

3rd May 2024

₹81.55/-

View – Buy

Key Highlights – Q4FY24

- IDFC First Bank Ltd.'s PAT was down -10% YoY / flat QoQ to ₹7,243mn.
- Total deposits rose +42% YoY / +10% QoQ to ₹1,938bn.
- Loan book witnessed healthy +25% YoY / +6% QoQ growth to ₹2,010bn.
- Asset quality improved significantly with GNPA at 1.9% and NNPA at 0.6%.
- Bank's focus remains on bringing down the mix of legacy Infrastructure projects in overall financing book which now stands at 1.4%.
- Return ratios for the bank have come off slightly with RoA at 1.0% down -20bps YoY and flat sequentially.

Important Statistics

Nifty	22,648
Sensex	74,611
M.CAP (₹ bn)	₹576.66
52 Week H/L (₹)	100.70/63.00
NSE Code	IDFCFIRSTB
BSE Code	539437
Bloomberg Code	IDFCBK:IN

Shareholding Pattern (%)

Shareholding Pattern (%)	Mar'24
Promoters	37.43%
FII's	23.65%
DII	10.52%
Public & Others	28.40%

Q4FY24 Result Update

Advances –

- Strong growth momentum in advances continues on the back of robust performance in retail book especially loan against property and vehicle loans witness strong traction. While rural finance segment posted muted growth this quarter, new business lines maintains robust growth trajectory supporting the overall loan book expansion.
- Loans and advances during Q4FY24, witnessed +25% YoY/+6% QoQ increase to ₹2,010bn driven by growth in retail book which was up +31% YoY/ +7% QoQ to ₹1,191bn while wholesale book rose by +25% YoY/ +8% QoQ to ₹551bn.
- Within consumer financing, LAP segment posted strong +20% YoY/ +11% QoQ growth to ₹242bn while home loans saw healthy +14% YoY/ +6% QoQ increase to ₹223bn. Consumer loans were up +38% YoY to ₹286bn but flat sequentially.
- In Q4FY24, overall retail book growth was driven largely by Vehicle Financing which grew by +41% YoY/ +14% QoQ to ₹208bn. Digital, Gold Loan and other segment witnessed healthy traction during the quarter, growing +45% YoY/ +5% QoQ to ₹175bn and credit business also grew at a robust pace and stands at ₹55bn (+58% YoY/ +12% QoQ).
- Focus remains on bringing down the legacy Infrastructure loans, which now stands at 1.4% of overall book at ₹28bn. It fell from 2.9% by end-FY23.
- Corporate Finance business too posted robust performance, up +17% YoY/ +8% QoQ to ₹303bn. CV/CE finance book rose to ₹74bn up +71% YoY/ +23% QoQ.
- Management has guided for 22-23% loan growth for FY25 and aims to expand overall advances to ₹5tn by FY29.

Deposits and Borrowings –

- Total deposits during the quarter witnessed strong growth of +42% YoY/ +10% QoQ to ₹1,938bn. It was led by +53% YoY/ +9% QoQ increase in Term Deposits to ₹990bn. CASA deposits posted healthy performance rising +32% YoY/ +11% QoQ to ₹948bn.
- Although, CASA ratio fell -250 bps YoY, it expanded +40bps sequentially to 47.2% and remained one of the highest among its listed peers.
- In overall customer deposits, strong YoY growth has led the share of retail deposits rising to 78%, thus reducing bank's dependency on wholesale book.
- Certificate of deposits degrew in by -13% YoY but up +12% QoQ to ₹68bn.

