

IDFCFIRSTBANK/SD/60/2022-23

June 07, 2022

**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/Madam,

Pursuant to Regulation 30 of the SEBI Listing Regulations, we wish to inform that '**Brickwork Ratings**' have re-affirmed the existing rating ('BWR AA+/Stable') of IDFC FIRST Bank Limited in respect of its Non-Convertible Debentures (Rs. 1,968.40 crore).

A detailed Rating Rationale for the above is enclosed herewith.

Request you to take the above on record and acknowledge receipt of the same.

Thanking you,

Yours faithfully,

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

## RATING RATIONALE

06 June 2022

### IDFC FIRST Bank Ltd.

**Brickwork Ratings reaffirms the BWR AA+/Stable rating on IDFC FIRST Bank Ltd.'s Non-Convertible Debentures of Rs.1968.40 Crs.**

#### Particulars:

Instruments	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (27 May 2021)	Present
Non Convertible Debentures	2496.90	<b>1968.40</b>	Long Term	BWR AA+ (Stable) Reaffirmed	<b>BWR AA+ (Stable) Reaffirmed</b>
Total	2496.90	<b>1968.40</b>	<b>Rupees One Thousand nine hundred sixty eight cores and forty lakhs only</b>		

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

Note: outstanding NCDs as on 15 May 2022.

**Note:** ISIN-wise details are provided in Annexure-I

#### RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) reaffirms the rating of the non-convertible debentures of IDFC FIRST Bank Ltd (IDFCFB or the 'Bank'), as tabulated above. BWR factors in the Bank's performance upto FY22, feedback from the Debenture trustees, publicly available information, and information and clarification provided by the Bank's management, while reaffirming the rating.

The rating reaffirmation factors in the Bank's comfortable capital adequacy ratio(CAR) of a total 16.74% ( CET-1 ratio of 14.88% ) as of 31 March 2022, along with an increase in the business size to Rs.2.23 lakh Crs. (FY21: Rs.1.89 lakh Crs) consisting of net advances of Rs.117858 Crs. (FY21: Rs.100,550 Crs.) and total deposits of Rs.105,634 Crs (FY21: Rs.88,688 Crs) as of 31 March 2022 through increased focus on the retail portfolio. 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 modest decrease in the gross non-performing assets ratio to 3.7% (FY21: 4.15%) as of 31 March 2022. The increase in GNPA in absolute terms / slippage was Rs.7519 Crs. in FY22 primarily due to the impact of COVID-19 second wave during the early part of FY22, as against Rs.5626 Crs in FY21. However, with the economy gradually coming back during the later half of the year, the Bank's recovery was strong and



resulted in the reduction of the GNPA for FY22 which was better, at Rs.7353 Crs. as compared to Rs.3603 Crs. in FY21. The high C:D ratio, of more than 100% is also a constraining factor.

BWR continues to maintain the Bank's rating outlook as stable, as it expects the bank to continue increasing its business mix in favour of a retail portfolio over the next year, especially in better yielding assets, along with an increase in the CASA ratio, continual growth in earnings and operating profits, the maintenance of comfortable capital adequacy ratios and infusion of capital funds to assist business growth and manage incremental delinquency, if any. However, the incremental slippages from the bank's exposure to business loans, especially in the retail sector, shall be monitorable.

## KEY RATING DRIVERS

### Credit Strengths:

**Comfortable capitalisation:** The Bank's capital adequacy ratios as of 31 March 2022 continue to remain strong, and it has a total CAR of 16.74% and CET-1 ratio of 14.88%, which is well above the regulatory requirement for the Capital Adequacy Ratio. The Bank is also increasingly building on the advances portfolio towards a better rated portfolio to improve its risk-weighted assets (RWA). The Bank infused fresh equity capital funds amounting to Rs.3000 Crs. on 06 April 2021, and during Q4FY22, the Bank mobilised maiden Tier II bonds of Rs.1,500 Crs. on a private placement basis.

