IDFC

June 30, 2015

The Manager – Listing Department
National Stock Exchange of India Limited
Bandra Kurla Complex
Bandra (E)
Mumbai-400051

The Manager – Listing Department
BSE Limited
1st Floor, P. J. Towers,
Dalal Street,
Mumbai 400 001

Dear Sirs,

Sub: Scheme of Arrangement between IDFC Limited ("Transferor Company") and IDFC Bank Limited ("Transferee Company") and their respective shareholders and creditors under Section 391 to 394 of the Companies Act, 1956.

This is to inform you that the Hon'ble High Court of Judicature at Madras, vide its Order dated June 25, 2015, has approved the Scheme of Arrangement (Demerger) between IDFC Limited and IDFC Bank Limited and their respective shareholders and creditors under Section 391 to 394 of the Companies Act, 1956.

A copy of the Order as available on the website of Madras High Court is attached for reference.

The signed copy of the Order will be submitted as soon as it is received.

We request you to kindly take the above information on record.

Thanking you,

Yours faithfully,
For IDFC Limited

IDFC Limited Mumbai

Mahendra N. Shah
Company Secretary

CERTIFIED TRUE COPY
FOR IDFC LIMITED
MAHENDRA N SHAH
COMPANY SECRETARY

IN THE HIGH COURT OF JUDICATURE AT MADRAS
Dated 25 ┬ 06 ┬ 2015

Coram :

The Honourable Mrs. Justice PUSHPA SATHYANARAYANA

C.P. Nos. 191 and 192 of 2015

M/s IDFC Limited
having its Registered Office at
KRM Tower, 8th Floor
No. 1 Harrington Road
Chetpet
Chennai - 31 ...Petitioner in C.P. No. 191 of 2015
/ Demerged Company

M/s IDFC Bank Limited
having its Registered Office at
KRM Tower, 8th Floor
No. 1 Harrington Road
Chetpet
Chennai - 31 ...Petitioner in C.P. No. 192 of 2015
/ Resulting Company

PETITIONS under Sections 391 and 394 of the Companies Act, 1956 to sanction the scheme of arrangement (demerger).

For Petitioners : Mr. P. Chidambaram, SC
for M/s Sathish Parasaran

For Regional Director : Mr. M. Gopikrishnan, CGC

- - - - -

COMMON ORDER

These Company Petitions are preferred under sections 391 and 394 of the Companies Act, 1956 for sanctioning the scheme of arrangement (Demerger) between the Demerged company with the Resulting company and their respective Shareholders and Creditors and for a direction to file the sanction order to the Scheme with the Registrar of Companies, Tamil Nadu, within 30 days of the receipt of final approval from the Reserve Bank of India for undertaking banking operations under the Banking Regulations Act, 1949. The Scheme of Arrangement (Demerger) is annexed in Annexure 1 in both the petitions.

CERTIFIED TRUE COPY
FOR IDFC LIMITED

MAHENDRA N SHAH
COMPANY SECRETARY

2. M/s IDFC Limited - the petitioner in C.P. No. 191 of 2015 is the Demerged company and M/s IDFC Bank Limited - the petitioner in C.P. No. 192 of 2015 is the Resulting Company.

3. From the records, it is seen that the demerged company, which was primarily engaged in the business of providing end-to-end project financing and other financial services, pursuant to the in-principle approval granted by the Reserve Bank of India, to fulfill the terms and conditions of the approval and other conditions set out by the Reserve Bank of India as well as the other applicable rules and circulars of the Reserve Bank of India and to transfer its relevant business activities, proposed under the Scheme to demerge its Financing Undertaking to the resulting Company, a Public Limited Company, which was established to carry out the business of banking.

4. This Court, by order dated 20.02.2015 in Company Application No. 169 of 2015, directed the demerged Company to convene the meeting of its Equity Shareholders to consider the Scheme. The Chairman's report has been filed. By order of even date, this Court in Company Application No. 170 of 2015, dispensed with the convening of the meeting of its Secured Creditors subject to issuance of notice to the Bond Holders with respect to the Infrastructure Bonds issued by the demerged Company and seeking their No Objection to the Scheme. The proof of sending individual notices and the paper publication has been filed. Further, this Court vide order dated 20.02.2015 in Company Application No. 171 of 2015, dispensed with the requirement by the demerged Company to follow the procedure prescribed under Section 101(2) of the Act. Also, this Court in Company Application No. 172 of 2015, taking note of the fact that consent affidavits of the equity shareholders are annexed in Annexure 15, dispensed with the meeting of the equity shareholders of the resulting company. The resulting company has no secured creditors as on January 31, 2015 and the Chartered Accountant's certificate certifying to that effect has been annexed in Annexure 16.

5. The Board of Directors of the petitioning companies, vide their resolutions dated 30.10.2014 considered and approved the scheme of arrangement (Demerger) of the Demerged company with the Resulting company. The copies of the Board resolution are annexed in Annexures 10 and 7 respectively.

6. A perusal of the records would show that the demerged Company, by letter dated 23.02.2015, requested the Department of Financial Services to transfer the Long Term Infrastructure Bonds [for short, ‼ LTIBs¶] issued by IDFC Limited to IDFC Bank Limited under Section 80CCF of the Income Tax Act, 1961 and for conversion of LTIBs from secured bonds to unsecured bonds as per the RBI New Banking Guidelines. The Department of Financial Services, by its reply dated 17th April, 2015, informed the demerged Company that since no banking company has been allowed to issue the LTIBs, transfer of bonds issued by the demerged Company to resulting Company, would not be possible besides stating that the condition that the bonds would be allowed to be submitted as lien or

hypothecation would not be possible in view of the request for conversion of the LTIBs from secured bonds to unsecured bonds. It has also been stated that the exchange of bonds of the demerged Company would attract capital gains in the year of transfer and capital gain would arise in the hands of bond-holder in case of accumulation, upon the transfer of such bond.

