



CHAIRMAN'S STATEMENT



Dear Shareholders,

A difficult financial year for our economy, with sluggish growth was overwhelmed by Covid-19 towards the end. The crisis, globally and domestically, brought on by the pandemic is truly unprecedented. Uncertainty surrounding extent of its adverse impact on human lives and damage to economies, threatens to reorder the very basis of human, social and economic interactions across the globe. Poor visibility on a timeframe for a cure or preventive, further complicates assessment of its impact and our ability to prognosticate potential recovery. However, witnessing the herculean efforts, resources, commitment and will of

political, medical and social stakeholders across the globe to surmount this challenge gives me hope that this crisis will be behind us sooner than later.

Nevertheless, to unlock value for all of you, we continued steadfast on our charted strategic direction of divesting non-retail businesses and investing to grow our retail businesses i.e. IDFC FIRST Bank and IDFC Asset Management Company (AMC).

We have now completely exited our non-retail businesses. We exited private equity business managed by IDFC Alternatives, last fiscal itself. We divested our entire 81.5% stake in the Infrastructure Debt

Fund to the National Investment and Infrastructure Fund and/ or its affiliates. The sale was consummated in two tranches - 51.5% was sold last fiscal and the balance 30% was sold this fiscal.

We had signed an agreement to sell IDFC Securities to Dharmesh Mehta and a group of financial investors. It took us greater part of the fiscal to obtain clearances and approvals and it was only in June '20 that the deal saw its final closure.

IDFC FIRST Bank is progressing well towards its stated goal of becoming a mass retail bank, both on assets side as well as liabilities.

Our bank's retail loans (including inorganic portfolio) constitute 61% of loans as on 31st March 2020, compared to 37% a year ago. Retail loans increased 40% to Rs. 57,310 crores as on 31st March 2020 from Rs. 40,812 crores as on 31st March 2019. Wholesale loans decreased 27% to Rs. 39,388 crores as on 31st March 2020 from Rs. 53,649 crores as on 31st March 2019. Within wholesale, infrastructure loans decreased by 31%.

CASA ratio of the bank improved to 31.9% as on 31st March 2020 from 11.4% as on 31st March 2019. CASA deposits increased to Rs. 20,661 crore as on 31st March 2020 from Rs. 7,893 crores as on 31st March 2019, an increase of 162% over the year. In fourth quarter of the fiscal, CASA growth of Rs. 4,458 crores, despite Covid-19 and other issues was particularly impressive. The fixed deposit program of the bank was assigned the highest safety rating of FAAA by CRISIL.

Net Interest Margin of our bank improved to 4.2% in the last quarter of the fiscal as compared to 3.0% in the last quarter of previous fiscal.

IDFC FIRST Bank has been investing to expand its branch network, which stands at 464 branches and 356 ATMs across the country as on 31st March 2020.

In June '20, to further strengthen its capital adequacy to ensure better preparedness to cope with uncertainties unleashed by Covid-19, our bank raised additional capital of Rs. 2,000 crore. To ensure compliance with RBI regulations of maintaining 40% promoter stake in the first 5 years of operations of the bank, we contributed Rs. 800 crore to the capital raise. This additional capital raise enhanced the capital adequacy ratio of our bank now to northwards of 15%.

In addition to contributing to the capital raise of our bank, we also distributed Rs. 3.15 per share as dividend during the fiscal.

Our AMC, continued to further 'retailise' its growing franchise, diversify its products and capabilities, enhance customer engagement and invest in digital technologies and infrastructure that positions it well for long term growth. Our mutual fund crossed the coveted Rs. 1 lakh crore assets under management (AUM) milestone and entered the ranks of the top 10 within the industry in terms of total AUM.

Overall, average AUM in the last quarter of the fiscal grew about 50% as compared to the same quarter last fiscal, significantly outperforming industry growth of around 11%. In the last quarter of the fiscal, the market share (excluding liquid funds) of our AMC improved by 1.2% to reach 4.3%, while total market share improved by 0.9% to reach 3.8%.

Our mutual fund steadily built its franchise with the number of active investors served growing by around 7%. It increased the number of active distributors of fixed income funds by 29%, added over 2.2 lakh new folios and about 1.40 lakh new systematic investment plans (SIPs). Independent fund ranking agencies and media houses recognised and highlighted our fund performances and honoured us with awards.

On June 12, 2020, the Reserve Bank of India (RBI) constituted an Internal Working Group to review extant ownership guidelines and corporate structure for Indian private sector banks. The mandate of the working group, among other issues, includes study of the current regulations on holding of financial subsidiaries

through non-operative financial holding company (NOFHC) and suggesting the manner of migrating all banks to a uniform regulation in the matter, including providing a transition path; and examining and reviewing the norms for promoter shareholding at the initial/licensing stage and subsequently, along with the timelines for dilution of the shareholding.

The Internal Working Group has to submit its report by September 30, 2020. This potentially is a very important development and decisions taken by the RBI post this, will determine the strategic direction for us. Your Board and the management team, have devoted considerable time in evaluating strategic options for unlocking value. We are hopeful for the best outcome for all of you.

To conclude, notwithstanding a challenging financial year and uncertainties unleashed by Covid-19 towards the end of the year, our employees have worked very hard to create a strong, robust and vibrant platform. I take this opportunity to thank each one of them for their sincere efforts.

I also thank each one of you - our valued shareholders, for placing your faith and confidence in us. I look forward to your continued support.



Vinod Rai
Independent Non-Executive Chairman