

IDFCFIRSTBANK/SD/121/2024-25

July 06, 2024

**National Stock Exchange of India Limited**

Exchange Plaza, Plot No. C-1, G-Block  
Bandra-Kurla Complex, Bandra (East)  
Mumbai 400 051

**NSE Symbol: IDFCFIRSTB****BSE Limited**

Phiroze Jeejeebhoy Towers  
Dalal Street, Fort  
Mumbai 400 001

**BSE Scrip Code: 539437**

**Sub.: Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“SEBI Listing Regulations”).**

Dear Sir/Ma’am,

Pursuant to Regulation 30 of the SEBI Listing Regulations, we wish to inform that Brickwork Ratings has re-affirmed the existing rating ‘**BWR AA+**’ in respect of the outstanding Non-Convertible Debenture (“NCDs”) of the Bank aggregating to ₹ 738.60 crore and continues to maintain its rating outlook on ‘Rating Watch with Developing Implications’.

A detailed Rating Rationale for the above is enclosed herewith.

Request you to take the above on record.

Thanking you,

Yours faithfully,

For **IDFC FIRST Bank Limited****Satish Gaikwad****Head – Legal & Company Secretary***Encl.: as above*

## RATING RATIONALE

05 July 2024

### IDFC First Bank Ltd.

**Brickwork Ratings reaffirms the BWR AA+ rating of outstanding NCDs aggregating Rs.738.6 crores of IDFC First Bank Ltd and continues the rating on Rating Watch with Developing Implications.**

#### Particulars:

Instruments#	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (7 July 2023)	Present
<b>Non Convertible Debentures</b>	871.60	<b>738.60</b>	Long Term	BWR AA+/ Rating Watch with Developing Implications/ Reaffirmed	<b>BWR AA+/ Rating Watch with Developing Implications/ Reaffirmed</b>
<b>Total</b>	871.60	<b>738.60</b>	<b>Rupees Seven Hundred Thirty Eight Crores and Sixty Lakhs only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for the definition of the ratings

#**Note:** ISIN-wise details of outstanding and redeemed NCDs are provided in Annexure-I

**Note:** Reduction in NCDs amount is on account of redemption, as informed by the Bank and confirmed by the Debenture Trustee; the aforesaid position is outstanding NCDs as on 30<sup>th</sup> June 2024.

#### RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) reaffirms the rating of the outstanding non-convertible debentures aggregating Rs.738.6 Cr of IDFC FIRST Bank Ltd (IFBL or the 'Bank'), as tabulated above and continues the rating on Rating Watch with Developing Implications.

The Rating Watch with Developing Implications (RWDI) was on account of the announcement on 3<sup>rd</sup> July 2023 by the Board of Directors of IDFC First Bank Ltd of (i) the Composite Scheme of Amalgamation of IDFC Financial Holding Company Ltd. (IDFC FHC) into and with IDFC Ltd., and IDFC Ltd into and with IDFC First Bank Ltd. (Bank), and (ii) Reduction of the Securities Premium Account of the Bank. The ratings were placed on Rating Watch on account of aligned uncertainties with respect to the Scheme of Amalgamation and its impact on the financial and operating performance of the IDFC First Bank. BWR will continue to closely monitor the developments and the progress of the transaction. Based on the discussion with the management, the scheme of amalgamation was expected to be Balance Sheet neutral transaction for IDFC First Bank Ltd. and expected to result in inflows of cash and cash equivalents / investments of approximately Rs.300 Cr to Rs.400 Cr which would increase the net worth of the merged entity.

The majority shareholders of IDFC First Bank have approved the amalgamation of IDFC Ltd with the bank at a meeting convened by the Chennai bench of the National Company Law Tribunal, the bank informed the stock exchanges on May 17, 2024 and completion of all the formalities of the proposed merger of IDFC Ltd. and IDFC Financial Holding Company Ltd. with IDFC First Bank Ltd, is expected to be completed by end of Q2FY25. BWR shall await the completion of this process to resolve the Rating Watch with Developing Implications.

