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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Cabinet approves Rs 52,878 crore IDBI Bank sale to Fairfax arm in India's largest financial-sector FDI

Economic Times **14th Oct. 2026**

Synopsis

The Cabinet Committee on Economic Affairs has approved the strategic sale of IDBI Bank to a Fairfax Group arm, Union Minister Ashwini Vaishnaw said.

The government and Life Insurance Corporation of India will retain a combined 34% stake in the restructured entity. Vaishnaw called it India's largest financial-sector FDI.

The Union Cabinet on Wednesday approved the sale of a 60.72% stake in IDBI Bank to Fairfax Financial Holdings' subsidiary, M/s 10955230 Canada Inc., for Rs 52,878.08 crore, paving the way for a major restructuring of the lender.

The Cabinet Committee on Economic Affairs (CCEA) led by Prime Minister Narendra Modi approved the Canadian entity as the strategic buyer.

The transaction involves the sale of the government's 30.48% stake and Life Insurance Corporation of India's (LIC) 30.24% holding in IDBI Bank.

Following the proposed transaction, the government will retain a 15% stake and LIC 19%, taking their combined holding to 34%.



Once completed, the transaction will be the largest foreign direct investment (FDI) in India's financial sector, Union Minister Ashwini Vaishnaw said.

Fairfax arm wins competitive bidding process

The strategic sale followed a two-stage competitive bidding process overseen by a multi-layered decision-making mechanism comprising the Inter-Ministerial Group, the Core Group of Secretaries on Disinvestment and an empowered group of Cabinet ministers.

The government issued a preliminary information memorandum inviting expressions of interest on October 7, 2022. Prospective bidders were required to secure clearance from the Reserve Bank of India (RBI) under its "fit and proper" assessment process and obtain security clearance from the Ministry of Home Affairs before participating in the bidding stage.

The initial bids, invited in the financial year 2025-26, fell short of the reserve price of Rs 94.42 per share and were not approved. The government subsequently invited fresh sealed bids reflecting the qualified bidders' best offers in FY27.

Two independent professional valuation agencies assessed the bank using separate methodologies. The average fair valuation was Rs 75.99 per share, which served as the benchmark for evaluating the bids.

Fairfax's successful bid of Rs 81 per share was above the benchmark as well as the fair value estimates of both agencies, and was consequently considered reasonable and approved by the CCEA, the press note said.

The successful bidder will have to present its credentials to the RBI and submit a roadmap for complying with the regulatory conditions prescribed by the central bank.

The CCEA has also delegated powers to the empowered decision making mechanism to undertake minority stake sales of the government's residual 15% holding through the open market, in accordance with the applicable procedure.

LIC will manage its remaining stake in line with its internal procedures and regulatory requirements. IDBI Bank's financial health improves IDBI Bank was established as a development financial institution in 1964 and converted into a commercial bank in 2004.

The RBI has categorised it as a private-sector bank since January 21, 2019, while the government's holding has remained below 51% since 2019.

The lender had faced financial stress and required repeated capital infusions from the government and LIC. Between 2010 and 2020, the government infused around Rs 25,000 crore into the bank.

The RBI placed IDBI Bank under its Prompt Corrective Action framework on May 5, 2017, imposing restrictions because of its non-performing assets and losses. The central bank lifted the restrictions on March 10, 2021, subject to conditions and continued monitoring.

The bank's asset quality has since improved. Its gross non-performing assets declined from 31.78% in September 2018 to 2.32% in March 2026, while net NPAs fell from 17.30% to 0.15% over the same period. Its capital adequacy ratio rose from 6.22% in 2018 to 26.65% in March 2026.

IDBI Bank reported a net profit of Rs 9,513 crore in FY26. Its total business stood at Rs 6,27,149 crore as of September 30, 2026, marking an 18% increase over a year earlier.

FM Sitharaman hails Cabinet move Finance Minister Nirmala Sitharaman said the CCEA approval for the strategic restructuring of IDBI Bank will

pave the way for attracting foreign direct investment (FDI), while the government retains a minority stake in the lender.

In a post on X, she said the government had supported the bank's recovery and was now enabling its next phase of growth through the proposed restructuring.

"Propelled by Hon'ble Prime Minister Shri @narendramodi's visionary leadership, India's reform trajectory reaches another milestone today with the CCEA's approval of IDBI Bank's strategic restructuring," she added.

The move will strengthen India's banking ecosystem and help banking services meet global benchmarks, the finance minister said, adding that the decision reflects the resilience of the Indian economy and the government's continued commitment to reforms.

The strategic restructuring is part of efforts to build a future-ready financial sector that empowers customers, supports entrepreneurs and contributes to the vision of Viksit Bharat, she said.

Strategic sale or Strategic disinvestment – whatever you call it, it is nothing but privatisation of an important Bank owned by the Government of India. We strongly oppose this decision and demand its roll back.

AIBEA

2026 October, 14

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