



IDFC Limited

Transcript of Pre-AGM Conference Call September 14, 2021

Moderator: Good morning ladies and gentlemen, and welcome to the pre-AGM conference call being hosted by IDFC Limited.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to give your comments and observations following introductory comments by the Chair. Should you need assistance during the conference call, please signal an operator by pressing '**' and '0' on your touchtone phone. Please note that this conference is being recorded.

Some of the statements in today's discussion may be forward looking in nature, and hence many involve risk and uncertainty.

I now hand the conference over to Mr. Sunil Kakar, Managing Director and CEO of IDFC Limited. Thank you. And over to you sir.

Sunil Kakar: Good morning to all of you. I take this opportunity to welcome you all to this pre-AGM Conference Call with the Board and Management of IDFC Limited. Present on this call from the Management side are our CFO, our CS, and myself. We also have the privilege of the Board Members of IDFC Limited and our Financial Holding Company participating in this call. I welcome all the Board Members.

The primary purpose of this call is to take on board your valuable feedback, inputs and comments. I would urge you to express your views, but please avoid repetition. As already shared by the Moderator, some of the statements in today's interaction may be forward-looking in nature, and hence may involve risks and uncertainties.

I will now invite our Chair Mr. Vinod Rai for his opening remarks. Mr. Chairman, sir.

Vinod Rai: Thank you Sunil. And I would like to wish all our Shareholders, Directors and the Management a very good morning. To Shareholders specifically, I really appreciate your taking time off to join us today in this informal pre-AGM meeting. I know you will have to spare the same time off again for the AGM meeting. You are doing it twice so thank you very much for agreeing to do so because it helps us to get some guidance from you, get some viewpoints from you, get some suggestions from you. And that gives us an opportunity to explain to you what the Board has been doing over the last three to four years and where this entity stands as of today of which you are Shareholders.

Now, we have received mails from Shareholders also. And unfortunately, we could not have a structured communication. We have interacted with some people, we have not been able to interact with some people but today I am really very happy

that we have an opportunity for an informal discussion, which is not like an AGM kind of a discussion.

Now, today, if you will permit me 10 to 15 minutes, I propose to place before you the action taken by the Board in the last three to four years leading to the ending of the five-year licensing condition which ended on the 30th of September last year. And the actions taken had been to ensure that the double discount operating in the company is in some ways remedied.

Now, you all know that the IDFC had a very complex corporate structure. What we inherited in the IDFC, the holding company was that below the holding company there were three entities; one was the non-operational financial holding company (NOFHC), the other was IDFC Projects and the third was the IDFC Foundation. Now, in the FHC itself, there was the Bank and the AMC, then there was IDFC Securities, IDFC Alternatives, IDFC Capital, IDFC Trustees, IDFC Infrastructure Finance Limited and then there was the VCF, the Category-III AIF, etc. Added to all this was three entities, one in Singapore, one in USA, and one in Mauritius. Now, that was under the FHC.

Now, entities directly under the IDFC were IDFC Projects and the third was the IDFC Foundation. Now, it has taken us the last three to four years to try and un-complicate this entire corporate structure. And we have managed to remove all the other entities excepting for obviously what we own today the Bank on one side, the AMC on the other side and of course, the third is the Foundation. Believe me, it has been a huge task especially to unwind structures which were under the Monetary Authority of Singapore in Singapore, to the Securities Commission in the USA and the third was the Mauritius Agency in Mauritius. It was very time consuming; it was a very complicated business and multiple actions were required. But anyway, fortunately, all that is behind us and today we have only the two operational agencies one is the Bank, the other is the AMC.

Now, what we are grappling with today is the IDFC Foundation. Now Foundation as you are aware, has two entities under it, two Joint Ventures, one is with the Government of Delhi, the other is with the Government of Karnataka. We have been engaged with these two governments, but before that, knowing that the licensing condition was coming to an end on 30th of September last year, we met with the Deputy Governor of the Reserve Bank on the 3rd of January itself last year, a good nine months ahead of the licensing conditions terminating seeking his advice as to how we should start preparing for the institution post the licensing conditions terminating. He advised us to write a letter. We wrote a letter to him and that letter that we wrote to him seeking the guidance and permission of the RBI to start preparing for 30th September was linked with the Internal Working Group that the RBI has set up on various issues.

Now, you are aware that the working group gave its report sometime in December last year and RBI put it out for comments till 15th of January. Now, we waited after January also, but unfortunately the RBI Guidelines has still not come forth. So, thanks to some active involvement with the RBI, engagement with the RBI we managed to get ourselves extricated from that internal working group recommendations and due to this constant dialogue, we have got a letter now saying that the promoter can reduce its holding in the Bank and other institutions.

Now, knowing that we were engaging with the RBI sometime in October last year, immediately after the 30th September deadline, we started engaging with a Security Adviser to find out the details of disinvestment of our non-core activities, how should be the roadmap ahead, what we should plan. And the single term of reference to the security advisor was maximization of Shareholder value. He was

supposed to give us a strategy, a roadmap where we are successful in maximizing Shareholder value. And he did give us a lot of options. We have been debating the pros and cons of these actions. And just to enlighten you about the suggestions that the strategic advisor has given us, in the AGM, because unfortunately, this call is only an audio call, in the AGM, when you will all be available on video, he will make a presentation about the shortlisted options that we have. And he will give you the pros and cons of those options also, so that you can kind of take a decision for yourself, give us some advice if you want.

Now, meanwhile, before we get to that I have mentioned to you that we have received a large number of emails from you. And what you have thought in those emails is a divestment of an entity and a merger with another entity. Now, perfectly fine, that could be one of the options available. We will place all these options before you also. We want to sensitize you about the fact that the strategic advisor, our legal advisors, and our tax consultants mentioned to us that suppose we disinvest an entity as you have been wanting us to do, and we cash out which means we distribute the revenues that we get from each of these, each one of the Shareholders, each one of you individually, will have to pay a tax and that tax rate could go up to anything up to 40%. But that's the liability which the Shareholder has to meet.

