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FIRST LIGHT

24 February 2026

RESEARCH

IDFC FIRST BANK | TARGET: Rs 82 | +17% | BUY

Fraud impact manageable with forensic findings awaited

SUMMARY

IDFC FIRST BANK

- 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

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BUY
TP: Rs 82 | ⮝ 17%

IDFC FIRST BANK | Banking | 23 February 2026

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Fraud impact manageable with forensic findings awaited

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- **Potential financial impact of Rs 5.9bn or 20% of FY26E PBT and capital impact of 19bps on CET I ratio**
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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%

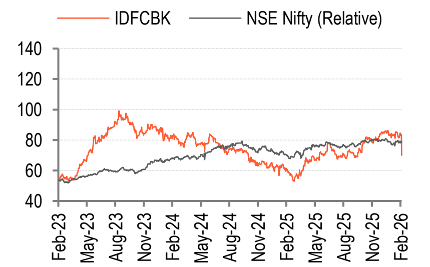
Source: NSE | Price as of 23 Feb 2026

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

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

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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