

27th Nov '24 - ICICI Bank Q2FY25 - Why should ICICI Bank be your preferred pick?

Q2FY25 results review: (result was announced on 26th Oct 2024)

1. Revenue breakdown:
 - a. Retail Banking rose by 17% YoY to ₹38,750 crore.
 - b. The Treasury segment rose by 20.53% YoY to ₹33,579 crore.
 - c. Digital Banking segment increased by 31.5% YoY to ₹10,051 crore.
2. Net Profit rises 14.5% YoY to ₹11,745 crore.
3. NII or Net Interest Income increased by 9.5% to ₹20,048 crore.
4. NIM at 4.27%, down from 4.36% QoQ.
 - a. The management expects NIM to be stable until the turn in the rate cycle.
5. Gross NPA improved by 51 bps to 1.97%. Net NPA declined by 10 bps to 0.42%. Provision coverage ratio stood at 78.5%.
6. CASA ratio stands at 40.6%. Total Capital Adequacy ratio for the first half was 16.66%.
7. Deposits grew by 15.7% YoY to ₹14.97 lakh crore.
 - a. Term Deposits increased by 15.9% YoY to ₹8.89 lakh crore.
8. Healthy loan growth continued to aid the bank's performance.
 - a. Gross domestic advances of the bank clocked a growth of 15% YoY to ₹12.77 lakh crore. Net Domestic advances grew by 15.7% YoY.
 - b. Retail loan portfolio grew by 14.2% YoY while the Business banking portfolio grew by 30% YoY and Rural portfolio was up by 16.5%
 - c. Credit cards and Personal loans contribute 14% of the total book.

Intrinsic Value

ICICI Bank has continued to outperform every Nifty Bank index constituent and is only behind SBI in terms of returns. ICICI Bank and SBI are better positioned to navigate the stress regarding declining NIMs, rising defaults in unsecured lending and the tightening from the RBI. ICICI Bank and SBI managed to improve their NPAs. ICICI Bank is leading the pack in RoA of 2.3% and RoE of 18% whereas SBI's RoA is at 1% and RoE at 16-18% which is very impressive for such a big PSU.

Current Valuation Status: (as on 27th November 2024)

The current valuation of the ICICIBANK stock stands at ₹1,298 per share at 19x Current TTM EPS. The current price of the stock is ₹1,304 per share. The ICICIBANK stock currently trades at absolutely correct valuations.

I believe that the ICICIBANK stock deserves to trade at a 10% premium citing many tailwinds in action and its better positioning compared to all other private banks.

Target Price:

The ICICIBANK stock is a Buy at current level (CMP: ₹1,304) with a Target Price of ₹1,471 per share based on 19x FY25E EPS + a 10% justifiable premium.

Analysts Recommendation:

1. Jefferies

Rated Buy with a target of ₹1,550 (earlier ₹1,460)

They say the ICICI Bank is among the strongest deposit franchise and should benefit from deposit polarisation. It is better positioned given lower exposure to riskier sectors.

2. Elara Capital

Rated Buy with a target of ₹1,483 (earlier ₹1,382)

They say ICICI Bank is much better than the peers with strong underpinnings and levers to continue delivering better risk-adjusted return.

3. Motilal Oswal

Rated Buy with an SOTP target of ₹1,500 (earlier ₹1,400) based on 2.6x Sep '26 Book Value + ₹260 for subsidiaries.

They say that asset quality has remained stable with no signs of stress. Their investments in technology offer a cushion. They have increased their EPS estimated by 2.8% and 1.8% for FY25 and FY26. They expect the bank to sustain 12% CAGR in PAT over FY24 to FY26.

4. Prabhudas Liladher

Rated Buy with a SOTP based target of ₹1,640 based on 3x Sep '26 core Book Value (earlier ₹1,520)

They say the Core RoA is at 2.1% which is best in class

5. Nomura

Rated Buy with a target of ₹1,575 (earlier ₹1,420)

6. Emkay Securities

Rated Buy with a target of ₹1,450 at 2.6x Sep '26E Book Value (deserving a premium over HDFC Bank at 2.3x and subsidiaries at ₹215 per share)

7. Sharekhan

Rated Buy with a target of ₹1,500 based on 2.6x Sep '25E core Book Value. They say it is well positioned and should continue to outperform peers. The current valuation is a premium to its peers and is likely to sustain going further.

8. KR Choksey

Rated Buy with a SOTP target of ₹1,500 (earlier ₹1,430)

This is a report by Chaitanya Sabharwal for guruspakes.com/markets
Feel free to contact me at markets@guruspakes.com or provide feedback via the contact us form on the site. This report should be strictly used for educational purposes and further analysis.