



IDFC Limited

Transcript of Q3 and 9M FY21 Earnings Call

February 16, 2021

Moderator: Good morning ladies and gentlemen, welcome to the IDFC Limited Q3 and 9M FY21 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Bimal Giri of IDFC Limited. Thank you and over to you, sir.

Bimal Giri: Welcome to the Q3 Fiscal 21 IDFC Investor Call. I have with me Sunil, Mahendra and Bipin. The results are being shared with you and also uploaded on our website. Some of the statements in today's discussions may be forward looking in nature, and hence, may involve risks and uncertainties. I now invite Sunil for his comments.

Sunil Kakar: Thank you, Bimal. Hope you all are safe and well. I will do a quick update and let us have a bit more of Q&A, so that we can answer some of the questions. Let us start with the bank. The bank continues to progress well on retailizing both assets and liabilities. See, our overall strategy for the bank has been retailization, if there is such a word in English, that has been the focus. More the retail deposits, more sticky and good foundation of the bank. Retail, most of the data, the bank has been very transparent and it has put up on their IR website, but I will just capture a few important ones. Retail assets at INR 66,665 crore now constitute 65% of the loan assets, 65%, when we had merged with Capital First, I think it was 70%, 75% if not at that time almost 70-odd percent in wholesale assets. So it has been a good progress in retailization of the asset side.

CASA deposits: CASA deposits alone are at 40,563 crore, resulting in a CASA ratio of 48%. NIM has now improved to 4.65%. Capital adequacy is at 14.3%. Number of branches, distribution network is at 576. There are a lot more details in the IR deck of the bank, so I hope you can go and have a look at it. Also, one important point I do want to share is, we, that is IDFC Limited is on Ind AS. It is a different accounting system, IFRS, Ind AS, whereas the bank is on IGAAP. The Q3 FY21 PAT for the bank under Ind AS, which is applicable to IDFC Limited, was a loss of 620 odd crore as against the reported IGAAP profit of 130 crore, so from plus 130 crore to minus 620 odd 626. On a consolidated basis, it comes to about 620 crore. Now what is it which is causing this swing? The main purpose or the main line items, there are actually 15-20 of them. We have this issue of various line items, but the one main line item which is causing the swing is essentially on the amount of expected credit losses on advances under Ind AS.

So as I was saying, the expected credit losses under Ind AS are calculated differently. However, the bank has transparently shared what is called a pro forma NPA. Many banks have shared it, including our bank. So under the reported NPA is

around INR 1.33 gross, but the pro forma NPA was 4.18%. So under Ind AS, and this is all because of the Supreme Court decision, so PAT is a large swing item. We have never had such a big swing item. That is why I spent a few seconds out here trying to explain, different accounting standards give a different picture and under Ind AS, we have a loss of almost INR 626 crore in the bank. So that is all about the bank.

Secondly, on our AMC. Our AMC continues to do well. The AUM is now 1.2 lakh crore, that range slightly above that, with a stable market share of over 4%. The market rebound in the equity section led our equity AUM improvement. Our fixed income, we delivered a strong AUM growth led by noncash debt. Remember, we are focused on noncash debt and equity, and all of that has resulted, because of the operating leverage, of a PAT of 41 crore. We now have a quarterly run rate of 40+ PAT, okay. Our AMC franchise is strong, and with supportive markets, we expect to continue to do well.

Now, coming on to the strategic aspect of IDFC Limited; we are committed, to repeat we are committed to create shareholder value through unlocking. We repeat, our strategy is unchanged, however, the only thing is that we work in a regulated environment. Regulatory, in financial services, regulators play a very important role. What the regulator specifically as far as RBI goes, RBI had constituted an internal working group (IWG), that gave recommendations. These are recommendations. They have then invited comments from public and as of Jan 15, that was the last day to put in the comments. We have received a lot of comments and we have also given our comments, but these are recommendations. This process was also followed, we were given out banking licenses in 2013 or so. Anyway, the point is these are recommendations and not operating guidelines. So at this point in time, we are in touch with Reserve Bank, but we don't know the timelines by which Reserve Bank is going to issue the guidelines. It could be 1 or 2 weeks or it could be 1 or 2 months further. So timeline is not known, just a few months here and there, but what is absolutely firm and unwavering is the focus we have to ensure that our commitment to create shareholder value is steadfast and we are focused on that. That is where we are going. Our strategy is unchanged. Regulatory, as soon as, it is like this, I am giving a comparison. It is like you are sitting on an airplane with the seat belts, but you still need the ATC approval to take off. So that is where we are. Other than that, everything is moving smoothly in our strategic direction and I guess I will now stop and open it up to all to ask questions. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Manish Bakshi, a Retail Investor. Please go ahead.

