

AIMS FOR 40% of total pie from mortgage book; confident of growing savings accounts despite rate reduction, says CEO V Vaidyanathan

IDFC First to Use Good CASA Base to Scale Up Home Loans

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Mumbai: Armed with a high level of current and savings accounts deposits (CASA) and two equity capital raises in the last fiscal, IDFC First Bank has fixed its sights on growing its home loan book after putting the infrastructure lending legacy of the erstwhile IDFC behind it.

CEO V Vaidyanathan said the bank aims for home loans to constitute 40% of its total loans as it takes advantage of a sharp rise in CASA which is stable and carries low costs.

"We want to build a book of prime home loans which is largely to employees of top corporates. We now have a good CASA base to build on which will complement the long tenure home loans which are both secured and less expensive," Vaidyanathan said.

The bank raised a total of ₹5,000 crore through a preference issue in June 2020 followed by a QIP earlier this month.

Home loans at ₹10,613 crore are about 9% of the bank's ₹1.17 lakh crore loan book. It is about 15% of its retail loans.

IDFC First has increased the share of CASA in its total deposits from 8.68% in December 2018 to 51.75% at the end of March 2021.

The rise in the past year also has been strong from 31.87% at the end of March 2020, as the bank offered a higher interest rate of 7% to attract depositors. However, from May 1 the bank has reduced its minimum CASA interest rate to 4%.

Vaidyanathan said he is confident of holding on to the deposits despite lowering rates.



"Even at current rates, we are marginally higher than the 4% offered by the top 10 banks. We are confident that our product proposition, customer experience and brand image will be enough to hold to these deposits," he said.

The bank's net profit rose 78% during the March quarter led by a rise in retail loans and higher fee income

As part of its retail plan, the bank has already launched a credit card last fiscal to its account holders and is also planning to foray into education loans.

Results released on Saturday showed the bank's net profit increased 78% to ₹128 crore in the quarter ended March 2021 from ₹72 crore a year earlier led by a 26% rise in retail loans and also a 39% in fee income.

Net interest income grew 15% to ₹1,960 crore and net interest mar-

gins expanded to 5.09% from 4.61% a year earlier due to higher yield on advances.

Vaidyanathan said he expects margins to be in the 5-5.5% range in the near future.

The bank released ₹324 crore made on the mark-to-market value of debt instruments in a telecom company but added additional provisions of ₹375 crore for Covid-19 during the quarter.

"Our collections in March were back to pre-Covid levels but the second wave of the pandemic and the local lockdowns could hit economic activity so will have to wait and see what impact it has," Vaidyanathan said.

The bank's gross non-performing assets narrowed to 4.15% as of March 2021 from the proforma number of 4.18% as of December 2020. Fresh slippages during the quarter were ₹259 crore.