

'THE MERGER IS A GREAT PLATFORM, AND AMAZING THINGS CAN BE BUILT ON THIS'

In a brief telephonic interview with BW Businessworld's **Clifford Alvares, V VAIDYANATHAN** outlines his strategy, and much more on IDFC First's future. Excerpts.

The cream of banking customers have already been taken by the new private sector banks in the last 20 years. What would you say on this?

I don't understand such terms. Indian economy is growing, middle class is becoming rich, poor are becoming middle-class, this is a hundred year story and beyond. How can we say cream has been taken? Any case we should not look at cream, non-cream, etc. there is a business model for all segments.

People are wondering why Capital First merged with IDFC Bank?

We wanted to convert to a bank. It gives perennial source of funds. I have mixed no words saying that Capital First always wanted to convert to a bank because bank gives the perpetuity, and low cost of funds. We were anyway planning to apply for a banking license on our own; along came this option of merger that was delivering the same result and was a win-win for both. The merger with IDFC Bank has come at an opportune time, if you look at how NBFCs have got impacted lately.

But why IDFC Bank then?

It's not that five banks were available and waiting in queue (to merge with us). You take what's available, and it's a good bank, clean books, clean management.

BUILDING A BANK FINANCING SMALL ENTREPRENEURS AND CONSUMERS WAS THE ORIGINAL VISION WHEN I LEFT ICICI BANK. THAT WILL BE THE BIG THEME. BUT ALONG THE WAY, I'VE DISCOVERED CORPORATE BANKING TOO IS A GREAT OPPORTUNITY

The bank has not progressed since inception. People say it is stalling.

That's being uncharitable to those who brought it up to here. It's a wonderful institution, excellent people and technology. The merged entity is a great platform. Amazing things can be built on this platform. You are missing the strong 16 per cent tier 1 capital adequacy.

But that does not make up for low profitability of IDFC Bank. See their numbers it posted losses in the latest quarter. And cost to income is over 80 per cent. It will be a slog to fix this.

That was only because of one-time provisions for infrastructure loans, which we don't do anymore. The past management wanted to provide for all bad loans and give a clean book. Dr. Lal has been conservative in accounting for bad loans.

Even at pre-provision level, there is hardly any profits. And cost to income? And NIM is only 1.7 per cent.

Let's start talking combined entity, no point talking standalone bank. Capital First yield on loans was much higher, so the bank's NIMs will go up straightaway from 1.7 per cent to beyond 3 per cent. And that's just the start.

Setting up branches will be expensive. It is like a startup bank.

All that is factored in our thinking. Profits will still go up.

Did it occur to you that you could have applied for a bank license yourselves?

All those matters have been discussed. Both shareholders have approved the transaction with 99.98 per cent votes in favour. That's a strongest mandate anybody has ever got.

Investors of IDFC bank have not seen

shares appreciate in three years. How will you turnaround the bank?

I don't use those complicated terms. I'm not a Lee Iacocca here. It's a simple story: just build CASA and rest will follow. It's got good capital, good people, 200 branches.

Don't you think holding ownership in a bank makes you more responsible as a banker? Is the RBI right in asking Uday Kotak to reduce stake?

Don't compare me to him, he is in another planet altogether.

The market is pinning lot of hope on you for success. The stock is up 35 per cent since the merger consummation. What is your message to them?

It's not about me. We have a wonderful team put together from both organisations. Shareholders are important and are to be respected. But it starts with putting customers first that will solve all shareholder matters. We will build a good, stable, high-quality business. People will appreciate later.

What's your vision and mission?

Building a bank financing small entrepreneurs and consumers was the original vision when I left ICICI Bank. That will be the big theme. But along the way, I've discovered corporate banking too is a great opportunity, we will do it appropriate to our cost of funds.

You transferred stock to a Trust and some near and dear ones. What are your thoughts on philanthropy?

Can we please skip this. We've told the exchanges whatever we had to as part of mandatory disclosures.

Are you feeling more settled as a bank?

Yes. **BW**

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