

### Resilient franchise amidst yearly return shortfalls

IDFC First Bank has yet again delivered strong performance in terms of advances and deposits, successfully attracting and retaining low-cost deposits better than its peers. However, the key challenges for the bank have been higher operating expenses or elevated credit costs, which we expect to improve only by FY26/27. That said, the bank's elusive RoE target continues to face delays, with 2QFY25 marking another setback. After peaking at over 13% in 4QFY23, quarterly RoE (calc.) has declined to 2.4% in 2QFY25, suggesting that FY25 RoE will fall short of an already subdued FY24 performance. As a result, we are revising our estimates downward by 19% for FY25, with the bank now expected to achieve RoE above the cost of equity only by FY27. In light of the weaker macroeconomic outlook and delays in meeting return targets, we are downgrading the stock to Reduce from BUY. We also lower our target price to Rs58 (previously Rs76), applying a 1x multiple (down from 1.7x) to 1HFY27E ABV.

#### Higher provisions impact the return profile

NII for the quarter came in at Rs47.9bn (up +21%/+2% YoY/QoQ), marginally below our estimated NII of Rs49.3bn. Other income grew at a robust clip (9.7% QoQ) highlighting strong franchise that bank has built up. Resultantly, CTI for the quarter came in lower at 69.7% (PQ: 70.5% PY: 71.8%) boosting PPOP growth (+30.8% YoY/7.0% QoQ) marginally higher than our estimates. PAT lower at Rs2.1bn due to higher provision cost for the quarter which came in at Rs17.3bn vs. Rs9.9bn in 1QFY25 primarily due to MFI (including accelerated provision for SAM1/2) and one Maharashtra based toll. Credit cost on avg. advances (annualized) was at 3.3% Vs. 2.0% in Q1FY25. Further, slippages during the quarter increased to 3.9% vs. 3.4% in 1QFY25. GNPA for the quarter was higher by 2 bps at 1.92% and NNPA reduced by 13bps at 0.48%. Further, management has indicated the MFI pain to continue one more quarter.

#### Advances growth led by consumer segment

Gross advances showed robust growth, increasing by an impressive 21% YoY/6.8% QoQ, reaching at Rs2.21tn. Further, this growth was driven by retailisation of advances. Consumer segment grew by 26% and 2.6% YoY/QoQ. The infrastructure loan book reduced by 21% on YoY and 4% sequentially basis.

#### Deposit growth continues to impress at 7% QoQ

On the liability front, total deposits grew by +31%/7% YoY/QoQ; the total TDs grew +28%/2% YoY/QoQ respectively. CASA increased by 230bps QoQ at 48.6% (PQ: 46.6% PY: 46.4%) – impressive compared to peers. While the LCR ratio came in higher at 116% vs. 118% in 1QFY25. Management indicated they are confident that recent draft LCR guidelines impact would be cushioned by strong retail deposit franchise.

#### Return profile gets delayed to FY26

IDFC First Bank continues to perform well in advances and deposits, outpacing peers in attracting low-cost deposits. However, challenges with high operating expenses and credit costs persist. Therefore, we believe the expected return profile from investors will only be attained by the bank post FY26 and hence we cut our target multiple to 1.0x (earlier 1.7x) on 1HFY27 ABV and arrive at a revised TP of Rs58 (earlier TP Rs76).

### Financial and valuation summary

YE Mar (Rs mn)	2QFY25A	2QFY24A	YoY (%)	1QFY25A	QoQ (%)	FY25E	FY26E	FY27E
NII	47,883	39,507	21.2	46,954	2.0	2,06,653	2,54,820	3,22,251
PPoP	19,770	15,112	30.8	18,470	7.0	82,047	1,08,652	1,44,720
Provisions	17,319	5,284	227.8	9,944	74.2	52,073	46,970	57,773
Net profit	2,120	7,469	(71.6)	6,426	(67.0)	22,480	46,262	65,210
Loan growth (%)	23.0	29.7	(22.5)	21.0	9.5	23.0	23.0	23.0
NIM (%)	6.5	6.5	(0.4)	6.6	(2.1)	6.7	6.7	6.9
Cost/income (%)	69.7	71.8	(3.0)	70.5	(1.3)	70.2	68.0	66.0
GNPA (%)	1.9	2.1	(9.0)	1.9	1.1	2.3	2.3	2.1
RoA (%)	0.3	1.3	(76.8)	0.9	(68.7)	0.7	1.1	1.2
RoE (%)	2.6	12.0	(78.1)	8.6	(69.4)	6.4	11.5	14.3
P/ABV (x)						1.4	1.2	1.1

Source: Company, Centrum Broking

#### Result Update

India | BFSI  
28 October, 2024

#### REDUCE

Price: Rs66  
Target Price: Rs58  
Forecast return: -12%

#### Market Data

Bloomberg:	IDFCFB IN
52 week H/L:	92/65
Market cap:	Rs490.1bn
Shares Outstanding:	7482.7mn
Free float:	86.0%
Avg. daily vol. 3mth:	3,30,17,660

