

FINANCIAL ANALYSIS OF ICICI BANK: GROWTH IN SUBSEQUENT YEARS

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ABSTRACT

The liberalized policy of the government of India permitted entry to the ICICI in banking; the industry has witnessed a generation of private players. The focus of these banks has always been centered on the customer. But to satisfy the customers and to operate other activities, the bank must have sufficient funds in its accounts. That's why, in the present paper special emphasis has been laid down on the financial analysis of the bank by using different research and statistical tools.

Keywords: *Banking, balance sheet, descriptive research design, profit & loss A/c, ratio analysis.*

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INTRODUCTION

The growth in the Indian Banking Industry has been more qualitative than quantitative and it is expected to remain the same in the coming years. Based on the projections made in the "India Vision 2020" prepared by the Planning Commission and the Draft 10th Plan, the report forecasts that the pace of expansion in the balance-sheets of banks is likely to decelerate. The total assets of all scheduled commercial banks by end-March 2010 is estimated at Rs 40,90,000 crores. That will comprise about 65 per cent of GDP at current market prices as compared to 67 per cent in 2002-03. Bank assets are expected to grow at an annual composite rate of 13.4 per cent during the rest of the decade as against the growth rate of 16.7 per cent that existed between 1994-95 and 2002-03. It is expected that there will be large additions to the capital base and reserves on the liability side.

ICICI BANK LTD.

ICICI Bank is India's second-largest bank with total assets of Rs. 3,634.00 billion (US\$ 81 billion) at March 31, 2010 and profit after tax Rs. 40.25 billion (US\$ 896 million) for the year ended March 31, 2010. The Bank has a network of 2,035 branches and about 5,518 ATMs in India and presence in 18 countries. ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialized subsidiaries in the areas of investment banking, life and non-life insurance, venture capital and asset management. The Bank currently has subsidiaries in the United Kingdom, Russia and Canada, branches in United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar and Dubai International Finance Centre and representative offices in United Arab Emirates, China, South Africa, Bangladesh, Thailand, Malaysia and Indonesia. Our UK subsidiary has established branches in Belgium and Germany.

ICICI Bank's equity shares are listed in India on Bombay Stock Exchange and the National Stock Exchange of India Limited and its American Depositary Receipts (ADRs) are listed on the New York Stock Exchange (NYSE).

NEED FOR THE STUDY

As finance is the life blood for any business organization and without it no firm can survive in the market. The present study is needed just to formulate the current status of the bank specially the financially status.

REVIEW LITERATURE

- **Gupta Shashi K.** The establishment of ICICI aimed at filling certain gaps in the institutional facilities for the provision of finance to industrial undertakings in the

private sector. It is also to act as a channel for providing development finance to industry.

- **Aggarwal Nisha, Gupta Neeti** ICICI provides full assistance to the creation, expansion and modernization of industrial enterprises within the private sector in India and encourages the participation of private capital, both internal and external, in such enterprises.
- **Khan M. Y.** Recently ICICI Ltd. (along with two of its subsidiaries, ICICI Personal Finance Services Ltd. and ICICI Capital Services Ltd.) has been merged with ICICI bank Ltd; effective from May3, 2002. The erstwhile DFI has thus ceased to exist. Its main objective is to encourage and promote private ownership of industrial investment and expansion of investment markets.
- **Bhole L. M.** ICICI bank is the largest bank in the private sector in India. It offers diversified financial services at both the corporate and retail level. Since the mid-1990s, the ICICI has been developing the necessary subsidiaries and growing the services that will allow it to be a “universal bank”. In 1999-2000, corporate finance rose to 47 % of ICICI’s total lending portfolio from 36% in 1998-99.

STATEMENT OF PROBLEM

No research is completed until it has formulated a specific problem. The problem of the study is to analyze the financial status of ICICI Bank Ltd.

OBJECTIVES OF THE STUDY

- To analyze the profit and loss account as well as balance sheet of the bank.
- To formulate and analyze the ratios of the bank.
- To analyze the financial position of the bank.

METHODOLOGY

SCOPE OF THE STUDY

The scope of the study is wide and it includes the analysis of annual results, Profit & loss account and balance sheet of the bank for the last 5 years.

RESEARCH DESIGN

Descriptive research design is used in the present study.

SOURCES OF DATA

Secondary data has been taken into consideration to solve the research problem.

TOOLS USED

The statistical tool used here is the ratio analysis.

