

Business Standard

No proposal of stake sale to L&T Finance: IDBI Bank

IDBI Bank Managing Director and CEO said there is no proposal from L&T Finance for merger

Press Trust of India | New Delhi April 22, 2016 Last Updated at 20:22 IST



Amid reports of stake sale, state-owned IDBI Bank today said there is no formal proposal from L&T Finance Holdings for merger with the bank.

"There is no proposal from L&T Finance for merger," IDBI Bank Managing Director and CEO Kishor Kharat said.

The recent valuation of its real estate was done as per the regulatory requirement but nothing to do with the stake sale, he said.

He, however, said, the process of transformation of the bank has been initiated.

The government in December gave approval to IDBI Bank for raising Rs 3,771 crore during the year, by way of Qualified Institutional Placement (QIP), a move which will dilute its holding by about 26% in the lender.

The government's holding in the bank stands at 80.16%.

As per the existing norms, government equity in a public sector bank cannot go below 52% to maintain the character of state-owned banks.

Finance Minister Arun Jaitley had last year indicated a change in the characteristics of IDBI Bank where government would have a majority stake, but at the same time maintain an arm's-length distance.

Citing the example of Axis Bank, he had wondered if IDBI Bank can follow that model.

The government indirectly controls 29.19% in Axis Bank through the administrator of the Specified Undertaking of the Unit Trust of India (SUUTI), the Life Insurance Corp and four other public sector general insurance companies.

IDBI Bank came into existence with Parliament passing the IDBI Repeal Act in 2003. In terms of

provisions of the Act, IDBI has been functioning as a bank in addition to its earlier role of a financial institution.