

RESEARCH REPORT

IDFC FIRST BANK LTD



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About

IDFC First Bank is engaged in the business of Banking Services. IDFC FIRST Bank was founded by the merger of Erstwhile IDFC Bank and Erstwhile Capital First on December 18, 2018.

Revenue Breakup

Retail Banking - 57.06%

Treasury - 30.92%

Corporate/Wholesale Banking - 10.65%

Others - 1.37%

Synopsis of Financials

- Balance sheet close to Rs. 3 lakh crores with 23.4% growth YoY.
- Strong growth in customer deposits by 42% YoY.
- CASA ratio maintained at 46.5% excluding short-term flow.
- Repayment of high-cost legacy borrowings leading to lower costs.
- Profit for the year up by 21% at Rs. 2,957 crores.
- Healthy asset quality with GNPA below 2% and net NPA at 0.6%.
- Strong growth in net interest income and fee income.
- Operating expenses increased by 33% YoY, driven by business volumes and expansion.
- Credit cost expected to normalize around 1.65% next year.
- Capital adequacy at 16.11% with LCR at 118%.

Stock data (as 07th Jan 2025)

Nifty Price : 23,719.95
52 week High (in Rs.) : 89.6
52 week Low (in Rs.) : 59.2
Market Cap. (in Crore) : ₹ 46,116 Cr.
NSE Code : IDFCFIRSTB



-NIFTY50
-IDFCFIRSTB

Shareholding Pattern (March 2024)



-PUBLIC GROUP
-PROMOTER GROUP

Financial Summary

Particulars	Mar 2022	Mar 2023	Mar 2024
Revenue	17,173	22,728	30,325
Interest	7,465	10,091	13,870
Expenses	12,323	13,338	17,899
Financing Profit	-2,615	-701	-1,444
FPM%	-15%	-3%	-5%
Net Profit	132	2,485	2,942
EPS in Rs	0.21	3.75	4.16

Quarterly Results



Particular	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Revenue	5,470	5,912	6,424	6,869	7,356	7,880	8,220
Interest	2,467	2,626	2,827	3,122	3,406	3,592	3,750
Expenses	3,304	3,612	3,901	4,114	4,377	4,874	5,164
Financing Profit	-301	-326	-303	-367	-427	-587	-694
Financing Margin%	-6%	-6%	-5%	-5%	-6%	-7%	-8%
Other Income	1,061	1,152	1,398	1,364	1,410	1,517	1,642
Depreciation	0	0	0	0	0	0	0
Profit before tax	760	827	1,094	996	983	930	948
Tax %	25%	25%	25%	27%	24%	21%	23%
Net Profit	567	617	816	732	747	732	732

Source: Screener

Key Ratios

Particulars	March 31, 2024	March 31, 2023
Interest income as a percentage to working funds [§]	11.43%	10.32%
Non - interest income as a percentage to working funds [§]	2.26%	2.03%
Cost of deposits ^{^^}	6.12%	5.10%
Net interest margin [*]	6.64%	6.24%
Operating profit as a percentage to working funds ^{§&}	2.35%	2.24%
Return on assets [@]	1.10%	1.13%
Business (deposits plus advances) per employee ^{#^} (₹ in crore)	8.67	8.11
Net Profit per employee [^] (₹ in crore)	0.08	0.08

Source: Annual Report

Yearly Results

Particulars	Mar 2022	Mar 2023	Mar 2024
Equity Capital	6,218	6,618	7,070
Reserves	14,864	19,229	25,204
Borrowings	158,502	201,682	251,506
Other Liabilities	10,561	12,353	12,430
Total Liabilities	190,146	239,882	296,210
Fixed Assets	1,448	2,054	2,720
CWIP	79	219	95
Investments	45,935	60,913	74,500
Other Assets	142,684	176,696	218,895
Total Assets	190,146	239,882	296,210

Synopsis Quater Results

Key Highlights

Deposit Growth Strategy:

- Focus on cracking liabilities and deposits since inception in 2018.
- Total deposit around Rs. 2 lakh crores, with customer deposit at Rs. 1,93,000 crores.
- Strong brand attracting deposits due to high-quality perception.
- Offering customer-friendly products without hidden fees.
- Retail deposits grew significantly from Rs. 10,400 crores in December 2018 to Rs. 1,51,000 crores currently.
- Confident of achieving Rs. 6 lakh crores in customer deposits in the next five years.
- Anticipating reduction in cost as deposits grow and reliance on new-to-bank customers decreases.

