

Week Gone By

- ⇒ In US, the Nasdaq on 17 May 2017 saw its worst one-day decline since the day after U.K.'s vote to exit from the European Union rattled markets, as turmoil in Washington cast doubt on President Donald Trump's pro-growth agenda that had helped to drive stocks to records.
- ⇒ UK retail sales rebounded in April, following a steep quarterly decline in the first three months of the year, data showed, suggesting the economy began the second quarter on a stronger footing. Retail sales grew by 2.3% on the month in April. Compared with April last year, sales were 4% higher.
- ⇒ On data front, Japan's economy picked up speed in the first three months of 2017. Gross domestic product beat forecasts and rise 2.2% on an annualized basis from the previous three months, according to preliminary figures released.

Week Ahead

- ⇒ The market may remain volatile as traders roll over positions in the futures & options (F&O) segment from the near month May 2017 series to June 2017 series. The near month May 2017 derivatives contract expire on Thursday, 25 May 2017.
- ⇒ Among prominent companies announcing their Q4 results next week, GAIL (India) announces Q4 results on Monday, 22 May 2017. Tata Motors unveils Q4 results on Tuesday, 23 May 2017. Lupin unveils Q4 results on Wednesday, 24 May 2017. Bosch and Indian Oil Corporation announce Q4 results on Thursday, 25 May 2017. ITC, Tech Mahindra and Sun Pharmaceutical Industries announce Q4 results on Friday, 26 May 2017.
- ⇒ The arrival of monsoon rains and its progress will be closely watched. India's monsoon rains are reportedly expected to arrive on the southern Kerala coast on 30 May 2017, two days ahead of schedule. India looks likely to receive higher monsoon rainfall than previously forecast as concern over the El Nino weather condition has eased, K.J. Ramesh, director general of the state-run India Meteorological Department had reportedly said last week.
- ⇒ On the global front, data on Markit flash Eurozone composite purchasing managers' index (PMI) for May, indicating health of the combined manufacturing and services sectors for that month will be announced on Tuesday, 23 May 2017. Markit Flash US Composite PMI for May will be announced on the same day. Nikkei Flash Japan Manufacturing PMI for May, indicating health of the manufacturing sector will also be announced on that day. Data on new home sales in US for April, measuring the number of newly constructed homes with a committed sale for that month will be announced on Tuesday, 23 May 2017.

Technical View

Nifty closed 0.45% higher at 9455. Index had a gap up opening to the week but failed to capitalize on the positive start and ended the week near its opening price, thus forming a Doji candlestick pattern which suggests indecision among market participants. RSI continues to hover in its oversold zone. Going ahead index has immediate support at 9370, till it maintains above this level it is expected to continue its up move toward 9450-9550 while support past 9370 comes at 9270-9220.

1-Nifty 50 - 19/05/17



Weekly Wealth

DOMESTIC INDICES

	19-May-17	12-May-17	Weekly Chg (%)
Nifty	9,428	9,401	0.3
CNX Nifty Junior	26,099	26,725	-2.3
Nifty 100	9,747	9,761	-0.1
Nifty 500	8,258	8,299	-0.5
Nifty Midcap 100	17,921	18,240	-1.7
Sensex	30,465	30,188	0.9
BSE 100 Index	9,760	9,776	-0.2
BSE 200 Index	4,109	4,123	-0.4
BSE 500 Index	13,051	13,113	-0.5
BSE Mid-Cap	14,644	14,854	-1.4
BSE Small Cap	15,227	15,529	-1.9

NIFTY TOP GAINERS (WEEKLY)

	19-May-17	12-May-17	Weekly Chg (%)
Tata Steel	489.5	436.7	12.1
TCS	2,507.2	2,360.7	6.2
Lupin	1,318.2	1,254.0	5.1
ITC	286.2	275.0	4.1
ICICI Bank	307.1	296.6	3.5

NIFTY TOP LOSERS (WEEKLY)

	19-May-17	12-May-17	Weekly Chg (%)
Tech Mahindra	416.2	442.3	-5.9
Aurobindo Pharm	595.3	623.7	-4.6
Eicher Motors	27,936.1	29,178.4	-4.3
BPCL	702.5	733.2	-4.2
Yes Bank	1,430.1	1,483.1	-3.6

WORLD INDICES

	19-May-17	12-May-17	Weekly Chg (%)
Nikkei index	19,591	19,884	-1.5
Hang Sang Index	25,175	25,156	0.1
Kospi Index	2,288	2,286	0.1
Shanghai SE Comp	3,091	3,083	0.2
Strait Times Index	3,217	3,255	-1.2
Dow Jones	20,662	20,919	-1.2
NASDAQ	6,055	6,115	-1.0
FTSE	7,436	7,393	0.6

