

IDFCFIRSTBANK/SD/065/2020-21

May 29, 2020

The Manager-Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C – 1, G – Block
Bandra-Kurla Complex, Bandra (East)
Mumbai 400 051.
Tel No.: 022 – 2659 8237/ 38
NSE – Symbol: IDFCFIRSTB

The Manager-Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai 400 001.
Tel No.: 022 – 2272 2039/ 37/ 3121
BSE - Scrip Code: 539437

Sub.: Intimation regarding re-affirmation of Credit Rating to the Non-Convertible Debentures ('NCDs') and Bank Loan facilities of IDFC FIRST Bank Limited ('Bank').

Ref.: *Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations')*

Dear Sir/ Madam,

Pursuant to Regulation 30 of the Listing Regulations, we wish to inform that **Brickwork Ratings** have re-affirmed its existing ratings ('*BWR AA+/Stable*') in respect of Bank's NCDs and Bank Loan facilities.

Detailed press-release of the aforesaid Credit Rating re-affirmation 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

28 May 2020

IDFC First Bank Limited

Brickwork Ratings reaffirms 'BWR AA+/Stable' on IDFC First Bank Ltd.

Particulars:

Instruments	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (May 2019)	Present
Non Convertible Debentures	5825	3372.20	Long Term	BWR AA+ (Stable)	BWR AA+ (Stable) Reaffirmed
Bank Loans	1200	660	Long Term	BWR AA+ (Stable)	BWR AA+ (Stable) Reaffirmed
Total	7025	4032.20	Rupees Four Thousand Thirty Two Crores Twenty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings

Note: The reduction in the total rated amount from Rs.7025 Crs to Rs.4032.20 Crs is post redemption in non convertible debentures and repayment of the bank loan instalments. It is the outstanding amount as of 26 May 2020

Note: ISIN-wise details is provided in Annexure-I

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) reaffirms the rating of non-convertible debentures and bank loans of IDFC First Bank Ltd (IDFCFB or the bank), as tabulated above. BWR factors in the bank's performance upto FY20, publicly available information, and information and clarification provided by the bank's management.

The rating reaffirmation factors in the bank's comfortable capital adequacy ratios of a total CAR of 13.38%, tier I ratio of 13.30% and CET-1 ratio of 13.30% and expected strengthening of these ratios in FY21; maintained business size of Rs.1.5 lakh Crs consisting of net advances of Rs.85,595 Crs and total deposits of Rs.65,108 Crs as of 31 March 2020 through increased focused on the retail portfolio. The bank has a strong board of directors and dynamic team of management under the leadership of Mr V. Vaidyanathan as its Managing Director and Chief Executive Officer.

The rating is, however, constrained by the increase in stressed assets ratio to 3.46% as of 31 March 2020, mainly from an increase in standard restructured advances to Rs.752 Crs in FY20; Additions to the NPA have been fluctuating over the last five quarters and were substantially lower for Q4FY20, which was mainly due to muted loans as a result of the regulatory moratorium having been extended effective 01 March 2020. Further, the net losses of the bank have increased from Rs.1,944 Crs in FY19 to Rs.2,864 Crs in FY20. Going forward, substantial increase in slippages for FY21 and its impact on the provisioning and profitability shall be key monitorable.

BWR continues to maintain the bank's 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 2020 continue to remain strong, and it has a total CAR of 13.8%, tier 1 ratio of 13.3% and CET-1 ratio of 13.3%, which is well above the regulatory requirement of 11.5%, 9.5% and 8.0%, respectively, required as of 30 September 2020. The bank is also increasingly building on the advances portfolio towards a better rated portfolio to improve its risk-weighted assets (RWA). The bank plans to infuse capital funds amounting to Rs.2000 Crs by end of Q1FY21, which will increase the total CAR to 15.5% and tier-I and CET-1 ratios to 15.3% each. The networth of the bank is comfortable at 15x of its net non performing assets as of 31 March 2020.

Gradual conversion of business mix: The bank's business mix is gradually shifting from wholesale to retail. It was in the proportion of 63:37 as of FY19, which stands shifted in the proportion of 46:54 in favour of retail. The bank has increased the retail book both on the liabilities, as well as assets side.

