

CMP: INR 68

Rating: BUY

Target Price: INR 82

Stock Info

BSE	539437
NSE	IDFCFIRSTB
Bloomberg	IDFCFB IN
Reuters	IDFB.BO
Sector	Banks
Face Value (INR)	10
Equity Capital (INR Bn)	85.96
Mkt Cap (INR Bn)	578.3
52w H/L (INR)	87 / 58
Avg Yearly Vol (in 000')	31,135

Shareholding Pattern %

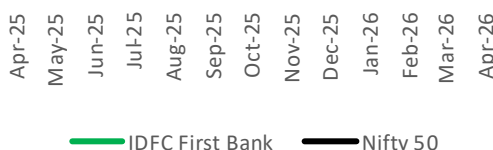
(As on March 2026)

Promoters	0.0
Public & Others	100.0

Stock Performance (%)

	3m	6m	12m
IDFC FIRST Bank	-19.5	-14.0	1.1
Nifty	-5.1	-7.5	-1.8

IDFC FIRST Bank Vs Nifty



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IDFC First Bank delivered a mixed performance in Q4FY26, with Net Interest Income in line with estimates while PPOP was below expectations. During the quarter, the bank identified a fraud at its Chandigarh branch involving employees and external parties, leading to a payout of INR 6.5 Bn, which is under investigation. Provisions were lower, and asset quality improved QoQ and YoY. Net Interest Income stood at INR 56.77 Bn vs estimate of INR 56.34 Bn (+3.36% QoQ / +15.69% YoY), while PPOP came at INR 10.59 Bn vs estimate of INR 21.28 Bn (down 47.94% QoQ / 41.57% YoY). Provisions were INR 8.69 Bn vs estimate of INR 12.97 Bn, and PAT stood at INR 3.19 Bn vs estimate of INR 6.22 Bn. GNPA stood at 1.61% vs estimate of 1.64%, while NNPA stood at 0.48% vs estimate of 0.54%. Deposits increased to INR 2,945 Bn vs estimate of INR 3,057 Bn (+1.15% QoQ / +16.82% YoY), and advances increased to INR 2,804 Bn vs estimate of INR 2,819 Bn (+3.85% QoQ / +20.28% YoY).

- Strong, Diversified Loan Growth Driving Sustainable Earnings:** IDFC FIRST Bank continues to deliver robust loan growth, with gross advances rising 20% YoY to INR 2.84 lakh crore, led by high-quality segments like vehicles (27.5%), consumer loans (22.6%), and wholesale (30.5%). The RAM book at INR 2.32 lakh crore, deep expertise in cash-flow-based lending across 25+ products, generating strong yields of 11%+. Importantly, the shift away from wholesale (now just 20% vs 86% pre-merger) reduces concentration risk and supports a sustainable 20%+ growth trajectory over the medium term.
- Improving Liability Franchise and Asset Quality Strengthen Fundamentals:** The bank's deposit base remains resilient, growing 17% YoY to INR 2.84 lakh crore, with a strong CASA ratio of ~50% and 79% retail mix ensuring stability. Cost of funds has declined to 6.0% (down 51 bps YoY), boosting margins. At the same time, asset quality continues to improve, with GNPA at 1.61% and credit cost down to 1.63%, supported by 99.6% collection efficiency. With MFI stress easing and slippages declining, the bank is well-positioned for stable earnings and lower risk going forward.

Valuation & View: The bank remains positive on its growth and profitability outlook, guiding for ~18–20% loan growth and a recovery in deposit growth to ~5% QoQ as headwinds ease. Margins are expected to stay stable at ~5.75%, while credit costs may decline to ~1.7–1.8%, supporting earnings. Operating leverage should improve return ratios, with lending already generating ~1.5–1.6% ROA, while the drag from the liability franchise (~1%) is expected to reduce over time. As this segment scales up, overall ROA is likely to improve to 1%+, making FY27–FY29 a key period for sustained earnings growth. **We maintain BUY rating with a Target Price of INR 84, based on 1.01x P/ABV to its FY29E.**