Manish Bakshi: My first question was, I saw that the approval for capital reduction actually came through, but is there any action item that comes out from that or that is just an approval and we can't really act on it? And secondly, I want to know whether, as of today, are we eligible to sell 25% of the bank's stake? And if yes, then till when do we actually plan to just wait for RBI guidelines? And do we have a time limit and say that if the guidelines, the new holding structure does not come through by this date, then we will take our own course of action and see what can we do with the 25% stake that we can actually sell?

Sunil Kakar: So good questions, opening questions. So yes, capital reduction approval has come, but no action is planned as of now. It is just a reduction because we still believe that the RBI guidelines will come out in a favourable outcome, and we will do it from that. What we have got, we have been sharing that the collapsed structure is going to be the most tax efficient. So the first answer is capital reduction, no action being planned for. It is not required. Second is, yes, question of RBI recommendations versus guidelines. First, let me confirm, your

interpretation is right. As of now, we can sell 25% of our shares, we can and just having the ability does not mean that we intend doing it. We have steadfastly said that we are following a particular strategy. Under that strategy, there is no reason to believe that there are obstacles or doubts which will allow us to execute that strategy. As I mentioned in my opening comments, we may be a month here and a month there. You have asked a question that is there a specific deadline. We all are cricket fans in India. We know the second test match we will win. Whether it will happen after lunch, after tea, we don't know, but we know it will happen. We are confident as we speak that there is no reason to believe that RBI guidelines will not come out soon and therefore, we will continue our dialogue with RBI. This is a very hypothetical question and hypothetically, the answer is, if we get a definite answer from RBI saying that such an act of, they will not allow us to go down to 0, which is not likely, it is a hypothetical situation, therefore this answer is also hypothetical. In that scenario, there are options, and we will take those options under the guidance of our Board. So as of now, I want to repeat and convince that we are having some sort of dialogue with RBI. There is no reason to believe that RBI is coming out with any direction which is contrary to our statement till now, okay? So let us take that at least a month or 2, we will still have a look at and sure, we will be in constant touch with RBI to see which direction things are moving.

Moderator: Thank you. The next question is from the line of Sumit Choudhary from Zaaba. Please go ahead.

Sumit Choudhary: A couple of questions, the first is just trying to understand this capital reduction bit. So essentially, that will come into play if you could be allowed by RBI to give in specie dividend of your holdings, right? Effectively, that is how you could do capital reduction in a tax-efficient manner?

Sunil Kakar: So can I just say this application was made sometime in December. So the answer is, no, you can't do in specie distribution. That is treated the same as dividend, and therefore, from a tax perspective, it will be no difference whether cash or in species. Now I don't exactly know which section of the act, but I can assure you in species difference is there. When this capital reduction was planned, that was in December 2019, we had that kind, the money from selling off some of our other subsidiaries. If you recollect, we had IDF, Infrastructure Debt Fund, we had some in institutional broking. All that money was there, which was subsequently that money got used up, when the bank raised capital, we were regulatorily obliged to this thing. So this capital reduction as of now is not to be acted upon, as I mentioned in my last answer, but if required, if we have to pay, we see our NOFHC does not, it is getting into too much detail, but let me share it. NOFHC does not have profit reserves. This would come into play once we become profit reserves, and we want to push money up, which may happen, okay. so this will come into play at that point in time, but the quantum will be much larger when that scenario, whenever it happens. So I think you need not worry too much on that particular aspect. In December 2019, it was relevant. It is no longer relevant in February 21.

Sumit Choudhary: And second question is, I noticed now basically, at the Holdco level, you are basically debt free, right, after this quarter's results. Now question is basically, if the bank wants to raise further capital, it sounds you are under no obligation to subscribe, so how should we think about your balance sheet in that scenario? Would you want to lever up at the parent level to kind of maintain your 40% stake? Or are you happy to let others participate in the growth?

