

BUY**TP: Rs 96 | ▲ 19%****IDFC FIRST BANK**

| Banking

| 11 March 2024

Ambitious growth outlook

- Management targets credit/deposit CAGR of 20%/25% over FY24-FY29; NIM to stabilise at current mark with upward bias (6.4% in Q3FY24)
- Strategic realignment of balance sheet to improve overall performance but bank still lags in operational efficiencies, in our view
- We expect 31% PAT CAGR over FY23-FY26 and assume coverage with BUY and TP of Rs 96 (1.6x FY26E ABV)

Bank aims to achieve strong business growth: Since it merged with IDFC, IDFCBK delivered strong business growth (moving from institutional lending to retail business) with the focus on reducing high-cost funds to improve margin (infrastructure book constitutes 1.6% in Q3FY24 from 19.4% in FY19). In line with strategy, IDFCBK's advances/deposits rose at a healthy 21%/27% CAGR over FY19-FY23, while its current guidance targets credit/deposit CAGR of 20%/25% over FY24-FY29.

SME and retail portfolios to drive growth: Baking in IDFCBK's track record and industry dynamics, we assume a credit/deposit CAGR of 24%/31% over FY23-FY26. We expect strategic growth in the loan book to be driven by the SME and retail portfolios, likely aiding NIM. Along with strong deposit growth, IDFCBK has a healthy CASA ratio of 47% in Q3FY24 (the highest among peers) which also supports NIM.

Stable NIM, C/I to improve: The steady decline in high-cost funding sources and focus on retail assets helped the bank improve NIM by 10bps QoQ to 6.4% in Q3FY24. Management has guided for NIM to stay at the current level. IDFCBK's focus on granularity kept its operational cost elevated and its C/I ratio for Q3 stood at 73% (industry's highest). Management expects business volume leverage to be effective post FY25 substantially improving operational efficiencies. We model for a 25% NII CAGR through to FY26 with the C/I ratio improving to 68% by FY26.

Stable asset quality: The bank's conservative approach on asset quality led to substantial improvements in GNPA and NNPA to 2.0%/0.7% in Q3FY24 vs. 2%/1% in FY19. The restructured/SMA book at 0.35%/0.85% provide confidence on asset health. Credit cost at 1.4% seems healthy. We expect its asset quality to remain stable with a GNPA/NNPA of 2.1%/0.7% over FY26 with a PCR of 69%.

BUY, TP Rs 96: Better operational efficiencies would be key to improving ROA/ROE (1.4%/14% in FY26E). Considering sustainable growth and stable asset quality, we assume coverage with BUY, valuing the stock at 1.6x FY26E ABV using the Gordon Growth Model.

Ajit Agrawal

research@bobcaps.in

Key changes

Target	Rating
▲	▲

Ticker/Price	IDFCBK IN/Rs 81
Market cap	US\$ 6.6bn
Free float	63%
3M ADV	US\$ 37.8mn
52wk high/low	Rs 101/Rs 52
Promoter/FPI/DII	37%/24%/7%

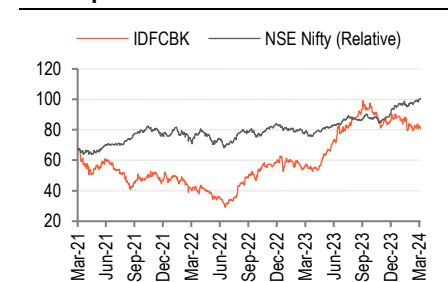
Source: NSE | Price as of 7 Mar 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Net interest income	126,353	163,866	200,771
NII growth (%)	30.2	29.7	22.5
Adj. net profit (Rs mn)	24,371	29,772	37,498
EPS (Rs)	3.8	4.5	5.6
Consensus EPS (Rs)	3.8	4.7	5.8
P/E (x)	21.3	18.1	14.5
P/BV (x)	2.1	1.7	1.5
ROA (%)	1.1	1.1	1.2
ROE (%)	10.4	10.3	11.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Loan book trend

(Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Home Loan	153,520	169,250	177,830	195,520	201,390	212,570	211,260	18.8	(0.6)
LAP	186,310	187,400	196,780	201,990	201,030	216,290	218,340	11.0	0.9
Vehicle Loans	112,630	126,150	138,930	148,230	163,650	178,420	182,060	31.0	2.0
Consumer Loans	194,100	190,000	193,480	198,860	223,290	232,350	266,240	37.6	14.6
Education Loan	2,690	5,780	7,500	9,330	12,850	17,610	19,890	165.2	12.9
Credit Cards	23,150	27,060	31,460	35,100	38,930	42,820	49,460	57.2	15.5
Gold Loan	880	1,240	1,620	2,560	3,630	5,630	7,750	378.4	37.7
Others	90,780	106,650	113,610	118,670	128,510	140,340	158,970	39.9	13.3
Retail Finance	764,060	813,530	861,210	910,260	973,280	1,046,030	1,113,970	29.3	6.5
Rural Finance	142,230	151,420	162,480	191,810	207,440	228,280	239,550	47.4	4.9
CV/CE Financing	20,400	25,200	30,230	36,680	42,470	49,340	51,150	69.2	3.7
Business Banking	35,160	39,940	44,700	50,730	53,540	61,020	66,990	49.9	9.8
Corporate Loans	239,700	248,830	253,730	258,940	276,620	293,240	281,520	11.0	(4.0)
SME & Corporate Finance	402,940	428,740	442,120	457,280	497,490	524,480	511,290	15.6	(2.5)
Infrastructure	67,390	59,920	55,720	46,640	37,580	33,560	29,940	(46.3)	(10.8)
Total Loans	1,376,620	1,453,610	1,521,530	1,605,990	1,715,790	1,832,350	1,894,750	24.5	3.4

