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Q1FY27 Result Update
27th July 2026

IDFC First Bank Ltd.

Lower credit costs and improving operating leverage set the stage for sustainable profitability

CMP: INR 81

Rating: BUY

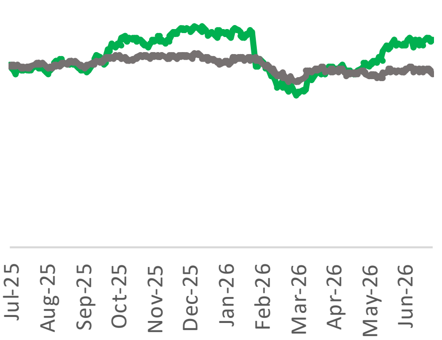
Target Price: INR 99

Stock Info	
BSE	539437
NSE	IDFCFIRSTB
Bloomberg	IDFCFB IN
Reuters	IDFB.BO
Sector	Banks
Face Value (INR)	10
Equity Capital (INR Bn)	86.15
Mkt Cap (INR Bn)	696.5
52w H/L (INR)	87 / 58
Avg Yearly Vol (in 000')	71,800

Shareholding Pattern % *(As on June 2026)*	
Promoters	0.0
Public & Others	100.0

Stock Performance (%)	3m	6m	12m
IDFC FIRST Bank	16.1	-2.6	-3.7
Nifty	-1.5	-6.2	14.2

IDFC FIRST Bank Vs Nifty



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IDFC First Bank reported a strong Q1FY27 performance, with NII rising 21.1% YoY and 5.2% QoQ to INR 59,724 Mn, ahead of our estimate of INR 56,816 Mn, while NIM improved 25 bps YoY and 3 bps QoQ to 5.96%. PPOP came in at INR 25,526 Mn, well above our estimate of INR 13,932 Mn, increasing 14.0% YoY and 141.1% QoQ, Improvement in the cost-to-income ratio to 70.7%. Provisions stood at INR 11,439 Mn versus our estimate of INR 8,832 Mn, down 31.1% YoY but up 31.6% QoQ. PAT increased 132.4% YoY and 237.0% QoQ to INR 10,750 Mn, significantly ahead of our estimate of INR 3,816 Mn. Asset quality improved, with GNPA declining to 1.51% and NNPA to 0.44%, both better than our estimates. Advances grew 20.9% YoY and 5.0% QoQ to INR 2,944,808 Mn, broadly in line with our estimate, while deposits increased 17.7% YoY and 5.9% QoQ to INR 3,118,919 Mn, with the CASA ratio remaining healthy at 50.8%.

1. **Improving profitability with better operating leverage:** IDFC FIRST Bank reported a strong Q1FY27, with PAT more than doubling to INR 1,075 crore, supported by healthy business growth, stable margins and lower credit costs. Asset quality continued to improve, leading the bank to lower its FY27 credit cost guidance to 150–160 bps from 170–180 bps earlier. The bank also expects the cost-to-income ratio to improve gradually as investments made over the past few years start delivering operating leverage. With management targeting ~ 1% ROA for FY27, we believe the improvement in profitability is becoming more sustainable and should support healthy earnings growth going forward.

2. **Strong deposit franchise supports long-term growth:** The bank continues to build a strong and stable balance sheet, with deposits growing 18% YoY and loan assets increasing 21% YoY in Q1FY27. The CASA ratio remained healthy at 50.8%, helping contain funding costs, while the loan book remains well diversified with 79% of advances coming from Retail, Agri and MSME segments. Along with stable asset quality and continued investments in technology and customer acquisition, this provides a solid foundation for consistent business growth, better profitability and improving return ratios over the medium term.