Sunil Kakar: See, our objective, we take everything in the view of the strategy which we have defined for. First of all, we are under no regulatory obligation to maintain 40%. I think that tells everything. Of course, specific actions, etc., under the guidance of the Board we will take, but we have no regulatory obligation to maintain 40% and our intent, stated intent is sooner rather than later and, whenever possible, to give

shareholders through tax-compliance method ownership of the Bank directly and that will take a little bit of time.

Sumit Choudhary: And just to that second point, right, to your stated strategy, I guess, of course, timeline that you said are a function of when RBI kind of eventually comes up with its final guidelines, etc., so 2 questions. One would be, of course, based on your discussions or based on your expectations, do you expect it to be a matter of weeks, months, considering already a month and a bit has passed since the consultation got closed? Second, there are other hoops that need to be crossed, I guess, to get the eventual outcome, including possibly hiving of the AMC business and again, congratulations on how that has behaved with the profit run rate itself starting to somewhat justify your market cap already, it seems, so what do you think about the unlocking of value from the AMC bit while we are waiting for the other outcome?

Sunil Kakar: Yes, it is part of the overall strategy. So whatever is required will be done to achieve the desired outcome of giving you direct ownership in the bank. I know, so whatever needs to be done will be done. So that is why it is important to see what the RBI recommendations translate into guidelines and I don't have the answer in terms of whether it will happen in days or weeks or months, but I estimate and this is purely a guesstimate, my guess is as good as yours, okay, so I hope to see some answers before the end of this fiscal.

Sumit Choudhary: But then once that answer comes, I mean current guidelines basically allow you to collapse the structure, I mean, if the current recommendation of IWG are to be adopted, but then for that, the holdco needs to become basically, like just a holdco, right, without any other business, including the AMC holdings, so are there any thoughts on that bit? Like would you want to be prepared ahead of, like already, but it sounds like you are already in motion to or would already want to monetize AMC, that needs to be done in an accelerated way, is that a fair assumption to be made?

Sunil Kakar: We will do whatever is necessary.

Moderator: Thank you. We will move on to the next question. That is from the line of Rajiv Pathak from GeeCee Holdings. Please go ahead.

Rajiv Pathak: Sunil, on your analogy of we are being ready with seat belt on and just ready for the, waiting for the ATC2 signal, so in the meantime, we will need to get our engine started, all the mechanics checked, so where are we on those kind of things on the AMC part? So have we started talking with the advisors, appointing merchant bankers? And in what stage are we on that, particularly, because it has been some time now that we have been waiting for this?

Sunil Kakar: Yes. So we are, those are off-line conversations. I mean we are prepared, and I have just answered that question on the other side. Whatever needs to be done will be done. We don't want to be ahead of the curve also. We don't want to be behind the curve. We spoke about RBI, right? We are in a financial services space. Other than RBI, there is another regulator, specifically since we are talking about AMC. That regulator, as you all know, is SEBI, okay? We are all of us, I can't take specific examples, but we all of us in the market, I presume, are aware that there is a large engineering and construction company, which has been in this pursuit of trying to monetize or unwind some of its financial services businesses and that item has not progressed for the last 3-4 months, if not more. So the way we are working upon is, see, it will happen whenever, say, in the next 6 to 9 months. Either we plan better upfront or we do things and then wait for things to happen, which is outside your control. We are following the former one. We are focused on planning and communication with the concerned regulator to see what is the appropriate outcome, which will smoothen the outcome in the latter months. So I think I have given whatever best I could compare. I am saying that we spoke of RBI and certain

regulations. In the AMC space, we still have a regulator called SEBI and in the SEBI space, we need to be clear. It would be very helpful and it will smoothen the process. Once we know the outcome of SEBI, that specific transaction with SEBI, I am told SEBI is looking at it.

Rajiv Pathak: So it means the SEBI is looking at our proposed transaction, am I understanding it right?

Sunil Kakar: No, not ours. I was talking about a large engineering conglomerate. We will set the precedent, let me put it that way.

Rajiv Pathak: But since this RBI guidelines will actually pave the way for the holdco and the collapsed structure, but you will need to empty the holdco before you collapse. So RBI guidelines may come, say, by March end, but during that phase, can we prepare ourselves on the AMC?

