

February 01, 2023

The Manager – Listing Department  
National Stock Exchange of India Limited  
Exchange Plaza, 5<sup>th</sup> Floor,  
Bandra-Kurla-Complex, Bandra (East),  
Mumbai - 400 051  
NSE Scrip Code: IDFC

The Manager – Listing Department  
BSE Limited  
1<sup>st</sup> Floor, P.J. Towers,  
Dalal Street,  
Mumbai - 400 001  
BSE Scrip Code: 532659

**Sub: IDFC Limited – Presentation on Q3FY23(Quarter and nine months ended December 31, 2022)**

Dear Sirs,

Pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached a copy of the presentation on the financials for the quarter and nine months ended December 31, 2022.

This is for your information and records

Thanking you,

Yours faithfully,  
For IDFC Limited



**Shivangi Mistry**  
**Company Secretary**

Encl.: A/a

# IDFC LIMITED

## IR PRESENTATION

Q3 FY23

FEBRUARY 1, 2023



# INDEX

---

**1. Financials**

**3**

**2. IDFC FIRST Bank**

**6**

# FINANCIALS

# Applicability of Ind As

---

- ✓ Financials of IDFC Ltd & all its group companies (except IDFC FIRST Bank) have been prepared in accordance with the Companies (Indian Accounting Standards) Rules , 2015 (Ind As)
- ✓ IDFC FIRST Bank has submitted “Fit for consolidation” financials approved by the Audit Committee & reviewed by statutory auditors

# Consolidated PAT

			All figures in INR Crore
<u>Particulars</u>	<u>9M FY 23</u>	<u>9M FY 22</u>	<u>FY22</u>
IDFC Standalone PAT	247.88	51.30	53.88
Add: profit of Subsidiaries			
<i>Profit of AMC</i>	79.49	139.28	176.86
<i>Profit of FHCL</i>	(3.53)	62.81	291.41
<i>Profit of other subsidiaries</i>	(1.73)	(21.24)	(19.05)
<b>Profit of subsidiaries</b>	<b>74.23</b>	<b>180.85</b>	<b>449.22</b>
Add: Profit from associates, other adjustments			
<i>IDFC FIRST Bank*</i>	698.68	(139.42)	134.33
<i>Reversal of share of associate DIMTS and Ideck</i>	-	-	(105.60)
<i>Others/other adjustments</i>	-	0.54	0.55
<b>Total Profit from associates and other adjustments</b>	<b>698.68</b>	<b>(138.88)</b>	<b>29.28</b>
IDFC standalone PAT + Profit of subsidiaries + Profit from associates	1,020.79	93.27	532.38
<i>Less: Dividend elimination</i>	170.00	91.09	340.24
<b>Consol PAT</b>	<b>850.79</b>	<b>2.18</b>	<b>192.14</b>
* Under Ind AS			

IDFC FIRST BANK

# Key financial highlights of Q3 FY23

Area	Key Parameters	Q3 FY22	Q3 FY23	Growth (%/bps)
Assets	Total Funded Assets	Rs. 1,21,419 Cr	Rs. 1,52,152 Cr	25% ▲
Deposits	Customer Deposits	Rs. 85,818 Cr	Rs. 1,23,578 Cr	44% ▲
	CASA Ratio (%)	51.6%	50.0%	-161 bps ▼
Asset Quality	GNPA (%) – Bank level	3.96%	2.96%	-100 bps ▼
	NNPA (%) – Bank level	1.74%	1.03%	-71 bps ▼
	Provision Coverage Ratio - Bank	67.16%	76.60%	944 bps ▲
	GNPA (%) – Retail & Commercial	2.92%	1.87%	-105 bps ▼
	NNPA (%) – Retail & Commercial	1.28%	0.70%	-58 bps ▼
Profitability	Profit/(Loss) After Tax	Rs. 281 Cr	Rs. 605 Cr	115% ▲
	RoA%	0.64%	1.11%	46 bps ▲
	RoE%	5.44%	10.72%	528 bps ▲
Capital	Capital Adequacy Ratio (%)	15.38%	16.06%	68 bps ▲

1. Total Funded Assets are Net of IBPC; 2. Commercial Finance consists of business installment loans, micro business loans, small business working capital, commercial vehicle, trade advances etc. with most loans < Rs. 5 crore; 3. RoA/RoE are quarterly annualized. 4. Provision Coverage ratio includes technical write-offs



# Management commentary (1/4)

## Safety First

- We think of **safety first**.
- At merger, the bank had institutional deposits and borrowings of **Rs. 1,05,541 crore** and retail deposits of only **Rs. 10,400 crore**.
- Hence under our Safety First approach, we prudently slowed down growth of loan book to only **5.1%** for the first 3 years after merger (December 31, 2018 to December 31, 2021). We instead grew retail deposit base at a 3 year CAGR of **84%** (December 31, 2018 to December 31, 2021).
- Thus, the deposit side transformation is now complete. The Retail deposits now constitute **77%** of the customer deposits as compared to **27%** in Dec-18 (merger quarter).
- Our **CASA deposits** has now reached **50%** which was **8.68%** in Dec-18 (merger quarter)
- On this strong foundation, we expect to grow the overall loan book ~20-25% on a sustainable basis from here on for the foreseeable future.