3. **Valuation & View:** The bank expects FY27 to mark a meaningful improvement in profitability, supported by lower credit costs, stable asset quality and improving operating leverage. It has lowered its FY27 credit cost guidance to 150–160 bps and expects NIM to remain ~ 5.8%, while the cost-to-income ratio is likely to improve to below 70% as productivity gains become more visible. The bank is targeting ~ 1.0% ROA in FY27, earlier than previously expected. Over the longer term, it aims to achieve a sustainable ROA of ~ 1.7–1.8%, driven by better operating efficiency, normalized credit costs, continued expansion of the deposit franchise and disciplined growth in the corporate loan book. Ongoing investments in technology, along with a strong focus on governance and customer-centric execution, are expected to support sustainable long-term growth. **We maintain BUY rating with a Target Price of INR 99, based on 1.18x P/ABV to its FY29E.**

Exhibit 1: Financial Performance

Key Financials (Rs Bn)	FY25	FY26	FY27E	FY28E	FY29E
NII	192.92	212.15	255.99	302.04	357.06
PPOP	74.14	72.11	109.80	142.29	173.24
Net Profit	15.24	16.36	41.41	59.57	77.39
Advances	2,331	2,804	3,313	3,924	4,670
Deposits	2,521	2,945	3,539	4,257	5,076
RoA (%)	0.4%	0.4%	0.9%	1.1%	1.2%
RoE (%)	4.0%	3.5%	7.9%	10.1%	11.6%

Source: Arihant Research, Company Filings

Q1FY27 - Quarterly Performance (Standalone) (INR Mn)

IDFC First Bank (Standalone)					
Quarterly Result Update (Rs Mn)	**Q1FY27**	**Q4FY26**	**Q1FY26**	**QoQ**	**YoY**
Interest Income	110,511	105,528	96,421	4.7%	14.6%
Interest Expended	50,787	48,756	47,091	4.2%	7.8%
Net Interest Income	**59,724**	**56,772**	**49,331**	**5.2%**	**21.1%**
Other Income	23,094	16,300	22,268	41.7%	3.7%
Operating Income	82,818	73,072	71,599	13.3%	15.7%
a. Other Operating Expenses	40,331	46,544	34,249	-13.4%	17.8%
b. Employee Expenses	16,962	15,943	14,956	6.4%	13.4%
Operating Expenses (a+b)	57,293	62,487	49,205	-8.3%	16.4%
PPOP	**25,526**	**10,585**	**22,394**	**141.1%**	**14.0%**
Provisions	11,439	8,692	16,591	31.6%	-31.1%
PBT	14,087	1,893	5,803	644.2%	142.8%
Tax Expenses	3,337	-1,296	1,177	-357.4%	183.6%
Net Income	**10,750**	**3,189**	**4,626**	**237.0%**	**132.4%**
Balance Sheet Analysis					
Advances	2,944,808	2,803,906	2,436,789	5.0%	20.8%
Deposits	3,118,919	2,944,746	2,649,713	5.9%	17.7%
Total Assets	4,208,098	3,997,801	3,614,240	5.3%	16.4%
CASA Deposits	1,584,920	1,466,500	1,271,580	8.1%	24.6%
CASA (%)	50.82%	49.80%	47.99%	102bps	283bps
CAR (%)	15.05%	15.60%	15.01%	-55bps	4bps
Spreads					
NIMs (%)	6.11%	6.01%	5.85%	10bps	26bps
Cost of Funds	5.94%	5.91%	6.29%	3bps	-35bps
Yield on Average Advances	13.13%	13.03%	13.65%	10bps	-52bps
Asset Quality					
GNPA	45,096	45,586	48,676	-1.1%	-7.4%
NNPA	12,862	13,464	13,461	-4.5%	-4.4%
GNPA (%)	1.51%	1.61%	1.97%	-10bps	-46bps
NNPA (%)	0.44%	0.48%	0.55%	-4bps	-11bps
Credit Costs	1.55%	1.24%	2.72%	31bps	-117bps
Provision Coverage Ratio	71.48%	70.46%	72.35%	101bps	-87bps
Returns & Expenses					
RoA (annualized)	1.06%	0.57%	0.53%	49bps	53bps
RoE (excl. One Time Slippage)	8.98%	4.87%	4.83%	411bps	415bps
Cost / Income Ratio	69.18%	85.51%	68.72%	-1634bps	46bps

Note: **NIM (%) = (Net Interest Income ÷ Average Interest-Earning Assets) × 100**

Source: Arihant Research, Company Filings

Concall Highlights

Asset Quality & Credit Cost

Asset quality continued to improve across retail, SME and rural portfolios, with SMA, GNPA and NNPA remaining stable or showing improvement.
Collection efficiency in the microfinance portfolio remained strong at around 99.5%, indicating continued normalization in the segment.
Based on the better-than-expected asset quality trends in Q1FY27, the bank lowered its FY27 credit cost guidance to 150–160 bps from the earlier 170–180 bps.
The contingency provision booked during the quarter was created to safeguard against potential geopolitical and weather-related risks rather than any observed stress in the portfolio.