Sunil Kakar: Yes. The answer is, yes, we have done a lot of net practice, okay? And just since we are talking this thing, it is not AMC and others are there. See, we have already done the big ones, IDF, IDFC Securities, so this is not happening in the last 6-9 months. We have been preparing for this for the last at least 2 years and there are still some one or 2 things hanging around within the IDFC Limited. So we are working on what we call it internally decluttering the structure. That work is already on and moving, progressing on it. So AMC is coming up again and again because it is the most valuable asset. The others are of inconsequential numbers, but they still hang around. So from a regulatory perspective, there are many steps to be taken and we are focusing on that.

Rajiv Pathak: So any particular timelines, because markets have been buoyant this time around. So yes, we want to capture it. So any particular timelines that you may have in mind?

Sunil Kakar: Our timeline, as I said just a minute ago, is as early as possible, but if you want me to put a timeline, everything should be over by March 22.

Rajiv Pathak: March 22, you meaning the final thing, but on the AMC front?

Sunil Kakar: Yes, final thing.

Rajiv Pathak: But on the AMC front, any particular block that you may have?

Sunil Kakar: We don't have specific timelines on that, but all, as I said, I have given enough analogy and I have also told you a better prepared person will be able to pick up the continuing replicating analogy. The last few overs, you can always pick it up probably for as long as you have been, you have understood what the pitch is doing. So it will happen. If the total timeline is a year, say, March 22, including the final thing, within that, everything is parallel, no?

Moderator: Thank you. The next question is from the line of Aditya Singhania from Enam Holdings. Please go ahead.

Aditya Singhania: Sunil, I had 2 questions, both on the AMC. This quarter, we note a very significant improvement in both the revenue margin as well as the operating profit of the AMC, could you explain what is going on there? And is this like the first signs of operating leverage? And can we expect more of that in the coming quarters? And B, in continuation with the earlier discussion, assuming we have a monetization of the AMC, let us say, even for a moderate 4,000 crore, what would be the tax impact of that on IDFC?

- Sunil Kakar:** So the first question, can you just repeat the first part of the question? Second part, I can answer. We have some carry-forward losses. See, I cannot put a number out there, but I can say that we have carry-forward losses. So the tax impact will not be directly in proportion. Our cost is about 800 crore to 900 crore. We don't know the final x, but the index cost is closer to 2,500, so x minus 2,500 crore is whatever tax will be applicable on that.
- Aditya Singhanian:** The first question was that, this quarter, we see 17%?
- Sunil Kakar:** Yes, I got it. Now this is the big operating leverage playing out and thanks to Vishal. You got to give credit to the whole team out there. The revenues, the AUM builds up and once the AUM builds up, the revenue starts coming because if you take the average AUM, average AUM has been growing and therefore, last quarter, I mean the graphs are there, right, so I am willing to say it on behalf of Vishal, we are just beginning to see the growth in the profits. Will it grow every quarter? No way. I mean no way meaning I am not expecting, we need to bat like the test match, not like T20, okay? So depending on how, we have a strategy in the AUM place. We are very focused to ensure that our credit quality is not compromised and that is where what our brand stands for. So we will not take any action just because we want to grow AUM. That you can rest assured, okay? That is why in my opening comments, I had mentioned noncash. We have been focusing on improving the margins. We are not playing the rank game because then you can squeeze your margins down and become 9, 8, 7. That is not the game. The game and the focus and the strategy is focused on the. I have said this, I shouldn't say it on an open line but let's be clear. Topline is vanity. Bottomline is sanity. Cash is the only reality. That is the strategy which I have been sharing with my AMC team and they have done very well. Operating leverage is the answer. It has just started to, I mean it is kicking in. It kicked in earlier also. So we should expect things to grow and improve as now markets, if they continue in this thing, obviously, things will be happier of, but you must be also aware that net cash in the equity is still negative. So the market is people, I mean this is what we think and you can have your own hypothesis. We think that because of lockdown, everybody has become a mutual fund investor. In the sense, everybody has become a fund manager. People are buying, selling directly. So cash coming into equities in the mutual fund space, net cash is negative still. So we hope that once the things become steady and people get more comfortable with the corona or COVID-19 space, the cash inflow into mutual fund space will improve and so today, whatever gains we are seeing are all mark-to-market gains, not cash flow inflow. We have been able to maintain, but net cash flow into the AMC, not only ours, but the whole industry has been negative for the equities.
- Aditya Singhanian:** So just to follow up on this, now that you are making significant profits and cash flows in the AMC, what would be the cash balance at the AMC? And is there any thought to dividend it up to IDFC shareholders?
- Sunil Kakar:** It is not large enough to what is point in giving 50 paise dividend, it would not be even Rs. 1. It is not the game of 25 paise or 50 paise. The game is bigger than that.
- Moderator:** Thank you. The next question is from the line of Amish Kanani from JM Financial. Please go ahead.
- Amish Kanani:** Sir, 2 related questions. One is, sir, the guidelines are in public domain and there are public comments out?
- Sunil Kakar:** So I should stop you before I say I wish it was guidelines. The recommendations are in public domain.

