India Equity Research | Banks | July 27, 2025

nuvama institutional equities

IDFC FIRST BANK

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	71
12 month price target (INR)	68
52 Week High/Low	79/52
Market cap (INR bn/USD bn)	519/6.0
Free float (%)	89.9
Avg. daily value traded (INR mn)	2,262.4

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	0.0%	0.0%	0.0%
FII	23.8%	26.6%	27.1%
DII	23.4%	19.3%	16.1%
Pledge	0.0%	0.0%	0.0%

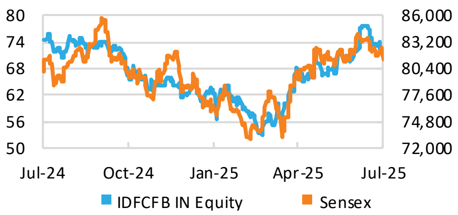
FINANCIALS (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	224527	263137	291843	348441
PPoP	62370	74148	82460	113932
Adjusted profit	29565	15248	25055	42496
Diluted EPS (INR)	4.2	2.1	2.9	5.0
EPS growth (%)	9.6	(50.2)	40.4	69.6
RoAE (%)	10.2	4.3	5.8	8.5
P/E (x)	17.0	34.1	24.3	14.3
P/BV (x)	1.6	1.4	1.3	1.2

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	2,91,843	3,48,441	-3.8	-4.6
PPOP	82,460	1,13,932	-10.2	-11.1
Adjusted profit	25,055	42,496	-16.9	-19.5
Diluted EPS (INR)	2.9	5.0	-16.9	-19.5

PRICE PERFORMANCE



MFI stress reduces; good progress on C/I

IDFC reported reduced pain in MFI with lower slippage and SMA in Q1FY26. Overall slippage is higher due to slippage of an ATM service provider of INR1.08bn—fully provided for—and an uptick in other non-MFI slippage. Growth continues to be higher than peers despite declining MFI book with loan and deposit growth of 5% QoQ each. Core Cost/income (C/I) showed good progress, down to 73.8% versus 75.5% QoQ. NIM decline of 24bp QoQ is in-line and better than peers.

With peaking MFI stress, quarters ahead shall see lower credit cost. Exit NIM would be the same YoY. Capital infusion from private equity should boost confidence and growth. We maintain 'HOLD' and retain the TP of INR68/1.2x BV FY26E.

MFI stress declines; non-MFI stress higher

MFI slippage fell 10% QoQ while MFI SMA plunged from 5.1% to 2.64% with a reduction in each of the three buckets: SMA0, SMA1 and SMA2. Within non-MFI slippage, there was a lumpy account of an ATM service provider of INR1.08bn that slipped and was 100% provided for. Excluding that, non-MFI slippage rose 16% QoQ. CE for MFI improved to 99.1% from 98.5% QoQ. Lagged slippage ratio for MFI decreased to 15.5% from 17% QoQ while lagged ratio for non-MFI rose to 4% from 3.4%. Total slippage rose to 4.7% from 4.3% QoQ. Non-MFI credit cost stood at 2% in Q1FY26 versus 1.8% in FY25 while total credit cost rose to 2.6% from 2.4% QoQ. The bank has not drawn down from the existing MFI buffer of INR3.15bn. The bank started taking CGFMU cover since Jan-24 for MFI loans with 72% of loans under CGFMU, on which recoveries would be seen in FY27E. SMA1+2 for non-MFI rose to 0.91% in Jun-25 from 0.87% in Mar-25 with an uptick in all segments, except mortgages. PCR stood steady QoQ at 72.3%. GNPL stood at 1.97% from 1.87% QoQ.