The bank has increased its CASA deposits from Rs.7,893 Crs as of 31 March 2019 to Rs.20,661 Crs as of 31 March 2020. The CASA ratio improved from 11.4% as of 31 March 2019 to 31.9% as of 31 March 2020. The bank increased its retail term deposits from Rs.8,769 Crs as of 31

March 2019 to Rs.18,127 Crs as of 31 March 2020, and has decreased its Certificate of Deposits outstanding substantially from Rs.28,754 Crs as of 31 March 2019 to Rs.7,111 Crs as of 31 March 2020.

The bank increased its retail funded assets by 40% from Rs.40,812 Crs in FY19 to Rs.57,310 Crs in FY20 and decreased wholesale funded assets by 27% from 53,649 Crs in FY19 to Rs.39,388 Crs in FY20. The retail-funded assets book of the bank consists of mortgage loans, micro, small and medium enterprises (MSME) loans, consumer loans and rural micro finance. All these segments have grown by over 40%, and MSME has grown by 34%, for FY20 over FY19. The wholesale-funded assets book consisting of infrastructure decreased by 31% to Rs.14,840 Crs, and corporates decreased by 24% to Rs.24,548 Crs, through downselling and prepayments, and these are further expected to decrease for FY21.

Strong board and experienced management team: The bank has a strong board of directors consisting of Dr Rajiv B. Lall as the part time Non Executive Chairman, three non independent directors - one each representing the major shareholders of the bank viz. the Government of India, the IDFC Limited and Warburg Pincus affiliates. It also has six independent directors. The bank has a dynamic and an experienced team of management consisting of Mr Sudhanshu Jain as the Chief Financial Officer, Mr Pankaj Sanklecha as the Chief Risk Officer, Mr Madhivanan Balkrishnan as the Chief Operating Officer and Mr Paritosh Mathur as the Head Wholesale banking. The bank's entire team functions under the leadership of Mr. V. Vaidyanathan - Managing Director and Chief Executive Officer of the Bank.

Credit Risks:

Concerns on asset quality: The bank has a GNPA of Rs.2280 Crs, standard restructured advances of Rs.752 Crs and net NPA of Rs.809 Crs. The additions to the NPA have been fluctuating during the past five quarters (Q4FY19: Rs.951 Crs, Q1FY20: Rs.654 Crs, Q2FY20: Rs.829 Crs, Q3FY20: Rs.791 Crs and Q4FY20: Rs.415 Crs), mainly due to its exposure to certain sensitive sectors. The substantially low slippages in Q4 FY20 is due to the regulatory extension of moratorium to eligible borrowers on loans falling due effective from 01 March 2020 for a period of 3 months. The regulator has further extended the moratorium for additional 3 months and permitted the conversion of the overdue working capital interest to funded interest term loans (FITL). The conversion of these facilities to FITL, and revival in the economic activity of borrowers shall remain the key concern on asset classification and their treatment by end of FY21. The bank's exposure to retail funded assets comprises business loans under consumer loans and MSME, and the impact of COVID-19 on the asset quality from these segments shall be a key monitorable over the near term.

Average earnings profile: The bank's net losses have increased from Rs.1,944 Crs in FY19 to a net loss of Rs.2,864 Crs in FY20. During FY20, the bank's net losses are mainly due to (i) accelerated provisioning on stressed assets amounting to ~Rs 3,500 Crs; and (ii) the markdown of existing deferred tax assets due to a change in the corporate tax rate amounting to Rs 751 Crs. After continuing losses over the quarters, the bank has generated net profits for Q4FY20. For Q4FY20, the bank has made COVID-19 related provisions of Rs.225 Crs. Of these, provisions of Rs.25 Crs are pertaining to accounts wherein the asset classification benefit was given, and Rs.200 Crs are for over-dues of 1-89 days. Incremental slippages to the asset quality and an increase in provisions, if any, may impact net profits for FY21.

