

BUY

TP: Rs 82 | ▲ 17%

IDFC FIRST BANK

| Banking

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Fraud impact manageable with forensic findings awaited

- IDFCFB flags suspected fraud at the Chandigarh branch related to Haryana government; forensic audit underway
- Potential financial impact of Rs 5.9bn or 20% of FY26E PBT and capital impact of 19bps on CET I ratio
- Maintain BUY, TP revised to Rs 82 (from Rs 97) with valuation trimmed to 1.3x (from 1.5x) given concerns on internal control and governance

IDFCFB flags fraud; forensic audit initiated: IDFCFB reported a potential fraud by certain employees at one of its Chandigarh branches was observed in collusion with other individuals / entities, pertaining to the account(s) held by certain departments of the Haryana government. The issue surfaced when the Haryana government sought IDFCFB to transfer its funds to another bank, following which reconciliation revealed balances lower than expected. As a result, Haryana govt de-empanelled IDFCFB for the govt business in its state w.e.f. 18th Feb'26. Subsequently, the bank disclosed the exchanges on 21st Feb'26 and suspended the suspected employees pending investigation, intimated the regulator and auditor, and filed a police complaint. Further, on 22nd Feb'26, the bank appointed KPMG to initiate an independent forensic audit that is expected to be completed in next 4-5 weeks.

Impact on deposit and franchise stability: We note that total government deposits (central + state) account for ~8-10% of IDFCFB's total deposits. Of which, Haryana government deposits were only ~0.5% of IDFCFB's total deposits, post the recent deposit outflow of Rs 2bn by the Haryana government. Management stated that the impact is restricted to only one branch and one account, and that there is no adverse communication from any other government accounts.

Financial and capital potential impact: IDFCB stated that the aggregate amount under reconciliation across the identified accounts is ~ Rs 5.9bn (of which Rs 1bn is proactively evaluated) or 20% of FY26E PBT and impact of 19bps of CET I ratio (14.2% as of Dec'25). However, the final impact will be contingent upon recoveries from fraudulent beneficiary accounts, potential shared liability of other entities involved and claim from employee dishonesty insurance of Rs 350mn.

Maintain BUY: We note that the financial impact pertaining to the fraud is likely to be manageable. However, the stock is likely to stay under pressure in the near term, given the gaps in internal control, governance and any widespread impact on other govt accounts. We will await further clarity on the findings of forensic audit before revising our estimates. Hence, we maintain BUY and revise our TP to Rs 82 (from Rs 97); set at 1.3x Mar'28E ABV (earlier 1.5x), vs 5Y average P/ABV of 1.4x.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	IDFCBK IN/Rs 70
Market cap	US\$ 6.6bn
Free float	100%
3M ADV	US\$ 30.1mn
52wk high/low	Rs 87/Rs 52
Promoter/FPI/DII	0%/37%/22%

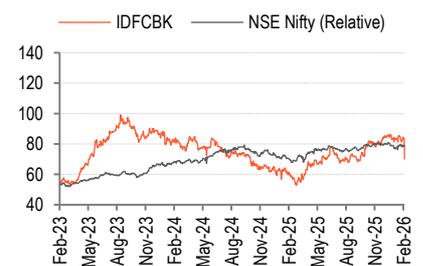
Source: NSE | Price as of 23 Feb 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NII (Rs mn)	1,92,920	2,13,255	2,65,044
NII growth (%)	17.3	10.5	24.3
Adj. net profit (Rs mn)	15,248	21,588	44,405
EPS (Rs)	2.1	2.7	5.2
Consensus EPS (Rs)	2.1	2.6	5.1
P/E (x)	33.1	25.8	13.6
P/BV (x)	1.3	1.3	1.2
ROA (%)	0.5	0.6	1.0
ROE (%)	4.3	5.0	8.9