Amish Kanani: Recommendations. Yes, sir. So sir, at least those recommendations are clear that structures like us, it is easier to reverse merge and collapse, but I think also one of the counterparty would be IDFC Bank, which may or may not want to probably give us that kind of exit. So I don't know how much you can comment, but just I wanted your thoughts, sir, on, one, whether we will be able to reverse merge or not is a function of RBI's final guideline versus the IDFC First Board decision of whether that happens or not, and in that context, sir, our AMC, which I assume, as you said, is the second largest value driver, is it possible to share that at least one of the structure, the shareholders will get a clean exit, so as to speak, which is monetizing, paying tax and dividend route versus clean exit of direct ownership? Is it possible to share that at least in one of the 2 that will happen? Or that is also contingent in the sense that strategic sale of AMC and dividend versus the reverse merger of bank? If you can share some thoughts, it will be helpful. I know it is a lot of ifs and buts, but whatever you can share?

Sunil Kakar: See, if you paint the scenario the way you have done, I mean it is a valid scenario, but the thing is unless you go out and play just to make an assumption, but first of all, I must say it is true that conversion of RBI recommendations into guidelines is an enabler. It just removes the regulatory hurdles or rules around it. When I was in school or college, it is called it is a necessary condition, but not a sufficient condition, okay? That is correct. Now the second phase of that will be discussion with or rather voting by the bank shareholders. I can only tell you, I mean there is no reason because the bank shareholders are, how should I put it, are not at adverse position. Today, instead of one entity concentrated holding 40%, having a voting right of 26%, by the way, instead of one entity, they will have 4 lakh shareholders or whatever is my number of shareholders. So they are not adversely impacted. This is a question of a negotiation out there, okay? So without even going through the negotiation and starting the process, it is too much of a presumption to make an assumption, but directionally, that is where we are heading, okay? And there is no, can it happen? Can England win today? May be, but likelihood is and I do not deny that there is a small probability that the bank shareholders may not vote, but then I am saying it is a question of negotiation, okay? At some, give or take, it will become interesting for how can I say now that what kind of discount I would give would it be 5% discount or 2% discount. So it is once we are sitting on the table, we will only then come to that point.

Amish Kanani: Sir we got anything, sir?

Sunil Kakar: So see, look, in life, you can't only draw the tail risk always in life. That is not the story. If it would have happened at that time let us come to that solution, I mean, its position. There is regulatory prohibition, nothing says that 40% I have to maintain. 25% can go today and if regulator says yes then we can go to 0 as well. except that it won't be through a reverse merger. Only a reverse merger requires me to seek the permission of bank shareholders and I am saying unnecessarily why paint out a picture which is improbable in my mind and everybody will, people are rational, okay? And having one concentrated because now put yourself, suppose you are a bank shareholder also. Now if the reverse merger is not there, what is my option? I will sell shares. Do you want that as a bank shareholder?

Amish Kanani: It could be value destructive. I agree, sir.

Sunil Kakar: There is a saying, to cut the nose to spite the face it does not happen like that, people are very rational. People are very logical about it. So we will talk it out and there has been no reason to believe, in the negative space of this thing. So bottomline is one thing, is whether in the most optimal way or the second-best optimal way, there is no reason for IDFC Limited to continue with this current structure. Either one or both will take place.

