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Equitas to use bulk of IPO money for its bank: Vasudevan PN, MD

By [Pratik Bhakta](#) & [Shilpy Sinha](#), ET Bureau | Updated: Mar 30, 2016, 02:58 AM IST

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Equitas Holdings., which last year got an in-principle approval from the RBI to become a small finance bank, is coming out with an initial public offering (IPO) on April 5. In an inetrview with Pratik Bhakta and Shilpy Sinha, company's managing director Vasudevan PN, said that Equitas would use its existing 2.7 million clients and develop an elaborate business correspondent network to build its low-cost deposits books. Edited excerpts:



Vasudevan PN said that Equitas would use its existing 2.7 million clients and develop business correspondent network to build its deposits books.

How much capital do you want to raise and how do you plan to use it? We want to raise about Rs 720 crore through the initial offer. The price band of our issue has been kept at Rs 109-110, and we are planning to sell around 13.24 crore shares. Of the Rs 720 crore that we would like to raise, Rs 620 crore would be invested in the bank and the remaining Rs 100 crore would be with the holding company which we would use to set off all the expenses of the IPO, and also extend as a loan to the subsidiaries.

How would you be restructuring your business? There would be three basic corporate actions from our side. First, the IPO which is primarily aimed at reducing the foreign holding in the company from 93 per cent currently to around 35 per cent. Second would be merging the three subsidiaries for which a petition has been filed with the Madras High Court. The third corporate action is to have a certification of our IT readiness for doing banking transactions, and that's also under way.

How would the lending business change for Equitas? Equitas is not only a [micro finance](#) company, but it also has a diversified [loan book](#) across [housing finance](#), used commercial vehicle finance and small and medium enterprise (SME) finance. For the SME financing product, which has an average lending size of Rs 1.7 lakh and lends to 45,000 customers, the company boasts of non-performing assets of 0.3 per cent.

How do you plan to mobilise funds for deposits after becoming a bank? We already have a client base of 2.7 million for our micro finance business and we have to ensure that they put money in our bank account rather than putting in any informal savings scheme. Our field staff who anyway visit our clients regularly will also take deposits for services like recurring deposits. We plan to develop an army of 25 business correspondents per branch. These correspondents would help us reach out to the rest of the community.

How do you plan to develop your branch network? We have 539 branches currently, but our board has to take a call on how many of these branches would be converted into a combined liability branch.

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