Source: Company, Bloomberg, BOBCAPS Research

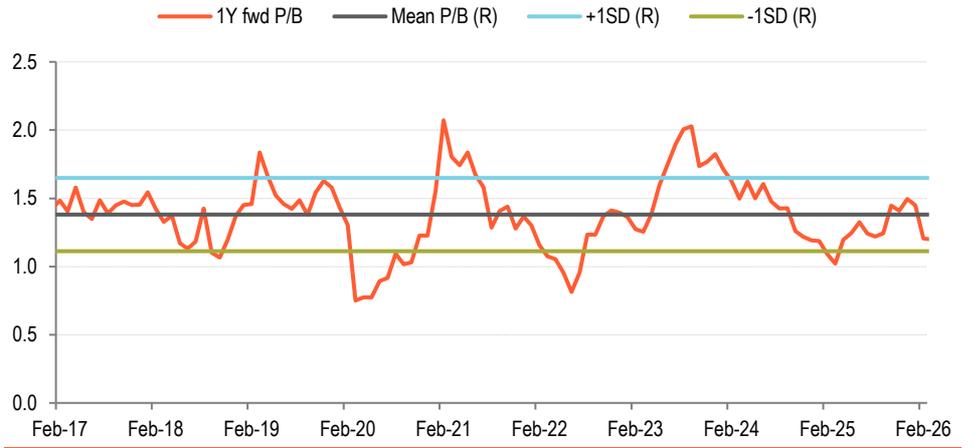
Stock performance



Source: NSE



Fig 1 – PB band chart



Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Net interest income	1,64,508	1,92,920	2,13,255	2,65,044	3,19,069
NilI growth (%)	30.2	17.3	10.5	24.3	20.4
Non-interest income	60,020	70,217	83,993	93,661	1,08,713
Total income	2,24,528	2,63,137	2,97,248	3,58,706	4,27,782
Operating expenses	1,62,158	1,88,988	2,11,791	2,42,067	2,82,007
PPOP	62,370	74,148	85,457	1,16,639	1,45,775
PPOP growth (%)	26.5	18.9	15.3	36.5	25.0
Provisions	23,817	55,147	56,519	57,116	63,295
PBT	38,553	19,001	28,938	59,523	82,480
Tax	8,988	3,753	7,350	15,119	20,950
Reported net profit	29,565	15,248	21,588	44,405	61,530
Adjustments	0	0	0	0	0
Adjusted net profit	29,565	15,248	21,588	44,405	61,530

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Equity capital	70,699	73,221	85,957	85,957	85,957
Reserves & surplus	2,50,914	3,07,559	3,90,067	4,30,919	4,87,527
Net worth	3,21,613	3,80,780	4,76,024	5,16,876	5,73,484
Deposits	20,05,763	25,20,652	30,75,196	37,45,589	45,54,636
Borrowings	5,09,356	3,89,748	3,68,214	3,97,564	4,54,019
Other liab. & provisions	1,24,419	1,47,006	2,23,847	2,46,095	2,75,406
Total liab. & equities	29,61,151	34,38,187	41,43,281	49,06,124	58,57,545
Cash & bank balance	1,24,802	1,50,974	1,66,506	2,14,855	2,69,757
Investments	7,47,104	8,07,155	9,91,194	11,19,018	13,27,012
Advances	19,45,924	23,31,125	28,06,675	33,68,010	40,34,876
Fixed & Other assets	1,43,321	1,48,932	1,78,905	2,04,242	2,25,900
Total assets	29,61,151	34,38,187	41,43,281	49,06,124	58,57,545
Deposit growth (%)	38.7	25.7	22.0	21.8	21.6
Advances growth (%)	28.2	19.8	20.4	20.0	19.8

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
EPS	4.3	2.1	2.7	5.2	7.2
Dividend per share	0.0	0.3	0.3	0.4	0.6
Book value per share	45.5	52.0	55.4	60.1	66.7

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
P/E	16.2	33.1	25.8	13.6	9.8
P/BV	1.5	1.3	1.3	1.2	1.0
Dividend yield (%)	0.0	0.4	0.5	0.6	0.8

