

Pick of the Week

- In an ever-changing business environment, some of our investment ideas seem more convincing than others due to better earning visibility and/or attractive valuation. Every Monday, we bring you such fundamental stock ideas through our “Pick of the Week” report.
 - **Investment Horizon:** Though the ideal investment horizon for such ideas remain 6-9 months, our picks may provide some profit-making opportunities even to short-term investors.
 - **Risk-Return Profile:** Pick of the week ideas are the best high return research ideas at this point in time.

Scrip	Mcap (Rs Cr)	CMP	Target Price *	Potential Upside (%)	Reco
ICICI Bank	232,519	361	404	12%	Buy

* Note: Investment horizon Approx. 6-9 months., CMP as on 28th Dec, 2018.

CMP	Target
361	404

MARKET DATA

No. of Shares	: 644.10 cr
Market Cap	: Rs 232,519 Cr
52-week High / Low	: Rs 375/257
BSE Code	: 532174
NSE Code	: ICICIBANK

Investment Rationale

- Rising strength of liability franchise:** ICICI has improved its deposit profile with rise in SA market share to 5.3% vs. 4.9% in FY14 and a CASA ratio of 52% vs. 42% in FY14. The bank is making a concerted effort to shift its funding to low-cost deposits from wholesale term deposits. This will improve ICICI Bank's funding profile and further support NIM.
- Stress recognition moderating:** The recent quarters have witnessed lower additions to the banks stressed asset portfolio with the drilled down list now at 0.9% of loans. Transparency improved with bank disclosing its entire BB & below rated pool so also its granularity. Management disclosed the internal rating profile of companies is a lot more stringent and a notch or two lower than external credit ratings. Hence, there would be lower downward movement from "BBB". We expect credit costs to normalise by FY20.
- Valuation:** The appointment of Mr. Sandeep Bakhshi as MD of ICICI Bank puts to rest leadership concerns. Focus shifts towards growth and NPA resolution. Pace of NPA addition has moderated and focus shifts towards recovery / resolution of large exposures. Capital position remains healthy and will supplement overall growth. We expect slippages to moderate and the bank to better use structural gains it has made on its underlying low cost liability franchise and lean operating cost structure, thereby aiding better valuations.
- We maintain a BUY with a target of Rs 404.**

Financial Summary

Y/E	NII	PAT	Book	RoE	RoA
March	(Rs Cr)	(Rs Cr)	Value	(%)	(%)
FY18	23,026	6,777	163	6.6	0.8
FY19E	25,899	7,619	169	7.3	0.9
FY20E	29,893	14,450	188	12.8	1.6

Source: Axis Securities, Capitaline

No of Stocks Matrix		
No of Stocks	< 9m	>9m
Met Target	13	-
Not Met Target	18	-

Performance Matrix		
% Return	< 9m	>9m
Met Target	11.61%	-
Not Met Target	(18.68%)	-

Benchmark Performance Matrix		
% Return	< 9m	>9m
Met Target	2.41%	-
Not Met Target	(1.02%)	-

Note : performance of the pick of the week is calculated for stocks recommended Mar-18 To Nov -18

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DEFINITION OF RATINGS	
Ratings	Expected absolute returns over 12 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%

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