

**CMP: INR 66**

**Rating: BUY**

**Target Price: INR 87**

**Stock Info**

BSE	539437
NSE	IDFCFIRSTB
Bloomberg	IDFCFB IN
Reuters	IDFB.BO
Sector	Banks
Face Value (INR)	10
Equity Capital (INR Bn)	73
Mkt Cap (INR Bn)	484
52w H/L (INR)	86 / 53
Avg Yearly Vol (in 000')	38,258

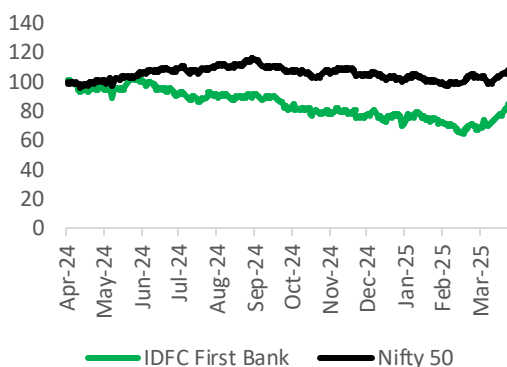
**Shareholding Pattern %**

(As on Mar, 2025)

Promoters	0.0
Public & Others	100.0

Stock Performance (%)	1m	6m	12m
IDFC FIRST Bank	15.93	0.89	-19.07
Nifty	2.35	-0.58	6.16

**IDFC FIRST Bank Vs Nifty**



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NII stood at INR 49.1 Bn compared to our estimate of INR 51.1 Bn, rising 0.1% QoQ / 9.8% YoY. PPOP came in at INR 18.1 Bn vs estimate of INR 19.0 Bn, up 3.0% QoQ / 8.9% YoY. Provisions were at INR 14.5 Bn vs estimate of INR 14.7 Bn, rising 8.4% QoQ / 100.8% YoY. PAT stood at INR 3.0 Bn vs estimate of INR 3.2 Bn, declining 10.4% QoQ / down 58.0% YoY. GNPA stood at 1.87% vs estimate of 1.83%, down by 7 bps QoQ / 1 bps YoY. NNPA stood at 0.53% vs estimate of 0.52%, up by 1 bps QoQ / down by 7 bps YoY. Deposits increased to INR 2,520.7 Bn vs estimate of INR 2,475.4 Bn, up 6.4% QoQ / 32.1% YoY. Advances increased to INR 2,331.1 Bn vs estimate of INR 2,320.3 Bn, up 4.5% QoQ / 20.8% YoY.

**Microfinance Drag Peaking Out; Asset Quality Improvements Visible:** MFI has been a known drag, but Q4 data suggests peaking of stress. MFI SMA0 (early overdue loans) came down from INR 2,750 Mn in Dec-24 to INR 1,520 Mn in Mar-25 — a 45% reduction. Similarly, SMA1 and 2 declined from INR 5,010 Mn to INR 4,880 Mn. Collection efficiencies improved to 99.4% (ex-Karnataka) by Mar 2025. Gross NPA for the bank declined by 19 bps QoQ to 1.87%, and excluding MFI, to 1.63%. PCR remains healthy at 72.3%. Management guided for a normalization of credit costs to ~1.85-1.90% in FY26, from 2.46% in FY25, pointing to improving profitability from here as MFI stress abates.

**Significant Operating Leverage in Play:** Operating expenses growth has been decisively moderating while business growth sustains: OPEX grew 21.1% YoY in Q1FY25, 17.7% in Q2, 16.1% in Q3, Only 12.2% in Q4FY25. This trend signals operating leverage from scale and digital efficiencies. The bank intends to grow its loan book by ~20% in FY26, while targeting OPEX growth of only 12-13%, further enhancing profitability. Clear focus on operating leverage underpins confidence in driving down the C/I ratio from current levels toward 65% by FY27, from the high 70s now.

**Capital Infusion Secures Growth Runway and De-risks Balance Sheet:** The bank raised INR 75,000 Mn via CCPs to marquee investors, set to convert to equity when the stock sustains INR 60 for 45 trading days. Post-conversion, CRAR will rise to 18.2% and CET-1 to 16%, providing ample growth capital. The bank has already delivered ~20% AUM growth in FY25 and plans similar levels in FY26, this capital will fund growth without diluting future profitability or stressing leverage metrics. It also allows retiring INR 45,000 Mn of high-cost legacy bonds over the next 12 months, improving the funding profile and reducing interest costs.