Strong loan growth; lower NIM and good progress on opex

Loans grew 21% YoY/5% QoQ. MFI loans fell 37% YoY/13% QoQ, but MFI disbursals grew 16% QoQ. Deposits rose 26% YoY/5% QoQ while CASA grew strongly at 30% YoY. NIM declined by 24bp QoQ to 5.71% due to MFI reversals and repricing of EBLR loans. NII grew 5% YoY, but remained flat QoQ. NIM will decline in Q2FY26E, but management expects exit NIM in FY26 to be the same as FY25's. Core fee growth was 9% YoY versus 6% YoY in Q4. Trading gains spiked to INR4.95bn from INR1.9bn QoQ. Opex growth moderated to 11% YoY from 12% YoY in Q4. Core CI fell to 73.3% from 75.8%. Core PPOP dipped 6% YoY, but rose 8% QoQ. Provisions grew 14% QoQ. PAT fell 32% YoY, but grew 52% QoQ. Management points to NIM recovery in H2FY26 and lower credit cost. MFI loans, down to INR83.5bn, could bottom out at INR75bn.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	71,599	63,141	13.4	68,026	5.3
Pre-provisioning Profits	22,394	18,825	19.0	18,116	23.6
Reported Profits	4,626	6,807	-32.0	3,041	52.1
EPS	0.6	1.0	-38.2	0.4	50.0

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Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Net interest income	1,64,508	1,92,920	2,08,634	2,56,136
Non interest income	60,020	70,217	83,209	92,306
Net revenues	2,24,527	2,63,137	2,91,843	3,48,441
Operating expense	1,62,158	1,88,988	2,09,383	2,34,509
Employee exp	48,925	57,099	61,667	69,067
Other opex	1,13,233	1,31,889	1,47,716	1,65,442
Preprovision profit	62,370	74,148	82,460	1,13,932
Provisions	23,817	55,147	50,338	58,017
PBT	38,553	19,001	32,122	55,915
Taxes	8,988	3,753	7,067	13,420
PAT	29,565	15,248	25,055	42,496
Extraordinaries	0	0	0	0
Reported PAT	29,565	15,248	25,055	42,496
Diluted EPS (INR)	4.2	2.1	2.9	5.0

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Net interest margins	6.2	6.1	5.5	5.7
Spread	6.8	6.6	6.0	6.2
Tax rate	(23.3)	(19.7)	(22.0)	(24.0)

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted PE (x)	17.0	34.1	24.3	14.3
Price/BV (x)	1.6	1.4	1.3	1.2

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Equity capital	70,699	73,221	85,721	85,721
Reserves	2,50,914	3,07,559	3,92,608	4,30,855
Net worth	3,21,613	3,80,780	4,78,329	5,16,576
Deposits	20,05,763	25,20,652	31,25,609	38,13,243
Borrowings	5,09,356	3,89,748	3,81,953	3,74,314
Other liabilities	1,24,419	1,47,006	1,69,057	1,94,415
Total	29,61,151	34,38,187	41,54,948	48,98,548
Assets				
Loans	19,45,923	23,31,125	28,43,973	34,12,767
Investments	6,95,729	7,25,695	9,59,968	10,74,784
Cash & equi	1,24,802	1,50,974	1,73,620	1,99,663
Fixed assets	26,194	26,626	30,620	35,214
Other assets	1,17,127	1,22,306	1,46,767	1,76,121
Total	29,61,151	34,38,187	41,54,948	48,98,548

Balance Sheet Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Credit growth	28.2	19.8	22.0	20.0
Deposit growth	38.7	25.7	24.0	22.0

ROA Decomposition (%)

Year to March	FY24A	FY25A	FY26E	FY27E
NII/Assets	6.1	6.0	5.5	5.7
Fees/Assets	2.0	1.9	1.9	1.9
Inv profits/Assets	0.1	0.2	0.2	0.1
Net revenues/assets	8.3	8.1	7.5	7.6
Opex/Assets	(6.1)	(5.9)	(5.5)	(5.2)
Provisions/Assets	(0.9)	(1.7)	(1.3)	(1.3)
Taxes/Assets	(0.3)	(0.1)	(0.2)	(0.3)
Total costs/Assets	(7.3)	(7.7)	(7.0)	(6.8)
RoA	1.1	0.5	0.7	0.9
Equity/Assets	10.8	11.0	11.3	11.0
RoAE	10.2	4.3	5.8	8.5

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	9.6	(50.2)	40.4	69.6
RoAE (%)	10.2	4.3	5.8	8.5

Q1FY26 conference call: Key takeaways

Loans and deposits

- Management does not see any material stress developing in the MSME segment, despite industry-wide concerns.
- The CD ratio for the quarter was at 95%; management is confident of bringing it down to early 90% levels by the end of FY26 and to 80% by next year.
- Management aspires to grow MFI at the industry pace once this book bottoms around INR75bn.
- Current accounts contribute 15% to the total CASA mix, which is lower than industry levels; management aspires to grow this to industry levels over time.
- The standard restructured book continues to decrease, being around 0.7% of the funded assets, and is adequately provided for.