Exhibit 1: Financial Performance

Key Financials (Rs Bn)	FY25	FY26	FY27E	FY28E	FY29E
NII	192.92	212.15	259.77	309.99	362.39
PPOP	74.14	72.11	109.29	150.30	185.60
Net Profit	15.24	16.36	39.67	65.22	86.26
Advances	2,331	2,804	3,331	3,957	4,701
Deposits	2,521	2,945	3,617	4,326	5,158
RoA (%)	0.4%	0.4%	0.8%	1.2%	1.3%
RoE (%)	4.0%	3.5%	7.7%	11.3%	12.9%

Source: Arihant Research, Company Filings

Q4FY26 - Quarterly Performance (Standalone)

(INR Mn)

IDFC First Bank (Standalone)					
Quarterly Result Update (Rs Mn)	Q4FY26	Q3FY26	Q4FY25	QoQ	YoY
Interest Income	105,528	104,170	94,129	1.3%	12.1%
Interest Expended	48,756	49,246	45,058	-1.0%	8.2%
Net Interest Income	56,772	54,924	49,071	3.4%	15.7%
Other Income	16,300	21,250	18,954	-23.3%	-14.0%
Operating Income	73,072	76,174	68,025	-4.1%	7.4%
a. Other Operating Expenses	46,544	39,821	34,628	16.9%	34.4%
b. Employee Expenses	15,943	16,020	15,282	-0.5%	4.3%
Operating Expenses (a+b)	62,487	55,841	49,910	11.9%	25.2%
PPOP	10,585	20,334	18,116	-47.9%	-41.6%
Provisions	8,692	13,983	14,505	-37.8%	-40.1%
PBT	1,893	6,350	3,611	-70.2%	-47.6%
Tax Expenses	-1,296	1,325	571	-197.8%	-327.2%
Net Income	3,189	5,025	3,041	-36.5%	4.9%
Balance Sheet Analysis					
Advances	2,803,906	2,699,878	2,331,125	3.9%	20.3%
Deposits	2,944,746	2,911,334	2,520,653	1.1%	16.8%
Total Assets	3,997,801	3,933,570	3,438,187	1.6%	16.3%
CASA Deposits	1,466,500	1,503,500	1,182,370	-2.5%	24.0%
CASA (%)	49.80%	51.64%	46.91%	-184bps	289bps
CAR (%)	15.60%	16.22%	15.48%	-62bps	12bps
Spreads					
NIMs (%)	6.01%	5.93%	5.95%	8bps	6bps
Cost of Funds	5.91%	6.09%	6.51%	-18bps	-60bps
Yield on Average Advances	13.03%	13.32%	13.98%	-29bps	-94bps
Asset Quality					
GNPA	45,585	46,141	44,336	-1.2%	2.8%
NNPA	13,464	14,269	12,299	-5.6%	9.5%
GNPA (%)	1.61%	1.69%	1.87%	-8bps	-26bps
NNPA (%)	0.48%	0.53%	0.53%	-5bps	-5bps
Credit Costs	1.24%	2.07%	2.49%	-83bps	-125bps
Provision Coverage Ratio	70.46%	69.08%	72.26%	139bps	-180bps
Returns & Expenses					
RoA (annualized)	0.57%	0.51%	0.36%	6bps	21bps
RoE (excl. One Time Slippage)	4.87%	4.11%	4.27%	76bps	60bps
Cost / Income Ratio	85.51%	73.31%	73.37%	1221bps	1214bps

Source: Arianth Research, Company Filings

Concall Highlights

Loan Growth & Business Momentum

- Loans and advances grew by ~20% YoY to about INR 2.9 lakh crore, driven by diversified segments such as mortgages, vehicle finance, consumer loans, MSME, and wholesale banking, which together contributed nearly 87% of incremental growth.
- The credit card portfolio crossed 4.5 million cards, growing around 21% YoY, reflecting strong scaling of the retail franchise.
- The microfinance (MFI) portfolio stabilized at INR 6,662 crore, with about 89% covered under CGFMU, while disbursements increased by ~27% QoQ, indicating recovery after the stress phase.

