

24th February 2026

Close*: ₹70/-

View – **HOLD**

IDFC First Bank: Navigating the ₹590crs Operational Breach

The bank has reported a ₹590crs discrepancy confined to a specific set of Haryana State Government accounts at its Chandigarh branch.

- **Concern:** The issue was uncovered when the state department requested account closure and balance transfer, revealing a severe mismatch between internal bank ledgers and the client's stated balance.
- **Bank Action:** IDFC First Bank has suspended four officials, filed police complaints, and appointed KPMG to conduct an independent forensic audit. The bank has also initiated lien-marking on suspicious beneficiary accounts held with other lenders to recover funds.
- **Collateral Damage:** Consequently, the Haryana Government has de-empanelled IDFC First Bank from handling any state business and ordered all departments to shift funds to nationalized banks.

Important Statistics

Nifty	25,650
Sensex	83,200
Close* (₹)	70
M.CAP (₹ bn)	~₹595
52 Week H/L (₹)	87/52.5
NSE Code	IDFCFIRSTB
BSE Code	539437
Bloomberg Code	IDFCBK:IN

Close as on 23rd February 2026*

Shareholding Pattern (%) Dec'25

Promoters	-
FII's	36.76
DII	22.38
Public & Others	40.85

Short to Medium-Term Implications

- **Profitability & Earnings (Q4FY26):** The operative phrase in the bank's disclosure is that the ₹590crs is "under reconciliation," not an absolute write-off. However, until recoveries are finalized, the overhang on Q4 FY26 earnings is significant.
 - **Worst-Case Scenario:** If the bank is forced to take a 100% upfront provision for the entire ₹590crs in the next quarter, it would essentially wipe out Q4 profitability. For example, the bank's net profit for Q3 FY26 was approximately ₹503crs. A total write-off would shave 10-15 basis points off the Return on Assets (RoA) and 20-25 basis points off its Common Equity Tier 1 (CET-1) capital.
 - **Base-Case Scenario:** Assuming a conservative 80% recovery through lien-marked accounts and asset tracing, the net P&L hit would be contained roughly 110-120crs. This is easily absorbable given the bank's nine-month operating profit of ₹6,150crs.
- **Franchise & Deposit Momentum:** The immediate de-empanelment by the Haryana Government creates a medium-term friction point. While retail deposit momentum remains robust, losing institutional government floats will put incremental pressure on the bank's cost of funds. With the Credit-Deposit (CD) ratio already elevated at ~93.9%, the sudden outflow of state funds means the bank may have to rely on higher-cost deposits to bridge the gap in the coming quarters.

Valuation Outlook

We view the ~20% intraday crash in the stock price as a deepening concern regarding the internal control framework. It is crucial to note that this is a **branch-level operational control failure**, not a systemic deterioration of the bank's core retail asset quality, credit costs, or underwriting standards. However, until a full forensic validation is completed, we cannot entirely dismiss the risk of **residual systemic friction**.

Maintain Equal-Weight / Hold: We anticipate the stock will suffer from a "valuation overhang" in the short term until the KPMG forensic audit provides more clarity on the quantum of final loss. Consequently, we expect the market to temporarily compress its Price-to-Book (P/B) multiple to factor in a higher operational risk premium.

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Disclosure of Interest Statement: IDFC First Bank Ltd. as on February 24, 2026

Name of the Security	IDFC First Bank Ltd.
Name of the analyst	Dhananjay Kansara
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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