28th July 2026 Close* – ₹84.88/- View – Buy

Key Highlights – Q1FY27: Maiden ₹1,000crs quarter PAT; RoA breaks 1%

- IDFC FIRST Bank delivered its highest-ever quarterly profit. PAT of ₹10.75bn was up 132.4% YoY and 3.4x QoQ – the first time the bank has crossed the ₹1,000cr mark since the December 2018 merger.
- **Profitability inflection:** RoA broke through 1% to 1.06% (Q1FY26: 0.54%; Q4FY26: 0.33%) and RoE reached 8.98%. Stripping out treasury and the income-tax refund, management pegs "clean" RoA at ~0.90%.
- **Growth momentum:** Loans & advances grew 20.6% YoY (5.2% QoQ) to ₹3.05tn, led by mortgages, vehicle, corporate and consumer loans. The wholesale book compounded 30.4% YoY as the bank re-engages corporate lending.
- **Margin expansion:** NIM improved to 5.96% (+25bps YoY, +3bps QoQ) as cost of funds eased to 5.96% from 6.42% a year ago. Adjusted for one-offs, core NIM rose 5bps QoQ to 5.90%.
- **Liability strength:** Customer deposits rose 16.6% YoY to ₹2.99tn, with the CASA ratio at 50.8% (Q1FY26: 48.0%) and CASA balances crossing ₹1.5tn for the first time.
- Best-ever asset quality: GNPA improved to 1.51% (-45bps YoY) and NNPA to 0.44%; provisions fell 31.1% YoY even after a voluntary ₹5.15bn contingency buffer. PCR stands at 71.5%.
- Management has raised FY27 guidance on all three levers – RoA to 1.0%, NIM to 5.8% and credit cost cut to 150-160bps. With the earnings inflection now visible in reported numbers, we upgrade to BUY.

Important Statistics

Nifty	23,995.95
Sensex	76,835.78
Close* (₹)	84.88
M.CAP (₹ crs)	₹73,097.19
52 Week H/L (₹)	88/58
NSE Code	IDFCFIRSTB
BSE Code	539437
Bloomberg Code	IDFCFB:IN

Close as on 27th July 2026*

Shareholding Pattern (%)	Jun'26
FIIs	36.1%
DIIs	24.35%
Public & Others	39.52%

Q1FY27 Result Update

- **Business Efficiency**
  - **Net Interest Income (NII):** Grew 21.1% YoY (5.2% QoQ) to ₹59.7bn – a clear acceleration from the 15.7% YoY print in Q4FY26, powered by 20.6% loan growth and a falling cost of funds.
  - **Net Interest Margin (NIM):** Reported at 5.96% on an AUM basis. Q4FY26 carried an 8bps day-count benefit while Q1FY27 had a 6bps income-tax-refund tailwind; adjusting for both, underlying NIM rose 5bps QoQ from 5.85% to 5.90%. Cost of funds eased a further 4bps QoQ to 5.96%.
  - **Fee & Other Income:** Fee income rose 22.9% YoY, backed by 25%+ growth in disbursements; fee-to-average-assets improved to 2.09% (Q1FY26: 2.01%). Treasury delivered a gain of ₹1.81bn against a ₹4.34bn loss in Q4FY26.
  - **Expense Management:** Opex of ₹57.3bn grew 16.4% YoY but only 2.3% QoQ excluding the Q4FY26 fraud charge, against 4.6% sequential growth in core income – operating jaws of ~500bps.
  - **Cost-to-Income (C/I):** Improved to 70.7% ex-trading (Q4FY26: 72.4% ex-fraud; Q1FY26: 73.8%) – a 310bps YoY improvement after two years stuck in the 72-73% band.
  - **Core Profit:** Core operating profit (ex-trading) rose 36.0% YoY to ₹23.7bn – a second successive quarter of 30%+ growth. Core PPOP/average assets improved to 2.3% from 2.0%.
  - **Provisions:** Down 31.1% YoY to ₹11.4bn. Credit cost improved to 1.53% of average loans (Q1FY26: 2.69%). The bank received a ₹5.15bn CGFMU claim on the MFI book and prudently created an equal contingency provision.