**Valuation & View:** IDFC First Bank delivered a mixed performance in Q4FY25. Provisions were lower. Asset quality saw marginal improvement QoQ. The bank is targeting loan growth of around 20% and deposit growth between 20 to 23% for FY26. The bank expects credit costs to normalize to 1.85% - 1.90% in FY26. Cost-to-income ratio is expected to reach 65% by FY27. The credit card business is projected to become meaningfully profitable by FY28-FY29. We anticipate that the share of microfinance in the loan book will reduce, borrowings will decline further, and the overall funding profile will improve structurally. **We expect better FY26 for the bank and maintain BUY rating with a Target Price of INR 87, based on 1.2x P/ABV to its FY28E.**

**Exhibit 1: Financial Performance**

Key Financials (Rs Bn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
NII	126.35	164.51	192.92	208.75	233.50	258.36
PPOP	49.32	62.37	74.14	81.57	99.16	117.43
Net Profit	24.37	29.57	15.24	22.48	28.07	31.70
Advances	1,518	1,946	2,331	2,738	3,296	4,067
Deposits	1,446	2,006	2,521	3,020	3,706	4,561
RoA (%)	1.0%	1.0%	0.4%	0.6%	0.6%	0.6%
RoE (%)	9.5%	9.2%	4.0%	5.6%	6.5%	6.8%

Source: Arihant Research, Company Filings

## Q4FY25 - Quarterly Performance (Standalone)

(INR Mn)

Quarterly Result Update (INR Mn)	Q4FY25	Q3FY25	Q4FY24	QoQ	YoY
Interest Income	94,129	93,430	82,192	0.7%	14.5%
Interest Expended	45,058	44,410	37,503	1.5%	20.1%
<b>Net Interest Income</b>	<b>49,071</b>	<b>49,021</b>	<b>44,689</b>	<b>0.1%</b>	<b>9.8%</b>
Other Income	18,954	17,799	16,420	6.5%	15.4%
Operating Income	68,025	66,819	61,109	1.8%	11.3%
a. Other Operating Expenses	34,628	35,026	31,190	-1.1%	11.0%
b. Employee Expenses	15,282	14,203	13,280	7.6%	15.1%
Operating Expenses (a+b)	49,910	49,230	44,470	1.4%	12.2%
<b>PPOP</b>	<b>18,116</b>	<b>17,589</b>	<b>16,639</b>	<b>3.0%</b>	<b>8.9%</b>
Provisions	14,505	13,379	7,223	8.4%	100.8%
PBT	3,611	4,210	9,416	-14.2%	-61.6%
Tax Expenses	571	816	2,173	-30.1%	-73.7%
<b>Net Income</b>	<b>3,041</b>	<b>3,394</b>	<b>7,243</b>	<b>-10.4%</b>	<b>-58.0%</b>
<b>Balance Sheet Analysis</b>					
Advances	23,31,125	22,31,039	19,45,924	4.5%	19.8%
Deposits	25,20,653	23,68,778	20,05,763	6.4%	25.7%
Total Assets	34,38,187	33,58,506	29,61,151	2.4%	16.1%
CASA Deposits	11,82,370	11,30,780	9,47,680	4.6%	24.8%
CASA (%)	46.91%	47.74%	47.25%	-83bps	-34bps
CAR (%)	15.48%	15.65%	16.11%	-17bps	-63bps
<b>Spreads</b>					
NIMs (%)	5.95%	6.04%	6.63%	-9bps	-68bps
Cost of Funds	6.51%	6.49%	6.26%	2bps	25bps
Yield on Average Advances	13.98%	14.45%	14.73%	-47bps	-75bps
<b>Asset Quality</b>					
GNPA	42,357	42,190	37,184	0.4%	13.9%
NNPA	11,318	10,804	11,605	4.8%	-2.5%
GNPA (%)	1.82%	1.94%	1.91%	-12bps	-9bps
NNPA (%)	0.49%	0.52%	0.60%	-3bps	-11bps
Credit Costs	2.49%	2.40%	1.48%	9bps	100bps
Provision Coverage Ratio	72.30%	73.59%	68.80%	-129bps	350bps
<b>Returns &amp; Expenses</b>					
RoA (annualized)	0.36%	0.41%	1.03%	-5bps	-67bps
RoE (excl. One Time Slippage)	4.27%	4.62%	10.30%	-35bps	-603bps
Cost / Income Ratio	73.37%	73.68%	72.77%	-31bps	60bps

