IDFC FIRST Bank
TACS CAPITAL
Buying Businesses
“
Financial Inclusion is not just a social responsibility for us but a growth opportunity.
-Vaidyanathan(MD &CEO)
”
Exclusive Equity Research Inside

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The Birth of IDFC First bank Ltd.

IDFC First Bank is a relatively young entity, formed in December 2018 through the merger of IDFC Bank and Capital First, marking the beginning of a new era in Indian banking. Despite its recent inception, the bank has carved out a significant niche with a clear focus on customer-centric innovations. The bank's vision is simple but ambitious: to touch the lives of millions by providing superior banking services while enhancing financial inclusion across India. Their primary goal is to create value by adopting cutting-edge technology to provide banking solutions that are both accessible and transparent.

One of the standout features of IDFC First Bank is its ability to offer innovative banking solutions. For example, it was the first bank to introduce monthly interest credit on savings accounts—a benefit that has drawn significant attention. Additionally, their credit card offerings are distinctive, boasting zero hidden charges, lifetime free cards without minimum spend conditions, rewards that never expire, and zero interest on ATM cash withdrawals. The bank's transparent fee structures further distinguish it as a customer-first institution.

On the technology front, IDFC First Bank has made strides by creating a modern digital infrastructure. Their mobile app offers more than 250 features, including tools for goal-based investing, personal finance management, UPI on credit cards, and much more, all designed to provide seamless and efficient banking experiences. For businesses, the bank simplifies complex tasks with bulk payments, tax-related services, and ERP-integrated solutions.

ovation, service, and reach.

In alignment with their social banking ethos, IDFC First Bank has financed over 40 million customers, including millions of women entrepreneurs and small business owners. They've empowered rural areas through loans for sanitation, mobility, livelihood, and more, ensuring that their reach extends to the underserved. Their universal banking offerings further encompass corporate and trade finance, treasury products, wealth management, and SME banking, solidifying their place in India's evolving financial landscape.

The milestones achieved in such a short span speak volumes. From being a pioneer in interest credit to savings accounts to fostering digital innovation and socially responsible banking, IDFC First Bank is steadily shaping its future with customer satisfaction and innovation at its core.

MD & CEO

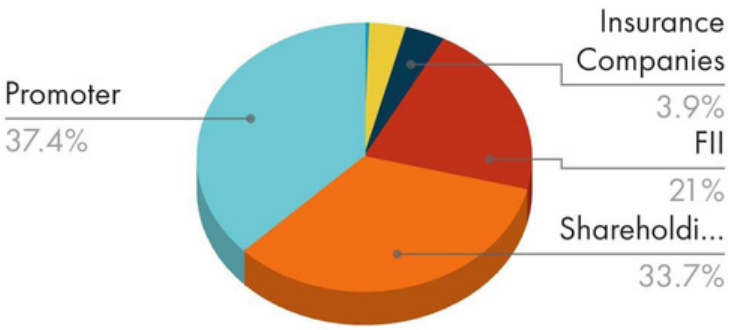
Mr. V. Vaidyanathan, the Managing Director & CEO of IDFC First Bank, has an inspiring journey in the world of finance. Starting his career with Citibank in the 1990s, he later played a pivotal role in shaping ICICI Bank's retail banking from scratch. Under his leadership, ICICI Bank expanded its branches and grew a retail lending business that reached over ₹1.35 trillion in size, serving millions of customers.

His entrepreneurial spirit shone when he left the corporate world in 2010 to acquire a non-banking financial company (NBFC) and transformed it into Capital First. Through innovative technology and customer-focused lending, he grew the company's loan book from ₹691 crores to ₹29,600 crores and reduced bad loans significantly. His ability to lead a turnaround is evident from how Capital First became a profitable and highly-rated institution during his tenure.

