IDFCFIRSTBANK/SD/40/2026-27

April 30, 2026

National Stock Exchange of India Limited
Mumbai 400 051
NSE - Symbol: IDFCFIRSTB

BSE Limited
Mumbai 400 001
BSE - Scrip Code: 539437

Dear Sir / Madam,

Sub.: Transcript of Earnings Call for the quarter and year ended March 31, 2026

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find enclosed the transcript of the earnings call for the quarter and year ended March 31, 2026, conducted after the meeting of Board of Directors held on April 25, 2026, for your information and records.

The above information is also available on the Bank's website at the following link:

IDFC FIRST Bank - Transcript of the earnings call Q4 FY 2026

Request you to take the above on record.

Thanking You,

Yours faithfully,
For **IDFC FIRST Bank Limited**

SATISH ASHOK GAIKWAD

Digitally signed by SATISH ASHOK GAIKWAD
Date: 2026.04.30 19:54:30 +05'30'

Satish Gaikwad
General Counsel and Company Secretary

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"IDFC FIRST Bank Limited

Q4 & FY '26 Earnings Conference Call"

April 25, 2026

MANAGEMENT: MR. V. VAIDYANATHAN – MANAGING DIRECTOR AND, CHIEF EXECUTIVE OFFICER – IDFC FIRST BANK LIMITED

MR. SUDHANSHU JAIN – CHIEF FINANCIAL OFFICER AND HEAD OF CORPORATE CENTER – IDFC FIRST BANK LIMITED

MR. SAPTARSHI BAPARI – HEAD INVESTOR RELATIONS & ESG – IDFC FIRST BANK LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to IDFC First Bank Q4 and FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Saptarshi Bapari, Head of the Investor Relations and ESG. Thank you, and over to you, sir.

Saptarshi Bapari: Thanks, Danish. Thanks a lot for all, and thanks, everyone, for joining the call. We have today with us Vaidya, our MD and CEO; and Sudhanshu, CFO. So we'll start the call with a brief note about the financials for the period ending 31st March 2026 by Sudhanshu.

Post that, we'll have some words from Vaidya and then we can open the call for the participants for the questions, okay? So now I'll hand over the call to Sudhanshu.

Sudhanshu Jain: Yes. Thanks, Sapta. Good evening, everyone. Thank you for participating on Saturday. What I will do is I will quickly outline some key financial numbers for the quarter. My sequence would be to start with assets, then I'll talk about liabilities and then asset quality and finally, some numbers around profitability and capital.

So let me go first with loans and advances. We saw a healthy growth in loans and advances, including credit substitutes during the quarter. It has grown by 20% on a Y-o-Y basis, and it has now reached about Rs. 2.9 lakh crores. We saw a healthy traction across mortgages, vehicle loans, consumer loans, wholesale loans, business banking loans. Collectively, these segments accounted for almost about 87% of the total growth.

MFI, we all have been talking. So there, the good part is after many quarters, we have seen that the decline has got arrested. MFI book is about Rs. 6,662 crores at March-26, and now 89% of the book is covered through CGFMU. We saw also an increase in MFI loan disbursements that was higher by almost 27% on a sequential basis. And even into the next year, we see MFI book now, again starting to contribute to the overall growth and P&L of the bank.

Another, I think, milestone, I would want to call out is credit cards have now crossed 4.5 million during the quarter, and that book has grown strongly at about 22% on a Y-o-Y basis. On wealth management side, AUM continues to grow at a steady pace. It has increased by about 23% to about Rs. 57,000 crores.

Now to call out a few numbers on the deposit side. We saw an increase in total deposits by about 16.8% on a Y-o-Y basis to Rs. 2.94 lakh crores. If I dig in that, if I talk of customer deposits, then that stood at about Rs. 284,000 crores, and there the growth was about 17%. The growth was modest of 1% during the quarter, but that is on account of various factors which played out during the quarter.

If I have to call about two of such factors, we did reduce our interest on saving accounts in certain buckets. There was also an impact of the one-off fraud incident, which occurred during the quarter. There was also tight liquidity, which prevailed through the quarter. There was advanced tax outflows and also, of course, the West Asia crisis. This all, I think, in conjunction, had some impact on the deposit flows.

Having said that, I want to again state that the start of Q1, we are seeing strong traction in deposit growth. And hence, we feel that we will have a normalized growth or better growth going forward.

If I talk about CASA ratio, the CASA ratio was at 49.8% which itself is quite strong for the quarter. On an EOP basis, we saw an outflow of about Rs. 3,700 crores due to some factors which I just mentioned before. But on an average basis, CASA ratio increased from 50.0% in the previous quarter to 50.4%.

Very quickly if I move to the asset quality, we had a good set of numbers across various parameters to start with, the gross NPA ratio of the bank improved by 8 basis points from 1.69% to 1.61%. Similarly, the net NPA ratio of the bank improved from 0.53% to 0.48% in the current quarter.

If I talk of the retail, rural and MSME segment, here also the gross NPA ratio improved by 8 basis points to 1.47%. Similarly, net NPA improved by 7 basis points to 0.56%. Then if I talk about gross slippages, here, the decline has been about 15% on a Q-o-Q basis. And if you look at net slippages that declined by about 27% on a sequential basis. Even for MFI slippages, that came down to, I would say, some Rs. 100 crores, it was at Rs. 96 crores from Rs. 153 crores in the previous quarter. The gross slippage ratio ex MFI for the quarter was lower by 49 basis points at 2.6%.

Moving on, if I talk about collection efficiency, that for early bucket, that was quite strong, ex MFI at 99.6%; previous quarter, this was 99.5%. For MFI, we saw a considerable improvement, collection efficiency improved from 99.4% to 99.7%. This is now almost touching the pre-crisis levels what we used to see.