Source: Arianth Research, Company Filings

## Q4FY25 Concall Highlights

### Guidance:

- The management expects credit costs to moderate to around 1.85–1.90% in FY26, down 50 bps from FY25.
- The NIM is expected to reduce by around 10 bps in FY26, factoring in repo rate cuts and planned reductions in TD and SAR rates.
- Loan growth of ~20% and deposit growth of ~22% is targeted for FY26, which will help improve the credit-to-deposit ratio to the high-80% range.
- The management reaffirmed that microfinance stress had peaked in Q4 and will ease sequentially over FY26.
- Credit card profitability is expected to accelerate, becoming post-credit cost positive by FY27, with substantial contribution to overall profits by FY28–29.

### Key Highlights

- The bank intends to maintain its CASA ratio at current levels despite rate reductions, supported by customer service quality and digital offerings.
- Funded assets registered a 20.4% YoY growth, reaching INR 2.42 trillion.
- Within retail loans, mortgages grew by 19% YoY, vehicle loans by 26%, business banking by 32%, and wholesale loans by 29%.
- The credit card business expanded to a book size of INR 75,000 Mn, with over 3.5 Mn cards issued, and achieved operational breakeven within 4 years, ahead of the typical industry cycle.
- The microfinance business degrew by 28% YoY due to industry-wide stress but is expected to stabilize in FY26.
- The bank's gold loans and new retail products witnessed strong growth from a smaller base.
- Branch network expanded to 1,002 branches by adding 31 new branches during Q4.
- Cost of funds remained stable at 6.5% while deposit costs were contained at 6.38% for Q4.
- The LCR was 107% for Q4, compared to 114% in the previous quarter.
- The credit-to-deposit ratio improved to 93.9% from 98.4% in March 2024, driven by faster deposit growth.
- Legacy high-cost borrowings were reduced by INR 70,000 Mn during the year, with only INR 48,000 Mn remaining, most of which will mature in the next 12 months.
- Excluding the microfinance book, the GNPA was lower at 1.63%. In the retail, rural, and MSME segment, GNPA stood at 1.7% and NNPA at 0.62%.
- The standard restructured book reduced to just 0.18% of funded assets.
- The SMA 1 & 2 book (excluding microfinance) remained steady at 0.87%, while microfinance SMA 1 & 2 rose marginally to 5.1%.
- Collection efficiency in microfinance improved sequentially, with SMA 0 declining by 45% QoQ.
- Management guided for opex growth of 12–13% in FY26, while maintaining loan growth of around 20%.
- The bank raised INR 75,000 Mn via CCPS, which carries an 8% coupon and will convert to equity if the stock trades above INR 60 VWAP for 45 days post-allotment.

## Key Financials

Profit & Loss Statement (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	2,27,275	3,03,225	3,65,015	4,02,181	4,65,407	5,38,842
Interest Expended	1,00,922	1,38,717	1,72,095	1,93,433	2,31,904	2,80,480
<b>Net Interest Income</b>	<b>1,26,353</b>	<b>1,64,508</b>	<b>1,92,919</b>	<b>2,08,749</b>	<b>2,33,503</b>	<b>2,58,362</b>
Other Income	44,670	60,020	70,212	84,738	1,01,052	1,20,506
Operating Income	1,71,023	2,24,527	2,63,131	2,93,487	3,34,554	3,78,868
Operating Expenses	1,21,703	1,62,158	1,88,988	2,11,916	2,35,390	2,61,435
- Employee Expenses	37,422	48,925	57,099	64,527	72,701	81,856
- Other Operating Expenses	84,281	1,13,233	1,31,889	1,47,389	1,62,689	1,79,579
<b>PPOP</b>	<b>49,320</b>	<b>62,370</b>	<b>74,143</b>	<b>81,571</b>	<b>99,164</b>	<b>1,17,433</b>
Provisions	16,648	23,817	55,147	51,527	61,647	75,064
PBT	32,671	38,553	18,996	30,044	37,518	42,369
Tax Expenses	8,300	8,988	3,753	7,562	9,443	10,664
<b>Net Income</b>	<b>24,371</b>	<b>29,565</b>	<b>15,243</b>	<b>22,482</b>	<b>28,074</b>	<b>31,705</b>