The other option is that after we have sold that entity, you have suggested that we merge with another entity. Now, if we have to merge with another entity, what is the attraction that we bring onto the table for that entity, if we have cashed out, if we have distributed all the revenue earned from the sale of one entity, there is no attraction to the entity to whom you have sought our merger, because there is no capital. See every entity or a Bank or anybody else requires capital to grow. And for that, if we do not have the capacity to provide them the capital, it will not in any way be an attraction to them.

Now, that is not the only issue. What happens is, to a disinvestment, yes, the Foundation is not a stumbling block. But if we have to go in for a merger, we cannot have a merger with the two Joint Ventures in the Foundation still with us. So, we have been engaged I must share with you that over the last two years as to how best we can disengage with these two entities which are under the Foundation. Some of you may have read in the papers and both these entities are with state governments, as I mentioned earlier, one is the Delhi Government the other is the Karnataka Government.

Now, you must have read in the papers or you must have heard that at one point of time, which was roughly about a year back, we managed to get entity which was interested in buying over, taking over the Foundation. It was a Calcutta based company and we had negotiated with them for more than four months or six months. This was about a year back. But unfortunately, one of the State Governments felt shy of that company becoming their partner, because this is a 50% stake holding of IDFC with the Delhi Government and 50% stake holding of the IDFC with the Karnataka Government. So, all those discussions, all those negotiations came to naught, we had to start all over again.

Now, in the negotiations now, we have engaged and I have personally engaged with the Karnataka Government and the Delhi Government. And I must mention to you that I see light at the end of the tunnel, the Delhi Government has now been very positive, very proactive, very constructive. They have identified an agency to whom they would want the 50% of the IDFC shareholding to be transferred. We are in discussions with them. Even yesterday, our CFO was in a meeting with the Delhi Government and where they have shown very positive intent. And they have told us that by the end of the month, they will try and ensure that that entity is willing to take on our part of the shareholding, that's the Delhi Government.

The Karnataka Government also has one or two options which they have indicated to us. And they have been very upfront and advised us, I spoke to them even yesterday, they have advised us to give them a letter and also indicate the timeline within which we want a solution. So, we are going to give them a very small-time limit within which they must get back to us and ensure that the process of delinking this Joint Venture from the IDFC commences.

Now why I have taken the trouble to share, or your time to explain this to you is, because if we disinvest and distribute all the cash, not having cash without disengaging these entities, not having the cash will lead to a very difficult situation, because the merger will not take place. And instead of adding value to Shareholders, we will land up destroying value. And therefore, there is this urgency on our part to first clear the path for these two Joint Ventures to be disengaged from us, and then we move ahead.

Now, you are all aware that IDFC by itself is not an operational unit, we have an AMC, which is not listed, but doing exceedingly well. And on the other hand, we have the Bank, which is a listed entity. And even in these very difficult times, they have been doing exceedingly well. And all parameters at present, which the Bank indicates, and it's all in public domain is very good.

So, even the IDFC Limited the stock, value of the IDFC Limited has mirrored that of the Bank. If you see over the last two years, three years, this you will find that it has mirrored because IDFC by itself has no business, it's not operational. In fact, you will be surprised that your company IDFC Limited today contains only six employees, that's all that IDFC has. We have cut it down to the bare minimum, because we are operations, well not operational we have retained only that many people as are necessary as per the regulations laid down by the RBI. And number of people in the Board or number of the people in the Management are the bare minimum.

Now, this is where we stand today. And I think we are now at the cusp of being able to disengage from these two Joint Ventures, which have been quite an issue for us. Let me informally say that this is actually some kind of a millstone unless we are not able to disengage from these, we will not be able to move forward to ensure the maximization of Shareholder value and by getting to an optimal solution to the corporate structure of the entity.

Now, this is what I wanted to enlighten you about. I am sorry if I have taken more time than what I thought I would. But this is where we stand today. We are at the cusp of a solution. We are seeing light at the end of the tunnel. We have engaged with the Delhi Government and the Karnataka Government as I mentioned to you earlier, I am personally engaging with them. And I have been personally assured that solutions that we are seeking, they are also seeking for it. And Delhi Government the timeline is much shorter. The Karnataka Government also I am hoping will be in the very immediate future that they will find the solution for us.

And once we have that solution, and we have embarked on the solution, we will keep you informed. We will keep you informed. And we will tell you that look X, Y, Z are the solutions for both the JVs we will keep you informed. And that is the time when we will set about the job of ensuring one of the optimal solutions that the strategic advisor will be placing before you in the AGM.

Now that's where we stand. And I am hoping that you will appreciate what the situation is. But at the same time, we will be very happy to receive your suggestions. Any solution which has escaped our attention, please share with us. If you are not able to do it today write to us. And we will bounce it off strategic advisor

or the legal advisor or the tax consultant to try and ensure that the most optimal solution, which is maximizing Shareholder value is ultimately implemented by the Board.

That's where I would like to end. I would be very happy to receive your suggestions. And I leave it to the Moderator to accommodate any questions, suggestions or observations that we may receive. Thank you very much for your patient hearing.

Moderator: Thank you very much. Please note the format of this call entails participants speak taking turn by turn following which the Chair will provide a response as well as a brief closing statement.

The first participant is Martin van Klerk from Baobab. Please go ahead.