Source: Bloomberg

#### Changes in the report

Rating:	Changed from BUY to REDUCE
Target price:	58; Changed by -23.7%
ABV:	FY25E; 48.7 FY26E; 54.1

Source: Centrum Broking

#### Shareholding pattern

	Sep-24	Jun-24	Mar-24	Dec-23
Promoter	35.4	37.4	37.4	37.5
FIs	19.6	21.0	23.7	24.3
DIs	15.2	11.6	10.5	10.4
Public/other	29.8	30.0	28.4	27.9

Source: BSE

#### Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q2FY25	Actual Q2FY25	Variance (%)
NII	49,331	47,883	-2.9
PPOP	19,424	19,770	1.8
Provision	11,316	17,319	53.1
PAT	6,065	2,120	-65.1

Source: Bloomberg, Centrum Broking



Shailesh Kanani

Research Analyst, BFSI  
+91-22 4215 9001

shailesh.kanani@centrum.co.in

## Thesis Snapshot

### Estimate revision

YE Mar (Rs bn)	FY25E New	FY25E Old	% chg	FY26E New	FY26E Old	% chg
NII	206.7	209.6	(1.4)	254.8	263.6	(3.3)
PPOP	82.1	82.7	(0.7)	108.6	110.1	(1.4)
PAT	22.5	27.8	(19.1)	46.3	47.3	(2.1)

Source: Centrum Broking

### IDFC First Bank versus NIFTY Midcap 100

	1m	6m	1 year
IDFCFB IN	(10.3)	(21.5)	(24.8)
NIFTY Midcap 100	(8.6)	10.1	43.3

Source: Bloomberg, NSE

### Key assumptions

YE Mar	FY25E	FY26E
AUM Growth	23.6	19.4
NII Growth	25.6	23.3
Other Inc./Asset	2.0	2.0
Opex/Assets	5.7	5.5
Provision Cost/Avg. AUM	2.4	1.7

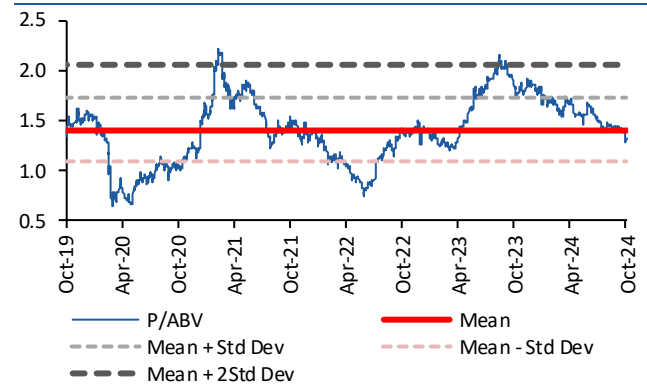
Source: Centrum Broking

### Valuations

We are revising our estimates downward by 20%, with the bank now expected to achieve RoE above the cost of equity only by FY27. In light of the weaker macroeconomic outlook and delays in meeting return targets, we are downgrading the stock to Reduce from BUY. We also lower our target price to Rs.58 (previously Rs.76), applying a 1x multiple (down from 1.7x) to 1HFY27E ABV.

Valuations	Rs/share
ABV/Share (1HFY27E)	58.1
Multiple (x)	1.0
<b>Target Price (Rs)</b>	<b>58</b>
Downside to CMP	-12%

### P/ABV mean and standard deviation



Source: Bloomberg, Centrum Broking

### Peer comparison

Company	EPS (Rs)				BVPS (Rs)				RoAA (%)				RoAE (%)			
	FY23A	FY24A	FY25E	FY26E	FY23A	FY24A	FY25E	FY26E	FY23A	FY24A	FY25E	FY26E	FY23A	FY24A	FY25E	FY26E
City Union Bank	12.6	13.6	14.9	16.5	100.7	113.4	125.6	140.1	1.5	1.5	1.5	1.5	13.4	12.8	12.5	12.4
Federal Bank	14.1	15.3	17.0	21.8	101.6	119.5	134.4	154.2	1.3	1.3	1.2	1.3	14.9	14.7	13.3	15.0
Bandhan Bank	13.6	13.8	23.4	26.9	121.6	134.1	156.2	179.0	1.5	1.3	1.9	1.9	11.9	10.8	16.1	16.0
RBL BANK	15.3	20.8	17.8	27.8	225.6	245.2	263.9	284.4	0.8	1.0	0.7	1.0	7.1	8.9	7.1	10.2
<b>Average</b>	13.9	15.9	18.3	23.3	137.4	153.1	170.0	189.4	1.3	1.3	1.3	1.4	11.8	11.8	12.3	13.4
<b>IDFCBK</b>	<b>3.7</b>	<b>4.2</b>	<b>3.0</b>	<b>6.2</b>	<b>39.1</b>	<b>45.6</b>	<b>50.5</b>	<b>56.6</b>	<b>1.1</b>	<b>1.1</b>	<b>0.7</b>	<b>1.1</b>	<b>10.1</b>	<b>10.1</b>	<b>6.4</b>	<b>11.5</b>

