IDFC First Bank Ltd — FY 2024 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	**IDFC FIRST Bank has transitioned into a retail-led franchise, evidenced by a 38.83% surge in deposits to □200,570 Cr and a 4.5x expansion in branch network.**	Positive
2	**Revenue momentum remains strong with 33.43% YoY growth to □30,325 Cr, driven by the successful pivot from wholesale to granular retail lending.**	Positive
3	***Financing Margin % compressed from -3.00% to -5.00% as rising interest costs on deposits outpaced yield adjustments during the transition phase.***	Negative
4	**Net Profit grew 18% to □2,942 Cr, supported by improving operating leverage and a significant reduction in high-cost legacy borrowings.**	Positive
5	**Balance sheet health improved as the Debt/Equity ratio moderated to 1.58x from 2.21x, while CRAR remains robust at 16.11% following a □3,000 Cr QIP.**	Positive
6	**Cash flow generation is exceptional with CFO at □11,543 Cr (3.92x PAT), providing a massive internal accrual buffer for future growth.**	Positive
7	**Capital allocation is disciplined with capex coverage at 8.4x, facilitating self-funded growth and a targeted C:I ratio reduction to 65% by FY27.**	Positive
8	**Earnings quality is high, characterized by zero RBI divergence for two years and a conservative 86.6% Provision Coverage Ratio (PCR).**	Positive
9	**Governance standards are exemplary with zero promoter pledges, 60% board independence, and negligible 0.08% intra-group RPT exposure.**	Positive
10	***Asset quality faces concentration risk with 44.14% of the loan book (87,157 Cr) being unsecured, alongside a 211% spike in credit card complaints.***	Negative
11	***Refinancing pressure is elevated in the near term, with 58.95% of total borrowings (30,027 Cr) maturing within the next 12 months.***	Negative
12	**Stance: ACCUMULATE; monitor Net NPA levels (threshold 1.5%) and the bank's ability to manage unsecured credit costs through the next cycle.**	Positive

1. Business overview

- **Structural Pivot to "Vision 2.0":** The bank has transitioned from its "Turnaround Phase" (cleaning legacy DFI baggage) to "Vision 2.0," focusing on scaling a digital-first retail compounding machine.
- **Liability Franchise as a Moat:** Core strength has shifted to deposit mobilization, reaching **□212 Cr deposits per branch**. The strategy utilizes a "Fintech-app-on-a-bank-platform" approach to drive customer acquisition and retention.
- **Revenue Drivers:** Growth is driven by a 38.83% increase in **Deposits** (reaching □200,570 Cr) and a 27.5% growth in granular retail advances.
- **Segmental Strategy:** Wholesale banking has evolved into an "ecosystem" play, targeting corporate employees (salary accounts) and vendors/dealers (MSME loans/CMS) to lower acquisition costs.

- **Product Innovation:** Aggressive "Zero Fee Banking" positioning to attract mass-affluent segments and disrupt legacy private bank incumbents.
- **MSME & Startup Focus:** Doubling down on underserved segments to drive growth and meet Organic Priority Sector Lending (PSL) targets, reducing reliance on expensive RIDF investments.
- **Geographical Presence & Expansion:** Physical infrastructure has expanded 4.5x since the merger, with current **Capex** of ₹1,374 Cr supporting continued retail branch scaling.
- **Acquisitions & Corporate Actions:** The proposed amalgamation of IDFC Limited into the Bank will extinguish shares held by IDFC Limited, simplifying the shareholding structure and eliminating the holding company discount.

2. Management commentary & outlook

- **Operating Leverage Focus:** Management has shifted the narrative from "building" to "sweating" assets, expecting the Cost-to-Income (C:I) ratio to drop from 72.9% to 65% by FY27.
- **Proactive Risk Management:** Management proactively flagged stress in the Microfinance (MFI) book due to floods and center-meeting discipline issues, guiding for upfront provisions in H1-FY25 to maintain earnings integrity.
- **Credit Quality Guidance:** Commitment to the "2-1-2" formula (2% GNPA, 1% NNPA, 2% Credit Cost). Current performance (1.9-0.6-1.3) is beating this guidance.
- **Leadership Bench:** The appointment of Pradeep Natarajan as Executive Director reinforces the retail-first identity and signals a clear internal succession plan.
- **Legacy Debt Reduction:** The bank has repaid **₹61,332 Cr** of high-cost legacy borrowings since the merger, with only ₹11,809 Cr remaining, structurally boosting future NIMs.
- **Capital Raising:** A proposed **₹5,000 Cr debt raise** (Tier-II/Bonds) is planned to fund growth spurts in FY25-26, timed with anticipated interest rate cycles.
- **Customer Centricity:** Management eliminated lien-marking for AMB charges to prevent EMI bounces, sacrificing short-term fee income for long-term Customer Lifetime Value (CLV).
- **Management Tone Verdict:** The tone is disciplined, transparent, and execution-focused. The MD focuses on unit economics and "root cause" problem-solving rather than banking jargon. The proactive disclosure of MFI stress prevents negative surprises and builds institutional trust, signaling a shift from defensive balance sheet protection to offensive market share capture.

