IDFC First Bank Ltd — Jul 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat (Core & Headline) **One-line:** The thesis of IDFC FIRST Bank as a structural compounding machine has reached a critical inflection point; the bank has delivered its first □1,000 Cr+ profit quarter, effectively neutralized the MFI crisis, and is now demonstrating sustained operating leverage.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	Core NII (+21% YoY) and PAT (□1,075 Cr) significantly exceeded normalized run-rates.	□
Earnings Quality	High	Driven by 21.5% core income growth; one-off IT refund (□174 Cr) was offset by a prudent contingent provision (□515 Cr).	□
Guidance Confidence	Strong	Management lowered credit cost guidance (150-160 bps) and raised NIM expectations to 5.8%.	□
Management Credibility	Strong	Received and transparently utilized □514.8 Cr CGFMU claim to build a forward-looking buffer.	□
Business Quality Signal	Improving	Positive Jaws of 500 bps achieved; Cost of Funds (5.96%) remains stable despite industry pressure.	□
Key Q&A Exchange	Q#10 - ROA Target	Mgmt confirms 1% ROA is "real" and expected for the full year, an upgrade from "kissing distance."	□
The Street's Primary Anxiety	MFI Tail Risk	Concerns over industry-wide MFI stress were countered by IDFC's 99.5% collection efficiency.	□
Capital Cycle Stage	Harvesting	Shifting from branch-build (opex heavy) to productivity gains and lower credit costs.	□
Margin / Return Trajectory	Improving	NIMs held at 5.96% (5.90% clean); ROA crossed 1% (reported).	□
Pricing Power	Stable	CASA growth of 24.6% YoY despite SA rate cuts proves brand stickiness over price.	□
FCF Conversion & Quality	Strong	Retail deposits at 80% of total customer deposits; CASA ratio at 50.8%.	□
Competitive Moat Signals	Widening	Only Indian bank in Global Top-5 Mobile Apps; converging efficiency with larger peers.	□
Balance Sheet Strength	Strong	NNPA at 0.44% (all-time low); legacy infrastructure book now <1%.	□
Working Capital Efficiency	Improving	Average CASA ratio consistently above 50%; CD ratio reduced to 95.5%.	□
Mgmt Guidance Track Record	Reliable	Delivered on the promise of core PPOP recovery post-MFI/fraud hurdles.	□
Key Vulnerability	CET-1 Depletion	CET-1 at 13.33% (down from 13.73%) due to annual RWA reset; implies capital raise is imminent.	□
Management Tone	Bullish & Confident	Vaidyanathan: "Things are looking up... we are flying on deposits."	□

Sentiment: □Positive

Key Takeaways: * **Positives:** The bank has successfully "built the base" and entered the harvesting phase. **Core Operating Profit (ex-trading) grew 36% YoY**, while opex growth moderated to 16.4%. The **MFI crisis is decisively over** for IDFC FIRST; the book has bottomed at ₹6,698 Cr and resumed growth with 93% CGFMU coverage. Asset quality is at its historical best with **NNPA at 0.44%** and SMA 1 & 2 at record lows (0.62%). * **Negatives: CET-1 capital dropped 40 bps QoQ** to 13.33%, primarily due to the annual operational risk RWA reassessment. While within regulatory limits, this narrows the buffer for 20% growth, making a capital raise highly likely in H2 FY27. * **Street Concern & Mgmt Response:** Analysts feared the fallout from the Q4 fraud would impair deposit growth. **Management's Response:** Customer deposits grew 5.3% QoQ (₹15,000 Cr incremental), and CASA ratio improved to 50.8%. Vaidyanathan emphasized that "money is coming thick and fast," alleviating concerns over brand damage. * **Watchpoint: FCNR(B) Mobilization.** The bank is aggressively targeting a 2.5% market share in the upcoming NRI deposit pool, which could provide low-cost dollar funding but may introduce hedging cost volatility.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q1 FY27)	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII Growth (%)	21.1%	↑	↑	□	Driven by RAM book growth and stable CoF.
NIM (AUM basis %)	5.96%	↑ 6 bps	↑ 3 bps	□	Includes 6bps IT refund benefit; clean NIM 5.90%.
Cost of Funds %	5.96%	↓ 13 bps	↓ 4 bps	□	Converged at 6%; benefit of CASA mix.
Cost of Deposits %	5.96%	↓	↓	□	Benefit of SA rate cuts earlier in the year.
CASA Ratio (period end %)	50.8%	↑ 280 bps	↑ 100 bps	□	Rebounded from Q4 fraud-led flatness.
CASA Ratio (avg %)	50.1%	↑ 430 bps	↓ 30 bps	→	Daily average reflects granular stickiness.
Credit-Deposit Ratio %	95.5%	↓ 90 bps	↓ 90 bps	□	Improving liquidity as deposits outpaced loans.
Loans Growth (% YoY)	20.6%	↑	↑	□	Crossed □3 Lac Cr; RAM segment leads.
Deposits Growth (% YoY)	17.7%	↑	↑	□	Rebounded to □3.11 Lac Cr; CASA up 24.6%.
GNPA %	1.51%	↓ 37 bps	↓ 10 bps	□	All-time low; stable across all RAM segments.
NNPA %	0.44%	↓ 11 bps	↓ 4 bps	□	Best-in-class; PCR healthy at 71.48%.
Slippage Ratio %	2.49%	↓	↓ 19 bps	□	Gross slippages improved from 2.68% (Q4).
Credit Cost (% funded assets)	1.53%	↓ 93 bps	↓ 10 bps	□	Guidance lowered to 1.5-1.6% for FY27.
Collection Efficiency %	99.5%	→	↓ 10 bps	□	Stable at high levels for retail/rural.
Capital Adequacy / CET1 %	15.05%/13.33%	↓	↓ 40 bps	□	Impacted by ~30bps Ops Risk RWA reset.
PAT (□Cr)	1,075	↑ 132.4%	↑ 237%	□	Clean quarter; first time crossing □1k Cr.
Fee Income Growth %	22.9%	↑	↑	□	Strong granular fees; 91% from retail operations.

