

IDFC First Bank Limited

September 29, 2026

Facilities/Instruments	Name of the Regulator ¹	Amount (₹ crore)	Rating ²	Rating Action
Long-term bank facilities	RBI	692.38	CARE AA+; Stable	Reaffirmed
Long-term instruments	SEBI	248.10	CARE AA+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to long-term debt instruments of IDFC First Bank Limited (IFBL) reflects the bank's comfortable capitalisation, well-diversified loan portfolio, and strengthening liability franchise, focused on CASA and retail deposits. The bank has demonstrated a consistent ability to raise capital, including a ₹7,500 crore equity infusion in Q2FY26, supporting business growth and maintaining comfortable capital ratios. The loan book remains granular and diversified, with retail, rural, and micro, small and medium enterprise (MSME) advances accounting for ~80% of the portfolio. The liability profile continues to strengthen, supported by healthy deposit growth, a strong current account saving account (CASA) ratio of 50.82%, and replacement of legacy borrowings with customer deposits.

However, these rating strengths are partially offset by the bank's moderate profitability, reflecting a relatively high-cost structure due to continued investments in branch expansion, technology, digital capabilities, and franchise building. While profitability improved in Q1FY27, supported by better operating efficiency, lower credit costs, and improving margins, the bank's ability to sustain improvements in its cost-to-income ratio remains a key monitorable.

Ratings also consider the improving asset quality profile, with gross non-performing assets (GNPA) and net non-performing assets (NNPA) ratios declining to 1.51% and 0.44%, respectively, as on June 30, 2026. The microfinance portfolio has witnessed an improvement following a reduction in exposure and stabilisation in collections. Asset quality remains monitorable, given the inherent vulnerability of unsecured lending segments, and the bank's ability to maintain stable credit costs and asset quality while scaling its business will remain an important rating consideration.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating actions/upgrade:

- Sustained improvement in market share and resource profile with a higher share of retail deposits.
- Improving operating performance and improving cost-to-income ratio.

Negative factors: Factors that could individually or collectively lead to negative rating actions/downgrade:

- Higher-than-expected deterioration in asset quality, with GNPA level increasing to above 5%.
- Weakening in capitalisation levels with capital cushion over minimum regulatory requirement remaining less than 3.5% on a sustained basis.
- Declining return on total assets (ROTA) below 1% on a sustained basis.

Analytical approach:

Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CareEdge Ratings') expectation that the bank will report a healthy advances growth, while improving its profitability and asset quality and maintaining adequate capitalisation levels.

¹SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Detailed description of key rating drivers

Key strengths

Comfortable capitalisation levels

IFBL has been maintaining comfortable capitalisation levels to support business growth and continues to maintain an adequate cushion to absorb credit costs. The bank has demonstrated its ability to raise capital, having raised equity of ₹2,196 crore in FY23, ₹3,000 crore in FY24, and ₹3,200 crore in FY25. The bank further raised ₹7,500 crore from affiliate company of Warburg Pincus and the subsidiary of private equity division of Abu Dhabi Investment Authority (ADIA) in Q2FY26, to support its growth and maintain cushion on capitalisation. The bank reported a capital adequacy ratio (CAR) of total CAR of 15.05% and Tier-I CAR (entirely Common Equity Tier-I [CET-I]) of 13.33% as on June 30, 2026, (March 31, 2026: CAR: 15.60% and CET-1: 13.73%), which were above the regulatory requirement of 11.5% and 9%, respectively.

The bank plans to mobilise capital in the next one year. In July 2026, the board passed a resolution to raise up to ₹20,000 crore, comprising equity and debt instruments and has obtained enabling shareholder's approval in the last AGM. The proposed capital raise is expected to further strengthen the bank's capital base and provide flexibility to pursue business expansion while maintaining prudent capital buffers. However, these ratios will normalise going forward as the bank scales its loan book. CareEdge Ratings expects the bank to maintain adequate capitalisation levels in line with other private sector banks.

