

## IDFC First Bank Ltd — 04 Mar 2026 Credit Rating Summary

Section	Details
Agency	CARE Ratings
Rating Change	<b>CARE AA+; Stable</b> (Maintained - No notch change, but issued as a "Credit Update")
Outlook (Current vs Previous)	<b>Stable vs Stable</b> (Maintained despite operational risk event)
Key Drivers of Change	<ol style="list-style-type: none"> <li><b>Operational Fraud:</b> ~₹90 Cr fraud at Chandigarh branch involving Govt. of Haryana accounts.</li> <li><b>Financial Outflow:</b> Bank already repaid ₹83 Cr (principal + interest) to affected depts; residual loss to hit P&amp;L.</li> <li><b>Concentration Risk:</b> Govt. deposits comprise 8–9% of total deposits; de-empanelment by Haryana Govt. risks potential run-offs.</li> <li><b>Control Failure:</b> Incident highlights gaps in internal framework; forensic audit by KPMG initiated.</li> </ol>
Rated Instruments	Not explicitly listed in update, but bank maintains <b>AA+</b> for long-term facilities / Tier II Bonds.
Key Observations	<p><b>Positives:</b></p> <ul style="list-style-type: none"> <li>Fraud is non-material to Net Worth (1.3%) and Deposit Base (0.20%).</li> <li>Improving Asset Quality: GNPA reduced to 1.69% (9MFY26) from 1.88% (FY24).</li> <li>Adequate Capital: CAR remains healthy at 15.84%.</li> <li>Leadership Continuity: MD &amp; CEO V. Vaidyanathan re-appointed until Dec 2027.</li> </ul> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>Sharp profitability decline: ROTA plummeted from 1.11% (FY24) to 0.48% (9MFY26).</li> <li>NIM Compression: Dropped from 6.17% to 5.63% in 18 months.</li> <li>Reputational damage: Potential de-empanelment by other state governments.</li> </ul>
Investor Impact	<b>Margins:</b> Significant NIM compression likely to continue; <b>Growth:</b> Fraud may slow govt-segment deposit growth; <b>Leverage:</b> Stable, but high-cost replacement of govt deposits could hurt CoF; <b>Dilution:</b> Low risk given CAR, but low ROE/ROTA limits internal accruals.
Agency / Cross Analysis	<b>Same Agency (CARE):</b> What changed is the shift from purely financial monitoring to "Event-Based" monitoring. While the rating notch was held, the focus shifted from growth to <b>Internal Controls</b> and <b>Liquidity Monitorables</b> (specifically the 8-9% govt deposit base). CARE acknowledges the fraud is financially small but strategically significant due to de-empanelment risk.
Final Inference	<b>Operational Red Flag.</b> While the bank's balance sheet is large enough to absorb the ₹90 Cr hit, the sharp drop in ROTA (0.48%) and the loss of Haryana Govt. trust are the real equity concerns. The rating stability relies on the fraud being "isolated" rather than "systemic."