Martin van Klerk: I am Martin from Baobab, and I am begging your patience for three minutes to provide background before I ask my question. Since the merger in 2015, the cost of Management and Boards was close to 150 crore, whilst the delta between the Sensex and IDFC was a 132% and Absolute Return minus 10%. No figure explains the reason for the deep trust deficit between Investors and the Board and Management better than out of pocket returns for the people of India. Because let's not forget that IDFC's largest Shareholder is the Government of India. Forgoing the delta means that they lost out on a staggering 1,870 crore.

I request the Board to consider the following background information, in 2019, at a routine meeting with the MD and CEO Mr. Kakar after he expressed his frustration about the disconnect between the fundamental and market value of IDFC Limited we offered to help and Mr. Kakar accepted. We engaged at our own cost with three professional firms and eventually formally presented to IDFC options for value unlocking. In follow up discussions, the CEO raised concerns about the potential risks in the RBIs read on the situation. Therefore, we engaged with RBI on several occasions, we have made it clear that there's a very low probability that the RBI will prove to be a spanner in the works. Of course, today we know that this is true.

In August 2019, at the end of this very thorough process, we introduced one of these professional firms a law firm, India's leading corporate restructuring, legal and tax experts directly to the MD for evaluation and engagement. But the process was killed at the last minute when MD declined to sign the engagement letter for inscrutable reasons. As was advised then and what is so blatantly obvious today, the prime option is to sell the AMC and reverse merge without delay. We were told then and several times since by the MD that everything is under control, and that there was nothing to worry about, including the Foundation. And need I remind you this was back in 2019.

Yet here we are two years later in what we found to be a noxious situation where we have to stoop to this level of having to air our frustration publicly in order to bring about the obvious course of action. Hence I propose the following. The Board takes four weeks to deliberate and engage the Banker with clear instructions to run an auction process to sell the AMC immediately. Considering the history with Management, this regrettably carries an ultimatum. If it does not happen, we will reach out to other Shareholders to gather the requisite votes and call an EGM to suggest changes starting with the MD.

The Management team has lost all credibility and we strongly urge the Board to get external legal counsel to oversee the entire process and get the company ready for the reverse merger while solving any pending issues, such as the Foundation. And we are very happy to reintroduce the firm that we introduced to the MD in 2019.

My question is directed at Mr. Vinod Rai in his capacity as Chairman of the Board. Mr. Rai, with respect, can I be assured that the Board will seriously deliberate this proposal today and confirm the decision in a stock exchange filing immediately after please. Thank you.

Moderator: Thank you. The next speaker is Sridhar Shivaram from Enam. Please go ahead.

Sridhar Sivaram: I am from Enam Holdings and we have been a patient shareholder for many years now. So, you did mention some of the suggestions that have come. But to us looks like the best and the easiest option would be to look for a buyer for IDFC as it is, because today there are many finance platform companies which have NBFCs, HSBs and insurance companies. And they would be very interested in looking at IDFC as a company as it is today with two extremely well-run companies which includes the AMC and the Bank.

And of course, with the blessings of Reserve Bank, the option value for these platform finance companies would be to merge their NBFC with the Bank at a later date. But given that there are two very well-run companies within IDFC, we think that this is the best option. And the leakage as you mentioned, in case of a dividend, there is a fairly large amount of leakage in taxation, this would not entail any leakage at all. And the entire company could be sold as it is. And many of the issues which you highlighted about the Foundation may also not come as an impediment because the buying company would become the new owner.

So, that would be my suggestion that this looks like the best option. And seems like there will be many suitors for the very well-run subsidiaries that IDFC has. Thank you.

Moderator: Thank you. The next speaker is Akhil Dhawan from Locus Investment. Please go ahead.

Akhil Dhawan: I guess, had a comment and a question, so while I completely understand that a lot of good work is being done on unwinding the JVs and that's crucial to being able to reverse merge. In your sort of responses, I would really like to understand why, potentially considering a sale of the AMC is not something that can be done in parallel with the unwinding of the JVs so that we can move that process forward at the same time, and not have that as another gating item to a reverse merger at some point and getting some clarity on that. If there are other options being considered outside of the AMC that are strategic in nature, as you mentioned, per the advisor, that are still on the table at this point, then we would also like some clarity on that. At this point, is it pretty clear in terms of direction that we need to move in that we have a commitment in terms of getting that done. Thank you.

Moderator: Thank you. The next participant is Madhusudan Kela from MK Ventures. Please go ahead.

Madhusudan Kela: I really appreciate the comments which are being made in the beginning. And I would like to just say two things, one, without mincing words, actually it is very, frustrating now, to be the Shareholder of IDFC. We have had faith on the Board and the Management team for too long. Just to give you the context, since 2015, the stock is down 20% while the Bank Nifty is up 110%. So, you can very well visualize the amount of wealth destruction, which has happened for the Shareholders. And while I appreciate that, all the efforts are being made, but my suggestion is that things now needs to be moved fast. And this needs to be done in a time bound manner, because there is huge opportunity cost also of the money. And I am sure the Board and the Management at some point of time will

sympathize with the kind of losses that the Shareholders have incurred of the absolute money as well as the opportunity cost.

So, I think a lot of suggestions are being made, and a lot of feedback would be received. My humble suggestion is that by the end of this call, there should be some timeline to be given to the Shareholder for the sale of the AMC business, because that doesn't require anything. And whatever the tax implication is that it is for the all the Shareholders to bear, right. And whatever the value which comes that is the value which the market is ascribing to the business. So, I will humbly urge being in the market for 30 years this level of wealth destruction is very rare to see with this kind of competence of Management and the Board. So, please take these suggestions of all the stakeholders. And let's have a timely solution to the value creation for IDFC Shareholders. Thank you.

Moderator: Thank you. The next participant is Linesh from Azlin Consultants. Please go ahead.

