

CMP: INR 81

Rating: BUY

Target Price: INR 99

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)	528
52w H/L (INR)	78 / 52
Avg Yearly Vol (in 000')	30,110

Shareholding Pattern %

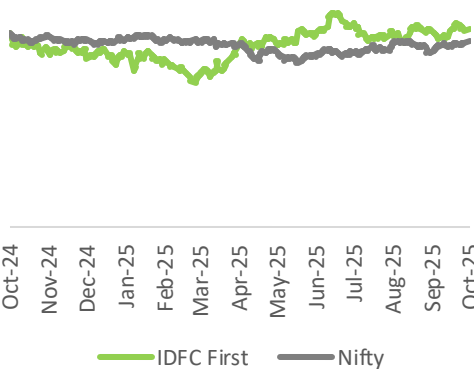
(As on Oct 2025)

Promoters	0.0
Public & Others	100.0

Stock Performance (%)

	3m	6m	12m
IDFC FIRST Bank	-0.8	5.0	2.1
Nifty	6.3	2.5	-3.6

IDFC FIRST Bank Vs Nifty



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IDFC First Bank delivered a mixed performance in Q2FY26. NII stood at INR 51.1 Bn, slightly above our estimate of INR 50.4 Bn, up 3.6% QoQ and 6.8% YoY. PPOP came in at INR 18.8 Bn, below the estimated INR 19.6 Bn, down 16.0% QoQ and 4.2% YoY, while provisions were marginally lower at INR 14.5 Bn vs INR 14.6 Bn our estimated, declining 12.5% QoQ and 16.2% YoY. PAT stood at INR 3.5 Bn, below the estimate of INR 3.8 Bn, down 23.8% QoQ but up 75.6% YoY. GNPA at 1.86% (vs 1.92% estimate) down 11 bps QoQ, and NNPA at 0.52% (vs 0.56% estimate), down 3 bps QoQ. Deposits increased 4.45% QoQ and 23.8% YoY to INR 2,767.7 Bn, while advances grew 5.5% QoQ and 19.6% YoY to INR 2,571.0 Bn.

Well-Diversified, High-Quality Loan Book with Strong Growth: Loans and advances grew 19.7% YoY to INR 2,670,000 Mn, driven by strong traction in mortgages, vehicle loans (up ~28% YoY), consumer loans (up ~22% YoY), MSME, and scale-up businesses such as credit cards and gold loans. The wholesale book has been reduced to just 20% of the total portfolio (from 86% at the time of the merger), sharply lowering concentration and legacy risks. Retail, rural, and MSME assets now account for 80% of the loan book, providing stable growth with lower cyclicality.

Healthy Asset Quality Supports Strong Profit Growth: GNPA improved to 1.86% and NNPA to 0.52%, with the SMA portfolio down to 0.90%, highlighting strong underwriting. Retail GNPA's remained stable at 1.73%, and microfinance stress has eased, with recoveries underway. Provision coverage stayed high at 72.2%. PAT up 75.6% YoY to INR 3,520 Mn. NII grew 6.8% YoY, with NIM steady at 5.59%. Operating expenses increased 12.5%, below business growth, reflecting efficiency gains from digital scale-up.

Valuation & View: For H2FY26, the bank expects credit costs to moderate to 2.05–2.10% with further declines likely in subsequent quarters as asset quality stabilizes. The Microfinance (MFI) portfolio is expected to bottom out and resume growth from the next financial year, supported by improved risk discipline. The bank plans to expand its branch network and invest in its distribution channels to enhance market reach and support long-term deposit and loan growth. Also expects sequential improvement in NIM, profitability, and cost ratios over the next year, with PAT and ROA likely to improve as income streams normalize, and costs are efficiently managed. **We maintain BUY rating with a Target Price of INR 99, based on 1.05x P/ABV to its FY28E.**

Exhibit 1: Financial Performance

Key Financials (Rs Bn)	FY24	FY25	FY26E	FY27E	FY28E
NII	164.51	192.92	210.18	244.65	285.81
PPOP	62.37	74.14	83.50	103.28	136.24
Net Profit	29.57	15.24	18.76	30.71	46.62
Advances	1,946	2,331	2,791	3,316	3,939
Deposits	2,006	2,521	3,037	3,646	4,348
RoA (%)	1.0%	0.4%	0.5%	0.6%	0.8%
RoE (%)	9.2%	4.0%	3.9%	6.1%	8.4%

Source: Arihant Research, Company Filings

Q2FY26 - Quarterly Performance (Standalone)

(INR Mn)

