

CMP: INR 38

Rating: Buy

Target Price: INR 59

Stock Info

BSE	539437
NSE	IDFCFIRSTB
Bloomberg	IDFCFB IN
Reuters	IDFB.BO
Sector	Banks
Face Value (INR)	10
Equity Capital (INR Cr)	6,212
Mkt Cap (INR Cr)	23,353
52w H/L (INR)	54 / 29
Avg Yearly Vol (in 000')	30,312

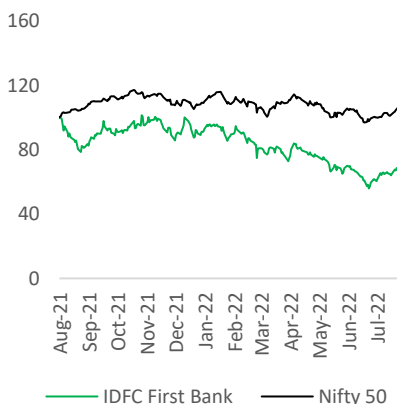
Shareholding Pattern %

(As on June, 2022)

Promoters	36.5
FII	11.0
DII	10.2
Public & Others	42.3

Stock Performance (%)	1m	3m	12m
IDFC FIRST Bank	18.6	-4.9	-27.7
Nifty	8.6	0.3	8.7

IDFC FIRST Bank Vs Nifty



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IDFC First Bank has reported strong performance during Q1FY23 with strong core operating profit growth of 64% YoY/18% QoQ to INR 987 cr, driven by strong NII growth. Funded asset growth was strong at 21% YoY/7% QoQ, driven by robust growth in retail assets at 40% YoY/10% QoQ. The collection efficiency in early-stage bucket (urban retail) has increased from 98.9% pre covid to 99.4%. At bank level, asset quality improved with GNPA/NNPA decreased by 34bps/23bps QoQ at 3.4%/1.3% respectively. Retail GNPA reduced from 2.6% to 2.1% QoQ and NNPA reduced from 1.1% to 0.9% QoQ. Management remained firm on its guidance to reduce retail GNPA/NNPA at <2%/1% respectively. NIM declined by 24bps QoQ at 5.95%, driven by 31bps increase in cost of funds supported by 26bps increase in yield on advances. However, NIM remained in the range of ~6%. Bank has utilised covid provision of INR 75 cr during the quarter and carries provisions of INR 90 cr as of Q1FY23.

Core operating performance was strong: NII increased by 26% YoY/3% QoQ to INR 2,751 cr, driven by strong growth in advances. Other income increased by 2% YoY/3% QoQ to INR 856 cr. Bank has reported treasury loss of INR 44 cr as compared to gain of INR 393 cr in Q1FY22. Bank has reported profit of INR 474 cr as compared to loss of INR 630 cr in Q1FY22 and profit of INR 343 cr in Q4FY22. Provisions declined by 84% YoY/17% QoQ to INR 308 cr. Credit cost for the quarter was at 0.9%. Management continue to maintain its credit cost guidance of ~1.5%.

Advance growth continues to be driven by retail assets: Total funded assets of the bank increased by 21% YoY/7% QoQ to INR 137,662 cr, continued to driven by retail (across the portfolio) and commercial finance segment (~74% of the total portfolio). Retail portfolio grew by 40% YoY/10% QoQ while wholesale funded assets book (26% of portfolio) declined by 9% YoY/1% QoQ. Within retail, Home loan segment growth was robust at 61% YoY/9% QoQ. Card business of the bank increased strongly by 183% YoY/15% QoQ. Within wholesale, infra book decreased further by 35% YoY/2% QoQ and corporate (non infra) book increased by 12% YoY/1% QoQ. Commercial finance book (8% of portfolio) increased by 13% YoY/5% QoQ at INR 10,679 cr. Management expects the growth momentum to continue, going forward and is confident of growing the loan book by ~20-25%. CASA ratio of the bank increased from 48.4% to 50% QoQ. Total deposits growth was at 24% YoY/7% QoQ.