DATA ANALYSIS & INTERPRETATIONS

Annual results in brief

	Mar ' 10	Mar ' 09	Mar ' 08	Mar ' 07	Mar ' 06
Sales	25,706.93	31,092.55	30,788.34	22,994.29	14,306.13
Operating Profit	15,460.24	20,239.18	19,729.57	14,077.37	7,710.91
Interest	17,592.57	22,725.93	23,484.24	16,358.50	9,597.45
Gross profit	9,732.18	8,925.23	7,960.69	5,874.40	4,690.67
EPS	36.10	33.76	37.37	34.58	28.55

PROFIT & LOSS ACCOUNT

	Mar ' 10	Mar ' 09	Mar ' 08	Mar ' 07	Mar ' 06
Income					
Operating income	32,747.36	38,250.39	39,467.92	28,457.13	17,517.83
Expenses					
Material consumed	-	-	-	-	-
Manufacturing expenses	-	-	-	-	-
Personnel expenses	1,925.79	1,971.70	2,078.90	1,616.75	1,082.29
Selling expenses	236.28	669.21	1,750.60	1,741.63	840.98
Administrative expenses	7,440.42	7,475.63	6,447.32	4,946.69	2,727.18
Expenses capitalised	-	-	-	-	-
Cost of sales	9,602.49	10,116.54	10,276.82	8,305.07	4,650.45
Operating profit	5,552.30	5,407.91	5,706.85	3,793.56	3,269.94
Other recurring income	305.36	330.64	65.58	309.17	466.02
Adjusted PBDIT	5,857.66	5,738.55	5,772.43	4,102.73	3,735.96
Financial expenses	17,592.57	22,725.93	23,484.24	16,358.50	9,597.45
Depreciation	619.50	678.60	578.35	544.78	623.79
Other write offs	-	-	-	-	-
Adjusted PBT	-12,354.42	5,059.96	5,194.08	3,557.95	3,112.17
Tax charges	1,600.78	1,830.51	1,611.73	984.25	556.53
Adjusted PAT	-13,702.10	3,740.62	4,092.12	2,995.00	2,532.95

Non recurring items	134.52	17.51	65.61	115.22	7.12
Other non cash adjustments	-	-0.58	-	-	-
Reported net profit	-13,567.59	3,757.55	4,157.73	3,110.22	2,540.07
Earnings before appropriation	-10,757.94	6,193.87	5,156.00	3,403.66	2,728.30
Equity dividend	1,337.95	1,224.58	1,227.70	901.17	759.33
Preference dividend	-	-	-	-	-
Dividend tax	164.04	151.21	149.67	153.10	106.50
Retained earnings	-12,259.94	4,818.07	3,778.63	2,349.39	1,862.46

BALANCE SHEET

	Mar ' 10	Mar ' 09	Mar ' 08	Mar ' 07	Mar ' 06
Sources of funds					
Owner's fund					
Equity share capital	1,114.89	1,113.29	1,112.68	899.34	889.83
Sh. application money	-	-	-	-	-
Preference share capital	-	350.00	350.00	350.00	350.00
Reserves & surplus	50,503.48	48,419.73	45,357.53	23,413.92	21,316.16
Loan funds					
Secured loans	-	-	-	-	-
Unsecured loans	2,02,016.60	2,18,347.82	2,44,431.05	2,30,510.19	1,65,083.17
Total	2,53,634.96	2,68,230.84	2,91,251.26	2,55,173.45	1,87,639.16
Uses of funds					
Fixed assets					
Gross block	7,114.12	7,443.71	7,036.00	6,298.56	5,968.57
Less : revaluation reserve	-	-	-	-	-
Less : accumulated depreciation	3,901.43	3,642.09	2,927.11	2,375.14	1,987.85
Net block	3,212.69	3,801.62	4,108.90	3,923.42	3,980.71
Capital work-in-progress	-	-	-	189.66	147.94
Investments	1,20,892.80	1,03,058.31	1,11,454.34	91,257.84	71,547.39
Net current assets					
Current assets, loans	29,997.23	34,384.06	31,129.77	23,551.85	15,642.79

& advances					
Less : current liabilities & provisions	15,501.18	43,746.43	42,895.38	38,228.64	25,227.88
Total net current assets	14,496.05	-9,362.37	-11,765.62	-14,676.78	-9,585.09
Miscellaneous expenses not written	-	-	-	-	-
Total	1,38,601.54	97,497.56	1,03,797.62	80,694.15	66,090.96
Notes:					
Book value of unquoted investments	-	-	-	-	-
Market value of quoted investments	-	-	-	-	-
Contingent liabilities	7,33,546.20	8,40,670.63	4,01,114.91	1,99,771.41	1,34,920.99
Number of equity shares outstanding (Lacs)	11148.45	11132.51	11126.87	8992.67	8898.24

