

## MC Exclusive | Don't want to chase banned NBFCs down when their chips are down: V. Vaidyanathan, MD & CEO, IDFC First Bank

*Though the bank has disbursed up to Rs 40,000 crore of corporate loans during this period, there is not a single NPA from these credits, according to V. Vaidyanathan, MD & CEO, IDFC First Bank.*

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V. Vaidyanathan, MD & CEO, IDFC FIRST Bank

V. Vaidyanathan, Managing Director (MD) & Chief Executive Officer (CEO), IDFC First Bank, in an exclusive interview with Moneycontrol, explained the reason behind its renewed optimism about corporate loans. The optimism stems from the fact that there are no delinquencies from the loan book in the last five years.

He maintained that the bank would continue to support the non-banking financial institutions (NBFCs), which are facing regulatory action from the Reserve Bank of India (RBI). He stopped short of taking the names of the four NBFCs, which are in the RBI's crosshairs. The central bank has barred four (NBFCs), including two microfinance institutions (MFIs), from sanctioning and disbursing loans for charging exorbitant interest rates to the borrowers.

He expressed confidence that these lenders would get back on their feet once the ban is lifted. "Yes. We do have exposure to some of these names. However, we have confidence in them. We don't want to chase them when their chips are down. We want to support them through this tough period. I'm sure they will take necessary precautionary measures and normalcy will be restored soon," Vaidyanathan added.

Loans to NBFCs form part of the bank's corporate book, which saw 20.7 per cent

year-on-year growth in the second quarter, ending September 30. The business finance book, which comprises commercial vehicle and commercial equipment finance, business banking loans and corporate loans stood at Rs 63,321 crore as on September 30. Data shows that the loan book accounts for roughly 28 per cent of the bank's outstanding dues.

"Initially, we burnt our fingers with corporate loans. There's a saying in Hindi which goes: once you have burnt your mouth with hot milk, you'd be scared to drink even butter milk. But now, after five years of hard work, the entire corporate financing book is new. Whatever corporate loans we booked after the merger [with Capital First], we don't have any incremental NPA [non-performing asset] in the last five years," he said.

Though the bank has disbursed up to Rs 40,000 crore of corporate loans during this period, there is not a single NPA from these credits.

"We have become more confident of our methods because of our robust systems and processes on the corporate side. The loan book has started to grow again," Vaidyanathan added.

About Rs 15,000 crore of the corporate loan book came from lending to NBFCs. "We have raised the interest rate marginally to factor in the increased cost. We have become more cautious since last November," he said.

To be sure, in order to curb the systemic risk potentially brewing in the unsecured lending space, the RBI has increased risk-weights of bank lending to NBFCs by 25 basis points (bps).

Similarly, the risk weights for certain consumer credit exposure of NBFCs in the retail loans segment was increased to 125 per cent from 100 per cent.