BWR factors in the IDFC First Bank Ltd's performance upto FY24, publicly available information, and information and clarification provided by the Bank's management, and feedback from the Debenture trustees while reaffirming the rating.

The rating reaffirmation at BWR AA+ continues to factor in the Bank's comfortable capital adequacy ratios (CAR) of a total CRAR at 16.11% (CET-1 ratio of 13.36%) as of 31 March 2024, along with an increase in the business size to Rs.3.95 lakh Crs. (FY23: Rs.2.97 lakh Crs) consisting of Gross funded assets of Rs.2,00,965 Cr (FY23: Rs.1,60,599 Crs.) and total customer deposits of Rs. 1,93,753 Cr (FY23: Rs.1,36,812 Crs) as of 31 March 2024 through increased focus on the retail portfolio. This was supported by the improvement in asset quality with Gross Non-Performing Assets (GNPA) and Net Non-Performing Assets (NNPA) ratios of the Bank declining 63 bps and 26 bps respectively to 1.88% and 0.60% respectively as at 31 March 2024.

Improvement in GNPA ratios was supported by improved asset quality in the retail funded assets and write-offs in the legacy infra book, apart from the growth in advances. While, there was an increase in slippages during the year (FY24), the Bank's efforts through proportionate reductions enabled it in maintaining the asset quality. Incremental provisions did not deter the bank's profitability, and its net profits for FY24 improved over FY23.

The customer deposits of the Bank (excluding certificate of deposits) increased by 42% YOY in FY24 to reach Rs. 1,93,753 Cr, with CASA ratio maintained at 47.2% as of March 31, 2024, one amongst the highest CASA ratio in the industry. Overall Deposits grew by 39% YOY to reach Rs. 2,00,576 Cr as of March 31, 2024.

With the scale up of operations, the earnings profile of the Bank also improved with the Bank reporting net profit of Rs.2,957 Cr in FY24 as against Rs.2,437 Cr in FY23 supported with higher net interest margin which improved from 6.05% in FY23 to 6.36% in FY24.

The Bank has a strong board of directors and a dynamic management team under the leadership of Mr V. Vaidyanathan as its Managing Director and Chief Executive Officer.

The rating is, however, constrained by the high credit-deposit ratio. Even though the credit-deposit ratio (including Certificates of Deposits) has continuously improved during the last 4 years and reached 98.40% as on 31<sup>st</sup> March 2024 from 107% as on 31<sup>st</sup> March 2023, it is still high as compared to the peers because of legacy reasons. The incremental credit to deposit ratio of the Bank in FY24 was 76%, against the incremental credit to deposit ratio for the entire banking industry stood at 92%..

BWR will continue to monitor the sustainability of the current growth indicators along with the asset quality, especially the incremental slippages from the bank's exposure to business loans, particularly in the retail sector.

## KEY RATING DRIVERS

### Credit Strengths:-

**Comfortable capitalization:** The Bank's capital adequacy ratios as of 31 March 2024 continue to remain strong, and it has a total CAR of 16.11% and CET-1 ratio of 13.36%, which is well above the regulatory requirement for the Capital Adequacy Ratio. The bank has also announced in May 2024 to raise further capital of Rs.3200 Crores, which is expected infusion by early Q2FY25 which will further strengthen its capitalisation levels. The networth of the bank increased from Rs.25,721 crores as of 31 March 2023 to Rs.32,161 crs as of 31 March 2024, with retention of profits and periodic capital infusion.

**Gradual conversion of business mix:** The Bank has transformed its liability profile from wholesale to retail. During FY24, total customer deposits of the Bank increased by 42% to Rs.1,93,753 Cr of which Rs. 94,768 was CASA deposits. CASA deposits have grown by 32% YoY and CASA ratio was at 47.2%, one amongst the highest CASA ratio in the industry. The Bank has also reduced its dependence on high cost legacy infrastructure bonds and refinanced the same with the low cost debt. Borrowings of the Bank reduced from Rs. 57,212 Cr as on 31<sup>st</sup> March 2023 to Rs.50,936 Cr as on 31<sup>st</sup> March 2024. The Bank has also reduced its dependence on Certificate of Deposits to finance its operations and instead relying on other money market instruments.

