

Key Highlights – Q1FY25

- IDFC First Bank Ltd.'s PAT was down – 11% YoY/ - 6% QoQ to ₹6,807mn.
- Total deposits rose +38% YoY/ +6% QoQ to ₹2,046bn.
- Loan book witnessed healthy +22% YoY / +4% QoQ growth to ₹2,094bn.
- Asset quality remained stable sequentially with GNPA at 1.9% and NNPA at 0.6%.
- Management aims to bring down overall cost to income ratio to 65% by FY27 from current 70.5% reported in Q1FY25.
- Return ratios for the bank have come off slightly with RoA at 0.9% down – 16bps YoY and -35bps QoQ.

Important Statistics

Nifty	24,056
Sensex	78,759
M.CAP (₹ bn)	₹557.87
52 Week H/L (₹)	100.70/70.80
NSE Code	IDFCFIRSTB
BSE Code	539437
Bloomberg Code	IDFCBK:IN

Shareholding Pattern (%) Jun'24

Promoters	35.39%
MF	03.34%
FIIIs	19.91%
DII	28.37%
Public & Others	13.00%

Q1FY25 Result Update

Advances –

- Growth momentum in retail loan segment continues led by vehicle financing segment and consumer loans. Home loan portfolio posted robust sequential increase highlighting the robust underlying demand in the market. Credit card business grew at a healthy rate albeit on a smaller base.
- Loans and advances during Q1FY25, witnessed +22% YoY/+4% QoQ increase to ₹2,094bn driven by growth in retail book which was up +27% YoY/ +5% QoQ to ₹1,501bn while wholesale book rose by +18% YoY/ +4% QoQ to ₹485bn.
- Within retail financing, vehicle finance segment posted strong +33% YoY/ +5% QoQ growth to ₹218bn while home loans saw healthy +22% YoY/ +10% QoQ increase to ₹247bn. Consumer loans were up +28% YoY/ +5% QoQ to ₹302bn.
- In Q1FY25, loan against property segment grew at +23% YoY/ +2% QoQ to ₹247bn. Digital, Gold Loan and other segment witnessed healthy traction during the quarter, growing +38% YoY/ +4% QoQ to ₹182bn. Rural finance grew at a gradual pace of +18% YoY/ +3% QoQ to ₹245bn.
- Focus remains on bringing down the legacy Infrastructure loans, which now stands at 1.3% of overall book at ₹27.7bn. Management aims to bring it down to around 1% levels by end-FY25.
- During the quarter, corporate finance business was up +14% YoY/ +4% QoQ to ₹315bn. CV/CE finance segment witnessed healthy traction with book rising +57% YoY/ +6% QoQ ₹67bn.

(₹ bn)	Q1FY25	% YoY	% QoQ
Home Loans	247	22%	10%
Loan Against Property	247	23%	2%
Vehicle Loans	218	33%	5%
Consumer Loans	302	28%	5%
Rural Finance	245	18%	3%
Digital, Gold Loan and Others	182	38%	4%
Credit Card	59	53%	7%
Total Retail Book	1,501	27%	5%
Corporate Finance	315	14%	4%
Infrastructure	28	-26%	-2%
CV/CE Financing	67	57%	6%
Business Banking	76	42%	2%
Total Wholesale Book	485	18%	4%
Gross Advances	2,094	22%	4%

(₹ bn)	Q1FY25	% YoY	% QoQ
CASA Deposit	977	36%	3%
Term Deposit	1,069	39%	8%
Total Deposit	2,046	38%	6%
CASA Ratio (Reported)	47%	10	-60

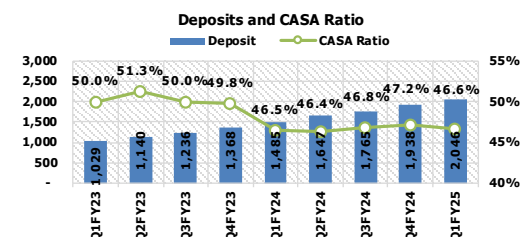
Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
IDFC First Bank	-13%	53%	70%
Nifty 50	27%	56%	126%
Sensex	23%	53%	119%