Asset quality and credit cost

- Management continues with the guidance of 2–2.05% credit cost, 2% GNPA and 1% NNPA for FY26.
- Credit cost for the quarter (ex-MFI) marginally increased to about 2% due to Q1 seasonality. Credit cost is expected to improve from H2FY26 while remaining at the current level in Q2FY26E.
- Credit cost in the MSME segment remained at similar levels to the overall credit cost.
- Credit cards saw a marginal increase in delinquency in the current quarter. Management stated, despite such upticks and delinquencies, credit costs have remained range-bound over time.
- Home loan GNPA increased to 0.84% in Q1FY26 from 0.70% in Q4FY25. Management attributed this to slow growth and stated that nothing is of concern.
- Gross slippages increased 14% QoQ to INR24.56bn due to one major corporate account of INR1.08bn slipping this quarter and Q1 seasonality. Management expects slippages to begin a downward trajectory from the coming quarter.
- With gross MFI slippages declining 10.1% sequentially and the SMA pool also coming down, management guided for a significant decline in MFI provisions in Q2FY26.
- With improved collection efficiency in Karnataka and the overall slippage ratio being marginal, management does not see any signs of concern in the industry.

Cost to income ratio

- Trading gains were high at INR4.95bn as a result of the bank's OMO participation in Q1FY26. Excluding the impact of high trading gains, the C/I ratio has increased sequentially.
- Opex grew 11% YoY while gross loans grew 21% YoY; management is seeing a positive improvement in operating leverage.

- Management guided that opex is expected to continue moderating with near-term growth of 11–12%, and aims to achieve a cost to income ratio of 65% by FY27.

Yields, cost and margins

- IDFC Bank has reduced its peak FD rates from 7.9% to 6.75% currently, whose benefit would be visible in the cost of funds over coming quarters.
- Management guided that by Q4FY26, margins should return to Q4FY25 levels of 5.8%, assuming no further rate cuts in the coming period.

Other highlights

- IDFC First repaid INR26bn of high-cost legacy borrowings in Q1FY26, and the current outstanding balance of about INR22bn will mature in FY26.
- CRAR and CET-1 in Q1FY26 stood at 15% and 12.8%, respectively. Including the announced capital raising of INR75bn, CRAR and CET-1 would be 17.6% and 15.4%, respectively (as computed on the financials as of Jun-25).
- Management expects this fund-raise to be completed by Q2FY26E.

Exhibit 1: Changes in estimates

	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
	Old		New		% Change	
NII, INR mn	2,19,584	2,67,201	2,08,634	2,56,136	-5.0%	-4.1%
PAT, INR mn	30,167	52,758	25,055	42,496	-16.9%	-19.5%
EPS, INR	3.5	6.2	2.9	5.0	-16.9%	-19.5%
BVPS, INR	56.1	61.2	55.8	60.3	-0.5%	-1.6%
Target price, INR		**68**		**68**		**0.0%**
CMP				71		
% Downside to CMP				**-3.8%**		
Rating		**HOLD**		**HOLD**		

Source: Company, Nuvama Research

Note: We had earlier assumed that the MFI buffer of INR3bn will be partially used, but we are no longer assuming that which is why our credit cost estimates have risen.