Source: Company, BOBCAPS Research

Fig 2 – Loan book distribution

(%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Home Loan	11.2	11.6	11.7	12.2	11.7	11.6	11.1	(54bps)	(45bps)
LAP	13.5	12.9	12.9	12.6	11.7	11.8	11.5	(141bps)	(28bps)
Vehicle Loans	8.2	8.7	9.1	9.2	9.5	9.7	9.6	48bps	(13bps)
Consumer Loans	14.1	13.1	12.7	12.4	13.0	12.7	14.1	134bps	137bps
Education Loan	0.2	0.4	0.5	0.6	0.7	1.0	1.0	56bps	9bps
Credit Cards	1.7	1.9	2.1	2.2	2.3	2.3	2.6	54bps	27bps
Gold Loan	0.1	0.1	0.1	0.2	0.2	0.3	0.4	30bps	10bps
Others	6.6	7.3	7.5	7.4	7.5	7.7	8.4	92bps	73bps
Retail Finance	55.5	56.0	56.6	56.7	56.7	57.1	58.8	219bps	171bps
Rural Finance	10.3	10.4	10.7	11.9	12.1	12.5	12.6	196bps	18bps
CV/CE Financing	1.5	1.7	2.0	2.3	2.5	2.7	2.7	71bps	1bps
Business Banking	2.6	2.7	2.9	3.2	3.1	3.3	3.5	60bps	21bps
Corporate Loans	17.4	17.1	16.7	16.1	16.1	16.0	14.9	(182bps)	(115bps)
SME & Corporate Finance	29.3	29.5	29.1	28.5	29.0	28.6	27.0	(207bps)	(164bps)
Infrastructure	4.9	4.1	3.7	2.9	2.2	1.8	1.6	(208bps)	(25bps)
Total Loans	100.0	100.0	100.0	100.0	100.0	100.0	100.0	0bps	0bps

Source: Company, BOBCAPS Research

Fig 3 – Deposit trend

(Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
CASA Deposits	567,200	633,050	664,980	719,830	717,650	794,680	854,920	28.6	7.6
Term Deposits	566,290	601,374	665,400	726,543	826,620	917,679	970,570	45.9	5.8
Total Deposits	1,133,490	1,234,424	1,330,380	1,446,373	1,544,270	1,712,359	1,825,490	37.2	6.6

Source: Company, BOBCAPS Research

Fig 4 – Deposit distribution

(%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
CASA Deposits	50.0	51.3	50.0	49.8	46.5	46.4	46.8	(315bps)	42bps
Term Deposits	50.0	48.7	50.0	50.2	53.5	53.6	53.2	315bps	(42bps)
Total Deposits	100.0	100.0	100.0	100.0	100.0	100.0	100.0	0bps	0bps

Source: Company, BOBCAPS Research

Fig 5 – Source of fund distribution

(Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Legacy Long Term Bonds	66,240	65,080	65,110	64,110	61,480	61,290	60,300	(7.4)	(1.6)
Legacy Infrastructure Bonds	79,580	77,420	75,420	69,150	69,010	59,080	58,990	(21.8)	(0.2)
Refinance	176,300	201,090	202,270	209,900	199,100	186,940	175,380	(13.3)	(6.2)
Other Borrowings	53,150	47,490	20,640	29,760	42,970	11,090	20,750	0.5	87.1
Tier II Bonds	15,000	15,000	30,000	30,000	45,000	45,000	45,000	50.0	0.0
Total Borrowings	390,270	406,080	393,440	402,920	417,560	363,400	360,420	(8.4)	(0.8)
CASA Deposits	567,200	633,050	664,980	719,830	717,650	794,680	854,920	28.6	7.6
Term Deposits	461,480	507,000	570,800	648,290	767,090	852,580	909,900	59.4	6.7
Total Customers Deposits	1,028,680	1,140,050	1,235,780	1,368,120	1,484,740	1,647,260	1,764,820	42.8	7.1
Certificate of Deposits	104,810	94,380	94,600	78,260	59,530	65,100	60,680	(35.9)	(6.8)
Money Market Borrowings	166,620	160,340	150,630	169,210	139,850	168,260	90,670	(39.8)	(46.1)
Borrowings & Deposits	1,690,380	1,800,850	1,874,450	2,018,510	2,101,680	2,244,020	2,276,590	21.5	1.5