Linesh: So, this query was relating to the redesignation of the Chairman as a Non-Independent Director from an Independent Director. So, the concern here is that we as Shareholders have not received enough information relating to the process and the manner in which this decision was taken. Well, since there was an Independent Director resignation, a letter has not been uploaded to the stock exchange's, a letter was not made available to the Shareholders. Also, the process in which the Nominations Committee has come up with this decision, because the Chairman himself was the member of the Nominations Committee so therefore, he must have been conflicted out of this decision, and the remaining two members have recommended this decision to the Board. So, whether it is the Chairman who has offered his services and an extension of his services, in view of his expiring term, or whether it's the Board that has requested the Chairman to continue, these are aspects that the Shareholders must be made cognizant of, these are aspects that the Shareholders should be aware of. But unfortunately, there are no filings or no disclosures that have been made to the Shareholders. And not uploading of the resignation letter of an Independent Director is in fact something that contravenes the listing regulations. So, we were very surprised at the manner in which this has been carried out. So, any additional information on this issue will be really helpful.

Moderator: Thank you. The next participant is Rajiv Pathak from GeeCee holdings. Please go ahead.

Rajiv Pathak: Yes, I would, repeat upon the points told by Mr. Kela and the previous speakers, it's been six years and if you see we have got two shares for every one shares held in IDFC Bank, but the other part of the share our value has technically, the holding company discount has gone to as high as 70%. So, on almost 50% of our money, we have suffered a 70% holding company discount plus there is no encashment of the AMC. So, all our previous speakers have said so I am not going to repeat what I would request the Board that this is an exuberant time in the capital markets, and I would have no doubt that the AMC would fetch at least close to 750 million. And this is a price which is in par with the deals which are currently happening or the IPOs of companies which are coming, we should encash our AMC at the earliest and figure out to reward the Shareholders.

And the second is that on a priority basis, engage with the Bank to merge or create a structure where we become direct owners of the IDFC Bank. As a Shareholder of IDFC, we are suffering a massive loss. I think the key is not if we will do it is when we will do and I don't think the luxury of time is there with the IDFC Board anymore. But having said that, thanks a lot, this was the first time IDFC Board came. And I would thank Mr. Vinod Rai for taking this lead. And I am very confident that the Board and the Management of IDFC will heed to the request of all minority

Shareholders so that the true value of our holdings is seen after a good six long years. Thank you.

Moderator: Thank you. The next participant is Rajeev Agrawal from DoorDarshi Advisors. Please go ahead.

Rajeev Agarwal: I think I will voice something similar that the other investors have talked about. I think the biggest negative surprise of IDFC has been the time it has taken to unlock the value for the Shareholder. It's one thing to know that there are two different or three different paths available. But the fact that we are still having a presentation in the AGM, about what path to take just shows that we did not spend enough time figuring out the best opportunity and continuously just extending the timeline.

I think for investors who have been invested in the stock, I think it is high time that a decision is made and then executed in a time bound manner. So, that is what I will request. I think different investors have talked about the different path, but what is really important is a time bound execution on a path that we choose and not delay it any longer. Thank you.

Moderator: Thank you. The next participant is Mr. VP Rajesh, from Banyan Capital. Please go ahead.

VP Rajesh: I will just echo what Mr. Kela said and Rajeev just said before me that the delay has been too much. And we fail to understand why the sale of AMC cannot be proceeded in parallel while we wind up the Foundation, or we explore the reverse merger with the Bank. So, I request the Board to clarify this particular point, that why these two processes or three processes cannot be run in parallel.

And secondly, the whole issue as Rajeev was saying, I also agree I have been an M&A Banker in my past life, I don't understand why all the options need to be presented at the AGM. I think that's Board's and Management's role to decide what is best for the Shareholders as they deem fit, and then move forward on that particular path. So, it baffles me that you are going to have another presentation at the AGM. And then I am not sure if you are going to be asking us to actually vote on which path to go forward. I think it's just lot of delay and unnecessary steps, I think you guys should decide, how this discount that has been there for the longest time in the public market can be narrowed as best as possible, keeping the tax efficiency in mind.

And Mr. Kakar has been on record, if you go back and read all the transcripts, you will see, he has been making this point over and over. So, just again, it disturbs me that we are going to have another presentation by the advisor. I think the Board needs to just make a call and stand behind it. Thank you.

Moderator: Thank you. The next participant is Deep Master from One Up Financial Consultants. Please go ahead.

Deep Master: I think most of the points have been repeated by all the earlier speakers. I would just request, strict timelines on this one and possibly the best structure, because it should have been by now almost a done decision on part of the Board. It can't be, kind of gyrating on so many pending issues, including Foundation. This should have possibly been closed a long time back. And if you can share firm timelines, because, we have had precedence your two other entities were also subjugate to similar timelines, and we have done the necessary dismantling and taking decisions very far. So, it is quite perplexing why we couldn't have done the same. By this time, we should have frozen it, and also possibly found alternate, just in case, the Foundation thing was a stumbling block. So, request the Management to

stick to a very urgent timeline and ensure that, the minority Shareholders don't suffer anymore. Thank you.

Moderator: Thank you. The next participant is Masoomi from ICICI Prudential AMC. Please go ahead.

Masoomi: We have been patient Shareholders with you for long, but sir we would really want you to start the process of selling the IDFC AMC along with the dismantling of the Foundation and this should not be delayed further. Earlier timeline of March 2022 I didn't know we were expecting some delays, that is actually frustrating to me. We would also be open to any other tax efficient strategic decision which the bankers have suggested to you but we would want that you finish it in a time bound manner. And it will be really helpful if post this call you can give us some time. Thank you.

Moderator: The next participant is Mittul from ICICI Prudential Asset Management. Please go ahead.

