



Institute of Management, Nirma University

MBA-FT (2019-21)

SUMMER INTERNSHIP REPORT ON

“Equity Research Report on Kotak Mahindra Bank Ltd. and ICICI Bank Ltd.”



Submitted to:

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Date of Submission – 5th July, 2020

ACKNOWLEDGEMENT

I have given my all dedication to this project and have been able to manage all of things as a professional. However, it would not have been possible without the kind support and help of many individuals from industry and organizations. I would like to extend my heartiest Gratitude to all of them.

I express my sincere gratitude to Mr. Rajat Gupta who has supported me throughout with patience and immense knowledge. I would not be able to finish this project without his guidance and encouragement. I have gained lateral and in-depth knowledge of the assigned topics due to this Summer Internship.

Also, I want to thank my faculty mentor (Dr. Shahir Bhatt) for their guidance and unflinching support throughout the phases of my Internship. I would also like to extend my thanks to the Institute for giving me such a wonderful opportunity to work with such a great organization.

Contents

1. EXECUTIVE SUMMARY	4
2. OBJECTIVE OF THE STUDY	5
3. EQUITY RESEARCH	5
3.1 Introduction	5
3.2 What Is Equity Research?	6
3.3 What Do we Do In Equity Research?	6
3.4 Purpose of Equity Research	7
3.5 The Equity Research Process	8
4. EQUITY RESEARCH ON BANKING SECTOR	9
4.1 ANALYSIS OF INDIAN ECONOMY	9
4.2 SECTOR ANALYSIS	15
4.4 BANKING SECTOR.....	16
4.5 SWOT ANALYSIS	18
4.6 PORTER’S FIVE FORCES MODEL	20
4.6 COMPANY ANALYSIS	23
4.6.1 Kotak Mahindra Bank Ltd	24
4.6.2 ICICI Bank Ltd.....	29
5. CONCLUSION and RECOMMENDATION.....	35
6. LEARNINGS	36
7. Annexure.....	37
8. REFERENCES.....	41

1. EXECUTIVE SUMMARY

The Project on 'Equity Research Report on Kotak Mahindra Bank Ltd. and ICICI Bank Ltd.' is based on the Economic analysis of the country i.e. India. Then the sector analysis of the Banking sector based on Porter's five forces model, government initiatives for the sector. Lastly, the company analysis which focuses on its vision, top management team and its financial analysis.

The project is based on the research and working of the banking industry. It also focuses on the working of the capital markets and the cause and effect of the decision of management and also external environment affects the sector as well the companies.

Report will also reflect how changes on a macro level i.e. in the Indian economy affects the working of the two companies. The effect in share price, dividend distribution is affected by various internal and external factors. Also how the sector is contributing towards the GDP of the country.

The reason for choosing banking sector is that in the current scenario banks are and will be playing vital role in recovering of the economy from the crisis. Also banks are one of the pillars on which the economy works and is regulated. So the crisis faced by the sector inadvertently affects the economy as a whole.

Also the market capitalisation of the company is Rs. 268,080 Cr & Rs. 231,329 Cr for Kotak Mahindra and ICICI respectively.

Further, a detail qualitative and quantitative analysis on both the companies is done with the help of various financial ratios, swot analysis business model etc. Also the companies business ethics, corporate governance is also to be checked.

Also, we have to study the external and economic environment of the country. Knowledge of the prevailing economic environment would help in better analysis of companies' growth and performance in the near future.

2. OBJECTIVE OF THE STUDY

- To do analysis of country, sector and company
- To do fundamental analysis using top down approach
- To Analyze whether banking sector is good for investment
- To analyze whether India is right country to invest
- To do fundamental study on company Kotak Mahindra Bank and ICICI Bank.
- To do technical analysis on Kotak Mahindra Bank and ICICI Bank
- To predict whether to buy sell or hold the share.

3. EQUITY RESEARCH

3.1 Introduction

In the financial markets, information is by far the most valuable asset, investors rely on information to know what to put their money into, traders need information to know whether they should enter or exit a position, and corporate financiers (including bankers, private equity firms etc) need information to value companies and participate in transactions. This information has to come from somewhere and as a result, there are entire divisions within financial institutions dedicated to researching the key issues for their firm and this division is called **Equity Research**. Well, to start with, equity research is the study of equities or stocks for the purpose of INVESTMENTS. Equity research is what an equity research analyst does. In simpler terms, equity research is the act of gathering information:

- (1) Information that helps **INVESTORS** to decide where to put in their money;
- (2) Information that traders require to understand whether to enter or exit a market position;
- (3) Information that financiers (bankers and firms) need to evaluate companies.

Equities or common stock comprises a big chunk in any company's capital and shareholders need to know whether to stay invested in the company or sell the shares and come out.

3.2 What Is Equity Research?

Equity Research is a division within either a buy-side or sell-side firm which is responsible for the research used by the firm and its clients. Despite the name, Equity Research can also include commodities, bonds are more along with equities. The purpose of an equity researcher is to provide insight and detailed analysis into a company, entity or sector and this information is then used by investors to decide how to allocate their funds and by Private Equity firms and investment banks to value companies for mergers, LBOs, IPOs etc. Buy-side firms will then pay the equity research team for access to their information, and this is why equity research is a revenue-producing group for an investment bank.

Typically an equity research department is split into different coverage groups. These coverage groups will be small teams and they will focus on a specific sector (i.e. mining, energy & resources, healthcare, consumer etc.). Each team will usually cover 5-20 companies. The research report is used by investment banks and private equity firms to evaluate the company for IPO, LBO, mergers and others.

3.3 What Do we Do In Equity Research?

The work within equity research is split into research / reporting and projections. The research work is fairly self explanatory; the associate or analyst will spend time investigating both the company in question, competitors and the industry in general and take note of all the relevant issues. This information can either come from people in the industry, online information resources or other agencies. Every quarter the research team will compile what it has done into a Research Report which is issued to its clients.

The projection work is similar to that of valuation in banking, the researcher will estimate growth rates and valuations for companies several years into the future. The investment Banking Division will often use equity research reports as the basis for their models, and this is yet another example of how the front-office departments within a bank are interlinked.

Unlike most other financial institutions, the junior level within Equity Research is called 'Associate' level whilst the more senior staff are called 'Analysts'. The most common way of joining an Equity Research team is either out of education (the same as in banking) or as a lateral hire from industry / another sector in the bank.

As an individual, it is time consuming to do equity research, that is, to study the company, its financial statements, products, management and take a decision about investment. Exactly for the same reason, there are people working in research companies whose job is to do equity research and recommend companies for investment.

The **application of equity research** varies. Primarily, equity research is used in the mutual industry, investment evaluation, merger and acquisition deals, financial publications and charitable endowments.

3.4 Purpose of Equity Research

As stated before, the purpose of equity research is to study companies, analyses financials and look at quantitative and qualitative aspects, helping investors of varying degrees to make an informed decision.

As the name suggests, 'research' plays the most important role here. Over the years, research methods have changed but the sole intention of research remains the same. The number of investors is booming and so is the need for exploring the nature of investment. Investors wish to take calculated and informed decisions, and this is where the role of equity research begins.

The purpose of equity research and the researcher is manifold. To begin with, one gathers and analyses industry data and financial models of a specific company or an industry. It also involves understanding current market trends, both from the perspectives of macro economy and micro economy, and report findings. Since the equity research targets a specific audience, it is necessary to tailor the findings to the audience demand.

Further, adequate stress is laid on the accuracy of information. If investors take actions based on any kind of misinformation or misrepresentation, losses are tremendous and harmful to both the investor and the company. Therefore, equity analysts spend a considerable amount of time analyzing stocks and valuating estimates.

3.5 The Equity Research Process

There are multiple steps involved in the equity research process. Here they are:

1.Economic Analysis: This is country analysis. It is concerned with the current scenario of an economy. Factors like GDP, INFLATION etc. are studied under this step. It is a systematic practice undertaken to determine the usability of available resources, comparison between two or more resources, accounting opportunity costs and measuring the scope or viability of an INVESTMENT.

2.Industry Analysis: It is a tool used for assessing current markets and understanding its complexities. It is concerned with the study of sector as in whole and finding out the trends of the concerned sector. Political, economic and market factors are reviewed to understand its influence over the development of the industry.

3.Company Analysis: It is a series of activities undertaken to analyse the operations of a business, focusing on the cause and effect of decisions and how they are likely to benefit (or not) future INVESTORS.

4.Financial Statement Analysis: The accounts of a company are evaluated to determine the financial soundness (or otherwise) of the company. Profit and loss statements and managerial practices are overseen to prepare an accurate financial statement.

