

IDFC in talks with RBI to enhance shareholder value

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The company cannot engage in any lending activity post demerger

Vikram Limaye, MD & CEO, IDFC

Chennai, July 28:

The board and management of IDFC are in discussion with the Reserve Bank of India to enhance shareholder value by addressing some structural issues post demerger.

The company was replying to concerns raised by shareholders at the 19th Annual General Meeting here pertaining to the future of IDFC, post demerger.

“As to the future, in the current construct, we will not be permitted to engage in any lending activity. But, as an investment company, we will continue to evaluate investments in new businesses that make sense. We are discussing internally to try and figure out what we can do to increase shareholder value.

“It also requires discussion with the RBI. We are exploring whether there is any possibility to engage in certain activities within the present construct or in an alternate construct that would enhance shareholder value,” said Vikram Limaye, Managing Director and CEO of IDFC. “When we got the banking licence two-and-half years ago, the regulations surrounding getting a banking licence was that the promoter of the bank, which was IDFC, would have to demerge all its lending business and all its assets and liabilities into IDFC Bank,” he said.

On not paying dividend for 2015-16, he said it was a loss-making year for IDFC. “We took upfront provisions on assets we thought were stressed, although they were not NPAs. So, we took an extraordinary upfront provision of ₹ 2,500 crore and that resulted in loss for the fiscal,” said Limaye.

Significant upfront provisions were made in order to make sure that after demerger, IDFC Bank is insulated from any kind of overhang of provisions or any kind of negative impact on profitability, he pointed out.

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