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2024	Mar 2023
Revenue	30,325	22,728
Sales Growth %	33.43	32.35
Interest	13,870	10,091
Expenses	17,899	13,338
Manufacturing Cost %	0.73	0.67
Employee Cost %	18.59	18.84
Other Cost %	39.70	39.17
Financing Profit	-1,444	-701
Financing Margin %	-5	-3
Other Income	5,932	4,467
Exceptional items	9	1
Other income normal	5,923	4,467
Depreciation	631	435
Profit before tax	3,857	3,331
Tax %	24	25
Net Profit	2,942	2,485
Profit from Associates	0	0
Exceptional items AT	7	1
Profit excl Excep	2,936	2,484
Profit for PE	2,936	2,484
Profit for EPS	2,942	2,485
Profit Growth %	18	1,725
EPS (□)	4.16	3.75
Dividend Payout %	0	0

Balance sheet (□Cr)

Line item	Mar 2024	Mar 2023
Equity Capital	7,070	6,618
Reserves	25,204	19,229
Deposits	200,570	144,470
Borrowing	50,936	57,212
Other Liabilities	12,430	12,353
Trade Payables	1,015	1,194
Other liability items	11,415	11,158
Total Liabilities	296,210	239,882
Fixed Assets	2,720	2,054
Building	33.25	287.32
Other fixed assets	5,257.63	3,811.26
Gross Block	5,290.88	4,098.58
Accumulated Depreciation	2,571.18	2,044.42
CWIP	95	219
Investments	74,500	60,913
Other Assets	218,895	176,696
Cash Equivalents	10,059	9,908
Loans n Advances	576	440
Other asset items	208,260	166,347
Total Assets	296,210	239,882

Cash flow statement (□Cr)

Line item	Mar 2024	Mar 2023
Cash from Operating Activity	11,543	3,563
Profit from operations	7,151	5,722
Inventory	0	0
Loans Advances	-45,216	-36,200
Operating investments	-5,030	-4,344
Operating Deposits	56,101	38,930
Other WC items	-655	-188
Working capital changes	5,200	-1,803
Direct taxes	-807	-356
Cash from Investing Activity	-9,887	-11,996
Fixed assets purchased	-1,374	-1,188
Fixed assets sold	210	8
Investments purchased	-8,723	-10,816
Acquisition of companies	0	0
Other investing items	0	0
Cash from Financing Activity	-2,954	6,509
Proceeds from shares	3,323	2,260
Proceeds from debentures	1,500	1,500
Proceeds from borrowings	0	2,749
Repayment of borrowings	-7,776	0
Dividends paid	0	0
Other financing items	0	0
Net Cash Flow	-1,298	-1,924

3.2 Financial analysis summary

- The bank achieved a **Revenue** growth of 33.43% YoY, reaching □30,325.00 Cr, supported by a conservative "realization" policy for Interest income on NPAs, ensuring Net Profit of □2,942.00 Cr is not inflated by stressed assets.
- **Net Profit** grew by 18.00% YoY; while moderating from a low base, quality is high as the bank transferred □740.00 Cr (25% of profits) to Statutory Reserves, validating bottom-line strength.
- **CFO** surged to □11,543.00 Cr from □3,563.00 Cr, resulting in a superior CFO/PAT ratio of 3.92, driven by a massive Operating Deposits inflow of □56,101.00 Cr offsetting □45,216.00 Cr in Loans n Advances outflows.
- **Deposits** on the Balance Sheet grew by 38.83% to □200,570.00 Cr, allowing the bank to reduce Borrowing to □50,936.00 Cr and lower its Debt/Equity ratio to 1.58.
- The **Financing Margin %** deteriorated from -3.00% to -5.00%, reflecting rising Interest costs (up 37.45%) and a high concentration of Unsecured Advances at 44.14% of the portfolio (□87,157.56 Cr).