Deposit Franchise & Liability Trends

- Total deposits grew by ~16.8% YoY to INR 2.94 lakh crore, while customer deposits increased by about 17% YoY to INR 2.84 lakh crore, although QoQ growth remained muted at ~1% due to temporary factors.
- CASA ratio remained healthy at around 49.8% (average ~50.4%), despite outflows of approximately INR 3,700 crore driven by rate cuts, tight liquidity, and the fraud-related event.
- Management indicated improvement in early Q1FY27, expecting normalization with around 5% QoQ deposit growth, supported by strong account additions and better customer retention.

Asset Quality & Credit Cost Trends

- Asset quality improved sequentially, with GNPA declining to 1.61% from 1.69% and NNPA to 0.48% from 0.53%, indicating stable portfolio performance.
- Gross slippages declined by ~15% QoQ and net slippages by about 27% QoQ, while collection efficiency remained strong at 99.6% (excluding MFI) and 99.7% (MFI).
- Credit cost improved to 1.63% in Q4 compared to ~2.13% in FY26, with management expecting further normalization to ~1.7%–1.8% in FY27, supported by lower MFI stress and better recoveries.

Profitability & Margin Profile

- Reported profit after tax stood at INR 319 crore, impacted by a INR 646 crore fraud payout (INR 480 crore post-tax) and a INR 159 crore treasury loss, while normalized profit was around INR 746 crore, up about 145% YoY.
- NIM was 5.93% in Q4, with FY26 NIM at 5.75%, and management has guided for broadly stable margins of ~5.75% in FY27.
- Fee and other income grew by around 21.3% YoY, supporting overall profitability, while operating leverage is expected to improve with topline growth of ~18–18.5% in FY27.

Cost Structure & Operating Leverage

- Adjusted operating expenses stood at INR 5,603 crore, growing ~12.3% YoY. Management has guided for ~13–14% growth in FY27, with Q1 expected to be higher due to branch additions and annual increments.
- The cost-to-income ratio remains elevated, primarily due to the liability franchise (~145%), but management expects this to decline structurally over time as the business scales.
- The company expects strong operating leverage, with income growth of ~18%+ outpacing cost growth of ~13–14%, which should drive improvement in overall profitability metrics.

Strategic Positioning & Business Model Evolution

- The bank has shifted from a high-yield (~20–22%) but high credit-cost lending model to a more balanced portfolio, adding low-yield, low-risk products while still retaining its legacy high-yield capabilities.
- The current loan book yield remains healthy at ~13%+, with credit costs structurally maintained below ~2%, leading to a strong risk-adjusted yield of ~11%+.
- Management is continuing to invest heavily in building the deposit franchise, technology, branch network, and new verticals such as wealth, rural, and corporate banking, which are currently loss-making but are important for long-term scale and growth.

Fraud Incident

- The bank recognized a INR 646 crore fraud payout upfront, reflecting a conservative accounting approach and a strong customer-first stance.
- Management acted swiftly, with disclosure made within 24 hours and payout completed within 2 days, reinforcing trust and brand credibility.
- Despite the incident, deposit outflows remained limited and customer behavior stayed resilient, indicating strong confidence in the franchise.

Capital Adequacy

- Capital adequacy stood at 15.6%, with CET1 at 13.73%, providing a comfortable buffer to support near-term growth.
- Management indicated a potential capital raise in FY27, aligned with the strong loan growth trajectory of ~20%.
- Liquidity position remained comfortable, with LCR at ~114%, staying within the bank's internal target range.

Segmental Insights

- Stress in the MFI segment has largely peaked, with collections improving and management guiding for ~15–20% growth in FY27 from a low base.
- The MSME and retail portfolios remain well-diversified and resilient, with stable SMA trends and strong underwriting discipline supporting asset quality.
- The corporate loan book has been significantly cleaned up earlier (reduced from INR 68,000 crore to INR 26,000 crore) and is now growing again with negligible credit losses, improving the overall risk profile.