As a result of all of this, the SMA 1 and 2 across the retail, rural and MSME portfolio that improved by 10 basis points from 0.88% to 0.78%. We have given far more detail in the presentation which sort of highlights that we have seen a stable to improving trend across all the key products. In micro finance portfolio itself, the SMA came down by 70 basis points, and it stood at 0.79%.

Now if I move on to the profitability. For the quarter, we have reported profit after tax of Rs. 319 crores, which includes certain one-time items, which we have called out in the presentation. Let me first tell what are few of these one line items which I meant. One is, we have taken an upfront impact of the fraud incident, which has happened in Q4 and on that we have paid claims of about Rs. 646 crores of principal, and on a post-tax basis, that impact is about Rs. 480 crores. If I just gross up for the fraud impact, then the PAT for the quarter would be about Rs. 800 crores.

However to further add we had 2 more impacts, which we are saying are one-time or not on a core basis. One is we had a trading loss of about Rs. 159 crores on a pretax basis based on a post tax translates to about Rs. 118 crores. The loss last year was largely because of the widening of yields which we saw during the current quarter, like for instance, the 5-year G-Sec widened by about 40 basis points, the 10-year G-Sec also widened by about 32 basis points and so on. So while for the full year if you see, the treasury gains have been quite strong. This quarter, of course, we ended up having some loss. We also took a small loss on account of the guidelines, which came around the NOP policy.

Another one time which I want to call out, which is in fact a positive to the P&L is we got some income tax order, which gave us a tax refund of about Rs. 173 crores. And so that has contributed to the positive side of the P&L. So if we take into account all these aspects, which is the fraud incident, which is the treasury income or the loss which we posted, and third is this refund of income tax, then if you exclude all these 3, then the normalized profit after tax was about Rs. 746 crores vis-a-vis the Rs. 319 crores which we have reported taking those impacts. This Rs. 746 crores translates to about a 145% increase in PAT growth on a Y-o-Y basis. For the full year, taking into account all the impact, which includes the fraud incident, the reported PAT is Rs. 1,636 crores and if we adjust for the fraud incident and on a post-tax basis, this went up by 39% to Rs. 2,119 crores. We saw an improvement across all operating metrics. Like, for example, NII growth further improved during the quarter to 15.7% on a Y-o-Y basis. This was about 12% in the previous quarter, and you would have noted that, that trend for last many quarters where this has started inching up.

We had guided the market for a NIM of 5.85% for Q4, but happy to state that we have come with a NIM of 5.93% on an AUM basis. This, of course, includes some benefit because of a day convention largely because February has lesser number of days and also because we took some cautious approach on investments and we brought down the average investment book, which also gave some lift. NIM for the full year was at 5.75%. And that is expected to be stable into the next year.

Fee and other income for the quarter, again grew strongly by 21.3% compared to 15.5% in Q3. Trading gains, I already spoke about that if there was a loss of about Rs. 159 crores. Opex for the quarter stood at Rs. 6,249 crores. This includes the impact of the fraud incident of Rs. 646 crores on the principal side. If we adjust for this, then the opex for the quarter was Rs. 5,603 crores, and which was a modest increase of 0.3% sequentially and about 12.3% on a Y-o-Y basis. For the full year, the opex growth was at 12.3% if we exclude the fraud incident.

Moving on to provisions. This has reduced Q-o-Q by 18% from Rs. 1,398 crores to Rs. 1,143 crores. Overall credit cost for the quarter came at 1.63%, which is an improvement about 42 basis points from the previous quarter. Excluding microfinance, the credit cost for the overall loan book was at 1.61% in the quarter and roughly 38 bps better than Q3.

What this has meant is for the full year, the credit cost has come at 213 basis points. We had guided the market for 2.10%, but another data point note here is that we have not fully utilized the contingency provision on MFI. After usage of Rs. 35 crores in the current quarter, we are carrying forward Rs. 130 crores into the next year. If we were to adjust all of it including that Rs. 130 crores, then the credit cost would have been 2.08% instead of 2.13%, which are the reported numbers.

I'll quickly talk about my last section, which is on capital adequacy and liquidity. The capital adequacy ratio is at 15.60% with CET-1 ratio at 13.73%. This has been calculated after considering dividend of Rs. 0.25 per share, of course, this is subject to approval of the shareholders. Average LCR deposits, we have maintained at 114% for the quarter. As you would have noted that we generally maintain this another trajectory of 114% to 115%.

With this, I have broadly outlined the key financial numbers, maybe I will refer it to Vaidya for his opening comments.

V. Vaidyanathan: Good evening, everybody. First of all, very happy to speak to all of you this Saturday evening. Now in the presentation this time, we have actually shared with you the broad strategy of the bank, which becomes important, eventually, which started to translate to the numbers. So, if you see the Page 9, the first opening slide, we have actually shared with you that initially, this Bank's strategy was to borrow money at maybe 12%- 13% and then lend it at ~20%-22%.

Now that is a very unique specialization the bank built over a long period of time. It's like 15 years, we've been in that business. And we have developed specialization within that, with segments to go after, what is the credit performance of each micro segment within segments.

For example, we don't say MSME, it's too blunt a term. For example, we have a defined program for salons, for chemists and so on and so forth and Kirana stores and all that. So that is a unique model built by the bank and that the lending is anywhere about maybe 20% to 22% and that credit cost could be 4% or 5%.

You come up the curve, that is where we started. But over a period of time, of course, the cost of funds came down. As NBFC itself came down to about maybe 9.5%. And then we started lending to more products which are medium yield, medium credit cost, you lend at about let me say, 13% to 14% and credit cost of ~2% to 3%. Now over time, of course, now we are a bank, our cost of funds have further come down to 6%, so we are now able to give prime home loan, prime car loan and prime loan against property, prime business banking.

