IDFC First Bank Ltd — 24 Oct 2024 Credit Rating Summary

Section	Details
Agency	CRISIL Ratings
Rating Change	**Reaffirmed / Assigned.** Tier II Bonds reaffirmed at **AA+**; New Fixed Deposit (FD) program assigned **AAA**. (Historical trajectory: AA → AA+ in July 2023).
Outlook (Current vs Previous)	**Stable vs Stable**
Key Drivers of Change	1. **Asset Retailization:** Retail/Commercial book now 83% of total funded assets (₹1,73,796 Cr), reducing concentration risk. 2. **Liability Strength:** Customer deposits grew 39% YoY; CASA at a healthy 46.6% (June 2024). 3. **Capital Cushion:** Net worth of ₹33,518 Cr; recent ₹3,200 Cr equity raise in Q2 FY25 provides a growth runway. 4. **Legacy Exit:** Infrastructure book (high-risk) shrunk to just 1.5% of total assets.
Rated Instruments	1. **Fixed Deposits:** ₹1,60,000 Cr
Key Observations	• **Asset Quality:** GNPA stable at 1.90%; PCR remains healthy at 69.4%. • **NIMs:** Industry-leading Net Interest Margins at 6.2% (Q1 FY25) driven by high-yield retail assets. • **Opex Pressure:** Cost-to-income remains high due to 749 new branches and tech spends since 2018. • **Credit Costs:** Marginal rise to 1.3% (Q1 FY25) due to industry-wide early retail delinquencies. • **Liquidity:** Superior LCR at 118.4% against 100% requirement. • **Concentration:** Top 20 depositors account for only 5.9% of total deposits, showing high granularity.
Investor Impact	• **Growth:** 25% YoY credit growth sustainable given strong Tier-1 capital (13.3% as of June). • **Margins:** High NIMs are offset by heavy Opex; RoA remains modest at 1.1%. • **Dilution Risk:** Low in the short term following the recent ₹3,200 Cr equity infusion. • **Valuation:** AAA rating on FDs will lower the cost of funds over time, supporting future NIM expansion.
Agency / Cross Analysis	**Same Agency (CRISIL):** Reaffirms the shift from a wholesale-funded infra lender to a retail-heavy "AAA" quality deposit franchise. The assignment of **AAA** to the massive ₹1.6 Lakh Cr FD program is a significant vote of confidence compared to the AA+ rating on Bonds (which reflects the subordinate nature of the instrument). Conclusion: **Steady Improvement.**
Final Inference	**Real improvement.** The bank has successfully transitioned its liability profile. For equity investors, the core "Retail Bank" thesis is validated; the next trigger is the translation of high NIMs into a >1.5% RoA as operating leverage kicks in.