Company	Mcap (Rs bn)	P/E (x)				P/BV (x)			
		FY23A	FY24A	FY25E	FY26E	FY23A	FY24A	FY25E	FY26E
City Union Bank	118	12.7	12.6	11.5	10.3	1.5	1.4	1.3	1.2
Federal Bank	457	9.3	12.2	10.9	8.5	1.3	1.6	1.4	1.2
Bandhan Bank	311	16.6	12.2	7.2	6.3	1.9	1.1	1.1	0.9
RBL BANK	98	15.4	11.3	9.1	5.8	1.9	0.7	0.7	0.6
<b>Average</b>		13.5	12.1	9.7	7.7	1.7	1.2	1.1	1.0
<b>IDFCBK</b>	<b>490</b>	<b>20.3</b>	<b>15.9</b>	<b>22.1</b>	<b>10.7</b>	<b>1.7</b>	<b>1.4</b>	<b>1.3</b>	<b>1.2</b>

Source: Company, Centrum Broking; Peers: Bloomberg estimates

**Exhibit 1: Key conference call takeaways and metrics**

Centrum Quarterly Monitor	Q1FY25	Q2FY25	Our Comments
<b>Margins and Profitability</b>	<ul style="list-style-type: none"> <li>FY25 to be similar like FY24 and can see good rise in profitability from FY26-29.</li> <li>There is an impact of JLG portfolio largely in Tamil Nadu (60% of portfolio) as TN had floods in December which impacted the book</li> </ul>	<ul style="list-style-type: none"> <li>Growth in deposits has been very encouraging which gives confidence to maintain high growth of advances</li> <li>Risk weight increased on MFI book to 125%.</li> <li>MEPL toll road led to increase of Rs253cr due to recent change in MH state government notification for waiver of tolls</li> </ul>	<ul style="list-style-type: none"> <li>We have factored higher credit cost in our numbers – 2.4% which we maintain.</li> <li>Our FY25 RoE currently stands at 6.4%</li> </ul>
<b>Asset quality</b>	<ul style="list-style-type: none"> <li>Provisions for MFI book increased on sequential basis by ~Rs150cr. Some effects for CE got impacted in April and may due to elections and heat waves.</li> </ul>	<ul style="list-style-type: none"> <li>MFI business has been enhanced delinquencies and hence bank has taken conservative policy of providing for SMA1/2 exposure which led to increase in provision of Rs315cr</li> </ul>	<ul style="list-style-type: none"> <li>In terms of asset quality, we have factored in +3.7% slippage for the year.</li> </ul>
<b>Outlook and guidance</b>	<ul style="list-style-type: none"> <li>Opex to grow by 20% for FY25 which will keep CTI lower. Income to grow by 23-24% for FY25.</li> <li>ROA will be flat this year and for FY26: 1.2% and 1.4% by FY27.</li> <li>FY25 credit cost expected to be at – 1.65%.</li> </ul>	<ul style="list-style-type: none"> <li>225bps credit cost for the full year.</li> <li>FY26 – steady state credit cost should be 1.85% of loans</li> </ul>	<ul style="list-style-type: none"> <li>.We are revising our estimates downward by 10-15%, with the bank now expected to achieve RoE above the cost of equity only by FY27.</li> </ul>

Source:

## Earnings concall KTAs

### Opening remarks

- Growth in deposits has been very encouraging which gives confidence to maintain high growth of advances.
- Traction on loan book continues with focus on retailisation.
- MFI business has been enhanced delinquencies and hence bank has taken conservative policy of providing for SMA1/2 exposure which led to increase in provision of Rs315cr.
- MFI provision policy - 80% provided (earlier 75%) of book on 90DPD basis and 100% provision on 120DPD.
- MEPL toll road led to increase of Rs253cr due to recent change in MH state government notification for waiver of tolls.
- \*Risk weight increased on MFI book to 125%.\*

### Guidance

- Credit cost for 3Q/4Q – 1.65-1.7% ex MFI.
- \*225bps credit cost for the full year.\*
- FY26 – steady state credit cost should be 1.85% of loans

