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IDBI Bank Disinvestment: Government's Sale of 60.72% Stake to Canadian Firm Raises Serious Legal and Public Interest Concerns

by E A S Sarma

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E.A.S. Sarma argues that the ₹52,878-crore deal undervalues IDBI's assets, threatens reservation benefits, disregards the interests of millions of policyholders and depositors, and breaches a parliamentary assurance.

To:
Smt Nirmala Sitharaman
Union Finance Minister

Dear Smt Sitharaman,

In my letter of August 4, 2026, I had raised multiple concerns about the disinvestment of the government's and LIC's equity holdings in IDBI in a highly opaque, non-competitive environment.

Unmindful of the concerns I expressed, the Cabinet Committee on Economic Affairs (CCEA) has since approved the selection of M/s 10955230 Canada Inc., whose parent entity is M/s Fairfax Financial Holdings Ltd., as the strategic buyer for IDBI's disinvestment. According to the government's press release, the purchase consideration is ₹52,878 crore for the acquisition of a 60.72% stake in IDBI Bank Ltd., comprising the government's 30.48% equity shareholding and LIC's 30.24% shareholding.

1. IDBI's 60.72% Public Equity Stake Sold for a Pittance

The press note cited above explains in a highly convoluted manner the basis for arriving at the final disinvestment amount:

"In such transactions, there is no a-priori benchmark for bidding. The bidders do their own valuation and submit their bids in sealed envelopes in a confidential manner. Independent agencies are hired to do a fair valuation of the enterprise contemporaneously, which is then used as a comparator to assess the reasonableness of the bids submitted."

As I pointed out in my letter of August 4, 2026, IDBI's urban properties in Hyderabad and other cities are highly valuable.

For example, IDBI holds a property of more than 50 acres in a highly developed area of Hyderabad. A recent auction conducted by the Telangana State government revealed a market value of ₹269 crore per acre. On that basis, IDBI's Hyderabad landholding alone should be valued at ₹13,450 crore. If IDBI's other urban properties were valued similarly, the total value of its land assets would be phenomenally high, far in excess of the approved bid value of ₹52,878 crore.

As far as LIC is concerned, its equity holding is funded by its millions of policyholders. In fairness to them, the government and LIC ought to have displayed a greater sense of prudence before parting with a 60.72% equity holding at such a low price. The transaction has reduced both the government and LIC to the status of minority shareholders, with no say in IDBI's future policy matters.

The approved bid value also needs to be examined in the context of IDBI's profitability. Taking into account its operating profits from 2021–22, the first year after its exit from the Reserve Bank of India's Prompt Corrective Action framework, IDBI earned cumulative operating profits of ₹48,151 crore over the succeeding five years.

The Preliminary Information Memorandum (PIM) inviting Expressions of Interest (EoI) for IDBI's disinvestment was issued on October 7, 2022. In other words, while DIPAM was dragging its feet on the disinvestment process for five years, IDBI earned profits amounting to more than 90% of the disinvestment proceeds.

Had the government waited another year, IDBI might have earned substantially more in profits than the proceeds it is now receiving from the disinvestment. This indicates that IDBI's intrinsic value is far higher than what the disinvestment proceeds suggest. The Ministry of Finance and DIPAM will have a great deal of explaining to do before Parliament.

2. Legal Objections: Was the CCEA Fully Informed?

In my earlier letter, I raised the following legal objections:

1. **Land acquired for a public purpose:** IDBI possesses several highly valuable land assets across the country. Several were acquired under the Land Acquisition Act of 1894 on the premise that the acquisition served a "public purpose", defined in Section 3(f)(iv) as being for a company wholly owned or controlled by the government. In other words, if IDBI were to pass into the hands of a private company, these lands should revert to the government; otherwise, the transfer would imply an outright violation of that statutory provision. The bid documents make no mention of this issue.
2. **Protection of employees' service conditions:** Section 5(1) of the Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003, implicitly provides an assurance that the service conditions of IDBI's employees should not be altered under any circumstances. The terms of IDBI's disinvestment, as spelt out by DIPAM, violate that provision.

It appears that, in its anxiety to conclude the sale, DIPAM may not have apprised the CCEA of these legal implications. This raises questions about whether the CCEA's decision of October 14, 2026, was adequately informed.

3. Injustice to Disadvantaged Sections of Society

As a result of this disinvestment, the government has also done considerable injustice to disadvantaged sections of society.

Before the disinvestment, the Centre and LIC held more than 90% of IDBI's equity. As a public sector entity, IDBI was subject to SC/ST/OBC reservations mandated by the Constitution and the welfare principles envisaged in the Directive Principles of State Policy.

With 60.72% of its equity being privatised, the government will effectively end these reservation benefits at IDBI, closing off employment opportunities for SCs, STs and OBCs. It will also create uncertainty for the future of approximately 9,500 existing employees from disadvantaged sections.

