

# Result Update

Q2 FY24

**IDFC First Bank**

Institutional  
Research

### Weak Net profit; Asset quality improves

Net Interest Income stood at Rs. 3,950 crores in Q2FY24, showing a growth of 5.5% QoQ / up 31.6% YoY. Pre-provision operating profit (PPOP) stood at Rs. 1,501 crores in Q2FY24, marginally up by 0.1% QoQ / up 28.5% YoY. Provisions grew to Rs. 528 crores in Q2FY24 from Rs. 476 crores in Q1FY24 and Rs. 424 crores in Q2FY23. The bank's quarterly net profit declined to Rs. 751 crores in Q2FY24, down 1.8% QoQ / up 35.2% YoY. NIM stood marginally lower at 6.32% in Q2FY24, down 1bps QoQ / up 49bps YoY. Gross NPA stood at 2.11% in Q2FY24, down 6bps QoQ / down 107bps YoY, mainly due to healthy retail, rural and SME business portfolio. Net NPA stood at 0.68% in Q2FY24, down 2bps QoQ / down 41bps YoY. Capital Adequacy Ratio stood at 16.54% in Q2FY24 compared to 16.96% in Q1FY24 and 14.63% in Q2FY23. Gross Deposits showed healthy growth and stood at Rs. 1,64,726 crores in Q2FY24, up 11.0% QoQ / up 44.5% YoY, driven by retail deposits, which were utilised for the growth of assets and repayment of the legacy borrowings. Gross Advances stood at Rs. 1,83,236 crores in Q2FY24, up 6.8% QoQ / up 26.1% YoY. CASA declined to 46.4% in Q2FY24 from 46.5% in Q1FY24 and 51.3% in Q2FY23. This decline was due to the bank raising more fixed deposits than CASA deposits. It is worth mentioning that the bank's legacy high-cost borrowings reduced from Rs. 20,449 crores as of September 30, 2022, to Rs. 15,002 crores as of September 30, 2023.

### Sector Outlook

Positive

### Stock

CMP (Rs.)	84
BSE code	539437
NSE Symbol	IDFCFIRSTB
Bloomberg	IDFCFB IN
Reuters	IDFB.BO

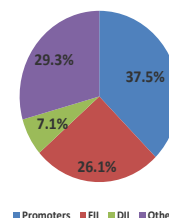
### Key Data

Nifty	19,444
52 Week H/L (Rs.)	91/52
O/s Shares (Mn)	7,058
Market Cap (Rs. bn)	587
Face Value (Rs.)	10

### Average Volume

3 months	4,79,73,250
6 months	4,54,49,950
1 year	3,89,42,060

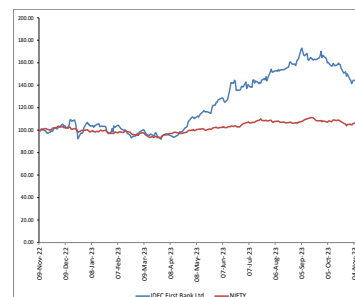
### Share Holding (%)



### Key Highlights

Particulars (Rs. crores)	Q2FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Net Interest Income	3,002	3,745	3,950	31.6	5.5
PPOP	1,169	1,500	1,501	28.5	0.1
Net Profit	556	765	751	35.2	(1.8)
NIM (%)	5.83	6.33	6.32	49bps	(1bps)
RoA (%)	1.16	1.26	1.07	(9bps)	(19bps)
GNPA (%)	3.18	2.17	2.11	(107bps)	(6bps)
NNPA (%)	1.09	0.70	0.68	(41bps)	(2bps)
CASA (%)	51.28	46.50	46.41	(487bps)	(9bps)

### Relative Price Chart



### Research Analyst

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Source: Company, BP Equities Research

## Valuation and Outlook

IDFC First Bank reported stable Q2FY24 results across all key parameters, showing some weakness in net profit. This was on account of a faster increase in the cost of funds in comparison to yield on advances. It is worth noting that the bank's retail, rural and SME business has low NPA levels due to its high-quality underwriting, credit bureaus, technology, and cash-flow-based lending capabilities. As the bank takes into consideration stringent cash flow assessment while disbursing loans, we believe that the bank will continue to have lower levels of NPAs in the coming quarters, which in turn will help to maintain better asset quality. We believe that the bank's focus on fee-based products will help the bank to grow its non-interest income and profitability in the coming quarters as well. Thus, this accreted income will help to set off the NIM compression which the bank may face due to a peak in the interest rate cycle. Also, with its high-cost legacy borrowing reduced, the bank can deliver healthy growth across all the key financial metrics in the medium to long term. Thus, we believe the bank is well-poised for growth, and our outlook remains positive.