Mittul: I understand that this whole unwinding can't happen till we are able to unwind the Foundation. I just thought of one suggestion I am not sure how much possible, but can we demerge the two entities one with AMC and Foundation and the other is the stake which we hold in the Bank and then reverse merge the stake in the Bank so that at least we don't need to wait for the whole selling of the AMC and unwinding of this Foundation. So, this part if it can be done quickly, then it could be a faster way of unlocking the value for everyone.

Now, I am not sure what would be the right model whether to remove AMC and Foundation from IDFC Limited and list them separately or to keep the IDFC as it is or to remove the stake of the Bank into a separate company and reverse merge that one. So, which one would be much easier and faster I am not sure of that one. But one of the ways could be this so that at least all of us don't need to wait for that unlocking of value for the Banking stake. The AMC in the meanwhile, can get sold, even if it remains listed. The value unlocking, I am sure could happen on the markets itself once it is listed on its own. So, that would be one suggestion from our end. Masoomi has already spoken just ahead of me. So, thanks, over here.

Moderator: Thank you. Next participant is Pritesh Vora from Mission Holdings. Please go ahead.

Pritesh Vora: I reiterate some of our earlier participant's agony over the IDFC. What I want to understand is while you were knowing two years back that Foundation is an issue, so why the steps have not been initiated, two years back about the Foundation? Second thing I want to understand is, why we are still haggling on, why we are inviting suggestion from Shareholders in AGMs? This should have been done and dusted long before. The best option which looks to me right now is, is sell AMC and buyback those IDFC shares or money of AMC and then reverse merge with IDFC FIRST Bank. These are my suggestions. I appreciate the opportunity you have provided to Shareholder on this forum. And I am sure under Vinod Rai leadership we will come out with the right solution urgently. Thank you very much.

Moderator: Thank you. The next participant is Saumil Shah from Paras Investments. Please go ahead.

Saumil Shah: I would like to know what is the valuation of this IDFC Foundation? And why we were waiting for so long to close down IDFC Foundation? After we got the approval from RBI, it's frustrating now we are waiting for IDFC Foundations closing down. So, what were we doing from last two, three years? In your Annual Report we are seeing 2022/06 deadline and all, why wait still for one more year, we really don't

understand. And also, I would like to know what is the current valuation of AMC business as per the Management? Thank you

Moderator: Thank you. The next participant is Abhishek Mehta from Azlin. Please go ahead.

Abhishek Mehta: I manage capital on behalf of foreign investors in India. And in the past Management has assured us that the holding company will collapse and we will get shares of IDFC FIRST Bank. That's the premise on why we invested in IDFC Limited. The AMC has to be sold in order to collapse, a lot of time has passed and nothing has really been done. So, there is clearly as you can see a disconnect between what we the Shareholders want versus what the Board has done. The time is now to execute. Please give us a definitive timeline of the collapse of the holding company and not one year but the next two quarters, that's very important. And another option is before you decide to reverse merge, you can run an auction process for the 36% of your holding as some of the earliest speakers have mentioned. Thank you.

Moderator: Thank you. The next participant is Nilesh Shah from Envision Capital. Please go ahead.

Nilesh Shah: I think the simplest possibility is to basically just distribute the shares of the AMC and the Bank to the respective Shareholders of IDFC Limited and accelerate the listing of the IDFC AMC business as well. And then deal with the Foundation in due course. So, I think this is a pretty much simple kind of a suggestion, if this has tax implications for the Shareholders in their hands, so be it, let the Shareholders deal with the tax issue if at all they have to face that. But I think the two simplest things are to just distribute these shares to the respective Shareholders of IDFC Limited.

And second is, please bring a sense of urgency in all of this. You have mentioned that the Management team has been reduced to six people, but what is the cost still of running this Management team. And I think it would be important for the Board to kind of look into this matter introspect and say that, can we still afford an operating cost for this Management team. So, these are my suggestions. Thank you so much.

Moderator: Thank you. The next participant is Sneha from Subhkam Ventures. Please go ahead.

Sneha: Sir, two to three questions on my end. One the RBI has given us a permission this news was such exciting news, but we didn't see any presentation nor was a con-call scheduled. Second is when we are expecting the merchant Banker or the investment Banker appointment for the AMC that is also being delayed. And third is we want a clean roadmap of the AMC sale as well as the merger process, because we are delaying, but outcome we are just awaiting, since last four to five years, we are just a holder of a Shareholder, but we are not getting outcome of it.

And last question is, I would request from all the participant as well as from the Shareholders that we are looking for a good corporate governance from the IDFC side. Really, we are all the patient Shareholder and we are waiting the best positive outcome from it. And we want the timeline from it.

And last thing from my end is that every Shareholders would be giving a suggestion, we want at least Board execution as well as the implementation that is my main suggestion. We want Board to execute fast, implement fast and rewards things to the Shareholders in any form whatever it is, be it dividend, be it shares. Thank you for it.

Moderator: Thank you. The next participant is Rishendra Goswami from Locus Investments. Please go ahead.

Rishendra Goswami: Just I think my question was to, if you could help us understand or just elaborate upon that why is it not possible to get the AMC sale process started in parallel to unwind of the JV as well as the Foundation, because we were pretty proactive in selling out the alternative securities etc., so I think all the Shareholders have expressed their concerns regarding the delay in AMC sale process, so it would be helpful, if you could just elaborate upon why not run the AMC sale process in parallel to everything else. Thank you.

Moderator: Thank you. The next participant is Jigar from Vihas Ventures. Please go ahead.

Jigar: I had actually written a letter to the Board in 2019 and I had a meeting with the MD and where he had explained the complex process of how IDFC had been given the Banking license and the kind of issues that they were facing. Now what we have seen over these last two years, is that most of the other things which were being said were the hurdles in the way have been already solved. What we were told last, I think since last two, three conference calls, is that the only thing is that the question of when, and not the question of if, of what the RBI would give us the green signal.