Exhibit 2: Breakdown of loans

INR mn	Q1FY26	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
Retail Finance	**14,75,030**	**14,14,060**	**12,55,900**	**17.4%**	**4.3%**
Home Loan	2,72,360	2,71,910	2,46,580	10.5%	0.2%
Loan Against Property	3,05,690	2,83,770	2,47,290	23.6%	7.7%
Vehicle Loans	2,70,200	2,63,030	2,18,240	23.8%	2.7%
Consumer Loans	3,18,830	2,96,740	2,78,280	14.6%	7.4%
Education Loans	32,980	31,290	23,870	38.2%	5.4%
Credit Card	80,750	75,170	59,380	36.0%	7.4%
Gold Loan	24,090	21,830	13,140	83.3%	10.4%
Others	1,70,130	1,70,320	1,69,120	0.6%	-0.1%
Rural Finance	**2,39,220**	**2,47,570**	**2,45,180**	**-2.4%**	**-3.4%**
Micro-Finance Loans	83,540	95,710	1,32,390	-36.9%	-12.7%
Business Finance (MSME & Corporate)	**7,93,770**	**7,34,150**	**5,64,860**	**40.5%**	**8.1%**
CV/CE Financing	83,170	75,250	66,740	24.6%	10.5%
Business Banking	1,01,400	97,570	75,900	33.6%	3.9%
Corporate Loans	4,68,470	4,20,100	3,15,080	48.7%	11.5%
Infrastructure	24,320	23,480	27,660	-12.1%	3.6%
Others	**1,40,730**	**1,41,230**	**94,240**	**49.3%**	**-0.4%**
Total Gross Loans & Advances	**25,32,340**	**24,19,260**	**20,93,600**	**21.0%**	**4.7%**

Source: Company, Nuvama Research

Exhibit 3: Breakdown of fee income

	Q1FY26		Q4FY25		QoQ
	% of total	**INR mn**	**% of total**	**INR mn**	**(%)**
Loan Origination fees	33%	5,715	33%	5,615	1.8%
Credit Card & Toll	23%	3,983	20%	3,403	17.1%
Trade & Client Fx	10%	1,732	9%	1,531	13.1%
Wealth Management/TPP	12%	2,078	16%	2,722	-23.7%
General Banking & Others	22%	3,810	22%	3,743	1.8%
Total	**100%**	**17,318**	**100%**	**17,014**	**1.8%**

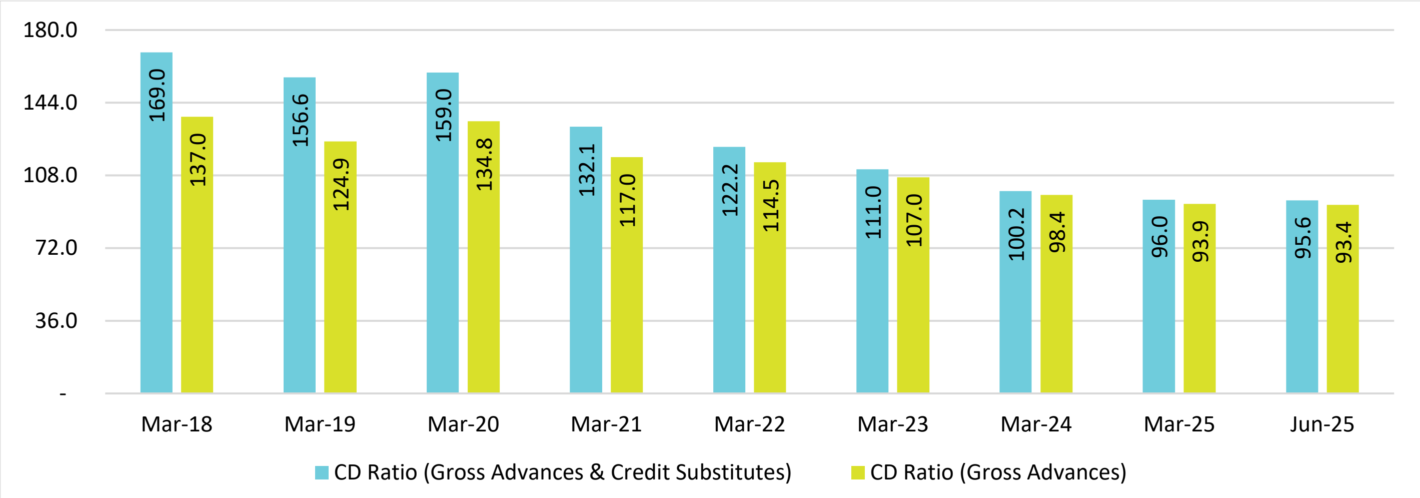
Source: Company, Nuvama Research

Exhibit 4: Deposit mix

INR mn	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25	YoY%	QoQ%
CASA Deposits	12,71,861	11,82,185	11,29,908	10,93,438	9,77,044	30%	8%
Term Deposits	12,96,129	12,43,245	11,43,252	10,86,822	10,68,676	21%	4%
Customer Deposits	25,67,990	24,25,430	22,73,160	21,80,260	20,45,720	26%	6%
Certificate of Deposits	81,720	95,220	95,620	55,810	50,940	60%	-14%
Total Deposits	**26,49,710**	**25,20,650**	**23,68,780**	**22,36,070**	**20,96,660**	**26%**	**5%**