Asset quality improved further: Bank continue to report improvement in asset quality as GNPA declined further by 34bps QoQ at 3.4%. Excluding the NPA in the infra financing book which will run down in due course, the GNPA/NNPA of the bank would have been at 2.4% and 0.8%. Corporate infra GNPA was higher at 21.7% vs. 21.6% QoQ. Corporate non-infra book GNPA increased from 2.8% to 3.7% QoQ as one retail chain account with an exposure of INR 575 cr has slipped into NPA against which 100% provision has been made. The overall restructured book reduced to 1.3% of the funded assets as against 1.8% QoQ.

Valuation & View: Bank has delivered a strong performance during Q1FY23 on most of the counts with improvement in asset quality and return ratios along with strong business growth. Management sounded confident of delivering strong growth in loan book with an aim of delivering double digit RoE. However, due to lower provision buffer, we expect the credit cost to remain elevated going ahead and expect bank to deliver RoA/RoE of 0.8%/9% by FY24E driven by strong credit growth. We maintain our Buy rating on the stock with a target price of INR 59 (unchanged), based on 1.5x P/ABV to its FY24E.

Q1FY23 - Quarterly Performance (Standalone) (INR Cr)

IDFC First Bank (Standalone)					
Quarterly Result Update (Rs Cr)	Q1FY23	Q4FY22	Q1FY22	Q-o-Q	Y-o-Y
Interest Income	4,922	4,554	4,089	8.1%	20.4%
Interest Expended	2,171	1,884	1,905	15.2%	14.0%
Net Interest Income	2,751	2,669	2,185	3.1%	25.9%
Other Income	856	831	842	2.9%	1.6%
Operating Income	3,607	3,500	3,027	3.0%	19.1%
a. Other Operating Expenses	1,833	1,889	1,478	-3.0%	24.0%
b. Employee Expenses	830	785	554	5.8%	49.7%
Operating Expenses (a+b)	2,663	2,674	2,032	-0.4%	31.0%
PPOP	944	827	995	14.2%	-5.1%
Provisions	308	369	1,872	-16.6%	-83.6%
PBT	636	457	-877	39.1%	NA
Tax Expenses	162	114	-247	41.3%	NA
Net Income	474	343	-630	38.4%	NA
Balance Sheet Analysis					
Advances	1,32,555	1,17,858	1,08,628	12.5%	22.0%
Deposits	1,13,349	1,05,634	91,312	7.3%	24.1%
Total Assets	2,00,566	1,90,182	1,68,986	5.5%	18.7%
CASA Deposits	56,720	51,170	46,439	10.8%	22.1%
CASA (%)	50.04%	48.44%	50.86%	160bps	-82bps
CAR (%)	15.77%	16.70%	15.56%	-93bps	21bps
Spreads					
NIMs (%)	5.95%	6.18%	5.51%	-24bps	44bps
Cost of Funds	5.30%	4.99%	5.56%	31bps	-26bps
Yield on Average Advances	13.32%	13.06%	12.78%	26bps	54bps
Asset Quality					
GNPA	4,355	4,469	4,667	-2.6%	-6.7%
NNPA	1,654	1,808	2,293	-8.5%	-27.9%
GNPA (%)	3.36%	3.70%	4.61%	-34bps	-125bps
NNPA (%)	1.30%	1.53%	2.32%	-23bps	-102bps
Credit Costs	0.93%	1.25%	6.89%	-32bps	-596bps
Provision Coverage Ratio	62.02%	59.54%	50.87%	248bps	1116bps
Returns & Expenses					
RoA	0.95%	0.72%	-1.49%	23bps	244bps
RoE	8.83%	6.53%	-12.49%	230bps	2133bps
Cost / Income Ratio	73.83%	76.39%	67.13%	-256bps	670bps