Now since we were aware of all these things, all the other aspects could have been already solved. So, with Foundation we can offer that stake back to the State Government, right or we can take that stake into the IDFC Bank since it is the same Management. So, it doesn't require us to have an advisors or what we feel is the kind of time which is being taken. So, that could have been solved very easily. IDFC, AMC, so for us it is maybe not the competence of the Management but because of the good run in the market, the value which could have been less than Rs. 2,000 crore maybe one and a half years back, we might get more than Rs. 5,000 crore now. And if we again don't take a decisive step in a time bound manner, we may again collapse that value again. And it's not a very good performance from our side because we have already paid Rs. 1,000 crore for this AMC. So, over a 10-year period if it was to end one and half years back the value was just Rs. 2,000 crore and now since the markets are having a good run, and we have also done well on both the aspects, the fixed income and equity side, we may get more than Rs. 5,000 crore. So, I think it should be done on a very immediate basis and get the AMC out and then we can just reverse merge the holdco.

Another aspect is now since the RBI is not in a way or it is in our favor of doing whatever value unlocking needs to be done for the Shareholders. So, we can just demerge the IDFC Bank shareholding from IDFC Limited and then merge with the IDFC Bank. So, then it becomes much simpler, because now we are not required to be the promoters or the Shareholders of IDFC Bank.

So, what is really frustrating is that the kind of indecisiveness where the Board says that we will take up the proposal to the AGM for the Shareholders to decide. I think that doesn't sound very good because it's for, the Shareholders are basically entrusting you with the duty for, or it is for you to decide of what is the more favorable outcome and we are just with you. So, I think it's the role of Board to decide and not the Shareholders to give the suggestions. We can give suggestions but I think it is to be executed by the Board. Thank you.

Moderator: Thank you. The next participant is Anurag Jain from Aart Ventures. Please go ahead.

Anurag Jain: Sir we have been Shareholders of the company for about five years now, and at the cost of repetition on the holding company level we spent about Rs. 170 crore to Rs. 180 crore over the last five years. And there has been no positive development on aspects which ideally should have been fructified by now. And as Shareholders we have lost a massive opportunity on value creation. So, we would really appreciate a definite timeline and a clear roadmap by the Board and the Management on the steps that we need to take now.

Moderator: Thank you. Next participant is Rajiv Malhotra from Skanda Investments. Please go ahead.

Rajiv Malhotra: I think lot of responses from a well-meaning Shareholders have already been communicated to the Board. Something which is of slight bother is that, when RBI has allowed us to be a non-promoter, so IDFC can be classified as non-promoter, have we moved to change the classification with the Bank, because IDFC FIRST Bank still shows IDFC as the promoters.

Second, as Mr. Sunil Kakar has resigned from the IDFC First Board, do we have any representation there or we don't propose to have any. Thirdly, while it is not coming from the IDFC Board, but in all public interactions, Mr. Vaidyanathan, the CEO of IDFC FIRST Bank keeps on denying any talk or proposal of any kind of merger. If that be the case, I think what had been suggested by Enam and Envision Capital of selling off as is or distributing it as is and let the Shareholder take care of their own tax burden would be the better proposal. Thank you.

Moderator: Thank you. The next participant is Siddharth Thomas from IIVC. Please go ahead.

Siddharth Thomas: I was with Mr. Martin of Baobab three years ago, when he had actually presented to Mr. Kakar, various options at our own expense. All of these options that have been discussed and Mr. Kakar proceeded to give us the same explanation that he did today on the call, all of the issues with the Foundation were well-known, well documented. I cannot understand why the Foundation was not, why the unwinding of the Foundation had not started three years ago when we knew that this was where we have to end.

Surprisingly, for having six employees, Mr. Kakar gets paid Rs. 2 crore bonus in 2019/2020 for doing what exactly I have no idea. I would really like to understand when the Board is trying to hold the Management accountable, for what is happening. I mean you can look forward and then move on, but I would really like to understand when the Board, how this is being allowed to happen and what we as Shareholders are meant to do. So, echoing what the other panelists have said, I would really think that if we don't get something in a time bound manner than we really don't have a choice, but to ask for an EGM and to remove the current Management. Thank you.

Moderator: Thank you. The next participant is Zafar Ahmadullah from Theleme Capital Partners. Please go ahead.

Zafar A: Just a couple of observations, Mr. Rai you mentioned you have spoken to Shareholders in the past and had interactions, as far as I can tell every time you have never delivered on what you have committed to. And so, it's very difficult to understand why you will now deliver. And the second issue is we see the reappointment is for two years and three years for Directors, does this mean this is the timeline you are thinking of. And it seems that though everything is done to slow things down and meanwhile Directors earn fees, Management earns remuneration and Shareholders are suffering. I think the frustration of everyone is pretty obvious and to blame the Management, but also the Board should take

responsibility for the poor performance, and at some points stand up and be counted.

Mentioning the Foundation is like the tail wagging the dog. I mean after five years if we have now come to this really it's almost laughable. And finally, we have got a situation where we are the largest Shareholders in the Bank, yet we behave as if the Bank controls us for all practical purposes. I think we need to think about these issues very seriously. And time is not our friend. We need to move very fast. And trying to get views at the presentation at the AGM will only confuse matters because we will have 20 different views. Boards have to take decisions and move forward, that's my humble request. Thank you.

Moderator: Thank you. The next participant is Jigar Valia from OHM Group. Please go ahead.

Jigar Valia: Just a suggestion to please follow this pre-AGM call with a post-AGM call at a very short interval, so that we are updated of the positive progress. Thank you.

Moderator: Thank you. The next participant is Saurabh Penkar. Please go ahead.

Saurabh Penkar: I am echoing the similar sentiments expressed by some of the other Shareholders. I would just want to know like are these Management just taking the suggestions, are they going to answer it as a part of this call or are they going to answer as a part of AGM.