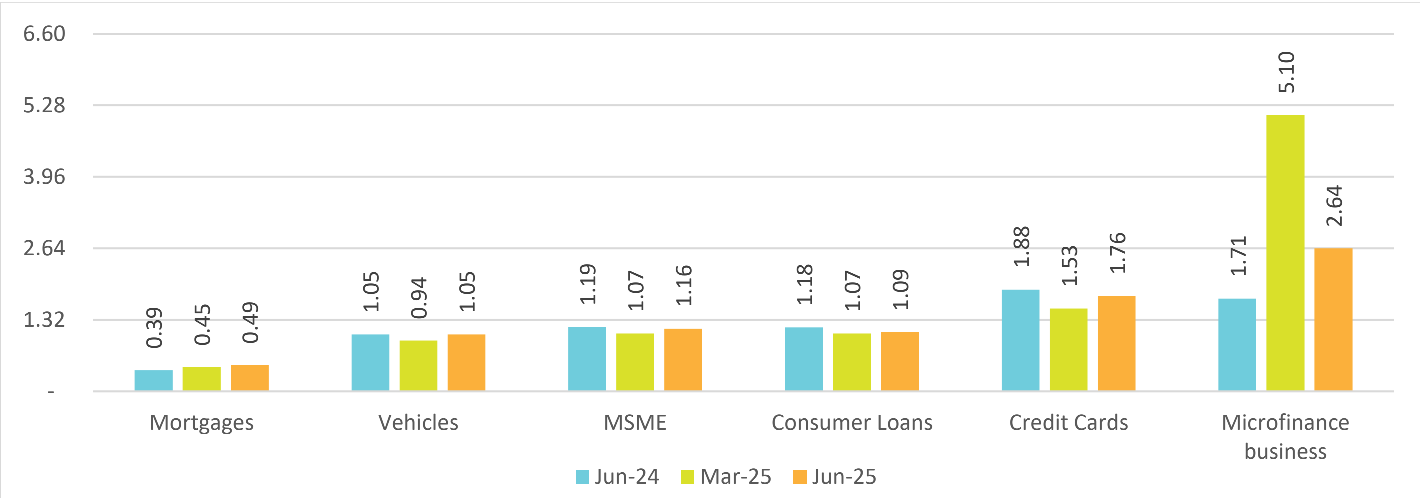
Source: Company, Nuvama Research

Exhibit 5: CD ratio (%)