## Culture : Ethical and Customer First Practices at the core

- **We design highly customer friendly products and services.**
- We apply a **“Near-and-Dear”** test while designing all our products and services, meaning, we only sell such products which we are happy to sell to our “near and dear” ones.
- We charge minimal fees, if at all, and certainly not in ways the customer does not notice. We have taken being ethical and transparent to a philosophical level within the bank.
- Whether in savings accounts, credit cards or any other service, we introduce features in favor of the customer, such as online redemption of rewards points, evergreen rewards points, monthly interest credit, zero fees on non-home branch transactions, zero fees for over 25-30 such services. We are the first bank in the country to introduce Zero Fee Banking for savings accounts related services subject to maintaining minimum balances.

# Management commentary (2/4)

## Assets

- All Legacy Accounts of infrastructure and corporate loans are provided for, or are a part of reported NPA.
- The share of Infrastructure book has further reduced to **3.7%** of the total Funded Assets from **22%** as on December 31, 2018 (merger quarter). Share of bulk corporate Loans have come down to **17%** as on Dec-31, 2022 to **33%** from at the time of merger.
- Since merger, we have sanctioned ~**Rs. 25,000 crore** of loans to new corporate clients and asset quality is pristine.
- The Bank has launched many **new products in the Retail and Commercial segment** such as Gold loans, education loans, credit cards, Kisan Credit Cards, Farmer Loans, new car loans, wealth management, FASTag, cash management, and growing the portfolio in a steady manner.

## Asset Quality

- We have a track record of 12 years of maintaining our Gross NPA at ~2% and ~1% respectively, including the period of Capital First to the Bank's experience as the entities are merged.
- During this period, our portfolio has been subjected to multiple stress-tests, including economic slowdown (2010-2014), Demonetization (2016), GST implementation (2017), ILFS crisis (2018), Covid (2020-21).
- Yet the Gross and Net NPA has remained in the corridor of GNPA and NNPA of 2% and 1% respectively, except a temporary spike during COVID.
- Even post COVID, retail NPA has reverted to the long-term averages (Gross and Net NPA=**1.87%** and NNPA=**0.70%** as of December 31, 2022).

## Capital

- **The bank is well capitalised** at with capital adequacy of **16.1%** (incl. profits of 9M FY23) and has significant headroom for Tier 2 capital, and loan growth.

# Management commentary (3/4)

## Unit Economics

- **Our incremental unit economics of the bank are excellent.** Incremental ROE on Retail lending is around 18-20% after adjusting for Opex, credit costs and tax.
- The strength of the profitability of the incremental business is already showing in the P&L line and ROE build up. Our ROE is increasing every quarter and has crossed 10% quickly.
- We are experiencing strong improvement in operating leverage. The Core PPOP increased 44% in FY22 over FY21. In 9M FY23, the core operating profit has increased further by **70%**.

## Fee Income

- **As a universal Bank, we have launched multiple lines of new businesses** In addition to regular business like wholesale loans, retail loans, insurance distribution, mutual fund distribution, we have launched new businesses such as such as Fastag, Cash management, wealth management, etc. In all businesses we feel we are yet at the start of the journey.
- Retail Fees constitutes **91%** of the total fee income which points to granularity and sustainability of this line item.

## Profitability

- Our Incremental ROE on Retail and commercial finance is between **18-20%** after adjusting for credit costs and tax.
- As a result, over the last 5 trailing quarters, our ROE has increased from **2.97%** in Q2-FY22 to **5.44%** in Q3-FY22, to **6.67%** in Q4-FY22, to **8.96%** in Q1-FY23, to **10.13%** in Q2 FY23 and to **10.72%**.
- This clearly demonstrates the strong ROE generation of our incremental business which is rapidly increasing the overall ROE of the Bank quickly.



# Management commentary (4/4)

## Corporate Governance

- Our Bank has Eminent, qualified and experienced Board of Directors. All committees are headed by independent directors except CSR which is headed by the MD and CEO.
- We have transparent communication, both internal and external, and release detailed investor presentation.

## Technology

- The bank continues to invest in laying a strong, modular and contemporary technology architecture that will help the bank to simultaneously enable efficiency, resilience, and growth.
- The Bank continues to strengthen its superior capabilities of predictive analytics in the area of credit underwriting, portfolio management, collection strategy , fraud risk mitigation and other such areas.