FOREX

	19-May-17	12-May-17	Weekly Chg (%)
USD/INR	64.7	64.3	0.5
GBP/INR	84.1	82.8	1.6
Euro (Rs.)	72.2	70.0	3.2
JPY/INR(100)	58.0	56.6	2.6

FII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
15/05/2017	4,613.6	4,378.2	235.3
16/05/2017	5,578.0	4,719.7	858.3
17/05/2017	6,286.6	7,018.0	-731.4
18/05/2017	5,819.8	6,180.4	-360.6
19/05/2017	4,715.9	5,704.6	-988.7
MTD	69,712.7	69,962.2	-249.5

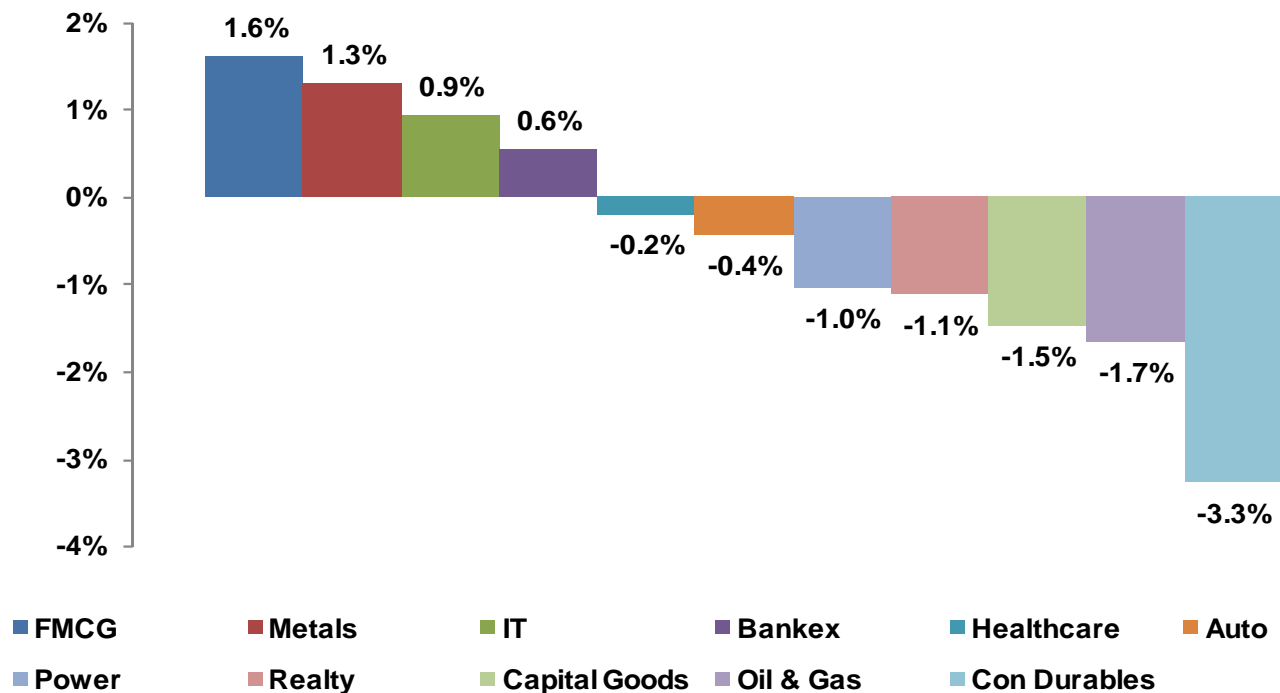
DII - ACTIVITY

(Rs. Cr.)

Date	Purchase	Sales	Net
15/05/2017	2,187.2	2,253.0	-65.8
16/05/2017	2,644.8	3,046.7	-401.9
17/05/2017	3,386.3	2,771.8	614.5
18/05/2017	3,714.4	2,816.5	898.0
19/05/2017	3,344.7	2,995.5	349.2
MTD	40,055.6	38,081.2	1,974.4

Weekly Wealth

BSE Weekly Sectoral Performance



Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

	12-May-17	19-May-17	Weekly Chg (%)	12-May-17	19-May-17	Weekly Chg (%)
	Share Price (Rs)			Open Interest		
CAPF	761.3	695.7	-8.6	1401600	4196800	199.4
GLENMARK	762.4	660.5	-13.3	5184900	7876400	51.9
VGUARD	207.7	203.2	-2.1	1929000	2661000	37.9
MRPL	129.7	133.5	2.9	3712500	4729500	27.3
MCX	1109.6	995.5	-10.2	1091500	1389500	27.3

TOP OPEN INTEREST LOSERS (WEEKLY)