Universal Banking Approach:

- Transitioned to a universal bank offering retail, SME, rural, and corporate banking services.
- Strong focus on building capabilities in various segments like trade finance, wealth management, and NRI banking.
- Growth in Wealth Management business by 10x in the last 4 years.
- Emphasis on developing diverse product suites to cater to different customer segments.

Specialization in Rural Financing:

- Strong focus on rural financing with products like JLG, micro enterprise loans, and micro housing loans.
- Rural book contributes significantly to incremental loan book growth.
- Rural financing helps in achieving good margins, meeting PSL requirements, and maintaining asset quality.

Technology and Profitability:

- Significant investments in technology to enhance customer experience and operational efficiency.
- Continuous focus on improving digital capabilities, app performance, and overall tech infrastructure.
- Achieved profitability in the last two years, leading to increased comfort for depositors and employees.
- Strong focus on ESG initiatives, resulting in positive impact on ESG scores.

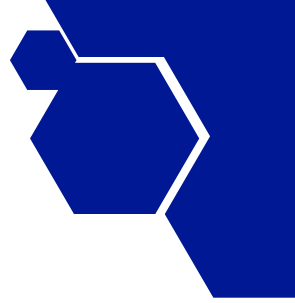
Future Outlook:

- Expectation of stable credit cost and profitability.
- Anticipating reduction in cost-income ratio with focus on tech investments and branch productivity.
- Confidence in achieving deposit growth targets and maintaining strong asset quality.
- Continued emphasis on customer-centric approach, technology enhancements, and sustainable growth strategies.
- Short-term guidance includes a moderate performance in the next quarter with improvements expected in Q3 and Q4.
- Planning for a back-ended performance in the current year with a focus on long-term growth and stability.
- Strategic approach towards managing credit costs, deposit growth, and operational efficiencies for sustainable performance.

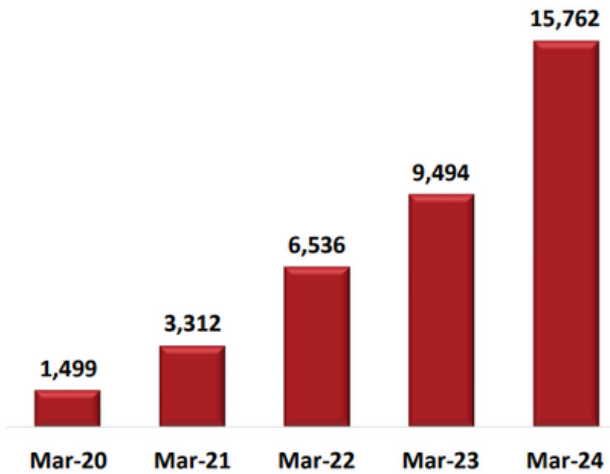
Appreciation & Commitment:

- Management expressed gratitude for the support and patience of stakeholders over the years.
- Committed to upholding trust and goodwill by delivering on future promises and maintaining transparency in operations.