Higher cost to income ratio: The bank has expanded its network from 242 branches as of 31 March 2019 to 464 branches as of 31 March 2020. It has 356 automated teller machines as of 31 March 2020. This has resulted in a higher operating expenses and a cost to income ratio of 73% (FY19: 79%), which is on a higher side in the industry.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its 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. As the bank loans are availed from NABARD for refinance to the rural sector, the base case rating is extended to these bank loans.

RATING SENSITIVITIES

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

Negative: Substantial increase in the stressed assets ratio to over 5% and an increase in net losses would constitute negatives that could impact the bank's ratings and/or outlook.

In light of the COVID-19 situation, IDFC First Bank's disbursements have been slower during the lockdown period, and the bank will continue to increase its retail deposits. The bank has provided a moratorium to its eligible customers and is at 35% of its outstanding book.

LIQUIDITY INDICATORS: ADEQUATE

As of 31 March 2020, the average quarterly liquidity coverage ratio of the bank was 111% and well above the regulatory requirement of 80%. The bank had a cash and bank balance of Rs.4,191 Crs, investments of Rs.45,405 Crs and borrowings of Rs.57,398 Crs on a networth of Rs.15,343 Crs as of 31 March 2020. The bank's Basel III leverage ratio of 8.36% as of 31 March 2020 is well above the regulatory requirement of 3.5%.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

nil

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. The bank has completed one full year of its operations in FY20. The bank had 464 branches and 356 ATMs on a total balance sheet size of Rs.149,200 Crs and business size of Rs.150,703 Crs as of 31 March 2020. The key shareholders of the bank are the Government of India (5.43%), IDFC Ltd (40%), Warburg Pincus affiliates (9.92%), as of 31 March 2020. Mr V. Vaidyanathan is the managing director of the bank and is supported by an experienced team of management.

KEY FINANCIAL INDICATORS

IDFC First Bank Ltd	Audited	Audited	Audited
Key Parameters – Rs Cr	FY2018	FY2019	FY2020
Total Deposits	48,198	70,479	65,108
Deposit Growth (in %)	19.9%	46.2%	-7.6%
Net Advances	52,165	86,302	85,595
Loans Growth(%)	5.6%	65.4%	-0.8%
Total Business	100,363	156,781	150,703
Business Growth (%)	12.0%	56.2%	-3.9%
CASA Ratio (%)	11.8%	11.4%	31.9%
Profitability Ratios (%)			
RoE (%)	5.7%	Negative	Negative
RoA (%)	0.7%	Negative	Negative
NIM (%)	1.7%	2.4%	3.6%
Net Interest Income (NII)	1798	3199	5635
Non Interest Income	1118	939	1722
Operating profits	1263	850	1937

Provisions (other than tax) & contingencies	236	1546	4315
PAT	859	-1944	-2864
Cost to Income Ratio (%)	54.1%	79.4%	73.7%
Asset Liability Profile (%)			
Loans/Deposit Ratio (%)	108.2%	122.5%	131.5%
Gross NPAs to Advances (%)	3.30%	2.43%	2.60%
Net NPAs to Advances (%)	1.70%	1.27%	0.94%
Net Standard Restructured Advances (%)	1.26%	0.40%	0.86%
Stressed Ratio (%) (Gross NPA% + Net.Std.Restr.Adv%)	4.56%	2.83%	3.46%
Provision Coverage Ratio (%)	70%	48%	65%
Capital adequacy ratios (%)			
Total CAR (%)	18.00%	15.47%	13.38%
Tier I (%)	17.70%	15.23%	13.30%
CET -I (%)	17.70%	15.23%	13.30%
AT-1 (%)	-	-	-
Tier II (%)	0.30%	0.24%	0.08%
IDFCs shareholding (%)	52.80%	40.00%	40.00%
GoI shareholding (%)	7.68%	5.47%	5.43%
Assets (Rs Cr)	126520	167185	149200