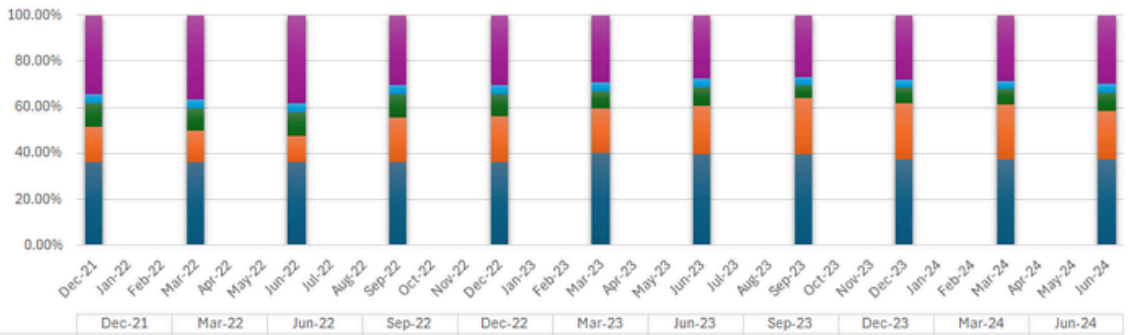
In 2018, Vaidyanathan took the bold step to merge Capital First with IDFC Bank, creating IDFC First Bank. His leadership has since transformed the bank's focus from corporate to retail banking, growing its customer base to over 10 million and increasing the retail loan portfolio to over 60% of the total loan book. Vaidyanathan's vision is clear—he aims to make IDFC First Bank a world-class retail bank while driving financial inclusion across India.

An alumnus of Birla Institute of Technology and Harvard Business School, Vaidyanathan is also a fitness enthusiast, having completed multiple marathons. His career is filled with numerous awards, from being recognized as "Entrepreneur of the Year" to winning "Innovative Company of the Year." His story is a testament to perseverance, vision, and a relentless drive to innovate.

Ownership Structure

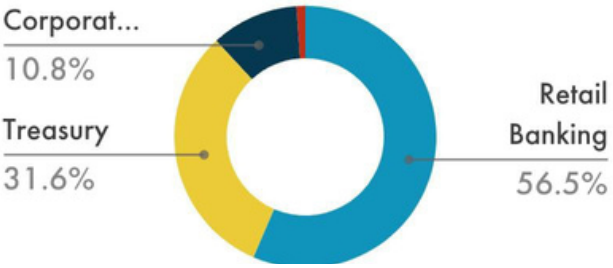


Changes in Holding (Patterns)



	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Public +	34.15%	36.24%	38.14%	30.18%	30.02%	29.05%	27.54%	26.66%	27.90%	28.38%	29.95%
Government +	4.21%	4.20%	4.20%	4.23%	4.22%	3.98%	3.97%	3.92%	3.72%	3.72%	3.71%
DIIs +	10.37%	9.58%	10.19%	9.83%	9.61%	7.69%	7.71%	5.58%	6.63%	6.79%	7.93%
FIIs +	14.77%	13.48%	10.99%	19.28%	19.76%	19.31%	20.85%	24.48%	24.30%	23.65%	21.02%
Promoters +	36.51%	36.49%	36.48%	36.47%	36.38%	39.99%	39.93%	39.37%	37.45%	37.43%	37.37%