Total gross funded advances of the Bank increased by 25.14% to Rs. 2,00,965 Cr, with continued focus on increasing the share of the granular and diversified retail book. The share of retail loan finance book to total funded advances is at 59% in FY24. The retail finance book is diversified, and the book increased 30.9% YoY to Rs. 1,19,131 Cr from Rs.91,027 Cr as on 31 March 2023. The SME & Corporate finance increased by 20.5% YoY to Rs.55,122 Cr in FY24 whereas infrastructure financing declined by 39.3% YoY to Rs.2830 Cr. The Bank will continue to run down this legacy infrastructure financing book which is only 1.4% of the total funded assets as of March 31, 2024.

**Improved earnings and asset quality:** The Bank's GNPA and NNPA ratios for FY24 moderated to 1.88% (FY23: 2.51%) and 0.60% (FY23: 0.86%) respectively. The Bank's retail, rural and SME financing book, which covers for majority part of the overall loan book, there was asset quality improvement with GNPA and NNPA at 1.38% and 0.44% respectively as of March 31, 2024, as against 1.65% and 0.55% respectively as of March 31, 2023. Without the legacy infrastructure book which is in natural run-down mode and only accounts for 1.4% of the total funded assets, the Gross NPA and Net NPA of the Bank from this book stood at 1.55% and 0.42% respectively as of March 31, 2024.

On absolute levels, the GNPA stood reduced to Rs.3,718 Crs as of 31 March 2024 from Rs.3,884 Crs as of 31 March 2023. The SMA 1 & 2 from retail rural and SME book was at 0.85% of total advances, and may marginally impact the asset quality in case of slippages. Provision Coverage Ratio (excluding technical write-offs) better at 68.8% as on March 31, 2024 from 66.4% as on March 31, 2023.

The bank had made provisions of Rs. 2,382 Crs for FY24, higher than Rs. 1,665 Crs for FY23, and their operating expenses were higher at Rs.16,216 Crs for FY24 (FY23: Rs.12,170 Crs), yet the Bank improved upon its profitability. Its net profits stood at Rs.2957 Crs for FY24 as against Rs.2437 Crs for FY23. The improvement in profitability was also supported by the increase in the NII of the Bank, which stood at Rs. 16,451 Crs in FY24 (FY23: Rs.12 635 Crs) and increase in the fee and other income including trading gain at Rs.6002 Crs in FY24 (FY23: Rs.4467 Crs).

**Strong Board & Experienced Management team:** The Bank has a strong board of directors including three non-independent directors. It also has six independent directors. The Bank has an experienced team of management under the leadership of the bank's Managing Director and Chief Executive Officer Mr. V. Vaidyanathan.

#### **Credit Risks:-**

**Higher Credit Deposit Ratio** as compared to its peers Even though the Credit Deposit Ratio (including Certificate of Deposits) of the bank improved from 107.05% as on 31st March 2023 to 98.4 % as of 31 March 2024, it still remains high as compared to its peers due to legacy reasons. However, over the last four years, the Bank has continuously improved the same with consistent deposit growth which has been higher than the calibrated growth in advances.

**Higher Cost to Income Ratio** The Bank has expanded its network from 809 branches and 925 ATMs (including recyclers) across the country as of 31 March 2023 to 944 branches and 1164 ATMs (including recyclers) as of 31 March 2024. The Bank has also informed that it has invested heavily in creating digital capabilities, IT infrastructure, analytics driven customer journeys and processes to cater to the growing digital banking needs. This has resulted in comparatively higher operating expenses, and the cost to income ratio as the Bank is still in its early stage of operations as compared to its peers. Even though it has reduced from 77.79% in FY22 to 72.54% in FY23, it continued to remain high at 72.9% as of 31 March 2024 it is on a higher side in the industry

#### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

For arriving at its ratings, BWR has considered the Bank's standalone financials and rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale). The non-convertible debentures are excluded from being categorized under any of the Basel III instruments, and a base case rating has been extended to the non-convertible debentures.

