

CMP: INR 75

Rating: BUY

Target Price: INR 103

Stock Info

BSE	539437
NSE	IDFCFIRSTB
Bloomberg	IDFCFB IN
Reuters	IDFB.BO
Sector	Banks
Face Value (INR)	10
Equity Capital (INR Bn)	67
Mkt Cap (INR Bn)	557
52w H/L (INR)	100 / 52
Avg Yearly Vol (in 000')	35,048

Shareholding Pattern %

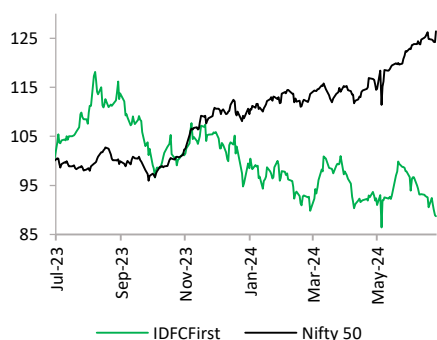
(As on June, 2024)

Promoters	35.4
Public & Others	64.6

Stock Performance (%)

	1m	6m	12m
IDFC FIRST Bank	-9.23	-10.7	-11.2
Nifty	3.43	14.3	26.4

IDFC FIRST Bank Vs Nifty



Abhishek Jain

abhishek.jain@arihantcapital.com

Anmol Das

Anmol.das@arihantcapital.com

Harshit Jain

harshit.jain@arihantcapital.com

IDFC First Bank has reported a profit of INR 6,807 mn against INR 7,243 mn in Q4FY24 (down 6.0% QoQ/ down 11.0% YoY), due to the increase in provisions. Provisions increased by 37.7% QoQ/ 108% YoY, at INR 9944 mn. Interest expense increased by 9.2% QoQ/ 31.1% YoY, at INR 40,937 mn. The collection efficiency has been stable at 99.5% against previous quarter's 99.6%. At bank level, asset quality improved with GNPA/NNPA decreased by 9 bps/ 6 bps QoQ to 1.9%/ 0.59% respectively. GNPA & NNPA for Retail, Rural & SME finances increased to 1.46%/ 0.46% (Q4FY24: 1.38% & 0.44%). Management has guided to maintain its GNPA/NNPA at ~2.0%/1.0% respectively for FY25.

- Core operating performance was strong:** NII increased by 5.1% QoQ/ 25.4% YoY to INR 46,949 mn, driven by strong growth in advances. Other income increased by -1.4% QoQ/ 14.5% YoY to INR 16,192 mn. Bank has reported profit of INR 6,807 mn against INR 7,243 mn in Q4FY24 (down 6.0% QoQ/ down 11.0% YoY). Provisions increased by 37.7% QoQ/ 108.8% YoY to INR 9,944 mn.
- Asset quality largely steady with deterioration of the retail asset quality:** Bank continues to report improvement in asset quality as GNPA declined further by 9 bps QoQ at 1.9%. NNPA improved on a QoQ basis to 0.59%. The bank has given a guidance of GNPA ~2% and NNPA ~1.0% for the FY25. The asset quality is well within the guidance given by them earlier and will continue to be improving by small notches in the coming quarters. GNPA & NNPA for Retail, Rural & SME finances increased to 1.46%/ 0.46% (Q4FY24: 1.38% & 0.44%).
- Advance growth continues to be driven by retail assets:** Banks advances stood at INR 2,094 bn v/s INR 2,009 bn in Q4FY24 (up 4.2% QoQ/ 22% YoY). The bank has been steadily reducing the percentage of its loan book that is allocated to infrastructure financing, from 36.7% FY18 to 1.32% in the Q1FY25. Vehicle, Consumer and credit card loans showed a strong growth of 33.4% YoY, 24.6% YoY and 52.5% YoY, LAP and Home Loans grew by 23% YoY and 22.4% YoY respectively.

Valuation & View: IIDFC First Bank posted decent performance during the quarter but profitability was impacted by increased provisions. Strong growth in deposit mobilization is the foundation driving the growth. Bank is expected to post strong growth in the Retail Portfolio in the range of 20–25% YoY in FY25 and beyond. We maintain rating at Buy with a Target Price of INR 103, based on 1.4x P/ABV to its FY27E.

