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Sensational Details of IDBI-Fairfax Deal: First they saw the bid. Then they set the price.

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BW BUSINESSWORLD

Internal Finance Ministry note shows officials opened Fairfax's offer for IDBI Bank, then ordered new valuations under new rules. The price the bank was "worth" came in below the bid.



Rules Came Second

The Envelope Was Opened First

On 13 July 2026, government officials in New Delhi opened a sealed envelope. Inside was Fairfax Financial's final offer for IDBI Bank.

The same day, they threw out the old price the bank was supposed to fetch. Then they ordered fresh valuations, with new rules, to decide whether the offer was good enough.

The new valuations came in lower than the offer. In October, the Cabinet approved the sale at ₹81 a share, saying the bid had beaten an independent benchmark of ₹75.99.

All of this is set out in a 10-page internal note of the Department of Investment and Public Asset Management (DIPAM), the Finance Ministry department selling the bank. The note is dated 13 August 2026 and signed by DIPAM Secretary Arunish Chawla. BW has seen the note.

It was written for the Core Group of Secretaries on Disinvestment (CGD), the panel of senior officials running the sale. It asks them to recommend the bidder it calls "QIP-3" as the buyer. That is the bid the Cabinet went on to approve: Fairfax's.

Note: The Story has been updated with DIPAMs response below. They have not denied existence of the note or the sequence of the events as detailed in the story. The earlier position when this story was published was, that BW's emails got no response from the PIB, DIPAM and the Finance Ministry and it would be added as and when received.

The Rule they Broke, in their Own Words

In a government auction, the minimum price is meant to be fixed blind. Officials should not know what the bidders have offered.

The note says so itself. It quotes DIPAM's own rulebook, the Indicative Booklet on Strategic Disinvestment:

"Government officials, while fixing the reserve price, will not have knowledge about the quantum of financial bids quoted by the bidders, as the financial bids are not be opened before the reserve price is fixed."

The very next sentence admits the rule was dropped:

"This procedure was adopted initially, but the bids were below the reserve price."

In plain words: the government followed the rule once. The bids failed. So it stopped following the rule.

The note's own dates show the order of events:

12 March 2026: First-round bids opened. Both bids are below the minimum price. Both bidders are asked to match it. "Both bidders refused to match the Reserve Price," the note says.

2 and 27 April: The CGD meets the valuation agencies to review their methods.

1 June: Fairfax hands in a revised, sealed bid.

13 July, first meeting: Officials open Fairfax's revised bid and rank it first.

13 July, second meeting: The CGD rules that the old minimum price "cannot be reused and should be discarded and disregarded." It orders new valuations under new rules.

13 August: The valuers' reports are in. The note says Fairfax's bid "appears to be reasonable" against them.

That first minimum price, ₹ 94.42 a share, has been made public. Business Standard has reported that Fairfax's first bid was ₹ 75. The new benchmark, ₹ 75.99, sits less than a rupee above it.

How the Price was Brought Down

The valuers were not simply asked to try again. The officials told them how to do it. The CGD's minutes were sent to both agencies, which were "asked to take suitable action." Three changes did the work.

One: The share price was thrown out. When IDBI shares were high, the note calls them useless. It says swings of "almost 100%" make "the market price unhelpful for valuation purposes." The CGD ordered that market valuation "may not be used."

But when the share price fell below the bid, the same note leans on it. "Since the market price was consistently below the discovered bid price for three months," it says, "one view was that the H-1 Bid Offer may be accepted as a fair outcome." H-1 is the highest bidder.

The share price was too unreliable to raise the price, but good enough to argue for a lower one.

Two: Private banks were removed from the comparison. One valuation priced IDBI by comparing it with other banks. The CGD ordered that only public sector banks be used. The note itself speaks of the "very high market price of the private sector banks."

The note admits the RBI treats IDBI as a private bank, and has done so since 2019. It brushes this aside as "purely technical reasons." Then it gives its real reason for dropping private banks:

"Including the private sector banks in the pool of comparators, leads to an over-estimated reserve price."

Put simply, private banks were taken out because they made IDBI look too valuable. Yet IDBI is being sold to a private owner, to be run as a private bank.

Three: the asset valuer was told what to fix. The second agency valued IDBI's assets, including land and buildings. The CGD told it to give "point estimates which reflect professional opinion rather than scenarios which fail to correct the valuation of

fixed assets as given by the Bank." It also narrowed which intangible assets, like the brand, could be counted.

The Fairfax Contrast.

The government refused to value IDBI at its market price. A day after the sale was approved, Fairfax chairman Prem Watsa said Fairfax's own stakes in Go Digit and IIFL Capital would move into IDBI "at their respective market prices."

The "Independent" Valuers

The government has not said which agencies produced the two valuations behind the ₹75.99 benchmark. The note does.

KPMG India is the Transaction Adviser, the firm hired to run the sale. It produced the valuation that compared IDBI with public sector banks. BDO Valuation Advisory LLP is the Asset Valuer. It valued IDBI's assets.

After the Cabinet decision, Chawla told reporters that two independent valuation advisers had valued the bank. But by the note's own account, one of the two valuations came from the adviser whose job was to get the sale done.

The Sweeteners, and the Ultimatum

A Tax Gift with no Price Tag.

After the first round failed, the government gave the bidders what both had asked for. It agreed to cover IDBI's disputed income tax cases. The CGD decided to:

"indemnify all such disputed income tax demands, whether or not recognized as contingent liabilities in the IDBI accounts."