- Moderator:** Thank you. We will move on to the next question. That is from the line of V.P. Rajesh from Banyan Capital. Please go ahead.
- V. P. Rajesh:** Sir, 2 questions on the business. You said that the business is obviously showing operating leverage now and my question is, can we assume that the PAT of 40 crore is going to be sustainable and to the extent, obviously, markets are in decent shape, is that a good assumption?
- Sunil Kakar:** It is a fair assumption. Vishal is not on the line right now. He would always argue because these are, no, let us put it this way, my team is a wonderful team, and there is no reason. See, suppose tomorrow your market reaches from 50,000-52,000 to 35,000 so it is a function of the market also, but it is a reasonable assumption, let me put it that way.
- V. P. Rajesh:** And then my second question is, we lost a little bit of market share on the equity side, so is that a conscious decision or there is something else going on and we are focusing more on the fixed income side?
- Sunil Kakar:** No. Our performance, so no, there is no. For us, both sides, whichever side gives us the revenue with our game of operating leverage, on every ball we cannot score a run. So no, it is just part and parcel of doing business. Our performance in the last 1 year in the equity space has been very good. Of course, fixed income has been always like the best we have. So our brand does much better in the fixed income space. So I can't, there is no specific reason, if you are playing sometimes you hit the ball on the middle and sometimes you hit on the side. There is no reason. There is nothing. There is no conscious decision of any shift in strategy. Our strategy continues to be to provide the best value, both in debt and equity and be conservative in our approach in debt.
- V. P. Rajesh:** And my next question is that, given we have sold off all the major assets aside from AMC, what is the current cash on the balance sheet now? And I am assuming there is no debt, right? And still there, if you can share that?
- Sunil Kakar:** There is no debt. The current cash is minimalistic, maybe 35-40 odd crore. That is it. That is working capital.
- V. P. Rajesh:** And there are no other things that needs to be sold, right, aside from?
- Sunil Kakar:** No economic interest, small bits lying here and there, which we need to address, which we are addressing, nothing which affects us economically.
- V. P. Rajesh:** So on the AMC front, given your comments regarding the other transaction that is pending in terms of SEBI, have you approached SEBI directly to get some inclination as to what your plans are and what is their view on those plans?
- Sunil Kakar:** No, you don't work with regulators like that. Again, I say that leave the execution part to us and have that much of faith in this management, we will deliver.
- V. P. Rajesh:** Of course, I mean there is no doubt about that. I think you have been very consistent in your commitment to deliver shareholder value over the last 1.5-2 years, so there is no doubt about that. I was just curious if you had...?
- Sunil Kakar:** Regulator has to work. See, you have to understand how the regulators work, and it is more of an art and science out there. At an appropriate time, when things have happened, when things are warm, it has to be a specific question, you can't generally go. There is no policy decision, by the way, from their side. If they make a policy decision about who is an eligible sponsor, life would be much easier. If you work in this country, you have to walk with a little bit of the grey area.

- Moderator:** Thank you. The next question is from the line of Sneha from Subhkam Ventures. Please go ahead.
- Sneha:** Sir, only one question. AMC, you have already answered. IDFC Bank is planning to raise money. Any idea where they are expecting that money to be deployed?
- Sunil Kakar:** No, ma'am. It was only yesterday some Board meeting has been fixed up on Thursday and I have no idea, but I am sure the CEO will know when, if he has sent out a request. So the answer is, no, I don't know.
- Moderator:** Thank you. The next question is with the line of Ashish Kumar from Infinity Alternatives. Please go ahead.
- Ashish Kumar:** I will not get into the AMC or the bank. You have talked enough about it. Just to understand, are there any other liabilities which can potentially impact the sum of parts of valuation if one were to look at different scenarios that we should need to be aware about?
- Sunil Kakar:** Go through our balance sheet, and we can discuss it. See there, in many places, there are no direct liabilities, let us put it that way, but there are some contingent liabilities. We don't really know which way it will pan out. It is part of the overall package, which we will be, when we talk to the bank because everything is going to move to the bank, right? So there are no direct liabilities. There are some contingent issues, which every company has. So we will see how it plays out and you can read about it in our balance sheet and maybe even specifically because this is not the forum to discuss every line item out here.
- Ashish Kumar:** No, I just wanted to figure out....
- Sunil Kakar:** See, we have repaid the loan. There is nothing out there. So contingent was, I mean there is no company in India which doesn't have tax-related issues on their books.
- Ashish Kumar:** That is true. So anyway, that was one and second thing is the potentiality wherein AMC, you can look at a majority share of AMC and the remaining shares can be distributed in situ to shareholders. Is that something which is part of...?
- Sunil Kakar:** We have evaluated. Good question. We have done the evaluation that I am advised by people who know much more than you and I put together that the definition does not meet business undertaking and therefore, giving in species or spinning out the whole thing, there is a question of who is going to be the promoter. We have looked at all of that boss, and we can run it off-line. As of now, that is not a viable option, let me put it that way.
- Ashish Kumar:** So I am saying, let us say, for example, you do a 51% sale and a 49% listing because that a) deals with some of the cash losses issue and second thing is?
- Sunil Kakar:** Whatever you hold, then assuming RBI is allowing you to reverse merge, then that becomes a roadblock out there. See, again, at this point in time, these are recommendations, but recommendations do talk, I think in one of the questions earlier.... He had asked that question. And the recommendations do talk of that IDFC Limited has to be only a holding company of the bank or rather NOFHC to be more exact, nonoperating financial holding company which may cannot have any other financial services assets, etc., I mean we are now discussing a set of recommendations where they will come out on guidelines, but again, I am saying the way it is written in English, it is very clear.