	12-May-17	19-May-17	Weekly Chg (%)	12-May-17	19-May-17	Weekly Chg (%)
	Share Price (Rs)			Open Interest		
APOLLOTYRE	228	234.7	2.9	14274000	9495000	-33.4
ASIANPAINT	1134.2	1124.5	-0.8	3459000	2576400	-25.5
ORIENTBANK	160.8	157.5	-2.0	20112000	15072000	-25.0
ESCORTS	648.3	641.2	-1.0	1566400	1219900	-22.1
ICIL	198.9	194.7	-2.1	12880000	10209500	-20.7

Source: NSE, BP Equities Research



Weekly Wealth

Bulk Deals

Date	Scrip Name	Client Name	Exchange	Deal Type	Quantity	Trade Price (Rs)
17/05/2017	Bharat Wire Ropes Ltd.	INDIA MAX INVESTMENT FUND LTD	NSE	SELL	2,28,191	103
17/05/2016	HDIL	CREDIT SUISSE (SINGAPORE) LIMITED A/C CREDIT SUISSE (SINGAP	NSE	SELL	25,11,482	96.4

Source: Company, BP Equities Research

Learning Curve

Equity mutual funds are flush with cash: What does this mean for investors?

Even as retail investors continue to pour money into equity schemes, fund houses are finding it difficult to invest the fresh inflows when valuations are high. Some equity mutual funds have up to 16% of their corpus in cash. The cash holding of Invesco India Dynamic Equity Fund, for instance, has been 18.5% in the past six months. "Given the current higher valuations, our cash holdings have been on the higher side," admits Taher Badshah, CIO (Equities), Invesco Mutual Fund. High cash levels for long periods can drag the performance, say analysts. The Invesco India Dynamic Equity Fund has underperformed its benchmark in the past six months. This is not an isolated case. As the table shows, most funds with high levels of cash have lagged their benchmarks. Equity funds maintain some cash levels based on market valuations, liquidity purposes and fresh purchases, but the figure doesn't go beyond 6-7%. In the short term though, cash levels could increase if there are huge inflows into the fund, or the manager is waiting for suitable investment opportunities to deploy the funds. But these should typically revert back to normal soon, say analysts. "When managers are fully invested, their cash levels will be in the 5% range," says Kaustubh Belapurkar, Director, Manager Research, Morningstar India. Cash is a double-edged sword. "High cash levels can help if there is a correction, but it can also impact the performance if there is a strong up move," says Harsha Upadhyaya, CIO (Equity), Kotak Mutual Fund.

For instance, post the Lehman crash, markets corrected sharply and many managers maintained a fair amount of cash in their portfolios. The average industry cash holding was about 19% in early 2009. Post the election result in May 2009, markets surged again with managers yet to fully deploy their cash holdings. This resulted in funds underperforming the benchmark during this period. "Over long runs, holding cash has turned into an advantage for funds that can manage it well," says investment adviser Vipin Khandelwal. "Investors should note that higher cash holdings can impact fund returns in case the fund manager is not able to time market movement," says Jiju Vidyadharan, Senior Director, Funds & Fixed Income, CRISIL Research. If your fund has high cash levels for a short term, there is no need to worry. "The only time cash levels could materially impact an investor is when the fund manager maintains high levels of cash through an entire market cycle," says Mrinal Singh, Deputy CIO - Equities, ICICI Prudential Mutual Fund. On a regular basis though, keep checking the portfolio of your funds. To start with, if your fund is sitting on high cash levels for more than two quarters, it is a red flag to watch out to take corrective measures, say experts.

Source: *Economic Times*

Company Overview

ICICI Bank Limited (IBL) is engaged in providing a range of banking and financial services, including commercial banking, retail banking, project and corporate finance, working capital finance, insurance, venture capital and private equity, investment banking, broking and treasury products and services. The Bank's business segments are Retail banking, Wholesale banking, Treasury, Other banking, Life insurance, General insurance and Others. It has a network of approximately 18,510 branches and automated teller machines (ATMs). The bank is presently run by professional team under leadership of Chanda Kochhar.

Investment Rationale

Re-building balance sheet towards retail

IBL's near term business growth will be driven by retail business and the share of high profit making products (mainly by cross sell) like credit cards, personal loans and business banking is likely to go up. Within corporate loans, working capital and transaction banking related loans are likely to be the key drivers. Lower capex related demand and increasing pricing pressure on matured project loan (refinancing by competition at lower rate) remains a drag on corporate loan growth and profitability. Retail business matrix remain healthy with **a)** Core CASA ratio of ~46% **b)** Contribution to fees at 70% + **c)** Higher share of secured loans (~90% of retail loans) and continued healthy growth and **d)** NNPA ratio of ~0.5%. Structural improvement in liability and ALM profile over the last few years has helped IBL to gradually improve NIMs to 3.2%+, despite increasing competition within retail business, low risk corporate loans and falling interest rate scenario. Continued mix shift will help to mitigate pressure of domestic margins to overall margins.

