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V VAIDYANATHAN, MD AND CHIEF EXECUTIVE OFFICER, IDFC FIRST BANK

'NPAs in loan against property will decline'

The share of non-performing assets (NPAs) in IDFC First Bank's loans against property will reduce meaningfully as the Covid-affected part of the portfolio will move towards normal repayment, said managing director and CEO **V Vaidyanathan**. *He told* **Ajay Ramanathan** *that the loan book will grow at 22-24% year-on-year in the current fiscal. Excerpts:*

Your CASA (current and savings account) ratio has fallen to 46.4% from 51.3% a year ago. What is your strategy on it and overall deposits?
Yes, it has come down because customers have shifted their savings accounts to fixed deposits. But even at 46% we are not unhappy in the current scheme of things. We have reduced our savings account interest rates to 3% for savings balance of up to ₹100,000.

When your loan book grows at 26%, why do you grow deposits at over 40%? Also, how are you getting such growth?
See, we are in a peculiar situation where we still need to repay legacy high cost infrastructure bonds of ₹15,000 crore as they mature. We also need to raise deposits for our loan growth of about 24-25%. We are funding both these things comfortably today. Yes, regarding raising deposits, we focus a lot on service and our bank has good corporate governance image. This is one of the key factors for retail deposits. Our existing customers keep increasing balances with us.

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You said that you have reduced savings account interest rates to 3% for up to ₹100,000. That's what the large banks pay. Will you keep same rates for higher slabs also?
Once the big block of legacy bonds are paid off, our deposit needs will reduce, so we may pay only 3% for even larger amounts. For us, moving to the 3% slab world in savings account is a big moment of arrival of our bank in our lives.

Your GNPA ratio has been relatively higher in the loan against property segment. Why is this, considering that these loans come with a collateral?
Yes, our NPA in loan against property is relatively higher at gross NPA (GNPA) of 2.35% and net NPA (NNPA) of 1.02%. Our overall NPA of 1.53% and 0.52% is much lesser, so yes loan against property is higher. A little residual book of the Covid-affected portfolio is still alive on the books in LAP, because these are long-tenure loans. As they go through normal repayment, NPA will meaningfully reduce. We are focusing on cash flow assessment in all our lending and have implemented some tightening of criteria.

Q&A

Are you eyeing any inorganic growth opportunities, say in segments like microfinance?
We are always looking for opportunities. Hopefully, we get them at the right price.

In your view, which loan segments will drive the bank's growth in this financial year? What is your overall loan growth guidance for FY24?
Home loans, business banking, digital loans, KCC, tractor loans, gold loans, priority sector loans are our key areas. We guide for 22-24%.