Source: Company, BOBCAPS Research

Fig 6 – Source of fund distribution trend

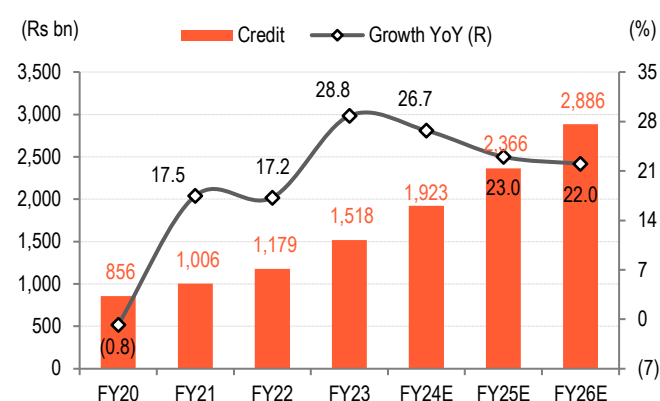
(%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Legacy Long Term Bonds	3.9	3.6	3.5	3.2	2.9	2.7	2.6	(82bps)	(8bps)
Legacy Infrastructure Bonds	4.7	4.3	4.0	3.4	3.3	2.6	2.6	(143bps)	(4bps)
Refinance	10.4	11.2	10.8	10.4	9.5	8.3	7.7	(309bps)	(63bps)
Other Borrowings	3.1	2.6	1.1	1.5	2.0	0.5	0.9	(19bps)	42bps
Tier II Bonds	0.9	0.8	1.6	1.5	2.1	2.0	2.0	38bps	(3bps)
Total Borrowings	23.1	22.5	21.0	20.0	19.9	16.2	15.8	(516bps)	(36bps)
CASA Deposits	33.6	35.2	35.5	35.7	34.1	35.4	37.6	208bps	214bps
Term Deposits	27.3	28.2	30.5	32.1	36.5	38.0	40.0	952bps	197bps
Total Customers Deposits	60.9	63.3	65.9	67.8	70.6	73.4	77.5	1159bps	411bps
Certificate of Deposits	6.2	5.2	5.0	3.9	2.8	2.9	2.7	(238bps)	(24bps)
Money Market Borrowings	9.9	8.9	8.0	8.4	6.7	7.5	4.0	(405bps)	(352bps)
Borrowings & Deposits	100.0	100.0	100.0	100.0	100.0	100.0	100.0	0bps	0bps

Source: Company, BOBCAPS Research

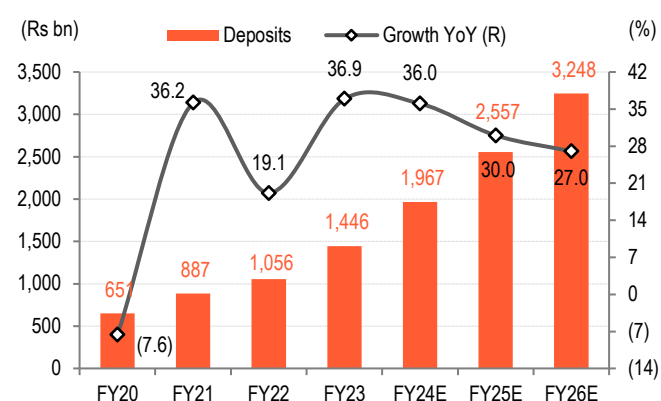
Fig 7 – Maturity profile of high-cost borrowings

(Rs mn)	Q3FY23	Q3FY24	Q4FY24E	FY25E	FY26E	Post FY26E	Rol (%)
Infrastructure Bonds	75,420	58,990	-	50,640	8,340	-	8.94
Long Term Legacy Bonds	65,110	60,300	13,100	11,260	35,940	-	8.91
Other Bonds	18,670	7,480	-	1,230	2,990	3,270	9.07
Refinance	28,420	9,300	-	9,300	-	-	8.25
Total	187,620	136,070	13,100	72,430	47,270	3,270	8.89