Wholesale banking division to improve going forward

ICICI bank's half of the business is contributed by the wholesale banking operations and this division has been under pressure ever since the RBI's AQR which has led to NPA's almost tripling(7.8%). The NPA's have been mainly from its legacy account created from capex boom from 2008-12 which has now been largely declared. With the decreasing interest rate scenario and structural policy changes happening from government we expect this division to strongly recover in next 4-6quarter. ICICI bank has been prudent in its approach toward lending since 2013 which further leads to comfort of lower slippages in coming years. These factor also seem to be playing out with over 50% decrease in restructured assets, falling share of exposure to stressed sectors. The capex led recovery by government can further enhance new opportunity for corporate banks in next 2-3 with ICICI being largest private bank and adequately capitalized(17.3) it is expected to benefit. Recovery in some accounts can led to provision write-back which can further drive up the earnings.

Investments provide further comfort

ICICI bank is holding company for its other ventures in broking, dealership, AMC, life insurance and general insurance ventures. The valuation of it stake in these companies after considering holding company discount is close to 54000cr bulk of this value is driven by life insurance(26000cr), general insurance at (12,000) and AMC business(9000cr). The listing of GIC and UTI mutual fund can further trigger the valuation upside in its key subsidiaries. Major subsidiaries are market leaders in their respective sectors and run profitable operations.

Valuation and Outlook

Nevertheless the positives of a strong retail franchise, best-in- class CASA ratio (46% of deposits), strong capital position, the crucial metrics for markets are the quality of earnings and the asset quality. While the paring of the drilldown list is encouraging, we believe that the retail slippages as well as non -watchlist slippages can persist for another 2-3 quarters, albeit with a decreasing intensity. However, we believe that the worst in terms of asset quality slippages is behind. The ICICI Bank management has guided that the pace of slippages in FY2018E will be slower compared to FY2017. The bank has been trading at a steep discount to private banking peers, however with stability in earnings; the discounting gap is likely to narrow down gradually. Hence, we give BUY rating on the stock with SOTP based target price of Rs. 365 providing upside potential of 19%.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (Rs)	307
Target Price (Rs)	365
BSE code	532174
NSE Symbol	ICICIBANK
Bloomberg	ICICIBC IN
Reuters	ICBK.BO

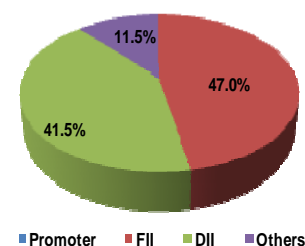
Key Data

Nifty	9428
52WeekH/L(Rs)	312/219
O/s Shares (mn)	5824
Market Cap (Rs Bn)	1,787
Face Value (Rs)	2

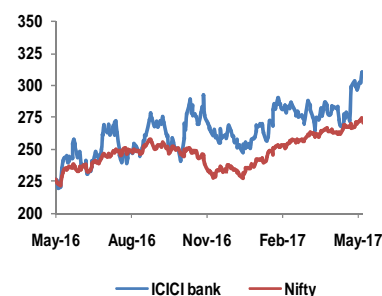
Average volume

3 months	20,059,860
6 months	18,562,480
1 year	18,170,550

Share Holding Pattern (%)



Relative Price Chart



Research Team

022-61596407

Weekly Wealth

Key Financials					
YE March (Rs. mn)	FY15	FY16	FY17	FY18E	FY19E
Net Interest Income	190,396	212,240	217,373	233,998	267,314
<i>Growth%</i>	15.6%	11.5%	2.4%	7.6%	14.2%
Pre Provisioning Profits	197,199	238,635	264,867	218,567	246,546
<i>Growth%</i>	18.8%	21.0%	11.0%	-17.5%	12.8%
Net Profit	111,753	97,263	98,011	98,041	112,101
<i>Growth%</i>	13.9%	-13.0%	0.8%	0.0%	14.3%
EPS (Rs)	19.2	16.7	16.8	16.8	19.2
<i>Growth%</i>	13.9%	-13.0%	0.8%	0.0%	14.3%
Key Ratios					
Net Interest Margin (%)	3.5%	3.6%	3.3%	3.3%	3.3%
ROA (%)	1.8%	1.4%	1.3%	1.2%	1.2%
RoE (%)	15.2%	11.3%	10.1%	9.1%	9.8%
BV Per Share (Rs)	135.2	146.5	162.8	174.8	188.4
Valuation Ratios					
P/E (x)	16.0x	18.4x	18.2x	18.2x	16.0x
P/BV (x)	2.3x	2.1x	1.9x	1.8x	1.6x

Source: Company, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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