**Gradual conversion of business mix:** The CASA deposits posted 11% growth YoY and were at Rs. 51,170 Crs. as on 31 March 2022, as compared to Rs. 45,896 Crs. as on 31 March 2021, despite reduction in the interest rate for saving accounts by 200 bps. The Current Account Deposits contribute to 18.29% of the total CASA as compared to 11.80% as on 31 March 2021. The CASA Ratio was at 48.44% as on 31 March 2022 as compared to 51.75% as on 31 March 2021. The Average CASA Ratio for FY22 improved to 49.88% as compared to 41.50% for FY21. Customer Deposits increased by 13% to Rs. 93,214 Crs. as of 31 March 2022 as compared to Rs. 82,725 Crs. as of 31 March 2021.

The retail funded book is diversified, and the book increased 28% YoY to Rs. 83,740 Crs. as on 31 March 2022 from Rs. 65,300 Crs. as on 31 March 2021. The housing loans book grew by 52% YoY as of 31 March 2022. The mortgage-backed businesses grew 25% YoY as of 31 March 2022.

The Bank had over 7 lakh Credit Cards as on 31 March 2022 with a portfolio outstanding of Rs. 2,013 Crs, as against Rs. 428 Crs. in FY21, which is a 370% increase in the portfolio outstanding from FY21 to FY22; the retail funded asset book constituted 63% of the overall funded asset book as of 31 March 2022.

The commercial loan book of the Bank increased by 15% YoY to Rs. 11,637 Crs. as on 31 March 2022 from Rs. 10,104 Crs. as on 31 March 2021. The Corporate (non-Infra) funded book increased by 5% YoY to Rs. 23,676 Crs. as on 31 March 2022 from Rs. 22,499 Crs. as on 31 March 2021. The Infrastructure book reduced by 36% YoY to Rs. 6,891 Crs. and constituted

5.2% of the total funded assets as on 31 March 2022 as compared to 9.2% as on 31 March 2021. The Bank will continue to run down this legacy infrastructure financing book, and the other Corporate Funded Assets (Security Receipts, Loans converted into Equity, PTC and RIDF) decreased by 29% YoY to Rs. 6,007 Crs. as on 31 March 2022 from Rs. 8,416 Crs. as on 31 March 2021.

The top 10 borrowers' concentration as a percentage of the total Funded Assets has reduced to 3.7% as on 31 March 2022 from 5.9% as on 31 March 2021.

**Strong Board & Experienced Management team:** The Bank has a strong board of directors including two non-independent directors, wherein one represents the major shareholders of the bank viz. IDFC Limited. It also has six independent directors. The Bank has a dynamic and an experienced team of management under the leadership of the bank's Managing Director and Chief Executive Officer Mr. V. Vaidyanathan.

**Moderate Earnings profile:** The Bank's net interest income increased to Rs.9706 Crs (FY21: Rs.7380 Crs) from its better yielding products and Rs.2691 Crs. (FY21: Rs.1622 Crs.) from Yearly Fee and Other Income. The pre-provision operating profit (PPOP) increased to Rs.3,284 Crs. (FY21: Rs.3,071 Crs.) with improved income levels. The core pre-provision operating profit (PPOP) (net of trading gains) which is the reflection of the core earning potential of the business model, increased by 44% from Rs. 1,909 crore in FY21 to Rs. 2,753 crore in FY22. The Bank earned a net profit of Rs.145 Crs. in FY22 as against a net profit of Rs.452 Crs. in FY21 due to higher provisioning in Q1FY22 to manage the COVID-19 second wave impact on its assets. Apart from the loss in Q1-FY22 due to high provisions, the bank made net profit of Rs. 776 crore for the rest of 9 months in FY22. The net profit for Q4FY22 grew by 168% to Rs. 343 Crs. from Rs. 128 Crs. in Q4FY21, driven by growth in the core operating income and lower provisioning.

