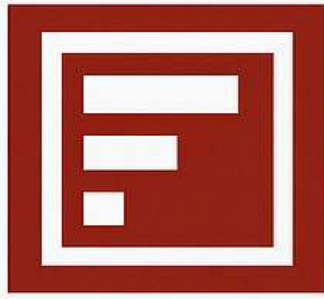


EQUITY RESEARCH



**IDFC FIRST
Bank**





FIN2RESEARCH
Investment Advisor Pvt. Ltd.



**IDFC FIRST
Bank**

Rating

Business ★★★★★

Financials ★★★★★

Valuation ★★★★★

Management ★★★★★

Rating : BUY Company : IDFC FIRST BANK Limited. Sector : Banking.

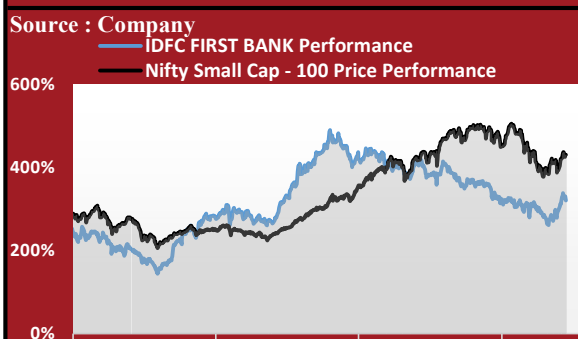
Buy Range : ₹ 68-69.5 Target : ₹80 Potential Upside Upto: 16.00% Research Report

Stock Info		
Market Cap (₹ in Cr)	50398.06	
52-Weeks High/Low	₹ 84.5 / 52.5	
Avg Volume	40821211	
No. of eq shares (cr)	732.21	
Face Value	10.00	
Bse Code	539437	
Nse Code	IDFCFIRSTB	
Free Float (cr)	50398.06	

Source : NSE/BSE		
Particulars	2024	2025
P/E (x)	18.13	26.94
P/B (x)	1.65	1.06
CASA Ratio %	47.20%	46.90%
Gross NPA %	1.38%	1.70%
Net NPA %	0.44%	0.62%
PCR Ratios %	68.80%	72.30%
Cost to Income Ratio	73.00%	73.00%
Capital Adequacy Ratio	16.11%	15.48%
ROE %	10.12%	4.24%
ROA %	1.10%	0.47%
PPOP as a % of Avg TA	2.25%	2.21%
NIM %	6.36%	6.09%

Source : Company		
Particulars	2024	2025
Promoters	37.43%	0.00%
Mutual Funds/AIF	2.67%	7.64%
Insurance co.	3.57%	11.36%
Other DIIs	0.57%	0.30%
Govt of India	3.70%	9.10%
FII	23.65%	25.68%
Retails and Others	28.39%	45.86%
Total	100%	100%

Source : NSE/BSE		
Particulars	TTM	
P/E	33.79	
P/B	1.28	
BVPS	52.00	



IDFC FIRST BANK Limited: IDFC FIRST Bank is a fast-growing, digital-first private bank in India focused on ethical and socially responsible banking. With 38 million customers and ₹2.27 lakh crore in deposits, it offers a full range of services including retail, MSME, and corporate banking. The bank is known for zero-fee savings accounts, monthly interest payouts, and transparent credit cards. Its award-winning mobile app and advanced tech platform support strong growth, with deposits and loans rising 28.8% and 22% YoY. Committed to inclusion, it has disbursed over 38 million loans.

Key Highlights: IDFC FIRST Bank reported strong franchise growth in FY25. Customer deposits rose 25.2% year-on-year (YoY) to ₹242,543 crore, with retail deposits increasing 26.4% to ₹191,268 crore. Loans and advances grew 20.4% YoY to ₹241,926 crore, driven by broad-based growth across segments. The retail, rural, and MSME loan book expanded 18.6% YoY to ₹197,568 crore, led by mortgages, vehicle loans, gold loans, and corporate lending. The bank continued to de-emphasize its microfinance portfolio, which declined 28.3% YoY and now represents approximately 4.0% of total loans, down from 6.6% in March 2024.