7. Mr. P. Chidambaram, Learned Senior Counsel appearing for the petitioners submitted that pursuant to Section 80CCF of the Income Tax Act, a retail tax payer could invest upto a maximum of Rs.20,000/- and the LTIBs were issued for a period of ten years with a lock-in period of five years. He also submitted that in the Scheme of Arrangement, bonds are also transferable and pursuant to the Demerger process, the LTIBs being part of the Financial Undertaking being transferred to the resulting Company, viz., IDFC Bank, as per the RBI New Banking Guidelines, it has become statutory to convert the secured bonds to unsecured bonds. Learned Senior Counsel also brought to the notice of this Court that the demerged Company has been regularly paying interest to the Bond Holders and also undertakes that it will continue to pay the same.

8. With regard to the non-possibility of transfer of bonds as per the letter dated 23.02.2015 issued by the Department of Financial Services, learned Senior Counsel submitted that it is suffice if the Reserve Bank of India does not raise any objection. During the course of argument, learned Senior Counsel relied on the communication dated May 30, 2014 issued by the Reserve Bank of India wherein it has advised that it has no objection to the IDFC Limited pursuing the option regarding demerger of the lending business of IDFC into the proposed IDFC Bank Limited subject to compliance with the relevant regulations, provisions of the Companies Act, 2013 and necessary approval from Department of Non-Banking Supervision, RBI. Further, the Reserve Bank of India, by its subsequent letter dated February 02, 2015, has communicated the demerged Company that it has no objection to the proposal of conversion of secured bonds to unsecured bonds.

9. As regards the capital gains, the submission of the learned Senior Counsel would be to the effect that the conversion of LTIBs will not attract capital gains because the original issuer is substituted and that the bonds once redeemed, will get their face value as the interest is paid periodically. In case where a person sells the bonds in the secondary or capital market, according to the learned Senior Counsel, it could only be for a price marginally high and that the same will not attract Section 2(47) of the Income Tax Act.

10. It is also seen that since consent affidavits of the equity shareholders as well as No Objection Certificate from the secured creditors and the Board Resolution of the demerged Company have been filed, this Court on 28.4.2015, issued notice in the present petitions, to the Regional Director, Southern Region, Department of Corporate Affairs and the Registrar of Companies. Further more, a notice under Section 80CCF of the Income Tax Act has also been issued to the Long Term Infrastructure Bondholders inviting their intention with regard to the Scheme of Arrangement. It is seen that no objection has been raised by any one of the bondholder.

11. The petitioners state that no investigation proceedings are pending against the petitioner companies under Sections 235 to 251 or any other provisions of the Companies Act, 1956.

12. On notice, the Regional Director, Ministry of Corporate Affairs has filed his affidavit dated 20th May, 2015 without any objection to the Scheme to the effect that the demerged Company is regular in filing their statutory returns and the first balance sheet of the resulting Company is not yet due besides stating that neither prosecution is filed nor any complaint is pending against the demerged and resulting Companies and that no inspection has been conducted in respect of the Companies.

13. With respect to transfer of LTIBs stated in the letter dated 17.4.2015 by the Ministry of Finance, Government of India and also stated in the objection letters received from some of the bondholders of the LTIBs, the demerged Company has filed an affidavit dated 20th June, 2015 before this Court to the following effect:-

‼ (a) That the Scheme does not in any manner affect the terms of the LTIBs with respect to the maturity date, buy-back date, interest rate or the redemption / maturity amount payable.

(b) That the networth of the Financing Undertaking (as defined in the Scheme) to be demerged into IDFC Bank Ltd., the resulting Company, will be to the tune of approximately Rs. 6500 Crores on the Effective Date of the Scheme. Further, after the investment by IDFC Financial Holding company Ltd., the Non-Operating Financial Holding Company (NOFHC), the total networth of IDFC Bank Limited would be approximately Rs.13,825 Crores, which would be more than sufficient to meet any liability that may arise on account of the repayment of LTIBs.

(c) That the networth of the Residual Undertaking (as defined in the Scheme) remaining with IDFC Ltd., the Petitioner / Transferor Company, even if taken on a stand alone basis, would be to the tune of approximately Rs.10,154 Crores.¶

14. The demerged Company has also stated in the above affidavit that the resulting Company (IDFC Bank Limited) has enough assets to meet the liabilities represented for repayment of the LTIBs. The demerged Company (IDFC Ltd.) has also undertaken to guarantee that in the event that the resulting Company is unable to honour the liability to any bondholder or bondholders of the LTIBs, it will honour the said liability / liabilities and make payment / payments to the said bondholder / bondholders.

15. There is no objectionable feature in the Scheme of Arrangement (Demerger) detrimental to the (bondholders) employees of the Demerged company or of the Resulting company. The said Scheme is not violative of any statutory provisions. The Scheme is fair, just, sound and is not against any public policy or interest. No proceedings are pending under Sections 231 to 237 of the Companies Act. All the statutory provisions have been complied with.

16. Consequently, there shall be an order approving to the scheme of arrangement (Demerger) of the Demerged company, the petitioner in C.P. No. 191 of 2015 with the Resulting company, the petitioner in C.P.No. 192 of 2015 as provided in Annexure 1 in both the petitions as the procedure laid down under sections 391 and 394 of the Companies Act are duly complied with. The petitions are allowed.

The learned Central Government Standing Counsel is entitled to a fee of Rs.5,000/- from the Resulting company.

25 ⊤ 06 ⊤ 2015

gri

PUSHPA SATHYANARAYANA, J.

C.P. Nos. 191 and 192 of 2015

25 ⊤ 06 ⊤ 2015