### Credit Risks:

**Concerns on Asset Quality:** The Bank has a GNPA of Rs.4469 Crs., standard restructured advances of Rs.2712.00 Crs. and net NPA of Rs.1808.07 Crs., and there was a modest decrease in the gross NPA ratio to 3.7% (FY21: 4.15%) as of 31 March 2022. The additional NPA accretion was Rs.7519 Crs. in FY22, as against Rs.5626 Crs in FY21. As informed by the Bank, this included one large legacy toll account which moved to NPA from SMA-2 category during FY22 due to the impact of COVID-19 related lockdowns, without the same the Bank's GNPA% would have been 3.04% as of March 31, 2022. The Bank's reductions to the NPA for FY22 were better, at Rs.7353 Crs. as against Rs.3603 Crs. in FY21. In the retail and commercial loans which is one of the key drivers of the business model, the Bank has improved the GNPA and NNPA levels from 4.01% and 1.90% respectively as of March 31, 2021 to 2.63% and 1.15% as of March 31, 2022. The Bank is carrying a provision coverage ratio (including technical write-off) of 70.29% as of March 31, 2022.

**Higher cost to Income ratio:** The Bank has expanded its network from 596 branches as of 31 March 2021 and 592 ATMs to 641 branches and 719 ATMs (including recyclers) across the country as of 31 March 2022. 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 higher operating expenses, and the cost to income ratio (without trading gains) of 76% (FY21: 79%) is on a higher side in the industry. The Bank's credit deposit ratio has improved from 113.37% in FY21 to 111.57% in FY22 but still appears to be on the 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 categorised under any of the Basel III instruments, and a base case rating has been extended to the non-convertible debentures.

### **RATING SENSITIVITIES**

**UPWARD:** Robust growth in business, a substantial improvement in the asset quality, profitability and resource mix, along with the maintenance of comfortable capital adequacy ratios, shall be positives for the Bank.

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

### **LIQUIDITY INDICATORS: ADEQUATE**

The average LCR was strong, at 136%, for the quarter ending on 31 March 2022 and was well above the regulatory requirement. The Bank had a cash and bank balance of Rs.15,758 Crs., investments of Rs.46,145 Crs. and borrowings of Rs.52,963 Crs. on a networth of Rs.19,080.61 Crs. as of 31 March 2022, which is adequate to repay the maturing debt.

### **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 2022, the Bank had 641 branches and 719 ATMs (including recyclers) across the country, a total balance sheet size of Rs.190,182 Crs and business size of Rs.2,23,492 Crs. The key shareholders of the bank are the Government of India (4.20%), IDFC Ltd (36.49%) and Warburg Pincus affiliates (9.07%), as of 31 March 2022. 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. Ashish Kamat, Mr. Sanjiv Chaudhury, Mr. Hemang Raja, Mr.Pravir Vohra, Ms. Brinda Jagirdar and Mr.S Ganesh Kumar, along with three non-executive non-independent directors Mr. Ajay Sondhi, Dr. Jaimini Bhagwati and Mr. Vishal Mahadevia.

### KEY FINANCIAL INDICATORS

Parameters	Units	FY 2021 Audited	FY 2022 Audited
Total Business	Rs. Crs.	189,239	2,23,492
Net Interest Income	Rs. Crs.	7,380	9,706
Net profits	Rs. Crs.	452	145
Gross NPA	Per Cent	4.15	3.7
PCR	Per Cent	63.57	70.29
Total CAR	Per Cent	13.77	16.74

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: Nil**

**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	2021	2020	2019
1	Non Convertible Debentures	Long Term	1968.40	BWR AA+ (Stable) Reaffirmed	BWR AA+/Stable (Reaffirmed) (Rs.2496.90 Crs.)	BWR AA+ (Stable) Reaffirmed (Rs 3372.20 Crs.)	BWR AA+ (Stable) Assigned 28-May-2019 (Rs.5825 Crs.)
2	Term Loans	Long Term	0	-	Withdrawn on prepayment in full	BWR AA+ (Stable) Reaffirmed (Rs. 660 Crs.)	BWR AA+ (Stable) Assigned 28-May-2019 (Rs.1200 Crs.)
	Total		1968.40	Rupees One Thousand nine hundred sixty eight cores and forty lakhs only			