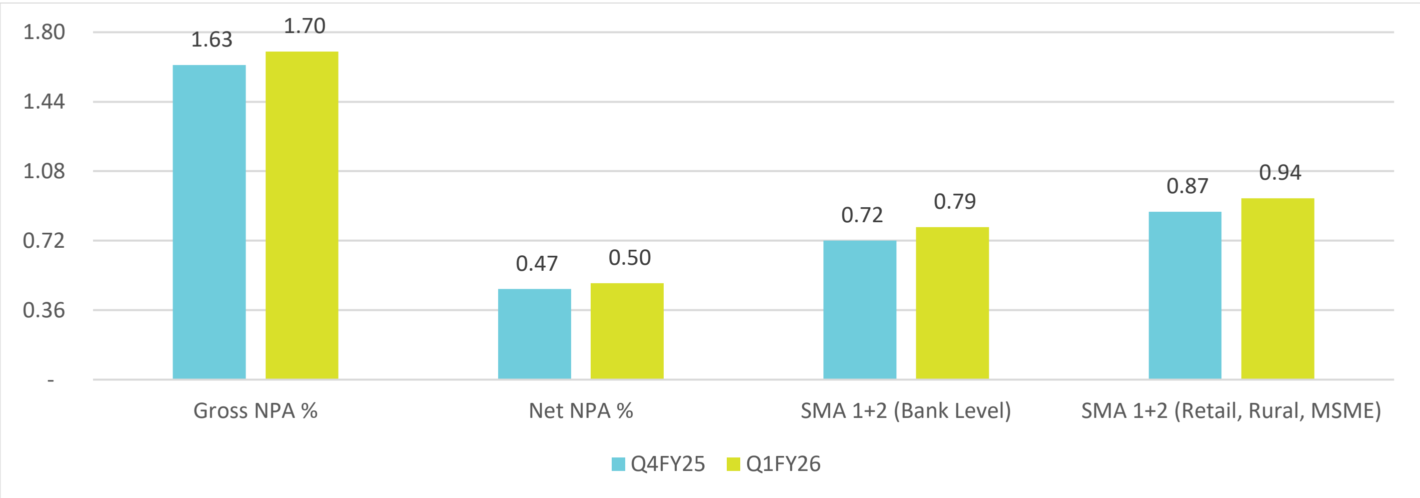
Source: Company, Nuvama Research

Exhibit 6: SMA1 and SMA2 portfolio by product (%)