₹ Bn	Q1FY27	Q1FY26	YoY	Q4FY26	QoQ	Mix
Retail, Agri & MSME (RAM)	2,411.2	2,039.5	18.2%	2,322.9	3.8%	79%
– Retail Finance	1,791.9	1,474.8	21.5%	1,712.0	4.7%	59%
– Credit Cards	96.0	80.7	19.0%	92.5	3.8%	3%
– Microfinance	67.0	77.4	(13.4%)	66.0	1.5%	2%
Wholesale	642.5	492.8	30.4%	578.8	11.0%	21%
Total Loans & Advances	**3,053.7**	**2,532.3**	**20.6%**	**2,902.8**	**5.2%**	**100%**

Loans & Advances include credit substitutes. Source: Company, Way2Wealth

Key Segmental Growth – Q1FY27

Portfolio	YoY Growth %
Loans & Advances	**20.6%**
– RAM book	18.2%
– Wholesale	30.4%
Retail Finance	**21.5%**
– Gold Loans	103.0%
– Consumer Loans	27.3%
– Vehicle Loans	26.4%
Credit Cards	**19.0%**
Wealth AUM	**24.0%**
Customer Deposits	**16.6%**
CASA Deposits	**24.6%**

Loan mix (Jun'26): mortgage-backed 27%, other retail 27%, wholesale 21%, vehicle finance 11%, MSME 8% and rural 6%.

Relative Performance

Relative Performance	1 Yr	3 Yr	5 Yr
IDFC FIRST Bank	**11%**	**(6%)**	**39%**
Nifty 50	(5.7%)	38%	71%
Sensex	(6.9%)	33%	63%

Dhananjay Kansara
dhananjay.k@way2wealth.com
Ph: 022 – 4019 2911

W2W Lighthouse - A Quick Perspective

- **Strengthening Liability Franchise:** Deposit mobilisation was the standout of the quarter and comfortably funded 23% loan growth:
  - **Customer deposits:** Up 16.6% YoY / 5.3% QoQ to ₹2,994bn; total deposits including certificates of deposit grew 17.7% YoY and 5.9% QoQ – comfortably ahead of the ≥5% QoQ guidance.
  - CASA: Balances rose 24.6% YoY (8.1% QoQ) to ₹1,585bn, taking the period-end CASA ratio to 50.8% and the average CASA ratio above 50% for the first time at 50.1%. Average current accounts grew ~30% YoY and savings ~25% YoY.
  - **Deposit franchise quality:** Retail deposits now form ~80% of customer deposits (27% at merger), while legacy borrowings have shrunk to ~10% of deposits plus borrowings from 49%. Average LCR for the quarter stood at 116%.
  - **Post-incident normalisation:** Management confirmed there was no material deposit outflow following the Q4FY26 fraud incident; both retail and institutional balances have grown, and the sequential CASA build of 8.1% was led by granular savings accounts.
  - **NRI & FCNR opportunity:** The NRI book stands at ~₹250bn (~1.7% system share). The bank has launched FCNR at 6.75% and is targeting a 2.5% market share of incremental FCNR flows through leverage and SBLC structures.
  - **Distribution:** 39mn customers served through 1,155 branches and 1,110 ATMs; customer business (deposits plus funded assets) crossed ₹6tn in the quarter, up ~20% YoY.

Deposit franchise and asset quality

₹ Bn	Q1FY27	Q1FY26	YoY	Q4FY26	QoQ
CASA deposits	1,584.9	1,271.6	24.6%	1,466.2	8.1%
Term & other customer deposits	1,409.1	1,296.4	8.7%	1,378.4	2.2%
Customer deposits	**2,994.1**	**2,568.0**	**16.6%**	**2,844.5**	**5.3%**
Certificates of deposit	95.9	57.2	67.7%	73.5	30.5%
Total deposits	**3,090.0**	**2,625.2**	**17.7%**	**2,918.0**	**5.9%**
CASA ratio (%)	50.8	48.0	+283bps	49.8	+100bps