5. Report Writing: All the above processes culminate into the report writing stage where the equity analyst prepares an in-depth report accessible to relevant shareholders

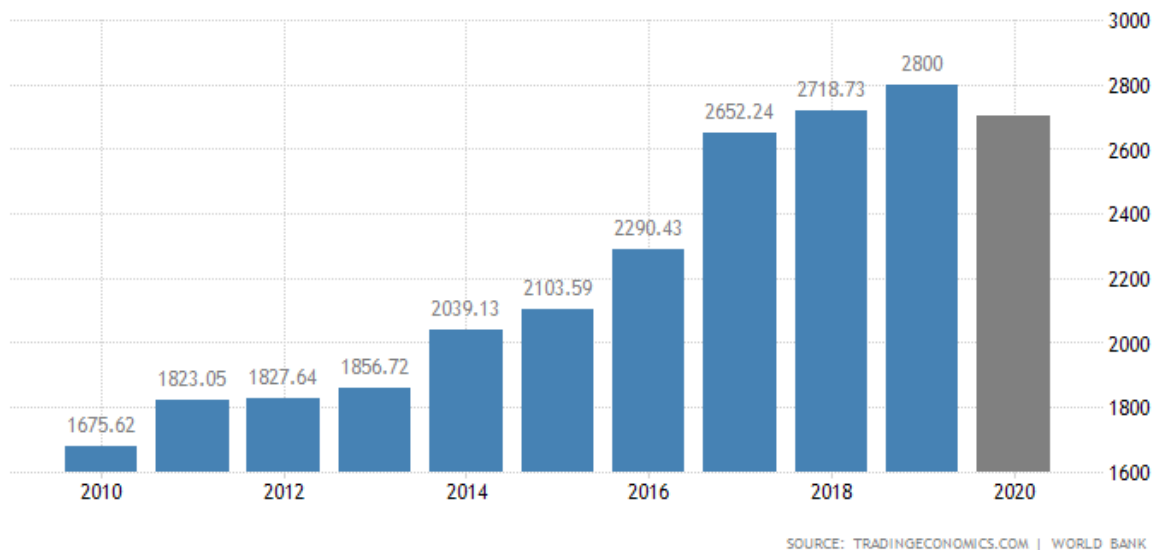
6. Presentation or Recommendation: Based on the report, recommendations are made for the benefit of the company and its shareholders.

4. EQUITY RESEARCH ON BANKING SECTOR

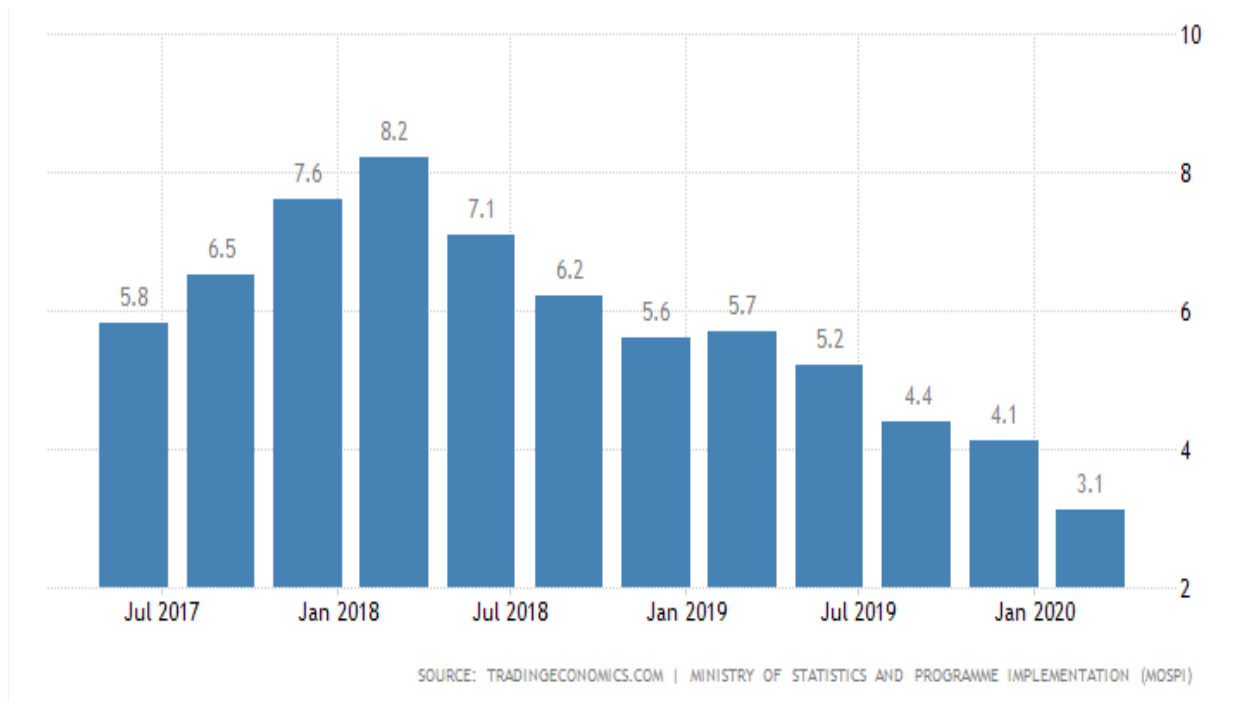
4.1 ANALYSIS OF NDIAN ECONOMY

Gross Domestic Product

GDP is commonly used as an indicator of the economic health of a country, as well as to gauge a country's standard of living. Critics of using GDP as an economic measure say the statistic does not take into account the underground economy - transactions that, for whatever reason, are not reported to the government. Others say that GDP is not intended to gauge material well-being, but serves as a measure of a nation's productivity, which is unrelated. Income



The GDP growth rate of India was 8.2% during second quarter of 2018 and since then there has been a constant decline in the growth rate of GDP. In the recent times there has been a slowdown in many sectors of the economy and with the declining growth rate with worldwide pandemic the economy is not performing well. It is the slowest GDP growth in the history with 3.1% but still it has beat the market forecast of 2% growth rate. GDP Annual Growth Rate in India is reported by the Ministry of Statistics and Programme Implementation (MOSPI).



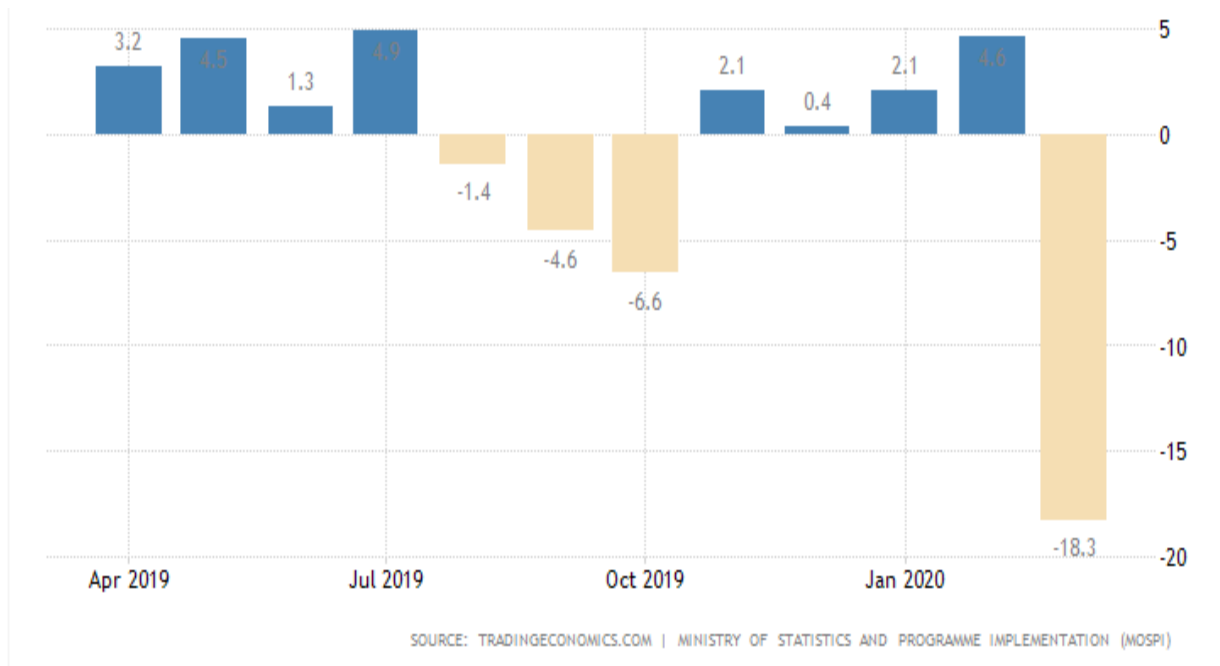
POPULATION

The total population in India was last recorded at 1.366 billion people in 2019 from 359.0 million in 1950, changing 245 percent during the last 50 years. As population is rising the demand for products and services will eventually grow up, leading to various growth opportunities.