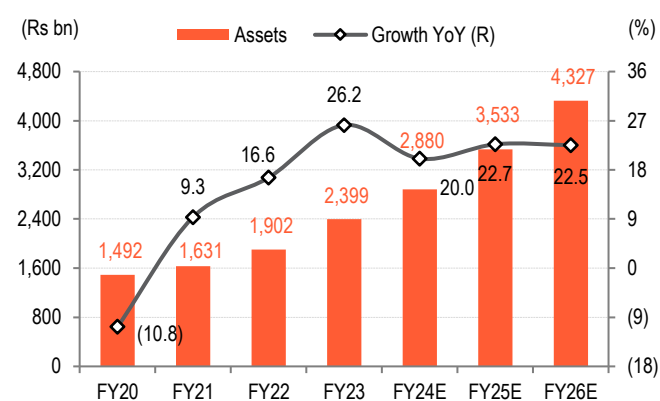
Source: Company, BOBCAPS Research

Fig 8 – Expect 24% credit CAGR for FY23-FY26E

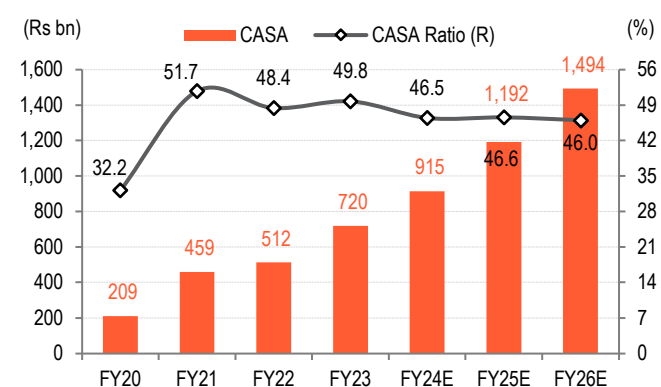
Source: Company, BOBCAPS Research

Fig 9 – Deposit continues to outpace credit growth

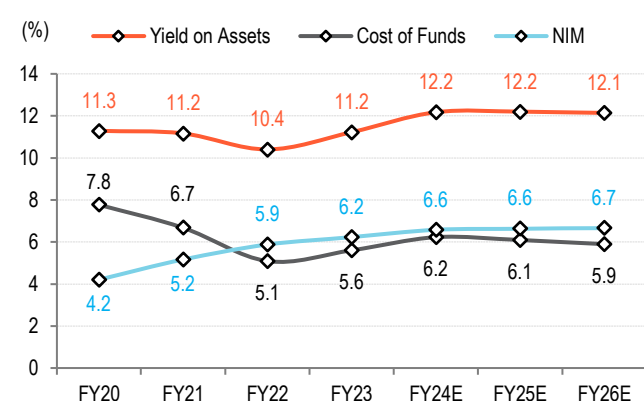
Source: Company, BOBCAPS Research

Fig 10 – Asset growth to stay healthy

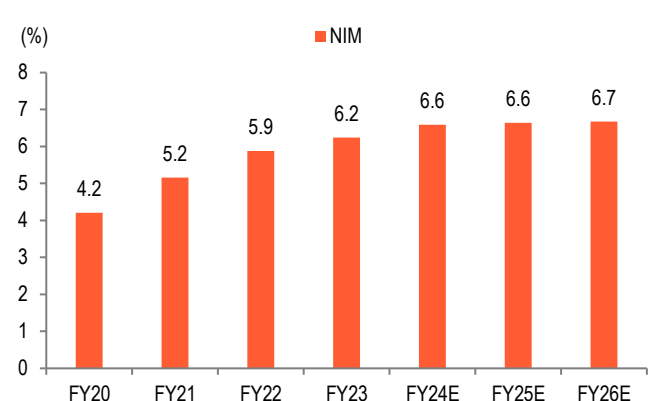
Source: Company, BOBCAPS Research

Fig 11 – Focus on granularity to keep CASA elevated

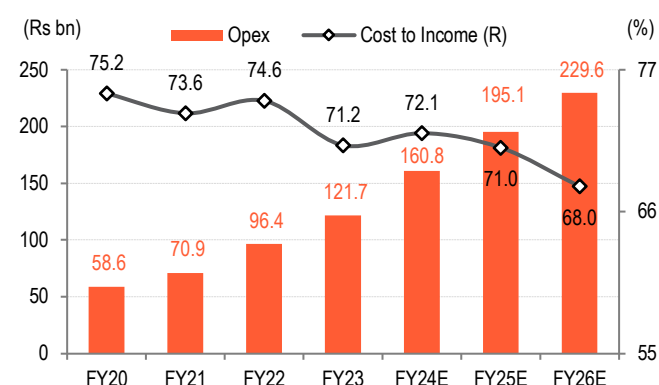
Source: Company, BOBCAPS Research

Fig 12 – Cost of funds likely to stabilise

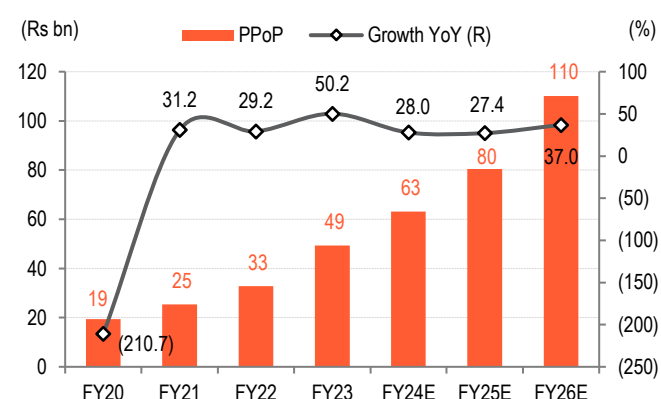
Source: Company, BOBCAPS Research