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

## COMPLEXITY LEVELS OF THE INSTRUMENTS - SIMPLE

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

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Complexity levels of the Rated Instruments](#)
- [Banks and Financial Institutions](#)
- [Basel III Compliant Instruments](#)

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## IDFC FIRST Bank Ltd ANNEXURE I INSTRUMENT DETAILS

Following is the list of Outstanding non convertible debentures as of 15th May 2022

ISIN Code	Bonds Name	Maturity Date	Coupon	Amt Crs.
INE092T08EJ7	8.25% IDBKL CFL-45-27-06-2022	27 Jun 2022	8.2500	50.00
INE092T08EK5	8.25% IDBKL CFL-46-14-07-2022	14 Jul 2022	8.2500	460.00
INE092T08EN9	8.25% IDBKL CFL-49-08-12-2022	8 Dec 2022	8.2500	175.00
INE092T08EU4	8.25% IDBKL CFHFL-76-29-09-2022	29 Sep 2022	8.2500	100.00

INE092T08DB6	9.10% IDBKL CFL-11-31-05-2023	31 May 2023	9.1000	20.00
INE092T08DD2	9.10% IDBKL CFL-13-13-06-2023	13 Jun 2023	9.1000	7.00
INE092T08DG5	9.15% IDBKL CFL-17-19-07-2023	19 Jul 2023	9.1500	34.00
INE688I08012	10.30% IDBKL CFL-64-SUB 28-02-23	28 Feb 2023	10.3000	100.00
INE688I08020	10.30% IDBKL CFL-63-SUB 28-02-23	28 Feb 2023	10.3000	50.00
INE092T08EC2	8.45% IDBKL CFL-38-03-05-2024	3 May 2024	8.4500	70.00
INE688I08194	9.10% IDBKL CFL-74-SUB 07-06-24	7 Jun 2024	9.1000	29.00
INE688I08087	9.40% IDBKL CFL-66-SUB 29-09-25	29 Sep 2025	9.4000	49.60
INE688I08095	9.25% IDBKL CFL-67-SUB 30-10-25	30 Oct 2025	9.2500	74.90
INE688I08103	9.25% IDBKL CFL-68-SUB 20-11-25	20 Nov 2025	9.2500	25.00
INE688I08111	9.25% IDBKL CFL-69-SUB 15-12-25	15 Dec 2025	9.2500	25.00
INE688I08129	9.25% IDBKL CFL-70-SUB 29-12-25	29 Dec 2025	9.2500	34.20
INE688I08202	9.10% IDBKL CFL-75-SUB 06-06-25	6 Jun 2025	9.1000	68.00
INE092T08DM3	8.75% IDBKL CFL-22-18-09-2026	18 Sep 2026	8.7500	25.00
INE688I08160	9.24% IDBKL CFL-72-SUB 24-07-26	24 Jul 2026	9.2400	30.00
INE688I08178	8.25% IDBKL CFL-73-SUB 24-08-27	24 Aug 2027	8.2500	146.60
INE688I08053	9.50% IDBKL CFL-65-SUB 17-05-28	17 May 2028	9.5000	49.50
INE688I08038	11.00% IDBKL CFL-56PERP 08-03-99	8 Mar 2099	11.0000	95.30
INE688I08046	11.00% IDBKL CFL-57PERP 14-03-99	14 Mar 2099	11.0000	24.50
INE688I08061	10.65% IDBKL CFL-58PERP 24-05-99	24 May 2099	10.6500	15.00
INE688I08079	10.50% IDBKL CFL-59PERP 23-09-99	23 Sep 2099	10.5000	49.60
INE688I08145	10.50% IDBKL CFL-60PERP 01-03-99	1 Mar 2099	10.5000	56.80
INE688I08152	9.75% IDBKL CFL-61PERP 06-06-99	6 Jun 2099	9.7500	28.20
INE688I08186	8.60% IDBKL CFL-62PERP 18-09-99	18 Sep 2099	8.6000	76.20
Total				1968.4





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