

IDFC FIRST BANK LTD.

Sector

May 15, 2023

Buy at CMP: Rs 65 | Target: Rs 76.7 (18%) | SL: Rs 61.5

Bank



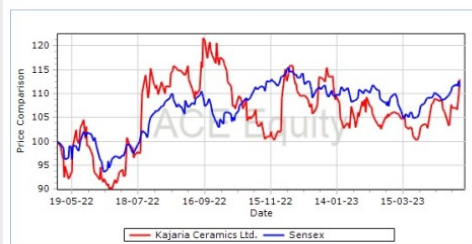
Script Details

BSE Group	A
BSE Code	539437
NSE Code	IDFCFIRSTB
Bloomberg Code	IDFCFB IN
Market Cap (INR Cr.)	42,879
Free Float (%)	60.0%
52wk Low/High	66/29
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	10/0
Total paid Up Shares (Mn.)	6619.1

Share Holding Pattern (%)

Promoters	Public	Others
40.0%	60.0%	-

Share Price Relative Performance



IDFC FIRST Bank is a private sector bank in India that offers a range of financial products and services such as savings accounts, current accounts, fixed deposits, personal loans, home loans, business loans, and credit cards. The bank was formed in 2018 after the merger of IDFC Bank and Capital First. It has a strong digital presence and offers convenient banking services through its mobile app and internet banking platform.

Investment Rationale

- ◆ **Improving Asset Quality:** IDFC FIRST Bank's asset quality has shown a significant improvement in Q4FY23. The moderation in asset quality set to improve profitability. There has been a reduction in gross non-performing assets (GNPA) and net non-performing assets (NNPA) by 45 basis points and 17 basis points respectively in Q4FY23, resulting in a GNPA and NNPA of 2.51% and 1.03%. The bank's retail segment, which makes up 79% of its total loan book, has a GNPA/NNPA of 1.65%/0.55%. The bank's collection efficiency was consistent at 99.5% during the quarter, and its overall Provision Coverage Ratio improved to 80.3%.
- ◆ **Robust Deposit growth to Improve CASA ratio:** IDFC FIRST Bank has made significant progress in accelerating its growth by focusing on retail advances. During the quarter, the bank's gross funded asset grew by 24% YoY to Rs. 1,60,559 crores, with its retail loan book contributing 79% of the total book. The bank has also witnessed exceptional growth in deposits, with a YoY growth rate of 47%. The bank expects its advance and deposit books to grow by 24% over FY23-25E. The bank's CASA ratio was 49.8%, slightly lower than the previous quarter's 50.0%. The bank's capital adequacy ratio stood at 16.8%.
- ◆ **ROE to Improve:** Management is guiding the cost-to-income ratio to fall below 65% by Q4FY25. The Bank is guiding a 2-1-2 formula, which says 2% gross NPA, 1% net NPA, and 2% credit cost. The credit cost as a percentage of average funded assets for Q4FY23 is 1.2%, lower than the management guidance of 1.5% for FY23, hence the low cost funds to aim in improving profitability and ROE.
- ◆ **Outlook and Valuations:** Company is estimated to clock 20-25% loan growth over FY22-FY25E. Which implies forward PB of 1.2(x) for FY25E. We value it with a Price to book multiple of 1.8x to FY25E earnings which results per share value of Rs 76.7. We recommend BUY on IDFCFIRSTB at CMP of Rs. 65 with Target price of Rs. 76.7 (18%).

Financial Snapshot

Year	Net Interest Rev.	Pre-Provision Profit	PAT (Rs Cr)	PB Ratio (x)
FY22A	9,707	3,283	132	1.7
FY23E	12,550	4,996	2,451	1.8
FY24E	13,869	6,680	3,557	1.4
FY25E	16,685	8,176	4,365	1.2

Source: Company Data, Ace Equity, GEPL Research

TECHNICAL VIEW

Observation

- The stock IDFCFIRSTB has shown a change in its polarity around the level of 53.25. This illustrates the rising Bullish sentiment behind the prices.
- Post creating a Bullish Gap in the prior Week the prices kept the Gap unfilled throughout the period of 2 weeks which shows the demand at the lower levels.
- On the Weekly timeframe, the stock price has broken out from the Descending Triangle pattern in the late April 2023 and was accompanied by high trading volumes. This indicates a strong confirmation of the breakout and suggests a potential reversal to the upside.
- The prices have surpassed its variable support of Super trend (7, 1.9) on the weekly timeframe. The indicator acted as optimum support to the prices in its trending phase.
- The relative strength index (RSI) on the weekly timeframe as well as on the daily time frame has sustained well above the 50 mark reflecting presence of positive momentum.



Inference & Expectations

- The stock looks good to continue its uptrend from the current levels.
- Going ahead we expect the prices to move higher till 76 level.
- The stop loss must be at 61.50 level, strictly on the closing basis.



Name	Designation	Email	Contact
Mr. Vidhyan Sawant	Assistant Vice President (AVP), Technical Desk	vidhyan@geplcapital.com	+91 (22) 66182687
Mr. Harshad Gadekar	Research Analyst, Fundamental Desk	harshadgadekar@geplcapital.com	+91 (22) 66142685
Mr. Omkar Patil	Technical Research Associate	Omkarpatil@geplcapital.com	+91 (22) 66142688

Terms & Conditions – For Investors

We, Research Analyst of GEPL Capital, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We, also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Disclosure: -

This document has been prepared by Research Department of GEPL Capital Pvt. Ltd. (hereinafter referred to as GEPL Capital) and this report is for personal information of the selected recipient/s and does not construe to be any investment, recommendation, prospectus, offering circular or legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and GEPL Capital is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your general information and should not be reproduced or redistributed to any other person in any form. This report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. GEPL Capital makes no representation or warranty, express or implied, as to, and does not accept any responsibility or liability or obligation with respect to, the fairness, accuracy, completeness or correctness of any information or update information or opinions contained herein. All investments including Future and Options are involving risks and investor should exercise prudence in making their investment decisions. The report should not be regarded by the recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or GEPL Capital as a result of using different assumptions and criteria. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. The information contained in this report has been obtained from sources that are considered to be reliable. However, GEPL Capital has not independently verified the accuracy or completeness of the same. Neither GEPL Capital nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein. GEPL Capital and its affiliates and/or their officers, directors and employees may have similar position in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment. GEPL Capital specifically prohibits the redistribution of this material in whole or in part without the written permission of GEPL Capital and GEPL Capital accepts no liability whatsoever for the actions of third parties in this regard. GEPL Capital or its director or its research analysts or its associates or his relatives and/or its affiliates and/or employees do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report. Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

Disclaimers in respect of jurisdiction:

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such Distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject GEPL Capital its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently send or has reached any individual the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of GEPL Capital.

Analyst Certification:

The views expressed in this research report reflect the personal views of the analyst(s) about the subject securities or issues. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

GEPL Capital Private Limited is a SEBI registered Research Analyst entity bearing SEBI Reg. No. "INH000000081" under SEBI (Research Analysts) Regulations, 2014.

Reg./Corp. Office: D-21 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400 001 Contact No +91 22 66182400

SEBI Reg. No. NSE/NSEF&O/CD - INB230993934, INF230993934 & INE230993934. BSE/BSE F&O- INB010993934 & INF010993934,

For more information visit us at: www.geplcapital.com

Disclaimer: Investments in securities market are subject to market risks, read all the related documents carefully before investing. Investors must make their own investment decisions based on their specific goals, financial position & risk appetite. The content provided herewith is purely for investor awareness only.