## ESG and CSR

- We understand that saving the planet should be the biggest goal for mankind and want to participate along-with the rest of the world in Environmental causes. Our Business is naturally aligned to Social Goals. Governance is our pillar and it is our responsibility to live up to it.
- On CSR, we think it is our privilege to do our role in CSR and not as a compulsion.

# Balance sheet

In Rs. Crore	Dec-21	Sep-22	Dec-22	Growth (%) (YoY)
Shareholders' Funds	20,649	22,052	22,698	10%
Deposits	92,765	1,23,442	1,33,038	43%
- CASA Deposits	47,859	63,305	66,498	39%
- Term Deposits	44,906	60,138	66,540	48%
Borrowings	50,792	56,643	54,406	7%
Other liabilities and provisions	10,027	10,639	11,232	12%
<b>Total Liabilities</b>	<b>1,74,232</b>	<b>2,12,776</b>	<b>2,21,374</b>	<b>27%</b>
Cash and Balances with Banks and RBI	17,567	14,847	12,319	-30%
Net Retail and Wholesale Funded Assets*	1,16,422	1,40,239	1,47,109	26%
Investments	31,550	46,580	51,016	62%
Fixed Assets	1,333	1,615	1,902	43%
Other Assets	7,360	9,495	9,028	23%
<b>Total Assets</b>	<b>1,74,232</b>	<b>2,12,776</b>	<b>2,21,374</b>	<b>27%</b>

\*includes credit investments (Non-Convertible Debentures, RIDF, PTC, SRs and Loan Converted into Equity)

# Quarterly P&L

In Rs. Crore	Q3 FY22	Q2 FY23	Q3 FY23	Growth (%) YoY
Interest Income	4,429	5,470	5,912	33%
Interest Expense	1,849	2,468	2,627	42%
<b>Net Interest Income</b>	<b>2,580</b>	<b>3,002</b>	<b>3,285</b>	<b>27%</b>
Fee & Other Income	744	945	1,117	50%
Trading Gain	25	116	36	45%
<b>Operating Income</b>	<b>3,349</b>	<b>4,064</b>	<b>4,438</b>	<b>33%</b>
<b>Operating Income (Excl Trading Gain)</b>	<b>3,324</b>	<b>3,947</b>	<b>4,402</b>	<b>32%</b>
Operating Expense	2,579	2,895	3,177	23%
<b>Operating Profit (PPOP)</b>	<b>770</b>	<b>1,169</b>	<b>1,261</b>	<b>64%</b>
<b>Operating Profit (Ex. Trading gain)</b>	<b>745</b>	<b>1,052</b>	<b>1,225</b>	<b>64%</b>
Provisions	392	424	450	15%
<b>Profit Before Tax</b>	<b>378</b>	<b>745</b>	<b>811</b>	<b>114%</b>
Tax	97	189	206	113%
<b>Profit After Tax</b>	<b>281</b>	<b>556</b>	<b>605</b>	<b>115%</b>

# Nine Months P&L

In Rs. Crore	9M FY22	9M FY23	Growth (%) YoY
Interest Income	12,619	16,303	29%
Interest Expense	5,582	7,265	30%
<b>Net Interest Income</b>	<b>7,037</b>	<b>9,039</b>	<b>28%</b>
Fee & Other Income	1,851	2,961	60%
Trading Gain	540	109	-80%
<b>Operating Income</b>	<b>9,428</b>	<b>12,108</b>	<b>28%</b>
<b>Operating Income (Excl Trading Gain)</b>	<b>8,887</b>	<b>11,999</b>	<b>35%</b>
Operating Expense	6,970	8,735	25%
<b>Operating Profit (PPOP)</b>	<b>2,457</b>	<b>3,373</b>	<b>37%</b>
<b>Operating Profit (Ex. Trading gain)</b>	<b>1,917</b>	<b>3,265</b>	<b>70%</b>
Provisions	2,739	1,182	-57%
<b>Profit Before Tax</b>	<b>(282)</b>	<b>2,191</b>	-
Tax	(85)	556	-
<b>Profit After Tax</b>	<b>(197)</b>	<b>1,635</b>	-

# Strong growth in profitability : RoA crosses 1%

**Profit After Tax**



**Return on Average Total Assets**



**Return on Average Equity**



The strong profitability trajectory of the Bank is driven by

- Powerful incremental unit economics
- Retail lending business ROE of 18-20%
- Retiring of high-cost liabilities
- Growth in credit cards business
- Improving branch productivity
- New Business launches (Wealth, FASTag, CMS, etc.)
- Profitable wholesale business
- Reduced provisions
- Improved operating leverage

We expect profitability to further improve going forward.