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IDBI Bank revamp: Government keen to bring large investors on board

By [Dheeraj Tiwari](#), ET Bureau | Mar 21, 2016, 04.00 AM IST

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NEW DELHI: The government is trying to get at least two large institutional investors to buy stake in state-run [IDBI Bank](#), a move aimed at transforming the lender along the lines of private sector rival Axis Bank. "Initial discussions have been held with some players who evinced interest," a senior government official said on condition of anonymity.

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"The government has already shown its intent in transforming the bank and is open to offering board seats to such investors." In his 2016-17 Budget speech, [Finance Minister](#) Arun Jaitley had said that IDBI Bank's transformation process has already begun.

"Government will take it forward and also consider the option of reducing its stake to below 50%," he had said. The public sector lender has taken an approval for a qualified institutional placement (QIP) of Rs 3,771 crore.

"Now that banks are coming clean on their bad loans, there will be more interest from investors, as they will have a clear assessment of the bank's financials," said the official quoted earlier. Shares of IDBI Bank have been trading firm in anticipation of this transformation. They gained 1.12% in intra-day trade on the Bombay Stock Exchange on Friday, before shedding some of the gains to close the day 0.75% up at Rs 67.15.

ET had earlier reported that the government is in talks with World Bank Group member, International [Finance Corporation](#), for selling up to 15% stake in the lender. "There are a few players. It is too early to discuss names," the official added. Minister of State for Finance Jayant Sinha had also told ET that the government is willing to give a strategic role to investors.

"Depending on who the investors are and what stake they are willing to subscribe for, we are willing to discuss for them playing a more strategic role, which would potentially include a board seat as well," he had said. IDBI Bank had reported a net loss of Rs 2,183.68 crore, the largest ever by an Indian lender, for the quarter to December. Its gross non-performing assets (NPAs) rose to 8.94% of the gross advances at the end of December from 6.92% at the end of the September quarter.

A senior executive at the bank said they are in touch with the [finance ministry](#) over their proposed QIP offer. "We have already conducted roadshows, the finance ministry is fully supportive of the bank's capital raising plans," he said, adding that the bank is considering a range of options to augment its capital base. "The QIP will be launched depending on the need and market conditions."

Last month, IDBI Bank approved the proposal for preferential issue of capital to Life [Insurance Corporation of India](#), aggregating up to Rs 1,500 crore. The government has committed 25,000 crore towards capital allocation in state-run lenders this fiscal. Gross NPAs at state-run banks surged to 7.3% of advances at the end of December, almost double of 3.84% at the end of March 2013.

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