VIKRAM LIMAYE/IDFC LTD

## We are gearing up to get the bank operational by 1 Oct 2015

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nfrastructure financier IDFC Ltd has raised ₹1,000 L crore from a sale of shares to institutional buyers, seeking to lower the holding of foreign institutional investors (FIIs) to less than 50% to comply with rules set by the Reserve Bank of India (RBI) before it establishes a bank. Vikram Limaye, chief executive officer and managing director of IDFC, talks about the share sale and plans for the bank in an interview. Edited ex-

To bring the FII limit down you needed only ₹850 crore, you got ₹1,000 crore. Should we expect more equity raising or are you done for now?

We are certainly done because the reason why we have raised this equity is not because we need equity. We had enough capital already even before we raised this money. The reason to raise this was to bring down the foreign ownership in IDFC to below 50%. So that is just a regulatory requirement as promoter of a bank. It is not because we need capital.

Who are the key functionaries of will be your role?

I don't think I can get into the details right now because at the right time we will have an appropriate announcement. As it relates to the bank, the bank has not yet been formed. There will be a governance structure



Infra hurdles: Limaye says there are still uncertainties in the infrastructure landscape which need to be sorted.

## INTERVIEW

for the bank. The appointments relating to the bank will need to be approved by the board of the bank and by the RBI (Reserve Bank of India). So it would be premature for me to talk about (the proposed) IDFC Bank? What things that aren't really within our control because there is a governance structure that needs to fall into place and appropriate approvals need to be obtained.

> But does the timeline for starting a bank continue to be in place? Will you start the bank by 1 Octo-

## ber 2015?

That is certainly the plan and so at this point in time we are certainly gearing up to get the bank operational by 1 October (2015).

What about your loan book? What do you expect going ahead because in the quarter gone by your gross loan book was down about 10% on a quarter-on-quarter basis. How are things progressing at that point?

Things are slow, there are still uncertainties in the infrastructure landscape which need to be sorted. New project development hasn't yet picked

up... You have seen the corporate credit growth number which has been sub-10%. So, that is a reflection of the fact that the investment cycle hasn't really picked up as yet.

More in terms of how IDFC will evolve over the next 12 months that you have, will you be contracting your infrastructure book? There is no fresh demand and you are seeing money being returned either by way of interest payments or principal. Where would you be lending? How will you prepare for retail, how many branches will you have on 1 October 2015?

I cannot discuss the specifics. As a listed company if we make certain disclosures we prefer to stand by those disclosures and I don't want to make any premature disclosures. At the right time we will share enough details about the bank's business plans including the branches, including people, including what we expect to do in year one versus vear three.

I don't want to get ahead of the curve at this point in time when we are in the process of planning all those details. So at the right time we would share more details.

Can you at least tell us if the capital markets business, the Ibanking, the PE (private equity) business will be incorporated into the bank or will it be sepa-

It will remain as a separate subsidiary. Our structure right now has three subsidiaries: it

has an asset management business; it has our alternatives business which has private equity infrastructure and real estate investment activity; and then it has our investment banking broking business. All three are currently subsidiaries of IDFC. We have also got approval to set up an IDFC NBFC (non-banking financial company) which will again be a subsidiary of IDFC. And then the bank will also be a subsidiary of IDFC and that is how the structure is going to evolve.

Not necessarily your loan book but the infrastructure sector, do you think that we are going to get a couple of more bad news? I mean gas issues have not been resolved so gas-based power plants are still in a spot. Other than Lanco (Infratech Ltd) others

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have not been recognised as NPLs (non-performing loans). Should we expect one-two more such bad news?

It could well be the case although from everything that am hearing

including on gas, there is likely to be a resolution relatively soon not only on the price of gas but also on gas pooling mechanism where you have a portion of domestic and imported gas being pooled together and being offered at a blended price; that could then result in gas-based plants also operating at-call it 50% PLF (plant load factor), and using that as peaking power at a level that could potentially service debt. Therefore, I am still hopeful because we are power-short and the exposures to power are very large, whether from an investment perspective or from a lending perspective. I am hopeful that a solution will be found

that wouldn't really compromise the entire investments that have been made and bank balance sheets which are already under significant stress.

There was that recent easing of the infrastructure norms, exemption of banks against cash reserve ratio (CRR), statutory liquidity ratio (SLR). How much will that actually help you in terms of the transition to a bank?

This is certainly positive for us as well as for all other banks but the extent of benefit is still unknown because we are seeking clarification on that from RBI. We have already written to them, we have spoken to them a couple of times but I cannot give you an answer because I don't have a specific answer on this issue. Once we get clarifi-

> cations from RBI then we will be able to lay out exactly what it means for our own balance sheet. Your last reported gross NPL was 0.64%, is that the peak and the other point was about

wholesale funds, does it look set to get cheaper?

The gross NPL is an exceedingly low number relative to the risks that exist in the landscape and we have guided towards a higher number. We will see whether we get there or not.

We are working very hard to make sure that we find solutions to all the problems that exist but we cannot be immune to what is going on in the landscape and a lot of it is not necessarily within our control, which is why we have guided to higher NPA. I would stick with that guidance, I can certainly envision a scenario where NPLs could rise from the levels that we are at right now.