IDFC First Bank Ltd — 30 Sep 2025 Credit Rating Summary

Section	Details
Agency	CARE Ratings (CareEdge)
Rating Change	**Reaffirmed** at **CARE AA+** (No notches moved)
Outlook (Current vs Previous)	**Stable** vs **Stable**
Key Drivers of Change	1. **Aggressive Capitalization:** Raised □13,700 Cr equity since FY24 (including □7,500 Cr in Q2FY26) to fuel growth and absorb credit costs. 2. **Granular Liability Profile:** Retail deposits at 80% of total; CASA healthy at 47.99%, reducing reliance on bulk/legacy borrowings. 3. **Scale vs. Cost:** 21% YoY growth in advances (□2,53,233 Cr) offset by high OpEx (Cost-to-Income at 71.82%). 4. **Asset Quality Drag:** MFI stress doubled credit costs to 1.73% in FY25 (vs 0.89% in FY24), impacting near-term ROTA.
Rated Instruments	• **Long-term Bank Facilities:** □692.38 Cr (CARE AA+; Stable) • **Non-Convertible Debentures (NCDs):** Various tranches totaling □549.80 Cr (CARE AA+; Stable) • **Total Rated Debt: □1,242.18 Cr**
Key Observations	1. **Capital Cushion:** CET-1 at 12.64% (June 2025) will significantly improve post-□7,500 Cr infusion. 2. **Portfolio Shift:** Wholesale loans down to 19%; MFI book halved from 6.6% to 3.3% to mitigate risk. 3. **Legacy Exit:** High-cost legacy borrowings reduced to ~□2,200 Cr; expected to exit by FY26-end. 4. **Profitability Dip:** ROTA fell to 0.48% in FY25 (vs 1.11% in FY24) due to MFI provisions. 5. **Operating Efficiency:** Cost-to-income remains high (>70%) due to heavy tech and branch investment. 6. **GNPA Stability:** GNPA mostly flat at 1.97% (Q1FY26) despite MFI segment deterioration. 7. **Liquidity:** Adequate with LCR at 117.65% and excess SLR of □11,369 Cr.
Investor Impact	• **Growth:** High-teens growth outlook remains intact. • **Margins:** NIM pressure expected in H1FY26; recovery contingent on repricing and lower deposit costs in H2FY26. • **Leverage:** Low risk due to frequent equity infusions, but significant **equity dilution** for existing shareholders. • **Profitability:** ROTA likely to remain below 1.0% until credit costs normalize and operating leverage kicks in.
Agency / Cross Analysis	**Same Agency:** Reaffirmed the upgrade achieved in Oct 2024 (AA to AA+). **Financial Alignment:** Rating reflects strong solvency (capital raises) rather than current earnings (ROTA < 0.5%). **Conclusion: Consistent.** The agency is looking past temporary MFI-linked earnings volatility, prioritizing the bank's successful transition to a retail-funded powerhouse.
Final Inference	**Real structural improvement in liabilities masked by cyclical MFI stress.** For equity investors, the □7,500 Cr capital raise provides a massive safety buffer but confirms that bottom-line recovery is pushed to late FY26.