Key Financials

Profit & Loss Statement (INR in Mn)	FY25	FY26	FY27E	FY28E	FY29E
Interest Income	365,015	405,488	485,047	584,614	688,298
Interest Expended	172,095	193,336	225,272	274,622	325,905
Net Interest Income	192,919	212,153	259,775	309,992	362,393
Other Income	70,212	78,733	90,657	108,110	112,975
Operating Income	263,131	290,886	350,432	418,102	475,368
Operating Expenses	188,988	218,772	241,147	267,803	289,765
- Employee Expenses	57,099	61,819	70,482	79,421	81,827
- Other Operating Expenses	131,889	156,953	170,665	188,382	207,939
PPOP	74,143	72,114	109,285	150,299	185,603
Provisions	55,147	53,786	56,272	63,135	70,590
PBT	18,996	18,328	53,014	87,164	115,013
Tax Expenses	3,753	1,965	13,344	21,939	28,753
Net Income	15,243	16,364	39,670	65,225	86,260

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	427,172	492,396	584,708
Net Worth	380,780	473,518	513,189	578,413	670,725
Deposits	2,520,653	2,944,746	3,616,991	4,325,712	5,158,492
Borrowings	389,748	366,207	428,410	482,179	542,697
Other Liabilities and Provisions	147,006	213,330	230,915	249,950	270,554
Total Capital & Liabilities	3,438,187	3,997,801	4,789,505	5,636,255	6,642,469
Assets					
Cash & Bank Balances with RBI	140,235	113,371	237,523	307,922	399,301
Investments	807,155	859,663	957,895	1,057,187	1,166,771
Advances	2,331,125	2,803,906	3,330,930	3,957,013	4,700,775
Fixed Assets	26,627	25,573	27,681	29,963	32,432
Other Assets	122,306	181,036	220,050	267,472	325,114
Total Assets	3,438,187	3,997,801	4,789,505	5,636,255	6,642,469

Source: Arianth Research, Company Filings

Ratios	FY25	FY26	FY27E	FY28E	FY29E
Growth rates					
Advances (%)	19.8%	20.3%	18.8%	18.8%	18.8%
Deposits (%)	25.7%	16.8%	22.8%	19.6%	19.3%
Total assets (%)	16.1%	16.3%	19.8%	17.7%	17.9%
NII (%)	17.3%	10.0%	22.4%	19.3%	16.9%
Pre-provisioning profit (%)	18.9%	-2.7%	51.5%	37.5%	23.5%
PAT (%)	-48.4%	7.4%	142.4%	64.4%	32.3%
Balance sheet ratios					
Credit/Deposit (%)	92.5%	95.2%	92.1%	91.5%	91.1%
CASA (%)	46.9%	49.8%	49.9%	50.1%	50.2%
Advances/Total assets (%)	67.8%	70.1%	69.5%	70.2%	70.8%
Leverage (x) (Asset/Shareholder's Fund)	9.03	8.44	9.33	9.74	9.90
CAR (%)	15.5%	15.6%	15.0%	14.3%	14.0%
CAR - Tier I (%)	13.2%	13.7%	13.2%	12.6%	12.3%
Operating efficiency					
Cost/income (%)	71.8%	75.2%	68.8%	64.1%	61.0%
Opex/total assets (%)	5.5%	5.5%	5.0%	4.8%	4.4%
Opex/total interest earning assets	5.7%	5.8%	5.3%	5.0%	4.6%
Profitability					
NIM (%)	6.3%	6.0%	6.2%	6.2%	6.2%
RoA (%)	0.4%	0.4%	0.8%	1.2%	1.3%
RoE (%)	4.0%	3.5%	7.7%	11.3%	12.9%
Asset quality					
Gross NPA (%)	1.9%	1.6%	1.5%	1.4%	1.3%
Net NPA (%)	0.5%	0.5%	0.5%	0.5%	0.4%
PCR (%)	69.4%	70.5%	70.6%	71.0%	71.2%
Credit cost (%)	2.4%	1.9%	1.7%	1.6%	1.5%
Per share data / Valuation					
EPS (INR)	2	2	5	8	11
BVPS (INR)	52	55	60	67	86
ABVPS (INR)	50	53	58	65	84
P/E (x)	32.3	35.3	14.6	8.9	6.1
P/BV (x)	1.3	1.2	1.1	1.0	0.8
P/ABV (x)	1.3	1.3	1.2	1.0	0.8

Source: Arian Research, Company Filings

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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