IDFC First Bank Ltd — Jan 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat **One-line:** The retail engine is now firing on all cylinders with 28% loan growth and a 51.6% CASA ratio, while the decisive resolution of the large telecom account removes a major valuation overhang.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	PAT □281 Cr vs □130 Cr YoY (+117%); NII growth of 36% YoY.	□
Earnings Quality	High (Core driven)	NII and Fee income grew 36% and 28% respectively; provision release was recycled into PCR.	□
Guidance Confidence	Strong	Management re-iterating "2:1:2" guidance (2% GNPA, 1% NNPA, 2% Credit Cost).	□
Management Credibility	Strong	Legacy telecom account resolved as predicted; infra book reduced by 31% YoY.	□
Business Quality Signal	Improving	CASA ratio at 51.59% is now top-tier; Retail book now 62% of total funded assets.	□
Key Q&A Exchange	N/A — PPT_ONLY	Not applicable	□
The Street's Primary Anxiety	Legacy Asset Quality	Resolved via □2,000 Cr telecom bond redemption; Infra book now only 6.6% of total.	□
Capital Cycle Stage	Investment/ Scaling	Heavy investment in Credit Cards (□75 Cr loss/qtr) and 393 new branches since merger.	□
Margin / Return Trajectory	Improving	NIM expanded to 5.90% (up 110 bps YoY); RoE moving toward 15-16% long-term target.	□
Pricing Power	Expanding	Savings account interest capped at 5% while NIM expands; 82% of fees are retail-driven.	□
FCF Conversion & Quality	Strong	High liquidity (149% LCR) and granular deposit base (87% Retail CASA/TD).	□
Competitive Moat Signals	Widening	Tech-led stack (Credit Card activation 71%) and first-to-market features (monthly interest).	□
Balance Sheet Strength	Strong	CET-1 at 14.83%; Capital Adequacy at 15.38% (well above 11.5% regulatory req).	□
Working Capital Efficiency	Improving	Collection efficiency in urban retail at 99.4% (surpassing pre-COVID levels).	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on retailization and infra-book drawdown.	□
Key Vulnerability	Legacy Borrowings	□26,163 Cr of high-cost (8.7%) debt remains a □1,000 Cr annual drag on NII.	□
Management Tone	Confident	Tone emphasizes "Ethical, Digital, Social" and "Legacy issues largely behind us."	□

Key Takeaways (Positives & Negatives):

Positives: * **De-risking Milestone:** The receipt of □2,000 Cr from a large telecom account and subsequent release of □487 Cr in provisions validates management's stance on legacy exposures. * **Liability Moat:** CASA ratio of 51.59% and a daily average CASA of 50.54% puts the bank in the league of the top 3 private banks in India for deposit granularity. * **Operating Leverage:** Core PPOP (ex-trading gains) grew 54% YoY, indicating that the core banking business is beginning to outpace the heavy opex requirements of the setup phase. * **Retail Asset Quality:** Retail GNPA/NNPA improved significantly to 2.92%/1.28% (from 3.45%/1.66% QoQ), with lead indicators (cheque bounces) returning to pre-COVID levels.

Negatives: * **High-Cost Legacy Debt:** The bank is still carrying ₹26,163 Cr of legacy DFI-era borrowings at 8.7%. Replacing this with current <5% incremental costs is necessary for the next leg of RoE expansion. * **Infrastructure NPLs:** While the infra book is shrinking (6.6% of total), it still carries a 20.07% GNPA ratio, keeping the optics of headline NPA higher than pure retail peers. * **New Business Drags:** Credit cards (₹75 Cr/qtr) and Retail Liability setup (₹325-350 Cr/qtr) are currently loss-making, masking the 18-20% incremental RoEs seen in the retail lending business.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Concall not available — commentary absent.