That means taxpayers, not the new owner, carry the risk if IDBI loses those cases, including cases not even listed as risks in its accounts.

The note calls this "a low probability event" and "cash neutral for the Government." Its logic: if the taxman wins, the government simply hands the money back to the buyer. In other words, the government gives up tax it would otherwise collect.

How Much is at Stake?

The note does not say. It claims the higher bid "is far more than the value at risk indemnified," but gives neither number. If Fairfax's bid rose from ₹75 to ₹81 a share, the increase is about ₹3,900 crore. By the government's own claim, the tax cover must be worth less than that.

A take-it-or-leave-it offer. With its revised bid, Fairfax sent a letter. The note quotes it:

"It is our final offer and we trust it reflects the strength of our conviction. We wish to be transparent: should a rebid or further enhancement of bids be requested, we would respectfully withdraw from the process."

The government did not push back. It accepted.

One bidder at the table. The other bidder, QIP-2, did not send a revised bid at all. It only said its old, lower bid still stood. Of four parties cleared to bid, two never bid. The note says starting over was pointless: "the probability of success would be very low if a fresh EoI was issued."

Why the Hurry: The Government Needed the Money

In public, the government calls this the largest foreign investment yet in India's financial sector. Inside, the note makes a plainer case: the treasury is under strain.

Citing the Department of Economic Affairs, it says the year "has witnessed extraordinary fiscal strain due to the impact of the Middle East Conflict." It lists the damage:

Higher fertiliser and LPG costs

Excise cuts on petrol and diesel "resulting in substantial revenue loss"

"Foreign exchange reserves have diminished and the rupee also has been under pressure"

The sale, it says, would "alleviate fiscal stress," and the cash "would be important in a year when the budget arithmetic will be strained."

Rules for selling scrap. To justify accepting less than the original minimum price, the note reaches for unusual precedents. It admits the General Financial Rules have no provision for selling shares. So it cites the rules for disposing of goods. Then it cites the Railway Stores Code on auctioning scrap:

"Bids lower than the reserve prices may, however, be accepted by the Depot Officer where found expedient provided the Depot Officer doing so records his reasons in writing."

The note itself calls this "the first instance of a government-controlled bank being privatised."

A security flag. The Home Ministry cleared both bidders, but gave "additional inputs in respect of one of the bidders." A security committee reviewed "the flagged issues" on 25 February and cleared both. The note does not say which bidder was flagged, or why.

What the Note Leaves Out

The note recommends Fairfax as buyer. It does not mention Fairfax's plan to move its Go Digit and IIFL Capital stakes into IDBI. It does not give the bid amounts, the valuation figures, or the size of the tax cover.

The government's position is that ₹81 beat both valuations, and that IDBI's thinly traded shares could not show its true worth.

The Questions Now:

Why were the valuations ordered after Fairfax's bid had been opened?

Will the government publish the KPMG and BDO reports? How much in disputed tax has the government agreed to cover?

Which bidder did the Home Ministry flag, and why? Did the Cabinet know about the Go Digit and IIFL plan when it approved the sale?

UPDATE

The above story was published on October 29, 1.23 PM.

The questioner with regard to the story were sent to PIB, DIPAM and Finance Ministry On Wednesday, October 28 at 11.50 AM.

DIPAM sent a clarification, received at 9.45 PM on October 29.

DIPAM RESPONSE

It does not dispute that the note is genuine, or any quote in this story. Its main points, in its own words:

On procedure: DIPAM's internal practices "are in the nature of indicative guidelines and not hidebound rules or regulations." A 2017 Cabinet decision empowers the CGD "to consider deviations as necessary."

On the reserve price: "The reserve price was neither decreased, nor increased, and the first round itself became functus officio after the initial bids were not approved."

On timing: The valuation methodology "was reviewed by the CGD in April, 2026 before the invitation of best offer bids." The valuers "had started working on the

revised valuations in May, 2026 itself. The process remained double blind because the bidder did not know the valuation and the valuators did not see the bids."

On the tax cover: "The potential liability that could arise on this account was only Rs. 627 crores while the bid discovered price enhanced by Rs 3,917 crores."

On comparing IDBI only with public sector banks: No comparable transactions were available, and “the market investors continued to value it as a public sector entity.”

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BW Reporters

Palak Shah is a seasoned investigative journalist and the fearless author of The Market Mafia: Chronicle of India’s High-Tech Stock Market Scandal & The Cabal That Went Scot-Free, a hard-hitting exposé that unmasked the shadowy underbelly of India’s financial markets. With nearly two decades of boots-on-the-ground reporting in Mumbai, Palak has carved a reputation as a relentless truth-seeker, diving deep into the nexus of money, power, and regulation. His bylines have graced India’s most prestigious financial dailies, including The Economic Times, Business Standard, The Financial Express, and The Hindu Business Line, where his incisive coverage has shaped narratives and rattled boardrooms. Drawn to crime reporting at the tender age of 19, Palak quickly realized that Mumbai’s gritty gang wars of the 1980s had given way to a slicker, more insidious form of organized crime—white-collar schemes orchestrated in corporate towers. This epiphany fueled his pivot to financial journalism, where he’s spent years decoding the complex machinations of India’s ‘white money’ economy. From stock market manipulations to regulatory loopholes, Palak’s work peels back the polished veneer of high finance to reveal the cabals pulling the strings. His passion for uncovering truth, backed by a knack for connecting dots others miss, makes him a formidable voice in Indian journalism, unafraid to challenge the status quo and expose the players who think they’re untouchable.

2026 October, 30