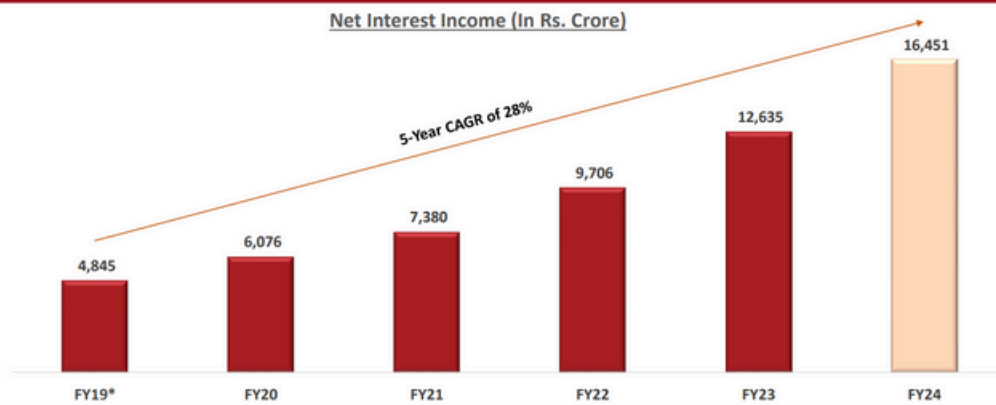
Revenue Highlights



Wealth Management AUM (Rs. Crore)

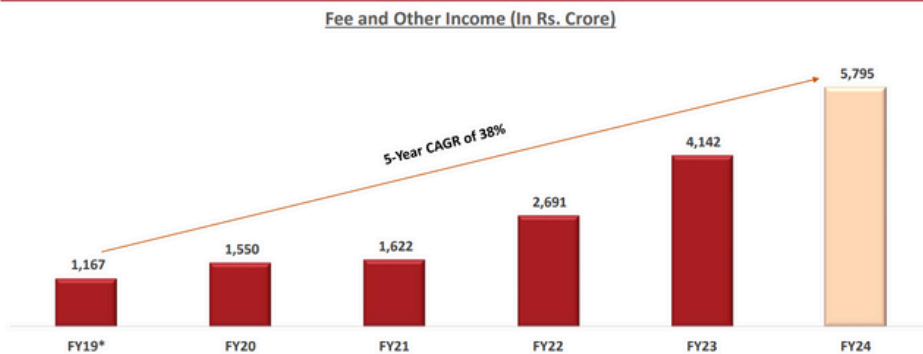


30% YoY growth in Net Interest Income during FY24 against balance sheet growth of 23%



- Net Interest Margin (NIM) on AUM for FY24 was 6.36% as compared to 6.05% in FY23; for Q4-FY24 NIM stood at 6.35%
- Cost of Funds for Q4-FY24 was 6.43%, marginally improved from 6.44% in Q3-FY24
- Cost of Deposits for Q4-FY24 was at 6.27% as compared to 6.20% for Q3-FY24