Gross Loans & Advances	YoY (%)
Home Loan	14%
Loan Against Property	20%
Wheels	41%
Consumer Loans	38%
Rural Finance	25%
Digital, Gold Loan and Others	45%
Credit Card	58%
Corporate	17%
Infrastructure	-39%
CV/CE Financing	71%
Business Banking	46%
Total Gross Loans & Advances	25%

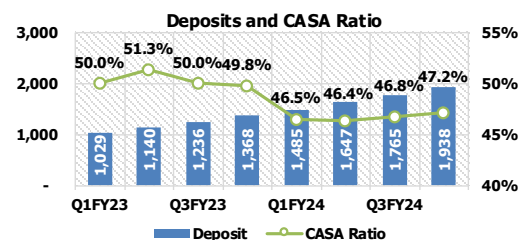
Deposit Growth (₹ bn)

	Mar-24	Mar-23	YoY %
CASA	948	720	32%
Term	990	648	53%
Deposits	1,938	1,368	42%

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
IDFC First Bank	28%	44%	66%
Nifty 50	24%	53%	91%
Sensex	20%	51%	89%

Source – Company, Way2Wealth Research



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Prasad Hase

prasadhase@way2wealth.com

91-22-4019 2908

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➤ **Improved Profitability Metrics –**

- IDFC First Bank posted resilient performance in Q4FY24, recording a +24% YoY/ +4% QoQ growth in net interest income to ₹44.7bn. Growth in interest expenses came in higher at +33% YoY (+4% QoQ) than that of +28% YoY (+4% QoQ) in interest income.
- Net interest margin for the quarter was largely flat at 6.35% (down -6 bps YoY/ -7bps QoQ) and the management expects it to remain largely stable in upcoming quarters.
- Fee and other income (including Trading gains) increased by +17% YoY/ +8% QoQ to '16.4bn, with 93% income coming from retail banking operations which remains granular and sustainable. Contribution from new lines of revenue such as credit card & FASTag, wealth and forex increased to ~43% of overall fee & other income pie by end-FY24, showcasing strong traction while that from loan origination fees remains stable at 32%.
- During the quarter, 47 new branches were added and operating expenses rose +29% YoY / +5% QoQ to '44.5bn. Resultantly, core PPOp stood at '16.6bn up +7% YoY/ +6 QoQ.
- Owing to higher provisions for the quarter, which were up +50% YoY/+10% QoQ at '7.2bn, profit after tax came down -10% YoY/ flat QoQ at '7.2bn.

➤ **Asset Quality –**

- Asset quality improvement continued with GNPA and NNPA coming down to 1.9% (down -63 bps YoY/ -16 bps QoQ) and 0.6% (down -26 bps YoY/ -8 bps QoQ) respectively.
- Underwriting standards in retail book remains high, as a result in retail, rural and SME finance portfolio, GNPA and NNPA levels have come down to 1.4% and 0.4% respectively. Run-down of high NPA infrastructure book would eventually lead to overall asset quality improving to that of retail book level over the medium term.
- Provision coverage ratio (including technical write-offs) improved to 86.6% by end-FY24 from 80.3% by end-FY23.

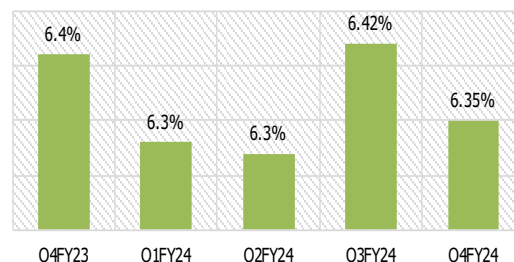
➤ **Return Ratios –**

- During the quarter, return on assets moderated slightly by -20bps YoY/ -3bps QoQ to 1.0%. In FY24, return on equity also moderated by ~50bps YoY to 10.3%.