IDFC First Bank (Standalone)					
Quarterly Result Update (Rs Mn)	Q2FY26	Q1FY26	Q2FY25	QoQ	YoY
Interest Income	99,369	96,421	89,569	3.1%	10.9%
Interest Expended	48,243	47,091	41,691	2.4%	15.7%
Net Interest Income	51,126	49,331	47,879	3.6%	6.8%
Other Income	18,915	22,268	17,273	-15.1%	9.5%
Operating Income	70,040	71,599	65,152	-2.2%	7.5%
a. Other Operating Expenses	36,338	34,249	31,292	6.1%	16.1%
b. Employee Expenses	14,901	14,956	14,241	-0.4%	4.6%
Operating Expenses (a+b)	51,239	49,205	45,533	4.1%	12.5%
PPOP	18,801	22,394	19,619	-16.0%	-4.2%
Provisions	14,519	16,591	17,319	-12.5%	-16.2%
PBT	4,282	5,803	2,299	-26.2%	86.3%
Tax Expenses	759	1,177	292	-35.5%	159.8%
Net Income	3,523	4,626	2,007	-23.8%	75.5%
Balance Sheet Analysis					
Advances	25,71,007	24,36,789	21,50,613	5.5%	19.5%
Deposits	27,67,713	26,49,713	22,36,067	4.5%	23.8%
Total Assets	38,22,178	36,14,240	32,04,417	5.8%	19.3%
CASA Deposits	13,85,830	12,71,580	10,92,920	9.0%	26.8%
CASA (%)	50.07%	47.99%	48.88%	208bps	119bps
CAR (%)	16.36%	15.01%	16.01%	135bps	35bps
Spreads					
NIMs (%)	5.76%	5.85%	6.18%	-9bps	-42bps
Cost of Funds	6.17%	6.29%	6.46%	-12bps	-29bps
Yield on Average Advances	13.29%	13.65%	14.52%	-36bps	-123bps
Asset Quality					
GNPA	48,769	48,675	41,952	0.2%	16.3%
NNPA	14,200	13,461	10,376	5.5%	36.9%
GNPA (%)	1.86%	1.97%	1.92%	-11bps	-6bps
NNPA (%)	0.52%	0.55%	0.48%	-3bps	4bps
Credit Costs	2.26%	2.72%	3.22%	-46bps	-96bps
Provision Coverage Ratio	72.20%	72.30%	75.27%	-10bps	-307bps
Returns & Expenses					
RoA (annualized)	0.52%	0.53%	0.25%	-1bps	27bps
RoE (excl. One Time Slippage)	3.95%	4.83%	7.60%	-88bps	-365bps
Cost / Income Ratio	73.16%	68.72%	69.89%	443bps	327bps

Source: Arianth Research, Company Filings

Concall Highlights

IDFC First Bank Ltd - Q2FY26 Concall KTAs

For H2FY26, the bank expects credit costs to moderate to 2.05–2.10%. with further declines likely in subsequent quarters as asset quality stabilizes. The Microfinance (MFI) portfolio is expected to bottom out and resume growth from the next financial year, supported by improved risk discipline. The bank plans to expand its branch network and invest in its distribution channels to enhance market reach and support long-term deposit and loan growth. Also expects sequential improvement in NIM, profitability, and cost ratios over the next year, with PAT and ROA likely to improve as income streams normalize, and costs are efficiently managed.

Business Growth & Loan Book

- Customer deposits up 23.4% YoY to INR 2,690,000 Mn, driven by a 21.4% YoY rise in retail deposits. CASA deposits increased 26.8% YoY, with the CASA ratio improving to 50.1% from 46.3% a year ago.
- The bank added 25 new branches during the quarter, reaching a total of 1,041 across the country.
- Loans and advances up 19.7% YoY to INR 2,670,000 Mn, healthy growth across mortgages, vehicle loans, business banking, and consumer loans. Vehicle loans witnessed strong demand.
- Cards in force surpassed 4 Mn, with spends rising 36% YoY, and the credit card book reaching INR 86,000 Mn. Partnership launches, such as the Indigo co-branded cards, are further driving product momentum.

Asset Quality & Risk

- GNPA improved to 1.86% (down 11 bps QoQ), while Net NPA declined to 0.52%. In the retail, rural, and MSME segments, GNPA stood at 1.73% and Net NPA at 0.63%. Provisioning remains strong, with the PCR at 72.2%.
- The Microfinance (MFI) portfolio declined to INR 73,000 Mn, though provisioning remains strong. expects the book to stabilize and return to growth from next year, with stress and slippages in the segment showing a sharp decline.
- The SMA book improved to 0.9% from 1.01% in the previous quarter, better asset quality trends. Overall slippages declined, while collection efficiency remained strong at 99.5% (ex-MFI) and 99.1% (MFI).
- H1FY26 credit cost stood at 2.25%, with company guiding for a further reduction to 2.05–2.10% in the second half, supported by improving asset quality metrics.

Capital & Liquidity

- The Capital Adequacy Ratio stood at 14.34% (post H1FY26 profits), with CET1 at 12.28%. The upcoming conversion of CCPS to equity is expected to further strengthen capital levels, taking the proforma CRAR to 16.82% and CET1 to 14.75%. Liquidity remains comfortable, with the average LCR maintained at 115%, adequately supporting growth and regulatory requirements.

Digital & Franchise Building

- The bank is expanding its digital platforms to underwrite and disburse up to 1 MN loans per month, including consumer durables, two-wheelers, and credit cards, leveraging high automation with e-KYC, e-mandate, and e-stamping processes.
- The bank continues to roll out new products across both asset (e.g., gold loans, rural finance) and liability segments, successfully launching innovative, customer-friendly offerings such as zero prepayment fee digital personal loans and feature-rich credit cards.

