

TASK 1

ICICI Bank

About ICICI Bank:

ICICI Bank Limited is an Indian multinational bank and financial services company headquartered in Mumbai. It offers a wide range of banking products and financial services for corporate and retail customers through a variety of delivery channels and specialized subsidiaries in the areas of investment banking, life, non-life insurance, venture capital and asset management.

Technical Analysis:

We analyze the charts using the below three indicators:

1. **Moving Average Convergence Divergence (MACD):** The MACD indicator for ICICI Bank suggests a bullish trend, as the MACD line is above the signal line and both are above the zero line.



2. **Relative Strength Index (RSI):** The RSI for ICICI Bank is currently 68.24 i.e. pretty close to 70, which indicates that the stock is overbought and may be due for a downward correction.



3. **Bollinger Bands:** The Bollinger Bands for ICICI Bank suggest that the stock is currently trading at the upper end of its range and may be due for a pullback.



Overall, the technical analysis suggests that ICICI Bank is currently in a bullish trend but may be due for a correction in the short term.

Fundamental Analysis:

The Indicators used are:

1. **Price-to-Earnings (P/E) Ratio:** The P/E ratio of ICICI Bank is currently 21.35, which is higher than the industry average of 16.4. This indicates that investors are willing to pay a higher price for each unit of earnings generated by the company. It suggests that the market has higher expectations for the company's future earnings growth and potential.
2. **Price-to-Book (P/B) Ratio:** The P/B ratio of ICICI Bank is currently 3.46, which is way above the industry average of 0.86. This is indicative that the stock is trading at a premium relative to its book value per share. This means higher growth expectations, market optimism and sometimes may also indicate scarcity of high-quality stocks. This ratio is particularly important for the banking industry since it helps understand the efficiency of fund utilization, is a good indicator of bank spread and offers a picture of a bank even if it is making losses.
3. **Return on Equity (ROE):** The ROE of ICICI Bank is currently 14.99%, which is higher than the industry average of 12.61%. This suggests that a company is generating more profits in proportion to its shareholders' equity. ROE is a financial metric that measures a company's efficiency in utilizing shareholders' investments to generate earnings.
4. **Debt-to-Equity (D/E) Ratio:** The D/E ratio of ICICI Bank is currently 0.64, which is lower than the industry average of 1.5. This suggests that the company has a lower debt burden compared to its peers. A lower D/E ratio could indicate that the company is in a better position to manage its debt and has a lower risk of defaulting. This is a positive sign for investors as it indicates that the company has a stable financial position.

5. **Earnings per Share (EPS):** The EPS of ICICI Bank is currently Rs. 45.58. The EPS of this company has been on a constant rise over the past few years. It is also currently higher than the industry average of Rs. 41.1. This is generally considered a positive indicator for a company and its shareholders as it shows profitability improvement and a strong financial position. Such stocks attract many investors.

Overall, the fundamental analysis suggests that ICICI Bank has a very strong and stable financial position, a high profitability and has a lower debt burden.

Would I buy the stock or not ?

The fundamental analysis indicates that ICICI Bank has a very strong and stable financial position with a high profitability and a lower debt burden. All the ratios indicate towards an increasing profit scenario i.e. a growing company with a maintained minimum stability. Therefore, it would be expected to grow even in the upcoming years making it a preferred candidate for a long term investment.

Also, by the MACD indicator, long term investment potential of the company is justified.

Looking at the RSI and the Bollinger Bands suggests a potential overbought situation that may indicate a potential short term risk in the bullish trend.

In summary, the fundamental analysis points to a promising long-term opportunity for investors. However, the technical analysis signals a possible short-term downside risk. Therefore, in my opinion, it might be prudent to hold off on taking a long position in ICICI Bank and wait for a pullback before considering such an investment.