- **Employee Cost %** remained stable at 18.59%, though a dual valuation policy for ESOPs (intrinsic for staff vs. fair value for KMPs) complicates long-term Operating Expense comparisons.
- **Depreciation** increased to ₹631.00 Cr following a ₹1,374.00 Cr Capex spend; an aggressive write-down policy for tech assets (vehicles/mobiles) higher than Companies Act rates front-loads expenses to protect future PAT.
- **Total Assets** expanded to ₹296,210.00 Cr, but Asset Turnover remains low at 0.10, signaling the Balance Sheet is in a gestation phase typical of a maturing bank.
- Liquidity risk is present as **58.95%** of Total Borrowings (₹30,027.27 Cr) mature within 12 months, creating dependency on the inter-bank market and potentially impacting Finance Cost.
- **Net Worth** was bolstered by Proceeds from shares of ₹3,323.00 Cr and ₹1,500.00 Cr in Tier 2 bonds, supporting a CRAR of 16.11% for the retail strategy.
- **Other Income** of ₹5,932.00 Cr includes sustainable PSLC fees but also volatile subvention income recognized immediately upon loan foreclosure.
- Asset quality management is aggressive, with technical write-offs increasing to ₹**2,983.63 Cr**, reducing Gross NPAs to ₹3,718.36 Cr despite rapid loan book expansion.
- **Other Liabilities** include Contingent Provisions against Standard Assets of ₹851.53 Cr, which act as a buffer; however, Specific Provisions for identified standard accounts dropped to ₹305.68 Cr, suggesting these accounts either upgraded or slipped to NPA.
- **Other Assets** show a move toward liquidity, as Unlisted Non-SLR investments decreased by ₹1,086.68 Cr, improving the investment book's profile.
- **Other Expenses** are impacted by a 211% spike in customer complaints regarding Credit Cards, signaling operational friction that could impact brand equity and future fee income.
- The dominant financial theme of the year is the successful transition into a deposit-led retail franchise characterized by robust **CFO** generation and aggressive balance sheet cleaning, offset by near-term Financing Margin pressure.

3.3 Contingent liabilities & commitments

- **Interest Rate Swaps (IRS):** Notional principal of ₹**117,633.30 Cr**. High counterparty dependence with 64.73% of credit risk concentrated in Banks/FIs.
- **Forex Risk:** Unhedged Foreign Currency Exposure (UFCE) of borrowers required a provision of ₹**45.44 Cr**.
- **Derivative Sensitivity:** PV01 (impact of 1% rate change) on trading derivatives is ₹**185.04 Cr**, signaling moderate interest rate sensitivity.
- **Cash Flow Hedge Reserve:** Recognized a gain of ₹**33.15 Cr**, reflecting active management of floating-rate liability risk.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↑ — CFO of □11,543 Cr exceeds PAT of □2,942 Cr due to deposit-led liquidity.	—	CFO is driven by □56,101 Cr deposit growth offsetting □45,216 Cr loan growth.
2	Receivables & channel-stuffing signal	Revenue ↑ — banking advances grew 27.5% vs 33.4% revenue growth, indicating healthy yield.	—	Note 18.03: Advances growth is granular and trails deposit growth (38.7%), reducing liquidity risk.
3	Revenue timing	Revenue ↑ — upfront loan fee recognition front-loads income during high credit growth periods.	—	Note 17.03: Loan originating fees are recognized upfront, potentially masking long-term portfolio yields.
4	Revenue from related parties %	Neutral — negligible intra-group exposure minimizes risk of artificial revenue or value leakage.	—	Note 18.06: Exposure is exceptionally low, indicating high independence from the parent group.
5	Inventory vs revenue growth	Neutral — bank holds zero physical inventory; growth is driven by financial assets.	—	Not applicable for banking sector; focus is on credit growth vs interest income.
6	Inventory valuation method change	Neutral — no inventory held; investment valuation follows conservative FBIL/ FIMMDA market yields.	—	Note 17.01: Unquoted equity valued at □1 if BS >18 months old; highly conservative.
7	Exceptional items in operating profit	Profit ↑ — negligible exceptional gain of □9 Cr has no material impact on quality.	—	Note 18.01: Relates to minor adjustments; core operating profit remains the primary driver.
8	Depreciation rate vs useful life policy	Profit ↓ — aggressive depreciation on tech assets improves future margin sustainability via faster write-downs.	—	Note 17.07: Depreciation on vehicles/ mobiles is higher than Companies Act rates, signaling conservatism.
9	Provision reversals boosting PAT	Profit ↑ — reversal of □106 Cr provision credited to reserves, not P&L, protecting earnings.	—	Note 18.02: Large recovery from a corporate borrower was moved directly to General Reserve.
10	Tax rate consistency + cash tax vs P&L tax	Profit ↓ — cash tax paid (□807 Cr) is lower than P&L tax (□915 Cr).	—	P&L tax of □915 Cr (calculated from 24% of PBT) vs □807 Cr direct tax paid.
11	CWIP age and stalling projects	Neutral — CWIP decreased significantly, indicating successful capitalization of branch/IT infrastructure projects.	—	Reduction in CWIP suggests projects are being completed and moved to the fixed asset block.
12	Deferred tax asset recognition adequacy	Profit ↑ — DTA utilization likely as bank maintains consistent profitability and statutory transfers.	—	Note 18.02: Mandatory 25% profit transfer to statutory reserves validates the tax-paying capacity.
13	RPT quantum and trend	Neutral — RPT remains stable and immaterial relative to the total balance sheet size.	—	Note 18.06: No change in intra-group exposure quantum (0.08% of total) year-on-year.
14	Dividend paid vs FCF adequacy	Neutral — zero dividend payout conserves capital for aggressive 27.5% credit growth expansion.	—	Bank is in a growth phase, utilizing all internal accruals to fund the loan book.
15	Divergence Check	Neutral — No disclosure required for FY23/FY22, signaling full alignment with RBI supervisory audits.	—	Internal NPA classification is fully aligned with regulatory standards.
16	Provisioning vs. Profit	Neutral — Fresh provisions (□4,436.66 Cr) nearly match write-offs, indicating a steady-state credit cost.	—	New slippages are being offset by aggressive recoveries and cleaning.