Diversified advances book with retail focus

Post the merger of IDFC Bank Limited and Capital First Limited (CFL) in December 2018, the bank has been diversifying its advances portfolio through sustained growth in retail lending while simultaneously targeting a calibrated increase in the corporate book to ~20% of total advances. The bank's retail book has a diversified product mix including home loans, loan against property (LAP), small and medium enterprise (SME) loans, vehicle loans, consumer durable loans, credit cards, personal loans, and micro-finance, among others. No individual product segment accounted for over 20% of the retail, rural and MSME financing portfolio as on June 30, 2026.

Advance book witnessed healthy growth of 21% year-on-year (y-o-y) with total advances (including credit substitutes) standing at ₹3,05,370 crore as on June 30, 2026 (March 31, 2026: ₹2,90,278 crore) led by growth in mortgage loans, vehicle loans, MSME loans, and wholesale loans. Retail, rural, and MSME portfolio continued to constitute ~80% of advances, reflecting the bank's focus on maintaining a granular and diversified lending franchise with lower borrower concentration risks. While the wholesale portfolio accounted for ~20% of advances as on June 30, 2026, the overall business mix remains largely aligned with the bank's strategy of retail-led growth.

Going forward, the advances mix is likely to hover around these levels with marginal uptick in wholesale book, although the composition within retail may change.

Healthy deposit growth supported by a healthy CASA franchise

IFBL has reported a healthy total deposit growth of 17% in FY26, with deposits rising from ₹2,52,065 crore in FY25 to ₹2,94,475 crore in FY26, and further to ₹3,11,892 crore as on June 30, 2026, with QoQ growth 5.9% and YoY growth of 17.8%. The CASA ratio increased to 50.82% as on June 30, 2026 (March 31, 2026: 49.80%), the highest among private banks, while retail customer deposits accounted for ~80% of total customer deposits, underscoring a strong granular liability base.

The bank's funding profile has further benefited from the maturity of legacy high-cost borrowings in FY26, which have largely been replaced by customer deposits, supporting improvement in the liability mix and moderation in the credit-deposit ratio to 95.49% as on June 30, 2026. Despite the strong CASA franchise, cost of deposits and overall cost of funds remain relatively higher than those of private sector peers. Deposit accretion witnessed some moderation in Q4FY26, following the fraud-related to Haryana government related accounts. While Foreign Currency Non-Resident (Bank) [FCNR(B)] scheme has supported near term deposit flows, going forward, the bank's ability to sustain healthy deposit mobilisation, maintain its strong CASA, and retail deposit franchise, and achieve a stable cost of funds while supporting business growth will remain key monitorable.

Key weaknesses

Moderate profitability due to high cost to income ratio

IFBL's profitability remained subdued in FY26, with the ROTA moderating to 0.44% (FY25: 0.48%), which is relatively lower compared to other private banks. Earnings were impacted by a moderation in net interest margins (NIMs), due to sharp decrease in the relatively high-yielding microfinance portfolio after the MFI industry crisis, elevated operating expenses, and relatively high credit costs. NIM declined to 5.72% in FY26 from 6.05% in FY25, due to higher share of relatively lower-yielding secured assets (including wholesale exposures), and a reduction in the microfinance portfolio. However, despite having commenced a gradual

increase in the share of microfinance loans, the Bank reported a healthy NIM of 5.96% in Q1FY27. Management has guided for FY27 NIM to be around 5.80%, as indicated during the Q1FY27 earnings conference call.

The bank continues to operate with a relatively high-cost structure, reflecting ongoing investments in branch expansion, technology and digital infrastructure, customer acquisition, and personnel. Consequently, the cost-to-income ratio remained elevated and increased to 75.21% in FY26 from 71.82% in FY25. However, excluding the one-off fraud related expense, the cost-to-income ratio in FY26 was 73%. Apart from slower income growth amid margin compression, operating profitability was also impacted by the one-time expenses arising from the fraud incident at the Chandigarh branch. It improved in Q1FY27, with the cost-to-income ratio moderating to 69.18%, indicating the benefits of operating efficiency and the management's focus on cost rationalisation.

Credit costs moderated to 1.45% in FY26 from 1.73% in FY25, supported by the gradual stabilisation of the microfinance portfolio. However, they remained higher than historical levels due to the bank's continued prudent provisioning stance. In Q1FY27, credit costs improved further to 1.12%, despite the creation of an additional contingent provision of ₹515 crore. The bank received a corresponding Credit Guarantee for Micro Finance under ULI (CGFMU) claim of ₹515 crore relating to the microfinance portfolio during the quarter and created an equivalent contingency provision citing macroeconomic and geopolitical uncertainties, reflecting a conservative approach towards risk management.