- Ashish Kumar:** And I guess let us wait for the next quarter to understand what the final guidelines are?
- Sunil Kakar:** Yes. I think. A little bit of patience all of you guys will be very helpful to all. I know we are all eager. So am I, but this calls for batting a little bit patiently.
- Moderator:** Thank you. We will move on to the next question. That is from the line of Krish Kothari from Shinobi Capital. Please go ahead.
- Krish Kothari:** Could you tell me, on the AMC, which products are seeing incremental demand, both on the equity and fixed income sides?
- Sunil Kakar:** Sorry, I don't have specific products, but both are doing appropriately well in their space. See, we have a plethora, I mean plethora is the wrong word. We have a bouquet of products. So there is no one single product which went up. So it is all across. There is a pipeline of new products which have been introduced, depending on what the market requirements are. So it is just that the total AUM on an average is 120, okay, and we were focused on ensuring that we don't do business only for the sake of increasing AUM. So there has been a lot of focus on ensuring that the margins, certain amount of money we make, whether it is debt or equity, and that is how it has resulted in this. And all things being equal, I think we have hit a run rate of 40 crore and I am very hopeful that we should be able to stick to that number. A plus/minus 1, 2, 3 can be here and there some time it is less, some time it is more, but broadly, we have reached a certain level. So a little bit of consolidation can take place at this level and then we will see what new products can be brought in, not that there is too much of things which are going on, but we are constantly innovating both in product, distribution and type of marketing to create the awareness and you have seen we are consistent about our strategy. So to answer your question, there is nothing specific which has changed.
- Krish Kothari:** And the other cost, the one-off costs that you had at the group level, can you tell me what the rupee amount is? And what was the nature of these costs?
- Sunil Kakar:** As we are doing clean up, so these are onetime costs, because we sold certain assets. It may be carried at a book value of x, y, z, so maybe if you can write specifically, I will get my CFO to answer that.
- Krish Kothari:** That is just a rupee amount that you have and how much of it would be in this quarter versus the 9 months?
- Sunil Kakar:** So it would be there in quarterly results. I don't have them in front of me right now. So what is your specific question? Why don't you just drop in an email and we will answer that if it is possible. In the IDFC level, there are hardly any operating expenses. Yes, there will be some one-off losses because we have sold off certain assets. So OpEx is quite steady. We have only 6 or 7 people here in IDFC Limited.
- Krish Kothari:** Right. Exactly. That is why I just wanted to think the nature of these costs. That is fine. I can send an e-mail. Not a problem.
- Moderator:** Thank you. The next question is from the line of Shreyans Mehta from Shree Capital. Please go ahead.
- Shreyans Mehta:** Most of the questions are already answered, but I am encouraged to ask a very simple thing. If you can give us some understanding about what could be the AMC valuation in current market condition for both the possible options, one is of listing the AMC on stock exchanges as well as selling it off?