Balance Sheet (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Equity &amp; Liabilities</b>						
Share Capital	66,181	70,699	73,221	73,221	73,221	73,221
Reserves & Surplus	1,91,031	2,50,914	3,07,559	3,30,041	3,58,115	3,89,820
Net Worth	2,57,212	3,21,613	3,80,780	4,03,262	4,31,336	4,63,041
Deposits	14,46,373	20,05,763	25,20,653	30,20,307	37,06,270	45,61,012
Borrowings	5,72,121	5,09,356	3,89,748	4,30,148	4,65,606	5,03,987
Other Liabilities and Provisions	1,23,711	1,24,419	1,47,006	1,41,130	1,36,026	1,98,341
<b>Total Capital &amp; Liabilities</b>	<b>23,99,417</b>	<b>29,61,151</b>	<b>34,38,187</b>	<b>39,94,847</b>	<b>47,39,238</b>	<b>57,26,381</b>
<b>Assets</b>						
Cash & Bank Balances with RBI	1,07,397	1,10,750	1,40,235	1,23,072	1,64,308	1,77,852
Investments	6,11,236	7,47,104	8,07,155	9,44,257	11,04,648	12,92,281
Advances	15,17,945	19,45,924	23,31,125	27,37,576	32,95,775	40,67,356
Fixed Assets	20,901	26,194	26,627	28,821	31,197	33,769
Other Assets	1,10,355	1,17,127	1,09,302	1,17,207	1,31,668	1,22,306
<b>Total Assets</b>	<b>23,99,417</b>	<b>29,61,151</b>	<b>34,38,187</b>	<b>39,94,847</b>	<b>47,39,238</b>	<b>57,26,381</b>

Source: Arianth Research, Company Filings

Ratios	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Growth rates</b>						
Advances (%)	28.8%	28.2%	19.8%	17.4%	20.4%	23.4%
Deposits (%)	36.9%	38.7%	25.7%	19.8%	22.7%	23.1%
Total assets (%)	26.2%	23.4%	16.1%	16.2%	18.6%	20.8%
NII (%)	30.2%	30.2%	17.3%	8.2%	11.9%	10.6%
Pre-provisioning profit (%)	50.2%	26.5%	18.9%	10.0%	21.6%	18.4%
PAT (%)	1575.1%	21.3%	-48.4%	47.5%	24.9%	12.9%
<b>Balance sheet ratios</b>						
Credit/Deposit (%)	104.9%	97.0%	92.5%	90.6%	88.9%	89.2%
CASA (%)	49.8%	47.2%	46.9%	46.1%	45.5%	44.8%
Advances/Total assets (%)	63.3%	65.7%	67.8%	68.5%	69.5%	71.0%
Leverage (x) (Asset/Shareholder's Fund)	9.33	9.21	9.03	9.91	10.99	12.37
CAR (%)	16.1%	16.6%	16.1%	15.6%	13.9%	12.1%
CAR - Tier I (%)	15.4%	13.9%	13.8%	13.4%	11.9%	10.3%
<b>Operating efficiency</b>						
Cost/income (%)	71.2%	72.2%	71.8%	72.2%	70.4%	69.0%
Opex/total assets (%)	5.1%	5.5%	5.5%	5.3%	5.0%	4.6%
Opex/total interest earning assets	5.4%	5.8%	5.7%	5.5%	5.1%	4.7%
<b>Profitability</b>						
NIM (%)	6.2%	6.5%	6.3%	5.9%	5.5%	5.1%
RoA (%)	1.0%	1.0%	0.4%	0.6%	0.6%	0.6%
RoE (%)	9.5%	9.2%	4.0%	5.6%	6.5%	6.8%
<b>Asset quality</b>						
Gross NPA (%)	2.7%	1.9%	1.9%	1.9%	1.8%	1.7%
Net NPA (%)	1.2%	0.6%	0.5%	0.5%	0.5%	0.5%
PCR (%)	56.9%	86.6%	69.4%	75.3%	74.4%	73.3%
Credit cost (%)	1.1%	1.2%	2.4%	1.9%	1.9%	1.8%
<b>Per share data / Valuation</b>						
EPS (INR)	4	5	3	4	5	6
BVPS (INR)	45	57	67	71	76	82
ABVPS (INR)	42	55	65	69	73	79
P/E (x)	15.1	12.5	24.2	16.4	13.1	11.6
P/BV (x)	1.4	1.1	1.0	0.9	0.9	0.8
P/ABV (x)	1.6	1.2	1.0	0.9	0.9	0.8

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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