

IDFCFIRSTBANK/SD/102/2023-24

August 07, 2023

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C - 1, G - Block
Bandra-Kurla Complex, Bandra (East)
Mumbai 400 051.
NSE - Symbol: IDFCFIRSTB

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai 400 001.
BSE - Scrip Code: 539437

Sub.: Newspaper publication regarding dispatch of Notice of the 9th Annual General Meeting ("AGM"), Annual Report of the Bank for Financial year 2022-23 and e-voting related matters.

Ref.: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('SEBI Listing Regulations').

Dear Sir/ Madam,

Pursuant to applicable provisions of the SEBI Listing Regulations, we hereby submit copies of newspaper advertisement published by the Bank in 'Hindu Business Line (English)' and 'Makkal Kural (Tamil)', intimating dispatch of Notice of the 9th AGM, scheduled to be held on Thursday, August 31, 2023 at 2:00 p.m. (IST) through Video Conferencing ('VC') / Other Audio Visual Means ('OAVM'), along with Annual Report of the Bank for Financial Year 2022-23 and e-voting related matters.

The above information is also being hosted on the Bank's website at www.idfcfirstbank.com, in terms of the SEBI Listing Regulations.

Please take the above on record.

Thanking you,
Yours faithfully,

For **IDFC FIRST Bank Limited**

Satish Gaikwad

Head – Legal & Company Secretary

Encl.: As above

Well-positioned in SME lending

Hamsini Karthik

If affordable housing was the buzz word for initial public offerings (IPOs) during the pandemic, the current flavour is SME lending or financiers focused on lending to small businesses. SBFC Finance, at a loan book of ₹4,400 crore, is one of the popular names in the segment, hitting the street with ₹1,025 crore IPO. It's a mix of offers for sale, with Arwpwood and Eight45 Services LLP, two of its private equity investors, selling out, and a fresh issue of ₹600 crore. Priced at 2.3x FY24 estimated book on a post-money basis, the issue is at a reasonable discount to Five Star Business Finance (operating at the lower tier SME lending segment) trading at over 4x FY24-estimated book.

This makes SBFC's IPO an option worth considering for investors wanting to bet on newer names in the NBFC segment.

FUNDAMENTALS

There are three important positives that work in SBFC's favour.

Nearly 100 per cent of its loan is secured under two categories. The pureplay secured MSME book constitutes 79 per cent of the lender's loan book, while a loan against gold accounts for 17 per cent. A small portion of the loan book (around 3 per cent) is unsecured but is being run down because the lender doesn't find comfort in this segment. SBFC's decision to pare its share of unsecured loans reflects good credit underwriting practices. Secondly, 82 per cent of SBFC's loan book constitutes borrowers with 700-plus credit scores. This implies that 'new to credit' customers aren't the primary target.

Consequently, while in line with the overall industry, the lender faced asset quality issues during Covid, at 2.4 per cent gross non-performing assets and 1.4 per cent net NPA in FY23, it reflects a good

IPO WATCH. Pricing of SBFC Finance's initial public offering is attractive, but investors must stay for the long term



IPO rating

SBFC Finance

Business	★★★
Financials	★★★★
Management	★★★★
Valuation	★★★★★
Overall	★★★★★

Rankings 1 to 5, 1 denoting lowest and 5 highest

Offer period Aug 3-7, 2023

Price band ₹54-57

Market cap ₹6,033 cr

Market lot 260 shares

SBFC operates in ₹5-30 lakh segment largely populated by NBFCs but also fiercely fought over by banks, especially smaller players. This is a sweet spot because it isn't vulnerable to exuberant pricing, and the purpose or the end-use is more evident to track. Typical borrowers of SBFC would be those in the retail, distribution, or service sectors, with around 80 per cent offering self-occupied residential houses, security for the loan. Also, the loan book has no geographic or sector-exposure concentration risk.

FINANCIALS

At about ₹4,900 crore of assets under management and ₹4,400 crore of loan book on March 31, 2023, SBFC's annualised assets

growth has been 49 per cent from FY21-FY23. Revenues have compounded at 20.3 per cent, and net profit at 32 per cent during this period. Yield and net interest margin at 15.9 per cent and 9.6 per cent, respectively, in FY23 hold well, and even if there must be compression in margin owing to an increase in the cost of borrowings, there is enough headroom for absorbing the same. That said, the cost of borrowing (helped by A+ credit rating) at 8.2 per cent in FY23 may not lead to a steep increase in the cost of funds for the company.

