

● V VAIDYANATHAN, MD AND CEO, IDFC FIRST BANK

‘Intend to insure 70% of MFI book by FY25’

IDFC First Bank has been insuring incremental disbursements of its MFI book with the Credit Guarantee Fund for Micro Units (CGFMU) since January 2024. V Vaidyanathan, managing director and CEO, tells Anupreksha Jain and Joydeep Ghosh that 70% of the book will be insured by March 25. Excerpts:

There has been a sharp drop in profit in the second quarter. Is it a one-off?

Yes, we see it as a one-off and we feel profits will normalise from the next quarter. Despite strong growth of 21% and 28% in income and the operating profit, respectively, the net profit declined because of extra provision of ₹250 crore for exposure to the company responsible for collecting tolls for Mumbai entry (govt has discontinued the toll) and ₹315 crore for exposure to the MFI book.

We wanted to recognise the issue early. We currently provide 75% at 90 days past due (DPD) and 120% at 120 DPD, which is very conservative. This time, we have taken one step further, we have provided about 99% of the SMA 1 and 2 books in MFI.

Deposit mobilisation has been a problem for most banks, is there any plan of raising deposits rates?

We are trying to raise deposits on the pillar of services, and not on rates. Five months back, we reduced the interest rates on deposits of up to ₹5 lakh to 3%. We have no intention of raising it again.

WE HAVE STARTED THE CASH MANAGEMENT BUSINESS AND HAVE ACQUIRED 20,000 CUSTOMERS IN STARTUP BANKING. CREDIT CARDS NOW TOUCH 3 MILLION CUSTOMERS

On the contrary, we feel service and technology capabilities are a very powerful or more sustaining model. Our employees receive intense training on the service culture.



Your deposits have been growth at a healthy rate of 30%. Do you see the trend continuing?

Yes, I think so. Since the merger, we have been focusing mainly on deposits franchise because that was our biggest weakness. In fact, we see raising deposits as key strategic capability of the bank.

How serious is the problem of MFIs?

Our SMA 1 and 2 of this portfolio increased from 1.27% in March 2024 to 2.54% in September. So, we wanted to recognize it by providing 30 DPD itself. Issues like election promises, the heat wave and floods in Tamil Nadu came together. Our bank never pushes out issues to the future.

You have mentioned about CGFMU. How is it working?

From January 2024 onwards, we have been paying our premium to CGFMU and we have been insuring our book. At present, 50% of the book is insured. At the current rate of disbursement, it can be insured 70% by end of the current fiscal.

Your infrastructure



book has been shrinking. Is it deliberate?

With great difficulties, we have reduced infra project financing from ₹22,000 crore to ₹2,500 crore. We have no intention of growing it... we find it very difficult to do. This latest instance has further proved the point.

You have said the main aim of IDFC First Bank is universal banking. What are the expansion plans for universal banking?

We have started the cash management business, we acquired 3,000 customers. We have acquired 20,000 customers in startup banking. Credit cards now touch 3 million customers.

We have also started wealth management – we have touched ₹20,000 crore in just four years, growing at 60%. Our corporate and non-infrastructure loan books are growing at 20%. In Fastag business, we acquired 14 million customers. These all are part of a universal bank franchise.

Back to NPA, you have called out product-wise SMA and trends every quarter. Why?

It is because we took provisions in MFI and the PAT came down. So, people can wonder if the credit quality of the rest of the book is good. By sharing the information at the pre-NPA stage, that is the SMA stage, that too for every product and its trends, we provide clarity to people that excluding MFI, the quality is stable.