Net Interest Income (NII) grew 17.3% YoY to ₹19,292 crore, maintaining a net interest margin (NIM) of ~5.95% for FY25, although Q4 NIM declined 9 basis points quarter-on-quarter due to a lower microfinance mix. Fee income rose around 15% YoY to ₹6,676 crore, supported by higher retail fees. Operating expenses grew 16.5% YoY (and 12.2% in Q4 FY25), resulting in a core operating profit increase of approximately 17% YoY to ₹7,069 crore. Excluding the microfinance business, core operating profit grew approximately 31% YoY.

Profit After Tax (PAT) for FY25 declined sharply by ~48.4% YoY to ₹1,525 crore, primarily due to elevated provisions for the microfinance portfolio. FY25 provisions stood at ₹5,515 crore, up from ₹2,382 crore the previous year. Excluding microfinance and one-time toll-road provisions, the credit cost for FY25 was 1.76% (1.73% in Q4 FY25). Asset quality outside the microfinance sector remained stable, with gross NPA at 1.87%, net NPA at 0.53%, and an ex-microfinance gross NPA of 1.63%. Provision coverage remained robust at approximately 72%.

IDFC FIRST Bank remains primarily funded through retail deposits, maintaining a CASA ratio of ~47% in March 2025, up from 46% a year earlier. CASA deposits grew 24.8% YoY to ₹118,237 crore, and term deposits rose 25.6% to ₹124,306 crore. Retail deposits now constitute 79% of the liability base, compared to ~27% at the time of the merger. The credit-to-deposit ratio improved to ~93.9% from 98.4% a year ago. Funding costs remained stable, with the cost of deposits at ~6.38% and overall cost of funds at ~6.5% in Q4 FY25. The bank maintained a strong liquidity profile (LCR ~117%) and retained AAA ratings for its deposits.

The bank's capital adequacy remains strong, with a CRAR of 15.48% (CET-1 at 13.17%) as of March 2025. A ₹7,500 crore equity raise (via CCPS to Warburg and ADIA affiliates) has been approved, expected to boost CRAR to ~18.2% and CET-1 to ~15.9% on a pro forma basis.

The bank's loan book has diversified significantly, reducing its exposure to infrastructure loans (now less than 1% of funded assets, compared to ~22% at merger). Wholesale corporate loans make up ~17% of the book, down from 65% pre-merger. Retail mortgage lending has strengthened, comprising 29% of the loan book. Key growth areas included vehicle loans (+26% YoY to ₹26,303 crore), education loans (+45% to ₹3,129 crore), and credit cards (+35% to ₹7,517 crore).

Operating expenses rose 16.5% YoY in FY25, below the loan and deposit growth rates of 20–25%. In Q4 FY25, operating expense growth moderated to 12.2% YoY, and management expects further moderation to ~12–13% in FY26. Core pre-provision profit (excluding microfinance) increased ~30.6% YoY in FY25.

Management has stated that FY25 was an exceptional year due to the microfinance cycle, and expects earnings recovery from FY26 onwards. Guidance for FY26 includes ~20% loan growth and ~22–23% deposit growth, while maintaining CASA ratios between 45–47%. The bank aims to sustain a NIM of around 6% and continue improving operating leverage.

Leadership emphasizes that there are no fundamental weaknesses in the business model. Having built a strong universal banking franchise over five years, the focus now is on profitability, with a clear path to deliver high-teens ROE over the coming years. IDFC FIRST Bank remains well-positioned for growth, backed by a robust deposit franchise, strong digital capabilities, and improved asset quality outside the MFI segment.

Key Risk : 1. IDFC FIRST Bank's microfinance portfolio, though now just ~4% of loans, remains prone to episodic stress. In Q3 FY25, MFI slippages jumped 49% QoQ, halving quarterly profit and sending the stock to a 21-month low; analysts warn elevated MFI defaults may persist for "the next three to four quarters"

2. Rapid branch/network expansion (1,002 branches, +10% YoY) and product launches (credit cards, FASTag) carry execution risk—overruns or poor uptake could inflate opex or impair returns.

