

FUNDAMENTAL ANALYSIS OF STOCK AT ICICI BANK

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ABSTRACT

This project conducts a fundamental analysis of ICICI Bank to assess its financial performance, industry position, and growth prospects. The study examines financial statements, ratio analysis, and industry trends to determine intrinsic value and potential for long-term growth. ICICI Bank's strong financial performance, stable asset quality, and robust capital position indicate stable player in the banking sector with potential for long-term growth. The study provides insights for investors, analysts, and stakeholders to make informed decisions about ICICI Bank's stock, contributing to a better understanding of its financial performance and growth prospects. By evaluating key financial metrics and industry trends, this study aims to enable investors to make informed investment decisions. The analysis is based on a thorough examination of ICICI Bank's financial statements and industry trends

Key words: Financial performance, Ratio analysis, financial statements, Industry trends, Intrinsic value, Long-term growth, ICICI - bank

I. INTRODUCTION

India, as a developing nation, has seen a rising enthusiasm among individuals to engage in financial activities, particularly in the stock market where investors seek high returns. Fundamental analysis plays a crucial role in evaluating a company's intrinsic value by examining its financial statements, cash flow, revenue, expenses, assets, and liabilities. This method considers market trends, economic factors, and investor behavior to determine whether a stock is overvalued or undervalued. While predicting stock prices is complex due to human assumptions and market volatility, fundamental analysis provides a structured approach to assess potential investments. Both

individual and institutional investors, including buy-side and sell-side analysts, use this technique to make informed decisions and uncover profitable opportunities. Ultimately, this research method aims to bring stability and confidence in a fluctuating market by offering insights into a company's future performance and growth potential.

II. REVIEW OF LITERATURE:

Gupta and Kundu (2006) analyzed the impact of budget announcements on the Indian stock market, focusing on Sensex prices from 1991 to 2005. Their study revealed significant patterns in market volatility and returns around these announcements, highlighting the importance of financial strategies in shaping market behavior. Key findings include notable market reactions and volatility trends following budget announcements.

Ghoshal, Mukherjee, and T's study developed a hybrid model combining Genetic Algorithm (GA) and Artificial Neural Network (ANN), termed "brain organization," to predict Indian stock market behavior. The model outperformed traditional Curve and GARCH models, with performance evaluated using metrics like MAPE, MAE, R-sq, AAE, and MSE. The study demonstrated the potential of GA-ANN models in stock market prediction, offering a promising alternative to conventional approaches.

Kabiraj (2005) studied fuzzy logic's role in stock market analysis, showcasing its strengths in cost estimation, pattern recognition, and handling uncertainty. Fuzzy frameworks offer a unique approach to market trend forecasting and EMH evaluation, differing from traditional analysis tools.

Reddy's study (referencing 2015 data, published in 2020) analyzed the financial performance of Indian private sector banks (ICICI, HDFC, and Axis Bank) from 2009-

2014. Key factors evaluated included earnings per share, return on equity, dividend payout ratio, and net profit, providing insights into their financial stability and risk management.

NEED FOR THE STUDY

Businesses require financial backing to launch and expand, typically securing funds from banks or financial institutions with interest repayment terms. Ownership structure dictates share distribution, often linking active involvement to ownership stakes. Accurate equity valuation informs market activities, reducing inefficiencies and boosting company performance.

SCOPE OF THE STUDY:

The study evaluates ICICI Bank's stock performance using fundamental and ratio analysis, covering a 5-year period (2020-2024). The assessment aims to determine the bank's financial health and stock value, providing insights into its performance.

OBJECTIVE OF THE STUDY

- To ascertain a few ICICI Bank stocks' intrinsic worth to make an investing choice.
- To focus on the trends in financial development, particularly as they relate to ICICI Bank.

IV. DATA ANALYSIS AND INTERPRETATION:

Net profit

Earnings per share

EPS = Net Income-Dividends on Preferred Stock Average Outstanding shares

- Earnings Per Share

- To look at the stock performance of ICICI Bank

III. RESEARCH METHODOLOGY:

Research Methodology

This study analyzes the financial performance of ICICI Bank using various financial ratios and intrinsic value calculations. The research design involves collecting secondary data from audited business reports, ICICI Bank publications, and the bank's official website.