Exhibit 1: Financial Performance

Key Financials (Rs Bn)	FY23	FY24E	FY25E	FY26E	FY27E
NII	126.35	164.51	217.70	278.77	292.20
PPOP	49.32	62.37	109.89	166.90	178.61
Net Profit	24.37	28.85	60.53	101.23	108.75
Advances	1,518	1,929	2,279	2,666	2,772
Deposits	1,446	1,908	2,393	2,853	2,982
RoA (%)	1.0%	1.0%	1.8%	2.6%	2.7%
RoE (%)	9.5%	9.0%	16.9%	24.5%	25.4%

Source: Arihant Research, Company Filings

Q1FY25 - Quarterly Performance (Standalone)

(INR Mn)

IDFC First Bank (Standalone)					
Quarterly Result Update (Rs Mn)	Q1FY25	Q4FY24	Q1FY24	QoQ	YoY
Interest Income	87,886	82,192	68,677	6.9%	28.0%
Interest Expended	40,937	37,503	31,226	9.2%	31.1%
Net Interest Income	46,949	44,689	37,451	5.1%	25.4%
Other Income	16,192	16,420	14,138	-1.4%	14.5%
Operating Income	63,141	61,109	51,589	3.3%	22.4%
a. Other Operating Expenses	30,943	31,190	25,059	-0.8%	23.5%
b. Employee Expenses	13,374	13,280	11,528	0.7%	16.0%
Operating Expenses (a+b)	44,316	44,470	36,586	-0.3%	21.1%
PPOP	18,825	16,639	15,003	13.1%	25.5%
Provisions	9,944	7,223	4,762	37.7%	108.8%
PBT	8,881	9,416	10,242	-5.7%	-13.3%
Tax Expenses	2,074	2,173	2,590	-4.5%	-19.9%
Net Income	6,807	7,243	7,652	-6.0%	-11.0%
Balance Sheet Analysis					
Advances	20,25,681	19,29,231	16,41,471	5.0%	23.4%
Deposits	20,96,663	19,07,637	15,44,270	9.9%	35.8%
Total Assets	30,15,815	28,22,303	24,70,276	6.9%	22.1%
CASA Deposits	9,76,920	9,47,680	7,17,650	3.1%	36.1%
CASA (%)	46.59%	49.68%	46.47%	-308bps	12bps
CAR (%)	15.88%	16.11%	16.96%	-23bps	-108bps
Spreads					
NIMs (%)	6.75%	6.80%	6.33%	-5bps	42bps
Cost of Funds	6.56%	6.44%	6.36%	11bps	20bps
Yield on Average Advances	14.29%	14.80%	14.80%	0bps	-51bps
Asset Quality					
GNPA	38,488	38,377	35,620	0.3%	8.1%
NNPA	11,952	12,567	11,490	-4.9%	4.0%
GNPA (%)	1.90%	1.99%	2.17%	-9bps	-27bps
NNPA (%)	0.59%	0.65%	0.70%	-6bps	-11bps
Credit Costs	1.96%	1.50%	1.16%	47bps	80bps
Provision Coverage Ratio	87.00%	0.00%	83.12%	8700bps	388bps
Returns & Expenses					
RoA	0.91%	0.00%	1.26%	91bps	-35bps
RoE	8.32%	0.00%	11.78%	832bps	-346bps
Cost / Income Ratio	70.19%	72.77%	70.92%	-258bps	-73bps

Source: Arianth Research, Company Filings

Concall Highlights:**Guidance**

- The credit deposit ratio is expected to fall near 90% mark in near term.
- Total credit cost is expected to be around 1.85% for FY25.
- Branch growth is estimated to be around 10%.
- Cost-to-income is expected to reduce to 65%.
- Operating expenses are projected to grow at 20% YoY.
- RoA should reach at 1.4% mark by next FY.

Highlights

- The Net interest income (standalone) was up 25.4% YoY and 5.1% QoQ and was largely driven by loan growth. Net interest margin declined by 13 bps to 6.22% owing to rising funding cost, especially from term deposits.
- Non-interest income was up 14.5 YoY in which fee income was up 19% YoY while treasury income declined 67% YoY.
- Cost to income ratio declined 258 bps QoQ and 73 bps YoY to 70.2%, as Operating expenses was kept slightly under check.
- Provisions increased by 38% QoQ and 109% YoY, at INR 9944 mn, mainly due to rise in credit cost towards micro finance segment.
- Net profit (standalone) thus was dented by higher provisions and was down 11% YoY to INR 6807 bn.
- In Q1FY25, the asset quality performance of the bank was largely steady as NNPA ratio declined by 1 bps QoQ to 0.59% while GNPA increased by 2 bps QoQ to 1.9%.
- GNPA excluding infra exposure stood at 1.6%.
- GNPA in retail, rural and SME finance stood at 1.46% while NNPA was at 0.46%.
- Within retail, GNPA in credit card and SME loans stood at 1.89% and 1.3% respectively.
- Slippages for the quarter increased 23% sequentially to INR 16.57 bn.
- Provision coverage ratio, including technical write-off, for Q1FY25 stood at 87.5% versus 86.6% QoQ.
- Standard restructured book now forms 0.25% of total funded assets versus 0.3% a quarter ago.
- Collection efficiently (ex-Micro loans JLG) stood at 99.5%.
- Delinquency has gone up in JLG loans (joint liability group) especially in Tamil Nadu region.