Fig 13 – NIM (calc.) to remain stable at current level

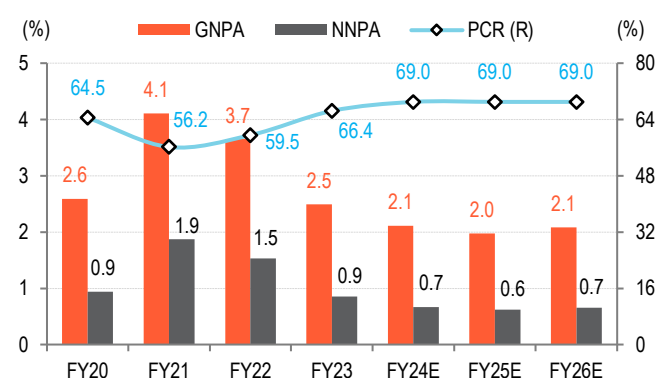
Source: Company, BOBCAPS Research

Fig 14 – Operating cost to moderate post FY25

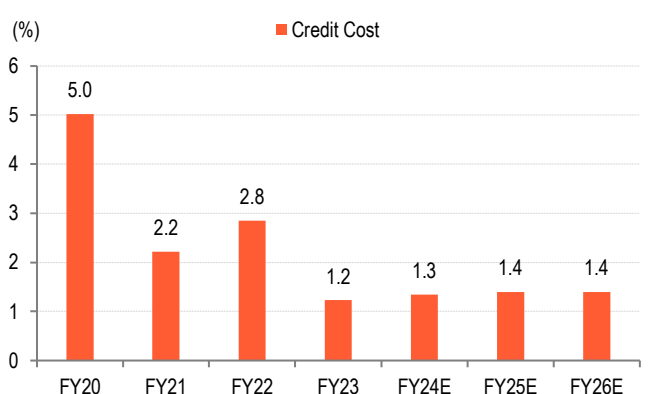
Source: Company, BOBCAPS Research

Fig 15 – Operational efficiency to be key for PPOP

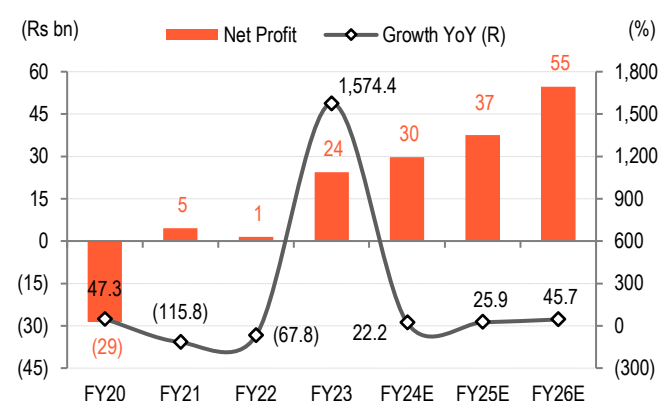
Source: Company, BOBCAPS Research

Fig 16 – Asset quality to remain stable

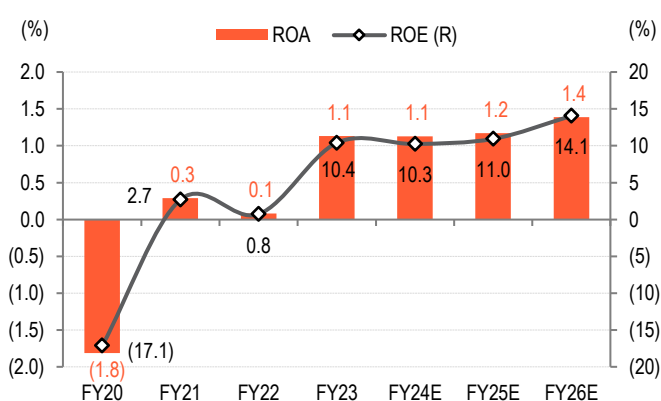
Source: Company, BOBCAPS Research

Fig 17 – Credit cost to remain within guidance level

Source: Company, BOBCAPS Research

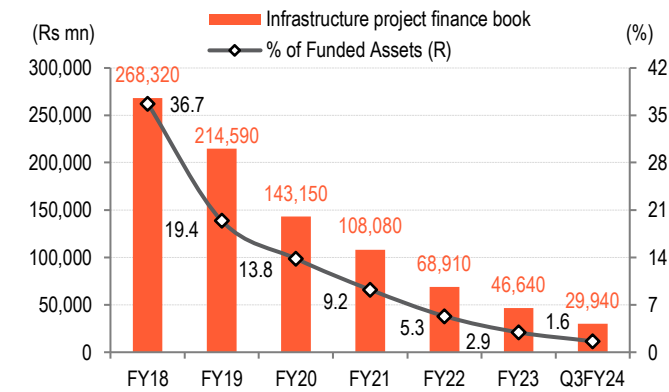
Fig 18 – Expect 30% PAT CAGR over FY23-FY26E