So, the transition of the bank has moved from the first category I talked about lending at high yield and high credit costs to medium yield and credit cost and now low yield and low credit cost. But the important thing is that the bank has not let go of the original capabilities, it's very important because it's been honed and built over 15 years. We have no intention of letting go of that.

And that is one of the reasons why our yield of the book at the bank level is 13% plus that includes even corporate banking, 13% plus. But you'll be surprised to know that the credit cost of the book is only ~2%.

In fact, I don't exactly remember if Sudhanshu called out the number for fourth quarter of this year or not, it's come down to below 2%. So in fact, if you've taken a 5-year period, like fy21, FY22, FY23, FY24, FY25 or maybe a block of 5 years, you'd find that credit cost of the bank is only 1.95%. That includes COVID, that includes micro finance, everything. So, this number when we say that we'll keep a credit cost at that 2% is not academic. We have been delivering it for the last 5 years. Of course, last year was higher because of micro finance, but that is already talked about earlier.

So, the point is that our ability to have booked the yields at 13% plus and having credit costs less than 2%, which gives a risk-adjusted yield of 11% plus, it's a very unique specialization. So as far as we are concerned, by the way, you have to also add 2% as fee income. You can see how profitable that business is.

So what the bank has been doing for the last 7 years or say, 5 years is that using this business, which makes us a lot of money and then using it to invest in the deposit side of the bank, which is the technology, the people, the branches, the ATMs, many products on the corporate banking side, like cash management, products like FastTag, wealth management, NRI businesses, let me say, even on the lending side, our products were not entirely completed in the sense that we are still building rural business because we started as a DFI and we did not have any priority sector capability in this bank. For the last 7 years, we've been building that. And as you know, 40% of the book needs to priority sector, we are building all that, and it's a new bank you've got to build all that.

So the point I'm trying to just leave with you is that the lending machine makes all the money, the deposit side is as of today is loss-making, but it will come to profitability. So therefore, we believe that the bank is coming along very, very, very strong. Most of you will probably add it all up and say, Hey, Vaidya, end of the day, bank is making a return on assets of only 0.5%.

That's true. It's only 0.5%. But 0.5% is not 0.5%, I am saying is making 1% plus, which is the asset side and the deposit side is taking away 0.5%. So the day you properly sit and disaggregate this and then understand that the deposit side is not going to make a loss forever. At the time, it takes 10 years to build the deposit side of a bank to scale.

So you give it maybe 3 or 4 years more or maybe let me say 4 or 5 years just to say, you give that amount of time. And then the deposit side loss will become 0. Asset by the time we keep compounding at 20% plus is our opinion and probably should compound faster than that. So you can see where the PAT of the bank will head.

So honestly, I feel that the bank is perfectly on track. It's coming along very nicely. This microfinance incident, of course, disturbed the optics of the trajectory of the bank, but this quarter also, we feel very good about the results, but for the incident that happened but that we factored in the quarter's results. But you will see, for most of you who will observe the result of quarter 2, quarter 3, quarter 4, you will get to see that the trajectory is back strong in this bank. That's our broad belief. You can see it as it plays out.

Now the other thing about the bank is that we've been consistent with one story. We started with Rs. 94 crores in 2010. Today, it's Rs. 2.32 lakh crore in 15 years straight. We are consistent with one business model which is the model we used to build the lending side to Rs. 2.32 lakh crore. Well, I don't see any doubt why Rs. 2.32 lakh crore should not become Rs. 5 lakh crore, should not become Rs. 10 lakh crore. It's a well-set machine by now. We only have to get the deposit side right. And once you get that right, then the machine will move.

And the good thing is also in the corporate banking side, frankly, the bank is doing well now. And after the initial phase we slowed down the book, now we started growing it again, not slow down, actually, we de-grew the book to be fair, we brought it down from ~Rs. 68,000 crores to ~Rs. 36,000 crores, we de-grew it by ~Rs. 32,000 crores.

We took out all the project financing infrastructure loans. But now all that is done. No more reform to be done there. It's on a growth path, and that will grow as well. And we find our own niche in the last 7 years, no meaningful credit loss, in fact, if anything at all. So we are quite happy with the way that book is coming along.

Now the overall loan book of the bank is now close to about Rs. 2.9 lakh crore or Rs. 3 lakh crore. I think Rs. 2.9 lakh crore and that story is also playing itself really quite well. It's quite diversified across 25 lines of businesses. So really no concern there.

On the deposit side, if you notice the deposit growth of this quarter was flat. But really, it's kind of mixed up with 3 or 4 signals that came together, like Sudhanshu said, we dropped the rates, the incident happened. It's hard to pick what affected what. But in the end, I just want to say that when this incident happened, not that we want it to happen to us.

We do want to make sure this never happens again to us. But I can just tell you that the positive of this is that the bank has also happen to identify the specific issues, has already implemented at very quick pace, the necessary system changes to be done for fixing those issues so that they don't happen again.

We kept the tires around and figure out any another part of this issue. For example, even in retail customer, there's no issue, also we went and tighten some extra norms. So we've done those things, and maybe this kind of tightening that we've done probably, not probably, we'll certainly do as good enough in the longer run. And therefore, when we grow the deposit base, which is currently touching like Rs. 2.9 lakh crore, when this goes to Rs. 5 lakh crore, Rs. 6 lakh crore or Rs. 10 lakh crore, we will feel that it will come on even stronger guardrails and we just look forward to that.

Now in fact, I remember in FY21-22, that time also, we dropped rates once, the first time when we dropped the rates from 7%. So for 1 year, there was a slight flat year if you see FY22 in terms of deposits. But then it starts growing again like that this quarter was flat. It will come back. We feel quite confident of that.

