IDFC First Bank Ltd — Rating update 1d Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	**Reaffirmed** at **CARE AA+** (No notches moved)
Outlook (Current vs Previous)	**Stable** vs **Stable**
Key Drivers of Change	• **Capital Strengthening:** □7,500 Cr equity infusion in Q2FY26 boosted CAR to 15.05% (CET-1: 13.33%), providing a buffer for growth. • **Liability Resilience:** CASA ratio hit 50.82% (June 2026), reducing dependence on high-cost legacy borrowings. • **Operational Turnaround:** Cost-to-income ratio improved from 75.21% (FY26) to 69.18% (Q1FY27), signaling better scale efficiency. • **Asset Quality Rebound:** GNPA improved to 1.51%; MFI GNPA crashed from 9.73% to 3.61% YoY. • **Loan Diversification:** Advances grew 21% YoY to □3,05,370 Cr, with Retail/MSME making up ~80% of the book.
Rated Instruments	• **Long-term Bank Facilities:** □692.38 Cr
Key Observations	1. **(+) Funding Profile:** Retail deposits at ~80% of total customer deposits create a granular, stable liability base. 2. **(+) Capital Pipeline:** Board approval to raise □20,000 Cr ensures no growth bottlenecks in the medium term. 3. **(+) Provisioning:** PCR at 70.46% plus additional contingent provisions of □515 Cr reflect a conservative risk stance. 4. **(-) Profitability Pressure:** FY26 ROTA was weak at 0.44% (vs 0.48% FY25), though Q1FY27 rebounded to 1.05%. 5. **(-) Margin Compression:** NIMs fell from 6.05% (FY25) to 5.72% (FY26) as the bank shifted toward lower-yield secured assets. 6. **(-) Unsecured Risk:** Significant exposure to unsecured retail/MSME remains a monitorable for credit costs. 7. **(-) Cost Overhang:** Despite improvements, cost-to-income remains higher than top-tier private peers due to tech/branch investments.
Investor Impact	• **Growth:** 20%+ credit growth likely to continue given the high capital headroom. • **Margins:** Expected to stabilize at ~5.8% as MFI yields recover. • **Leverage:** Low risk of breaching regulatory CAR; □20,000 Cr enabling resolution suggests potential **equity dilution** to fund high-teen growth. • **Valuation:** Improvement in ROTA >1% is a significant de-risking signal for equity rerating.
Agency / Cross Analysis	**Same Agency:** CARE maintained the rating despite a "dip" year in FY26 (lower ROTA/higher costs), giving credit to the Q1FY27 recovery and successful □7,500 Cr capital raise. **Conclusion: Improvement.** The bank has successfully navigated the MFI crisis and legacy borrowing exits; focus now shifts to sustaining the 1%+ ROTA.
Final Inference	**Real improvement.** The reaffirmation masks a significant underlying transition from a high-cost "build-out" phase to a "profitability" phase. The return of ROTA to 1.05% and a 50%+ CASA ratio indicates the business model is reaching an inflection point of scale.