Source: Company, BOBCAPS Research

Fig 19 – Return ratios to improve over FY23-FY26E

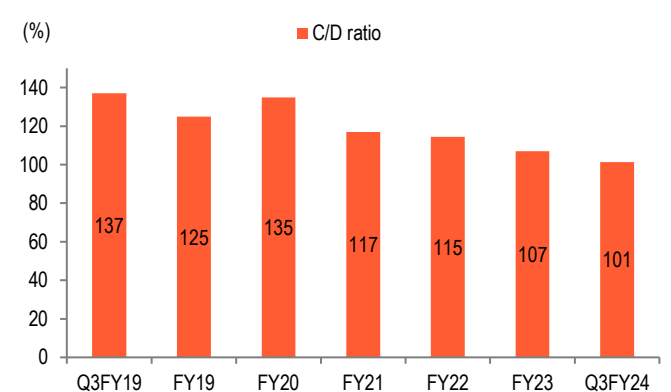
Source: Company, BOBCAPS Research

Fig 20 – Infrastructure book trend continued to decline



Source: Company, BOBCAPS Research

Fig 21 – C/D ratio to improve gradually



Source: Company, BOBCAPS Research

Valuation methodology

IDFCBK maintained its healthy growth momentum, with advances growing 25% YoY and 3% QoQ in Q3FY24, driven by consumer loans (up 38% YoY/15% QoQ), vehicle loans (up 31% YoY/2% QoQ) and rural finance (up 47% YoY/5% QoQ). The bank continued to reduce loans in infrastructure book which stood at 1.6% in Q3FY24 of the total funded assets vs. 19.4% in FY19, 9.2% in FY21 and 2.9% in FY23. Management is confident of growing its advances by 20.3% CAGR between FY24 and FY29, and to Rs 5trn by FY29. We estimate advances growth at 24% CAGR over FY24-FY26.

The bank grew its deposits by 37% YoY during Q3FY24 mainly driven by retail deposits which will aid credit growth and the repayment of high-cost legacy borrowings. It has expanded its network to 897 branches in Q3FY24 from 206 in FY19 (targeting a network of 1,700-1,800 by FY29), aiding granularity, wherein CASA deposit share was 46.8% – the highest among its peers – helping it to maintain its margin at a healthy level (current margin at 6.42%, up 10bps QoQ). Considering its historical track record, the bank is aiming for a deposit CAGR of 25% over FY24-FY29 and will likely approach a deposit base of Rs 5.85tn by FY29, which seems achievable in our view.

Continuous investments in branch expansion, digitisation and marketing spends have kept its opex at elevated levels, which increased by 33% YoY and 10% QoQ, taking the C/I ratio to 73.1% YoY (vs. 71.9% QoQ). Management indicated opex would remain elevated in the near term and expects moderation post Q3FY25 with business volume leverage in play.

The bank posted a credit cost of 1.4% in Q3FY24 which increased by 22bps QoQ. It is still below the bank's guidance of 1.5% (healthy considering its business model). However, management expects it to normalise in the absence of higher recoveries which the bank is currently witnessing. IDFCBK's GNPA stood at 2.04% and NNPA 0.68% with PCR (Reported) at 85%. Restructured book stood at 0.35% while overall stressed assets and NNPA was 0.66%, which was 1.15% a year ago. The bank's SMA book stood at 0.85% – stable for the last four quarters.

As the bank is witnessing strong growth with stable margin and asset quality, operational efficiencies will likely improve its overall return ratio. The bank's current ROA is 1.1% and ROE 10.0%. It is targeting a substantial improvement by FY29, with target ROA at 1.9-2.0% and ROE at 17-18%.

IDFCBK is a turnaround story post Covid-19, with its business dynamics and asset quality improving substantially, as partly reflected in the valuation rerating over the past one year. Thus, factoring in robust business growth, stable margins and healthy asset quality, we believe the bank has further potential to improve its return metrics. Additionally, the bank is well capitalised with a CAR of 16.7% (CET1 at 14%), which will likely support business growth. We estimate ROA of 1.4% and ROE of 14% by FY26 vs. ROA/ROE of 1.1%/10.0% in Q3FY24.

We value the bank at 1.6x FY26E ABV using the Gordon Growth Model and assume coverage with BUY with a TP of Rs 96. We believe the bank's strategic approach to becoming IDFC 2.0 will augur well for it, though improving operational efficiencies would be key.

