IDFC First Bank Ltd — Apr 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Core Beat / Headline PAT Miss (One-off Fraud) **One-line:** The long-term thesis of a structural retail compounding machine is intact; record core operating profit was masked by a □646 Cr fraud hit, but the receding MFI crisis and emerging operating leverage now set the stage for ROA expansion.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Beat (Core) / Miss (PAT)	Core NII (+15.7% YoY) beat estimates; PAT (□319 Cr) missed due to fraud.	□
Earnings Quality	Low (Headline) / High (Core)	PAT impacted by □646 Cr fraud and □159 Cr trading loss, offset by □173 Cr tax gain.	□
Guidance Confidence	Strong	Re-affirmed 170-180 bps credit cost and 5.75% NIM targets for FY27.	□
Management Credibility	Resilient	Proactive fraud disclosure and refusal to litigate govt clients protects brand.	□
Business Quality Signal	Improving	Cost of funds at 6.0% matches mid-tier peers; MFI stress has decisively peaked.	□
Key Q&A Exchange	Q#10 - ROA Timeline	Management confirms ROA is in "kissing distance" of 1.0% on a core basis.	□
The Street's Primary Anxiety	Deposit Stickiness	Fear of fraud-led outflow; Mgmt confirmed April inflows have already normalized.	□
Capital Cycle Stage	Harvesting	CET-1 at 13.73% is healthy; Bank is shifting from "build" to "profit" mode.	□
Margin / Return Ratio Trajectory	Improving	Normalized PAT grew 145% YoY; NIMs recovered to 5.93% (technical/seasonal lift).	□
Pricing Power	Stable	Cut SA rates by 50-200 bps; minor outflow proves the franchise is not rate-only.	□
FCF Conversion & Quality	Strong	Retail deposits at 79%; CASA average ratio increased to 50.4%.	□
Competitive Moat Signals	Widening	Only Indian bank in Global Top-5 Mobile Apps; converging efficiency with peers.	□
Balance Sheet Strength	Strong	Net NPA at 0.48%; Wholesale BB & below book now only 3%.	□
Working Capital Efficiency	Improving	CD Ratio further reduced to 96.4% (93.9% in Q3).	□
Mgmt Guidance Track Record	Reliable	Delivered on MFI cleanup and Cost of Funds convergence.	□
Key Vulnerability / Red Flag	Operational Risk	The Chandigarh fraud flags a gap in physical cheque/ manual control collusion.	□
Management Tone	Decisive & Bullish	Vaidyanathan remains focused on the "15-year proven lending machine."	□

Sentiment: □Positive (Core) / □Neutral (Combined)

Key Takeaways: * **Positives:** The bank’s structural transformation is complete. It has achieved **Cost of Funds (6.0%)** parity with mid-tier peers, down from 150bps premium at merger. The **MFI crisis is over**, with collection efficiency at 99.7% and credit costs trending toward 1.63% (Q4) vs 2.69% (Q1). Core operating profit (ex-trading/fraud) grew 18% YoY. * **Negatives:** A □**646 Cr fraud incident** (Haryana Govt deposits) wiped out 50%+ of quarterly earnings. While management calls it "isolated," it reveals a vulnerability in branch-level manual processes. **Deposit growth was flat (0.6% QoQ)** due to the combined impact of the fraud news and aggressive SA rate cuts. * **Street Concern:** Analysts are hyper-focused on the 1% ROA timeline. **Management’s Response:** On a core, "normalized" basis, the bank is already delivering high profitability (□746 Cr PAT normalized for Q4), but headline ROA remains suppressed by the "liability drag" (cost of building branches), which is narrowing (1.2% loss to 1.0% loss). * **Forward Watchpoint:** Capital raising. Management explicitly confirmed they will "reset" capital by the end of this year to support 20% growth.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q4 FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII Growth (%)	15.7%	↑	↑	□	Driven by NIM expansion and high-yield RAM book growth.
NIM (AUM basis %)	5.93%	↑ 18 bps	↑ 17 bps	↑	Higher due to day-count (Feb) and reduced investment book; FY27 guided at 5.75%.
Cost of Funds %	6.00%	↓ 30 bps	↓ 11 bps	↑	Converged with mid-tier banks; benefit of high CASA and legacy bond run-offs.
Cost of Deposits %	5.93%	↓	↓ 14 bps	↑	Benefit of SA rate cuts (50-200 bps) and TD repricing.
CASA Ratio (period end %)	49.8%	↑ 289 bps	↓ 180 bps	↓	Seasonal/Fraud impact; Average CASA ratio (50.4%) is a better quality metric.
CASA Ratio (avg %)	50.4%	↑ 388 bps	↑ 40 bps	□	Consistent growth in sticky retail balances despite headline volatility.
Credit-Deposit Ratio %	96.4%	↓ 200 bps	↑ 250 bps	↓	Increased QoQ as deposits were flat while loans grew 3.9%.
Loans Growth (% YoY)	20.0%	→	→	□	Funded assets at □2,90,278 Cr; RAM segments now 80% of book.
Deposits Growth (% YoY)	17.3%	↓	↓	□	Slower than loans due to SA rate cuts and one-off fraud news impact.
GNPA %	1.61%	↓ 27 bps	↓ 8 bps	□	All-time low; improved across RAM and Wholesale segments.
NNPA %	0.48%	↓ 12 bps	↓ 5 bps	□	Structural improvement; PCR remains healthy at 70.5%.
Slippage Ratio (Ex-MFI %)	2.60%	↓	↓ 49 bps	□	Improving asset quality outside the receding MFI segment.
Credit Cost (% funded assets)	1.63%	↓ 83 bps	↓ 42 bps	□	Significant improvement from 2.69% in Q1; FY27 guided at 170-180 bps.
Collection Efficiency %	99.6%	→	↑ 10 bps	□	Ex-MFI stable; MFI CE recovered to 99.7% (pre-crisis levels).
Capital Adequacy / CET1 %	15.60% / 13.73%	↓	↓ 50 bps	□	Consumed by growth and fraud hit; capital raise expected by year-end.
PAT (□Cr)	319	↓ 55.7%	↓ 36.5%	□	Impacted by □646 Cr fraud; Normalized PAT is □746 Cr (+145% YoY).
Fee Income Growth %	21.3%	↑	↑	□	Strong granular fees (Wealth +13%, Toll/Cards +23%).

