

IDFC LTD.

NSE:IDFC



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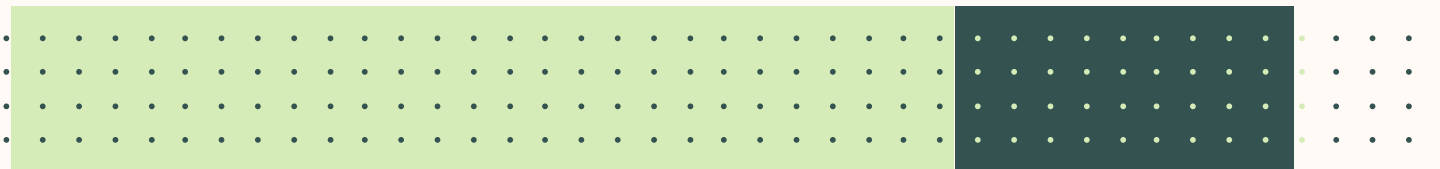
IDFC LIMITED

Infrastructure Development Finance Company Limited, more commonly known as IDFC, is a finance company based in India. It provides finance and advisory services for infrastructure projects as well as asset management and investment banking.

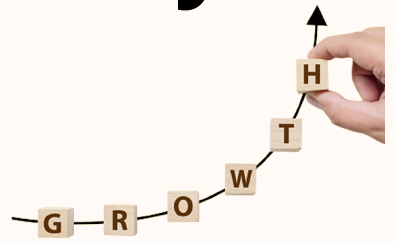


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Why IDFC Ltd. is a good buy?



1. Strong growth in Core Earnings:

- a. **Strong NIM improvement:** NIM has improved to 4.24% in Q4 FY20 as compared to 3.03% in Q4 FY19 and 3.86% in Q3-FY20
- b. **Strong NII Growth:** NII grew by 40% (YOY) to Rs. 1,563 crores in Q4 FY20 as compared to Rs. 1,113 crores in Q4 FY19.
- c. **Strong growth in Total Income (NII + Fees + Trading Gain):** Grew 67% YOY to Rs. 2,314 crores in Q4 FY20 from Rs. 1,386 crores in Q4 FY19.
- d. **Profit After Tax:** The PAT for Q4 FY20 is reported at Rs. 72 crores as compared to a Loss of Rs. 218 crores for Q4 FY19.
- e. **Improved Cost to Income Ratio (excl. Trading gains):** 76.54% for Q4 FY20 as compared to 80.68% in Q4 FY19.



2. High asset quality:

- a. Bank's Gross NPA reduced sequentially from 2.83% as of 31 December 2019 to 2.60% as of 31 March 2020.
- b. The Gross NPA ratio without considering the impact of the moratorium would have been 2.88% as of 31 March 2020. Gross NPA as of 31st March 2019 was 2.43%
- c. Bank Net NPA reduced sequentially from 1.23% as of 31 December 2019 to 0.94% as of 31 March 2020

3. Strong Asset Quality on Retail Loan Book

- a. Retail Asset Gross NPA stood at 1.77% as of 31 March 2020 as compared to 2.26% as of 31 December 2019 and 2.18% as of 31 March 2019
- b. Retail Asset's Net NPA stood at 0.67% as of 31 March 2020 as compared to 1.06% as of 31 December 2019 and 1.24% as of 31 March 2019

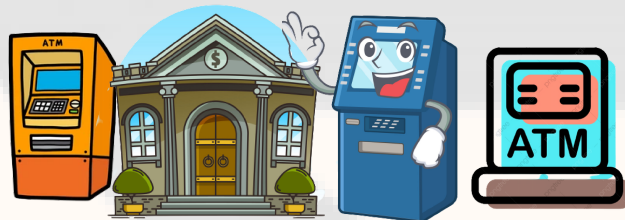


4. **Strong Capital Adequacy:**

- a. Capital Adequacy Ratio is strong at 13.38% with CET-1 Ratio at 13.30% as of 31 March 2020.
- b. The Bank is raising Rs. 2,000 crores of fresh equity capital during Q1 FY 21, process to complete by 1st week of June 2020. Post the capital raise, the Capital Adequacy Ratio will be 15.55% with CET-1 Ratio of 15.32%.

5. **Franchise:**

The Branch Network now stands at 464 branches and 356 ATMs across the country as of 31 March 2020.

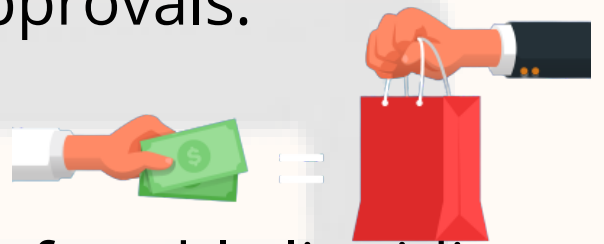


6. **Strong market position**

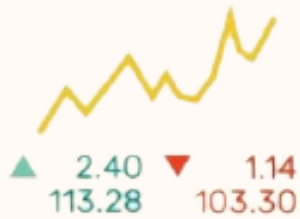
- a. IDFC, through IDFC FHCL (100% subsidiary of IDFC), holds a significant stake in IDFC First Bank (stake of ~40% in the merged entity of IDFC Bank and Capital First Limited).

b. Apart from this, the company has 100% stake in IDFC AMC and IDFC Securities Limited. IDFC recently sold the businesses of IDFC Alternatives. It also entered into a definitive agreement with NIIF II for the sale of its majority stake (81.48% as on September 30, 2018) in IDFC IFL. The transaction is subject to regulatory approvals.

7. Comfortable liquidity



- a. The company has a comfortable liquidity profile given the investments in mutual funds and cash and cash equivalents of around Rs. 500 crore as on September 30, 2018, which provides a liquidity cushion.
- b. IDFC also has holdings in various unlisted companies (IDFC IFL, IDFC AMC and IDFC Securities). The liquidity is expected to be further supported by the proceeds from the sale of its stake in IDFC IFL.
- c. While IDFC also has a shareholding of ~40% in the merged entity of IDFC First Bank, the stake in IDFC First Bank can, however, be diluted to 20% only in October 2020.



Common Stock



Real Estate



Bonds



Hedge Funds



Mutual Funds



Asset Allocation



Stock Broker

8. Strong capitalization and low gearing targets

a. On a standalone basis, IDFC had a strong net worth of Rs. 9,775.53 crore as of September 30, 2018, with nil borrowings. The strong current capitalization and low gearing target, going forward, are credit positives

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