2B. SEGMENT BREAKDOWN

Segment	Advances (□ Cr)	YoY Growth	GNPA (Gross)	Trend	vs Co. Avg	Key Development
Mortgages	62,480	8.1%	1.51%	→	In-line	Shift toward Prime HL/LAP to reduce risk.
Vehicle Loans	34,144	26.4%	1.74%	□	Above	Strong momentum; includes gold loans scaling.
Consumer Loans	57,834	27.3%	1.14%	□	Below	Specialized cash-flow based underwriting.
Credit Cards	9,580	18.6%	1.46%	□	Below	C:I ratio fell to 83.6% (from 95.4% prior).
Business Banking	12,961	27.8%	1.27%	□	Below	High-growth, property-backed WC focus.
Micro-finance (MFI)	6,698	-19.8%	3.61%	↑	Above	Stress peaked; NNPA down to 0.47%.
Wholesale Banking	64,252	30.4%	2.80%	□	Above	Core Corp GNPA is 1.26% (ex-infra).

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	NIM	5.8% for FY27 (Upgraded from 5.75%).	Likely; exited Q1 at 5.90% (clean).	Met	Low
Guidance	Credit Cost	150-160 bps for FY27 (Down from 170-180).	High; Q1 already at 153 bps (traditionally weak qtr).	Beat	Low
Guidance	ROA	1.0% for Full Year FY27.	High; Q1 reported 1.06%, adjusted 0.90%.	Met (Inflection)	Low
Guidance	Volume	20% Loan / Deposit Growth.	High; Loans at 20.6%, Deposits at 17.7%.	Met	Low
Strategy	C:I Ratio	Below 70% in FY27; 50% in 4-5 years.	Requires 400-500 bps Jaws; Q1 was 500 bps.	On Track	Medium
Strategy	MFI Growth	15% YoY growth for FY27.	Requires pickup from Q2 (Q1 was flat).	Met (Arrested fall)	Medium
Strategy	Capital Raise	Capital "reset" by year-end.	Necessary for 20% growth as CET-1 is 13.33%.	New Guidance	Low
Balance	CD Ratio	Move toward mid-80s.	Requires deposit growth to lead by ~4-5%.	Off-track (95.5%)	High

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.5	Akshay Jain / Autonomous	NIM	Financials	"Is asset mix shift expected to be so severe that clean margins of 5.9% will turn into 5.75%?"	Management upgraded NIM guidance to 5.8% for the year, citing better-than-expected cost of funds and retail mix. This provides a floor for NII growth expectations in a rate-cut cycle.	None	4.5	Upgraded guidance
2	5.0	Akshay Jain / Autonomous	Credit Cost	Financials	"Is there any scope for bringing down credit cost guidance... land up at 150-160 bps?"	Management confirmed the downward revision to 150-160 bps due to structural improvement in MFI and stable RAM performance. This is a primary driver for the 1% ROA thesis realization.	None	5.0	Quantified beat
3	4.0	Akshay Jain / Autonomous	ECL Transition	Financials	"Any numbers on one-time transition and steady-state credit cost?"	Management believes the capital impact will be neutral as higher provisions are offset by RWA benefits from operational risk. This alleviates fears of a massive equity dilution during transition.	Specific □value	3.5	Neutral impact
4	4.5	Param Subramanian / Investec	Opex / Jaws	Financials	"Are we still sticking to that 13% to 14% opex	Management is prioritizing the 500 bps "Jaw" (Income	None	4.0	Focus on Jaws