I want to finally say that the kind of goodwill we got during this crisis, there was just so much of bad news overnight in a flash across social media channels and YouTube and Twitter and all over the place. But really something amazing, I must point to all of you for all that happened, as investors, we should really take note of this, that there's like 7 million to 8 million customers leaving deposits with us, in fact, we are also quite, let me say, happy to note or pleased to note, that money did not leave the bank. Some marginal customers at the very high ticket size with high interest rates, some of them left. And frankly, when we dropped the rate from 7 to 6.5, people with high interest rates are expected to leave. But who had come to us for high interest rates were expected to leave. But barring that, we got like thousands of e-mails if you go and see LinkedIn and see either my LinkedIn account or see maybe IDFC FIRST Bank LinkedIn account, you will see the number of people who have posted the videos and report saying that, look, we trust this bank and we support this bank. I really think that some good brand the Bank has built, Bank is building in people's minds and heart. Somewhere it has helped us. We just want to take this opportunity of this investors call to say very, very, very sincerely to say thank you to every person who helped us and said some good motivating words to our employees, and it kept us happy and going. And of course, it is a culture of the bank to move very fast. We moved very, very quick.

This incident happened on Saturday afternoon. It's when I happened to be in Delhi and someone called me and told me that this is quite big. That night, we reported the exchange and on Monday morning, we took the investor call. Monday afternoon, we called up the other party that we are going to pay you right now. And then Monday night, we paid them. Tuesday morning, we met them in person.

Tuesday afternoon, we called the newspapers and said we want a front-page ad. That day we prepared the ad and next morning it was out. We just moved like blinding fast with very quick decisive way thinking its customer's money, customers should get it. That's the end of the matter. We did not apply any of principles to it. We did not think of litigation, we didn't think of anything. We didn't even think that your employees are also involved, you're responsibility or my responsibility, we didn't think anything, we just said customers' money, payback.

And I think that it's in our DNA to be pro customer to be decisive and this move I think it did help us somewhere along the way customers did trust us and we want to thank them for that. And I also want to, again, I want to close the point, by saying that I want to thank everybody for that. And all of you helped us in that very crucial moment and there are many.

I want to just quickly move to cost of funds, I'm happy to share the cost of funds come down to 6% in Q4. In the last 1 year, cost of funds has come down by over 50 basis points, isn't it, Sudhanshu?

Sudhanshu Jain: Yes.

V. Vaidyanathan: 50 basis points. And we are now down to 6%. And honestly, I don't think any of you would have guessed when we took over this bank in 2019 at 7.8% that we're going to cut it down by 180 basis points cost of funds and bring it down to the line of our peer banks. At that time, we were paying 150 basis points over mid-tier peer banks, 150 basis points. We bridged that gap and brought it down and grew deposits despite this cut of rate. So just want to say that deposit franchise is coming well for the bank.

As I always say, I don't tell the market whether I will increase it. I will reduce it. I just say that it is unlikely we will touch the rate, but still keep all my options open, depending on what the market conditions are. But chances are the rates will probably be somewhere in the zone as the year progresses. It could be 10 basis points up also. I can't tell for sure. It depends on how the market plays out.

Now let me just say that on the asset quality front, I'm happy to share. If you notice all of you may remember that every single quarter for now like let me say, 7 years and particularly last 2 years when the microfinance issue was raging and credit cost numbers were going up, we kept insisting and sharing with you product by product, vintage by vintage, SMA-1 and 2, NPA, credit cost, everything.

So, we shared everything with you, and we always maintain to you that except microfinance this book is super clean. I'm happy to say that it has turned out to be so because when the micro finance crisis has gone, suddenly our credit cost has come down to 1.6% to 1.7% of the average loan book, which is probably the lowest we have seen in a long, long time. And anyway, gross NPA is always less and net NPA is always low.

So, I'm just happy to share that we give a lot of disclosure. If you notice, we gave the collection efficiency of the overall book, excluding micro finance. We give it including micro finance. Then we also show the SMA-1 and SMA-2 for the whole book. We show the gross NPA and net NPA of the whole book.

And frankly, every one of these numbers are stable. So really, I can tell you, as of now, the last it'll be 7 years now as a Bank avatar and it's been 8 years before that as Capital First avatar, our gross NPA, net NPA credit cost is just fine. It is very stable, no issue at all. Then microfinance came, microfinance went, that did cause a struggle, but that we have called it out openly all the time.

And let me share with you, there was never an accusation against the bank that we ever touched the book that we ever-greened anything. We just played clean, if there was a delinquency, we took it, and that is the end of the matter, but that's only for microfinance. So anyway, that stands reiterated. And on the corporate side, of course, I am happy to tell you that it has been cleaned out.

So, as I speak to you, I just stumbled upon this page where we talked about credit cost, I'm happy to tell you that credit cost for the full year has actually is what is the number here? 2.13%? It's 2.13% for FY26, which is basically 1.5% of the average assets. But that 2.13% is broken up as follows: 2.69% for Q1 FY26; 2.24% for Q2 FY26; 2.05% for Q3 FY26; and 1.63% for Q4 FY26. So you can see that our credit cost is coming down. We're happy about that. And that actually gave us a space. And frankly, at the beginning of the quarter, we knew it's going to be low.

So even when the crisis came, if you remember, I came out to the press and I gave public interviews, including 2 of the leading channels. And I came and said that we expect this to be a profitable quarter because we knew the credit cost of this quarter is going to be quite low because the book is turning out so well. So that's that. I'm happy to share that overall, the bank is doing well. We're expecting growth. From now on, we're expecting deposits to grow and loans to grow. And Q1 you should expect the bank to report reasonably good numbers.