Source – Company, Way2Wealth Research

Deposits and Borrowings –

- Total deposits during the quarter witnessed strong growth of +38% YoY/ +6% QoQ to ₹2,046bn. It was led by +39% YoY/ +8% QoQ increase in Term Deposits to ₹1,069bn. CASA deposits grew at a slightly moderate pace of +3% QoQ (+36% YoY) to ₹977bn.
- During the quarter, CASA ratio remained largely stable on a YoY basis, it moderated -60bps sequentially to 46.6% and remained one of the highest among its listed peers.
- On the back of strong deposit growth witnessed by the bank, led by robust branch expansion strategy, management has decreased interest rates on savings deposits to 3%.
- Certificate of deposits degrew -14% YoY/ -25% QoQ to ₹51bn.



Source – Company, Way2Wealth Research

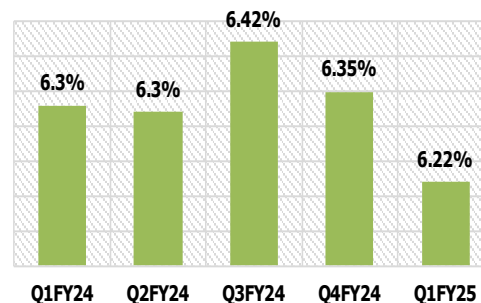
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➤ **Improved Profitability Metrics –**

- IDFC First Bank witnessed Net interest income growth of +25% YoY/ +5% QoQ to ₹46.9bn with Net interest margin falling -11bps YoY/ -13bps QoQ to 6.22%. On a sequential basis, ~8bps impact can be attributed to the increase in average investment book during the quarter.
- Interest income for the quarter was up +28% YoY/ +7% QoQ to ₹87.9bn. Interest expense grew at faster pace of +31% YoY/+9% QoQ to ₹40.9bn, with cost of funds increasing by +4bps QoQ while cost of deposits rising +11bps QoQ.
- Fee and other income (including Trading gains) increased by +15% YoY to ₹16.2bn while remained flat sequentially, with 92% 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-Q1FY25, showcasing strong traction while that from loan origination fees remains stable at 32%.
- During the quarter, 10 new branches were added and operating expenses rose +21% YoY / flat QoQ to ₹44.3bn. Resultantly, core PPOP stood at ₹18.8bn up +25% YoY/ +13% QoQ.
- Provisions for the quarter increased substantially to ₹9.9bn up +109% YoY/+38% QoQ owing to provision requirement for JLG book which mainly comprises of MFI segment.

Net Interest Margin

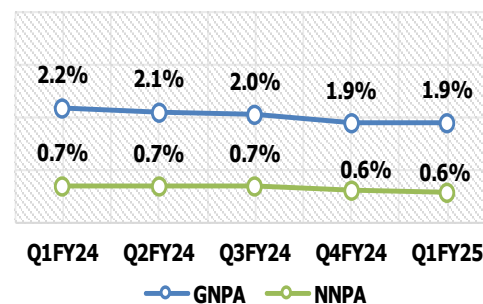


Source – Company, Way2Wealth Research

➤ **Asset Quality –**

- Asset quality remained largely stable during the quarter with GNPA and NNPA coming in at 1.9% (down -27bps YoY/ up +2bps QoQ) and 0.6% (down -11bps YoY/ -1bps QoQ) respectively.
- Gross slippages during the quarter stood at ₹16.6bn as against ₹13.5bn in Q4FY25.
- Credit cost for the quarter came at 2.2% impacted by rise in delinquencies in JLG (Joint Liability Group) portfolio which mainly comprises of MFI book. This segment which constitute nearly 6% of the AUM has significant exposure to Tamilnadu state and thus was impacted by Chennai floods. While management believe, this is an one time event, however, following quarters may get impacted as well.
- Provision coverage ratio (including technical write-offs) improved to 87.5% by Q1FY25 up from 86.6% by end-FY24.