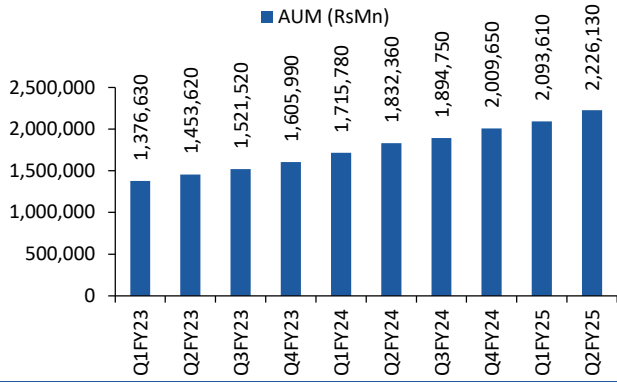
### Margins and Asset quality

- MFI Credit cost for 1HFY25 – 6% on MFI. Q1- 4.5% and Q2 – 7.5% + additional provision Rs315cr.
- Few quarters back SA rates were dropped to 3% for bucket less than Rs5L.
- Gross Slippages – 2030cr vs. 1647cr; Net slippages - Rs1392cr.
- NW accretion due to merger – Rs618cr.

### Others

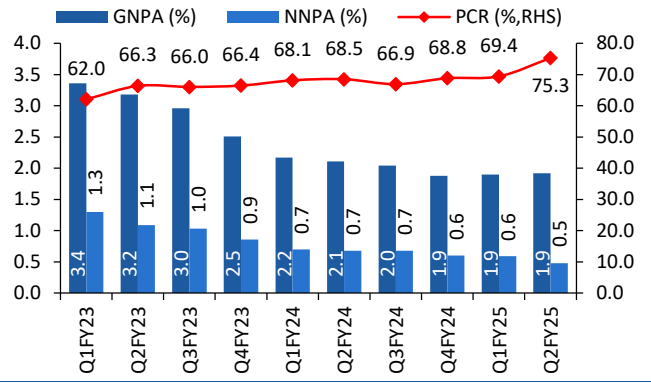
- Restructured book – Rs500cr and provision ~19%.
- \*Regulatory nudge to decrease yields on MFI product.\*