Statistical Tools

1. Financial ratios: Net Profit, EPS, Book Value Per Share, Debt-to-Equity Ratio, P/E Ratio, P/B Ratio, DPS, Current Ratio, Quick Ratio, ROA, ROE, and Net Profit Margin Ratio.
2. Intrinsic value calculations: Profit Payout Ratio, Standard Profit Payout Ratio, Average Retention Ratio, and Projected EPS.

Period of Study

The study covers a period of five years (2020-2024).

LIMITATIONS OF THE STUDY:

- Dependence on historical data
- Assumes market efficiency
- Subjective judgments
- Regulatory and economic changes
- Data availability and precision issues

3.EARNINGS PER SHARE(EPS)						
S. No.	Company Name	Mar '24	Mar '23	Mar '22	Mar '21	Mar '20
1	ICICI Bank	31.04	172.33	160.68	102.67	82.54

Interpretation:

Value investors can receive an estimated value per share, or the total amount available to them on each held offer, based on earnings per share (eps). In contrast to the previous year, icici has maintained a steady growth in its earnings over time. The earnings per share (eps) of icici banks experienced a significant decline in 2022, unlike previous years.

Book value per share

$$BVPS = \text{Total equity} - \text{Preferred equity} / \text{Total shares outstanding}$$

- **Book Value Per Share**

4. BOOK VALUE PER SHARE						
S. No.	Company Name	Mar '24	Mar '23	Mar '22	Mar '21	Mar '20
1	ICICI Bank	198.47	814.47	707.50	551.99	462.77

Interpretation:

The company's book value per share has been consistently rising over the past few years, starting at 120 INR in 2020 and reaching 140 INR in 2024, indicating a positive trend of growth. This showcases the administration's robust financial state and efficient allocation of resources or productivity. Most financial backers view rising book values positively because they signify an increase in net resources per share. Nevertheless, it is essential to consider additional financial indicators and industry conditions to obtain a comprehensive assessment of the company's achievements.

PRICE EARNINGS RATIO

$$(P/E \text{ Ratio}) = \text{Market Value per Share} / \text{Earnings per share}$$

- **P/E Ratio**

6.PRICE EARNINGS (P/E) RATIO						
S. No.	Company Name	Mar '24	Mar '23	Mar '22	Mar '21	Mar '20
1	ICICI Bank	19.6	56.7	18.1	16.5	20.5

Interpretation:

A stock's price-to-earnings ratio, or P/E ratio, shows how much a share costs in relation to the company's annual net income or profit per share. A corporation with a higher P/E % means that investors are paying more for each unit of overall gain than one with a lower P/E ratio. ICICI Bank's P/E ratio fluctuated a lot between Walk 2020 and Walk 2024, reaching a high of 56.7 in Walk 2022 and then down to 19.6 in Walk 2023. This apex suggests high financial backer expectations or stock value relative to income at the moment. The variations reflect changes in market sentiment and perceptions of the bank's operations.

PRICE/BOOK RATIO

$$P/B \text{ RATIO} = \text{Current share Price} / \text{Book value per share}$$

- **P/B Ratio**

7. PRICE TO BOOK(P/B) VALUE RATIO						
S. No.	Company Name	Mar '24	Mar '23	Mar '22	Mar '21	Mar '20
1	ICICI Bank	3.0	9.0	1.8	2.1	3.0

Interpretation:

The sum of the company's assets less its liabilities, preferred stock, and illusory assets like benevolence is its book value, which is the standard stock value as shown on a financial statement. If the business had begun operations immediately, it would have saved this sum of money. In Walk 2022, the ICICI Bank measurement peaked at 9, but by Walk 2024, it had dropped to 3. This implies that market perceptions or performance have changed significantly over time.