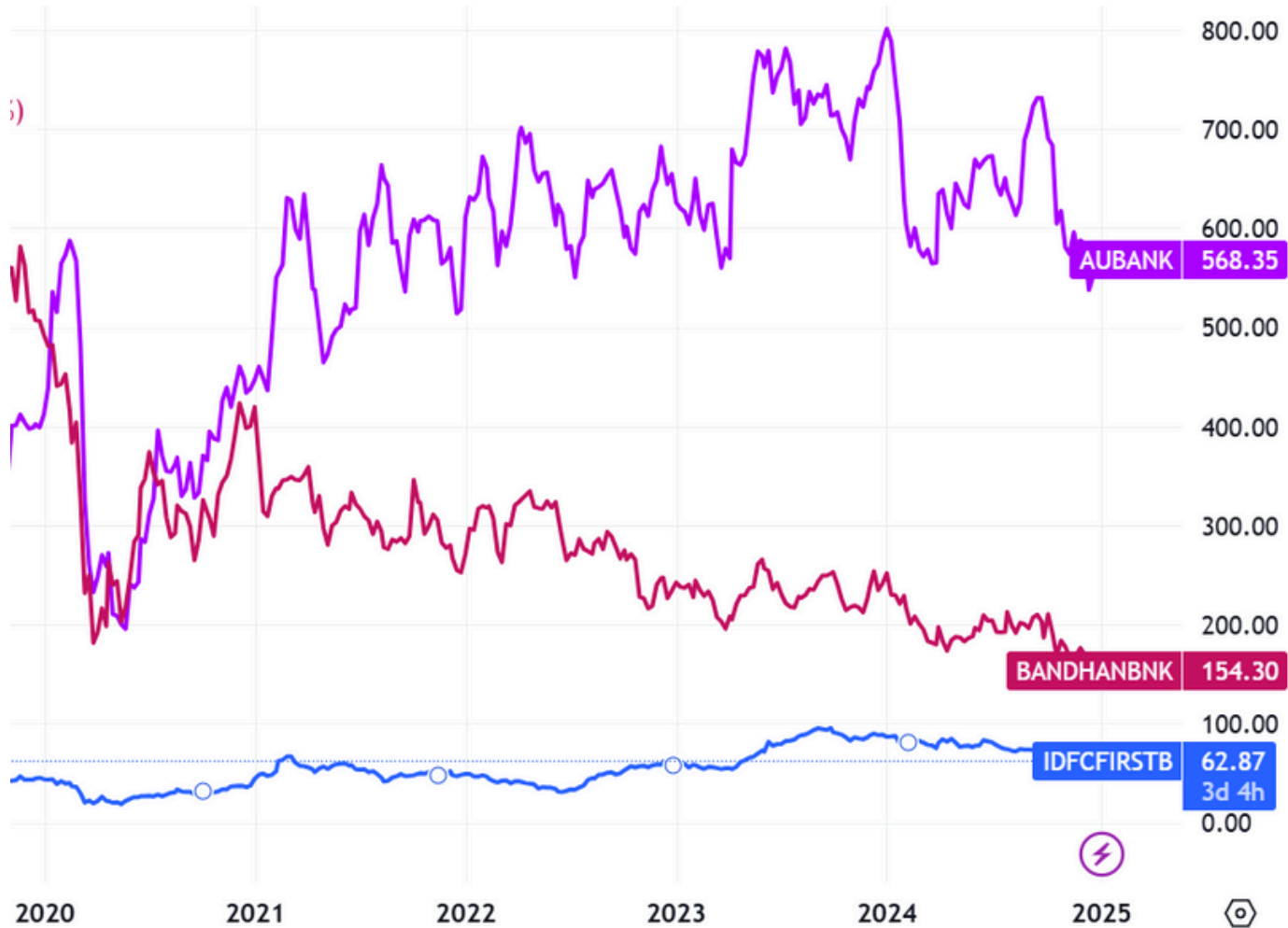
40% YoY growth in Fee & Other Income during FY24



- Fee and other income as a % of total average assets improved from 1.93% in FY23 to 2.16% in FY24

Peer Comparison

Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
IDFC First Bank	62.79	19.85	45962.55	0.00	211.94	-71.62	8957.02	21.76	6.93
AU Small Finance	569.20	22.52	42361.74	0.18	571.21	42.15	3910.61	54.51	7.71
Bandhan Bank	154.40	8.93	24873.41	0.99	937.45	29.99	5499.81	22.44	7.06

Source: Screener

Final Outlook

IDFCFIRSTB: BUY | LTP: 62.8

FUNDAMENTAL ANALYSIS

Net Profit Growth: In Q2 FY2024, net profit rose to ₹751 crore, showcasing robust growth due to lower provisioning and improved interest income.

Net Interest Margin (NIM): 6.5%, reflecting strong core profitability.

Gross NPA/Net NPA: At 2.06% and 0.6%, respectively, the bank has maintained asset quality.

2. Balance Sheet Strength:

Capital Adequacy Ratio (CAR): 16%, indicating a well-capitalized position to support credit growth.

CASA Ratio: 50.8%, among the best in the industry, reflecting low-cost deposits.

3. Growth Drivers:

Expansion in retail lending and increased penetration in rural areas.

Strength in digital transformation and higher fee-based income.

4. Valuation Metrics:

P/BV: 1.7x, relatively attractive compared to peers like AU Small Finance Bank (3.3x).

P/E: 25.4x, suggesting the stock is fairly priced considering its growth trajectory.

IDFC First Bank is fundamentally strong, with improving profitability, sound asset quality, and a focus on retail lending. Its CASA ratio and NIM are among the best in the industry, positioning it well for sustained growth.

I would give **Buy** recommendation for this stock.

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