Moderator: Thank you. The next participant is Sanjay Pandit from 1729 Advisors. Please go ahead.

Sanjay Pandit: I am glad that the Board is on this call. In my interaction with the company representative over the past few years, as well as on the public calls, there appears to be a commitment to unlocking values by (1) selling the AMC and (2) reverse merging with IDFC FIRST Bank, this is precisely why we invested in the company. In addition, the company on at least one public call said that it would have completed this reverse merger process which is the second of the two actions by December 2021. We know that there has been no official update to this guidance, and yet a full year after IDFC Bank turned five, shockingly little progress has been made, not a single Bank share has been sold, it could have been. A formal AMC exit process hasn't even commenced. It should have been long ago. And certain other legacy entities obviously, notably the Foundation have not been cleaned up.

Now compare this to say Equitas, smaller company with a smaller management team etc. the holding company. The Bank only turns five a full year after IDFC FIRST Bank, and they have already disclosed terms of the reverse merger as of more than a month ago. IDFC's lack of progress on winding things up has been very disappointing. I think I speak for all Shareholders when I say this level of inaction is unacceptable. Time is money, for all Shareholders including for the Government of India, which pays a hefty interest on its debt obligations. So, IRRs matter.

Now for my question, can those of you on the Board of Directors who are not committed to the strategy of (1) immediate sale of AMC and (2) reverse merger, please identify yourselves by name, right now. Maybe in addition to introducing yourselves also explain the basis of your reservation at this point, as well as what alternative you propose and by when you expect it can be executed. Please let us know today on this call, who you are. Why are these reservations showing up and why a consultant have to be hired of all things, so long after the obvious route, of what everybody thought was obvious, was agreed upon, that's my question. Thank you so much.

Moderator: Thank you. The next participant is Aditya Shah from Vikram Advisory. Please go ahead.

Aditya Shah: Sir, in addition to the points or concerns already voiced by the previous Shareholder speakers regarding the delay, destruction of value and indecisiveness of the Management, I would like to put a pointed question to our new Independent Director which is Mr. Anil Singhvi who is sort of the poster child of corporate activism and Shareholder activism. And how does he view our MD taking a similar compensation to an operating subsidiary which is the Bank. Our MD is taking a similar kind of compensation with no progress over the last five years. It is really surprising that both of the MDs are paid similarly with one dealing with the daily operating company and one dealing with nothing. So, I would like to have his views public, because since he is commenting on every other company where he is not a Director, how does he view his opinion on a company which he is a Director of.

And other concern is obviously like the other Shareholders voices like, you guys should definitely give us a time when you will complete or create unlocking of the Shareholder value. Thank you.

Moderator: Thank you. The next participant is Dilipkumar Lakhi. Please go ahead.

Dilipkumar Lakhi: My question is same only. We have invested long before, a huge sum. But still, we are not getting anything, dividends. And company is proposing to increase its things, commission and all these things, payment of commission to Non-Executive Directors, why these expenses? Thanks.

Moderator: Thank you. The next participant is Jayesh Vora from Meenakshi Mercantiles Limited. Please go ahead.

Jayesh Vora: Thank you Mr. Rai for on the update and the background which you have given. But again, there has been a long and patient wait for the Shareholders. And one example which I would like to cite here, is the Equitas and Ujjivan Management, which has been a very efficient Management, and have approached the RBI in a timely manner for the reverse merger with their FSBs well before five-year period was over. And for IDFC that five year was over in the month of September 20. So, again request to the Board to share a definitive timeline for dismantling the holding company structure. And in the present market scenario, the sale of AMC vertical through an auction process would be simple and easy I would say, and it would fetch great value for the Shareholders. Thank you.

Moderator: Thank you. The next participant is Arun Nahar from Alpna Enterprises. Please go ahead.

Arun Nahar: All the participants before me have raised all valid points and I think the collective wisdom of these people would be far better than all the consultants that IDFC is wanting to appoint or attempting to appoint or has appointed. My simple question is, I mean to me it looks so obvious, what needs to be done, is this being done deliberately to delay the process, is there a vested interest in delaying this process, either at the Bank or at IDFC. I am sorry, everybody is diplomatic and not asking questions straight up. But to me it looks as if there is an internal sabotaging going on. Can the Board kindly investigate especially with the Mr. Singhvi and Mr. Vinod Rai who have impeccable reputation. Thank you.

Moderator: Thank you. The next participant is Amitabh Singhi from Surefin Investment. Please go ahead.