And back to the opening point that I started, I must say that please always look through, all of you are investors, you might say why do they just tot it up and say we have one number. That's what's your ROE, what somebody's ROE and you want to compare. Well, you could do that, but I can tell you that bank is running for 30 years or 40 years. For them, everything is amortized.

And everything is built 15, 20 years ago, and they're only running on marginal costing. Our bank is not earning on marginal costing. Our bank is earning on full costing, and that's a big difference. So therefore, when you look at this bank think clearly that, this bank is borrowing money at 6%, is lending money at 13%, so that gives a spread of 5% and then you have a credit cost on top of only 2% and then the fees of 2%. You can see for yourself it's profitable. So split up the two and you see assets as assets, it's a growing machine.

You see liabilities are something that is loss-making. I don't deny, credit card is loss making, I don't deny. Gold loans is loss making, I don't deny. Home loans' new book, prime book is loss making, I don't deny. So these are the things which we are building for the future and some of the rural book, we're also building is also loss-making, I don't deny.

And this is all truth of life, but frankly, anybody who's going to build a bank, someday in life someone has to sit and build these things. And eventually when these all become profitable at scale, then you will see the true bloom of the bank's profitability come about. And you just watch out watch FY27, watch FY28, watch FY29, many of you have doubts today and I am 100% sure your doubts will blow away. It's just a matter of time. So, thank you so much, everybody, and we'll open for questions.

Saptarshi Bapari: Danish, please open the forum for the questions.

Moderator: Sure. Thank you very much. The first question is from the line of Param Subramanian from Investec. Please go ahead.

Param Subramanian: Congrats on a resilient performance in what would have been a tough quarter. So, if you could comment a bit about the monthly deposit accretion since it's been 2 months since we had that event. And of course, we've also cut down our SA rates. So how are we looking in terms of our monthly deposit accretion, customer additions, etcetera? And are we back to a normal run rate? Or do you think we will get back to our normal growth pace from, say, first half of next year on deposits?

V. Vaidyanathan: Yes, yes. See, we have generally seen that when people go through this kind of crisis, it takes about a year or so for things to stabilize. You might have seen it elsewhere. But we are quite confident that this matter is behind us. Q1 FY '27 itself, you will see a strong growth in the bank.

The year that went by, we already described it has been flat, but flat also is good news for the quarter that went by. So, like I said, we also cut the rates. But I mean, we've already seen last year or last quarter or last month, that's quite amazing. I already talked of goodwill of customers to us, and I don't know where we're getting such goodwill from but thanks to everybody.

If you see last month or so in the month of March, when the news is broken out, February end the news broke, so all of March the news was hot. Number of accounts opened was as high as the previous month of February was equal to January. So new accounts opening is coming perfectly strong. And once customers who took over the money because of the high interest rates when we cut the rates, this quarter onwards, you should see growth right now itself.

Param Subramanian: So sir, we should get back to, I'd say, normal 20%...

V. Vaidyanathan: Yes, 5% Q-o-Q, that kind of growth, yes.

Param Subramanian: Okay, sir. Fair enough. So, on LCR, 114%, it's a bit low. So from next year onwards, we will be looking at, say, match loan and deposit growth or will this...

V. Vaidyanathan: No, we always maintain a comfortable with that kind of number because the LCRs 114 itself a conservative number. On top of it, we don't need to keep too much margin on top of it. It's a good number. It's quite stable and even during the crisis, it stayed strong.

Param Subramanian: Yes. Sir, and how do you think about margins going into next year? There is an uptick going into this quarter, but is it largely be steady at these levels?

Sudhanshu Jain: Yes, Param, thanks for the question. So margin for the full year was at 5.75%. And going into the next year, we expect it to be stable around these levels.

Param Subramanian: Okay. 5.93% is what we reported this quarter?

Sudhanshu Jain: No, no. For the full year, I said was 5.75%. I also mentioned earlier that Q4 also had certain impact because of technical reasons, like I spoke of the day conventional logic and so on. But for the full year, the margin was at 5.75%. And into the next year, we feel we will be broadly able to hold around those levels.

Param Subramanian: Okay. And on opex, we are still holding on to what we talked about 13% to 14% for next year?

Sudhanshu Jain: Yes, that stays in terms of guidance.

V. Vaidyanathan: But please note that Q1 could be a little higher. And then Q2, Q3 onwards it could come down. So for the full year, is that, but Q1 will be a bit higher because of a couple of reasons.

Sudhanshu Jain: Because we have put out some branches, we would have noted about 80 branches in Q4. Q1 also will have impact of increments and so on. So there are some of those factors which could play out.

V. Vaidyanathan: So when you see Q1 and compare it to Q1 of last year, you'll see a little higher than 13% to 14% that we're talking about. But by Q2, Q3, Q4 it should come down. And by year-end, we should land around the guidance.

Param Subramanian: Got it. Very useful. Sudhanshu, I think I heard you mentioned initially that the profit for the quarter adjusted for the treasury loss and the broad impact was Rs. 750 crores, that comes to about 75 basis points of ROE in this quarter. Again, I want to check with you all, is there any, say, timeline one should look at for, say, broadly reaching 1% ROA because clearly, our core ROA is improving?

Sudhanshu Jain: Definitely, the core performance is improving. As you rightly said, if we isolate some of these onetime impacts in Q4. So I don't want to sort of put out a number as such. We all know, right, West Asia crisis is still going on. There are still some moving parts, right? So I would not want to guide on a particular number at the moment. But definitely, from an operational parameter, we have noted that the performance is improving quarter-on-quarter. And even on the credit cost, we feel that the credit cost would be lower than the current year.

Param Subramanian: Yes. So what credit cost should we broadly work with, yes, that's my last question, for next year?