Current Population of India in 2015	1.366 billion as on 2019
Total Male Population in India	710,129,571
Total Female Population in India	649,574,719
Sex Ratio	924 females per 1,000 males

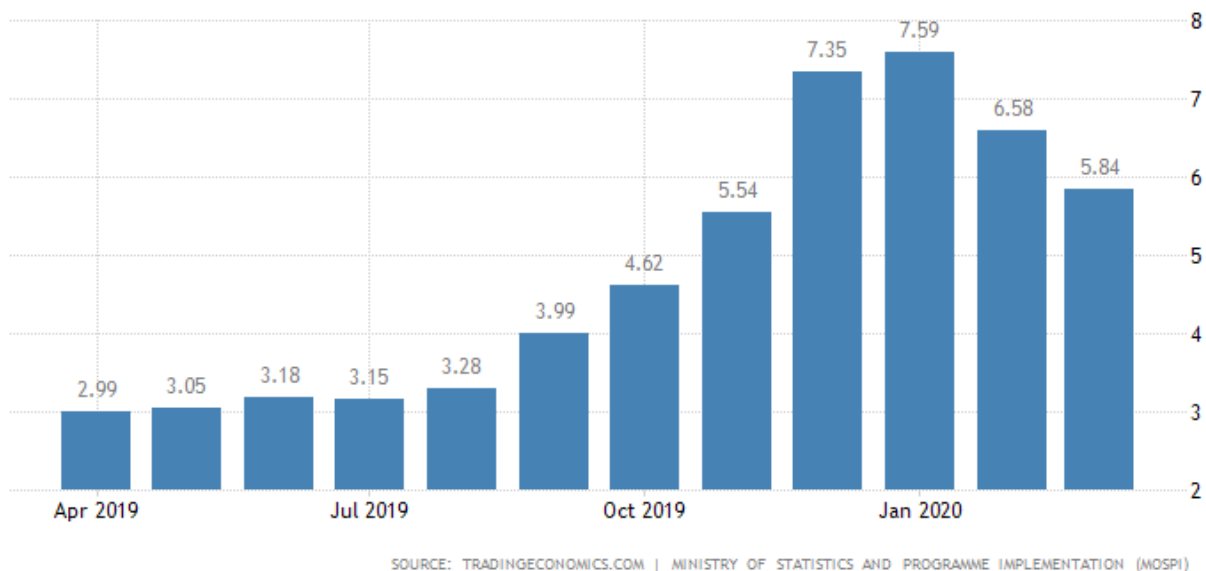
INDEX OF INDUSTRIAL PRODUCTION

The Index of Industrial Productio has plunged 16.5% y-o-y with the onslaught of pandemic Covid-19 has forced many business to close and stop production as well. The previous quarter showed a growth of 4.6% as compare to this quarter with -18.3%.



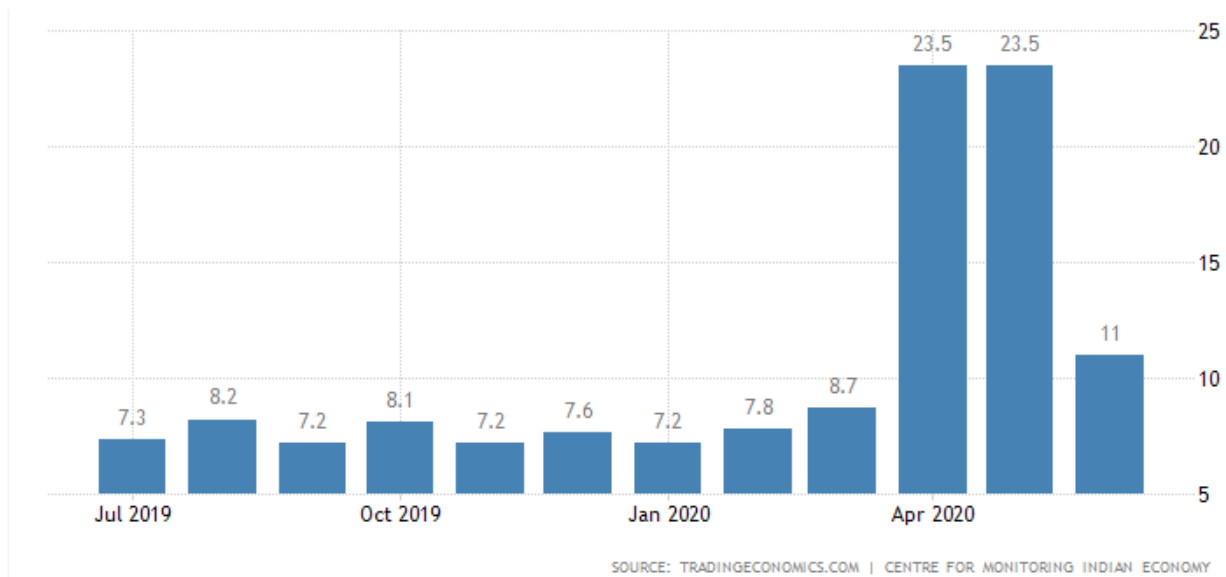
INFLATION RATE

Inflation rate is declared using the Consumer Price Index and is the central measure for inflation. The inflation rate has been lowered to 5.84% in march 2020. It has been lowest since last November. The retail prices has fallen to an all time low. Also the food price has increased at a softer pace.



UNEMPLOYMENT RATE

India's unemployment rate was all time high due to the pandemic COVID 19 and the lockdown in the country to 23.5% but the same has fell to 11 percent due to business resumed their operations in the month of June 2020. Unemployment rate has gone down for both urban and rural areas. It is further expected to go down as the pandemic ceases and regular operations are can be resumed.



With people loosing jobs the demand in economy has seen a decline. With reduction in the rate of employment and improvement in the economy may precedent a good demand for goods and services in the near future.

INTEREST RATES

Interest Rate in India has recorded its all time low at 4 percent. It has done it as a move to encourage investment and consumption in the economy. It will also allow a flow of low cost loan in the economy to boost up its consumption in housing, vehicle and other consumer loans.



INDIAN GOVERNMENT DEBT TO GDP

In economics, the **debt-to-GDP ratio** is the ratio between a country's government debt and its gross domestic product (GDP). A low debt-to-GDP ratio indicates an economy that produces and sells goods and services sufficient to pay back debts without incurring further debt. Geopolitical and economic considerations – including interest rates, war, recessions, and other variables - influence the borrowing practices of a nation and the choice to incur further debt.

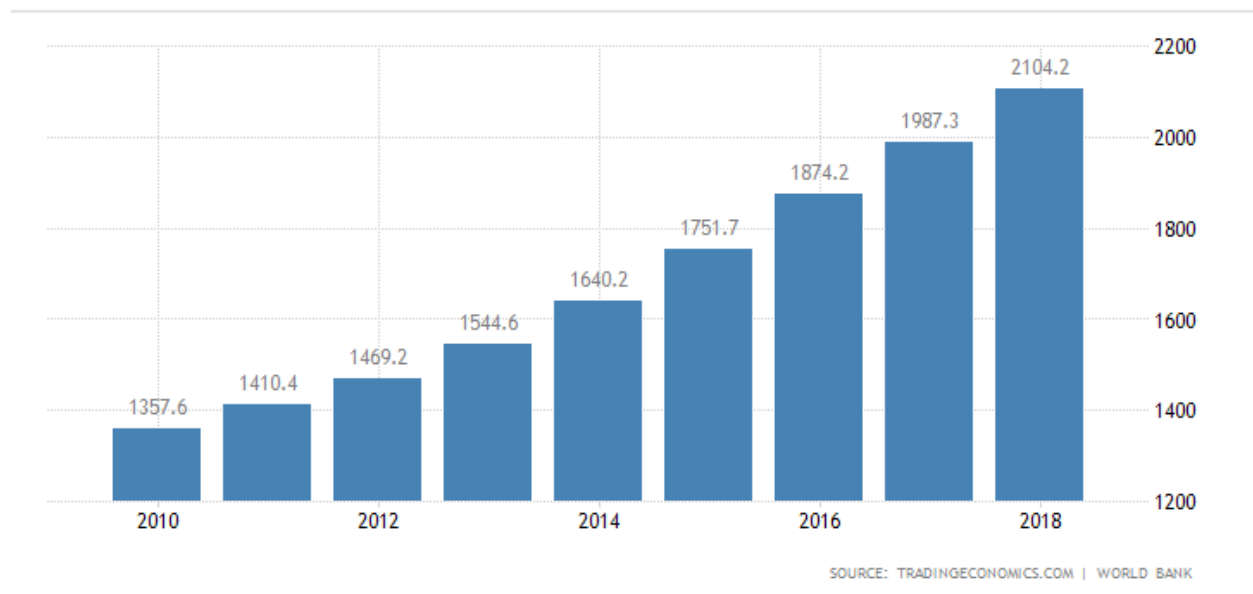
It is an indicator used by investors to measure the ability of the country to make future payments on its debt. It affects the government bond yields and borrowing cost. It is expected to reach 75 percent by the end of 2020. Currently the same is at 69.62 percent.

PER CAPITA INCOME

Per capita income: total resources/total population.

Per capita income is often used as a way of communicating average income, though it can also be used as a measure of the wealth of the population of a nation, particularly in comparison to other nations. Per capita income is often used to measure a country's standard of living. It is usually expressed in terms of a commonly used international currency such as the Euro or United States dollar, and is useful because it is widely known, easily calculated from readily-available

GDP and population estimates, and produces a useful statistic for comparison of wealth between sovereign territories. This helps the country to know their development status. As per capita income rises it is expected that people will spend more. There will be bigger steps taken towards increasing standard of living.