Source: Company, Way2Wealth

- **Asset Quality – Best in the Bank's History**
  - **Headline ratios:** GNPA improved to 1.51% (-45bps YoY / -10bps QoQ) and NNPA to 0.44% (-12bps YoY / -4bps QoQ) – both the lowest since the merger. Provision coverage stands at 71.5%.
  - **RAM portfolio:** GNPA of the retail, agri and MSME book improved 42bps YoY to 1.40% and NNPA 14bps to 0.52%. SMA-1 & 2 for the RAM book was 0.77% (Mar'26: 0.78%) – the lowest reading on record.
  - **Slippages:** Gross slippages fell 30% YoY to ₹17.4bn and net slippages 44% YoY to ₹11.1bn. Excluding microfinance, gross and net slippages were still down 14% and 28% YoY. The slippage ratio improved to 2.49% from 2.68% in Q4FY26.
  - Recoveries: Recoveries and upgrades rose to ₹6.2bn from ₹4.9bn in Q1FY26; collection efficiency has been stable at 99.5% for several quarters.
  - **Microfinance:** The book is broadly stable at ₹67bn with SMA-1 & 2 normalised to 0.71%. 93% of the MFI book now carries CGFMU cover; the ₹5.15bn claim received in Q1FY27 was fully offset by a matching voluntary contingency provision for monsoon and geopolitical risk.
  - **Credit cost:** At 1.53% of average loans (Q1FY26: 2.69%; Q4FY26: 1.60%), which translates to 1.13% of average assets. FY27 guidance has been cut to 150-160bps from 170-180bps – the single largest driver of the RoA upgrade.
  - **Capital:** CAR of 15.05% with CET-1 at 13.33%, after an ~30bps Q1 hit from the annual operational risk RWA reset. Net worth stands at ₹486.5bn and book value per share at ₹56.5.

Conference Call Key takeaways

- **Margins & Business Mix**
  - Management guided FY27 NIM up to 5.8% from 5.75% earlier. Q1's 5.90% adjusted margin benefited from a lower investment book, which is expected to normalise. Faster growth in the wholesale book (30.4% YoY) is NIM-dilutive but ROE-accretive, and no rate hikes have been assumed in the projections. Cost of funds is expected to stay range-bound around the 6% mark.
- **Credit Cost Sustainability**
  - Q1 credit cost of 153bps came in well inside the earlier 170-180bps guidance despite Q1 typically being a seasonally weaker collections quarter. Guidance has been reset to 150-160bps. All leading indicators – SMA, GNPA, NNPA, product-wise delinquency – are stable or improving; the ₹5.15bn contingency provision is explicitly forward-looking rather than a response to observed stress.
- **Operating Leverage & Cost-to-Income**
  - Management targets sustaining ~500bps of operating jaws (income growth of 18-20% against opex growth of 13-14%) and expects to take cost-to-income below 70% during FY27. The CEO acknowledged the ratio had been stuck at 72-73% for two years because the shrinking microfinance book removed income; with MFI now in the base, he expects material year-on-year improvement from here. Carrying ~450-500bps of jaws into FY28 would deliver a further ~350bps of C/I reduction.
- **Deposits & FCNR**
  - Deposit momentum is described as “flying”, with no lasting damage from the Q4FY26 incident and stable institutional balances. Strategy remains skewed to granular retail deposits. FCNR at 6.75% is a fresh growth lever, with the bank targeting ~2.5% of an estimated $60-70bn inflow pool.
- **ECL Transition & Capital**
  - On transition to the expected credit loss framework, higher ECL provisioning is expected to be broadly offset by lower credit and operational risk RWAs, leaving the capital impact close to neutral. On a run-rate basis, higher provisions should be substantially offset by EIR benefits as sourcing costs and processing fees get amortised. Management does not expect ECL to delay the RoA expansion path.
- **Microfinance & Priority Sector**
  - MFI disbursements have roughly doubled YoY and the book is guided to grow ~15% in FY27 as the segment normalises. The CGFMU claim process is annual, and any FY28 claim is expected to be materially smaller. The bank remains short on priority sector lending and continues to buy PSLCs – a drag of ~₹2.5-2.6bn in FY26 – although the organic PSL book has been built to ~₹1.2tn.
- **Fraud Incident**
  - No recovery has been booked in the P&L. The legal process is progressing – further arrests have been made and a charge sheet filed – but management declined to commit to a timeline or quantum. Any eventual recovery would be an unmodelled upside.
- **Technology & AI**
  - The bank runs a cloud-native, API-first, microservices architecture with real-time data streaming and 150+ machine-learning scorecards for credit decisioning. IT spend is ~9% of opex, in line with large private peers. Management framed generative AI as an efficiency and acquisition lever but insisted the payoff must show up in reported financials rather than in narrative.
- **Medium-term Ambition**
  - The CEO indicated the bank is structurally built for RoA of 1.7-1.8% over time, with a stated aspiration of a consistent 16%+ RoE. Book value per share has risen from ~₹31 at merger to ₹56.5, though management openly acknowledged much of that came from capital raised at a premium rather than internal accrual – growing RoE is now the stated priority.