VALUATIONS

At 2.3x FY24 estimated price to book on a post-money basis, SBFC is at a discount to some

listed players, including Home First Finance and Aptus (engaged in loan against property) trading upwards of 3x FY24 estimated book. Hence, lender's asking price seems reasonable.

RISK

Often in the NBFC segment, loan growth up to ₹10,000 crore tends to be fast and easy to achieve. The pressure starts and intensifies upon reaching the ₹15,000 crore AUM threshold. Listed players in the affordable housing segment are already facing this issue.

Therefore, while the market potential may be abundant and SBFC is still quite far from these levels, sustaining the momentum, post listing, will be critical.

Can get better with time

Kumar Shankar Roy
bl. research bureau

Winemaker Sula Vineyards has been a beneficiary of the evolving tastes of an upwardly mobile population, the perception of low-alcohol beverages being healthier, and a shift towards premium consumption experiences. Established market leadership, security of long-term raw material contracts with farmers (access to over 2,800+ acres of vineyards), and continued focus on own brands as well as success in diversifying portfolio are the investment thesis anchors for Sula.

Since its IPO at ₹357 apiece (47 times P/E) in December 2022, the stock has provided decent gains (up 35 per cent) in sync with the healthy earnings trajectory. We had recommended subscribing to the IPO.

Sula's trailing 12-month P/E valuation is at 47 times. While this is at the same level at the time of IPO, the growth is tapering due to base effect. Sula is expected to see 16-18 per cent year-over-year growth and 16-17 per cent yoy bottom line growth, backed by 29 per cent EBITDA margins for FY24 and FY25 (Bloomberg consensus). Sula's current valuation is close to alcohol-beverage leader United Spirits (50 times), on which we recently initiated coverage with a 'hold' rating. For Sula given its current valuation and growth prospects the risk reward is evenly balanced now. Hence we now recommend a hold on the stock.

Sula has witnessed 10 per cent correction from lifetime highs (₹535) in light of the new developments in the 2018 Maharashtra excise blending case. While we await the final outcome on that matter, the correction has factored in most of the risks.

VINTAGE IN PROGRESS

Emerging from Nashik, India's 'Napa Valley', Sula was the first in the country to introduce varietal wines in India in 2000. Over the years, it has become the market leader (with over 50 per cent share) backed by strong network across key markets, product availability and visibility of its brands — "The Source", "RASA" and "Dindori". Sula leads across all four price segments — namely, Elite (more than ₹950 a bottle), Premium

(₹700-950), Economy (₹400-700) and Popular (less than ₹400). Its strategy is led by premiumisation, with 'Elite' and 'Premium' range being at the forefront.

The addressable market for wines in India is big, putting Sula in pole position to benefit. Only 8 per cent of the Indian market currently is with low-alcohol drinks vs over 50 per cent share globally. Alongside, per capita consumption of wine in India, at less than 100 ml a year, is less than one-tenth of global average. Clearly, the ₹1,345-crore wine market has potential for better penetration and growth (from 2 million cases in FY21 to estimated 3.4 million cases by FY25).

Sula's long-term exclusive contracts secure the supply of raw materials. It has 4 wineries in Maharashtra and 2 in Karnataka, both top wine-producing States, and these States account for over 60 per cent of Sula's sales.

EARNINGS PICTURE
FY23 consolidated revenue from operations grew 22 per cent YoY to ₹533 crore. Sula's 'Own Brands' revenue growth for FY23 was 26 per cent. Elite and premium categories have grown even faster (29 per cent) than the 'overall own brands' EBITDA margin stood at 29.1 per cent and EBITDA grew 38.7 per cent YoY to ₹161 crore. Sula closed profit

after tax of ₹84 crore in FY23, up 61 per cent.

As per Q1 sales update (earnings to come out soon), Sula has recorded its highest ever Q1 net revenues overall as well as for Own Brands and the Wine Tourism business. Own Brands witnessed growth of around 24 per cent, with Elite and Premium segment leading the show with around 30 per cent growth.

For FY24 and FY25, Sula's total sales are expected to grow 18 per cent and 16 per cent year, according to Bloomberg consensus estimates. Margins will remain at around 29 per cent. This should typically help Sula clock 15-17 per cent yoy EPS growth for both years.

However, new developments in the 2018 Maharashtra excise blending case (previously disclosed in IPO documents) have cast a slight shadow. A ₹116-crce initial excise duty demand notice by Maharashtra government for the period 01/04/2006 to 31/03/2014, was first received by Sula on 17/02/2018 and subsequently challenged by the company. A stay was granted on 19/09/2019. This interim stay has now been vacated. Sula has challenged the order. According to Sula, the order does not affect the existing business or the activities, which indicates a one-time impact if we assume the final outcome is unfavourable.