*"The bank has reduced its corporate (non-infra) book from 29% in March 2019 to 16% in September 2023. Similarly, the bank has reduced its infrastructure financing portfolio from 19% in March 2019 to 1.8% in September 2023."*

## Key Concall Highlights

- The significant and growing part of the book, i.e. the retail, rural and SME business, has low NPA levels because of high-quality underwriting, credit bureaus, technology, and cash-flow-based lending capabilities.
- The bank's other income saw healthy growth due to the bank's strategy of launching and scaling up many fee-based products in the last four years. Many of these products are in the early stage of their life cycle and have the potential to grow significantly going forward.
- IDFC First's ability to raise deposits is strong enough to fund the 25% growth of the loan book and also be able to repay the high-cost bonds as and when they are maturing. In FY24, the bank plans to repay around Rs. 3,000 crores, thus reducing its high-cost bonds and improving NIMs.
- The bank continues to see faster growth in term deposits, which grew by 68% on a YoY basis and 11% sequentially, as customers are looking to lock in higher interest rates in the system. The growth in term deposits is predominantly driven by retail.
- IDFC First had a healthy advance growth driven by the issuance of 1.9 million credit cards, and the gross spending on credit cards increased by 64% in H1FY24. Rural books also registered a strong growth of 51% on a yearly basis, whereas funding for SME for business purposes and corporate segment increased by 22% on a YoY basis
- The operating expenses remained elevated due to an increase in business volumes, branch expansion, and an increase in some tech expenses.
- The bank's management reiterates that its cost to income will remain elevated for some time as it aggressively focuses on increasing its deposits with a target of Rs. 50,000 crores addition in FY24 and Rs. 60,000-65,000 crores in FY25.
- On the deposit front, the bank's large part of the catch-up cost has already come in, and the bank expects the cost could marginally rise by another 10-15bps in H2FY24.

*"The bank's exposure to the top 20 single borrowers reduced from 16% in March 2019 to 6% in September 2023. Further, the exposure to the top five industries also reduced from 41% in March 2019 to 20% in September 2023."*

## IDFC First Bank

## Result Update Q2FY24

Key Financials							
YE March (Rs. crores)	FY18	FY19	FY20	FY21	FY22	FY23	H1FY24
Net Interest Income	1,798	3,199	6,076	7,380	9,706	12,635	7,695
Growth %		77.9%	89.9%	21.5%	31.5%	30.2%	21.8%
PPOP	2,361	1,546	2,376	3,113	3,284	4,932	3,011
Growth%		-34.5%	53.7%	31.0%	5.5%	50.2%	22.1%
Net Profit	859	-1,944	-2,864	452	145	2,437	1,516
Growth %		-326.2%	47.3%	-115.8%	-67.9%	1580.7%	24.4%
EPS	2.52	-4.75	-5.98	0.82	0.23	3.68	4.24
Profitability & Valuation							
NIM (%)	1.70%	2.37%	3.91%	5.03%	5.96%	6.05%	6.32%
RoA (%)	0.72%	-1.33%	-1.75%	0.29%	0.08%	1.13%	1.07%
RoE (%)	5.70%	-11.64%	-17.10%	2.73%	0.75%	10.95%	12.20%
BV per Share (INR.)	38.43	37.98	31.9	31.37	33.78	38.86	43.9
P/E (x)	35.1	-18.6	-14.8	107.9	384.8	24.0	19.8
P/BV (x)	2.3	2.3	2.8	2.8	2.6	2.3	1.9
Cost to Income Ratio	78.75%	79.45%	76.86%	78.79%	77.79%	72.54%	71.40%

Source: Company, BP Equities Research



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**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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