

November 11, 2022

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 Q2FY23 (Quarter ended September 30, 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 ended September 30, 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

Q2 FY23

NOVEMBER 11, 2022



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# FINANCIALS

# Applicability of Ind As

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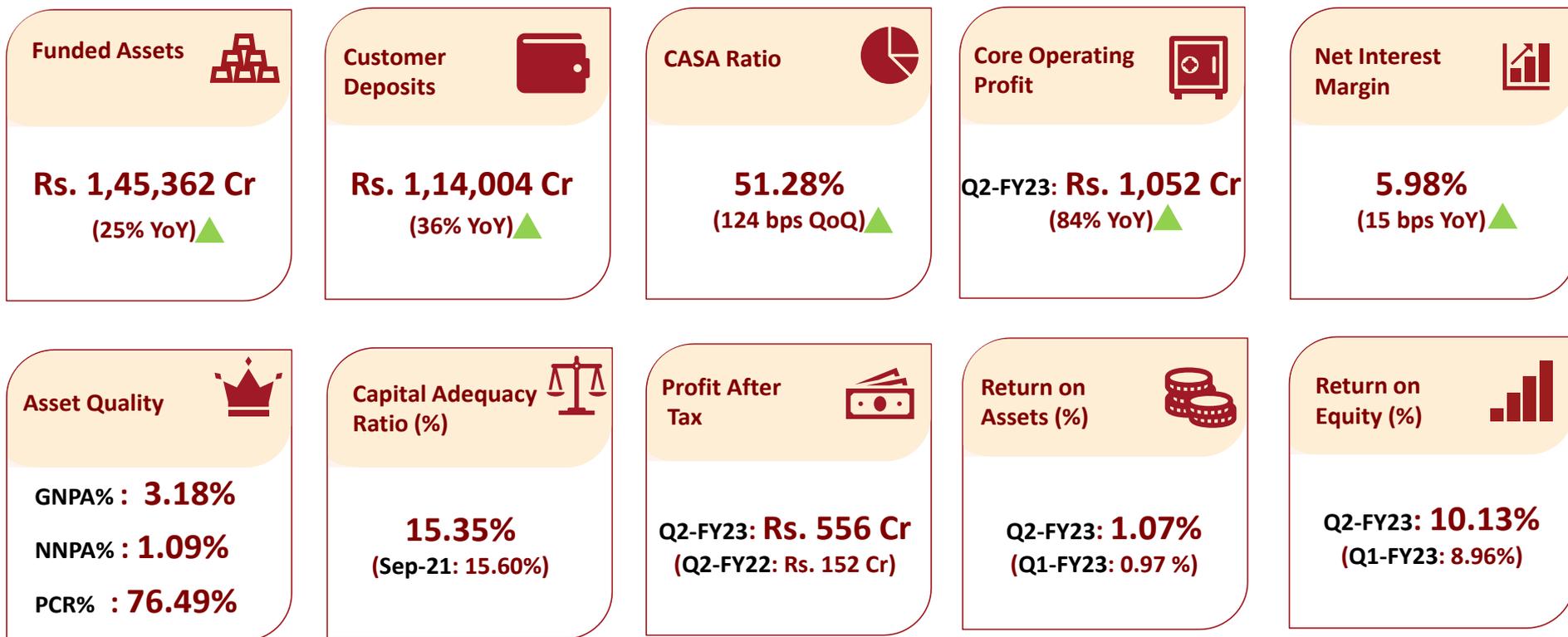
- ✓ Financials of IDFC Ltd & all its group companies (except IDFC FIRST Bank) have been prepared in accordance with the Companies (Indian Accounting Standards) Rules , 2015 (Ind As)
- ✓ IDFC FIRST Bank has submitted “Fit for consolidation” financials approved by the Audit Committee & reviewed by statutory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