Sudhanshu Jain: Yes. So I feel that it could be in the range of 170 to 180 basis points. This includes some benefit which we may get because of the CGFMU cover, which we have taken for MFI.

Moderator: The next question is from the line of Akshay Jain from Autonomous.

Akshay Jain: I have 3 questions. So one on asset quality. So what is driving the strength this quarter? So while you have utilized contingent provision, your write-offs are significantly lower? Any other factor you would like to highlight. And again on write-offs, they are down to like around 1,200 levels? Like what is the sustainability of these levels going on?

And a related question on asset quality. So it's been like almost 2 months since the war started and we keep getting news on supply chain disruption, raw material cost. So while March was still fine, how are you seeing trends playing in April, especially on the MSME front? And how are you thinking on growth and asset quality in the light of these disruption? And maybe the last...

V. Vaidyanathan: Yes. sorry, go ahead.

Akshay Jain: And maybe the last question on the SA rate, you have changed SA rate this week. So can you let us know the impact on your cost of SA due to this please?

Sudhanshu Jain: You meant the recent change?

Akshay Jain: Yes, the recent change, 21st April.

Sudhanshu Jain: Yes. That change would not translate over too much from the current levels, maybe a few basis points. That's on SA. Moving on to asset quality. In this quarter, of course, many things have played out. I have told that SMA 1 and 2 numbers improved by 10 basis points, which also led to a lower translation into slippages. Of course, MFI drag has been coming down.

The slippages have been coming down there. The collection efficiency was quite strong in Q4, which typically happens every year. The collection comes in quite strongly at the end of the year for some reason, I think, across the banking system. So all of these trends have been quite healthy. Finally, all of this has to translate into a credit cost, which I just answered to the previous speaker. So net-net, we feel that the asset quality trends would be quite stable.

Now as I talk about the crisis, the West Asia crisis, which is currently going on, what we have done is we have undertaken a comprehensive review of our portfolio to asset exposure to potentially impacted sectors, including demand disruption, fuel-related risk and supply chain challenges and so on. We have clearly identified some sectors where we could slightly be more conservative.

We don't intend to stop anything, but we are adopting a cautious approach. Accordingly, the immediate impact on the overall portfolio is expected to remain limited at current levels. However, if there is any escalation, which could lead to further material supply disruptions, we will continue to monitor. So we need to see how this plays out.

Akshay Jain: And just a follow-up on the margin point. So even if I adjust your margins for the Q4 seasonality, it is still around 5.85-odd levels. So why are you giving the guidance of 5.75% for the full year, like why should margins come down from there?

Sudhanshu Jain: See, we continue to grow certain portions of the portfolio at a faster pace, right? Like you have noted wholesale banking book is growing at a fast pace, right? The business banking is growing. So some of these are dilutive from a margin point of view, but we ultimately want to see what is the contribution to profitability. So even a 5.75% for that matter is quite a healthy number, right? It's one of the highest in the banking system. So you can assume that it's quite range bound in that sense.

Moderator: The next question is from the line of Piran Engineer from CLSA.

Piran Engineer: Congrats on the quarter. A couple of my questions have been asked and answered, but need some clarification. Firstly, this treasury impact, the loss of Rs. 160 crores. Now if I adjust for the stake sale in that power company, we would have actually made a profit of Rs. 115 crores. Is that correct?

Sudhanshu Jain: No, that's not the way. In fact, in the investor presentation, we have clarified that we sold certain equity in a particular group that gave us a loss of Rs. 274 crores. But at the same time, we were holding provision against that. So when we've reported the annual financials, we have reported a Rs. 274 crores loss on top of Rs. 159 crores in treasury line item.

We have also reported a lower provision. However, for right comparison, what we have done in the investor presentation is we have grossed up this impact. So the actual loss for treasury for the quarter is about Rs. 159 crores. And this is an old case, legacy case where I said that this was fully provided. So this has no impact to the P&L. So for right now then we did this.

Piran Engineer: So then the real credit cost for the quarter is Rs. 870 crores or Rs. 870 crores plus this Rs. 270 crores.

Sudhanshu Jain: Plus this Rs. 274 crores. And that's how when we have quoted credit cost numbers, it has been baked in. So in this case, as I said, it was a much older case, related to the pre-merger time, and this was fully provided. This was, in fact, one of the infra exposure which we had.

Piran Engineer: Okay. Okay. Okay. Fair enough. I think I might reach out separately...

Sudhanshu Jain: I did answer the question or I will be happy to further clarify.

Piran Engineer: I'll get back to you separately. I was a bit confused on my numbers, but this clarifies it.

Saptarshi Bapari: If you refer to the investor presentation, you'll get the clarity on the payment part.

Piran Engineer: Okay. Fair enough. Just secondly, is there any further TD repricing left? Or are we done with most of it?

Sudhanshu Jain: We may get some residual impact in Q1, but it's largely done.

Piran Engineer: Got it. Got it. And just thirdly, in terms of CASA ratio, we cut SA rates last quarter. We've not seen any impact on CASA. In fact, our CASA ratios improved 40 bps. Do we take this as a more steady state CASA number, like CASA ratio number?

V. Vaidyanathan: We'll wait and see because even term deposits are also coming strong. So we will wait and see because the SA rate cut is a bit raw, just 3 months, so just wait it out.

Moderator: The next question is from the line of Jayant Kharote from Axis Capital.

Jayant Kharote: My question is also similar to I think what Param was asking on the ROA for the next year. If I understand correctly at these NIM levels and at 1.8% credit cost at 5.75% NIM, it adds up to maybe around 75-80bps, correct me if I'm wrong, which means we are expecting almost 20 basis points of operating leverage translating to ROA through the next year?