- Amitabh Singhi:** The specific question really is on compliance, now that we have two independent entities, is there any committee insight which will show us all the communication with the Bank, because the timeline seems very curious, that the Bank shows an aggressive option to go the retail assets and here we are sitting with debating how to return the cash of a proposed AMC sale which hasn't happened. It would be very comforting if every quarter, all communications with the Bank which is a subsidiary and an independent entity governed by a new director or a committee such that it's not the Bank tail wagging the holdco dog. And I agree with everything else the other Shareholders have said. Thank you.
- Moderator:** Thank you. The next participant is Anshu from Aurigin. Please go ahead.
- Anshu:** How does the Board address the concern that there is apparent conflict of interest in the speed. So, the primary beneficiary of delay is the Management which just gets paid for a longer period of time and the Shareholders suffer.
- Moderator:** Thank you. Ladies and Gentleman, due to time constraint, we will take the last speaker. The next participant is LR Shrivastav, from Gagandeep Credit Capital. Please go ahead.
- LR Shrivastav:** In line with the several thoughts already shared, we as Shareholders would request clear and unambiguous milestones and timelines on your own stated objective of dismantling the HoldCo, if you can share the same with the investors that would be very helpful. Thank you.
- Moderator:** Thank you. Ladies and gentlemen that was the last speaker. I now hand the conference over to Mr. Vinod Rai, for his response and closing comments.
- Vinod Rai:** Thank you. This is Vinod Rai. I have very diligently not only heard but noted the suggestions, observations and the recommendations that have been made by the Shareholders. And believe me we value them. I certainly will give a lot of credence and credibility of what you have suggested.
- Now I will, two issues which have been very pointedly asked, which is (1) resignation of the Chairman and what was the reappointment process, it would be unfair for me to explain it so I will request the NRC Chair to explain that that is Mr. Ajay Sondhi, he will comment to it. (2) A direct query has been asked of Mr. Anil Singhvi. Mr. Singhvi is on the call, and he will respond to that also. But one thing very clear, I get your frustration, I get the issue about delay, I get the issue about destruction of value and the inaction or whatever you call it. And you have atleast made it clear to us that the Board should execute and there is no need for a presentation to the AGM. We will not make the presentation. But anyway, I will explain all that, first may I request Mr. Ajay Sondhi, to explain the resignation process. There was a pointed question on that. Ajay, would you.
- Ajay Sondhi:** Thank you Mr. Rai. Thank you for that question. Mr. Rai, termed as an Independent Director was, his second term as an Independent Director was coming to an end. The Board of IDFC and the NRC felt that it is in the best interest of the company and the Shareholders if we were able to ensure continuity of Mr. Rai's tenure as Chairman especially in this critical final phase of the company in terms of unlocking Shareholder value. And therefore, the Board and the NRC requested Mr. Rai to continue.
- The exact technical process of Mr. Rai's resignation and his appointment was discussed extensively and consulted with legal counsel and was conducted fully in accordance with all extant regulations and corporate governance processes. And finally, Mr. Rai's appointment that was made by the Board, as Chairman, as a Non-

Executive Director now is coming up for confirmation by Shareholders that is required under the Companies Act at the forthcoming AGM. Thank you.

Vinod Rai: Thank you, Ajay. Mr. Anil Singhvi, Anil, would you like to respond to the query which was specifically directed towards you.

Anil Singhvi: Yes Mr. Rai, thank you so much. I think the question which was raised was Mr. Sunil Kakar's remuneration. And I just want to remind the Shareholders that his appointment was made I think in 2019 or 2020 and this is up till October 2022. So, since his reappointment is not under consideration right now, it is unfair for me to comment on this that why was he appointed, because I was not on the Board then, but definitely when this is coming for reappointment again, this will be considered at par with remuneration of other Managing Directors of comparable companies. So, I am right here on that, I think our yardstick is still and remains to be seen over the next 12 months' time on how do we unlock the value. Thank you.

Vinod Rai: Thank you Anil and thank you Ajay. Now Shareholders, you have expressed your disappointment in a large number of ways. And believe me, I not only sympathise with you, I totally empathise with you. You have been very loyal to the company; you have continued with the shareholding for a long period of time. And hopefully we will be able to fulfill our fiduciary responsibility or trust that you have in us.

You have made a large number of suggestions. You have indicated a very clear dismantling process and you have also said that the dismantling of the Foundation should have been done earlier. As I mentioned to you, I am not trying to be defensive on any of these things. But that process had started three years back, considering the fact that these are two state governments that we are dealing with. But I get the message very loud and clear about what you have said. In fact, Mr. Martin had even given us an ultimatum, I take that ultimatum. Enam had suggested that we need to have two companies, believe me that was an option which we have considered, but it requires the blessing of the RBI as you have yourself pointed out.

Each one of the options that you have pointed out has been considered by us. And as I mentioned to you earlier, we are at the cusp of taking a decision. Now all that I would like to say is, each one of your queries, we have called a Board meeting immediately after this. Each one of your queries we will address, we will discuss in the Board. We still have a week's time before the AGM. Hopefully in the AGM, I will come out with a set of suggestions.

I am not going to give you a timeline by which we will be able to finish the processes, but I will certainly give you a time when we will start the processes, because finishing is not within our control only. But the one that we are addressing most urgently is about the Foundation. And hopefully we will get that also.

Board Director's tenure, you have said three years do you want to drag for three years, we certainly don't want to, but three years has been a term in the IDFC, so that's how we set for three years. Company expenses, we have cut it down to the bare minimum. And Mr. Singhvi has just explained to you what we propose to do or when issues come up before us.

Now all that I want to assure you is, that we will address each one of your issues urgently with the kind of sincerity, it deserves. I have taken your frustration on Board and I will come back. There is neither the time or details before me that I can address each of them and give you a reply just now. But when we meet for the AGM, I will give you an update on each of these. And hopefully we will have a roadmap. As you have yourself pointed out, we will not go in for a presentation by

the advisor. We would rather use that time to explain to you, if we have a roadmap and how we want to implement that roadmap.

So, for the time being I just want to assure you, that we have taken all your suggestions on Board. We empathize with you and in terms of the frustration that you have expressed. But RBI guidelines did tie us down, but I will be able to explain to you in the course of the AGM, about the kind of roadmap that we are hoping to commence. And as I mentioned to you, I cannot give you a time limit within which we would finish, that is where we stand today. And hopefully we will be able to address each one of your concerns. Maybe there have been some credibility issues that some assurances had been given, which had not been adhered to. I am really not very cognizant of those assurances which were given. We have had or at least I have had only one minor interaction with some of the Shareholders that was done in January this year. But we are addressing ourselves to the task at hand, and I assure you that I will give you some kind of roadmap when we meet in the AGM.

I hope you will bear with us till then, and we will get back to you in due course of time. I think we will end with that. Thank you very much for the time, the patience and the perseverance that you have shown. Your suggestions have been very well received and hopefully we will give them the due attention. Thank you very much.

Moderator

Thank you very much. On behalf of IDFC Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.