CURRENT RATIO

Current Ratio = Current Assets/Current Liabilities

- **Current Ratio**

9. CURRENT RATIO						
S. No.	Company Name	Mar '24	Mar '23	Mar '22	Mar '21	Mar '20
1	ICICI Bank	0.06	0.06	0.07	0.09	0.12

Interpretation:

The bank's current ratio, which fell from 0.12 in 2020 to 0.06 in 2024, indicates that ICICI Bank's capacity to satisfy short-term obligations with short-term assets is deteriorating. Despite the fact that banks frequently have shares below 1, this pattern points to a correction in liquidity. The ratio has remained stable at lower levels in recent years due to consistent asset and liability management.

QUICK RATIO

Quick Ratio = Liquid Assets/Current Liabilities

- **Quick Ratio**

10. QUICK RATIO						
S. No	Company Name	Mar '24	Mar '23	Mar '22	Mar '21	Mar '20
1	ICICI Bank	13.94	14.26	14.52	15.76	18.66

Interpretation:

From 18.66 in 2020 to 13.94 in 2024, ICICI Bank's quick ratio decreased, demonstrating a reduction in the bank's capacity to satisfy short-term commitments using short-term resources. Even with the decrease, the ratio is still practically greater than 1, indicating that the bank continues to focus on its strong points. This pattern demonstrates sound financial standing and foreshadows a long-term stabilization of liquidity.

RETURN ON ASSETS(ROA)

ROA= Annual Net Income/Total Assets

- **Return on Assets**

11.Return on Assets(ROA) (Billion Dollars)			
Year	Net Income	Total Assets	ROA
Mar'24	4.26	244.81	1.83
Mar'23	3.37	234.85	1.51
Mar'22	2.48	212.47	1.23
Mar'21	1.08	192	0.59
Mar'20	0.48	177.15	1.08

Interpretation:

CICI Bank's Return on Assets (ROA) increased from 0.59 in 2020 to 1.83 in 2024, demonstrating the bank's enhanced capacity to make money off of its assets. The upward trend suggests that asset usage and profitability have grown over the past few years. The bank's improving financial situation and efficient management are demonstrated by its rising ROA.

RETURN ON EQUITY(ROE)

$$\text{ROE} = \text{Net Profit} / \text{Net worth}$$

- Return on Equity**

12. Return on Equity(ROE) (Rs in Crore)			
Year	Net profit	Net Worth	ROE
Mar'24	7357.82	44676.51	0.614
Mar'23	6219.67	38220.48	0.162
Mar'22	5199.43	33107.86	0.157
Mar'21	4242.21	22813.54	0.185
Mar'20	3388.49	19998.83	0.169

Interpretation:

ICICI Bank's profit from wealth (ROE) grew from 6.12 in 2020 to 16.36 in 2024, indicating a considerable improvement in productivity and effective use of investors' money. Based on this upward trend, the bank's investment return appears to have grown over the past few years. Both sound financial performance and careful management are responsible for the significant rise in ROE.

NET PROFIT MARGIN RATIO

$$\text{Net Profit} = \text{Net profit} / \text{Revenue}$$

- Net Profit Margin Ratio**

13. NET PROFIT MARGIN RATIO						
S. No.	Company Name	Mar '24	Mar '23	Mar '22	Mar '21	Mar '20
1	ICICI Bank	29.20	27.02	20.46	10.60	5.30

Interpretation:

From 5.30 in 2020 to 29.20 in 2024, ICICI Bank's cost to book ratio rose sharply, reflecting an improvement in the market's evaluation of the bank's book value. This vertical trend indicates that financial backers are becoming more confident and have a positive view of the bank's prospects for expansion. Better financial outcomes and increased market expectations are the causes of the surprise gain.