Margin, Funding & Deposits

The bank expects FY27 NIM to remain ~ 5.8%, as lower funding costs are likely to offset the gradual increase in the corporate loan mix and normalization of the investment portfolio.
Deposit momentum remained healthy, with average current account deposits growing nearly 30% YoY and savings account deposits increasing ~ 25% YoY.
Overall, CASA deposits increased ~ 8% sequentially, primarily driven by strong savings account balances.
The NRI deposit book reached around INR 25,000 crore, representing nearly 1.7% market share, with the bank targeting around 2.5% FCNR market share over time.

Operating Efficiency

The bank continues to target ~ 500 bps of positive operating jaws, with revenue growth expected to remain ahead of operating expense growth.
Cost-to-income ratio improved to ~ 70.7% during Q1FY27 and is expected to fall below 70% during FY27 as operating leverage improves.
Most investments in branch expansion, technology platforms and operating infrastructure have already been completed, allowing productivity gains to support future profitability.

Business Growth & Loan Mix

Business momentum remained healthy across retail, SME and corporate segments.
Microfinance disbursements nearly doubled YoY, and the bank expects the MFI loan book to return to around 15% YoY growth by the end of FY27 as collections continue to normalize.
The bank will continue to increase the share of corporate lending despite relatively lower margins, as the segment carries lower credit costs and supports better long-term profitability.
The retail loan book has expanded to nearly INR 2.5 lakh crore, significantly ahead of the bank's original long-term expansion plan.

Technology & Digital Transformation

The bank continues to strengthen its cloud-native architecture, API-first platforms, real-time data capabilities, customer data platforms and automation to support long-term business growth.
Technology investments remain focused on building scalable infrastructure rather than increasing overall IT spending, with the current platform capable of supporting a much larger balance sheet.
Advanced analytics and machine learning continue to support underwriting in retail, consumer durable finance and MSME lending, while generative AI initiatives are focused on improving productivity and customer experience.

Capital, Regulatory & Balance Sheet

The transition to the Expected Credit Loss (ECL) framework is expected to have a largely neutral impact on capital, as higher provisioning requirements are likely to be offset by lower risk-weighted assets and EIR-related accounting benefits.
The bank continues to strengthen its Priority Sector Lending franchise organically, with the PSL portfolio expanding to nearly INR 1 lakh crore, although it remains a net buyer of PSLC certificates.
Recoveries related to the previously reported fraud case are progressing through legal channels, but no recoveries were recognized during Q1FY27 and the timing remains uncertain.

Customer Franchise & Governance

The bank continues to focus on building a customer-first franchise through transparent pricing, simple products, fair customer treatment and long-term relationships.
It reiterated its commitment to strong governance, conservative accounting practices and transparent disclosures.
Customer confidence remained strong despite recent operational challenges, with deposit flows staying stable and improving further, highlighting the strength of the franchise.

Key Financials

Profit & Loss Statement (INR in Mn)	FY25	FY26	FY27E	FY28E	FY29E
Interest Income	365,015	405,488	475,609	563,347	667,257
Interest Expended	172,095	193,336	219,618	261,302	310,202
Net Interest Income	**192,919**	**212,153**	**255,991**	**302,045**	**357,056**
Other Income	70,212	78,733	92,117	110,541	127,122
Operating Income	263,131	290,886	348,109	412,586	484,178
Operating Expenses	188,988	218,772	238,306	270,292	310,937
- Employee Expenses	57,099	61,819	70,832	85,432	88,453
- Other Operating Expenses	131,889	156,953	167,474	184,860	222,484
PPOP	**74,143**	**72,114**	**109,803**	**142,294**	**173,241**
Provisions	55,147	53,786	54,460	62,692	70,051
PBT	18,996	18,328	55,343	79,602	103,191
Tax Expenses	3,753	1,965	13,930	20,036	25,798
Net Income	**15,243**	**16,364**	**41,413**	**59,566**	**77,393**

