribution reach in the country.
* In line with the strategy of prioritizing capital conservation and risk containment, the loan book of the Bank decreased marginally to Rs. 218,311 crore (US$ 43.0 billion) at March 31, 2009 from Rs. 225,616 crore (US$ 44.5 billion) at March 31, 2008.
* ¬ **Liquidity position**
* The liquid ratio of the bank in the year 2005,2006 and 2009 is 0.60,0.67and 0.68 respectively and the year 2007 and 2008 liquid ratio is 0.97 and 0.88 respectively which is close to 1.Though it is not equal to the ideal liquid ratio of 1:1 but still its under control. So in nut shell, it can be concluded that the liquidity position of the bank is quite satisfactory.
* ¬ **Capital adequacy and return on capital employed**
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* 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.
* The Bank’s capital adequacy at March 31, 2009 as per Reserve Bank of India’s revised guidelines on Basel II norms was 15.5% and Tier-1 capital adequacy was 11.8%, well above RBI’s requirement of total capital adequacy of 9.0% and Tier-1 capital adequacy of 6.0%. The above capital adequacy takes into account the impact of dividend recommended by the Board.
* Also the capital is being effectively utilized in the bank as it shows better return on capital employed over years.
* ¬ **Asset quality**At March 31, 2009, the Bank’s net non-performing asset ratio was 1.96%. During the
* year the Bank restructured loans aggregating to Rs. 1,115 crore (US$ 220 million).
* ¬ **Dividend on equity shares**
* Since the dividend per share has shown a promising increase for the period under study. It shows that the bank is following a sound dividend policy and is capable of distributing higher dividends.in this way the investors will feel investing in capital of the bank a much beneficial option and will be reluctant to withdraw capital for a long time.
* ¬ **Earnings per share**
* The earnings per share for the period under study also shows a promising increase.it suggests that bank has better profitability position and in future it can be a better or attractive channel of investment for shareholders.
* ¬ **Higher trends of credit deposit ratio – A positive sign**
* High trends of credit deposit ratio reveals that bank has performed satisfactorily as regard to granting loans and advances to generate income. It suggests that credit performance is good and the bank is doing its business good by fulfilling its major objective as regards to granting loans and accepting deposits.

**Discussion:**

This study makes a contribution to the field of strategic management by describing how the control system is dependent on the organizational structure of the business and how the corporate information system is used differently in human resources management. Restructuring or establishing a corporate culture matrix company and internal communication system is made possible by a thorough immersion into the internal workings of the organization and the identification of sensitive moments that disrupt employees in their work. The chosen method enables the analysis of alternative organizational structures and the research environments in which they function to accomplish their objectives, as well as the selection of an appropriate platform for the corporate information system and a suitable direction for knowledge management and human resource management. These findings could be used by corporate policy and strategy developers to highlight the shortcomings of the processes supporting innovation and employee involvement in the provision and development of ideas for enhancing internal capacity.

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 nonproductive 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 objective of granting credit and accepting deposit. So, in order to have more creditability in the market the bank should maintain its credit deposit ratio.

* ⇐  Though the bank has been successful in increasing it is deposits but to further improve upon such situation it can introduce some new and attractive schemes for public. Such schemes can be in the form of higher rate of interest and shorter maturity period for FD’s etc.
* ⇐  Bank should try to finance more and more projects. Financing will help it to earn higher amount of profits.
* ⇐  The bank is having a greater reliance on debt capital. The increasing reliance on external equities may prove hazardous in the long run. So, in order to remedy this situation bank should increase its focus on internal equities and other sources of internal financing.
* ⇐  Bank can also think for improving it is day-to -day service to its clients. Such service can be improved by providing prompt service and showing an attitude of co-operation to its clients. It will help to give a kind of confidence to the public and build a better public image.
* ⇐  To achieve the objective of Rural development it should open more and more branches in different rural areas of the country. It will facilitate in providing help to rural poor farmers and other living below the poverty line. Bank can appoint commission agents for different area who can encourage general public to invest in the capital of the bank and make more deposits in ICICI Bank.
* ⇐  The bank should simplify the procedure of advances for quick disbursement.
* ⇐  To achieve organizational success a proper independent working atmosphere

should be developed to achieve desired objective more effectively.

* ⇐  Last but not least, bank should adopt branch automation experiment to control the operational cost.

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**CONCLUSION**

On the basis of various techniques applied for the financial analysis of ICICI Bank we can arrive at a conclusion 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 around 50% 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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