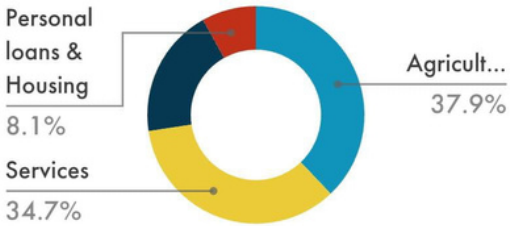
Segment Break-Up



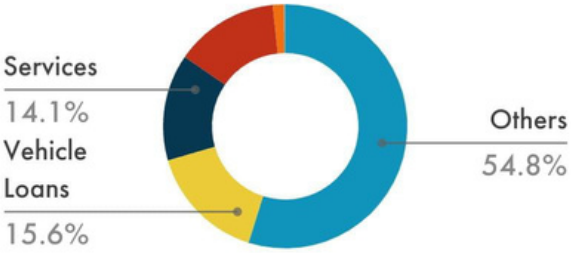
IDFC First Bank generates income through a diversified portfolio. A significant portion of revenue comes from retail banking, which includes a wide array of services such as home loans, vehicle loans, personal loans, and SME loans. Retail loan growth has been particularly robust, forming a crucial part of the bank's asset base, contributing to over 75% of the total funded assets. Additionally, the bank generates revenue from wholesale banking, treasury operations, and non-interest income streams like fee-based services and wealth management offerings.

Loan Break-Up for Priority Sector Lending

The bank focuses on sectors mandated by RBI guidelines, which include agriculture, small businesses, and affordable housing. IDFC First Bank's PSL book has seen significant growth in these areas, aligning with its strategic focus on inclusive financing. Loans for micro-enterprises and small business units under this segment continue to be a driving force in the bank's rural and semi-urban market penetration.



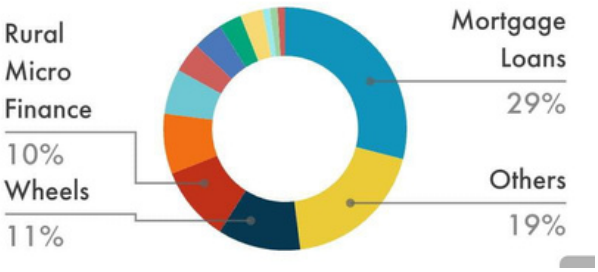
Loan Break-Up of the Non-Priority Sector



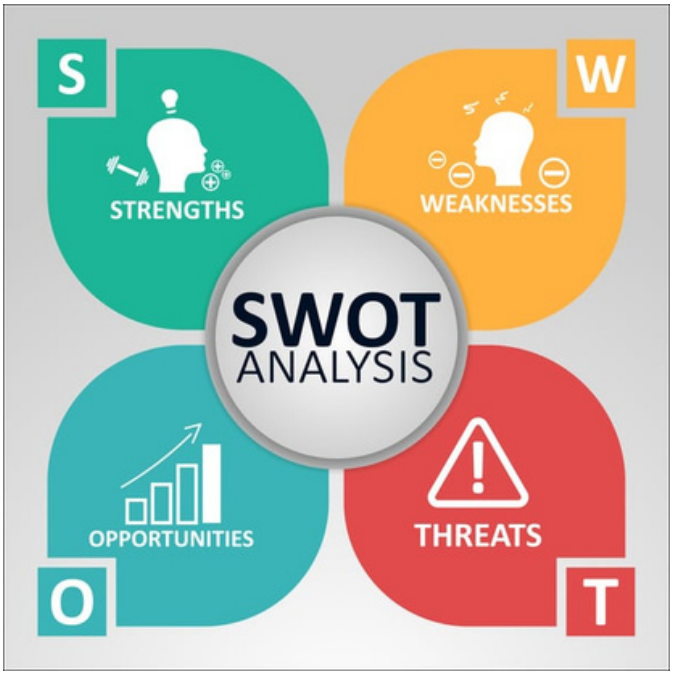
The bank concentrates on retail loans, large corporates, and other non-PSL categories. Key products in this category include high-ticket loans like infrastructure finance and loans to established corporates. However, IDFC First Bank has been scaling down its wholesale lending portfolio, in line with its strategy to de-risk the balance sheet and focus more on retail loans.

Overall Loan Book

Retail loans make up the bulk of the bank's asset portfolio, with home loans and personal loans leading the pack. The corporate loan book, although not as large as the retail portfolio, still forms a significant part of the bank's total lending, particularly in sectors like renewable energy and infrastructure.