Asset Quality

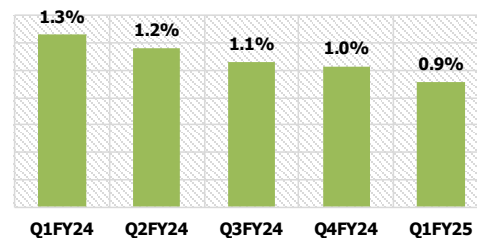


Source – Company, Way2Wealth Research

➤ **Return Ratios –**

- During the quarter, return on assets moderated slightly by -16bps YoY/ -35bps QoQ to 0.9%. Management expects to maintain these levels in FY25, to reach ~1.2% by FY26 and achieve 1.4% target by FY27.

Return on Assets



Source – Company, Way2Wealth Research

View

IDFC First Bank Ltd. exhibited robust operational performance during the quarter, however, elevated credit cost owing to one-time event of Chennai floods impacted the bottom-line performance. While the extent of impact on provisions in upcoming quarters remains to be seen, improving cost to income ratio should offset it to some extent. With strong deposit growth momentum achieved, management aims to slowdown bank expansion and expects branches to grow only 10% annually which would drive significant improvement in cost to income ratio. Falling infrastructure book (carrying high NPA levels) and reduction in legacy long term & infrastructure bonds would be a significant driven of overall performance improvement of the bank, hence, **we recommend to BUY. At CMP of 72, stock is trading at 1.3x FY26e P/B multiple.**

Financial Performance

(₹ mn)

Particulars (₹ mn)	Q1FY25	Q1FY24	YoY (%/bps)	Q4FY24	QoQ (%/bps)	FY24	FY23	YoY (%/bps)
Interest Income	87,886	68,677	28%	82,192	7%	3,03,225	2,27,275	33%
Interest Expense	40,937	31,226	31%	37,503	9%	1,38,718	1,00,922	37%
Net Interest Income	46,949	37,451	25%	44,689	5%	1,64,508	1,26,353	30%
Fee & Other Income	16,192	14,138	15%	16,420	-1%	60,020	44,670	34%
Operating Income	63,141	51,589	22%	61,109	3%	2,24,528	1,71,023	31%
Operating Expense	44,316	36,586	21%	44,470	0%	1,62,158	1,21,704	33%
Operating Profit (PPOP)	18,825	15,003	25%	16,639	13%	62,370	49,320	26%
Provisions	9,944	4,762	109%	7,223	38%	23,817	16,648	43%
Profit Before Tax	8,881	10,242	-13%	9,416	-6%	38,553	32,671	18%
Tax	2,074	2,590	-20%	2,173	-5%	8,988	8,300	8%
Profit After Tax	6,807	7,652	-11%	7,243	-6%	29,565	24,371	21%
Dil. EPS	1.0	1.1	-17%	1.0	-6%	4.3	3.8	11%
CASA ratio	46.6%	46.5%	10 bps	47.2%	-60 bps	46.6%	46.5%	10 bps
GNPA %	1.9%	2.2%	-27 bps	1.9%	2 bps	1.9%	2.2%	-27 bps
NNPA %	0.6%	0.7%	-11 bps	0.6%	-1 bps	0.6%	0.7%	-11 bps
RoA	0.9%	1.1%	-16 bps	1.3%	-35 bps	1.1%	1.1%	-3 bps
Capital Adequacy Ratio	15.6%	17.0%	-137 bps	16.1%	-52 bps	15.6%	17.0%	-137 bps

Source – Company, Way2wealth Research

6th August 2024

₹72/-

View – Buy

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Disclosure of Interest Statement Prasad Hase as on August 06, 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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