RATING SCALE: DEFINITION OF RATINGS

- **BUY** – We expect the stock to deliver more than 10%-20% returns over the next 9 months.
- **ACCUMULATE** – We expect the stock to deliver 5% - 12% returns over the next 9 months.
- **REDUCE** – We expect the stock to deliver 0% - 5% returns over the next 9 months.
- **SELL** – We expect the stock to deliver negative returns over the next 9 months.
- **NR** – Not Rated. Fin2Research is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
- **RS** – Rating Suspended. Fin2Research has suspended the investment rating and price target for this stock, either because there is not a Sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
- **NA** – Not Available or Not Applicable. The information is not available for display or is not applicable.
- **NM** – Not Meaningful. The information is not meaningful and is therefore excluded.
- **NOTE** – Our target prices are with a 9-month perspective. Returns stated in the rating scale are our internal benchmark.

DISCLAIMER

ANALYST CERTIFICATION

I Ashish Sanwariya Research Analyst, author, and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above-mentioned Analyst of this report has not received any compensation from the companies mentioned in the report in the preceding twelve months and does not serve as an officer, director, or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

Investments in the securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee the performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum, or risk-free return to the investors.

Fin2research Investment Advisor Private Limited (FIA) is the source of information and opinions in this report, which may be subject to change at any time. Any and all content in this report is confidentially sourced only for that intended audience and may not be altered, transmitted (in whole or in part), copied into another medium, or reproduced elsewhere without the written permission of Fin2research Investment Advisor Private Limited (FIA). Although we will endeavor to update the information contained herein for reasonable reasons, Fin2research Investment Advisor Private Limited (FIA) has no obligation to update or keep this information current. Due to regulatory, compliance, or other reasons, Fin2research Investment Advisor Private Limited (FIA) may be unable to do so.

The accuracy of this report is not guaranteed and it relies on information from public sources that have not been independently verified. This report and the information contained in it are for informational purposes only and should not be used or considered as an offer document or as an invitation to buy, sell, or subscribe to securities or other financial instruments. Although it is distributed to all clients at the same time, not all clients can receive this report at the same time. Fin2research Investment Advisor Private Limited (FIA) will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting, or tax advice or a representation that any investment or strategy is or would be appropriate for your particular circumstances.

The securities mentioned and opinions expressed in this document might not be appropriate for all investors, who have to make their very own investment decisions, primarily based totally on their very own investment objectives, economic positions, and needs of the particular recipient. This may not be taken in substitution for the exercising of independent judgment through any recipient. The recipient must independently compare the investment risks. Any number of factors, including fluctuations in interest rates and foreign exchange rates, could affect the value and return on investment. Fin2research Investment Advisor Private Limited (FIA) disclaims all responsibility for any form of loss or damage resulting from using this material. Future performance is not always predicted by past performance. Before making an investment in the securities markets, investors are recommended to review the Risk Disclosure Document to understand the risks involved. Actual results may differ materially from those set forth in projections. Statements that are deemed forward-looking are not guarantees and could change at any time. As of the final day of the month before the research report was published, none of the following parties owned 1% or more of the equity securities of the company mentioned in the study: Fin2research Investment Advisor Private Limited (FIA), all of its subsidiaries, research analysts, or any family members of any of these parties.

The material contained in this study may not align with previous reports published by Fin2research Investment Advisor Private Limited (FIA) or reach a different conclusion. Fin2research Investment Advisor Private Limited (FIA) and its Research Analysts have not participated in any market-making activities on behalf of the firms listed in the report. We contend that no regulatory authority has taken any significant disciplinary action against Fin2research Investment Advisor Private Limited (FIA) that would have an impact on the company's ability to conduct equity research analysis.

The distribution, publication, availability, or use of this report by any person or entity that is a citizen or resident of, or located in, any locality, state, country, or other jurisdiction is not authorized or intended, as it may violate legal requirements or subject Fin2research Investment Advisor Private Limited (FIA) and affiliates to registration or licensing requirements in such jurisdictions. Certain groups of investors or all jurisdictions may not be able to purchase the securities covered here. It is expected of everyone who may come into possession of this material to become aware of and abide by these restrictions.

THANK YOU

Fin2Research Investment Advisor Pvt Ltd (FIA)

CIN: U70200DL2023PTC4132071A

Registration No: INA000018425

Registered Office: Plot No A 2nd Floor, Street New Bungalow Road, Malka Ganj, Delhi North Delhi, 110007 Delhi

Phone no: 9711885801

Email id: customercare@fin2research.com

Website: www.fin2research.com

For Research Query- researchdesk@fin2research.com