**Exhibit 2: AUM growth pick up pace with...**



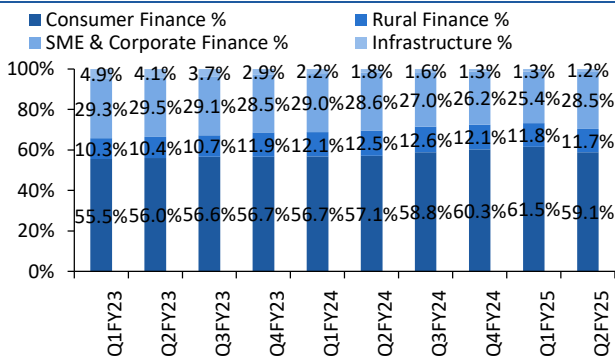
Source: Company Data, Centrum Broking

**Exhibit 3: GNPA and NNPA trend**



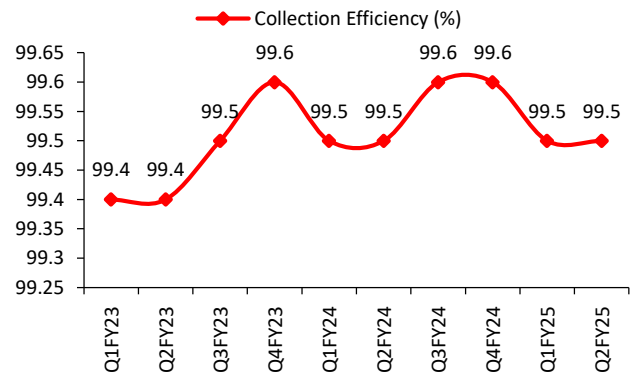
Source: Company Data, Centrum Broking

**Exhibit 4: Advances with increasing share of Consumer Finance...**



Source: Company, Centrum Broking

**Exhibit 5: ...Impressive Collection Efficiency**



Source: Company, Centrum Broking

**Exhibit 6: Quaterly financial Snapshot**

Income statement	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Interest earned	45,536	49,217	54,698	59,119	64,244	68,689	73,563	78,795	82,205	87,887	89,570
Interest expended	18,842	21,704	24,673	26,259	28,271	31,224	34,056	35,924	37,500	40,933	41,687
<b>Net Interest Income</b>	<b>26,695</b>	<b>27,514</b>	<b>30,025</b>	<b>32,860</b>	<b>35,974</b>	<b>37,465</b>	<b>39,507</b>	<b>42,872</b>	<b>44,705</b>	<b>46,954</b>	<b>47,883</b>
Other income	8,312	8,556	10,614	11,524	13,978	13,636	14,095	15,166	16,420	15,740	17,273
<b>Total Income</b>	<b>35,007</b>	<b>36,070</b>	<b>40,639</b>	<b>44,384</b>	<b>49,952</b>	<b>51,101</b>	<b>53,602</b>	<b>58,037</b>	<b>61,125</b>	<b>62,694</b>	<b>65,156</b>
<b>Operating Expenses</b>	<b>26,612</b>	<b>26,488</b>	<b>28,795</b>	<b>31,615</b>	<b>34,184</b>	<b>36,377</b>	<b>38,490</b>	<b>42,192</b>	<b>44,418</b>	<b>44,225</b>	<b>45,386</b>
Employees	8,974	9,562	10,447	10,880	11,897	13,331	13,773	14,046	15,187	15,342	16,170
Others	17,638	16,926	18,349	20,735	22,286	23,046	24,717	28,146	29,232	28,883	29,216
<b>Operating profit</b>	<b>8,395</b>	<b>9,582</b>	<b>11,843</b>	<b>12,769</b>	<b>15,768</b>	<b>14,724</b>	<b>15,112</b>	<b>15,846</b>	<b>16,707</b>	<b>18,470</b>	<b>19,770</b>
Provisions	3,695	3,080	4,242	4,502	4,824	4,762	5,284	6,548	7,223	9,944	17,319
<b>Profit before tax</b>	<b>4,701</b>	<b>6,502</b>	<b>7,602</b>	<b>8,267</b>	<b>10,944</b>	<b>9,962</b>	<b>9,828</b>	<b>9,297</b>	<b>9,484</b>	<b>8,526</b>	<b>2,451</b>
Taxes	1,177	1,652	1,930	2,101	2,783	2,647	2,360	1,977	2,165	2,100	332
<b>Net Profit</b>	<b>3,523</b>	<b>4,850</b>	<b>5,672</b>	<b>6,166</b>	<b>8,161</b>	<b>7,315</b>	<b>7,469</b>	<b>7,321</b>	<b>7,319</b>	<b>6,426</b>	<b>2,120</b>
<b>Balance sheet</b>											
Shareholders funds	2,10,821	2,14,850	2,21,528	2,26,980	2,58,476	2,65,310	2,77,637	3,14,510	3,22,736	3,29,162	3,69,761
Borrowings	5,29,626	5,56,880	5,66,430	5,44,060	5,72,121	5,57,410	5,31,655	4,51,090	5,09,357	5,28,580	4,63,515
Deposits	10,55,396	11,33,490	12,34,141	13,30,380	14,44,695	15,44,270	17,11,148	18,25,490	20,05,702	20,96,282	22,35,582
Other liabilities	1,05,614	1,00,440	1,06,069	1,12,320	1,23,529	1,22,510	1,26,763	1,16,290	1,24,303	1,29,394	1,36,659
<b>Total liabilities</b>	<b>19,01,457</b>	<b>20,05,650</b>	<b>21,28,168</b>	<b>22,13,740</b>	<b>23,98,821</b>	<b>24,89,500</b>	<b>26,47,203</b>	<b>27,07,380</b>	<b>29,62,098</b>	<b>30,83,418</b>	<b>32,05,517</b>
Cash&bank	1,57,024	1,07,610	1,48,505	1,23,190	1,37,787	1,32,070	1,30,498	1,14,330	1,24,812	1,29,924	1,45,828
Advances	11,78,578	13,25,550	13,47,619	14,71,090	15,17,945	16,73,740	17,48,138	18,55,030	19,45,924	20,25,681	21,50,613
Investments	4,59,346	4,70,950	5,03,762	5,10,160	6,09,133	5,62,690	6,29,224	6,03,960	7,45,001	7,75,514	7,61,180
Fixed assets	13,873	14,560	16,466	19,020	21,331	22,850	25,164	25,020	26,746	27,841	28,213
Other assets	92,637	86,980	1,11,815	90,280	1,12,625	98,150	1,14,179	1,09,040	1,19,616	1,24,458	1,19,683
<b>Total assets</b>	<b>19,01,457</b>	<b>20,05,650</b>	<b>21,28,168</b>	<b>22,13,740</b>	<b>23,98,821</b>	<b>24,89,500</b>	<b>26,47,203</b>	<b>27,07,380</b>	<b>29,62,098</b>	<b>30,83,418</b>	<b>32,05,517</b>
<b>Balance sheet(%)</b>											
Loan growth	17.2	22.0	31.8	26.4	28.8	26.3	29.7	26.1	28.2	21.0	23.0
Deposit growth	19.2	24.1	36.8	43.4	36.9	36.2	38.7	37.2	38.8	35.7	30.6
Loans/Deposits	111.7	116.9	109.2	110.6	105.1	108.4	102.2	101.6	97.0	96.6	96.2
Investment /Deposits	43.5	41.5	40.8	38.3	42.2	36.4	36.8	33.1	37.1	37.0	34.0
<b>Capital Adequacy</b>											
Tier-1	14.9	14.0	13.7	13.5	14.2	13.7	13.5	14.0	13.4	13.3	14.1
Tier-2	1.9	1.8	1.7	2.6	2.6	3.3	3.1	2.8	2.8	2.3	2.5
CRAR	16.7	15.8	15.4	16.1	16.8	17.0	16.5	16.7	16.1	15.6	16.6
<b>Profitability(%)</b>											
Yield on assets	11.2	11.2	12.4	12.6	12.9	12.9	13.6	13.5	13.1	13.3	12.1
Cost of funds	5.1	5.6	6.1	6.3	6.3	6.6	6.7	6.9	6.6	6.9	6.3
NIM	6.6	6.3	6.8	7.0	7.2	7.0	7.3	7.3	7.1	7.1	6.5
Other income/Assets	1.9	1.9	2.2	2.3	2.6	2.4	2.4	2.5	2.5	2.3	2.2
Cost/Income	76.0	73.4	70.9	71.2	68.4	71.2	71.8	72.7	72.7	70.5	69.7
Employees	25.6	26.5	25.7	24.5	23.8	26.1	25.7	24.2	24.8	24.5	24.8
Others	50.4	46.9	45.2	46.7	44.6	45.1	46.1	48.5	47.8	46.1	44.8
Cost/Assets	6.0	5.7	6.0	6.4	6.4	6.5	6.4	6.9	6.6	6.3	5.8
RoA	0.8	1.0	1.2	1.2	1.5	1.3	1.3	1.2	1.1	0.9	0.3
RoE	7.2	9.3	10.7	11.4	13.9	12.2	12.0	10.8	10.1	8.6	2.4
<b>Asset quality(%)</b>											
GNPA	3.7	3.36	3.18	2.96	2.51	2.17	2.11	2.04	1.88	1.90	1.92
NNPA	1.53	1.3	1.09	1.03	0.86	0.7	0.68	0.68	0.6	0.6	0.48
PCR	59.5	62.0	66.3	66.0	66.4	68.1	68.5	66.9	68.8	69.4	75.3
Credit Cost on gross AUM	1.2	1.0	1.3	1.3	1.3	1.2	1.3	1.5	1.6	2.1	3.2
Loan/Deposit	122.3	121.5	117.8	114.4	111.2	111.1	107.1	103.8	100.2	99.9	99.6