Balance Sheet (INR in Mn)	FY24	FY25	FY26E	FY27E	FY28E
Equity & Liabilities					
Share Capital	73,221	86,017	86,017	86,017	86,017
Reserves & Surplus	307,559	387,501	436,369	501,384	582,409
Net Worth	380,780	473,518	522,386	587,401	668,426
Deposits	2,520,653	2,944,746	3,538,808	4,256,552	5,076,017
Borrowings	389,748	366,207	465,518	523,944	589,704
Other Liabilities and Provisions	147,006	213,330	200,382	216,900	234,779
Total Capital & Liabilities	**3,438,187**	**3,997,801**	**4,727,093**	**5,584,796**	**6,568,926**
Assets					
Cash & Bank Balances with RBI	140,235	113,371	180,200	285,362	351,597
Investments	807,155	859,663	1,010,852	1,110,270	1,231,421
Advances	2,331,125	2,803,906	3,312,508	3,923,832	4,670,292
Fixed Assets	26,627	25,573	27,005	29,231	31,641
Other Assets	122,306	181,036	175,650	213,503	259,514
Total Assets	**3,438,187**	**3,997,801**	**4,727,093**	**5,584,796**	**6,568,926**

Source: Arihant Research, Company Filings

Ratios	FY25	FY26	FY27E	FY28E	FY29E
Growth rates					
Advances (%)	19.8%	20.3%	18.1%	18.5%	19.0%
Deposits (%)	25.7%	16.8%	20.2%	20.3%	19.3%
Total assets (%)	16.1%	16.3%	18.2%	18.1%	17.6%
NII (%)	17.3%	10.0%	20.7%	18.0%	18.2%
Pre-provisioning profit (%)	18.9%	-2.7%	52.3%	29.6%	21.7%
PAT (%)	-48.4%	7.4%	153.1%	43.8%	29.9%
Balance sheet ratios					
Credit/Deposit (%)	92.5%	95.2%	93.6%	92.2%	92.0%
CASA (%)	48.7%	49.8%	49.9%	50.3%	50.6%
Advances/Total assets (%)	67.8%	70.1%	70.1%	70.3%	71.1%
Leverage (x) (Asset/Shareholder's Fund)	9.03	8.44	9.05	9.51	9.83
CAR (%)	15.5%	15.6%	15.3%	14.7%	14.0%
CAR - Tier I (%)	13.2%	13.7%	13.5%	12.9%	12.3%
Operating efficiency					
Cost/income (%)	71.8%	75.2%	68.5%	65.5%	64.2%
Opex/total assets (%)	5.5%	5.5%	5.0%	4.8%	4.7%
Opex/total interest earning assets	5.7%	5.8%	5.3%	5.1%	5.0%
Profitability					
NIM (%)	6.3%	6.0%	6.1%	6.1%	6.1%
RoA (%)	0.4%	0.4%	0.9%	1.1%	1.2%
RoE (%)	4.0%	3.5%	7.9%	10.1%	11.6%
Asset quality					
Gross NPA (%)	1.9%	1.6%	1.4%	1.4%	1.3%
Net NPA (%)	0.5%	0.5%	0.5%	0.4%	0.4%
PCR (%)	69.4%	70.5%	70.5%	70.3%	70.2%
Credit cost (%)	2.4%	1.9%	1.6%	1.6%	1.5%
Per share data / Valuation					
EPS (INR)	2	2	5	7	10
BVPS (INR)	52	55	61	68	85
ABVPS (INR)	50	53	59	67	84
P/E (x)	32.3	35.3	14.0	9.7	6.8
P/BV (x)	1.3	1.2	1.1	1.0	0.8
P/ABV (x)	1.3	1.3	1.1	1.0	0.8

Source: Arihant 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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