But also simultaneously, that jaw is slightly slower, which it seems that our growth is now going to be around 20%, not 22% or 21%. And even if I keep touching this beyond 1 or 2 years, if 20% is the growth rate. Are these numbers sounding correct or am I off by anything, which means that you'll have to extract 20, 25 bps on operating leverage this year, Sudhanshu?

Sudhanshu Jain: No, no, definitely operating leverage improves into the next year. I'm saying as we would have mentioned I think in the last call also next year, we expect the top line to be much better than what we saw in this year. Like this year, top line grew by just 11.2%. And now if you see Q4, the NII grew by about 16%, fee has grown 21%. So into the next year, we feel now that the MFI drag is over. The MFI book is expected to grow and positively contribute to the top line. So on the top line itself, I see it growing at about 18% to 18.5%.

And opex as we have guided for 13% to 14%, still the job would sizably look better, right? So which definitely contributes to the ROA. On top of it, I also sort of elucidate on that, even credit cost is expected to come down from 213 basis points in this year to about 170 to 180 basis points. So all of this consumption is expected to positively contribute to the ROA. So it's across all the parameters, I would say, we are expecting some improvement.

V. Vaidyanathan: One important insight, which many may have missed actually, is how the ROA of the asset side is and liability side? Okay. I made this point in earlier talk, but I'll just say it again. Now by our own internal estimates, we feel that the ROA of the lending business for the next year will look quite strong. And Sudhanshu mentioned the reason, we expect credit cost to be lower than this year, even in absolute terms and NIM to grow naturally, NII had to grow and you see how it will come.

Basically, we expect the profitability of the lending business to further improve next year. When we do our internal estimates, The ROA of the lending business to be somewhere in the zone like 1.5%, 1.6% of the loans. But of course, the liability side will still be a drag.

But the good news is that the loan side is like rock solid, even if you make 1.5% at this stage of the bank itself of loans, it's pretty good. And obviously, in the next 3, 4 years after that, we'll still get operating leverage. So we should just watch out the liability drag to go away. And liability drag for information has come down to 1% now. Last year, it was how much Sudhanshu?

Sudhanshu Jain: 1.2%.

V. Vaidyanathan: So 1.2% come down to 1% and in prior year it was used to be even higher. The trendline is clear. So that 1% should become like 0.8%, 0.6%, 0.4%, 0.2%, that direction should play out properly. I mean we see no doubt in the liability drag coming down to 0 in the next few years. It is just playing out exactly as planned.

Jayant Kharote: Actually, I was comparing with the 4Q number, Sudhanshu. 4Q credit cost and NIMs are better than what we are guiding for next full year credit cost and next full year NIM, right?

Sudhanshu Jain: Q4 credit cost is at 1.63%, right. Our guidance is slightly higher for the full year into the next year on credit cost...

Jayant Kharote: NIM is also higher than what you're guiding for the next year

Sudhanshu Jain: No, no. Q4 NIM is higher, but I said for the full year, it's at 5.75%. And next year, the NIM should stay put broadly, right? Q4 NIM is not the right comparison because of the day convention and some of these things I mentioned earlier.

Jayant Kharote: No, no, of course, I was just comparing...

Sudhanshu Jain: So from an ROA, you may assume NIM broadly stays stable. Fee, we could see some improvement because the traction has been there in terms of fee to average total assets. Of course, the larger break is expected to come out from the operating leverage itself and then on top of it, the credit cost improvement. So all of this should.

Jayant Kharote: Maybe I'll take this offline Sudhanshu, but just sort of to cover it, you guys are still confident on hitting 1% ROA by the end of this year? Is that a takeaway we can work with?

Sudhanshu Jain: As I said, Jayant, I don't want to guide to a particular number currently because there are a few moving parts, right? But definitely, the operating trajectory is improving quarter-on-quarter, and we expect that Q4 trend broadly to continue into the next year in terms of an improvement in top line.

V. Vaidyanathan: Maybe in a kissing distance if I've to call it. We'll get to.

Sudhanshu Jain: We'll try to be in the kissing distance.

V. Vaidyanathan: Kissing distance of that and but I can tell you that many people ask us about this ROA of 1%, and many have said that look, this is a benchmark you must cross and we must, but I can only say that our bank would not stop at 1%, just what it play out because from there on also the full juice is yet to be taken out. I mean, the full value is yet to come out because operating leverage will improve for the next 4, 5 years at a stretch now. So it will not stop at 1% whenever it comes there.

Jayant Kharote: Definitely. One last question to you on the capital. Given that our growth trajectory, I mean, clearly, the liability side is not going to stop with this event and we are going to start growing again. So how does the capital adequacy look like? And you think you will need more capital by the end of this year, starting next year?

V. Vaidyanathan: Yes, yes. We definitely think so. And we will give it a reset.

Moderator: The next question is from the line of Ankit Bihani from Nomura Holdings.

Ankit Bihani: Congrats on the quarter. Most of my questions have been answered. I just wanted to ask how do you see deposit competition playing out going ahead. So while we cut the SA rates at the start of the fourth quarter, but we have raised that TD rates also round about by 25 odd bps. So do we see the competition going ahead, becoming more intense, given that even PSU banks, even the large private bank would have to fight for deposits to sustain the credit growth momentum?

Sudhanshu Jain: Maybe I'll ask Vaidya to answer that question.

V. Vaidyanathan: I think I said that before, so I'll not take much time. I think that our bank has developed good technology capabilities, good app. Our branches are there and a lot of hyper personalization happening. So there is a lot of tech in order of making deposits, which is a strength for us. So those strengths, we really believe are like the invisible strength, you don't see them because what you see is rates and branches.

This is a very conventional way of most people talk about. There is a third factor which we are running behind the scene, which is culture and technology, which is invisible, and we are strong on those invisibles. So not to worry much, our deposits will grow strong this quarter. This quarter also, this year also will be very strong. I can really to tell you that this month has started off very well. April has started off well. So we are not disturbed.