28th July 2026 | Close* – ₹84.88/- | View – Buy

View

IDFC FIRST Bank's Q1FY27 print is the cleanest evidence yet that the operating model has turned. PAT of ₹10.75bn (+132.4% YoY) crossed ₹1,000cr for the first time, RoA broke 1% at 1.06% and RoE reached 8.98%.

Credit cost, the other drag, fell to 153bps from 269bps a year ago, prompting a guidance cut to 150-160bps from 170-180bps. Asset quality is the best in the bank's history – GNPA 1.51%, NNPA 0.44%, RAM SMA-1&2 at a record-low 0.77% and collection efficiency steady at 99.5% – while 93% CGFMU cover on the MFI book caps the tail risk that derailed FY25-26 earnings.

The liability franchise is now a genuine competitive asset rather than a work in progress. A 50.8% CASA ratio, retail deposits at ~80% of the customer book and cost of funds down 46bps YoY to 5.96% underpin a 5.96% NIM that few large private banks can match. Deposit growth of 17.7% YoY funded 20.6% loan growth without stress, and the post-incident recovery in balances removes a meaningful overhang.

Risks remain and we do not dismiss them. Cost-to-income at 70.7% is still far above peers; the wholesale book's 30.4% growth is NIM-dilutive; CET-1 of 13.33% will need replenishment if 20% loan growth persists beyond FY28; the PSL shortfall remains a structural cost; and the fraud litigation is unresolved with no recovery assumed in our numbers.

We build in RoA of 0.97% in FY27E and 1.25% in FY28E, driving PAT to ₹42.2bn and ₹64.5bn respectively – an EPS CAGR of ~96% over FY26-28E off a depressed base. At ₹80.8 the stock trades at 1.35x FY27E and 1.21x FY28E book, undemanding for a franchise whose RoE we see doubling to ~11.8% by FY28E and which management believes is structurally built for 1.7-1.8% RoA. **We upgrade to BUY with a target price of ₹98, valuing the bank at 1.6x FY28E P/ABV – implying ~15.4% upside from CMP.**

Quarterly Performance

(₹ bn)

Particulars	Q1FY27	Q1FY26	YoY Change	Q4FY26	QoQ Change
Interest earned	110.5	96.4	14.6%	105.6	4.7%
Interest expenses	50.8	47.1	7.9%	48.8	4.1%
Net interest income	**59.7**	**49.3**	**21.1%**	**56.8**	**5.2%**
NIM (%)	5.96	5.71	+25bps	5.93	+3bps
Non-interest income	23.1	22.3	3.6%	16.3	41.9%
Total operating income	**82.8**	**71.6**	**15.6%**	**73.0**	**13.4%**
Operating expenses	57.3	49.2	16.4%	62.5	(8.3%)
Pre-provision operating profit (PPOP)	**25.5**	**22.4**	**14.0%**	**10.6**	**141.5%**
Total provisions	11.4	16.6	(31.1%)	8.7	31.6%
PBT	14.1	5.8	142.9%	1.9	nm
Provision for taxes	3.3	1.2	185.5%	(1.3)	nm
PAT	**10.75**	**4.63**	**132.4%**	**3.19**	**237.0%**
Advances	**3,053.7**	**2,532.3**	**20.6%**	**2,902.8**	**5.2%**
Deposits	**2,994.1**	**2,568.0**	**16.6%**	**2,844.5**	**5.3%**
BVPS (₹)	56.5	48.5	16.5%	55.1	2.5%
RoA (%)	1.06	0.54	+52bps	0.33	+73bps
EPS (₹, not annualised)	1.25	0.63	98.4%	0.37	237.8%
GNPA (%)	1.51	1.97	(45bps)	1.61	(10bps)
NNPA (%)	0.44	0.55	(12bps)	0.48	(4bps)

Deposits are customer deposits; advances include credit substitutes. Source: Company, Way2Wealth

28th July 2026 Close* – ₹84.88/- View – Buy

Financials & Valuation

Per Share Data	2025	2026	2027E	2028E	2029E
Book value per share, ₹	52.0	54.6	58.8	64.3	71.1
Adj. Book value per share,	49.8	50.4	55.1	61.0	69.6
Price/ Adj. Book value	1.6	1.6	1.5	1.3	1.2
EPS, ₹	2.1	2.1	4.8	5.9	7.2
EPS Growth	-51%	-3%	134%	22%	22%
P/E Ratio	38.1	39.4	16.8	13.7	11.3