B. INTRINSIC VALUE ANALYSIS

- **Computation of Pay-out-Ratio(DPS/EPS) of ICICI Bank Ltd.**

S. No	Year	DPS(Rs)	EPS(Rs)	Pay-out-Ratio
1	Mar'24	0.82	31.04	0.026
2	Mar'23	0	172.33	0
3	Mar'22	1.09	160.68	0.006
4	Mar'21	1.74	102.67	0.016
5	Mar'20	2.61	82.54	0.031

AVERAGE DIVIDEND PAYOUT RATIO (ADPR)

$$= 0.026 + 0 + 0.006 + 0.016 + 0.031 / 5$$

$$= \mathbf{0.0158}$$

AVERAGE RETENTION RATIO (ARR) = 1 – ADPR

$$= 1 - 0.0158$$

$$= 0.9842$$

• **SHOWING INTRINSIC VALUE OF ICICI BANK LTD.**

AVERAGE DIVIDEND PAYOUT RATIO	0.0158
AVERAGE RETENTION RATIO	0.9842
AVERAGE RETURN ON EQUITY	0.25704
NORMALIZED AVERAGE PRICE EARNING RATIO	26.28
LONG TERM GROWTH RATE IN EQUITY	0.253
PROJECTED EPS	38.893
INTRINSIC VALUE	1022.108
PROJECTED DPS	1.027
INTRINSIC VALUE	MARKET VALUE
1022.108	1089.818

Interpretation:

It is possible that ICICI Bank is expensive since its intrinsic value (1022.808) is lower than its market value (1089.818). Selling the stock makes more sense. This is because investors may profit by selling the stock at a higher market price if they think it is worth more than its intrinsic value. The fact that you will be paying more than the stock's actual value makes buying it less alluring. Because of this oddity, care should be taken because, in the uncommon event that market expectations are not met, the stock price may respond.

V. FINDINGS:

- The sum of the three banks' earnings has risen.
- With the growth of the Indian economy, icici bank has thrived.
- Icici bank has experienced remarkable growth in recent years from various aspects.
- The bank's overall salary has grown substantially.
- As part of its duties, the audit demonstrates that icici bank was deceived and that selling shares is the most appropriate course of action.
- Compared to previous years, icici bank is rapidly establishing itself as a strong and stable institution.
- Over the past few years, the organization has experienced an increase in its net advantages.
- The determination of intrinsic value reveals the potential worth of the

shares in the future.

- Given that Icici Bank has the highest dps and eps, investors should anticipate a significant return on their investment.
- The importance of valuing and the increase in stock turnover have both risen at icici bank. It showcases the rapid pace at which products are being sold and the intensity with which shares are eager to finance their expansion through borrowing.
- It's clear that icici's eps is predictable, except for the year 2023.

VI. SUGGESTIONS:

- Incorporating thorough research into its analysis showcases the financial business's immense potential for expansion. Given the rapid expansion of this business, it is evident that investing resources in the banking sector would be a wise and commendable decision.

- Icici bank has experienced a decline in its position within the industry in the Indian monetary region.
- Icici Bank, the largest private bank in India, appears to have reached its peak following a period of sustained growth and development.
- Considering its significant expansion in recent years, icici bank appears to be the best option for financial backers based on a comprehensive evaluation.
- Over the past few years, it has consistently outperformed in every ratio. When selecting a stock, an investor should consider the company's operations, visibility, historical performance, and the capital requirements for expansion.

VII. CONCLUSION:

Indian banks have outperformed other territorial banks in later a long time concerning development, productivity, and resource quality. To assist create the industry, officials have made many eminent changes to methodology and approach. These changes included combining the enactment directing commercial and agreeable banks, improving the installments framework, and fixing prudential directions. The current period is exceptionally great for a comprehensive examination of the budgetary segment, given the expanding profit of speculators inside it. It's ordinarily a great idea to see into and consider an offer some time recently appearing intrigued within the stock advertise. On the off chance that they appropriately evaluate the stocks, monetary bolster could be appeared in honest to goodness choices that spare superfluous wretchedness.

TEST BOOKS:

- The intelligent investor by Benjamin graham.
- Security analysis by Benjamin graham and David Dodd.
- Fundamental analysis for dummies.
- Common stocks and

uncommon profits by Philip fisher.

- Investing in Indian by Rahul Saraogi.

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