2B. SEGMENT BREAKDOWN

Segment	Advances (□ Cr)	YoY Growth	GNPA (Gross)	Trend	vs Co. Avg	Key Development
Mortgages	61,471	10.6%	1.42%	□	Below	Focus on low-yield, low-credit-cost prime loans.
Vehicle Loans	33,531	27.5%	1.63%	□	In-line	Strong growth; gold loans scaling rapidly (+79.3% YoY to □3,915 Cr).
Consumer Loans	53,810	22.6%	1.30%	□	Below	Core high-yield specialization; credit cost <2% in this bucket.
Credit Cards	9,165	21.9%	1.78%	□	Above	C:I ratio improved to 95.4% (from 240% at launch); moving toward breakeven.
Business Banking	12,774	30.9%	1.35%	□	Below	High-growth focus area; yield accretive with low credit costs.
Micro-finance (MFI)	6,662	-30.4%	4.72%	↑	Above	Stress bottomed; SMA-1 & 2 down to 0.79% (vs 1.49% in Dec).
Wholesale	57,884	30.5%	0.10%	□	Far Below	Strategy shifted from project finance to cash-flow based corporate lending.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	NIM	Maintain ~5.75% for FY27.	High; Q4 exited at 5.93% (technical), FY26 avg is 5.75%.	Met (Recovering)	Low
Guidance	Credit Cost	170-180 bps for FY27.	Q4 achieved 163 bps; highly feasible as MFI drag disappears.	Met (Improved 4 qtrs straight)	Low
Guidance	Opex Growth	13-14% for FY27 (ex-fraud).	Requires disciplined hiring; Q4 opex (ex-fraud) was only +12.3%.	Met (Operating leverage visible)	Medium
Guidance	Volume	~20% Loan/Deposit growth.	Loans on track; Deposits need to rebound from Q4 flat growth.	Mixed (Deposits slowed in Q4)	Medium
Strategy	C:I Ratio	Reduce to ~55% in 4-5 years.	Requires 400-500 bps drop annually; currently 73.5%.	On Track (Retail Liab C:I down to 146%)	High
Strategy	Fraud Remediation	No litigation; pay back and trace.	Provided full □646 Cr; recovery is purely "upside" now.	Delivered (Paid immediately)	Low
Balance	CD Ratio	Move toward mid-80s.	Deposit growth must outpace loans by 4-5% for 4 quarters.	Off-track in Q4 (Ratio rose to 96.4%)	Medium