Reservations are an important means of empowering disadvantaged communities. It is unfortunate that the government should disregard this consideration and proceed with privatisation.

In this context, SC/ST/OBC employees of IDBI have rightly demanded that the government protect their rights. *The Hindu BusinessLine* reported on their demand. The government has ignored their demand and brushed aside their interests.

It should also be remembered that IDBI has supported the government's policies to empower women and provide reservations for persons with disabilities. IDBI's workforce comprises 6,911 women employees and 884 employees with disabilities. Privatisation threatens these institutional commitments while creating uncertainty for existing employees.

4. End to IDBI's Role as a Partner in Government Welfare Schemes

The CCEA's decision to hand over majority equity to the Canadian company not only closes a chapter in IDBI's role as a development finance institution but also threatens its role as a partner in several important flagship welfare programmes.

IDBI currently has a network of 2,122 branches across the country, providing access to banking services in many remote areas. Its participation in government schemes includes:

- More than 18.72 lakh accounts under the Pradhan Mantri Jan Dhan Yojana (PMJDY).
- More than 10.86 lakh bank account holders under the Pradhan Mantri Suraksha Bima Yojana (PMSBY).
- More than 3.81 lakh bank account holders under the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY).
- More than 5.48 lakh bank account holders under the Atal Pension Yojana (APY).
- 191 Aadhaar enrolment centres.
- A Rural Self Employment Training Institute (IDBI-RSETI) in Satara district, which has trained 7,165 candidates, of whom 5,241 have secured employment.

Following the Reserve Bank of India's reclassification of IDBI Bank as a private sector bank, its metropolitan and urban branches stopped providing interest subvention on Kisan Credit Card (KCC) loans to farmers in March 2019.

Once the bank passes into the hands of the Canadian company, even its semi-urban and rural branches may stop lending to farmers. IDBI may

also discontinue small loans under schemes such as MUDRA, PMSVANIDHI and Stand Up India, as well as education loans to students, which are normally offered without collateral.

5. Breach of an Assurance Given to Parliament

During the 13th Lok Sabha, the Parliamentary Standing Committee on Finance examined the IDBI (Transfer of Undertaking and Repeal) Bill, 2002, in detail. In paragraph 33 of its 46th Report, issued in June 2003, the committee observed:

"The Committee are given to understand that there is huge investment of Rs. 10,000 crores by general public in IDBI which is not secured. They are of the opinion that this dispensation holds good so long as IDBI is a Government owned banking company, but the day the Government holding in converted IDBI comes below 51% there will be chaos – like situation in the country making investors panicky. Hence, they recommend that the Government should make provisions which will ensure that Government's shareholding in IDBI do not come below 51%"

The then Finance Minister gave an assurance in the Lok Sabha on December 8, 2003, and in the Rajya Sabha on December 15, 2003, that the government would maintain at least 51% equity ownership in IDBI as a banking company at all times. This assurance was placed on the records of the Government Committee on Assurances.

The present government's decision to disinvest IDBI therefore constitutes a breach of that parliamentary assurance.

6. IDBI's Retail Depositors Kept in the Dark

As of March 31, 2026, public deposits in IDBI stood at ₹3,47,163 crore, against the bank's total business of ₹6,00,789 crore.

Many small investors have deposited their hard-earned savings in IDBI, assuming that the bank has the government's backing. Privatising IDBI without their consent would amount to letting them down.

According to IDBI's disclosure to the National Stock Exchange on July 14, 2026, neither the bank nor its shareholders were aware of DIPAM's proposal. Should not the small shareholders of IDBI have been taken into confidence?

7. LIC Policyholders' Interests Ignored

LIC has 262 million policyholders, whose funds were used by LIC to acquire its 49.24% equity stake in IDBI in the first place.

While disinvesting 30.24% of this stake, LIC has not taken its policyholders into confidence.

8. Fairfax's Conflict of Interest

Fairfax faces a potential conflict of interest because it has already acquired a majority stake in Catholic Syrian Bank. Fairfax India's announcement of its acquisition confirms its involvement.

As a matter of policy, the Reserve Bank of India does not permit the same promoter to control two banks simultaneously. The government's decision to disinvest IDBI in favour of Fairfax is therefore, in my view, *ab initio* vitiated by this conflict of interest.

Fairfax also has significant stakes in IIFL Capital Services, IIFL Finance, 5paisa Capital and Valueattics Re, spanning financial services and insurance. These interests could give rise to additional conflicts of interest.

Conclusion: Suspend the Disinvestment Pending an Independent Inquiry

In view of the above, I consider the CCEA's decision of October 14, 2026, to be ill-advised. It involves serious legal implications, the gross undervaluation of IDBI's assets and an apparent breach of an assurance given by the government to Parliament.

I therefore demand that the decision be kept in abeyance pending an independent inquiry. The findings of that inquiry should be presented to Parliament.

Yours sincerely,

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Former Secretary to the Government of India
Visakhapatnam

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