#### **RATING SENSITIVITIES**

**Positive :** Strong growth in business, substantial improvement in asset quality and Credit Deposit Ratio, profitability and resource mix, along with maintaining comfortable capital adequacy ratios, shall be positives for the bank.

**Negative :** Substantial increase in the gross NPA ratio above 5% and weakening of the profitability would constitute negatives that could impact the bank's ratings and/or outlook.



**LIQUIDITY INDICATORS: ADEQUATE**

Liquidity coverage ratio was 114% (as against a stipulated requirement of 100%) for the quarter ended March 31, 2024. It had cash and balances with banks amounting to Rs.12,480 Crs and investments of Rs.71,540 Crs. Of the total investments of Rs.71,540 Crs, with majority of investments in Govt securities of Rs.69,573 crs, as at end of 31 March 2024. The bank has adequate liquidity to meet its near term obligations.

**BANK’S PROFILE**

Background: IDFC FIRST Bank was formed by the amalgamation of Capital First Limited and Capital First Home Finance Limited into IDFC Bank in December 2018, which was rechristened as IDFC FIRST Bank in January 2019. As of 31 March 2024, the Bank had 944 branches and 1164 ATMs (including recyclers) across the country, a total balance sheet size of Rs.2,96,115 Crs and business size of Rs.3,94,718 Crs. The Bank is held 39.99% by the promoter – IDFC Ltd. as of 31 March 2024. Mr V. Vaidyanathan is the managing director of the Bank and is supported by an experienced team of management and a strong Board of Directions including six independent directors Mr. Sanjeeb Chaudhuri Mr. Aashish Kamat, Mr.Pravir Vohra, Ms. Brinda Jagirdar, Mr. S Ganesh Kumar and Ms Matangi Gowrishankar, along with three non-executive non-independent directors Mr. Mahendra Shah, Dr. Jaimini Bhagwati and Mr. Vishal Mahadevia.

**KEY FINANCIAL INDICATORS**

Parameters	Units	FY 2022 Audited	FY 2023 Audited	FY 2024 Audited
Total Business	Rs. Crs.	2,22,265	2,97,411	3,94,718
Net Interest Income	Rs. Crs.	9,706	12,635	16,451
Net profits	Rs. Crs.	145	2,437	2,957
Gross NPA	Per Cent	3.7	2.51	1.88
PCR	Per Cent	70.29	80.29	86.58
Total CAR	Per Cent	16.74	16.82	16.11

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: as stated in Annexure -2**

**NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY -Nil**

**RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]**

S. No	Instrument/ Facility	Current Rating			Rating History		
		Type	Amount (Rs.Crs.)	Rating	2023 07 July, 2023	2022 06 June, 2022	2021 27 May, 2021
1	Non Convertible Debentures	Long Term	738.6	BWR AA+ (Stable) Reaffirmed (Rating Watch with Developing Implications)	BWR AA+ (Stable) Reaffirmed (Rs. 871.60 Crs) (Rating Watch with Developing Implications)	BWR AA+/Stable (Reaffirmed) (Rs.1968.40 Crs.)	BWR AA+/Stable (Reaffirmed) (Rs.2496.90 Crs.)
2.	Non Convertible Debentures	Long Term			Withdrawn on repayment	BWR AA+/Stable	BWR AA+/Stable
3	Term Loans	Long Term	0	-		-	Withdrawn on prepayment in full
<b>Total</b>			<b>738.6</b>	<b>Rupees Seven Hundred Thirty Eight Crores and Sixty lakhs only</b>			