The 10 per cent stock correction may have baked in the worst-case scenario.

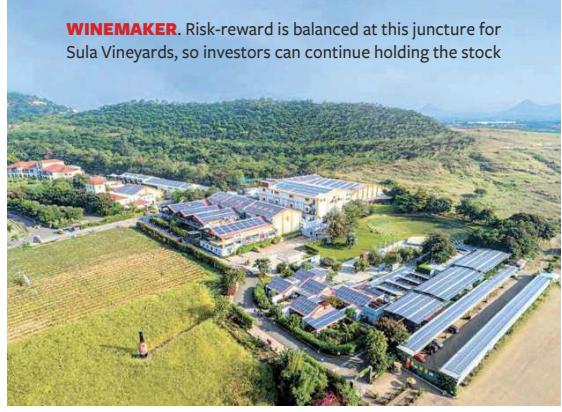
In our IPO note on Sula, we had mentioned that all liquor businesses in India are exposed to high regulatory and policy risks.

VALUATIONS AND RISKS
Sula listed wine stocks globally are loss-making, while those who make money, such as Duckhorn Portfolio (US) and Treasury Wine Estates (UK), are in mature wine markets compared to the nascent state of the segment in India. Our long-term positive stance on Sula is a result of the clear runway for growth in India but Sula's risk-reward is on an even keel. Given the healthy fundamentals, investors may continue to hold the stock.

Risks to our call are the threat

to aspirational demand for India-made wines from imported wines from well-known European and Australian brands, reduction/elimination of high import duties on international wines, and unfavourable licensing and excise regime changes. Other risks are adverse climatic conditions impacting quality of wine grapes, and outstanding legal proceedings involving company, subsidiary, promoter and directors.

WINEMAKER. Risk-reward is balanced at this juncture for Sula Vineyards, so investors can continue holding the stock



HOLD

Sula Vineyards

₹479.60

WHY

- Valuation bakes in most positives
- Long runway for growth intact
- Liquor biz exposed to regulatory & policy risks

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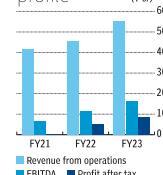
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VALUATIONS AND RISKS

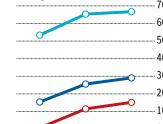
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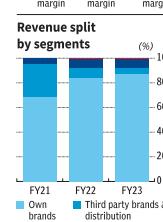
Strong financial profile



Margins on the rise



Revenue split by segments



Source: Company exchange filings

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WHO AM I?

Are you an avid investor? How well do you know corporate India?

Here's a challenge. Using the clues below, identify the company that is being talked about here.

- I got my name in the year India became Independent and still retain the same identity.
- My founder began his career as an advocate but became an entrepreneur later. His active engagement in politics didn't prevent him from spearheading my growth for the first 35 years of my journey.
- My IPO in 1990s was oversubscribed about 60 times as I had a leader of my industry as a large shareholder even before IPO. I was one of the earliest in my industry to go for overseas listing as well.
- While my earnings have grown about 25 per cent per annum over the last 5 years, I have delivered only single-digit CAGR returns to shareholders in this period. I am trading now at single-digit PE.
- Institutions own more than two-thirds of my equity but I can count about 3 different billionaires as top shareholders in public category.

Send your answers by Wednesday 6 p.m. to who-am-i@thehindu.co.in, with your full name, postal address and phone number. A lucky winner in each week will get a book sponsored by UNIFI Capital as a reward.

Contributed by

Last week's stock:
Kalpataru Projects International

Last week's winner:
Praveen Hegde



IDFC FIRST Bank Limited

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Tel: +91 22 7132 5500. Website: www.idfcfirstbank.com; E-mail: bankinfo@idfcfirstbank.com

NOTICE OF THE NINTH (9th) ANNUAL GENERAL MEETING AND INFORMATION ON EVOTING

NOTICE is hereby given that the Ninth (9th) Annual General Meeting ("AGM") of the Members of IDFC FIRST Bank Limited ("Bank") will be held on Thursday, August 31, 2023 at 02:00 p.m. (Hariharan Standard Time ("IST")), through Video Conferencing ("VC"), Other Audio-Visual Means ("OAVM"), in compliance with the applicable provisions of the Companies Act, 2013 read with the Rules made thereunder ("Act") and the Securities and Exchange Board of India ("Listing Obligations and Disclosure Requirements", 2015, as amended ("SEBI Listing Requirements", 2015), General Circular No. G/2022/20 dated April 08, 2022 and Circular A/2022/20 dated April 08, 2022, read with other relevant circulars issued by the Ministry of Corporate Affairs ("MCA") and Circular No. SEBI/HO/CFED/PoD-2/PCIR/2023/ dated January 05, 2023, issued by the Securities and Exchange Board of India ("SEBI"), and other applicable and related circulars, if any, on the matter issued by the MCA and the SEBI (collectively referred as "Relevant Circulars"), to transact the businesses set out in the Notice convening the AGM. The Members attending the AGM through VC/OAVM facility shall be reckoned for the purpose of quorum under Section 303 of the Act.