Profitability showed signs of improvement in Q1FY27, with ROTA increasing to 1.05% from 0.53% in Q1FY26, due to lower credit costs, improving margins and operating efficiency. Going forward, IFBL's profitability is expected to improve gradually, supported by a declining cost of funds, stabilising credit costs, cost rationalisation measures, and benefits from scale expansion, while its ability to maintain healthy asset quality and operating efficiency as the business grows will remain a key rating monitorable.

Asset quality remains monitorable

While the bank's asset quality has improved, with GNPA ratio improving from 1.87% in FY25 to 1.61% in FY26 and stood at 1.51% in Q1FY27, and NNPA ratio improved from 0.53% in FY25 to 0.48% in FY26 and stood at 0.44% in Q1FY27, asset quality remains susceptible to stress in unsecured exposures in lower ticket size retail and MSME loans.

The microfinance segment, which contributes 2.19% to loan book as on June 30, 2026, has seen an improvement, with GNPA declining from 9.73% in Q1FY26 to 3.61% in Q1FY27. IFBL has reduced its proportion of the microfinance institution (MFI) segment to 2.19% as on June 30, 2026, post stress.

Although the microfinance portfolio has witnessed a sharp improvement in asset quality, with GNPA reducing from 9.73% in Q1FY26 to 3.61% in Q1FY27, the segment remains inherently vulnerable to external shocks and borrower cash-flow disruptions. While the bank has significantly reduced its exposure to the MFI segment to 2.19% of advances as on June 30, 2026, the segment continues to warrant close monitoring.

The bank's provision coverage ratio (excluding technical write-offs) of 70.46% as on March 31, 2026, provides a reasonable buffer. The gross stressed assets to gross advances improved from 2.06% in FY25 to 1.73% in FY26, and further to 1.62% in Q1FY27. Similarly, net stressed assets to net worth stood at 3.55% in FY26 and further improved to 3.29% as on June 30, 2026. Credit costs, which remained elevated in recent years, owing to stress in the microfinance portfolio, would need to improve sustainably in line with the management guidance. The bank's ability to achieve the stated improvement in credit costs in FY27, would remain a key monitorable.

Liquidity: Adequate

IFBL's liquidity profile remained adequate with no negative cumulative mismatches in time buckets up to six months per asset liability maturity (ALM) statement as on June 30, 2026. IFBL had excess statutory liquidity ratio (SLR) investment of ~₹16,016 crore [4.85% of Net Demand and Time Liabilities (NDTL)] as on June 30, 2026. IFBL's liquidity coverage ratio and net stable funding ratio (NSFR) remained comfortable at 116.08% and 121.24%, respectively, for quarter ended June 30, 2026, against the minimum regulatory requirement of 100%. The bank has access to systemic liquidity through Reserve Bank of India's (RBI's) Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) schemes.

Environment, social, and governance (ESG) risks

IFBL's service-oriented business model limits its direct exposure to environmental risks; however, indirect credit risks could arise if borrowers' operations are adversely impacted by climate-related events, environmental regulations, or transition risks. The bank has put in place a structured sustainability framework through a Board-approved ESG policy and has undertaken green financing and sustainable banking initiatives, reflecting its commitment towards responsible business practices.

Social risks for IFBL primarily stem from cybersecurity threats, customer data privacy breaches, service disruptions, and potential mis-selling practices, which could adversely impact the bank's reputation and regulatory compliance. The bank supports women entrepreneurship through lending to 68 lakh+ active women borrowers and undertakes Corporate Social Responsibility (CSR) and community development initiatives. While ~47% of the portfolio is aligned with responsible financing segments, the bank's focus on inclusion-oriented lending must be balanced against asset quality considerations, particularly borrower creditworthiness, economic vulnerabilities, and regulatory risks in certain segments, such as microfinance.