Key Financials

Profit & Loss Statement (INR in Mn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	3,03,225	3,65,015	4,09,893	4,94,112	5,98,145
Interest Expended	1,38,717	1,72,095	1,99,717	2,49,460	3,12,337
Net Interest Income	1,64,508	1,92,919	2,10,176	2,44,652	2,85,808
Other Income	60,020	70,212	81,604	92,343	1,10,121
Operating Income	2,24,527	2,63,131	2,91,780	3,36,995	3,95,929
Operating Expenses	1,62,158	1,88,988	2,08,277	2,33,713	2,59,684
- Employee Expenses	48,925	57,099	62,265	71,216	80,318
- Other Operating Expenses	1,13,233	1,31,889	1,46,012	1,62,497	1,79,367
PPOP	62,370	74,143	83,503	1,03,282	1,36,245
Provisions	23,817	55,147	58,437	62,247	73,947
PBT	38,553	18,996	25,066	41,034	62,297
Tax Expenses	8,988	3,753	6,309	10,328	15,680
Net Income	29,565	15,243	18,757	30,706	46,617

Balance Sheet (INR in Mn)	FY24	FY25	FY26E	FY27E	FY28E
Equity & Liabilities					
Share Capital	70,699	73,221	73,221	73,221	73,221
Reserves & Surplus	2,50,914	3,07,559	4,02,891	4,33,597	4,80,214
Net Worth	3,21,613	3,80,780	4,76,113	5,06,819	5,53,435
Deposits	20,05,763	25,20,653	30,36,873	36,45,787	43,47,669
Borrowings	5,09,356	3,89,748	4,24,287	4,59,262	4,97,120
Other Liabilities and Provisions	1,24,419	1,47,006	1,89,094	2,04,682	2,21,554
Total Capital & Liabilities	29,61,151	34,38,187	41,26,367	48,16,549	56,19,778
Assets					
Cash & Bank Balances with RBI	1,10,750	1,40,235	1,23,072	1,41,700	1,79,300
Investments	7,47,104	8,07,155	10,11,868	11,27,493	12,44,364
Advances	19,45,924	23,31,125	27,91,496	33,16,187	39,39,499
Fixed Assets	26,194	26,627	26,878	29,094	31,492
Other Assets	1,17,127	1,09,302	1,17,207	1,31,668	1,22,306
Total Assets	29,61,151	34,38,187	41,26,367	48,16,549	56,19,778

Source: Arianth Research, Company Filings

Ratios	FY24	FY25	FY26E	FY27E	FY28E
Growth rates					
Advances (%)	28.2%	19.8%	19.7%	18.8%	18.8%
Deposits (%)	38.7%	25.7%	20.5%	20.1%	19.3%
Total assets (%)	23.4%	16.1%	20.0%	16.7%	16.7%
NII (%)	30.2%	17.3%	8.9%	16.4%	16.8%
Pre-provisioning profit (%)	26.5%	18.9%	12.6%	23.7%	31.9%
PAT (%)	21.3%	-48.4%	23.1%	63.7%	51.8%
Balance sheet ratios					
Credit/Deposit (%)	97.0%	92.5%	91.9%	91.0%	90.6%
CASA (%)	47.2%	46.9%	48.1%	47.5%	46.8%
Advances/Total assets (%)	65.7%	67.8%	67.7%	68.8%	70.1%
Leverage (x) (Asset/Shareholder's Fund)	9.21	9.03	8.67	9.50	10.15
CAR (%)	16.1%	15.5%	17.9%	15.5%	14.4%
CAR - Tier I (%)	13.4%	13.2%	15.2%	13.2%	12.3%
Operating efficiency					
Cost/income (%)	72.2%	71.8%	71.4%	69.4%	65.6%
Opex/total assets (%)	5.5%	5.5%	5.0%	4.9%	4.6%
Opex/total interest earning assets	5.8%	5.7%	5.2%	5.0%	4.8%
Profitability					
NIM (%)	6.5%	6.3%	5.8%	5.7%	5.7%
RoA (%)	1.0%	0.4%	0.5%	0.6%	0.8%
RoE (%)	9.2%	4.0%	3.9%	6.1%	8.4%
Asset quality					
Gross NPA (%)	1.9%	1.9%	1.9%	1.8%	1.8%
Net NPA (%)	0.6%	0.5%	0.5%	0.5%	0.5%
PCR (%)	86.6%	69.4%	75.3%	74.4%	72.3%
Credit cost (%)	1.2%	2.4%	2.1%	1.9%	1.9%
Per share data / Valuation					
EPS (INR)	5	3	3	5	8
BVPS (INR)	57	67	84	89	98
ABVPS (INR)	55	65	81	86	94
P/E (x)	15.5	30.1	24.5	15.0	9.9
P/BV (x)	1.4	1.2	1.0	0.9	0.8
P/ABV (x)	1.5	1.2	1.0	0.9	0.9

Source: Arian 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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