Strengths, Weaknesses, Opportunities, and Threats



Strengths:

Profitability Growth: IDFC First Bank has demonstrated strong profitability, posting a PAT (Profit After Tax) of ₹1,516 crore, driven by incremental profits from core business areas
Technology and Digital Banking: A significant focus on technology investments to modernize its banking systems has positioned IDFC First Bank well in the evolving digital banking landscape. It has introduced innovations like digital apps, cash management services, and digital wealth management tools.

Retail and SME Lending Focus: The bank has a strong emphasis on retail, rural, and SME loans, areas which have high growth potential in India. In FY24, the growth in retail credit was around 20%, indicating a solid position in these segments.

Weaknesses:

High Competition for Talent: IDFC First Bank faces stiff competition for top talent from other established banks and fintech companies, which can affect its ability to attract and retain key personnel.

Low Market Share in Deposits: Despite growth in profitability, IDFC First Bank's market share in total deposits remains relatively low at 0.85% of the overall banking sector. This poses a challenge to scale and grow its deposit base.

Opportunities:

Untapped Growth in Personal and SME Loans: With personal credit to GDP being only 19% in India, there is substantial room for IDFC First Bank to grow its retail and SME loan portfolio. As the Indian economy expands, these segments will offer significant opportunities

Digital Banking Expansion: The shift towards digital banking presents an opportunity for the bank to enhance its digital services further. By leveraging its existing technology capabilities, IDFC First Bank can cater to a broader customer base and drive growth.

Threats:
Intense Competition: The Indian banking sector is highly competitive, with both traditional banks and new-age fintech companies vying for the same customer base. This increased competition could impact IDFC First Bank's market share and growth

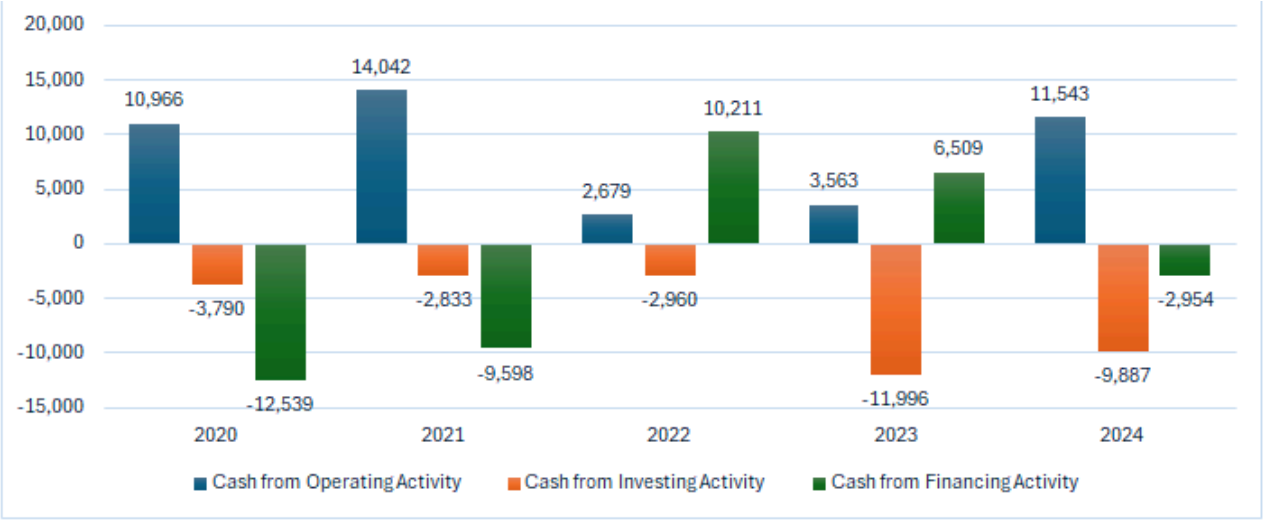
Economic Volatility: Any economic downturn or financial instability could negatively impact loan repayments, particularly in the retail and SME segments, which are more vulnerable to economic shifts