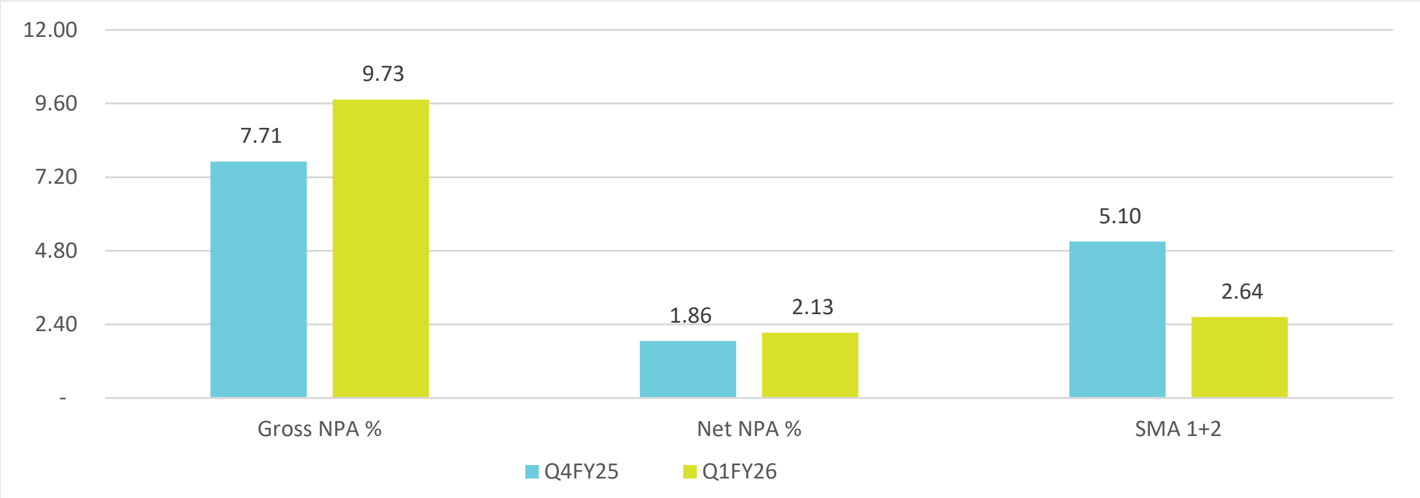
Source: Company, Nuvama Research

Exhibit 7: Asset quality ex-MFI business



Source: Company, Nuvama Research

Exhibit 8: Asset quality MFI business



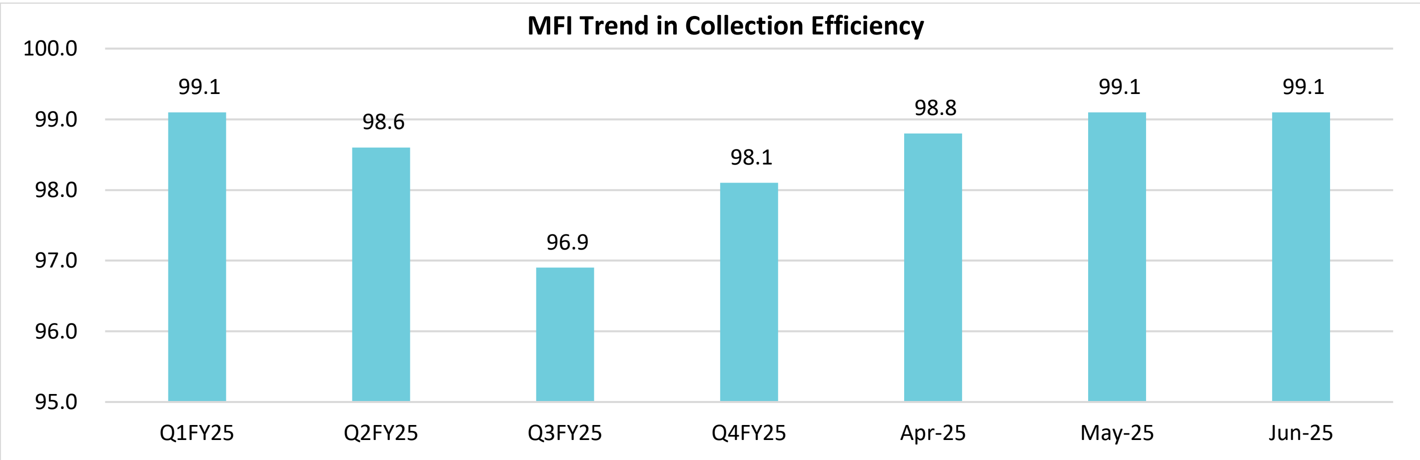
Source: Company, Nuvama Research

Exhibit 9: NPA movement

INR mn	Q4FY25	Q1FY26
Opening NPAs	43,990	44,340
ADD: Gross additions (Fresh Slippages)	21,750	24,860
- Other than MFI	16,030	19,720
- MFI	5,720	5,140
LESS: Recoveries, Upgrades and others	-6,550	-4,870
Net Addition	**15,200**	**19,990**
LESS: Write-offs	-14,860	-15,650
Closing NPA	**44,340**	**48,670**

Source: Company, Nuvama Research

Exhibit 10: MFI collection efficiency (%)



Source: Company, Nuvama Research

Exhibit 11: Yields, cost and margin (calculated)

%	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25
Yield on investments	7.31	7.31	7.03	7.19	7.50
Yield on advances	13.36	13.70	14.19	14.27	14.60
Cost of funding	6.29	6.28	6.42	6.28	6.38
Calculated NIM	6.13	6.35	6.59	6.75	6.89
Reported NIM	5.71	5.95	6.04	6.18	6.22

Source: Company, Nuvama Research

Exhibit 12: Income statement summary

INR mn	Q1FY26	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
Interest on advances	81,363	79,712	73,672	10.4%	2.1%
Income on investments	14,322	13,945	13,276	7.9%	2.7%
Interest on balances with RBI	247	282	239	3.4%	-12.5%
Others	490	190	700	-30.0%	157.2%
Interest Income	**96,421**	**94,129**	**87,886**	**9.7%**	**2.4%**
Interest expense	47,091	45,058	40,937	15.0%	4.5%
Net Interest Income	**49,331**	**49,072**	**46,949**	**5.1%**	**0.5%**
Other Income	22,268	18,954	16,192	37.5%	17.5%
Employee expenses	14,956	15,282	13,374	11.8%	-2.1%
Other Operating expenses	34,249	34,628	30,943	10.7%	-1.1%
Total Operating expenses	**49,205**	**49,910**	**44,316**	**11.0%**	**-1.4%**
Operating Profit	**22,394**	**18,116**	**18,825**	**19.0%**	**23.6%**
Provisions	16,591	14,505	9,944	66.8%	14.4%
PBT	**5,803**	**3,611**	**8,881**	**-34.7%**	**60.7%**
Tax	1,177	571	2,074	-43.3%	106.2%
Net Profit	**4,626**	**3,041**	**6,807**	**-32.0%**	**52.1%**

Source: Company, Nuvama Research

Company Description

IDFC FIRST Bank is founded by the merger of IDFC Bank, a scheduled commercial bank and Capital First Limited, a systematically important Non-Banking Financial Services Company. The merger was formally consummated on December 18, 2018.

