

SENSEX 80369.03 (+363.99)

IN FOCUS



	LATEST	CHANGE
Nifty 50	24466.85	+127.70
P/E Ratio (Sensex)	23.40	+0.12
US Dollar (in ₹)	84.08	+0.01
Gold Std 10 gm (in ₹)	78430.00	+498
Silver 1 kg (in ₹)	97873.00	+1787

IT MUST BE PHYGITAL.

Digital or physical branches alone will not serve the purpose. It has to be a mix, says PNB MD & CEO Atul Kumar Goel **p6**

CHINA SHADOW.

Beijing's deep integration with ASEAN worries India ahead of trade pact review with the bloc **p3**

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'After addressing MFI pain points, profitability to improve in H2'

POSITIVE OUTLOOK. Deposit to continue growing faster than credit: IDFC First Bank MD

Piyush Shukla

Mumbai

After having made higher provisions to cover for potential losses from micro loans and an infrastructure account, IDFC First Bank's profitability will sharply improve from H2FY25, MD & CEO V Vaidyanathan told *businessline* in an interaction.

Excerpts:

What went wrong with the MFI book?

The MFI segment, for whole industry, has shown delinquency. However, if you see the CRIF Bureau report, in each of the top 5 States, Tamil Nadu, Karnataka, Maharashtra and Bihar, except Kerala, our 30 DPD (days-past-due) is less than the industry. Even the Crisil report puts our collection percentage marginally higher by 0.7 per cent than the rest of industry.

So, our underwriting has been sound. We will watch for a couple of quarters and see how the portfolio behaves, how collections are, then decide how much to grow.

We provide 75 per cent for 90-DPD and 100 per cent provisions at 120 dpd. Now we have effectively covered 99 per cent of SMA 1-2 (MFI special mention accounts). Bank level provision cover-



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V VAIDYANATHAN

MD & CEO, IDFC First Bank



age ratio has touched 75 per cent.

Will you moderate growth in MFI?

The way to handle it is to put risk control measures, not to stop it. It's important for India also for that segment to enter formal credit. MFI deals with woman plus entrepreneurship plus micro.

How will provisions affect your collections?

There is no direct connection as such, but the method will become more empathetic as the pressure on our teams will reduce.

In a townhall, I told my rural banking and joint liability group teams that I greatly appreciate their work and that the bank has already provided for these loans, there is no NPA overhang.

They can ease up their schedule and be empathetic.

After providing for a

toll account, is there more stress remaining in legacy IDFC book?

It has been back breaking work for our bank to unwind ₹22,000 crore of infrastructure loans, declaring them defaulters, requesting, facing pressures, taking them to court, facing threats, fighting cases and so on. Now its only ₹2,000 crore, 1 per cent of the book.

The company operating the toll station had taken ₹1,100 crore loan. We collected ₹600 crore. We provided ₹240 crore earlier and were left with a balance of ₹250 crore. Then the news about stopping toll collection was a *force majeure* event. That balance got stuck. To not account for such a serious incident does not sit well with our governance practices.

How is the rest of portfolio performing?

We have now disclosed product-wise SMA, and that

too, trends over quarters. Its broadly stable for all products, except microfinance. Our unsecured retail loan book, where end use is not defined is 15 per cent of the loan book, includes credit cards, personal loans, digital personal loans, etc. Its gross NPA, including CD, education loan, is 2.1 per cent and NNPA is 0.6 per cent. SMA is also low. We advise our underwriters to not relax credit criteria.

What are the core business targets for your bank in H2FY25?

Our deposits are growing by 32 per cent, loans by 21 per cent. So, in H2FY25, our focus will be to continue to offer high level of customer experience, increase operating profit by better operating leverage.

We expect net profit number for the bank in Q3 to look much better, and Q4 to be better than Q3. We believe the bottom of net profit has been set and from here on it should increase.

Will deposit continue outpacing credit?

Our deposit momentum continues to be very strong. 32 per cent y-o-y growth on deposits is a very strong number, and even our CASA has grown by 37 per cent y-o-y. We expect this momentum to continue in H2.