IFBL benefits from a well-established governance framework supported by an experienced board and robust policy architecture. In June 2026, 70% of the Board comprised independent directors, including two women directors. The bank has constituted a dedicated Board-level CSR and ESG Committee to oversee sustainability strategy and implementation, supported by board-approved ESG, Greenhouse Gas (GHG), and Green Deposit policies.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Banks](#)

[Financial Ratios - Financial Sector](#)

[Withdrawal Policy](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Banks	Private sector bank

IFBL was incorporated in October 2015, and the bank's name underwent a change from 'IDFC Bank Limited' (IBL) to 'IDFC First Bank Limited' as on January 12, 2019, following the merger of CFL with the bank. The merger of Capital First Limited and its two subsidiaries with IDFC Bank Limited became effective from December 18, 2018. IDFC Financial Holding Company Limited and IDFC Limited were merged into IFBL effective from October 01, 2024. IFBL's operations are across its three business verticals: corporate banking, consumer banking, and rural banking. As on June 30, 2026, it has a network of 1,155 branches across the country. IFBL is led by Managing Director and Chief Executive Officer (MD-CEO), V Vaidyanathan, who has over 25 years of banking experience. RBI has granted its approval for re-appointment of V Vaidyanathan as the bank's MD-CEO for three years from December 19, 2024, to December 18, 2027.

Particulars (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	March 31, 2026 (A)	Q1FY27 (UA)
Total income	36,324	43,523	48,422	13,361
Profit after tax (PAT)	2,957	1,525	1,636	1,075
Total assets	2,95,022	3,42,941	3,98,777	4,20,810
Net interest margin (NIM) (%)	6.17	6.05	5.72	5.83
Gross non-performing assets (NPA) (%)	1.88	1.87	1.61	1.51
Net NPA (%)	0.60	0.53	0.48	0.44
Capital adequacy ratio (CAR) (%)	16.11	15.48	15.60	15.05

A: Audited; UA: Unaudited; Note: These are latest available financial results.

All calculations per CareEdge Ratings.

Net worth and total assets are net of revaluation reserve and deferred tax.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

For complexity level of instruments rated refer to Annexure-1.

Lender details: Annexure-4

Disclosure on facilities/instruments and name of regulators:

A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Long-Term Bank facilities#	RBI	Simple	NA	-	-	-	692.38	CARE AA+; Stable
Non-convertible debentures	SEBI	Simple	INE688I08053	17-May-2013	9.5%	17-May-2028	49.40	CARE AA+; Stable
Non-convertible debentures	SEBI	Simple	INE688I08178	24-Aug-2017	8.25%	24-Aug-2027	144.90	CARE AA+; Stable
Non-convertible debentures	SEBI	Complex	INE688I08186	18-Sep-2017	8.6%	31-Dec-2099	53.80	CARE AA+; Stable
Non-convertible debentures	SEBI	Simple	INE688I08087	29-09-2015	9.4	29-09-2025	-	Withdrawn
Non-convertible debentures	SEBI	Simple	INE688I08095	30-10-2015	9.25	30-10-2025	-	Withdrawn
Non-convertible debentures	SEBI	Simple	INE688I08103	20-11-2015	9.25	20-11-2025	-	Withdrawn
Non-convertible debentures	SEBI	Simple	INE688I08111	15-12-2015	9.25	15-12-2025	-	Withdrawn
Non-convertible debentures	SEBI	Simple	INE688I08129	29-12-2015	9.25	29-12-2025	-	Withdrawn
Non-convertible debentures	SEBI	Complex	INE688I08145	01-03-2016	10.5	01-03-2099	-	Withdrawn
Non-convertible debentures	SEBI	Complex	INE688I08152	06-06-2016	9.75	06-06-2099	-	Withdrawn
Non-convertible debentures	SEBI	Simple	INE688I08160	25-07-2016	9.24	24-07-2026	-	Withdrawn
Non-convertible debentures	SEBI	Simple	INE092T08DM3	20-09-2016	8.75	18-09-2026	-	Withdrawn

#Bank facilities are closed/repaid but not withdrawn.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2026-2027	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024
1	Borrowings-Secured Long-Term Borrowings	LT	940.48	CARE AA+; Stable	-	1)CARE AA+; Stable (30-Sep-25)	1)CARE AA+; Stable (01-Oct-24)	1)CARE AA+; Stable (03-Oct-23)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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