# Consolidated PAT

Particulars	All figures in INR Crore				
	H1FY 23	H1FY 22	Q2FY 23	Q2FY 22	FY22
IDFC Standalone PAT	181.64	4.05	14.16	8.08	21.86
Add: profit of Subsidiaries			-	-	
<i>Profit of AMC</i>	57.40	93.20	35.12	46.74	176.86
<i>Profit of FHCL</i>	(3.72)	(4.55)	0.10	(2.31)	291.41
<i>Profit of other subsidiaries</i>	42.67	13.14	30.34	12.19	18.58
<b>Profit of subsidiaries</b>	<b>96.35</b>	<b>101.79</b>	<b>65.56</b>	<b>56.63</b>	<b>486.85</b>
Add: Profit from associates, other adjustments				-	
<i>IDFC FIRST Bank*</i>	444.78	(227.53)	270.00	199.03	134.33
<i>Reversal of share of associate DIMTS and Ideck</i>	-	-	-	-	(105.60)
<i>Others/other adjustments</i>	1.03	(8.78)	(0.16)	(6.40)	(5.06)
<b>Total Profit from associates and other adjustments</b>	<b>445.81</b>	<b>(236.31)</b>	<b>269.84</b>	<b>192.63</b>	<b>23.67</b>
IDFC standalone PAT + Profit of subsidiaries + Profit from associates	723.79	(130.47)	349.55	257.34	532.38
<i>Less: Dividend elimination</i>	170.00	-	-	-	340.24
<b>Consol PAT</b>	<b>553.80</b>	<b>(130.47)</b>	<b>349.55</b>	<b>257.34</b>	<b>192.14</b>
* Under Ind AS					

IDFC FIRST BANK

# Bank at a glance as on Sept 30, 2022



1. Funded Assets are net of IBPC. 2. Capital Adequacy is computed by Including profits for H1 FY23. 3. GNPA & NNPA as on June 30, 2022 stood at 3.36% and 1.30% with PCR of 73.13%; 4. Provision Coverage Ratio is including technical write w/off.

# Key financial highlights of Q2 FY23

Area	Key Parameters	Q2 FY22	Q2 FY23	Growth (%/bps)
Assets	Total Funded Assets	Rs. 1,16,470 Cr	Rs. 1,45,362 Cr	25% ▲
Deposits	Customer Deposits	Rs. 83,889 Cr	Rs. 1,14,004 Cr	36% ▲
	CASA Ratio (%)	51.28%	51.28%	-
Asset Quality	GNPA (%) – Bank level	4.27%	3.18%	-108 bps ▼
	NNPA (%) – Bank level	2.09%	1.09%	-100 bps ▼
	Provision Coverage Ratio - Bank	63.00%	76.49%	1,349 bps ▲
	GNPA (%) – Retail & Commercial	3.45%	2.03%	-142 bps ▼
	NNPA (%) – Retail & Commercial	1.66%	0.73%	-93 bps ▲
Profitability	Core Operating Profit	Rs. 571 Cr	Rs. 1,052 Cr	84% ▲
	Profit/(Loss) After Tax	Rs. 152 Cr	Rs. 556 Cr	266% ▲
	RoA%	0.35%	1.07%	71 bps ▲
	RoE%	2.97%	10.13%	715 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. Core Operating Income comprises of NII & Fee and Other Income excluding trading gain; 4. Core operating Profit is NII & Fee and Other Income excluding trading gain; 5. RoA/RoE are quarterly annualized. 6. Provision Coverage ratio includes technical write-offs as we continue to collect from the write off pool

# Management commentary (1/2)

## Culture

- **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 family members. 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, no fees on non-home branch transactions, and over 25-30 such services.

## Safety First

- **We think of safety first.** So building deposits was our first priority. At merger, the bank had institutional deposits and borrowings of **Rs. 1,05,541 crore** (Breakup: Corporate Deposits of **Rs. 25,577 crore**, Certificate of Deposits of **Rs. 22,312 crore** and institutional borrowings of **Rs. 57,652 crore**), and retail CASA of only **Rs. 2,795 crore**. So we slowed down growth in advances to 3-year CAGR of only 6% and instead grew a strong retail deposit base for three years. The deposit side transformation is now complete and we have CASA of 50%. **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.**

## Legacy Accounts

- **All Legacy Accounts provided for, or already part of reported NPA.** We have sufficiently provided for all legacy stressed corporate and infrastructure loans. The share of Infrastructure book has further reduced to **4.1%** of the total Funded Assets from **22%** as on December 31, 2018 (merger quarter)

## Wholesale Lending

- **High quality of incremental Wholesale Lending:** Since merger, we have sanctioned **~Rs. 20,000 crore** of loans to new corporate clients and asset quality is pristine.

## Deposits

- **We have grown retail deposits by 3-Year CAGR of 73% and reached CASA of 50%**, based on our strong brand and high service levels. We have created the strong capabilities to comfortably grow the deposit base from here on as required.

