Publication	Times of India
Date	21.12.18

IDFC First: Mgmt buyout turns into bank

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Mumbai: IDFC First has the distinction of being the first management buyout converted into a bank, according to MD & CEO, V Vaidyanathan. The new entity, created after the merger of IDFC Bank and Capital First, is expected to trade on the stock exchanges mid-January with a focus on retail.

"There have been instances of financial institutions converting into a bank or promoting one. There have been non-banking finance companies that have converted into a bank. This is the first instance of a first-generation entrepreneur doing a management buyout of a company and converting it into a bank," said Vaidyanathan.

> "In India, employees have remained employees and owners have remained owners. This is the first time that someone has stepped out and done something like this

— V Vaidyanathan | MD & CEO, IDFC FIRST CAPITAL (REFERRING TO THE MANAGEMENT BUYOUT AT CAPITAL FIRST)

Vaidyanathan, who had a clear ambition of setting up a bank after moving out of the ICICI group in 2010, had joined Future Capital as vice-chairman and MD. The company, which was promoted by Kishore Biyani just ahead of the global financial crisis, was under stress as financial markets collapsed worldwide. In 2012, within two years of joining, Vaidyanathan effected a takeover of the firm with support from Warburg Pincus.

In the years that followed, the retail loan book and profits of the company grew manifold. The Capital First-IDFC Bank transaction has been recognised as 'Outstanding Corporate Transformation' by the UK-based business journal Capital Finance International.

Last month, Vaidyanathan had gifted over four lakh of his personal shares in Capital First — worth over Rs 20 crore — to 26 colleagues, three former employees, 10 close relatives and five of his personal staff, including house-help and drivers. This transfer was disclosed in a regulatory filing.

Defining IDFC First as a startup bank, Vaidyanathan said that the bank currently has a low share of current and savings accounts. "Capital First is bringing in an asset proposition because of our retail capabilities. IDFC Bank has a liability proposition. Together it makes a good combination. There is also a new leadership," said Vaidyanathan. The merged bank plans to increase its deposit base by expanding branch network and adopting a customer first policy.