#	Check	Impact	Status	Notes detail
17	***Concentration Risk***	Profit ↑↓ — Top 20 NPA accounts represent 37.87% of Gross NPAs; improving but still lumpy.	—	Legacy corporate stress is being diluted but remains a concentration concern.
18	***Operational Risk Signal***	Revenue ↓ — 211% spike in credit card complaints suggests scaling issues in the retail franchise.	—	Potential for regulatory scrutiny or customer churn in the fastest-growing segment.

4. Management & governance

A. Auditor report & key audit matters

- **Audit Opinion:** Unqualified. The financial statements present a true and fair view.
- **KAM 1: Asset Classification and Provisioning:** Focus on management judgment in identifying "stressed sectors." The bank's shift in NPA Provisioning Coverage from 66.43% to 68.79% was scrutinized for adequacy.
- **KAM 2: Valuation of Investments:** Reliance on FIMMDA/FBIL yields for unquoted bonds. Auditors assessed the risk of misjudgment in "mark-up" for credit and liquidity risks in the AFS/HFT portfolio.
- **KAM 3: Information Technology (IT) Systems:** Given the "Digital Banking" focus, auditors reviewed automated systems for interest calculation and NPA identification as critical operational risks.
- **Auditor Change:** M/s. M.P. Chitale & Co. appointed as Joint Statutory Auditor for a 3-year term starting FY 2023-24, replacing M/s. MSKA & Associates. M/s. Kalyaniwalla & Mistry LLP continues as the other joint auditor.
- **Auditor Fees:** Total Audit Fees of □2.75 Cr.

B. Related party transactions

Party	Relationship	Nature	Amount (Cr)	Concern
Intra-group Entities	Subsidiaries/Associates	Total Exposure	212.52 Cr	—
Top 20 Intra-group	Subsidiaries/Associates	Exposure Concentration	212.52 Cr	—

- **RPT Risk Checks:** % of Revenue: 0.70%; % of CFO: 1.84%.
- **RPT Verdict:** Clean. Intra-group exposure is exceptionally low at 0.08% of total exposure, indicating high independence.

C. Shareholding

Quarter	Mar 2023	Jun 2023	Sep 2023	Dec 2023	Mar 2024
Promoters	39.99	39.93	39.37	37.45	37.43
FIIs	19.31	20.85	24.47	24.31	23.59
DIIs	7.97	8.08	8.35	8.44	9.38
Public	32.73	31.13	27.81	29.80	29.58

- **Pledged Shares:** 0.00% of promoter holding is pledged.

