MC Interview: IDFC First Bank-IDFC Ltd merger on track, says V Vaidyanathan

The bank's MD and CEO said the lender is looking at 24-25 percent credit growth in the last two quarters of 2023-24.

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Additionally, in the next two to three years, we are looking at growing our deposits faster than our advances because we need to repay legacy infrastructure bonds with our retail deposits.

The merger between IDFC First Bank and its parent IDFC Ltd., which was announced in July 2023, is on track, said V Vaidyanathan, managing director and chief executive officer (MD and CEO), of IDFC First Bank. In an exclusive interaction with Moneycontrol after its July-September FY24 results, Vaidyanathan said that the decks have been cleared for the union.

"All our processes, regulatory requirements and other things concerning our merger are on track," said Vaidyanathan.

After reporting a 35 percent year-on-year growth in net profit, the bank is targeting a credit growth of 24-25 percent in the remaining quarters of financial year (FY) 2023-24, Vaidyanathan said.

Additionally, Vaidyanathan said that the bank does not have significant exposure to unsecured retail loans of less than Rs. 50,000. The book stands at around Rs 540 crore. Edited excerpts from the interview

How do you assess your Q2 earnings?
We reported 25 percent year-on-year growth in our loan book and our deposit grew 44 percent. Overall, our growth was good, but more important, consistency in our results has been key for us.

The Reserve Bank of India (RBI) has been telling banks to control their unsecured loans. How is this working for you?
Our focus is on prime personal loans and not on small-ticket unsecured retail personal loans. Our exposure to retail personal loans of Rs 50,000 and below is only around Rs 540 crore, or only 0.3 percent of our total portfolio, and is behaving well. This area of retail personal loans of less than Rs 50,000 is usually targeted by NBFCs (non-banking financial companies) and fintech apps and was flagged by bureaus for (being more vulnerable to) delinquency.

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We are very watchful, and we report all important metrics to our board committees and to our board.

How is your legacy infrastructure book looking now?
The book is working well. At the merger, in FY19, (between Capital First and IDFC that resulted in IDFC First Bank) we gave the outlook to bring down the legacy infrastructure project financing book by financial year 2024-25. We are sticking to the FY25 plan.

How is your corporate portfolio? Do you have any exposure to the aviation industry?
We lend mostly basic cash flow to corporates; we don’t do project finance. We have seen good repayments and cash flow in our corporate book.

We largely have non-fund-based exposure to the largest Indian airline, but in overall size it is quite low. We feel we must be extra careful about lending to airlines or the aviation sector for the reasons we know.

You announced your merger with your parent company, IDFC Ltd. in June 2023. What is the status of that?
The merger is in the process and all the regulatory requirements and necessary processes for the merger are on track.

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Many banks have seen pressure in their net interest margin (NIM) in the July-September FY24 quarter. Your bank too had flat NIM. What is your outlook on NIMs?
We are looking at maintaining NIM at similar levels for the rest of the year.

Lastly, what is your guidance on credit and deposit growth?
Deposit growth of our bank has been consistent at over 40 percent and we look for the same in the next two quarters. We are looking at maintaining our advances growth at 24-45 percent for the same period.

Additionally, in the next two to three years, we are looking at growing our deposits faster than our advances because we need to repay legacy infrastructure bonds with our retail deposits. Maybe after that we’ll reduce our requirements and just grow in line with loan growth.