FOREIGN DIRECT INVESTMENT

An investment made by a company or entity based in one country, into a company or entity based in another country. Foreign direct investments differ substantially from indirect investments such as portfolio flows, wherein overseas institutions invest in equities listed on a nation's stock exchange. Entities making direct investments typically have a significant degree of influence and control over the company into which the investment is made. Open economies with skilled workforces and good growth prospects tend to attract larger amounts of foreign direct investment than closed, highly regulated economies.

The investing company may make its overseas investment in a number of ways - either by setting up a subsidiary or associate company in the foreign country, by acquiring shares of an overseas company, or through a merger or joint venture.

FDI in Banking sector is allowed to be 49% without approval and 74% with approval i.e. in the Private sector.

The Indian Economy is experiencing a downturn and has recorded slow growth in GDP due the current Covid-19 pandemic situation. Despite all this Banking sector in India is the pillar that is supporting the economy by giving low cost loans, delay in payment of interest by companies and other to help them stand on their feet. Recovery of the economy will come faster as we have already seen the employment levels going down immediate lifting of the lockdown. Many businesses have resumed their operations after the lockdown was lifted.

Many new business models have also sprung up during this lockdown. FMCG sector has been a good boost due to it being a essential supplier. Banking sector has also been incentivized by the RBI by reduction in interest rates to provide low cost loans.

4.2 SECTOR ANALYSIS

A review and assessment of the current condition and future prospects of a given sector of the economy. Sector analysis serves to provide an INVESTOR with an idea of how well a given group of companies are expected to perform as a whole.

Sector analysis is typically employed by INVESTORS who are practicing a sector-rotation strategy, or by those who are using a top-down approach to selecting stock to invest in. In the top-down approach to INVESTING, the most promising sectors are identified first, and then the investor reviews the companies within that sector to determine which individual stocks will ultimately be purchased.

Sector analysis is an investment assessment technique in which investors group companies that perform similar functions within the economy into sectors when analyzing potential stocks. The idea behind this mode of thinking is that stocks within a certain business type will tend to rise and fall along with the performance of the sector. Investors may break the sectors down into general groups such as transportation or technology, or into more specific categories to better pinpoint potentially hot stocks. There are several strategies that investors can use once they've analyzed the sectors to try and improve their investor's performance.

With a seemingly limitless amount of stocks available to investors, it can be daunting for them to go through them all, amass information, and track the performance of individual stocks. investors can use sector analysis to help narrow down the field of possibly investment simply

concentrating on large groups of companies that are similar to one another in terms of the role they play in the economy. The theory behind this strategy is that the stocks within these groups tend to act in accordance with all the others.

4.4 BANKING SECTOR

INTRODUCTION

Banking system has been the pillar of Indian economy and helps the Government implements its reforms and other regulations through its channel. Often time's banks play a major role in providing strength to slow moving sectors through loans, credit facilities etc. all banks are under the supervision of RBI and are governed under The Banking Regulation Act, 1949. The different types of banks in India are mainly :

1. Commercial Banks
2. Exchange Banks
3. Industrial Banks
4. Agricultural or Co-operative Banks
5. Savings Bank
6. Central Bank
7. Utility Bank

Efficient Banking system is an absolute necessary for a country to progress economically. An underdeveloped banking system is sign of economic backwardness of the country.

- It provides with a safe channel of investment.
- Creates instrument of credit which substitute the actual movement of money.
- Increases the mobility of capital

- Small individual savings are pooled together to form large amount of capital.

Among the 25 countries the digital payments in India has evolved the most. With India's Immediate Payment Service (IMPS) being the only system at level five in the Faster Payments Innovation Index (FPII).

Indian banks has withstood global downturn and are generally resilient. The financial and economic condition of the country are superior and resilient as compared to other countries.

MARKET SIZE

The Indian Banking system consists of :-

- I. 20 Public sector Bank
- II. 22 Private sector bank
- III. 44 Foreign banks
- IV. 44 regional rural banks
- V. 1542 urban cooperative banks
- VI. 94384 rural cooperative bank

The above data is as on 31st Jan, 2020.

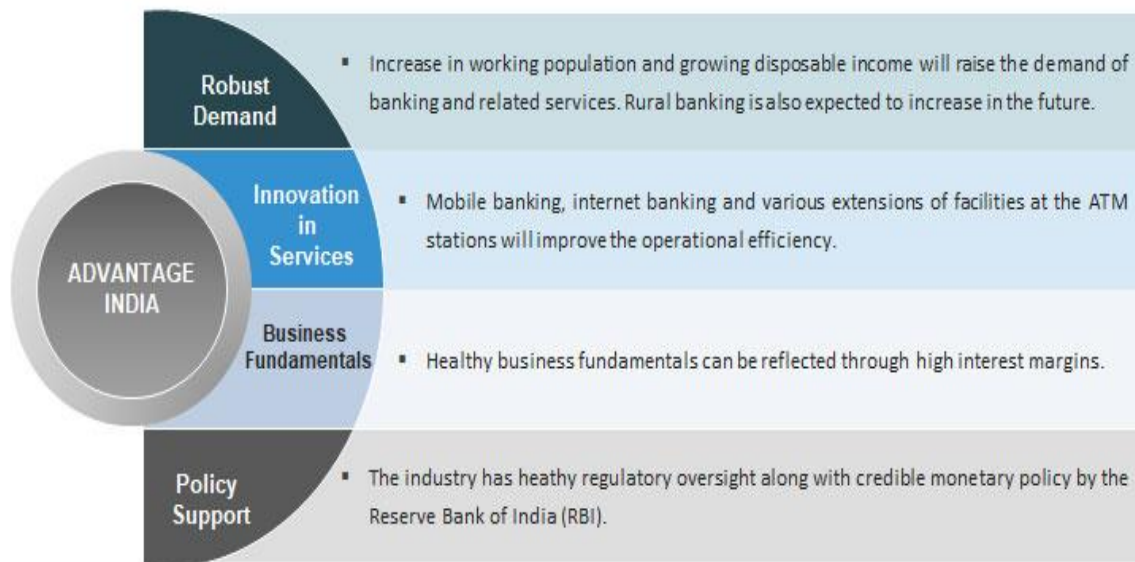
The assets in the public sector bank in FY19 was Rs 72.59 lakh crore (US\$ 1,038.76 billion). Also the foreign exchange reserve of India stood at approximately US\$ 414.14 billion as of April 19, 2020. Deposits grew by 6.81% during FY16-20. It has reached US\$ 1.90 trillion by FY20. The NPAs of commercial banks has seen a of Rs 400,000 crore (US\$ 57.23 billion) in FY19. It is the highest recorded recovery in the last 4 years.

In the week ended April 2020, Pradhan Mantri Jan Dhan Yojna has seen an increase in deposits to Rs 1.28 lakh crore (US\$ 18.16 billion). Banking services has reached rural areas and with the rising income in rural areas the need for banking services has also risen and the sector will see a growth in near future. The funding for micro finance sector also grew at the rate 42% to Rs 14,206 crore (US\$ 2.03 billion) in 2018-19.

ROAD AHEAD

Also with the revolution of digital payments a massive change has been seen in the banking sector with the method of payments have radically changed. UPI has become the new “it” in the industry and the transactions through the same stood at 1.24 billion in March 2020, valued at Rs 2.06 lakh crore (US\$ 29.47 billion).

Latest update: March, 2020



Source: <https://www.ibef.org/industry/banking-presentation>

4.5 SWOT ANALYSIS

Banking Industry is one of the pillar of any economy and it is the structure based on which many economies are performing and growing. The industry like any other has its own strength, weakness, opportunities and threats as well. The same has been discussed below:-

Strength

Economic Growth Leader – It provides credit and financial capital to the companies by pooling resources from small deposits and making them into large capital for other corporate. It has resulted in flourishing of many corporate and generated many employment opportunities through its financing of small and mid market companies.

Pillar of support in Financial Crisis – Banking industry is the one on which government heavily demands in times of financial slowdown or boom to regulate the flow of money. It helps the customers as well to get back on their feet by providing loans, credit as well insurance facilities.

Digital Banking – Banks are now in hands of people through their mobile phones. Easier transfer and payments have made transaction easy to conduct without the need of going to bank. Few clicks away a customer can invest the money in his bank account into various schemes and get advisory assistance too.

Weakness

Worldwide coordination – It is a vulnerable industry with a lack of worldwide coordination. Any suffer in different side of world inadvertently effects the other markets. Economies are not coordinated and since globalization each economy depends heavily on others. It leads a for the banks also to transact between economies. Hence recession faced by one countries also effects the other countries as finances are interdependent.

Old Technology – There are many which have not yet installed latest technologies and are dependent on outdated IT infrastructures. It leads to digital vulnerabilities and also security bugs. New technology requires heavy investment and training costs as well. Many mall scale banks find it difficult to implement the same. It also put the customers at risk and leave them vulnerable to threats of hackers and other malice.