Source: Company, Centrum Broking

**Exhibit 7: ROAE Tree**

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Assets	1,263,820	1,670,989	1,491,586	1,630,715	1,901,457	23,98,821	29,62,098	37,70,179	46,30,566	58,26,847
Average total assets	1,192,232	1,467,405	1,581,287	1,561,150	1,766,086	21,50,139	26,80,459	33,66,138	42,00,372	52,28,707
Equity	152,741	181,994	154,035	178,997	210,821	2,58,476	3,22,736	3,77,542	4,23,804	4,89,014
Average Equity	149,757	167,367	168,014	166,516	194,909	2,34,648	2,90,606	3,50,139	4,00,673	4,56,409
Interest Income on term loans/ Average total assets	4.1%	5.3%	7.6%	8.1%	8.0%	8.9%	9.7%	9.6%	9.5%	9.4%
Income on investments/money with RBI/other banks / Average total assets	3.4%	2.7%	2.5%	2.0%	1.6%	1.6%	1.6%	1.5%	1.5%	1.6%
Non-Interest Income/ Average total assets	0.9%	0.6%	1.1%	1.4%	1.8%	2.0%	2.2%	2.0%	2.0%	2.0%
<b>Total Income/ Average total assets</b>	<b>8.4%</b>	<b>8.6%</b>	<b>11.2%</b>	<b>11.5%</b>	<b>11.4%</b>	<b>12.5%</b>	<b>13.5%</b>	<b>13.2%</b>	<b>13.0%</b>	<b>12.9%</b>
Interest on Deposits, borrowings and debt securities / Average total assets	6.0%	6.0%	6.5%	5.5%	4.2%	4.7%	5.17%	5.11%	5.04%	4.87%
<b>Net Interest Income / Average total assets</b>	<b>1.7%</b>	<b>2.2%</b>	<b>3.8%</b>	<b>4.7%</b>	<b>5.5%</b>	<b>5.9%</b>	<b>6.1%</b>	<b>6.1%</b>	<b>6.1%</b>	<b>6.2%</b>
<b>Net Total Income/ Average total assets</b>	<b>2.6%</b>	<b>2.8%</b>	<b>4.9%</b>	<b>6.1%</b>	<b>7.3%</b>	<b>7.9%</b>	<b>8.4%</b>	<b>8.2%</b>	<b>8.1%</b>	<b>8.1%</b>
Operating Expenses / Average total assets	1.5%	2.4%	3.6%	4.5%	5.4%	5.6%	6.0%	5.7%	5.5%	5.4%
<b>PPOP/Average total assets</b>	<b>1.1%</b>	<b>0.4%</b>	<b>1.2%</b>	<b>1.6%</b>	<b>1.9%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>2.4%</b>	<b>2.6%</b>	<b>2.8%</b>
Provision Cost / Average total assets	0.1%	0.3%	0.4%	1.3%	1.8%	0.8%	0.9%	1.5%	1.1%	1.1%
<b>Profit before tax / Average total assets</b>	<b>1.0%</b>	<b>0.0%</b>	<b>0.8%</b>	<b>0.3%</b>	<b>0.1%</b>	<b>1.5%</b>	<b>1.4%</b>	<b>0.9%</b>	<b>1.5%</b>	<b>1.7%</b>
Tax expense/ Average total assets	0.2%	-0.9%	0.3%	0.0%	0.0%	0.4%	0.3%	0.2%	0.4%	0.4%
One-time adjustment/Average Total Assets	0.0%	1.7%	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>RoAA (before Share of Associate)</b>	<b>0.8%</b>	<b>1.0%</b>	<b>0.5%</b>	<b>0.3%</b>	<b>0.1%</b>	<b>1.1%</b>	<b>1.1%</b>	<b>0.7%</b>	<b>1.1%</b>	<b>1.2%</b>
Leverage (Average total assets/average Equity or average Net-worth)	7.96	8.77	9.41	9.38	9.06	9.16	9.22	9.61	10.48	11.46
<b>RoAE</b>	<b>6.4%</b>	<b>8.4%</b>	<b>4.9%</b>	<b>2.9%</b>	<b>0.7%</b>	<b>10.1%</b>	<b>10.1%</b>	<b>6.4%</b>	<b>11.5%</b>	<b>14.3%</b>