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

**COMPLEXITY LEVELS OF THE INSTRUMENTS –**

Instrument Details	Issue Date	Rated Amount Rs Crs	Coupon Rate (%)	Maturity Date	ISIN	Complexity
NCD	20-Sep-2016	25	8.75	18-Sep-2026	INE092T08DM3	Simple
NCD	17-May-2013	49.5	9.50	17-May-2028	INE688I08053	Simple
NCD	23-Sep-2014	49.6	10.50	23-Sep-2099	INE688I08079	Complex
NCD	29-Sep-2015	49.6	9.40	29-Sep-2025	INE688I08087	Simple
NCD	30-Oct-2015	74.9	9.25	30-Oct-2025	INE688I08095	Simple
NCD	20-Nov-2015	25	9.25	20-Nov-2025	INE688I08103	Simple
NCD	15-Dec-2015	25	9.25	15-Dec-2025	INE688I08111	Simple
NCD	29-Dec-2015	34.2	9.25	29-Dec-2025	INE688I08129	Simple

NCD	1-Mar-2016	56.8	10.5	1-Mar-2099	INE688I08145	Complex
NCD	6-Jun-2016	28.2	9.75	6-Jun-2099	INE688I08152	Complex
NCD	25-Jul-2016	30	9.24	24-Jul-2026	INE688I08160	Simple
NCD	24-Aug-2017	146.6	8.25	24-Aug-2027	INE688I08178	Simple
NCD	18-Sep-2017	76.2	8.6	18-Sep-2099	INE688I08186	Complex
NCD	7-Jun-2018	68	9.10	6-Jun-2025	INE688I08202	Simple
		738.6				

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Banks and Financial Institutions](#)
- [BWR's Policy for withdrawal of Ratings](#)
- [Rating Criteria for Capital](#)
- [Instruments issued by Banks and Financial Institutions.](#)

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**IDFC FIRST Bank Ltd**

**ANNEXURE I**

**Details of Long-term Bank Loan Facilities rated by BWR - Not Applicable**

**ANNEXURE II**

**Details of NCDs rated by BWR - INSTRUMENT DETAILS**

Following is the list of Outstanding non convertible debentures as of 30<sup>th</sup> June 2024

<b>Instrument Details</b>	<b>Issue Date</b>	<b>Rated Amount Rs Crs</b>	<b>Coupon Rate (%)</b>	<b>Maturity Date</b>	<b>ISIN</b>	<b>Complexity</b>
NCD	20-Sep-2016	25	8.75	18-Sep-2026	INE092T08DM3	Simple
NCD	17-May-2013	49.5	9.50	17-May-2028	INE688I08053	Simple
NCD	23-Sep-2014	49.6	10.50	23-Sep-2099	INE688I08079	Complex
NCD	29-Sep-2015	49.6	9.40	29-Sep-2025	INE688I08087	Simple
NCD	30-Oct-2015	74.9	9.25	30-Oct-2025	INE688I08095	Simple
NCD	20-Nov-2015	25	9.25	20-Nov-2025	INE688I08103	Simple
NCD	15-Dec-2015	25	9.25	15-Dec-2025	INE688I08111	Simple
NCD	29-Dec-2015	34.2	9.25	29-Dec-2025	INE688I08129	Simple
NCD	1-Mar-2016	56.8	10.5	1-Mar-2099	INE688I08145	Complex
NCD	6-Jun-2016	28.2	9.75	6-Jun-2099	INE688I08152	Complex
NCD	25-Jul-2016	30	9.24	24-Jul-2026	INE688I08160	Simple
NCD	24-Aug-2017	146.6	8.25	24-Aug-2027	INE688I08178	Simple
NCD	18-Sep-2017	76.2	8.6	18-Sep-2099	INE688I08186	Complex
NCD	7-Jun-2018	68	9.10	6-Jun-2025	INE688I08202	Simple
		738.6				

### Details of NCDs redeemed since July 2023- June 2024

Instrument Details	Issue Date	Rated Amount Rs Crs	Coupon Rate (%)	Maturity Date	ISIN	Complexity
NCD	19-Jul-2016	34	9.15 (annually on 19 July)	19-July-2023	INE092T08DG5	Simple
NCD	03-May-2017	70	8.45 (annually on 3 May)	03-May-2024	INE092T08EC2	Simple
NCD	07-Jun-2018	29	9.10 (annually on 7 June)	07-Jun-2024	INE688I08194	Simple
		<b>133</b>				

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