Business Ratios	2025	2026	2027E	2028E	2029E
Credit-Deposit (%)	92.5	95.2	97.7	100.2	102.9
Investment / Deposit (%)	32.0	29.2	22.5	18.1	13.8
Cash / Deposit (%)	6.0	4.3	6.0	5.9	5.9
RoAA (%)	0.5	0.4	1.0	1.1	1.1
Core RoE (%)	4.3	3.8	8.5	9.5	10.6
Dividend Yield (%)	-	0.0	0.0	0.0	0.0
CASA ratio (%)	46.9	49.8	47.6	47.6	47.6

Earnings Ratios	2025	2026	2027E	2028E	2029E
Yield on Advances (%)	14.4	13.3	13.0	13.6	13.0
Yield on Investments (%)	6.9	7.2	6.4	6.4	7.9
Interest Income/ Avg.assets	11.4%	10.9%	11.0%	11.2%	11.2%
Interest Expense/ Avg. assets	5.4%	5.2%	4.8%	4.9%	4.8%
Net Interest Margin (%)	6.0	5.7	6.2	6.4	6.4
NIM based on avg. earning assets (%)	6.6	6.2	6.7	7.0	7.0

Cost Ratio	2025	2026	2027E	2028E	2029E
Interest Expended/ Interest Earned (%)	47.1	47.7	43.8	43.4	43.0
Cost/ Income Ratio (%)	71.8	75.2	69.1	68.1	67.2

Source: Company, Way2Wealth estimates

(₹ mn)

Profit & Loss	2,025	2,026	2027E	2028E	2029E
Interest Income	3,65,015	4,05,488	4,66,311	5,38,474	6,09,975
Interest Expense	1,72,095	1,93,336	2,04,287	2,33,591	2,62,135
Net Interest Income	1,92,920	2,12,153	2,62,025	3,04,883	3,47,840
% Growth	***17%***	***10%***	***24%***	***16%***	***14%***
Treasury Income	5,661	0	4,678	5,036	5,455
Other Income from Banking Operations	64,556	78,733	85,865	99,993	1,12,179
Gross income	2,63,137	2,90,886	3,52,567	4,09,913	4,65,473
Employees Expenses	57,099	61,819	68,001	76,161	85,301
Other Operational Expenses	1,31,889	1,56,953	1,75,787	2,03,034	2,27,398
Operating Profit	74,149	72,114	1,08,779	1,30,717	1,52,774
% Growth	***19%***	***-3%***	***51%***	***20%***	***17%***
Tax	3,753	1,965	13,882	16,973	20,727
Loan Loss Provisions	55,147	53,786	53,470	63,095	70,197
Net Profit	15,249	16,364	41,426	50,649	61,850
	-48%	***7%***	***153%***	***22%***	***22%***

Source: Company, Way2Wealth estimates

28th July 2026 Close* – ₹84.88/- View – Buy

(₹ mn)

Balance Sheet	2025	2026	2027E	2028E	2029E
Capital	73,221	86,200	86,200	86,200	86,200
Reserves and Surplus	3,07,559	3,84,623	4,20,827	4,68,347	5,27,069
Shareholder Funds	**3,80,780**	**4,70,823**	**5,07,027**	**5,54,547**	**6,13,269**
Deposits	25,20,653	29,44,747	33,86,459	38,94,428	44,78,592
Borrowings	3,89,748	3,66,207	3,73,531	3,81,002	3,88,622
Other Liabilities & Provisions	1,47,006	2,13,330	2,34,663	2,58,130	2,83,942
TOTAL	**34,38,187**	**39,95,107**	**45,01,680**	**50,88,106**	**57,64,425**
Cash & Balances with RBI	1,40,235	1,13,371	1,80,480	2,05,221	2,33,626
Balances with Banks & money at Call & Short Notice	10,739	14,253	22,560	25,653	29,203
Investments	8,07,155	8,59,663	7,62,763	7,03,078	6,19,692
Advances	23,31,125	28,03,906	33,08,609	39,04,159	46,06,907
Fixed Assets	25,430	25,573	28,130	30,943	34,037
Other Assets	1,45,169	1,81,036	1,99,139	2,19,053	2,40,959
TOTAL	**34,59,853**	**39,97,801**	**45,01,680**	**50,88,106**	**57,64,425**

Source: Company, Way2Wealth estimates

Disclosure of Interest Statement IDFC FIRST Bank Ltd. as on July 28, 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 Financial Interest Analyst : Analyst's Relative : Yes / No Analyst's Associate/Firm : Yes/No	NIL No No No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

W2W Lighthouse - A Quick Perspective