High NPAs – the amounting NPAs in the bank is one of the major concerns of the recent times. Crores of assets of the banks are sitting as NPAs and becoming a liability to the economy as well. Many mergers and acquisitions have taken place to avoid the situations of banks going under liquidations.

Opportunities

Rural Region – It a vast and mostly untapped market present for the industry to get into. In recent years many big banks are focusing in penetrating the rural market as well.

Demographic Factors – with such shifts the new generation demand more advance and ease of transaction which has potential for the industry to further develop the technology and

infrastructure. New varied combination of product with varied risks and unique capabilities to distinguish itself can be established to capture the shifting demographic.

Private sector banking – This has seen a tremendous increase in the market share and it is continuously growing with the rural market and semi urban areas still untapped. It provides with great opportunities to grow and earn.

Threats

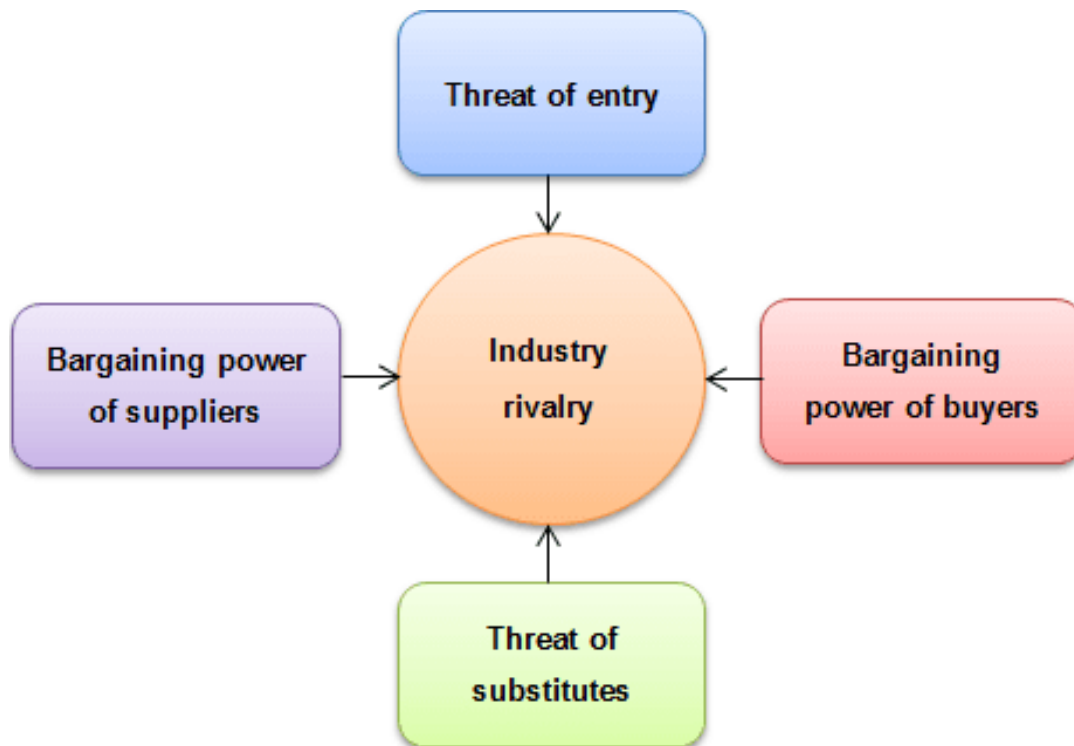
Recession – It is the major threat to the economic as well the banking system. It could lead to closure of the companies as well the banks. Crisis affects both sides of the coin.

Data Breaches – in recent years we have seen many data breaches in the industry from personal details of the account holder to credit card details were also leaked. Data in malicious hands may lead to many threats from theft to invasion of privacy. With increase in digitization the threat to the same has also become high.

4.6 PORTER'S FIVE FORCES MODEL

In the last decade the face of Banking and Insurance industry has changed a lot. Private players have grown tremendously and many new banks have come up. Due to increase competition the banks are using aggressive marketing strategies and competitive products to sustain in the market.

The Porter's Five Forces focuses on the survival of the companies in industry due to environment it works on.



THREAT OF NEW ENTRANTS

Banks require capital and administrative necessities at its commencement. Registration of bank is also not an easy process. Managing a bank is also a very hectic and regulated process. Rules and regulation and guidelines are to be followed. Trust is also a factor in the industry so getting the customer at its start is also a difficult task.

There are high entry barriers which do not allow new entrants to get through easily.

POWER OF SUPPLIERS

Banks gain its capital from different sources which can be called its suppliers for the business. These sources are –

- Customer Deposits
- Advances and loans
- Mortgage backed securities
- Advances from monetary organization

Supplier are many and scattered but they are also in the form of big corporate. Here supplier may change the scenario completely based on market conditions and news.

So the power of supplier in this industry is medium to high.

POWER OF BUYER

Generally buyer being the customer or account holder at a bank do not prefer changing banks easily. It also does not put a lot of danger in terms of losing customer. Persuading a customer to change their banks has lot of exchange costs. But with the advent of digitization opening accounts and taking services from different banks has become more common.

Bargaining power of buyers is moderate to low in insurance industry. There are mainly two broad categories of buyers in this industry i.e., individual and institutional buyers or corporate firms. , individual investors are less aware and less informed, they usually count on the services of various distributors and advisors, thus they have less bargaining power as compared to corporate firms.

THREAT OF SUBSTITUTE

The threat from substitute products or services in financial investment sector is pretty high. As more and more insurance companies and banks are coming with new financial investment instruments, hence resulting in larger number of substitutes. There is also homogeneity in the products so switching does not affect the customer much. Features and services provided by the major players are homogeneous. Unique factor and creating niche is very difficult in the industry.

A high-level of threat from substitutes is there in the Banking Industry.

INDUSTRY RIVALRY

In this industry, the rivalry among existing competitors is very high in intensity. There are few big players in the market, enjoying the larger share of the market and posing great threat to various market players. SBI being the biggest player with a wider reach than any other banking company. , there are many firms who enjoy the brand equity of their parent firms and have huge financial resources at their disposal, which results in high rivalry and competition.

Recapitulation of all the Porter's 5 forces that affect the competitive position in Banking Industry is as follows:

- **Threat of new entrants (medium)**- Due to many government regulations and high capital requirement, the threat is moderate.
- **Bargaining power of buyers (moderate)**- Retail buyers generally don't enjoy strong bargaining power as they depend on the knowledge of various distributors and agents which leads to lack of awareness.
- **Threat of substitute product or services (high)**- As more & more investment products and services are available from different competitors which tends to pose a high threat.
- **Bargaining power of suppliers (high)** – there are many major corporate and also individual holders that pose high risk when there are negative or favorable condition as switching costs are very low.
- **Rivalry among existing customers (high)**- As many big competitors enjoy large share and also other competitors push to seize higher market share which results in intense competition and rivalry.

4.6 COMPANY ANALYSIS

This process involves reviewing the history of a company and the events that contributed to shaping the firm. Moreover, it looks into the company's goods and services. Company analysis studies the products manufactured by the company and analyses the quality and demand for these products. If the firm is in the service sector, reviews the services offered to the related market.

To evaluate a company, core elements, operations and functions are analysed. The reports from the analysis of various aspects of the firm put together the big picture of its corporate quality. Analysts use the SWOT (strength, weakness, opportunity, threat) approach to determine a firm's current and probable future position in its respective industry.

Thorough evaluation is essential in performing a company analysis, as it provides insight on the value of a company. This analysis helps INVESTORS assess the past performance and future prospects of the firm. It encompasses all aspects of the firm, including market share, profitability,

growth prospects, finances and management structure. The results of a company analysis help external parties reach business decisions, such as investing or entering a partnership with the analysed company.

4.6.1 Kotak Mahindra Bank Ltd

Introduction

The company was founded by Uday Kotak in 1985. Kotak Mahindra Bank Ltd. was the first Non-banking finance company in India to be converted into a Bank. Kotak Mahindra Finance Limited.(KMPL), is the flagship company of the group which received its banking license from Reserve Bank of India(RBI) on February 2003.It is headquater is in Mumbai, Maharastra, India.

In terms of Market capitalization it is the second largest private sector bank as of April 2019. It caters to both corporate and retail customers with its wide range of banking and financial services. It also acquired ING Vysya Bank in 2015 which helped the company in furthering its reach. This deal was valued at Rs. 150 billion and with this the total employment by the group reached 40,000. ING Group also holds 7% share in Kotak Mahindra Bank.

The Bank has also pledged to donate Rs. 50 crores in the PM cares Fund to help in the fight in the wake of Covid-19 pandemic.

Management

1. Uday Kotak the founder of the company is also the Executive Vice chairman and Managing Director of Kotak Mahindra Bank. He has done his postgraduate in management studies from JBIMS. He started Kotak Capital Management Finance Ltd. He started with a seed capital of only US\$80,000 and now the same stands at a US\$19 billion.

He was named “Ernst & Young World Entrepreneur of the Year” in June 2014. He is also the Primary Market Advisory Committee of SEBI.