Investment Theme

With peaking MFI stress, quarters ahead will see lower credit cost. Exit NIM will be the same YoY. Capital infusion from private equity should boost confidence and growth. We maintain HOLD and retain TP of INR68/1.2x BV FY26.

Key Risks

- Slowing maco could result in a spike in credit cost in non-MFI.
- Rising competition in deposit taking
- Slow improvement in CI ratio.

Additional Data

Management

Chairman	Sanjeeb Chaudhuri
CEO & MD	V. Vaidyanathan
CFO	Sudhanshu Jain
ED	Pradeep Natarajan
Auditor	M. P. Chitale & Co.

Holdings – Top 10*

	% Holding		% Holding
President of In	9.09	TATA MF	1.74
Odyssey	3.68	Ashish Dhawan	1.26
LIC	2.76	Bandhan MF	1.14
ICICI Prudential	2.48	TAT AIA Life	1.06
HDFC Life	2.47		

**Latest public data*

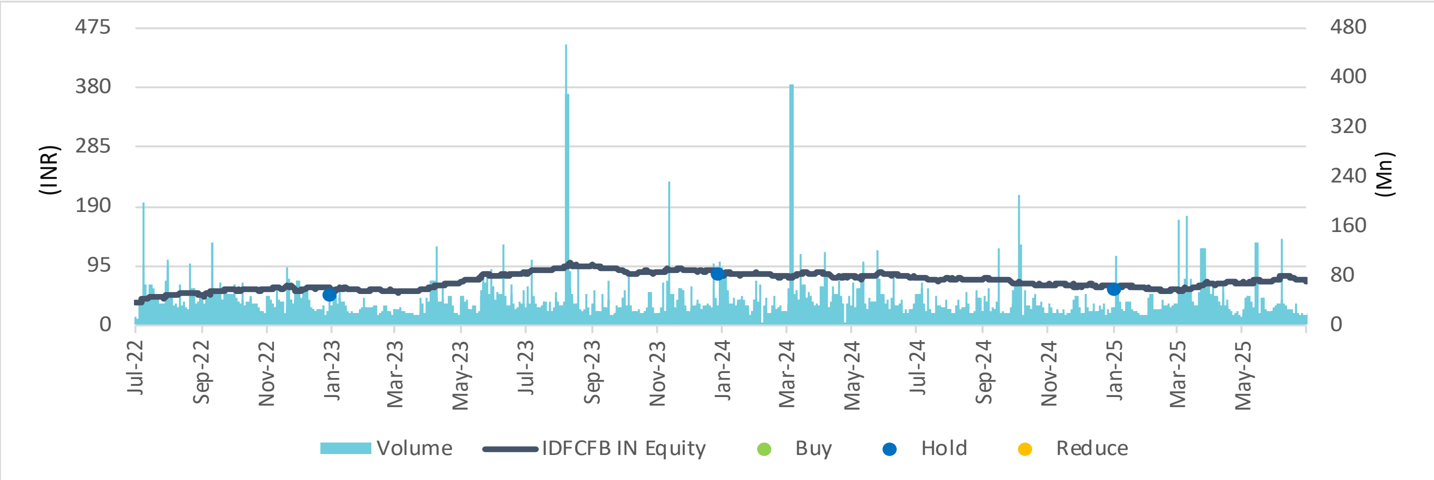
Recent Company Research

Date	Title	Price	Reco
27-Apr-25	MFI stress has peaked; *Result Update*	66	Hold
26-Jan-25	Positive surprise on slippage; *Result Update*	62	Hold
27-Oct-24	Miss on consensus PAT; *Result Update*	65	Hold

Recent Sector Research

Date	Name of Co./Sector	Title
26-Jul-25	Kotak Mahindra Bank	NIM and credit cost disappoint; *Result Update*
25-Jul-25	SBI Cards	Credit cost spikes again; growth slows; *Result Update*
20-Jul-25	AU SFB	Miss on NIM and higher delinquencies; *Result Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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