Sum of Revenue
REVENUE
10,000
8,000
6,000
4,000
2,000
0
4,089 4,101 4,429 4,554 4,922 5,470 5,912 6,424 6,869 7,356 7,880 8,220 8,789
Jun-21 Sep-21 Dec-21 Mar-22 Jun-22 Sep-22 Dec-22 Mar-23 Jun-23 Sep-23 Dec-23 Mar-24 Jun-24

Sum of Expenses
EXPENSES
-2823
-3031
-3364
-3612
-3901
-4114
-4377
-4874
-5417

Sum of Interest
INTEREST
1,904 1,828 1,849 1,884 2,178 2,467 2,626 2,627 3,122 3,406 3,592 3,750 4,093
Jun-21 Sep-21 Dec-21 Mar-22 Jun-22 Sep-22 Dec-22 Mar-23 Jun-23 Sep-23 Dec-23 Mar-24 Jun-24
Field1

Sum of Net Profit
PROFIT
-621
111
290
352
485
567
617
816
732
747
732
732
643
Jun-21 Sep-21 Dec-21 Mar-22 Jun-22 Sep-22 Dec-22 Mar-23 Jun-23 Sep-23 Dec-23 Mar-24 Jun-24


20,000
15,000
10,000
5,000
0
-5,000
-10,000
-15,000
10,966 -3,790 -12,539
14,042 -2,833 -9,598
2,679 -2,960 10,211
3,563 -11,996 6,509
11,543 -9,887 -2,954
2020 2021 2022 2023 2024
Cash from Operating Activity
Cash from Investing Activity
Cash from Financing Activity

For FY 2023-24		IDFC First Bank	IDBI Bank Ltd.	AU Small Finance Ltd.	Yes Bank	The Federal Bank Ltd.
Return Ratio	Return on Equity(%)	10.14	14.19	13.10	3.18	15.04
	Return on Assets (%)	1.10	1.66	1.54	0.34	1.34
	Net Interest Margin	5.84	4.30	4.83	2.40	3.04
	Interest Spread (%)	10.07	9.87	8.60	6.49	5.58
	Yield on Advances (%)	15.58	14.02	14.43	12.12	10.80
Efficiency Ratio	Cost Income Ratio (%)	72.13	46.13	64.68	74.51	55.07
	Operating Cost/Assets Ratio(%)	5.45	2.30	4.08	2.46	2.13
	Cost of Liabilities (%)	5.51	4.15	5.83	5.63	5.22
	Book Value Per Share (Rs)	45.57	40.12	186.75	14.30	123.58
	Earning per Share (Rs)	4.16	5.38	22.93	0.45	15.76
	Dividend Payout Ratio(%)	-	27.87	4.36	-	7.61
	Effective Tax Rate(%)	23.72	30.76	23.24	16.42	25.35
Growth Ratio	EPS Growth (%)	10.84	56.18	7.09	74.56	5.39
	Advances Growth (%)	28.19	16.01	25.23	12.09	19.87
	Operating Income Growth (%)	30.21	24.07	16.54	2.23	15.75
Liquidity Ratio	Credit to Deposits (%)	97.02	67.99	83.92	85.56	86.40
	CASA (%)	47.25	50.43	33.41	30.91	29.54
	Interest Expended to Total Funds (%)	4.68	3.36	4.93	4.81	4.56
	Interest Income to Total Funds (%)	10.24	7.26	9.65	6.79	7.41
Solvency Ratio	Total Debt to Assets (%)	17.20	4.69	5.01	19.81	7.92
Valuation	Price to Earnings (P/E) (times)	18.84	14.33	32.39	47.33	11.79
	Price to Book (P/B) (times)	1.47	1.94	4.09	1.51	1.53
	Price to Cash Flows (P/C) (times)	71.83	83.81	718.95	21.95	193.67
	EV to EBIT (times)	0.60	0.34	0.55	0.58	0.60
	EV to EBIDTA (times)	5.84	4.31	4.83	2.40	2.87
	M- CAP to Sales (times)	15.58	14.01	14.43	12.11	10.60

Financial Literacy Programs: IDFC First Bank places a strong emphasis on financial inclusion and literacy as part of its CSR strategy. Through its financial literacy programs, the bank has reached thousands of individuals in rural and semi-urban areas, educating them about savings, banking products, and responsible financial behavior. These initiatives are aimed at empowering individuals and promoting sustainable financial habits.

