



October 30, 2014

To,
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai - 400 051
NSE Scrip Code: IDFC EQ

To,
Listing Department
BSE Limited
P J Towers, Dalal Street,
Fort, Mumbai - 400 001
BSE Scrip Code: 532659

Dear Sirs,

Ref: Clause 36 of the Listing Agreement

Sub: Demerger of Financing Undertaking of IDFC Limited into IDFC Bank Limited

1. The Board of Directors of IDFC Limited ("IDFC" or "Transferor Company") has, at its meeting held today, approved a proposal to demerge its Financing Undertaking into its wholly owned step down subsidiary IDFC Bank Limited ("IDFC Bank" or "Transferee Company") pursuant to a Scheme of Arrangement under Sections 391-394 of the Companies Act, 1956 ("Scheme").

The Board of Directors of IDFC Bank has also approved the Scheme at its meeting held today. IDFC Bank is a recently incorporated company by IDFC Limited with a paid up capital of Rs. 5 lakhs and is currently not a listed company.

2. Upon the Scheme becoming effective and subject to receipt of requisite regulatory approvals including those from Stock Exchanges, Securities and Exchange Board of India ("SEBI") and Reserve Bank of India ("RBI"), the shares of IDFC Bank will be listed on National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE").
3. IDFC Bank Limited will issue 1(One) equity share of Rs. 10 each, fully paid up of IDFC Bank Limited for every 1(One) equity share of Rs. 10 each held in IDFC Limited, as a consideration for the demerger of Financing Undertaking of IDFC Limited into IDFC Bank Limited, to the shareholders holding shares of IDFC Limited as on the Record Date ("Share Entitlement Ratio").

The shareholders of IDFC Limited will continue to hold their shares in IDFC Limited.

4. On completion of demerger, equity share capital of IDFC Bank will be held approximately 53% by IDFC Financial Holding Company Limited ("IDFC FHCL")(being incorporated), a 100% subsidiary of IDFC Limited and approximately 47% by the shareholders of IDFC Limited (as on the Record Date).

5. **Rationale & Object of the Scheme:**

- a. Pursuant to the RBI New Banking Guidelines, all new banks are to be set up through a non-operative financial holding company and will need to be categorically structured such that all businesses which a bank is permitted to carry out, will necessarily vest in the new bank and all other regulated financial





services entities (regulated by the RBI or other financial sector regulators) will need to be held by such non-operative financial holding company. Hence, to fulfil the specific terms and conditions of the RBI In-Principle Approval and the conditions set out in the RBI New Banking Guidelines which requires the Transferor Company to transfer the relevant business activities (being the Financing Undertaking) to the proposed bank i.e., the Transferee Company, the Transferor Company proposes to realign its businesses to comply with the corporate structure requirements provided in paragraphs 2(C)(i), (ii) and (iii) of the RBI New Banking Guidelines and demerge its Financing Undertaking to the Transferee Company. Given the current corporate structure of the Transferor Company and the RBI's approval granted to the Transferor Company for the proposed demerger and setting up of the new bank, the Transferor Company proposes to demerge the Financing Undertaking to the Transferee Company to achieve its objective of setting up a banking business.

- b. Accordingly, it would be in the best interests of the Transferor Company, the Transferee Company and their respective shareholders and creditors as the proposed demerger will provide greater financial strength and flexibility and access to greater funds and resources including diversifying the asset base and widening of the liability base, leveraging larger and diversified financial sector opportunities and providing a stable funding profile through retail funding, in the interests of maximising stakeholder value. As a result, the Transferor Company is proposing this Scheme under Section 391-394 of the Companies Act, 1956.

6. **Salient features of the Scheme:**

- a. The Financing Undertaking of IDFC Limited shall be demerged to IDFC Bank Limited, a wholly owned step down subsidiary of IDFC Limited.
- b. Under the Scheme, IDFC Limited will transfer its Financing Undertaking including related businesses of financing, project finance (fund and non fund based), fixed income & treasury comprising *interalia* all assets, liabilities, movable & immovable properties, employees, consents, approvals, benefits, licenses, contracts, deeds and tax balances of the Financing Undertaking, to IDFC Bank Limited.
- c. Shares of IDFC Bank Limited will be issued to the shareholders of IDFC Limited in consideration for the demerger in compliance with provisions of Section 2(19AA) of the Income Tax Act 1961.
- d. IDFC Limited will retain all other undertakings and businesses other than the Financing Undertaking including windmill operations, shares in IDFC FHCL and other entities, holding of intellectual property rights.
- e. Appointed date of the Scheme would be same as the Effective Date
- f. The Scheme would be Effective upon receipt of all requisite approvals including from shareholders, creditors, SEBI, Stock Exchange(s), RBI, Madras High Court and filing the certified copies of the order of the Madras High Court with the Registrar of Companies, Tamil Nadu, Chennai.
- g. Upon the Scheme becoming Effective, and subject to necessary compliances with Stock Exchanges and SEBI for listing, the shares of IDFC Bank Limited will be listed on BSE and NSE.





h. IDFC Bank will become operational only on RBI granting the final approval/banking license.

7. **Advisors to the Restructuring**

- a. Amarchand & Mangaldas & Suresh A. Shroff & Co. ("AMSS") is acting as legal advisors to the Scheme.
- b. Deloitte Haskins & Sells LLP, Chartered Accountants ("Deloitte") is acting as Tax Advisors to the Scheme.
- c. SSPA & Co. Chartered Accountants has issued report on the Share Entitlement Ratio adopted under this Scheme.
- d. JM Financial Institutional Securities Limited provided the fairness opinion on the Share Entitlement Ratio adopted under the Scheme.

The Company will file the Scheme and all other details as required under Clause 24(f) of the Listing Agreement with NSE and BSE in due course of time.

Thanking you,

Yours faithfully,
For IDFC Limited


Mahendra N. Shah
Company Secretary

