

● **V VAIDYANATHAN**, MD AND CEO, IDFC FIRST BANK

‘Demand for home loans has slightly slowed down’

IDFC FIRST BANK is witnessing a strong demand for credit cards. However, it has decided to issue cards largely to its existing customers having a good track record, says managing director and chief executive officer **V Vaidyanathan**. He tells **Ajay Ramanathan** that the bank plans to wind down on infrastructure loans.

You have recently announced waiver of charges on a number of customer-centric services like cash deposits, withdrawals and demand drafts. What is the traction that these products have seen after this?

It is very difficult to draw a direct correlation between these offers and traction. It's a customer-friendly measure, that's all. At IDFC First Bank, we don't debit the customer for 28 services. So, they see no entry. But it is difficult for them to imagine that had they availed of the same service elsewhere, they could have been billed and what that billing structure could be. For example, most of the services we mentioned in the advertisement are free for four years, but customers did not realise it. So, the benefit to the bank is hard to quantify. But over the years, say decades, people will realise that they are being treated specially. Trust will be built bit by bit over decades and by action.

How do you see the asset quality, both on the retail and the corporate sides. Do you have a target for FY23? The asset quality is very good. In retail, our gross and net NPA are 1.8% and 0.7%. We are targeting to reduce the net NPA in retail to 0.5%. Even on an overall basis at the bank level, if you just remove infrastructure financing book of about ₹5,400 crore, our gross NPA is only 2.1% and net NPA is only 0.6%. We will certainly wind down on infra. There are no past issue on the book at this

stage.

What is more important is our SMA 1 and SMA 2, which represent 30 to 90 DPD overdues, are only 1% of the book, compared to 2.5% before COVID. This is because our new bookings are of high quality on a like-to-like vintage analysis basis. So, when it is low at the pre-NPA or SMA stage itself, NPA formation going forward will naturally be low. Our collection efficiency, excluding prepayment in the source bucket, is 99.6%, so there is very little flow forward into SMA.



What segments will you be focusing on as far as the asset side is concerned? What is your loan growth target for FY23?

All our businesses — home loans, car loans and loan against property — are attractive. We have also started

gold loans, tractor loans, credit cards, education loans, trade advances, etc. We are currently growing at 25%.

What are trends that you see on the home loan and credit card segments? What is your outlook on these for the next two years?

On home loans, we are seeing a slight slowdown. That is probably because interest rates have suddenly risen by about 200 bps and people are yet to getting used to it. End of the day, the demand for homes is very strong in India. Affordability, meaning median home price divided by median income is at 3.2, which is the highest in 20 years. Regarding credit cards, there is strong demand, but we are choosing to give credit cards largely to our existing customers with a track record, or those who have a track record elsewhere.

How do you assess the impact of likely RBI norms on Expected Credit Loss-based provisioning?

This could take a year or two to get implemented, and we are given to understand that there will be a five-year period to implement. At our end, we are very comfortable with it.

You have significant exposure to the infrastructure portfolio. Does it not take away the opportunity to raise funds through infrastructure bonds?

Our retail customer deposits are growing upwards of 40% YoY, so we don't need infrastructure bonds.

Why has there been reluctance among banks to lend to startups?

Startups are extremely important for the country. However, they are very early-stage companies and have equity risks. So, to take equity risk and have debt returns for the bank is not prudent.