Livelihood and Skill Development: The bank actively supports skill development initiatives for economically weaker sections of society. In FY 2023-24, IDFC First Bank partnered with multiple NGOs to provide vocational training to youth and women, enabling them to become self-sufficient and enhance their livelihood opportunities. This aligns with their vision of building a more inclusive society.

Healthcare and Sanitation: The bank has also undertaken several projects to improve healthcare access and sanitation in rural areas. One of their key contributions was in the area of sanitation loans, where they provided over 1 million sanitation loans for building toilets and improving water access in underdeveloped regions.

Environmental Sustainability: IDFC First Bank is committed to environmental sustainability, focusing on renewable energy projects and promoting eco-friendly practices within the bank. The bank has supported various initiatives to reduce carbon footprints and encourage the use of sustainable energy.

As per the latest reports from FY 2024, IDFC First Bank spent ₹48.73 crores on CSR activities, a significant portion of which was directed towards education, skill development, and healthcare projects. Their commitment to social responsibility is also reflected in their transparent allocation of resources, ensuring measurable outcomes from their initiatives.

Leadership Remarks:
In one of his statements, V. Vaidyanathan, the Managing Director and CEO of IDFC First Bank, highlighted the importance of their CSR initiatives, stating:

"At IDFC First Bank, we believe that true progress is not just about financial growth, but about how we can contribute to the betterment of society. Our CSR programs are designed to support the less privileged, improve financial literacy, and ensure access to basic services such as sanitation, healthcare, and education. This is part of our larger mission to make banking more inclusive and impactful for all."

This reflects the bank's dedication to aligning its business objectives with the broader goal of creating social value.

Impact Measurement:
IDFC First Bank measures the impact of its CSR initiatives using various outcome-driven metrics, such as the number of beneficiaries trained, loans disbursed for livelihood improvement, and the reduction in sanitation-related illnesses in areas where the bank has operated.

IDFC First Bank has laid out an ambitious roadmap for the next few years, focusing on consolidating its position as a retail and technology-driven bank while scaling up its operational footprint. The bank has already demonstrated its ability to transition from infrastructure financing to a robust retail franchise, and the management has shared clear plans to deepen this transformation while exploring new growth avenues.

Strengthening Retail and SME Lending:

The bank's core strategy for the next few years revolves around further expanding its retail and SME lending portfolio. Currently, retail loans make up about 70% of IDFC First Bank's total loan book, and the bank aims to push this even higher by focusing on underserved segments. The bank has been particularly successful in growing its small-ticket retail loans, and plans are in place to increase exposure to home loans, vehicle loans, and MSME financing. By doing so, IDFC First Bank seeks to tap into the burgeoning demand from the middle class and small businesses, especially in tier-2 and tier-3 cities. V. Vaidyanathan, Managing Director and CEO, has mentioned, "We aim to further strengthen our retail banking portfolio by offering simple, accessible products that make banking easier and more rewarding for our customers."

Expanding Digital and Tech Capabilities:

A significant portion of IDFC First Bank's future plans is anchored in technology. The bank has already built a modern digital banking platform, with over 250 features available in its mobile app, and it plans to enhance this further. The focus will be on leveraging technology to improve customer experience through innovations like goal-based savings tools, personalized financial management, and seamless integration with UPI. As part of this, IDFC First Bank will increase investments in artificial intelligence, data analytics, and machine learning to develop smarter, more intuitive digital banking solutions. The bank's mobile app is expected to evolve into a central hub for both personal and business banking, aiming to drive more digital transactions, increase customer stickiness, and reduce costs. According to internal projections, the bank aims to have over 80% of its transactions digital by 2026, significantly lowering the need for physical infrastructure.

