

# Kotak Mahindra, Axis Bank deny merger rumours

By [Partha Sinha](#), TNN | Updated: Feb 09, 2017, 01.40 PM IST

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Mumbai: Kotak [Mahindra](#) and [Axis Bank](#)

[BSE 1.24 %](#), have strongly denied rumours that the biggest consolidation in banking space is in the works. For the past few weeks, the stock market has been abuzz with prospects of a [merger](#) between the two private banks.

Most people TOI spoke to said that there are strong reasons for such a merger, which could be worth around Rs 2.5 lakh crore (\$37 billion) — making it the second most valuable Indian bank after [HDFC Bank](#) [BSE 0.85 %](#).

"The synergies are huge. [Kotak Bank](#) [BSE 0.99 %](#) has a very strong corporate banking franchise, while Axis is strong on the retail front," said a top fund manager who

has heard about a merger deal being explored by stakeholders of the two banks. "The government, with a Rs 72,500-crore divestment target for next year, will look to offload part of its stake in blue chips it holds in SUUTI (Specified Undertaking of the Unit Trust of India). Under RBI directive, [Kotak Bank](#) [BSE 0.99 %](#)'s promoters need to pare their stake in the bank to 15% by 2020 from 33.6%. A merger of the two could serve both these purposes," the fund manager said.

Another private bank may be interested in picking up the government's stake in [Axis Bank](#) [BSE 1.24 %](#), people in the know said.

Both the banks, however, denied any talks of merger. "Axis is one of the strongest financial institutions in the country with a large customer franchise. We urge you to exercise extreme caution in dealing with this misinformation," said an Axis Bank spokesperson.

[Kotak Mahindra Bank](#) [BSE 0.99 %](#) spokesperson Rohit Rao said: "We do not comment on rumours and speculation."



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Currently, the government holds 12% in Axis Bank through SUUTI, which is worth about Rs 14,000

crore. It holds an additional 18% stake in the bank through LIC and other state-owned insurance companies.

Most people TOI spoke to said that an M&A is the most logical way for Kotak Bank's promoters to bring down their stake. Currently, Kotak Bank has a market capitalisation of Rs 1.4 lakh crore and Axis Bank is worth Rs 1.16 lakh crore. "If the two are merged at current valuations, the holding of the Kotak family in the merged entity will come down to about 17.5%," said a financial sector analyst.