Key Financials

Profit & Loss Statement (INR in Mn)	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	2,27,275	3,03,225	3,66,131	4,33,922	4,54,039
Interest Expended	1,00,922	1,38,718	1,48,429	1,55,150	1,61,839
Net Interest Income	1,26,353	1,64,508	2,17,702	2,78,771	2,92,200
Other Income	44,670	60,020	62,073	64,697	67,213
Operating Income	1,71,023	2,24,528	2,79,776	3,43,468	3,59,413
Operating Expenses	1,21,704	1,62,158	1,69,888	1,76,569	1,80,805
- Employee Expenses	37,422	48,925	50,771	52,531	54,448
- Other Operating Expenses	84,281	1,13,233	1,19,117	1,24,038	1,26,357
PPOP	49,320	62,370	1,09,888	1,66,900	1,78,608
Provisions	16,648	23,817	28,999	31,615	33,283
PBT	32,671	38,553	80,889	1,35,284	1,45,324
Tax Expenses	8,300	9,704	20,360	34,051	36,578
Net Income	24,371	28,849	60,529	1,01,233	1,08,746

Balance Sheet (INR in Mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity & Liabilities					
Share Capital	66,181	67,225	67,225	67,225	67,225
Reserves & Surplus	1,91,031	2,54,529	2,90,323	3,46,448	3,60,746
Net Worth	2,57,212	3,21,754	3,57,548	4,13,673	4,27,971
Deposits	14,46,373	19,07,637	23,92,641	28,53,269	29,81,666
Borrowings	5,72,121	4,71,389	5,91,914	7,05,869	7,37,633
Other Liabilities and Provisions	1,23,711	1,21,523	10,455	-1,10,027	-1,48,450
Total Capital & Liabilities	23,99,417	28,22,303	33,52,559	38,62,783	39,98,820
Assets					
Cash & Bank Balances with RBI	1,07,397	1,16,617	1,24,518	1,19,683	1,22,077
Investments	6,11,236	6,28,118	8,04,512	9,05,485	9,32,649
Advances	15,17,945	19,29,231	22,78,615	26,65,658	27,72,284
Fixed Assets	20,901	25,520	28,911	31,294	31,920
Other Assets	1,10,355	1,11,221	1,09,302	1,11,488	1,13,718
Total Assets	23,99,417	28,22,303	33,52,559	38,62,783	39,98,820

Source: Arianth Research, Company Filings

Ratios	FY23	FY24	FY25E	FY26E	FY27E
Growth rates					
Advances (%)	17.2%	28.8%	27.1%	18.1%	17.0%
Deposits (%)	19.1%	36.9%	31.9%	25.4%	19.3%
Total assets (%)	16.6%	26.2%	17.6%	18.8%	15.2%
NII (%)	31.5%	30.2%	30.2%	32.3%	28.1%
Pre-provisioning profit (%)	29.2%	50.2%	26.5%	76.2%	51.9%
PAT (%)	-67.8%	1575.1%	18.4%	109.8%	67.2%
Balance sheet ratios					
Credit/Deposit (%)	111.6%	104.9%	101.1%	95.2%	93.4%
CASA (%)	49.6%	54.0%	54.3%	53.9%	53.5%
Advances/Total assets (%)	62.0%	63.3%	68.4%	68.0%	69.0%
Leverage (x) (Asset/Shareholder's Fund)	9.05	9.33	8.77	9.38	9.34
CAR (%)	16.9%	16.1%	15.8%	14.9%	14.7%
CAR - Tier I (%)	16.2%	15.4%	15.2%	14.3%	14.1%
Operating efficiency					
Cost/income (%)	74.6%	71.2%	72.2%	60.7%	51.4%
Opex/total assets (%)	5.1%	5.1%	5.7%	5.1%	4.6%
Opex/total interest earning assets	5.4%	5.4%	6.0%	5.3%	4.7%
Profitability					
NIM (%)	5.9%	6.2%	6.6%	7.4%	8.0%
RoA (%)	0.1%	1.0%	1.0%	1.8%	2.6%
RoE (%)	0.7%	9.5%	9.0%	16.9%	24.5%
Asset quality					
Gross NPA (%)	3.8%	2.7%	1.9%	1.8%	1.7%
Net NPA (%)	1.5%	1.2%	0.6%	0.6%	0.6%
PCR (%)	59.5%	56.9%	67.3%	67.5%	67.8%
Credit cost (%)	2.6%	1.1%	1.2%	1.3%	1.2%
Per share data / Valuation					
EPS (INR)	4	5	11	18	19
BVPS (INR)	45	57	63	73	75
ABVPS (INR)	42	55	61	71	73
P/E (x)	17.5	14.7	7.0	4.2	3.9
P/BV (x)	1.7	1.3	1.2	1.0	1.0
P/ABV (x)	1.8	1.4	1.2	1.1	1.0

Source: Arian Research, Company Filings

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880