Strengthening Financial Inclusion:

IDFC First Bank has consistently focused on financial inclusion, and this remains a core pillar of its growth strategy for the coming years. The bank is already known for its pioneering efforts in financing the bottom-of-the-pyramid customers, having disbursed over 40 million loans to underserved segments, including SMEs, rural borrowers, and women entrepreneurs. Over the next few years, IDFC First Bank plans to scale this further, providing more affordable credit to rural and semi-urban populations through targeted products like Kisan Credit Cards, sanitation loans, and livelihood improvement loans. The bank is also increasing its focus on micro-financing initiatives, which include extending small loans to self-help groups, especially women, to promote entrepreneurship. Vaidyanathan has repeatedly emphasized this commitment, noting that "financial inclusion is not just a social responsibility for us but a growth opportunity."

Expansion of Physical Infrastructure:

While digital banking will be a key focus, IDFC First Bank also recognizes the need for physical presence, particularly in semi-urban and rural areas. The bank plans to open more branches, especially in underbanked regions, to increase its reach and customer base. As of FY 2024, IDFC First Bank has around 800 branches, but this is expected to grow by 10-15% annually over the next five years. This physical expansion, combined with its digital presence, will help the bank deepen customer relationships and provide tailored financial products across a wider demographic.

Strategic Partnerships:

Strategic partnerships have been an important part of IDFC First Bank's strategy, and they are set to play a bigger role in the coming years. One of the most significant partnerships recently announced is with National Payments Corporation of India (NPCI) for the launch of UPI on credit cards, making IDFC First Bank one of the first banks to offer this innovative payment solution. This integration allows the bank's credit card users to pay via UPI, combining the benefits of credit with the convenience of UPI transactions.

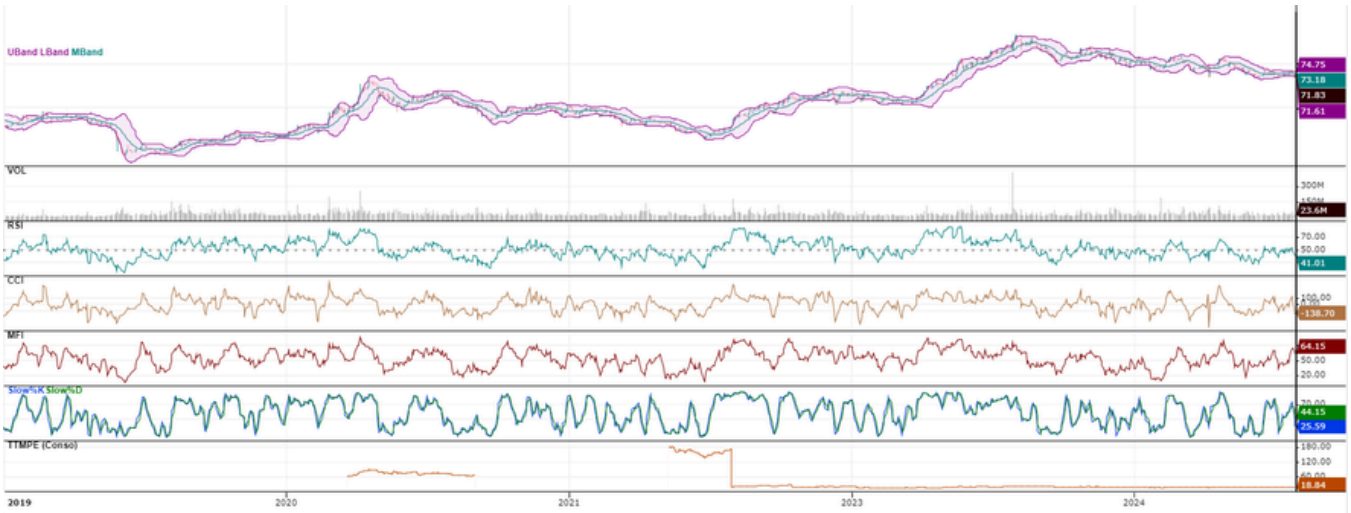
Additionally, the bank has partnered with Account Aggregator platforms to allow customers to manage multiple accounts and investments from a single dashboard. This feature is expected to attract tech-savvy customers and offer them more control over their finances. IDFC First Bank is also expanding its collaborations with fintech companies to bring cutting-edge financial solutions to underserved markets, focusing on rural and MSME sectors.