D. Board composition + KMP compensation

- **Total Directors:** 10 | **Independent %:** 60% | **Women Directors:** 1 (Dr. Brinda Jagirdar).
- **KMP Compensation:** Pradeep Natarajan (ED) received ₹3.94 Cr (0.05% of Operating Profit). V. Vaidyanathan (MD & CEO) remuneration not disclosed in the summary table but noted as compliant with RBI guidelines.
- **YoY Analysis:** Core Operating Profit grew 24.97% while total employee cost percentage remained stable at 18.59%, suggesting compensation is scaling with productivity. No family relations or compensations within the same family were observed.

F. Capital allocation & capex

Action	FY current (Cr)	FY prior (Cr)	% of CFO	Signal
Dividends	0.00	0.00	0.00%	—
Capex (Fixed Assets)	1,374.00	1,188.00	11.90%	—
Net Debt Change	-6,276.52	4,249.49	-54.37%	—
Interest Payments	13,870.00	10,091.00	120.15%	—
Equity Issuance	3,323.00	2,260.00	28.78%	—
Investments (Financial)	8,723.00	10,816.00	75.57%	—
Bad-debts Written Off	2,983.63	1,830.47	25.84%	—

- **CAPEX Analytical Notes:**
  - **CFO Coverage of Capex: 8.40x**. CFO (₹11,543 Cr) significantly dwarfs Capex (₹1,374 Cr).
  - **Nature of Capex:** Growth-oriented, focusing on retail infrastructure and 4.5x branch expansion since merger.
  - **Deployment Efficiency:** Revenue grew 33.43% on a 32.42% increase in Gross Block, indicating high efficiency.
  - **Key Takeaways:** The capex program is value-accretive as the bank transitions to operationally-funded physical scaling.

H. Risks

- **Unsecured Concentration (High):** Unsecured advances at **₹87,157.56 Cr (44.14% of book)**. High sensitivity to retail credit cycles.
- **Refinancing Risk (High): 58.95% of borrowings (₹30,027.27 Cr)** mature within 12 months. Vulnerable to rate hikes.
- **Derivative Exposure (Med):** Notional principal of IRS is **₹117,633.30 Cr**. High counterparty dependence (64.73% with Banks/FIs).
- **Operational Risk (Med): 211% spike in customer complaints regarding Credit Cards**. Signals friction in rapid scaling.
- **Asset Quality (Med):** Technical write-offs surged to **₹2,983.63 Cr**. While cleaning the balance sheet, it masks true Gross NPA levels.

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	4	→	38.8% Deposit growth; 4.5x branch expansion	Strong retail pivot and liability franchise offset by unsecured concentration.
Financial health	4	↑	D/E 1.58x; CFO/PAT 3.92x; CRAR 16.11%	Massive CFO surge and successful de-leveraging of legacy debt.
Earnings quality	4	→	CFO > PAT; No RBI divergence; 86.6% PCR	High transparency and conservative provisioning, though fee front-loading exists.
Management & governance	5	→	Zero pledge; 0.08% RPT; Proactive MFI disclosure	Exemplary transparency and strong alignment with retail-first strategy.
Capital allocation & earnings visibility	4	↑	Capex coverage 8.4x; Operating leverage improving	Self-funded growth and clear path to C:I reduction by FY27.

Business positives (for this company this year) * **Robust Liability Growth:** Deposits grew **38.83%** to ₹200,570 Cr, reducing reliance on wholesale funding. * **Superior Cash Generation: CFO** of ₹11,543 Cr is 3.92x of Net Profit, providing massive internal accruals. * **Legacy De-leveraging:** Repaid **₹61,332 Cr** of high-cost legacy borrowings since merger, with only ₹11,809 Cr remaining. * **Governance Integrity:** Zero RBI divergence for two consecutive years and negligible **0.08%** intra-group RPT exposure. * **Capital Strength:** Successfully raised **₹3,000 Cr** via QIP at a premium (₹90.25/share), boosting CRAR to 16.11%.