Source: Company, Centrum Broking

P&L					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Interest earned	2,27,278	3,03,251	3,78,495	4,66,538	5,77,101
Interest expended	1,00,906	1,38,703	1,71,842	2,11,718	2,54,850
<b>Net Interest Income</b>	<b>1,26,372</b>	<b>1,64,548</b>	<b>2,06,653</b>	<b>2,54,820</b>	<b>3,22,251</b>
Other income	43,532	59,317	68,881	84,621	1,02,929
<b>Total Income</b>	<b>1,69,904</b>	<b>2,23,865</b>	<b>2,75,534</b>	<b>3,39,441</b>	<b>4,25,180</b>
<b>Operating Expenses</b>	<b>1,21,082</b>	<b>1,61,477</b>	<b>1,93,488</b>	<b>2,30,789</b>	<b>2,80,460</b>
Employees	42,786	56,337	68,290	79,592	97,939
Others	78,297	1,05,141	1,25,197	1,51,196	1,82,521
<b>PPoP</b>	<b>48,821</b>	<b>62,388</b>	<b>82,047</b>	<b>1,08,652</b>	<b>1,44,720</b>
Provisions	16,648	23,817	52,073	46,970	57,773
<b>Profit before tax</b>	<b>32,173</b>	<b>38,572</b>	<b>29,974</b>	<b>61,683</b>	<b>86,947</b>
Taxes	8,465	9,148	7,493	15,421	21,737
<b>Net Profit</b>	<b>23,708</b>	<b>29,424</b>	<b>22,480</b>	<b>46,262</b>	<b>65,210</b>

Ratios					
YE Mar	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Growth (%)</b>					
Loans	28.8	28.2	23.0	23.0	23.0
Deposits	36.9	38.8	31.1	31.7	30.7
RWA growth	28.8	29.7	29.8	24.4	16.3
NII	30.2	30.2	25.6	23.3	26.5
Other income	(17.4)	11.6	13.3	11.8	7.6
Opex	290.6	277.4	19.8	19.3	21.5
PPoP	48.7	27.8	31.5	32.4	33.2
Provisions	(46.4)	43.1	118.6	(9.8)	23.0
Net profit	1,752.3	20.1	(23.6)	105.8	41.0
<b>Profitability (%)</b>					
Yield on assets	11.2	12.2	12.3	12.2	12.3
Cost of funds	5.6	6.1	5.9	5.8	5.5
NIM	6.3	6.6	6.7	6.7	6.9
Other income / Total inc.	25.6	26.5	25.0	24.9	24.2
Other inc. / avg assets	2.0	2.2	2.0	2.0	2.0
Cost/Income	71.3	72.1	70.2	68.0	66.0
Employee	46.1	25.2	24.8	23.4	23.0
Other	46.1	47.0	45.4	44.5	42.9
Opex/ Avg assets	5.6	6.0	5.7	5.5	5.4
Provisioning cost	1.2	1.4	2.4	1.8	1.8
Tax rate	26.3	23.7	25.0	25.0	25.0
RoE	10.4	10.1	6.4	11.5	14.3
RoA	1.1	1.1	0.7	1.1	1.2
RoRWA	1.6	1.5	0.9	1.4	1.6
<b>Du-pont (%)</b>					
Interest income	10.6	11.3	11.2	11.1	11.0
Interest expenses	4.7	5.2	5.1	5.0	4.9
<b>NII</b>	<b>5.9</b>	<b>6.1</b>	<b>6.1</b>	<b>6.1</b>	<b>6.2</b>
Other income	2.0	2.2	2.0	2.0	2.0
<b>Total income</b>	<b>7.9</b>	<b>8.4</b>	<b>8.2</b>	<b>8.1</b>	<b>8.1</b>
Operating expenses	5.6	6.0	5.7	5.5	5.4
Employee	2.0	2.1	2.0	1.9	1.9
Other	3.6	3.9	3.7	3.6	3.5
<b>PPOP</b>	<b>2.3</b>	<b>2.3</b>	<b>2.4</b>	<b>2.6</b>	<b>2.8</b>
Provisions	0.8	0.9	1.5	1.1	1.1
<b>PBT</b>	<b>1.5</b>	<b>1.4</b>	<b>0.9</b>	<b>1.5</b>	<b>1.7</b>
Tax	0.4	0.3	0.2	0.4	0.4
<b>RoA</b>	<b>1.1</b>	<b>1.1</b>	<b>0.7</b>	<b>1.1</b>	<b>1.2</b>