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Net interest income	6.1	6.0	5.6	5.9	5.9
Non-interest income	2.2	2.2	2.2	2.1	2.0
Operating expenses	6.1	5.9	5.6	5.3	5.2
Pre-provisioning profit	2.3	2.3	2.3	2.6	2.7
Provisions	0.9	1.7	1.5	1.3	1.2
PBT	1.4	0.6	0.8	1.3	1.5
Tax	0.3	0.1	0.2	0.3	0.4
ROA	1.1	0.5	0.6	1.0	1.1
Leverage (x)	9.3	9.1	8.8	9.1	9.9
ROE	10.2	4.3	5.0	8.9	11.3

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Net interest income	30.2	17.3	10.5	24.3	20.4
Pre-provisioning profit	26.5	18.9	15.3	36.5	25.0
EPS	13.8	(50.9)	28.0	90.5	38.6
Profitability & Return ratios (%)					
Net interest margin	6.4	6.1	5.8	6.0	6.1
Fees / Avg. assets	0.5	0.5	0.5	0.5	0.5
Cost-Income	72.2	71.8	71.3	67.5	65.9
ROE	10.2	4.3	5.0	8.9	11.3
ROA	1.1	0.5	0.6	1.0	1.1
Asset quality (%)					
GNPA	1.9	1.9	1.6	1.5	1.4
NNPA	0.6	0.5	0.5	0.4	0.4
Slippage ratio	3.5	4.1	3.7	3.1	2.6
Credit cost	1.4	2.6	2.2	1.9	1.7
Provision coverage	68.4	71.9	69.7	70.7	71.7
Ratios (%)					
Credit-Deposit	97.0	92.5	91.3	89.9	88.6
Investment-Deposit	37.2	32.0	32.2	29.9	29.1
CAR	16.1	15.5	15.9	15.4	14.9
Tier-1	13.4	13.2	14.1	13.8	13.3

Source: Company, BOBCAPS Research

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BUY – Expected return >+15%

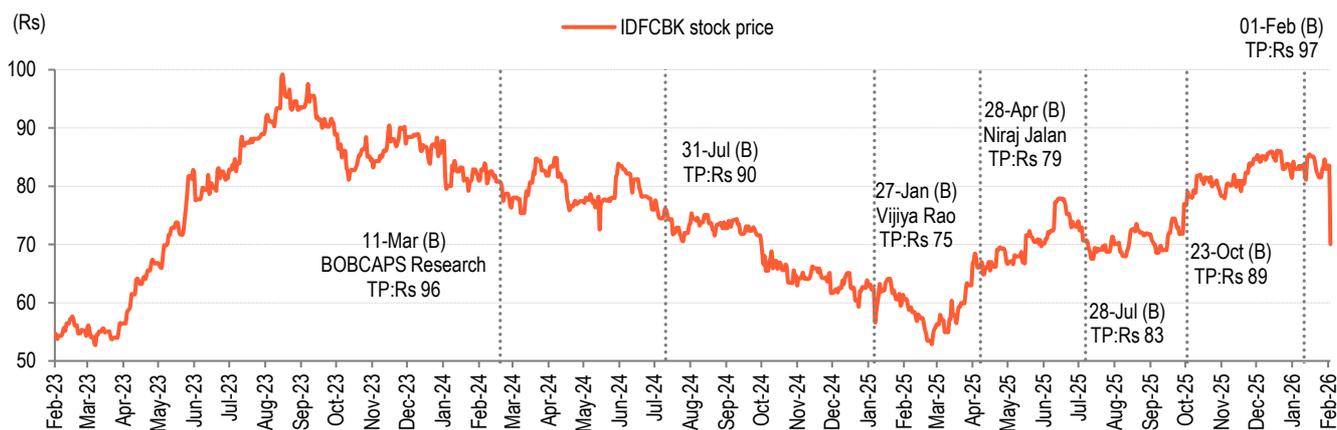
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): IDFC FIRST BANK (IDFCBK IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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