

**Mr. V Vaidyanathan, MD & CEO, IDFC FIRST Bank speaks to
ET Now on Q4FY22 results**

Anchors: Nikunj Dalmia & Ayesha Faridi

Duration: 5 minutes, 54 seconds

May 2, 2022

Ayesha Faridi: How do you see the numbers for IDFC FIRST Bank going ahead?

Mr. Vaidyanathan: We feel NIM will stay strong for the bank because the operating model is strong, but the more important question is from the operating profit point of view. Last year, our loan book grew by only 13% but the operating profit grew by 44%. It reached Rs 2,700 crore this quarter. Now that tells us something about how the operating leverage is kicking in. Our own sense is that operating profit can again compound by another 44-45% next year and by another 44-45% the year after that. That is how we think the numbers will play out.

Nikunj Dalmia: So, let us talk about the retail banking operations and what explains the strong performance?

Mr. Vaidyanathan: India is underserved on retail credit. Only a couple of days ago, there was an article from CIBIL, which said that 50% of Indian adults are credit unserved and another 20% are credit underserved which means they have credit but not enough. So, this story is not just for our bank, for every bank, we continue and at least in our case we have very strong proven capability for a long period of time. For close to a decade, we see nothing changing in front. We are guiding for 25% retail credit growth next year and the overall bank level growth will probably be around 20-22%.

Nikunj Dalmia: Growth of your bank on both sides of the balance sheets has been strong and the key challenge when one grows at this pace is credit underwriting. How confident are you about credit underwriting holding up with this scare?

Mr. Vaidyanathan: Frankly a 20% growth in the system on the credit front is strong but not out-of-the-park strong because even large banks posting 20% growth on retail is there but more importantly, vis-a-vis credit underwriting, the standards in our bank are never relaxed. For the upcoming year on the credit provision guidance, we are guiding for only 1.5% of the loan book and that tells us how conscious we are about asset quality. We are approving between 40% and 60% of the application that come to us. That

means, depending on the product segment, we are rejecting anywhere between 40% and 60% of the loan applications that are coming to us. That just tells us how picky we are.

Ayesha Faridi: When it comes to CASA, your savings account rate is extremely fluid. Where do you see these rates and are you looking to stabilise your CASA? Where would you see that as a percentage of your total deposits?

Mr. Vaidyanathan: On the savings account interest rate, last year we were just so liquid and there was excess liquidity and it is a big drag on the bank's profitability. So, we had to slow down. We brought down interest rates on savings accounts and credit growth of only around 10-12% was expected. This year we are expecting credit growth – retail, wholesale all put together – to maybe 20-22%. Corresponding to that, we will need liabilities. Basically, it was very need driven and we have shown earlier that we are able to raise substantial sums of money on retail liabilities because of our brand and product and so on. On the CASA front, we feel that we will sustain 50% going forward and we do not see any problem or risk to that.

Ayesha Faridi: The performance is strong but the stock price is still down 10% last month and 25 odd percent in the last six months. IDFC Limited though is up around 15% since mid of December. Would you say that that is largely because of the merger overhang? Is there any visibility on the timing of the merger with IDFC, where it is stuck and when it will happen?

Mr. Vaidyanathan: I know what you are referring to. The stock movement that you are referring to relates to the fact that when we are posting results, people may go and buy limited stocks and that is the narrative and I understand the question. As far as we are concerned, eventually when values are discovered appropriately, that phenomenon will matter a lot but more importantly as far as merger is concerned, we are very clear about that. We are quite happy to do the merger. From our side, all decks are open.