Business negatives / concerns (for this company this year) * **Unsecured Concentration: 44.14%** of the loan book (₹87,157.56 Cr) is unsecured, increasing cyclical risk. * **Refinancing Pressure: 58.95%** of total borrowings (₹30,027.27 Cr) mature within 12 months. * **Operational Friction: 211% spike** in customer complaints regarding Credit Cards suggests scaling issues. * **Margin Compression: Financing Margin %** deteriorated to -5.00% from -3.00% due to rising interest costs. * **Aggressive Write-offs:** Technical write-offs surged to **₹2,983.63 Cr**, indicating high ongoing cleaning of the book.

Overall scorecard summary IDFC FIRST Bank has successfully transitioned into a high-quality retail franchise with a robust liability moat and exceptional cash flow generation (CFO/PAT 3.92x). The bank's governance posture is exemplary, evidenced by zero RBI divergence and minimal related-party exposure. While capital allocation is disciplined and self-funded, the high concentration of unsecured loans and short-term refinancing needs remain key monitorables. Overall, the business is on an improving trajectory as it moves from a "turnaround" to a "compounding" phase.

Part b: governance check matrix

#	Check	Status
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

Final line: "Total: 10/10 — Governance Rating: 5"

Part c: investor verdict

Thesis: IDFC FIRST Bank is a digital-first retail compounding machine successfully replacing high-cost legacy debt with granular deposits.

Overall stance: ACCUMULATE

Rationale: Strong liability franchise and superior CFO generation provide a margin of safety against unsecured credit risks. Re-evaluate when: Net NPA exceeds 1.5% or Cost-to-Income ratio fails to drop below 68% by FY26. BULL CASE: NIM expansion of 50bps as remaining legacy debt is replaced by retail deposits, driving ROE toward 13-15%. BEAR CASE: A sharp retail credit cycle leads to unsecured credit costs exceeding 3%, wiping out 50% of PAT. Key monitorable: Credit Card complaint trend: 211% spike → watch for regulatory intervention or churn.

7. Year-over-year analysis

7.1 Changes

Metric / theme	Summary a status	Summary b status	Forensic takeaway
Capital Allocation Efficiency	CFO/Capex ratio at 3.00x with high reliance on equity dilution (□2,260 Cr).	CFO/Capex ratio surged to 8.40x, signaling self-funded physical scaling.	The bank has successfully transitioned from equity-dependent growth to an operationally self-sustaining infrastructure expansion model.
Margin Trajectory	Financing Margin at -3.00%.	Financing Margin deteriorated to -5.00%.	Rising interest costs are currently outpacing yield gains, creating a temporary squeeze on the financing spread despite volume growth.
Management Tone	Expansionary and visionary, focusing on "Amazon-style" market dominance.	Proactive and risk-focused, specifically flagging MFI stress and "Vision 2.0" unit economics.	Management has pivoted from a purely promotional growth narrative to a more mature, risk-transparent communication style.
Liability Granularity	Top 20 depositors accounted for 12.56% of total deposits.	Top 20 depositors concentration risk not explicitly flagged as a primary concern.	The bank has successfully institutionalized its retail deposit franchise, moving away from the volatility of bulk wholesale funding.
Operational Friction	Not highlighted as a material risk.	211% spike in customer complaints regarding Credit Cards.	Rapid digital scaling is beginning to outpace the bank's internal service and grievance redressal infrastructure.
Working Capital (Accruals)	Interest accrued grew 46%, significantly outpacing revenue growth.	CFO/PAT ratio improved to 3.92x, driven by massive operating deposit inflows.	The previous concern regarding accrual-heavy revenue has been mitigated by a massive surge in actual cash liquidity from the retail franchise.

7.2 Persistent patterns

- **CFO consistently remains higher than PAT**, validating the high cash-conversion quality of reported earnings across both cycles.
- **Exemplary governance standards** are maintained through 0% promoter pledging, high board independence (60%), and clean audit opinions.
- **Significant reliance on Deferred Tax Assets (DTA)** persists as a critical component of the balance sheet, making future profitability a non-negotiable requirement for capital stability.
- **Opaque "Other Expenses"** continue to account for over 50% of the operating cost base, masking the specific unit costs of customer acquisition.
- **Aggressive balance sheet cleaning** via high technical write-offs remains a recurring strategy to maintain the optics of improving Gross NPA ratios.
- **Structural pivot to unsecured retail** remains the dominant growth engine, with unsecured advances consistently hovering between 44% and 47% of the total book.
- **Zero dividend payout** remains a persistent policy as the bank prioritizes the retention of 100% of earnings to fund aggressive loan book expansion.