2. Mr. Prakash Apte is B.E.(Mechanical) who served as an MD of Syngenta India Ltd (SIL), agricultural business company in India, up until April 2011. It is the subsidiary of one of

the largest research based agribusinesses. He was appointed at the Annual General Meeting on July, 2018 as the Part-time Chairman of the Bank.

3. Mr. Dipak Gupta is Joint Managing Director. He is B.E(Electronics) and also has done his PGDM from IIM-A. He has been with Kotak Group for 27 years. He was responsible for leading the group in banking arena.
4. Mrs. Farida Khambata is Master of Arts in Economics from the University of Cambridge, a Master of Science in Business Management from the London Business School and a Chartered Financial Analyst. She was also a member of International Finance Corporation (IFC).
5. Mr. Uday Shankar, is the President Asia Pacific for The Walt Disney Company's Direct-to-Consumer & International (DTCI) segment and he is also the Chairman, Star & Disney India. He has also led 21st Century Fox, Asia as its President also Star India as its CEO.

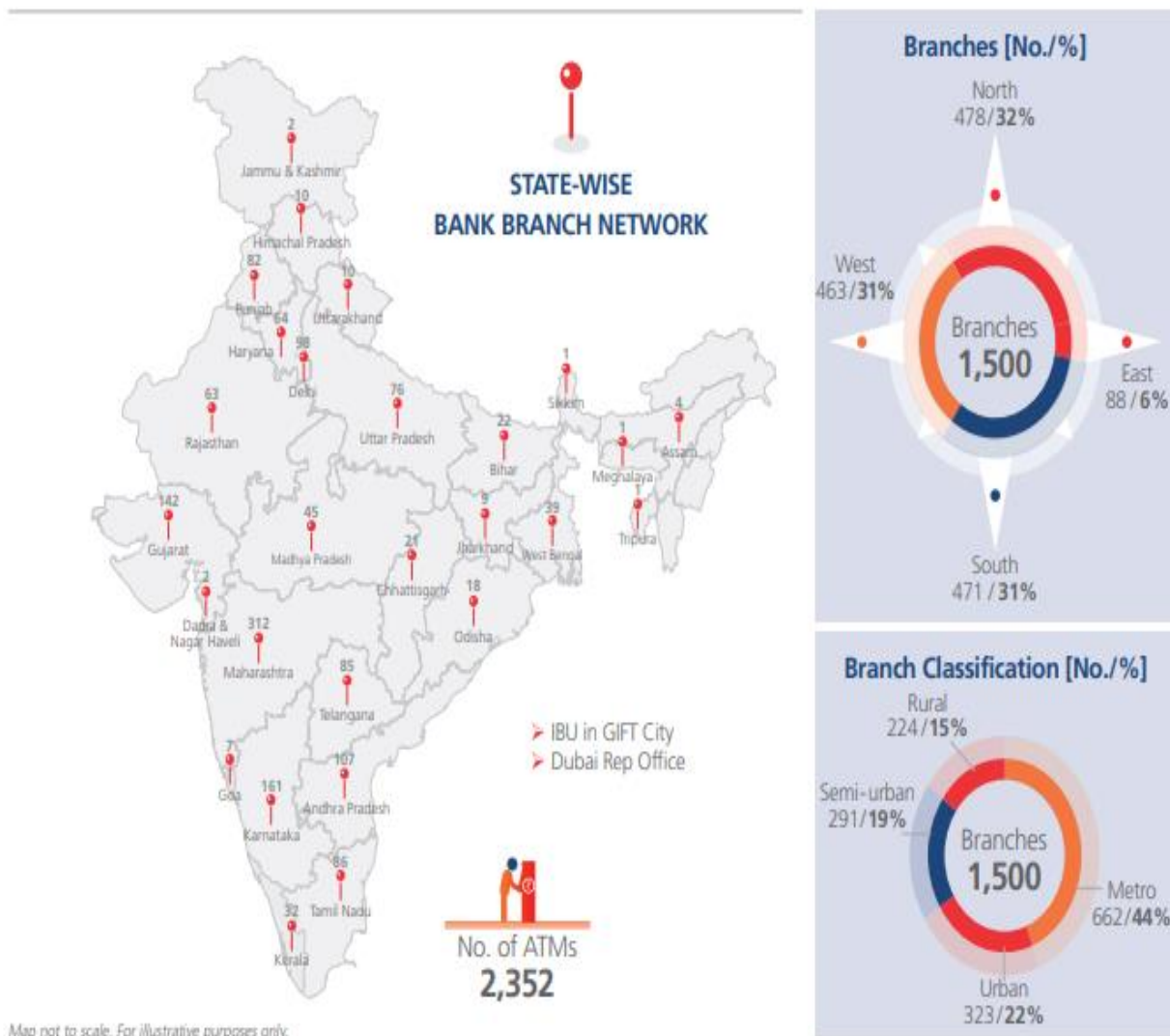
Designation	Name
Executive Vice Chairman and Managing Director	Mr. U. Kotak
Joint Managing Director	Mr. D. Gupta
Country Head - Consumer Banking	Ms. S. Ekambaram
Country Head - Wholesale & Investment Banking	Mr. K.V.S. Manian
Country Head - Commercial Banking	Mr. D Kannan

Business Overview

Consumer Banking	It provides a complete package of asset product and deposits for its retail customers, institution, NRIs backed by digital first solution and innovation.
Wholesale Banking	It caters to major Indian corporates, PSUs, MNCs, Mid market companies.
Commercial Banking	It provides to both rural and urban India with offerings like crop

	loan, tractor finance and other agribased loans. Its main focus is financing deep into “Bharat”.
Wealth Management	Provides bespoke financial solutions to high net worth families
Life Insurance	It offers a mix of products being Traditional as well ULIPs.
Mutual Fund	Provides a pool to the investors to choose from varied risk-Return profiles. A diversified portfolio range with a range of equity, debt and exchange traded funds (ETFs).
Investment Banking	Integrated and high quality financial advisory services.
Stock Broking	Services to retail as well institutional investors. It has a highest market share in mobile trading.
Leading NBFC	It provides financial assistance to real estate developers such as Structured Finance, Sponsor Financing, Construction Finance for Residential and Commercial Real Estate, Lease Rental Discounting (LRD) and Financing against Ready Inventory (LAP)
International business	It has its subsidiaries in various countries such as UK, Singapore, UAE, USA and Mauritius. It provides various fund management services, advisory, broker-dealer activities etc.

Above mentioned are some of the many businesses done by the bank by itself and through its various subsidiaries. It has become one of the leading financial services with its wide range of products and services.

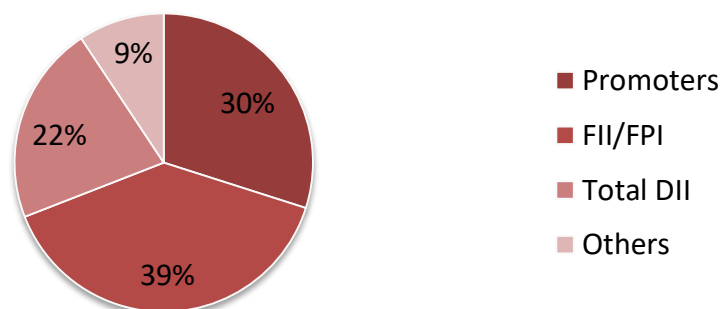


It has a total of 1500 branches with 2352 ATMs across the country. Its operations are spread across all states and UTs in India. It is further making a stronghold in the rural market as well. It has over 60,000 employees working for the Kotak Group. It has an active customer base of 17 million and more. It also has a shareholder base of 240,000 and more.

Financial Analysis

The current shareholding pattern of the company is as follows –

Shareholding Pattern



There has been a constant growth in profit in last 5 years. The Promoters holding is also at 29.92%.

	(Rs. In Crore)		
FINANCIAL HIGHLIGHTS	FY 2017	FY 2018	FY 2019
Advances	167,125	205,997	243,462
Investments*\$	49,974	68,741	76,858
Total Assets	276,188	337,720	395,171
Net Profit	4,940	6,201	7,204
Gross NPA	3804.00	4071.00	4789.00
Net NPA	1,814	1,769	1,696

The Gross NPA of the company has seen a tremendous increase in FY19 as compared to FY18. Other values have remained fairly constant in these 3 years.

Other Ratios important for the understanding of the company financial are below –

FINANCIAL HIGHLIGHTS	FY 2017	FY 2018	FY 2019
Net Interest Margin	4.50%	4.30%	4.30%
Return on average Asset	2.00%	2.00%	2.00%

Book Value per share	209	265	303
EPS	27	33	38
ROE	13.80%	13.50%	13.30%
Capital Adequacy Ratio	17.20%	18.40%	17.90%
Gross NPA Ratio	2.2%	2.0%	1.9%
Net NPA Ratio	1.1%	0.9%	0.7%

CASA i.e. Current Account and Savings Account is **52.5%**. It has shown a CAGR of 44% in last 5 years.

Current Market Price of the stock is Rs. 1353 and the Book Value of the share is 303, this makes the stock trading at 4.4times the book value.