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Share capital	66,552	71,289	75,583	75,583	75,583
Reserves & surplus	1,91,923	2,51,447	3,01,959	3,48,221	4,13,431
Deposits	14,44,695	20,05,702	26,30,205	34,63,515	45,26,382
Borrowings	5,72,121	5,09,356	6,35,361	6,19,373	6,76,210
Other Liabilities	1,23,529	1,24,305	1,27,072	1,23,875	1,35,242
<b>Total liabilities</b>	<b>23,98,821</b>	<b>29,62,098</b>	<b>37,70,179</b>	<b>46,30,566</b>	<b>58,26,848</b>
Cash balances with RBI	1,05,623	1,09,885	2,02,963	2,07,811	2,71,583
Balances with banks	32,164	14,927	32,878	45,026	58,843
Investments	6,09,133	7,45,001	9,20,572	11,42,960	14,93,706
Advances	15,17,945	19,45,924	23,93,486	29,43,988	36,21,105
Fixed Assets	21,331	26,746	34,769	46,939	63,367
Other Assets	1,12,625	1,19,616	1,85,511	2,43,843	3,18,243
<b>Total assets</b>	<b>23,98,821</b>	<b>29,62,098</b>	<b>37,70,179</b>	<b>46,30,566</b>	<b>58,26,848</b>

Ratios					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Balance Sheet (%)</b>					
Loans / Deposits	105.1	97.0	91.0	85.0	80.0
Investments / Deposits	42.2	37.1	35.0	33.0	33.0
CASA	49.7	47.2	46.5	46.5	47.0
Assets/equity (x)	9.3	9.2	10.0	10.9	11.9
RWA / Total assets	72.9	76.5	78.0	79.0	73.0
<b>Capital ratios (%)</b>					
CET-1	14.2	13.8	12.5	11.3	11.3
Tier-1	14.2	13.8	12.5	11.3	11.3
Tier-2	2.6	2.7	2.1	1.7	1.4
CRAR	16.8	16.5	14.5	13.0	12.7
<b>Asset quality ratios (%)</b>					
GNPA (Rs mn)	38,845	37,180	56,340	69,381	76,890
NNPA (Rs mn)	13,041	11,605	12,133	18,787	27,065
GNPA	2.4	1.9	2.3	2.3	2.1
NNPA	0.9	0.6	0.5	0.6	0.7
PCR	66.4	68.8	78.5	72.9	64.8
Slippage	3.5	3.3	0.0	0.0	0.0
NNPA / Equity	5.0	3.6	3.2	4.4	5.5
<b>Per share</b>					
EPS	3.7	4.2	3.0	6.2	8.7
BVPS	39.1	45.6	50.5	56.6	65.4
ABVPS	37.1	44.0	48.8	54.1	61.7
<b>Valuation (x)</b>					
P/E	17.8	15.9	22.0	10.7	7.6
P/BV	1.7	1.4	1.3	1.2	1.0
P/ABV	1.8	1.5	1.4	1.2	1.1

Source: Company, Centrum Broking



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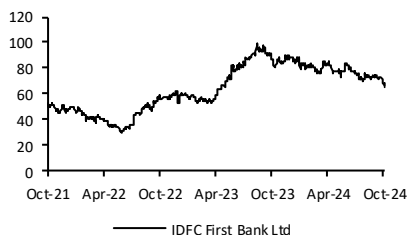
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**IDFC First Bank**



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Website: www.centrumbroking.com

Investor Grievance Email ID: investor.grievances@centrum.co.in

**Compliance Officer Details:**

Ajay S Bendkhale

(022) 4215 9000/9023; Email ID: compliance@centrum.co.in

**Centrum Broking Ltd. (CIN :U67120MH1994PLC078125)****Registered and Corporate Office:**

Level -9, Centrum House, C.S.T. Road,

Vidyanagari Marg, Kalina,

Santacruz (East) Mumbai – 400098

Tel.: - +91 22 4215 9000