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY -nil

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

S. No	Instrument	Current Rating			Rating History		
		Type (Long Term / Short Term)	Amount (₹ Crs)	Rating	2019	2018	2017
1	Non Convertible Debentures	Long Term	3372.20	BWR AA+ (Stable) Reaffirmed	BWR AA+ (Stable) Assigned 28-May-2019 (Rs.5825 Crs)	-	-
2	Term Loans	Long Term	660	BWR AA+ (Stable) Reaffirmed	BWR AA+ (Stable) Assigned 28-May-2019 (Rs.1200 Crs)	-	-

	Total	4032.20	Rs. Four Thousand Thirty Two Crores Twenty Lakhs Only
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*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Bank & Financial Institutions](#)
- [Basel III Compliant Instruments](#)

Analytical Contacts	Investor and Media Relations
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**IDFC First Bank
ANNEXURE I
INSTRUMENT DETAILS**

Following is the list of Outstanding non convertible debentures as of 26-May-2020

Sno	ISIN Code	Bonds Name	Maturity Date	Coupon (%)	Amount Rs Crs
1	INE688I08012	10.30% IDBKL CFL-64-SUB 28-02-23	28-Feb-2023	10.3	100
2	INE688I08020	10.30% IDBKL CFL-63-SUB 28-02-23	28-Feb-2023	10.3	50
3	INE688I08038	11.00% IDBKL CFL-56PERP 08-03-99	08-Mar-2099	11	100
4	INE688I08046	11.00% IDBKL CFL-57PERP 14-03-99	14-Mar-2099	11	25
5	INE688I08053	9.50% IDBKL CFL-65-SUB 17-05-28	17-May-2028	9.5	50
6	INE688I08061	10.65% IDBKL CFL-58PERP 24-05-99	24-May-2099	10.65	15
7	INE688I08079	10.50% IDBKL CFL-59PERP 23-09-99	23-Sep-2099	10.5	50
8	INE688I08087	9.40% IDBKL CFL-66-SUB 29-09-25	29-Sep-2025	9.4	50
9	INE092T08CR4	9.20% IDBKL CFL-01-23-10-2020	23-Oct-2020	9.2	15
10	INE688I08095	9.25% IDBKL CFL-67-SUB 30-10-25	30-Oct-2025	9.25	75
11	INE688I08103	9.25% IDBKL CFL-68-SUB 20-11-25	20-Nov-2025	9.25	25
12	INE688I08111	9.25% IDBKL CFL-69-SUB 15-12-25	15-Dec-2025	9.25	25
13	INE688I08129	9.25% IDBKL CFL-70-SUB 29-12-25	29-Dec-2025	9.25	35
14	INE092T08CV6	9.20% IDBKL CFL-05-22-01-2021	22-Jan-2021	9.2	205
15	INE092T08CW4	9.20% IDBKL CFL-06-29-01-2021	29-Jan-2021	9.2	50
16	INE688I08137	9.35% IDBKL CFL-71-SUB 04-02-26	04-Feb-2026	9.35	100
17	INE688I08145	10.50% IDBKL CFL-60PERP 01-03-99	01-Mar-2099	10.5	60
18	INE092T08DA8	9.10% IDBKL CFL-10-31-05-2021	31-May-2021	9.1	149
19	INE092T08DB6	9.10% IDBKL CFL-11-31-05-2023	31-May-2023	9.1	20
20	INE688I08152	9.75% IDBKL CFL-61PERP 06-06-99	06-Jun-2099	9.75	30
21	INE092T08DD2	9.10% IDBKL CFL-13-13-06-2023	13-Jun-2023	9.1	7
22	INE092T08DF7	9.10% IDBKL CFL-15-30-06-2021	30-Jun-2021	9.1	99
23	INE092T08DG5	9.15% IDBKL CFL-17-19-07-2023	19-Jul-2023	9.15	35.2
24	INE688I08160	9.24% IDBKL CFL-72-SUB 24-07-26	24-Jul-2026	9.24	30
25	INE092T08DI1	8.70% IDBKL CFL-18-15-09-2021	15-Sep-2021	8.7	20
26	INE092T08DL5	8.70% IDBKL CFL-21-20-09-2021	20-Sep-2021	8.7	15
27	INE092T08DM3	8.75% IDBKL CFL-22-18-09-2026	18-Sep-2026	8.75	25
28	INE092T08DZ5	8.40% IDBKL CFL-35-13-04-2022	13-Apr-2022	8.4	50
29	INE092T08EB4	8.40% IDBKL CFL-37-03-05-2022	03-May-2022	8.4	185
30	INE092T08EC2	8.45% IDBKL CFL-38-03-05-2024	03-May-2024	8.45	70
31	INE092T08EH1	8.30% IDBKL CFL-43-05-06-2020	05-Jun-2020	8.3	50
32	INE092T08EI9	8.38% IDBKL CFL-44-15-06-2027	15-Jun-2027	8.38	75
33	INE092T08EJ7	8.25% IDBKL CFL-45-27-06-2022	27-Jun-2022	8.25	50
34	INE092T08EK5	8.25% IDBKL CFL-46-14-07-2022	14-Jul-2022	8.25	465
35	INE092T08EL3	8.08% IDBKL CFL-47-14-08-2020	14-Aug-2020	8.08	40
36	INE688I08178	8.25% IDBKL CFL-73-SUB 24-08-27	24-Aug-2027	8.25	200