## Asset Quality

- **We have a track record of 12 years of maintaining our Gross NPA at ~2% and ~1% respectively**, including Capital First vintage,
- Our portfolio has been subjected to multiple stress-tests, including economic slowdown (2010-2014), Demonetisation (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 during COVID. Even post COVID, retail NPA has reverted to the long term averages (Gross and Net NPA=**2.03%** and **NNPA=0.73%** as of September 30, 2022).

# Management commentary (2/2)

## Capital

- **The bank is well capitalised** at with capital adequacy of **15.4%** and has significant headroom for Tier 2 capital, and loan growth.

## Unit Economics

- **Our incremental unit economics of the bank are excellent.** Incremental ROE on Retail lending is around 20% after adjusting for opex, credit costs and tax. This is already showing in the P & L line and ROE build up. Our ROE is increasing every quarter and has crossed 10%, literally from 0% in at the time of merger.

## Fee Income

- **As a universal Bank, we have launched multiple lines of new businesses** such as Fastag, Cash management, wealth management, etc. in addition to the wholesale loans, retail loans, insurance distribution, mutual fund distribution etc. In all businesses we feel we are yet at the start of the journey. We continue to launch new business lines. Retail Fees constitutes **92%** of the total fee income which points to granularity and sustainability of this line item.

## Profitability

- Our NIM is strong at ~ 6%. 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 and to **10.13%** in Q2 FY23. This clearly demonstrates the strong ROE generation of our incremental business which is rapidly increasing the overall ROE of the Bank quickly. We expect this phenomenon to continue to play out going forward.

## Corporate Governance

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 say things as they are, with transparent communication, both internal and external, and detailed investor presentation.

## Technology

**Contemporary Technologies:** 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.

# Balance sheet

In Rs. Crore	Sep-21	Jun-22	Sep-22	Growth (%) (YoY)
Shareholders' Funds	20,350	21,485	22,052	8%
Deposits	90,235	1,13,349	1,23,442	37%
- CASA Deposits	46,269	56,720	63,305	37%
- Term Deposits	43,966	56,629	60,138	37%
Borrowings	52,603	55,688	56,643	8%
Other liabilities and provisions	9,314	10,044	10,639	14%
<b>Total Liabilities</b>	<b>1,72,502</b>	<b>2,00,565</b>	<b>2,12,776</b>	<b>23%</b>
Cash and Balances with Banks and RBI	17,019	10,761	14,847	-13%
Net Retail and Wholesale Funded Assets	1,11,353	1,32,555	1,40,239	26%
- Net Retail Funded Assets	76,793	1,00,094	1,08,228	41%
- Net Wholesale Funded Assets*	34,560	32,461	32,011	-7%
Investments	34,881	47,095	46,580	34%
Fixed Assets	1,329	1,456	1,615	22%
Other Assets	7,920	8,698	9,495	20%
<b>Total Assets</b>	<b>1,72,502</b>	<b>2,00,565</b>	<b>2,12,776</b>	<b>23%</b>

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

# Quarterly P&L

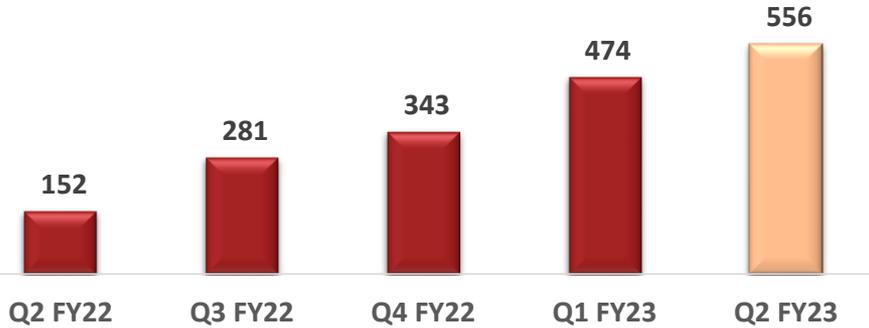
In Rs. Crore	Q2 FY22	Q1 FY23	Q2 FY23	Growth (%) YoY
Interest Income	4,101	4,922	5,470	33%
Interest Expense	1,828	2,171	2,468	35%
<b>Net Interest Income</b>	<b>2,272</b>	<b>2,751</b>	<b>3,002</b>	<b>32%</b>
Fee & Other Income	658	899	945	44%
Trading Gain	122	(44)	116	-5%
<b>Operating Income</b>	<b>3,052</b>	<b>3,607</b>	<b>4,064</b>	<b>33%</b>
<b>Operating Income (Excl Trading Gain)</b>	<b>2,930</b>	<b>3,650</b>	<b>3,947</b>	<b>35%</b>
Operating Expense	2,359	2,663	2,895	23%
<b>Operating Profit (PPOP)</b>	<b>693</b>	<b>944</b>	<b>1,169</b>	<b>69%</b>
<b>Operating Profit (Ex. Trading gain)</b>	<b>571</b>	<b>987</b>	<b>1,052</b>	<b>84%</b>
Provisions	475	308	424	-11%
<b>Profit Before Tax</b>	<b>218</b>	<b>636</b>	<b>745</b>	<b>242%</b>
Tax	66	162	189	187%
<b>Profit After Tax</b>	<b>152</b>	<b>474</b>	<b>556</b>	<b>266%</b>