RATIOS

Mar ' 10 Mar ' 09 Mar ' 08 Mar ' 07 Mar ' 06

Per share ratios

Adjusted EPS (Rs)	-122.91	33.60	36.78	33.30	28.47
Adjusted cash EPS (Rs)	-117.35	39.70	41.97	39.36	35.48
Reported EPS (Rs)	36.10	33.76	37.37	34.59	28.55
Reported cash EPS (Rs)	41.66	39.85	42.56	40.64	35.56
Dividend per share	12.00	11.00	11.00	10.00	8.50
Operating profit per share (Rs)	49.80	48.58	51.29	42.19	36.75
Book value (excl rev res) per share (Rs)	463.01	444.94	417.64	270.37	249.55
Book value (incl rev res) per share (Rs.)	463.01	444.94	417.64	270.37	249.55
Net operating income per share (Rs)	293.74	343.59	354.71	316.45	196.87
Free reserves per share (Rs)	356.94	351.04	346.21	199.52	193.24

Profitability ratios

Operating margin (%)	16.95	14.13	14.45	13.33	18.66
Gross profit margin (%)	15.06	12.36	12.99	11.41	15.10
Net profit margin (%)	12.17	9.74	10.51	10.81	14.12
Adjusted cash margin (%)	-39.58	11.45	11.81	12.30	17.55
Adjusted return on net worth (%)	-26.54	7.55	8.80	12.31	11.40
Reported return on net worth (%)	7.79	7.58	8.94	12.79	11.43
Return on long term funds (%)	10.63	56.72	62.34	82.46	56.24

Leverage ratios

Long term debt / Equity	-	0.01	0.01	0.01	0.01
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	Mar ' 10	Mar ' 09	Mar ' 08	Mar ' 07	Mar ' 06
Total debt/equity	3.91	4.42	5.27	9.50	7.45
Owners fund as % of total source	20.35	18.46	15.95	9.52	11.83
Fixed assets turnover ratio	4.60	5.14	5.61	4.52	2.94
Liquidity ratios					
Current ratio	1.94	0.78	0.72	0.61	0.62
Current ratio (inc. st loans)	0.13	0.13	0.10	0.08	0.08
Quick ratio	14.70	5.94	6.42	6.04	6.64
Inventory turnover ratio	-	-	-	-	-
Payout ratios					
Dividend payout ratio (net profit)	37.31	36.60	33.12	33.89	34.08
Dividend payout ratio (cash profit)	32.33	31.00	29.08	28.84	27.36
Earning retention ratio	110.96	63.23	66.35	64.80	65.82
Cash earnings retention ratio	66.70	68.87	70.51	70.22	72.58
Coverage ratios					
Adjusted cash flow time total debt	44.79	49.41	52.34	65.12	52.30
Financial charges coverage ratio	0.33	1.25	1.25	1.25	1.39
Fin. charges cov.ratio (post tax)	1.26	1.20	1.20	1.22	1.33
Component ratios					
Material cost component (% earnings)	-	-	-	-	-
Selling cost Component	0.72	1.74	4.43	6.12	4.80
Exports as percent of total sales	-	-	-	-	-
Import comp. in raw mat. consumed	-	-	-	-	-
Long term assets / total Assets	0.80	0.75	0.78	0.80	0.82
Bonus component in equity capital (%)	-	-	-	-	-

FINDINGS AND SUGGESTIONS

- Adjusted earning per share downs to Rs (-) 122.91 from Rs 33.60 which is a very bad symbol for the bank. Bank should maintain its goodwill and try to control the deviating factors.
- Reported earning per share goes higher by Rs 2.34
- Dividend per share gets high by Rs 1
- Operating profit per share increases with increase in book value per share but net operating income per share gets down by Rs 49.85
- Net profit margin in March'06 was highest at 14.12% then decreases to 10.81% by Mar'07, now at 12.17% in Mar'10
- Return on long term funds getting lower year after year, it is only 10.63% in Mar'10 as compared to 82.46% in March'07. it means bank has to focused on its long term

investments to fulfill its wealth maximization motive.

7. The leverage ratio of any bank must be higher but in case of ICICI, its debt equity ratio as well as fixed assets turnover ratio goes down as compared to previous years.
8. Its current ratio is balanced but the quick ratio gets very high in Mar'10, it means bank has more than sufficient amount in its liquidity which is very harmful as excess/ideal cash also suffers bank's investments and future profits.
9. Payout ratios are balanced but earning retention ratio is very high which should be kept low by the bank to earn maximum profits.
10. Coverage ratios of the bank gets lower year after year which is a very good symbol for the bank.

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