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					growth through the year?"	growth minus Opex growth) over absolute opex lines to capture market opportunities. This shifts the focus from cost-cutting to efficiency-led growth.			
5	5.0	Param Subramanian / Investec	Fraud Recovery	Financials	"Are we beginning to see any recoveries from [the Q4 fraud]?"	Management confirmed ED/ PMLA legal processes are active with some arrests, but recovery timelines remain uncertain and are not yet in the P&L. Any recovery will be a pure PAT kicker in future quarters.	Timeline	3.0	Legal process
6	4.0	Ankit Bihani / Nomura	Technology	Business Overview	"How is the bank leveraging AI/ GenAI and how do you see tech investments increasing?"	Management emphasized a "hollowed-out core" and API-first architecture, viewing tech as a robustness enabler rather than just a cost center. Strong tech foundation supports sustained 20%+ growth without re-platforming risk.	None	4.0	Architecture focus
7	4.5	Jai Mundhra / ICICI Sec	MFI Stress	Financials	"Quantify MFI slippages and	MFI slippages have normalized	None	4.5	Stress bottomed

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					disbursement in this quarter?"	and disbursements have doubled YoY, with a target of 15% book growth. This confirms the MFI segment has transitioned from a drag to a potential growth lever.			
8	4.0	Jai Mundhra / ICICI Sec	Deposits	Financials	"How have we got the traction in SA especially granular vs high-ticket SA post [Q4] incident?"	Management reported strong growth in both CA (+30%) and SA (+25%), noting the incident is entirely in the past. High granular growth proves brand resilience against headline risk.	None	4.5	Brand stickiness
9	4.5	Jayant Kharote / Axis Capital	ROA Expansion	Financials	"NIM of corporate banking is lower... how does this play into ROA ambitions?"	Management targets a structural ROA of 1.7-1.8% long-term by reducing credit costs (corporate focus) even if NIMs are lower. Higher asset quality and lower opex will drive ROA even if yields compress.	None	4.0	Structural pivot
10	4.5	Anand Dama / Nuvama	Institutional Deposits	Financials	"How has our institutional deposits moved past the episode...	Management claimed institutional deposits are stable and the	None	5.0	Crisis resolved

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
					were there more withdrawals?"	bank is "flying" on retail money. This dismisses any "run on the bank" narrative following the Q4 fraud event.			
11	3.5	Pritesh / DAM Capital	PSLC Cost	Financials	"How much PSLCs we would have bought... negative drag for us?"	The bank lost ₹250 Cr on PSLC purchases last year and remains short on agri-PSL, buying to cover. This remains a ~20-30 bps ROA drag that will only improve as agri-origination scales.	None	4.5	Ongoing drag

PATTERN FLAGS & SENTIMENT * **From Build to Harvest:** Analyst questions shifted from "When will losses stop?" (MFI/Fraud) to "How high can ROA go?". Management's upgrade of NIM and Credit Cost guidance signaled high confidence that the 1% ROA barrier is now behind them on a run-rate basis. * **Operating Leverage Clarity:** Analysts were impressed by the 500 bps Jaws. Management's detailed breakdown of C:I ratios across business lines (Cards at 83.6%, Retail Assets at 57.7%) provided a credible roadmap for the consolidated bank to hit the 50-60% C:I range. * **Analyst Sentiment Verdict:** Overwhelmingly positive. The skepticism of Q4 (fraud/liquidity) has been replaced by constructive inquiry into growth levers (FCNR/MFI/Corporate). The primary unresolved issue is the **capital raise**; while management confirmed it is coming, the timing and pricing will be the next major share price catalyst.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4 FY26)	This Quarter (Q1 FY27)	Direction
Headline PAT	□319 Cr (Fraud-impacted)	□1,075 Cr (Clean)	↑ Massive Beat
Credit Cost Guidance	170-180 bps	150-160 bps	↑ Improving
NIM Guidance	5.75%	5.80%	↑ Improving
CASA Ratio (EOP)	49.8%	50.8%	↑ Improving
MFI NNPA	0.80%	0.47%	↑ Improving
CET-1 Capital	13.73%	13.33%	↓ Deteriorating (RWA Reset)
ROA Status	"Kissing distance" of 1%	1.06% (Reported)	↑ Target Met
One-off Management	Fraud Hit (□646 Cr)	Contingent Provision (□515 Cr)	↑ Shift to Prudence
Credit Cards C:I	95.4%	83.6%	↑ Improving Leverage
Loan Growth Mix	RAM Focus	RAM + Corporate (30% YoY)	□Diversifying Yield

STOP HERE.