- Sunil Kakar:** Boss, I can't answer that question because it is a pure guesstimate. Your guess is as good as mine. The only thing I can answer is we have a quarterly run rate of 40 crore of PAT. That I can tell you. Now what multiple you want to apply is your choice.
- Shreyans Mehta:** No, the reason why I asked is that you must be in discussion with merchant bankers and all and there must be some kind of range. Definitely, no one can hold you for this, but some indicative range that if you have...?
- Sunil Kakar:** I request you, I cannot answer that specific data point.
- Shreyans Mehta:** No problem. Another thing which you had mentioned in the discussion was that there is some decluttering of the structure required in a couple of things in the IDFC, so which are those and how do we plan to go ahead on that?
- Sunil Kakar:** Yes, these are some small assets which are more than the bank regulatory requirement. See, the bank, when we are assuming we are going ahead to merge with the bank, that is an assumption as of now. So bank is allowed to hold 10%, so we may be holding 20% or more. The big one is and it is a structure, we know something, Section 8 company called IDFC Foundation. That is why I kept repeating, it has no economic value, but we have to find a structure and an answer for that. So there is this IDFC Foundation.
- Shreyans Mehta:** I think it is really very insightful to understand that you have been consistently talking about how best you will be unlocking the shareholder valuation and maybe in a month or 2, we will look forward to getting ample clarity from your side. Wishing you all the very best.
- Sunil Kakar:** Thank you to all on the line, seeing I am now getting repeated questions on the same lines, and I can only assure all of you that we are steadfastly focused on doing the right thing in a manner. So please go ahead. For interest sake, let us try and ask something different, helpful that way for all on the line if there is anything because I think the general concern area has been addressed. So, next one please.
- Moderator:** Thank you. The next question is from the line of Rajiv Malhotra from HCPL Parts Company. Please go ahead.
- Rajiv Malhotra:** I think these are fabulous numbers. For the AMC, that is a very significant part of the current IDFC Limited business, wouldn't it be great if you can share more details in the presentation?
- Sunil Kakar:** I get that feedback. What I will do, we used to do it, and for some reason, we made a small thing. I will have the CEO come in next time, and he will be able to share much more color on the specific items. I think it is a good suggestion. We have noted it.
- Rajiv Malhotra:** And secondly, this has been taken up by other participants also. Our personal feeling is that the IDFC AMC business is great and worth owning, possibly at some level, worth owning more than the bank, right, but it could be an individual situation, so I would urge the Board to kind of go ahead to try to get the AMC as a separate company. I mean we don't really need to sell it or get a special investor in. Just as is, it is a great company. So that is my second kind of suggestion/comment?
- Sunil Kakar:** I hear you and I say look, we have to, there is an overall goal and objective, which is to create maximum value for the shareholders within a regulatory-compliant and tax-efficient manner. As long as within that we can find options, which will allow us to maximize that value, we will consider everything. And all I am trying to say at this

point in time that we have done some homework. At this point in time, we have not been able to come up. See, laws change. It is not that laws are written in absolute stone. So if there is any opportunity which allows us to continue, there is no reason for us to move in that direction. We love our business. We love the people. People are the greatest asset any company can have and therefore, I will just say that the overall objective is what we will continue to focus on and within that objective, whatever best possible options are there, we will explore. Not only the management, we are seeking guidance from anybody, including potential advisors or even if you have an idea, we are more than open. We are not a closed company. We are more than open to listen, talk, evaluate, but the end objective, I am not able to and that is given.

Rajiv Malhotra: Right, sir, possibly, we will send you a note offline. Please give it a thought.

Sunil Kakar: And we will, as I said, this is not the only forum we talk at. If anybody has any suggestions and ideas, please send us a note. We can discuss it off-line, but this forum is there to address everybody's, whatever is the common thing and I appreciate all these questions and suggestions. I think having Vishal on the call is a helpful thing and we will do it next quarter.

Rajiv Malhotra: Yes. Lastly, I hope as a promoter of IDFC First Bank, we are in relative control of the Board, there seems to be a question...?

Sunil Kakar: So let us get this, Board has, we have one seat on the Board, okay? There are many other constraints, for example, the proportion of independent directors, and it is 50% as against the common space and all directors have to be approved by RBI. So it is not standard but let me answer it differently. The Board is competent, I am talking of the bank Board. Competent people on the Board is a strategic direction, not only for us as a promoter, it is a wrong word, we are just partners of increasing the value of the bank and you see the numbers. Retailization is a strategic alignment, we all at the Board have agreed and the CEO is working fabulously, fantastically to ensure that retailization of the liability side and the asset side takes place and within a short period of a year, a few months, you are seeing the results, so I don't believe that having a more number of seats on the Board is of any consequence as long as you have got the right team executing it and you have the right strategy, the strategy is clear. Now if there would not have been COVID we could have been much better off, this, that, those are things which we can't take, but I am saying that the Board is very competent and the management is competent enough to execute and the strategy is very clearly defined and we are working on towards becoming a retail bank.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

Sunil Kakar: Thank you, everybody and we encourage you to drop in a line and please, we will answer everybody's questions. Thank you and stay safe. COVID is not over. Please stay safe. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of IDFC Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.