Enhancing Corporate Banking and Treasury Operations:

Though retail banking will continue to be the primary growth engine, IDFC First Bank has outlined plans to grow its corporate banking and treasury operations. The bank aims to provide end-to-end corporate solutions, including trade finance, cash management, and foreign exchange hedging. This is a relatively smaller portion of its current business but offers immense scope for growth, particularly as more Indian businesses look for sophisticated treasury and risk management solutions. By investing in its corporate banking vertical, IDFC First Bank is targeting mid-sized corporates and SMEs, offering them bespoke financial solutions that can help scale their businesses. This move is designed to diversify revenue streams and reduce the dependence on retail banking.

ESG and Sustainable Banking:

Environmental, Social, and Governance (ESG) considerations will increasingly shape IDFC First Bank's future operations. The bank is committed to funding green energy projects, reducing its own carbon footprint, and ensuring that its financial inclusion efforts align with sustainable banking principles. Over the next few years, the bank plans to step up its support for renewable energy initiatives and eco-friendly businesses. This focus on ESG is expected to enhance the bank's brand appeal and attract long-term institutional investors who prioritize sustainability.



71.83
CURRENT PRICE

Bullish Moving Averages	0
Bearish Moving Averages	8

SMA | EMA

5 Day EMA	72.7	26 Day EMA	73.5
10 Day EMA	73.1	50 Day EMA	74.2
12 Day EMA	73.2	100 Day EMA	75.8
20 Day EMA	73.3	200 Day EMA	77.5

Bullish Oscillator Averages	1
Bearish Oscillator Averages	6

RSI(14)	41.0	MACD(12, 26, 9)	-0.3
Stochastic Oscillator	25.6	Stochastic RSI	14.4
CCI 20	-138.7	William	-86.3
Awesome Oscillator	-0.1	Ultimate Oscillator	36.9
Momentum Oscillator	-2.0		

Current Price	Open	High	Low	Close
71.83	72	72.84	71.25	71.83

	Classic	Woodie's	Camarill
Resistance 3	74.29	74.38	72.2
Resistance 2	73.56	73.61	72.1
Resistance 1	72.7	72.8	71.9
Pivot Point	71.97	72.02	71.9
Support 1	71.11	71.2	71.6
Support 2	70.38	70.43	71.5
Support 3	69.52	69.62	71.3

1 Month	3 Month
0.6	0.79

1 Year	3 Year
0.98	0.34

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have managed or co-managed public offering of securities for the subject company in the past twelve months.
have received any compensation from the subject company in the past twelve months.
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was a client during twelve months preceding the date of distribution of the research report.
has served as an officer, director or employee of the subject company.
has been engaged in Market making for the subject company.
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CA. Akhil Trivedi is a visionary equity research analyst and investor, with over a decade of expertise in global capital markets. Grounded in fundamental research, Akhil evaluates businesses like an owner, focusing on management strength, competitive advantage, and scalability. His disciplined, data-driven approach cuts through market noise, identifying resilient companies with long-term growth potential

nown for simplifying complex insights on LinkedIn, Akhil is quickly emerging as a leading voice in Indian markets. His conviction-driven investing philosophy is shaping a new generation of wealth management, making him a name to watch in the financial world.

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