Fig 22 – Key operational assumptions

Parameter (%)	FY23A	FY24E	FY25E	FY26E
Advances Growth	28.8	26.7	23.0	22.0
NII Growth	30.2	29.7	22.5	23.1
PPoP Growth	50.2	28.0	27.4	37.0
PAT Growth	1,574.4	22.2	25.9	45.7
NIM	6.2	6.6	6.6	6.7
GNPA	2.5	2.1	2.0	2.1
CAR	16.9	16.2	15.2	14.3

Source: Company, BOBCAPS Research

Fig 23 – Key valuation assumptions: Gordon Growth model

Particulars (%)	
Cost of equity (%)	12.9
Blended ROE (%)	15.2
Initial high growth period (yrs)	10.0
Payout ratio of high-growth phase (%)	20.0
Long-term growth (%)	6
Long term dividend payout ratio (%)	60
Justified P/BV Multiple (x)	1.6
Implied BVPS (Rs)	59
Value per share (Rs)	96

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- bank's inability to manage the cost of funds, leading to compressed margin, and
- inability to manage the credit cycle.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Axis Bank	AXSB IN	41.7	1,111	1,252	BUY
Bandhan Bank	BANDHAN IN	3.8	195	270	BUY
DCB Bank	DCBB IN	0.5	128	172	BUY
Federal Bank	FB IN	4.6	156	189	BUY
HDFC Bank	HDFCB IN	132.7	1,446	1,896	BUY
ICICI Bank	ICICIB IN	92.9	1,088	1,189	BUY
IDFC First Bank	IDFCBK IN	6.6	81	96	BUY
Indusind Bank	IIB IN	14.8	1,564	1,952	BUY
Kotak Mahindra Bank	KMB IN	45.6	1,748	2,100	BUY
RBL Bank	RBK IN	1.9	256	309	BUY
State Bank of India	SBIN IN	85.6	788	842	BUY

Source: BOBCAPS Research, NSE | Price as of 7 Mar 2024

Glossary

Glossary of Abbreviations			
AUCA	Advance Under Collection Account	LCR	Liquidity Coverage Ratio
ARC	Asset Reconstruction Company	MCLR	Marginal Cost of Funds-based Lending Rate
BRDS	Bills Rediscounting Scheme	MFI	Microfinance Institution
CAR	Capital Adequacy Ratio	MTM	Mark to Market
CASA	Current Account and Savings Account	NII	Net Interest Income
CD	Credit-Deposit Ratio	NIM	Net Interest Margin
CET1	Common Equity Tier 1	NNPA	Net Non-Performing Assets
CGFMU	Credit Guarantee Fund for Micro Units	PCR	Provision Coverage Ratio
C/I	Cost-Income Ratio	PPOP	Pre-Provision Operating Profit
CRB	Commercial and Rural Banking	PSU	Public Sector Unit
EBLR	External Benchmark-based Lending Rate	RWA	Risk-weighted Assets
ECL	Expected Credit Loss	SA	Savings Account
ECLGS	Emergency Credit Line Guarantee Scheme	SLR	Statutory Liquidity Ratio
GNPA	Gross Non-Performing Assets	SMA	Special Mention Account
IBPC	Interbank Participation Certificate	SME	Small and Medium-sized Enterprises
LAP	Loans against Property		

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Net interest income	97,062	126,353	163,866	200,771	247,052
NII growth (%)	31.5	30.2	29.7	22.5	23.1
Non-interest income	32,220	44,670	60,083	74,714	92,752
Total income	129,282	171,023	223,949	275,485	339,803
Operating expenses	96,444	121,704	160,815	195,063	229,634
PPOP	32,838	49,320	63,134	80,422	110,170
PPOP growth (%)	29.2	50.2	28.0	27.4	37.0
Provisions	31,086	16,648	23,205	30,022	36,761
PBT	1,752	32,671	39,929	50,400	73,409
Tax	297	8,300	10,157	12,902	18,793
Reported net profit	1,456	24,371	29,772	37,498	54,616
Adjustments	0	0	0	0	0
Adjusted net profit	1,456	24,371	29,772	37,498	54,616

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Equity capital	62,177	66,181	67,225	67,225	67,225
Reserves & surplus	147,858	191,030	255,541	293,039	347,655
Net worth	210,035	257,212	322,766	360,263	414,879
Deposits	1,056,344	1,446,373	1,967,067	2,557,188	3,247,628
Borrowings	529,626	572,121	486,303	515,481	561,874
Other liab. & provisions	105,812	123,711	103,964	100,219	102,769
Total liab. & equities	1,901,816	2,399,417	2,880,100	3,533,151	4,327,151
Cash & bank balance	157,579	138,980	159,287	190,019	243,802
Investments	461,448	611,236	645,638	787,461	963,504
Advances	1,178,578	1,517,945	1,923,237	2,365,581	2,886,009
Fixed & Other assets	104,211	131,256	151,938	190,090	233,836
Total assets	1,901,816	2,399,417	2,880,100	3,533,151	4,327,151
Deposit growth (%)	19.1	36.9	36.0	30.0	27.0
Advances growth (%)	17.2	28.8	26.7	23.0	22.0