37	INE688I08186	8.60% IDBKL CFL-62PERP 18-09-99	18-Sep-2099	8.6	80
38	INE092T08EU4	8.25% IDBKL CFHFL-76-29-09-2022	29-Sep-2022	8.25	100
39	INE092T08EM1	8.20% IDBKL CFL-48-27-11-2020	27-Nov-2020	8.2	165
40	INE092T08EN9	8.25% IDBKL CFL-49-08-12-2022	08-Dec-2022	8.25	180
41	INE092T08EP4	8.40% IDBKL CFL-51-22-02-2021	22-Feb-2021	8.4	102
42	INE688I08194	9.10% IDBKL CFL-74-SUB 07-06-24	07-Jun-2024	9.1	30
43	INE688I08202	9.10% IDBKL CFL-75-SUB 06-06-25	06-Jun-2025	9.1	70
		Outstanding NCDs as of 26-May-2020			3372.2

Total Rupees Three Thousand Three Hundred Seventy Two Crores Twenty Lakhs Only

Facility	Lender	Limit Rs Crs	O/s Rs Crs
Term loans	NABARD	500	275
Term loans	NABARD	700	385
Bank Loans outstanding as of 26-May-2020		1200	660

Total Rupees Six Hundred Sixty Crores Only

Following is the list of non convertible debentures fully redeemed during the review period

Sno	ISIN Code	Bonds Name	Maturity Date	Coupon (%)	Amount Rs Crs
1	INE092T08CZ7	9.05% IDBKL CFL-09-31-05-2019	31-May-19	9.05	25
2	INE092T08DC4	9.05% IDBKL CFL-12-13-06-2019	13-Jun-19	9.05	5
3	INE092T08DE0	9.05% IDBKL CFL-14-28-06-2019	28-Jun-19	9.1	45
4	INE092T08DH3	9.05% IDBKL CFL-16-19-07-2019	19-Jul-19	9.05	95
5	INE092T08DJ9	8.65% IDBKL CFL-19-13-09-2019	13-Sep-19	8.65	80
6	INE092T08DK7	8.65% IDBKL CFL-20-20-09-2019	20-Sep-19	8.65	10
7	INE092T08DV4	8.41% IDBKL CFL-31-13-03-2020	13-Mar-20	8.41	95
8	INE092T08DY8	8.35% IDBKL CFL-34-13-04-2020	13-Apr-20	8.35	185
9	INE092T08EA6	8.35% IDBKL CFL-36-30-04-2020	30-Apr-20	8.35	85
10	INE092T08ED0	8.35% IDBKL CFL-39-15-05-2020	15-May-20	8.35	135
11	INE092T08EE8	8.35% IDBKL CFL-40-15-05-2020	15-May-20	8.35	50
12	INE092T08EF5	8.35% IDBKL CFL-41-18-05-2020	18-May-20	8.35	50
13	INE092T08EG3	8.35% IDBKL CFL-42-19-05-2020	19-May-20	8.35	150
		NCDs fully redeemed till 26-May-2020			1010

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.



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