Moderator: The next question is from the line of Jai Mundhra from ICICI Securities.

Jai Mundhra: First, a small clarification, you mentioned that 170, 180 credit cost is including the CGFMU recovery, if any? Would you have a number as to how much you are going to claim for this financial year?

Sudhanshu Jain: No, so we don't want to call out that number. As we noted, we have taken losses on MFI in last 1 or 2 years. So we expect a reasonable recovery to happen on that front in the next year.

Jai Mundhra: Okay. Sure. And secondly, on MFI book now, now this quarter of the book has been flattish. And if I were to maybe include the write- off, then it may have grown. How are you looking at this book incrementally? I mean, would it be I mean when do you think it will hit double digit and maybe similar to overall bank? Or how are you looking at this book?

Sudhanshu Jain: So definitely, we want to grow this book. We like this book. It contributes to PSL, comes with a good yield and so on. Now with the MFIN guideline coming in, I think some of those guardrails have also been put into place and of course, we are adopting a cautious approach on the ground also the collection efficiency trends have improved, disbursements are picking up. So we would certainly, of course, is coming from a lower base, we would certainly want to grow this by 15% to 20% into the next year. So we will see how sort of the trend sort of stands out. So we want to grow this book.

Jai Mundhra: And any thoughts on creating ECL transitional provisioning? I mean, so far, the asset quality has been holding up very well. I mean, it has been holding very well for the last 5 years. But any thoughts on as we have a small RS. 130 crores of contingent provisions. But I mean, any rough working that you can share as to what could be the transitional required if at all?

Sudhanshu Jain: We still await the final guidelines and this was expected to come in from April '27, but the final guidelines have not yet come, while most of the banks gave comment somewhere in November, December last year. As I had talked about it in my earlier calls, definitely, when the final guidelines comes, it could mean that we need to park some more capital on the ECL front itself on transition.

But we may also get some benefit on account of the EIR approach because today, the sourcing opex is more than the processing piece plus there are also announcements around the change in the credit risk guidelines, which come in from April 1, '27. There is also a guideline awaited in operational risk I think taking all of this together, of course, contingent on the guideline itself which comes. We feel that a transition capital should be largely taken care of, so we'll see how some of the ECL guideline itself sort of comes out.

Jai Mundhra: Okay. Sure. Then last question, while was there any impact of the CLM transition, co-lending model RBI had introduced from January 1, the broad breakup does not suggest anything. But just wanted to check, did you had any changes in your IP or the way you partner with partners for co-lending? Or was it immaterial sort of an event?

Sudhanshu Jain: I think we have a very small book here in fact. If I recollect, I think we have the relationship with only one counterparty, and that number is very insignificant.

Moderator: Ladies and gentlemen, due to the time concern, that was the last question for today. I would now like to hand the conference over to Mr. Vaidyanathan for closing comments. Thank you, and over to you, sir.

V. Vaidyanathan: Thank you. Since we closed sharp exactly one hour, let me say that in case just if anybody hasn't last question to sneak in, we just want to give you the last opportunity, in-case.

Moderator: We have the next question from Vikas Kasturi from Focus Capital.

Vikas Kasturi: Sir, I'm also a shareholder of the company and a long time investor and a first time speaker here. So please pardon my nervousness. So I just wanted to ask you a question, which I've been wanting to ask for last few years maybe. So one is about this financialization of savings because of which a lot of money is going towards registering mutual funds. And so in such a scenario, how does the bank plan to continue rating CASA? This is my only question.

V. Vaidyanathan: Thanks. I'll keep it up. First of all, Vikas, welcome to talk to any of us in the bank, so feel comfortable. Now we understand the financial savings and people are moving to investments, that's a well-known theme. We think that this is a very large market. We are relatively a younger bank, and our book is small.

And like I said to one of the earlier questions, we have good capabilities, good digital capabilities, good brand, good culture, employees are very motivated, you can go to any branch and talk to a staff, you'll get a sense. So there are many things in our favor. Well, no doubt, the markets are tight. End of the day, we are part of the system. We are not outside the system. So anything, any broad tightness of the industry affects everybody, affect us also.

But overall, we are confident Vikas with things will be fine. I mean we will do strong at this front. We have no doubt in that part. If you're an individual shareholder, let me tell you that you should assume the bank will grow well on deposits Y-o-Y, bank will grow loans Y-o-Y, bank has good margin on an incremental basis. You have to only look count on one thing. You have to only look out for one thing, that our cost income ratio should come down because our liabilities cost to income had to come down.

Our liability side cost to income ratio is around 145%. That is what bringing up overall to 73-74-ish type. So that will come down. You can take it from me, it will come down 145 to 100 over the next few years. And when that comes down, bank's cost to income will come down, bank's cost to income come down and PAT will go up, things all play out to plan. It's playing out to plan even now. So that's the thing to watch for don't worry too much for liabilities it's going well.

Vikas Kasturi: Sure, sir. I've been an investor since 2019, nothing can scare me.

V. Vaidyanathan: Thank you, Vikas, really, really grateful to you for that kind of confidence in us. We won't let you down.

Vikas Kasturi: Yes sir. Thank you. Wish you all the best.

V. Vaidyanathan: Thank you and everybody, and thanks to all the investors for participating in this call today, and from Sudhanshu, Sapta and myself and everybody in the bank, thanks a lot for your help and support.

Sudhanshu Jain: Yes, thank you, everyone.

Saptarshi Bapari: Thanks, everyone, for joining the call. Thanks.

Moderator: Thank you so much, sir. Ladies and gentlemen, on behalf of IDFC FIRST Bank Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.