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Param Subramanian / Investec	Deposit Accretion	Financials	"How are we looking in terms of our monthly deposit accretion... are we back to a normal run rate?"	Management confirmed that while Q4 was flat due to fraud and rate cuts, April has normalized and expects 20% YoY / 5% QoQ growth to resume. This alleviates fears of a long-term "run on the bank" or brand impairment.	None	4.0	Normalized growth
3	4.5	Param Subramanian / Investec	NIM Outlook	Financials	"How do you think about margins going into next year... is it largely be steady at these levels?"	Management guided for a stable 5.75% NIM, clarifying that Q4's 5.93% was aided by technical factors like day-count and investment reductions. This sets a realistic floor for NII growth expectations in FY27.	None	5.0	Stable guidance
4	4.0	Param Subramanian / Investec	Opex Guidance	Financials	"On opex, we are still holding on to what we talked about 13% to 14% for next year?"	Management re-affirmed 13-14% growth but warned that Q1 may be higher due to seasonal increments and recent branch rollouts. This implies back-ended	None	4.0	Seasonal skew

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						operating leverage gains for FY27.			
6	5.0	Akshay Jain / Autonomous	Asset Quality	Financials	"What is driving the strength this quarter... utilize contingent provision, your write-offs are significantly lower?"	Management attributed strength to 99.7% MFI collection efficiency and a clean non-MFI book with credit costs under 1.6%. Sustainable low credit costs (170-180 bps) are now the primary driver for ROA expansion.	None	4.5	Structural clean-up
7	4.0	Akshay Jain / Autonomous	Geopolitical Risk	Business Overview	"How are you seeing trends playing in April, especially on the MSME front [due to West Asia crisis]?"	The bank adoption a cautious approach in fuel/supply-chain linked sectors but sees limited immediate impact on the portfolio. This suggests a tactical slowdown in certain MSME segments if macro stress escalates.	None	3.5	Tactical caution
8	4.5	Piran Engineer / CLSA	Treasury Loss	Financials	"This treasury impact... if I adjust for the stake sale... we would have actually	Management clarified the □159 Cr treasury loss is after grossing up a □274 Cr loss on a legacy	None	4.5	Core profit focus

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					made a profit?"	infrastructure equity sale (which was fully provided for). This ensures the core operating profit is not being inflated by provision reversals.			
10	5.0	Jayant Kharote / Axis Capital	ROA Target	Financials	"Confidence on hitting 1% ROA by the end of this year?"	Management avoided a hard date but stated they are in "kissing distance" of the target as MFI drag ends and liability C:I improves. This signals that FY27 is the transition year to a 1% ROA bank.	Exact date	3.0	Near-target
11	4.5	Jayant Kharote / Axis Capital	Capital Adequacy	Capex & Allocation	"How does the capital adequacy look... you think you will need more capital by the end of this year?"	Management confirmed a capital "reset" is likely by the end of the year to support growth. Investors should expect a 5-7% book value dilution in exchange for sustained 20% growth.	None	4.0	Dilution ahead
12	4.0	Ankit Bihani / Nomura	Competition	Business Overview	"How do you see deposit competition playing out... given	Management is relying on "invisibles" (tech/culture/app) rather than just	None	3.5	Brand vs Price

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					that even PSU banks... fight for deposits?"	rates to win deposits. This is a critical pivot toward becoming a brand-led vs. price-led deposit franchise.			

PATTERN FLAGS & SENTIMENT * **Fraud vs. Franchise:** Analysts were cautious about the ₹646 Cr fraud impact on brand equity. Management's posture was "Pay first, litigate never," prioritizing the high-CASA government banking ecosystem over a single loss. This resolved the "contagion" fear, as April data showed immediate normalization. * **Operating Leverage Skepticism:** Analysts repeatedly poked at the high C:I ratio (73.5%). Management provided a detailed roadmap for the "liability drag" (146% C:I) to trend toward 100% as branches mature. This shifted the conversation from "why is cost high" to "when will the investment harvest."

Analyst Sentiment Verdict: Analysts remain cautiously optimistic. The friction point remains the ROA timeline; while management showed "normalized" PAT is high, the Street wants to see 1%+ on a reported basis. Credibility improved due to transparent fraud handling and the successful delivery of MFI stabilization.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3 FY26)	This Quarter (Q4 FY26)	Direction
CASA Ratio (EOP)	51.6%	49.8%	↓ Deteriorating (One-off)
Credit Cost	2.05%	1.63%	↑ Improving
MFI SMA Pool	₹141 Cr	₹79 Cr	↑ Improving
Headline PAT	₹503 Cr	₹319 Cr	↓ Deteriorating (Fraud hit)
Normalized PAT	₹503 Cr (est)	₹746 Cr	↑ Improving (Core strength)
CD Ratio	93.9%	96.4%	↓ Deteriorating
Governance Profile	Standard	Fraud Watch (Haryana)	↓ Deteriorating
Capital Stance	Comfortable	Raising/Reset Mode	⚠Signal of growth
SA Interest Rates	High-Tier	Mid-Tier (Cut 50-200bp)	↑ Thesis: Brand over Price

STOP HERE.