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
EPS	0.2	3.8	4.5	5.6	8.1
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	33.8	38.9	48.0	53.6	61.7

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
P/E	330.1	21.3	18.1	14.5	9.9
P/BV	2.4	2.1	1.7	1.5	1.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Net interest income	5.5	5.9	6.2	6.3	6.3
Non-interest income	1.8	2.1	2.3	2.3	2.4
Operating expenses	5.5	5.7	6.1	6.1	5.8
Pre-provisioning profit	1.9	2.3	2.4	2.5	2.8
Provisions	1.8	0.8	0.9	0.9	0.9
PBT	0.1	1.5	1.5	1.6	1.9
Tax	0.0	0.4	0.4	0.4	0.5
ROA	0.1	1.1	1.1	1.2	1.4
Leverage (x)	9.1	9.2	9.1	9.4	10.1
ROE	0.8	10.4	10.3	11.0	14.1

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
YoY growth (%)					
Net interest income	31.5	30.2	29.7	22.5	23.1
Pre-provisioning profit	29.2	50.2	28.0	27.4	37.0
EPS	(71.6)	1451.5	17.5	25.0	45.7
Profitability & Return ratios (%)					
Net interest margin	4.1	6.1	6.5	6.5	6.5
Fees / Avg. assets	0.3	0.5	0.5	0.5	0.5
Cost-Income	74.6	71.2	71.8	70.8	67.6
ROE	0.8	10.4	10.3	11.0	14.1
ROA	0.1	1.1	1.1	1.2	1.4
Asset quality (%)					
GNPA	3.7	2.5	2.1	2.0	2.1
NNPA	1.5	0.9	0.7	0.6	0.7
Slippage ratio	7.5	3.9	2.8	2.7	2.7
Credit cost	2.8	1.2	1.3	1.4	1.4
Provision coverage	58.0	65.6	68.3	68.4	68.3
Ratios (%)					
Credit-Deposit	111.6	104.9	97.8	92.5	88.9
Investment-Deposit	43.7	42.3	32.8	30.8	29.7
CAR	16.8	16.9	16.2	15.2	14.3
Tier-1	16.2	15.3	13.4	12.7	12.1

Source: Company, BOBCAPS Research

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

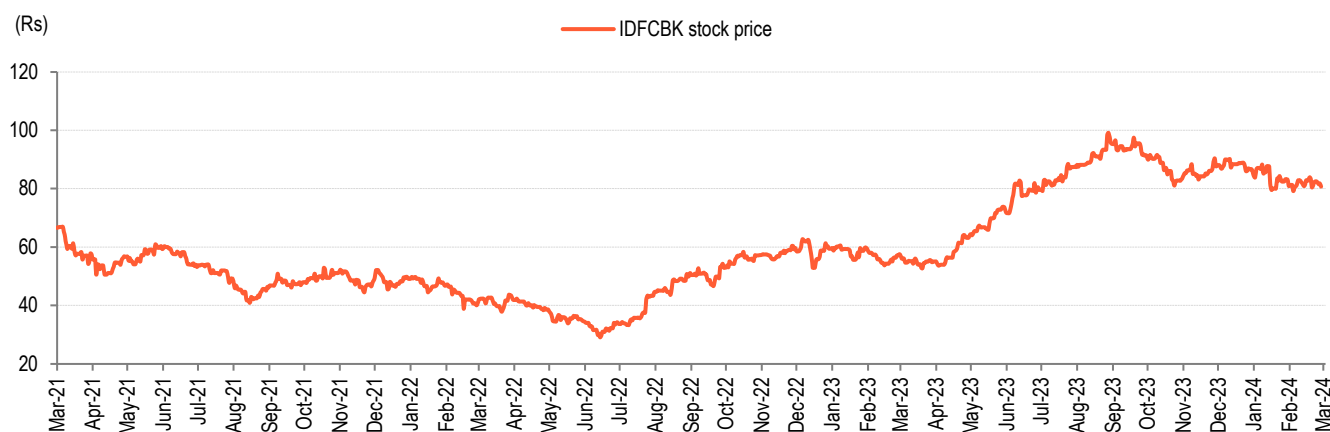
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): IDFC FIRST BANK (IDFCBK IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions 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. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It 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, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

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. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

Other disclaimers

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an “as is” basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the “Losses”) which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

Distribution into the United Kingdom (“UK”):

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd (“MSL”) who is authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom (MSL and its affiliates are collectively referred to as “MAYBANK”). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the “Order”), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as “relevant persons”).

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

No distribution into the US:

This report will not be distributed in the US and no US person may rely on this communication.

Other jurisdictions:

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.