

'We are seeing a lot of interest from good quality people to join us'

Infrastructure financier IDFC's stock hit a 52-week high on Wednesday, after the Reserve Bank of India eased lending rules for long-term bonds which banks can issue to fund infrastructure and affordable housing. Having got an in-principle licence to convert itself into a bank, **VIKRAM LIMAYE**, managing director and chief executive officer, discusses the plan on the rollout with Manojit Saha. Edited excerpts:



VIKRAM LIMAYE

Managing Director & Chief Executive Officer, IDFC

How will RBI's relaxation of norms for banks benefit you?

The Reserve Bank has provided significant incentives for infrastructure financing in its recently issued circular. These guidelines are applicable to banks and are currently not applicable to IDFC. These are, however, important for us, since we have received an in-principle licence for promoting a bank and are in the process of getting one operational by October 2015. We should be able to get the benefit of these exemptions on our entire project loan book of ₹35,000-40,000 crore and the associated long-term bonds at the time of operationalising the bank. We will confirm our understanding and interpretation of the guidelines with RBI in the next few weeks.

Do you think there will be investor appetite for these bonds?

There should be demand for long-term bonds issued by banks from the insurance and provident funds which are providers of long-term capital. These investors are looking for good quality paper and the yield for these bonds will depend on the quality of the issuer.

What is your view about the pricing of these bonds?

High-quality public sector banks and private sector banks should be able to issue paper within approximately 50 basis points over the relevant tenor government bond. Also, insurance companies have an eye for infra paper and this should provide the investment opportunities for such bonds.

You say the bank is expected to operational by October 2015.

What will be your strategy for expanding branch network?

We are in the process of planning our branch strategy for retail banking and inclusion banking. We will need to roll out the branches in a phased manner; the important part is deciding on the cities and the locations within cities. The branch architecture and use of technology is also being carefully thought through, since one of our objectives is to deliver high quality services at lower cost.

What is your strategy on talent acquisition?

We are in the process of completing our senior hires in areas such as retail banking, inclusion banking and

commercial banking, where we do not have experience. We have already hired senior resources in certain other areas such as operations, technology, risk management and financial markets. We are seeing a lot of interest from good quality people. Once the leadership team is in place, the next level will be hired to build the various teams in a phased manner.