View

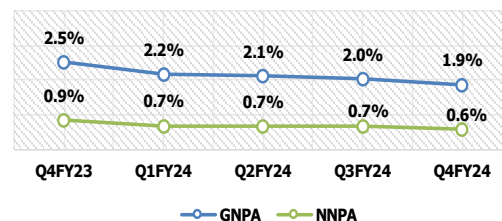
IDFC First Bank Ltd. posted mixed performance during the quarter as balance sheet growth remains robust on account of strong loans and deposit growth however, elevated credit cost pressures bottom-line profitability. Deposit mobilization which remains key monitor-able for banks across the sector, IDFC's strong increase in deposit base and sequential increase in CASA ratio showcases granularity of liability book. While higher credit cost during the quarter raised some concerns over the asset quality, continuous run down of legacy infra finance book would led the path for improvement going forward. Operating expense ratio remains on the upper side of the band mainly on account of continued investment in technology, branch expansion and spends on deposit mobilization initiatives, management anticipates improvement in cost/income ratio in FY25. Result of initiatives taken over last five years are clearly visible in the bank's transformation into more granular franchise business model and development of retail focused deposit base. This may lead to a strong traction in the bank's capital raising plans which are likely to be floated in FY25, which could be a good driver for price performance going forward. **At CMP of ₹81.55 the stock is trading at a P/B (Adj) ratio of ~1.5x FY26E and we maintain our rating to BUY the stock.**

Net Interest Margin



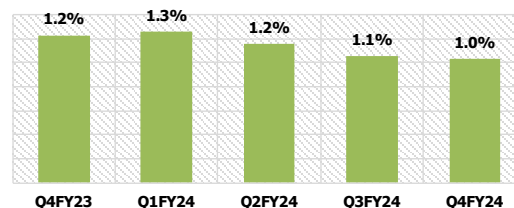
Source – Company, Way2Wealth Research

Asset Quality



Source – Company, Way2Wealth Research

Return on Assets



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Financial Performance

Particulars (₹ mn)	Q4FY24	Q4FY23	YoY (%/bps)	Q3FY24	QoQ (%/bps)	FY24	FY23	YoY (%/bps)
Interest Income	82,192	64,244	28%	78,794	4%	3,03,225	2,27,275	33%
Interest Expense	37,503	28,276	33%	35,928	4%	1,38,718	1,00,922	37%
Net Interest Income	44,689	35,968	24%	42,866	4%	1,64,508	1,26,353	30%
Fee & Other Income	16,420	13,975	17%	15,166	8%	60,020	44,670	34%
Operating Income	61,109	49,942	22%	58,031	5%	2,24,528	1,71,023	31%
Operating Expense	44,470	34,356	29%	42,407	5%	1,62,158	1,21,704	33%
Operating Profit (PPOP)	16,639	15,587	7%	15,625	6%	62,370	49,320	26%
Provisions	7,223	4,824	50%	6,548	10%	23,817	16,648	43%
Profit Before Tax	9,416	10,762	-13%	9,077	4%	38,553	32,671	18%
Tax	2,173	2,736	-21%	1,920	13%	8,988	8,300	8%
Profit After Tax	7,243	8,026	-10%	7,157	1%	29,565	24,371	21%
Dil. EPS	1.0	1.3	-20%	1.0	1%	4.3	3.8	11%
CASA ratio	47.2%	49.8%	-260 bps	46.8%	40 bps	47.2%	49.8%	-260 bps
GNPA %	1.9%	2.5%	-63 bps	2.0%	-16 bps	1.9%	2.5%	-63 bps
NNPA %	0.6%	0.9%	-26 bps	0.7%	-8 bps	0.6%	0.9%	-26 bps
RoE	11.0%	10.1%	90 bps	11.8%	-75 bps	10.3%	10.8%	-49 bps
RoA	1.2%	1.1%	9 bps	1.3%	-10 bps	1.1%	1.1%	-3 bps
Capital Adequacy Ratio	16.1%	16.8%	-71 bps	16.7%	-62 bps	16.1%	16.8%	-71 bps

Source – Company, Way2wealth Research

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Disclosure of Interest Statement Prasad Hase as on May 03, 2024

Name of the Security	IDFC First Bank Ltd.
Name of the analyst	Prasad Hase
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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