Metric	Current Qtr (Q3 FY22)	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII Growth (%)	36%	First entry	First entry	↑	Driven by 28% retail asset growth and NIM expansion.
NIM (AUM basis %)	5.90%	↑ 110 bps	↑ 14 bps	↑	6.18% if including one-off telecom interest.
Cost of Funds % (Legacy)	8.70%	First entry	First entry	→	High-cost drag; avg maturity of 2.11 years remains.
CASA Ratio (period end %)	51.59%	↑ 328 bps	↑ 31 bps	↑	Driven by strong retail brand and service levels.
CASA Ratio (avg %)	50.54%	↑ 588 bps	↑ 109 bps	↑	Indicates sustainable, non-volatile deposit growth.
Loans Growth (% YoY)	11%	First entry	First entry	↑	Retail grew 28%; Wholesale/Infra intentionally shrunk.
Deposits Growth (% YoY)	11%	First entry	First entry	↑	Total Customer Deposits at □85,818 Cr.
GNPA %	3.96%	↑ 63 bps	↑ 31 bps	↑	Includes 72 bps impact from one toll account.
NNPA %	1.74%	↑ 41 bps	↑ 35 bps	↑	Excluding toll road, NNPA would be 1.14%.
Credit Cost (% funded assets)	1.28%	First entry	First entry	↑	Annualized; Bank confident in 2% long-term target.
Collection Efficiency %	99.4%	First entry	First entry	↑	Urban retail collections now above pre-COVID peaks.
CET1 %	14.83%	↑ 101 bps	↓ 2 bps	→	Strong capital buffer for growth.
PAT (□Cr)	281	↑ 117%	↑ 85%	↑	Significant profit turnaround as provisions normalize.
Fee Income Growth %	28%	First entry	First entry	↑	Retail fees now constitute 82% of total fee income.
Net Debt / Equity (x)	6.18	First entry	First entry	→	Borrowings + Deposits total □143,557 Cr.

2B. SEGMENT BREAKDOWN

Segment	Funded Assets (□Cr)	YoY Growth	Asset Quality (GNPA)	Trend	vs Co. Avg	Key Development
Retail Loans	75,556	28%	2.92%	↑	Higher	Home loans grew 44% YoY; Credit Card book 1,662 Cr.
Commercial Finance	10,496	16%	Part of Retail	↑	Lower	Strong driver of growth in MSME/ Business loans.
Corporate (Non-Infra)	21,647	-3%	2.52%	↓	Lower	Measured growth based on risk-reward dynamics.
Infrastructure	8,051	-31%	20.07%	↓	Much Higher	Legacy book run-down; now only 6.6% of assets.
Others (PTC/SR/ RIDF)	6,470	-23%	N/A	↓	N/A	Intentional reduction of non-core funded assets.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Asset Quality	GNPA 2%, NNPA 1%, Credit Cost 2% (2:1:2)	Requires ~100-150 bps further GNPA reduction.	On track (Urban retail back to pre-COVID levels).	Low
Guidance	RoE	13-15% long-term (Currently 5.59%)	Needs ~₹1,000 Cr NII boost from debt repricing.	Improving (Core PPOP grew 54%).	Medium
Guidance	Infra Book	Reduce to Nil in 5 years (from merger)	Needs ₹1,600 Cr reduction per year.	Delivered (Down 31% YoY to ₹8,051 Cr).	Low
Guidance	RoA	1.4% to 1.6%	Current 0.66%; needs opex scale-up efficiency.	Improving from negative levels.	Medium
Strategy	Debt Repayment	Replace ₹26,163 Cr legacy debt @ 8.7%	Wtd. Avg maturity is 2.11 years.	Repaid ₹2,000 Cr telecom bonds in Dec/ Jan.	Low
Strategy	Credit Cards	Break-even at scale	Issued 5.3 lakh cards; 71% activation rate.	New business; too early to judge efficiency.	High
Strategy	Branch Network	Pan-India presence	Currently 599 branches.	393 branches added since merger.	Low

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
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