# Half yearly P&L

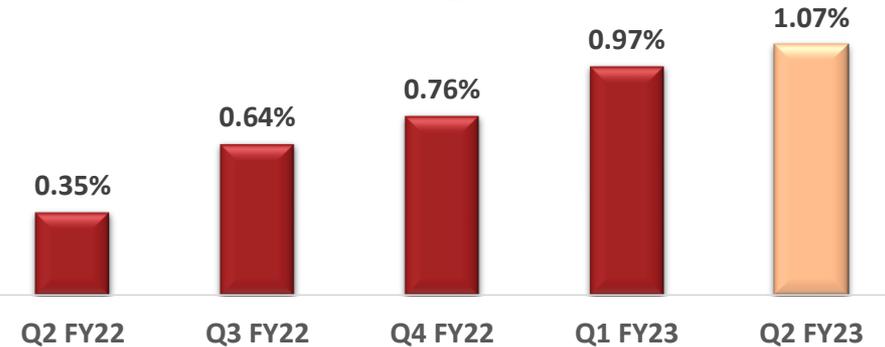
In Rs. Crore	H1 FY22	H1 FY23	Growth (%) YoY
Interest Income	8,190	10,391	27%
Interest Expense	3,733	4,638	24%
<b>Net Interest Income</b>	<b>4,457</b>	<b>5,753</b>	<b>29%</b>
Fee & Other Income	1,107	1,844	67%
Trading Gain	515	73	-86%
<b>Operating Income</b>	<b>6,079</b>	<b>7,670</b>	<b>26%</b>
<b>Operating Income (Excl Trading Gain)</b>	<b>5,564</b>	<b>7,598</b>	<b>37%</b>
Operating Expense	4,392	5,558	27%
<b>Operating Profit (PPOP)</b>	<b>1,687</b>	<b>2,113</b>	<b>25%</b>
<b>Operating Profit (Ex. Trading gain)</b>	<b>1,172</b>	<b>2,040</b>	<b>74%</b>
Provisions	2,347	732	-69%
<b>Profit Before Tax</b>	<b>(660)</b>	<b>1,380</b>	-
Tax	(181)	350	-
<b>Profit After Tax</b>	<b>(478)</b>	<b>1,030</b>	-