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Key Financials

Profit & Loss Statement (Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Interest Income	16,308	15,968	17,173	20,162	22,881
Interest Expended	10,232	8,588	7,467	9,082	10,030
Net Interest Income	6,076	7,380	9,706	11,080	12,851
Other Income	1,722	2,254	3,222	3,992	3,988
Operating Income	7,798	9,634	12,928	15,072	16,839
Operating Expenses	5,861	7,093	9,644	10,798	11,858
- Employee Expenses	1,528	1,977	2,697	3,244	3,579
- Other Operating Expenses	4,333	5,116	6,948	7,554	8,278
PPOP	1,937	2,541	3,284	4,274	4,981
Provisions	4,315	2,065	3,109	1,800	2,074
PBT	-2,379	476	175	2,474	2,907
Tax Expenses	486	24	30	623	732
Net Income	-2,864	452	145	1,852	2,176

Balance Sheet (Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Equity & Liabilities					
Share Capital	4,810	5,676	6,218	6,218	6,218
Reserves & Surplus	10,533	12,132	14,786	16,643	18,819
Net Worth	15,343	17,808	21,003	22,861	25,036
Deposits	65,108	88,688	1,05,634	1,25,777	1,50,078
Borrowings	57,397	45,786	52,963	37,698	35,564
Other Liabilities and Provisions	11,353	10,861	10,581	36,587	55,986
Total Capital & Liabilities	1,49,200	1,63,144	1,90,182	2,22,922	2,66,664
Assets					
Cash & Bank Balances with RBI	4,191	5,828	15,758	21,827	27,106
Investments	45,405	45,412	46,145	44,352	46,153
Advances	85,595	1,00,550	1,17,858	1,45,516	1,80,706
Fixed Assets	1,038	1,266	1,361	1,995	2,707
Other Assets	12,972	10,088	9,060	9,230	9,991
Total Assets	1,49,200	1,63,144	1,90,182	2,22,922	2,66,664

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Ratios	FY20	FY21	FY22	FY23E	FY24E
Growth rates					
Advances (%)	-0.8%	17.5%	17.2%	23.5%	24.2%
Deposits (%)	-7.6%	36.2%	19.1%	19.1%	19.3%
Total assets (%)	-10.8%	9.3%	16.6%	17.2%	19.6%
NII (%)	89.9%	21.5%	31.5%	14.2%	16.0%
Pre-provisioning profit (%)	-210.7%	31.2%	29.2%	30.2%	16.5%
PAT (%)	47.3%	115.8%	-67.8%	1172.6%	17.5%
Balance sheet ratios					
Credit/Deposit (%)	131.5%	113.4%	111.6%	115.7%	120.4%
CASA (%)	31.9%	51.7%	49.6%	51.2%	50.2%
Advances/Total assets (%)	57.4%	61.6%	62.0%	65.3%	67.8%
Leverage (x) (Asset/Shareholder's Fund)	9.72	9.16	9.05	9.75	10.65
CAR (%)	13.4%	16.3%	16.9%	14.9%	13.2%
CAR - Tier I (%)	13.3%	15.6%	16.2%	14.3%	12.6%
Operating efficiency					
Cost/income (%)	75.2%	73.6%	74.6%	71.6%	70.4%
Opex/total assets (%)	3.9%	4.3%	5.1%	4.8%	4.4%
Opex/total interest earning assets	4.3%	4.7%	5.4%	5.1%	4.7%
Profitability					
NIM (%)	4.2%	5.1%	5.9%	5.6%	5.4%
RoA (%)	-1.9%	0.3%	0.1%	0.8%	0.8%
RoE (%)	-18.7%	2.5%	0.7%	8.1%	8.7%
Asset quality					
Gross NPA (%)	2.6%	4.2%	3.8%	3.1%	2.9%
Net NPA (%)	0.9%	1.9%	1.5%	1.3%	1.4%
PCR (%)	64.5%	56.2%	59.5%	59.0%	52.5%
Credit cost (%)	5.0%	2.1%	2.6%	1.2%	1.1%
Per share data / Valuation					
EPS (INR)	-6	1	0	3	4
BVPS (INR)	32	31	37	40	44
ABVPS (INR)	30	28	34	37	39
P/E (x)	-6.4	47.7	148.2	11.6	9.9
P/BV (x)	1.2	1.2	1.0	0.9	0.9
P/ABV (x)	1.3	1.4	1.1	1.0	1.0

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

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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%

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