IDFC First Bank Ltd — 20 Oct 2025 Credit Rating Summary

This credit analysis evaluates **IDFC FIRST Bank** based on the October 2025 CRISIL report.

Equity-Focused Credit Rating Summary: IDFC FIRST Bank

Section	Details
Agency	CRISIL Ratings
Rating Change	**Reaffirmed** (AAA for Fixed Deposits; AA+ for Tier II Bonds; A1+ for CDs)
Outlook	**Stable** (Maintained)
Key Drivers of Change	1. **Capital Adequacy:** Tier 1 CAR at 13.3% (Jun-25) supported by ₹3,200 Cr Q2FY25 raise; ensures growth without immediate dilution. 2. **Deposit Granularity:** Total deposits grew 25% YoY to ₹2,64,971 Cr; Retail/CASA now forms ~80% of total deposits, reducing reliance on volatile wholesale funds. 3. **Asset Shift:** Retail/MSME/Rural now 76% of book (₹1,93,101 Cr); successful transition away from legacy infrastructure lending. 4. **Profitability Drag:** RoAA fell to 0.5% (Jun-25) from 1.1% (Mar-24) due to MFI slippages and high opex (1,041 branches).
Rated Instruments	• **Fixed Deposits:** ₹1,60,000 Cr
Key Observations	• **Strengths:** Strong solvency (Networth coverage of Net NPA at 28.8x); Superior liquidity (LCR 117.7%). • **Asset Quality:** GNPA stable at 1.97% despite microfinance (MFI) stress; PCR remains healthy at 72.3%. • **Opex:** Operating leverage starting to play out; opex growth slowed from 29% to 11% YoY. • **NIM Compression:** Margins dipped to 5.6% (annualized) from 6.1% due to high cost of deposits and MFI impact. • **Risk:** Attrition rate (32%) is significantly higher than peers; MFI asset quality has not yet normalized.
Investor Impact	• **Growth:** Positioned for 20% loan growth; capital-heavy infrastructure tail risk is largely eliminated. • **Margins:** Near-term earnings pressure likely as cost of funds remains elevated; RoAA recovery is the key re-rating trigger. • **Dilution Risk:** Low in the short term following recent capital infusion and healthy internal accruals (despite moderation).
Agency / Cross Analysis	**Same Agency (CRISIL):** Ratings held steady at the highest level (AAA). While RoAA dropped 50%+ YoY (1.1% to 0.5%), the agency prioritized "Liability Stability" and "Capital Cushion" over current earnings volatility. **Trend:** Tier II Bonds were upgraded (AA to AA+) in late 2022/2023; current reaffirmation suggests the "structural" turnaround is complete despite "cyclical" MFI headwinds. **Conclusion: Improvement** in franchise strength vs. **Temporary Deterioration** in credit costs.
Final Inference	**Real structural improvement masked by cyclical pain.** The "AAA" rating confirms the bank has successfully transformed into a retail powerhouse with a safe liability profile. For equity, the signal is a "bottoming out" of opex, though MFI recovery is needed for RoAA to hit the >1.0% target.

Financial Snapshot (Jun-25): * **Funded Assets:** ₹2,53,233 Cr (+20% YoY) * **Networth:** ₹38,156 Cr * **GNPA:** 1.97% * **RoA:** 0.5% (Moderated from 1.1%)