4.6.2 ICICI Bank Ltd

Introduction

ICICI Bank Limited was established as a wholly owned subsidiary of Industrial Credit and Investment Corporation of India (ICICI), an Indian financial institution in 1994. It was later merged with the bank. It has its registered office in Vadodara, Gujarat and corporate office in Mumbai, Maharashtra.

Its internet banking operations were launched in 1998. In the same year it also reduced its shareholding to 465 by offering its shares to the public. It also acquired Bank of Madura limited in 2001 in an all stock deal.

It is one of the Big Four Banks in India. It was the first Indian Company from non-Japan Asia to be listed on the NYSE. It also has a 5 % shareholding in Yes Bank with an investment of Rs. 1000 crore in March 2020. It has its operations in 19 countries including India.

Some of the Domestic Subsidiaries of the Bank are:-

ICICI Prudential Life Insurance Company Limited

ICICI Lombard General Insurance Company Limited
ICICI Prudential Asset Management Company Limited
ICICI Prudential Trust Limited
ICICI Prudential Pension Funds Management Company Limited
ICICI Securities Limited
ICICI Securities Primary Dealership Limited
ICICI Venture Funds Management Company Limited
ICICI Home Finance Company Limited
ICICI Investment Management Company Limited
ICICI Trusteeship Services Limited

Some of the International subsidiaries of the company are-

ICICI Bank Canada
ICICI Bank USA
ICICI Bank UK PLC
ICICI Bank Germany
ICICI Bank Eurasia Limited Liability Company
ICICI Securities Holdings Inc.
ICICI Securities Inc.
ICICI International Limited.

Management

1. Sandeep Bakhshi – He is the MD & CEO of ICICI Bank since 2018. Prior to this he was serving the bank as a Chief Operating Officer (COO). He has been with the group for last 32 years. He has done his management degree from XLRI, Jamshedpur.
2. Anup Bagchi – He is the Executive director of the bank since 2017. Previously he has also served as MD & CEO of ICICI Securities Limited. He is responsible and heading the retail banking, rural and inclusive banking, treasury control and services, operations, infrastructure, and the corporate brand for the bank.

3. Vishakha Mulye – she is the Executive Director of the bank since 2016. The Domestic and International Wholesale Banking, Markets and Commercial Banking businesses at the Bank is being headed by her. She is a Chartered Accountant and has been with the bank since 1993.
4. Girish Chandra Chaturvedi – he is Non Executive Part time Chairman of the Bank. He was an IAS officer and has since retired from the same. The last held post by him was Secretary of Ministry of Petroleum and Natural Gas. He has done his M.Sc from London School of Economics.

Name	Designation
Girish Chandra Chaturvedi	Non Exe.Part Time Chairman
Vishakha Mulye	Executive Director
Sandeep Batra	Executive Director
Neelam Dhawan	Independent Director
Hari L Mundra	Independent Director
Rama Bijapurkar	Independent Director
Lalit Kumar Chandel	Government Nominee Director
Sandeep Bakhshi	Managing Director & CEO
Anup Bagchi	Executive Director
Uday Chitale	Independent Director
Radhakrishnan Nair	Independent Director
B Sriram	Independent Director
S Madhavan	Independent Director

Vision and Mission

Vision

To be the trusted financial services provider of choice for our customers, thereby creating sustainable value for our stakeholders.

Mission

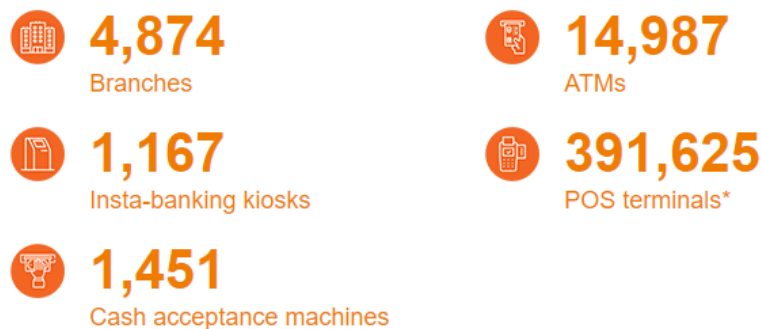
To grow our risk-calibrated core operating profit by:

- Delivering products and services that create value for customers
- Bringing together all our capabilities to seamlessly meet customer needs
- Conducting our business within well-defined risk tolerance levels

Business Overview

Retail Banking – it's the key driver of growth for the bank. The bank is mainly focused on branch network, digital channels, partnerships and expanding its customer base. The introduction of digital initiatives has helped the bank in expanding its product range and services as well has allowed the employees to provide more value added services.

PHYSICAL CHANNELS AT MARCH 31, 2019



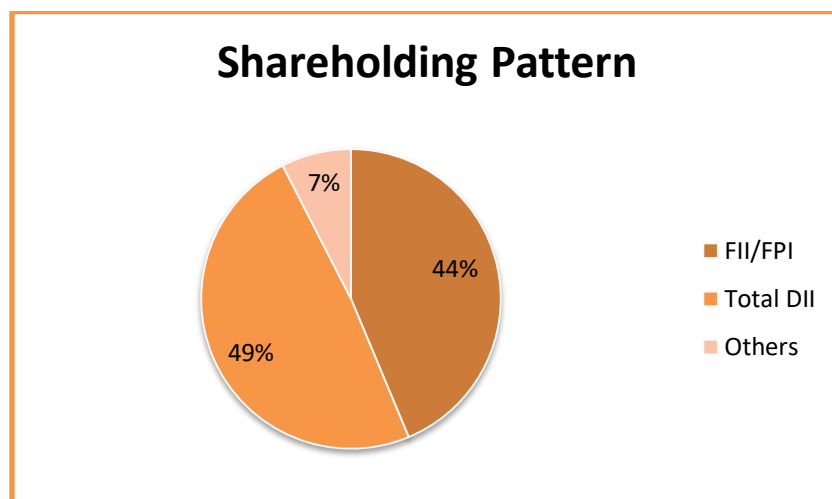
Rural and Inclusive Banking – Rural India has a distinct and unique financial needs and it is the key driver for the growth of Indian economy. The bank is trying to reach even the remotest of villages and inculcates banking habits in the people. Around 50% of its branches are established in rural and semi-urban areas. A mobile app called “Mera iMobile” was launched in 2017 to provide more than 135 services to its Rural customers.

Wholesale Banking – The bank provides the Indian corporate with different types of credit facility such as working capital loan, term loans and also with foreign exchange and other facilities.

International Business – the bank has its presence in 19 countries. It mainly focus on deposits and remittances from non-resident Indians. It has its wholly owned subsidiary in UK and Canada. It has also introduced many loyalty programme like ‘Money2India’ and also ‘block-your-rate’ functionality. It has also introduced blockchainbased processing for outward remittances from India to Canada and it has been the first time something of the sorts has been introduced in the industry.

Financial Analysis

The current shareholding pattern of the company is as follows –



The financial performance for fiscal 2019 is summarised in the following table:

₹ in billion, except percentages	Fiscal 2018	Fiscal 2019	% change
Net interest income and other income	404.45	415.27	2.7%
Operating expenses	157.04	180.89	15.2%
Core operating profit	189.39	220.72	16.5%
Treasury income	58.02	13.66	(76.5)%
Operating profit	247.41	234.38	(5.3)%
Provisions & contingencies (excluding tax)	173.07	196.61	13.6%
Profit before tax	74.34	37.77	(49.2)%
Profit after tax	67.77	33.63	(50.4)%

₹ in billion, except percentages	Fiscal 2018	Fiscal 2019	% change
Consolidated profit before tax and minority interest	109.78	74.08	(32.5)%
Consolidated profit after tax and minority interest	77.12	42.54	(44.8)%

Source: <https://www.icicibank.com/annual-report-microsite/directors-report.html>

Some Important Ratios and key indicators for the company are –

KEY PERFORMANCE RATIOS	FY19	FY18	FY17
ROCE (%)	2.52	2.91	3.59
CASA (%)	49.61	51.68	50.36
Net Profit Margin (%)	5.3	12.33	18.09
Operating Profit Margin (%)	-17.6	-19.4	-17.9
Return on Assets (%)	0.34	0.77	1.26
Return on Equity / Networth (%)	3.19	6.63	10.11
Net Interest Margin (X)	2.8	2.61	2.81
Cost to Income (%)	48.98	46.51	42.68
Interest Income/Total Assets (%)	6.57	6.25	7.01
Non-Interest Income/Total Assets (%)	1.5	1.98	2.52
Operating Profit/Total Assets (%)	-1.15	-1.21	-1.25
Operating Expenses/Total Assets (%)	1.87	1.78	1.91

Interest Expenses/Total Assets (%)	3.77	3.63	4.2
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The company has shown a poor growth rate for the years of 7.79%. There has been a trend of declining profit over the few years. The Net interest Margin of the company is also low compared to the other company.

5. CONCLUSION and RECOMMENDATION

Banking Industry is a good industry to invest in right now. It is the only pillar of support during this pandemic time. It has also shown a consistent performance since its inception. It has withstood recession as well boom and also helped different sectors of the economy to grow and flourish.

