



FEATURED OPTIONS RADAR REPORT



Large Opening Put Sales in ICICI Bank

Ticker/Price: IBN (\$9.60)

Analysis:

ICICI Bank (IBN) with another 10,000 January \$8 puts sold to open today for \$0.50 and follows a buyer of 5,000 December \$10/\$8 bull risk reversals on 7/1 and buyers in the September \$10 calls on 7/20. IBN still has 1,200 January \$15 short puts in OI from January which are underwater. Shares have been a laggard for much of 2020 but small pullback over the last week back to the rising 50-day and channel support setting up a nice risk/reward for move back to \$10.50 and then a big gap to \$15. The \$32.6B financial trades 14.5X earnings, 1.93X book and 1.9X cash with a small yield and high-single digit ROE. IBN has one of the better capital positions among the large-cap Indian banks and recently taking proactive actions by monetizing a stake in their insurance business and lots of optionality in further businesses if they need. IBN is coming off a fair quarter given the overall challenges facing consumer lending in India and posted 9% growth in domestic loans while deposits jumped 21% and NIM up 3.7%. They did post a high moratorium level but likely due more to consumers holding more cash than actual stress which would lead to delinquencies. IBN sees limited analyst coverage. BAML upgraded to Buy on 7/27 citing strong liability growth and build up of provision buffers. "ICICI now ticks all three boxes (provision buffers, capital buildup and superior liability profile and we believe this will likely drive stock performance in an uncertain macro environment with better risk reward at current valuations." Bernstein also raising to Outperform on 7-14 with the fundamentals on a strong improvement trajectory and sees the potential capital raise upcoming as a good entry point. CLSA positive noting that moratorium book reduction was in line with expectations and fresh slippages were low which positions them well for a 2H recovery. Short interest is minimal at less than 0.5% of the float. Hedge fund ownership fell 16% in Q1 but Driehaus Capital a buyer of 1.5M shares and now their third largest while Somerset Capital a buyer of 3.7M shares and also their third largest position at more than 10M+.

Hawk Vision:



Hawk's Perspective: IBN looks interesting and India is one place the Bank stocks look attractive but overall prefer to allocate capital to higher growth areas of Finance like Payments and Fin-Tech.

Confidence Ranking: \$\$