In compliance with the regulatory requirements and Relevant Circulars, the Notice of the 9th AGM and the Annual Report of the Bank for FY 2022-23 has been sent through electronic mode to all the Members whose e-mail addresses are registered with the Bank / Registrar and Share Transfer Agent ("RTA") / Depository Participants ("DP"). The Notice of the AGM and Annual Report for FY 2022-23 will also be made available on the Bank's website at www.idfcfirstbank.com, on the website of the Stock Exchange of India Limited, BSE Limited at www.bseindia.com and National Stock Exchange of India Limited at www.nseindia.com respectively, and on the website of the Agency for e-voting i.e. National Securities Depository Limited ("NSDL") at www.nsdl.co.in.

Pursuant to the provisions of Section 108 of the Act read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended, Regulation 44 of the SEBI Listing Regulations, Secretarial Standards on General Meetings ("SS-2") issued by the Institute of Company Secretaries of India and the Relevant Circulars, the Bank is pleased to provide the facility to exercise their right to vote through electronic means to its Members whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the Depositories, as on **Thursday, August 24, 2023 ("cut-off date")**, on all businesses as set out in the AGM Notice.

The Bank has taken all necessary steps and made necessary arrangements with NSDL for facilitating voting through electronic means, as authorized e-voting agency. The Members may cast their votes remotely ("remote e-voting") on the dates mentioned herein below using the electronic voting platform of NSDL. The facility to vote through electronic voting system shall also be made available for Members at the AGM ("e-voting"). During this period, Members can select EVEN - 124600 to cast their votes electronically. The Members attending the AGM who have not cast their votes by remote e-voting will be able to vote at the AGM through e-voting mechanism. Further, a member may participate in the AGM even after exercising right to vote through remote e-voting but shall not be allowed to vote again in the meeting.

The remote e-voting period will commence on **Monday, August 28, 2023 at 9:00 a.m. (IST)** and will end on **Wednesday, August 30, 2023 at 05:00 p.m. (IST)**. The e-voting module shall be disabled by NSDL for voting thereafter.

The voting rights of Members shall be proportionate to the equity shares held by them in the paid-up equity share capital of the Bank as on the cut-off date, subject to the provisions of the Banking Regulation Act, 1949, as amended.

Any person/ non-individual shareholder who acquires share(s) of the Bank and becomes a Member after dispath of the Notice and holding shares as of the cut-off date, are requested to refer to the Notice of the AGM and the process to be followed for obtaining the User ID and Password for participating in the electronic voting.

Those Members who have not yet registered/updated their KYC details such as name, postal address, e-mail address, telephone/mobile numbers, Permanent Account Number, bank details etc. with the Bank/ RTA/ Depository Participant, are requested to do so immediately as explained herein below:

- Physical Holding**
Submit duly filled Form ISR-1 and such other documents as prescribed in the form either through physical mode with self-attestation and date at Kfin Technologies Limited, Selenium Tower B, Plot Nos. 31 & 32, Financial District, Gachibowli, Nizamabad, Telangana - 500 032, Hyderabad, India or through e-mail at einward@kfinotech.com with Form ISR-1 is available on the website of the Bank at <https://www.idfcfirstbank.com>.
- Demat Holding**
Please contact your DP and register/update your e-mail address, bank account details, etc. in your demat account, as per the process advised by your DP.

In case of any queries, you may refer the Frequently Asked Questions ("FAQs") for Shareholders and e-voting user manual for Shareholders available at the download section of <https://www.evoting.india.com> or call on toll free nos. 022-4866 7000 / 022-4866 7000 and send a request at evoting@nsdl.co.in.

In case of any grievances connected with the facility for voting by electronic means, please contact Ms. Pallavi Mhatre, Senior Manager, NSDL 4th Floor, A Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013 or write on evoting@nsdl.co.in.

By order of the Board of Directors
For IDFC FIRST Bank Limited
Sd/-
Satish Galikwad
Head - Legal & Company Secretary

Date : August 05, 2023
Place : Mumbai