# Strong growth in profitability : RoA crosses 1%

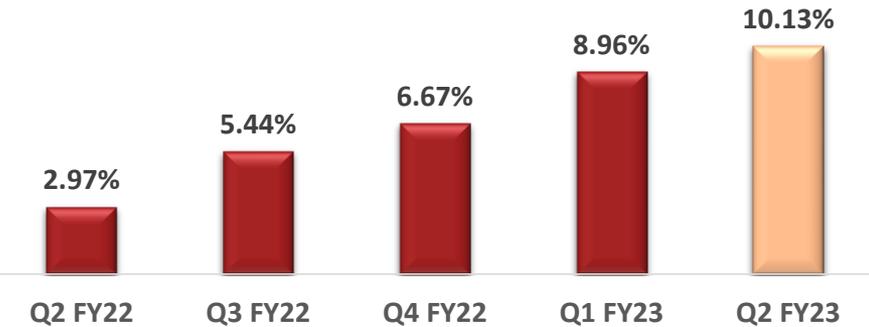
**Profit After Tax (Rs. Cr)**



**Return on Average Total Assets**



**Return on Average Equity**



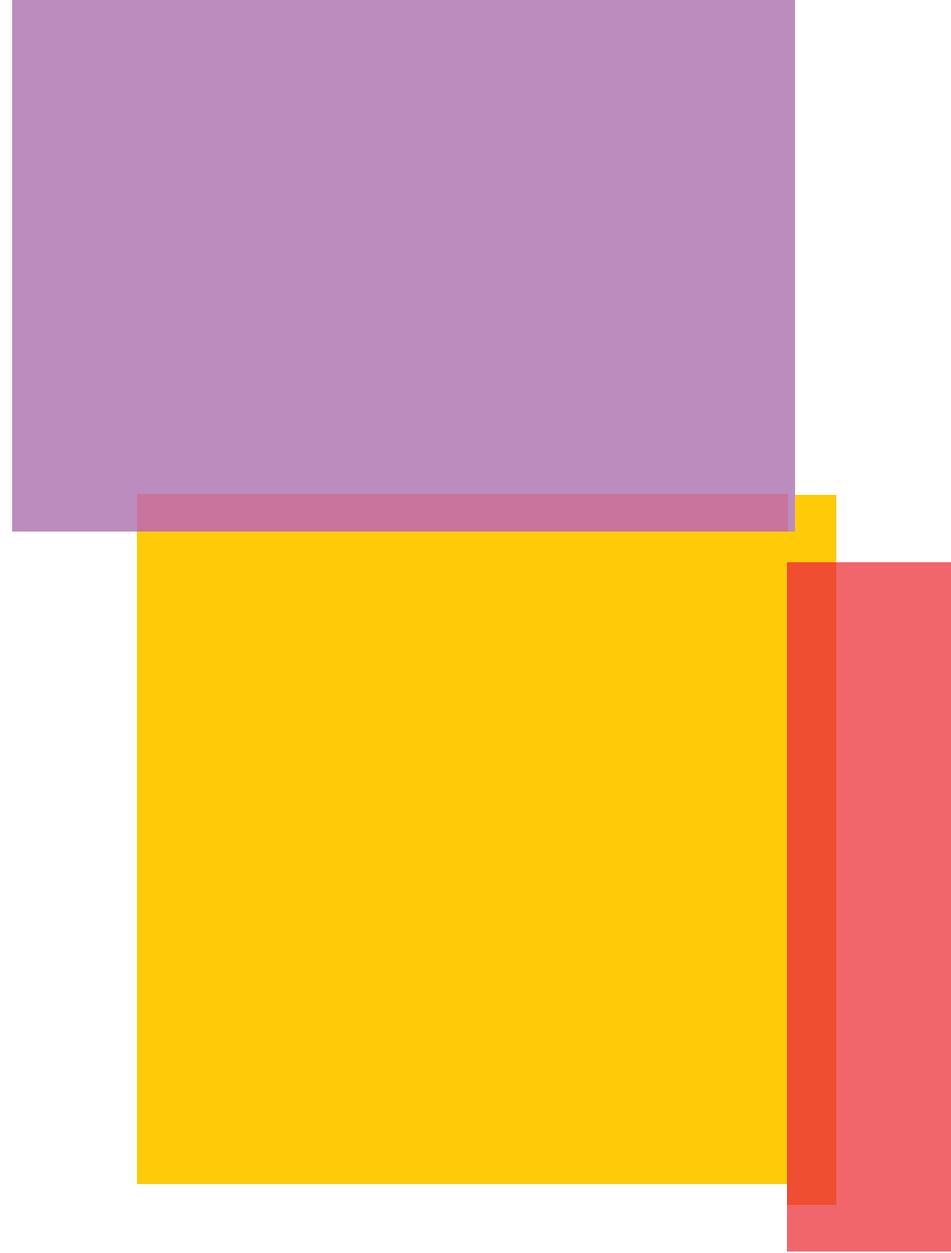
The strong profitability trajectory of the Bank is driven by

- 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.

*RoA(%) and RoE(%) are quarterly annualized*

IDFC AMC



# Financial Performance | Q2'23 vs Q1'23

In INR Cr	Q2'23	Q1'23
AUM <sup>1</sup>	119,849	116,908
Total Income	101.6	81.9
PAT <sup>2</sup>	35.1	22.3

## Sale of IDFC AMC | Transaction update:

- All regulatory applications have been filed with the respective regulators
- CCI Approval was received on August 1, 2022, FSC (Mauritius) Approval was received on September 2, 2022 and RBI Approval was received on October 20, 2022

1. Quarterly average AUM
2. PAT includes OCI