The two companies chosen above i.e. Kotak Mahindra Bank and ICICI Bank have both shown a consistent performance over the years. But Kotak Mahindra is growing more rapidly and expanding its business, it has resulted in more profits and overall good performance of the company as compared to ICICI Bank.

Investing in Kotak Mahindra Bank limited is more profitable as compared to ICICI Bank. The market capitalization of Kotak Mahindra is also on a higher side than ICICI Bank. Kotak Mahindra is the 2nd largest bank in terms of market capitalization.

Also Kotak Mahindra has been consistently giving high returns to its investors and shown a good growth in the operating profit of the bank as compared to the declining profits of ICICI bank.

6. LEARNINGS

- ❖ Understanding the insurance industry, how it works and what are the products in detail.
- ❖ Equity research provided the clarity on the basic mechanisms and functioning of the stock market.
- ❖ Also, I was able to understand how various indexes represent the current sentiment of investors and react to the country's economic conditions.
- ❖ Practical application of financial management, ratio analysis, equity, debt, mutual funds and taxation.
- ❖ Equity research helped me in understanding the relationship between various financial indicators of a company and its stock price.
- ❖ Also, I learned to analyze and to predict the stock performance of a particular company based on the prevalent economic and external environmental conditions.
- ❖ Equity research proved to be of great help in understanding whether the stock of a particular company is overpriced or underpriced at a particular point of time and also the right time to invest or enter in a stock-market.
- ❖ Identifying the customer's need and suggesting the product accordingly.
- ❖ Over the course of the research, I also learned to forecast future performance and growth trajectory of the company based on the historical and present data.
- ❖ Thorough understanding of studying companies' financial statements and how to analyze the same.

7. Annexure

The P&L and Balance Sheet of Kotak Mahindra –

Consolidated Profit and Loss Account

for the year ended 31st March, 2019

		(₹ in thousands)	
	Schedule	For the year ended 31 st March, 2019	For the year ended 31 st March, 2018
I. INCOME			
Interest earned	13	299,347,627	251,310,773
Other Income	14	160,443,503	136,822,314
Total		459,791,130	388,133,087
II. EXPENDITURE			
Interest expended	15	151,866,056	124,668,478
Operating expenses	16	191,714,249	161,634,936
Provisions and Contingencies (Refer Note 9 - Schedule 17)		45,013,854	40,358,318
Total		388,594,159	326,661,732
III. PROFIT			
Net Profit for the year		71,196,971	61,471,355
Less: Share of Minority Interest		-	566,690
Add: Share in profit / (loss) of Associates		844,334	1,105,071
Consolidated Profit for the year attributable to the Group		72,041,305	62,009,736
Add : Balance in Profit and Loss Account brought forward from previous year		249,311,308	201,525,609
Total		321,352,613	263,535,345
IV. APPROPRIATIONS			
Transfer to Statutory Reserve		12,163,400	10,210,800
Transfer to Special Reserve u/s 45 IC of RBI Act, 1934		1,665,283	1,740,571
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		400,000	550,000
Transfer to Capital Redemption Reserve		-	85,000
Transfer to Capital Reserve		69,900	240,000
Transfer to General Reserve		17,500	17,500
Transfer to Fraud Provision		13,971	-
Transfer to Investment Reserve Account		310,622	-
Transfer to Investment Fluctuation Reserve Account		708,918	-
Dividend		1,602,824	1,142,141
Corporate Dividend Tax		329,784	238,025
Balance carried over to Balance Sheet		304,070,411	249,311,308
Total		321,352,613	263,535,345
V. EARNINGS PER SHARE [Refer Note 12 - Schedule 17]			
Basic (₹)		37.78	32.70
Diluted (₹)		37.74	32.66
Face value per share (₹)		5.00	5.00
Significant Accounting Policies and Notes to Accounts forming part of the Consolidated Financial Statements	17		

The schedules referred to above form an integral part of this Consolidated Profit and Loss Account.

As per our report of even date attached. For and on behalf of the Board of Directors



Consolidated Balance Sheet

as at 31st March, 2019

(₹ in thousands)

	Schedule	As at 31 st March, 2019	As at 31 st March, 2018
CAPITAL AND LIABILITIES			
Capital	1	14,543,774	9,528,243
Reserves and Surplus	2	568,253,545	495,332,422
Minority Interest	2A	-	-
Employees' Stock Options (Grants) Outstanding		20,728	21,680
Deposits	3	2,248,242,606	1,912,357,994
Borrowings	4	664,389,383	586,039,735
Policyholders' Funds		274,178,120	224,253,361
Other Liabilities and Provisions	5	182,084,325	149,671,302
Total		3,951,712,481	3,377,204,737
ASSETS			
Cash and Balances with Reserve Bank of India	6	109,109,235	89,335,019
Balances with Banks and Money at Call and Short Notice	7	203,535,378	154,671,304
Investments	8	1,034,870,206	909,766,020
Advances	9	2,434,619,939	2,059,973,244
Fixed Assets	10	18,837,090	17,498,290
Other Assets	11	142,603,103	138,030,254
Goodwill on Consolidation		8,137,530	7,930,606
Total		3,951,712,481	3,377,204,737
Contingent Liabilities	12	2,178,471,521	2,097,575,442
Bills for Collection		318,522,336	242,553,119
Significant Accounting Policies and Notes to Accounts forming part of the Consolidated Financial Statements	17		

The schedules referred to above form an integral part of this Consolidated Balance Sheet.

The P&L and Balance Sheet of ICICI Bank –

FINANCIAL STATEMENTS OF ICICI BANK LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended March 31, 2019

		₹ in '000s	
	Schedule	Year ended 31.03.2019	Year ended 31.03.2018
I. INCOME			
Interest earned	13	634,011,926	549,658,922
Other income	14	145,121,636	174,196,326
TOTAL INCOME		779,133,562	723,855,248
II. EXPENDITURE			
Interest expended	15	363,863,951	319,400,463
Operating expenses	16	180,890,620	157,039,436
Provisions and contingencies (refer note 18.40)		200,745,975	179,641,120
TOTAL EXPENDITURE		745,500,546	656,081,019
III. PROFIT/(LOSS)			
Net profit/(loss) for the year		33,633,016	67,774,229
Profit brought forward		184,952,554	187,449,376
TOTAL PROFIT/(LOSS)		218,585,570	255,223,605
IV. APPROPRIATIONS/TRANSFERS			
Transfer to Statutory Reserve		8,409,000	16,944,000
Transfer to Reserve Fund		7,568	10,541
Transfer to Capital Reserve		280,000	25,654,600
Transfer to Capital Redemption Reserve		3,500,000	-
Transfer to/(from) Investment Reserve Account		-	-
Transfer to/(from) Investment Fluctuation Reserve		12,692,000	-
Transfer to Revenue and other reserves		-	7,000,000
Transfer to Special Reserve		5,250,000	6,000,000
Dividend paid during the year		9,651,292	14,574,649
Corporate dividend tax paid during the year		7	87,261
Balance carried over to balance sheet		178,795,703	184,952,554
TOTAL		218,585,570	255,223,605
Significant accounting policies and notes to accounts	17 & 18		
Earnings per share (refer note 18.1)			
Basic (₹)		5.23	10.56
Diluted (₹)		5.17	10.46
Face value per share (₹)		2.00	2.00

The Schedules referred to above form an integral part of the Unconsolidated Profit and Loss Account.

As per our Report of even date.

For and on behalf of the Board of Directors

FINANCIAL STATEMENTS OF ICICI BANK LIMITED

BALANCE SHEET

at March 31, 2019

₹ in '000s

	Schedule	At 31.03.2019	At 31.03.2018
CAPITAL AND LIABILITIES			
Capital	1	12,894,598	12,858,100
Employees stock options outstanding		46,755	55,699
Reserves and surplus	2	1,070,739,063	1,038,675,565
Deposits	3	6,529,196,711	5,609,752,085
Borrowings	4	1,653,199,742	1,828,586,206
Other liabilities and provisions	5	378,514,609	301,963,958
TOTAL CAPITAL AND LIABILITIES		9,644,591,478	8,791,891,613
ASSETS			
Cash and balances with Reserve Bank of India	6	378,580,118	331,023,817
Balances with banks and money at call and short notice	7	424,382,742	510,669,991
Investments	8	2,077,326,800	2,029,941,808
Advances	9	5,866,465,827	5,123,952,856
Fixed assets	10	79,314,287	79,035,149
Other assets	11	818,521,704	717,267,992
TOTAL ASSETS		9,644,591,478	8,791,891,613
Contingent liabilities	12	19,220,382,868	12,892,440,018
Bills for collection		493,919,862	285,883,604
Significant accounting policies and notes to accounts	17 & 18		

The Schedules referred to above form an integral part of the Unconsolidated Balance Sheet.

8. REFERENCES

- a. <https://www.kotak.com/content/dam/Kotak/investor-relation/Financial-Result/Annual-Reports/FY-2019/kotak-mahindra-bank/Kotak Mahindra Bank Limited FY19.pdf>
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