Focus is to stay on the pitch for long, not hit sixes and fours: IDFC First Bank MD

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IDFC First Bank is going through a period of transition ahead of the proposed merger with IDFC Ltd. After a four-year journey towards being recognised as a serious player with strong fundamentals, the bank, with MD and CEO V Vaidyanathan at its helm, is now readying itself for the big league. Vaidyanathan's strategy, though, continues to be straightforward: to grow deposits more than loans and ensure minimal delinquencies.

"We don't want to hit any sixes and fours. If we take the singles and twos and stay at the pitch for long, you can accumulate a lot of runs on this pitch," he told *businessline*. Excerpts:

Would you attribute the strong Q1 to the operational efficiencies that have come in?
It is not about this quarter. The result of today's work is a continuation of our past work.

We have been building up our franchise, and now the momentum of earnings are building up.

And yet your CASA ratio has declined?
Yes, it has gone down by 357 bps because customers have shifted from savings accounts to fixed deposits, and even incremental money is coming more from term deposits than CASA.

The CASA ratio could even come down marginally from the current 46.5 per cent level because of the prevailing interest rate scenario.

What is the visibility on NIM, and do you expect these levels to sustain?
Over 60 per cent of our book is fixed-rate loans of about a 3-year tenor, and MCLR, or repo-linked, is only 40 per cent.

We did not benefit much from the repo rate hike, as only about 24 per cent of our book is repo-linked. But the good news is that when repo rates come down, we won't experience much reduction in NIM either.

We are looking at core business here, so these marginal movements in NIM up or down do not matter in the long run.

What is the long-term perspective?
In the long run, our focus is very simple: grow deposits more than loans, and in a steady manner. That's principle number one.

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>
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> IDFC First Bank

The second is that credit quality should never be compromised;

Our gross NPA should never cross 2 per cent. Retail gross NPA is now 1.53 per cent and net NPA is 0.52 per cent. Number three: our credit cost should be low, which is the case right now. Fourth, the SMA that feeds into the NPA should be very low. Our SMA is 0.85 per cent right now.

There are concerns regarding the quality of card portfolios. Are you seeing any signs of stress?
Our credit card gross NPA is 1.7 per cent, and net is 0.41 per cent. We should be very careful because it is unsecured in the truest sense and we cannot take money from the customer's bank account on the due dates, unlike other loans. We should be extra careful with credit cards.

Other banks have been facing pricing pressure on the wholesale side. Are you also being cautious?
We are cautious everywhere. Our main focus is that anything we lend should come back. On the wholesale side, we have very thin skin because, obviously, if someone has burnt their fingers, they will be more cautious. Secondly, we are conscious that our exposure should be proportional to our net worth. We can never compete with the big banks on large exposures, and therefore we will never be big players in that segment.

Have cross-selling opportunities improved with the growth in the liability base?
We've been doing an okay job there, not great. Compared to other institutions, we have room to improve on that front. We're still building the practice, but yes, the opportunity is large.

You now have a proven four-year track record, and there is the proposed merger with IDFC. What is your strategy in terms of what comes next for the bank?
Once the merger goes through, the bank will have no promoter, no single shareholder who will have 40 per cent, and it will be diversified. That sets it up for a very epochal moment in the bank's life. In terms of strategy, we need to grow at a steady pace. We don't want to hit any sixes and fours. If we take the singles and twos and stay on the pitch for long, you can accumulate a lot of runs on this pitch.

Do you believe the bank's shareholders got the short end of the stick in the share swap with IDFC?
There was a proper process followed, including fairness opinion, merchant bankers, valuers, etc. The role or a leader to land a deal with as much win-win as possible. Rest, the process takes over.

This ends uncertainty, and as we look ahead to building the bank, we have great fundamentals. Undoubtedly, IDFC got a good deal and ratio, but so did IDFC Bank's shareholders because they got an increase in book value per share. More importantly, uncertainty is gone, which is very important for peace of mind.