Clarification on the Process of Strategic Restructuring of the IDBI Bank Ltd.

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The first or initial bid round was conducted in the financial year 2025-26 by DIPAM as per its internal practices, which are in the nature of indicative guidelines and not hidebound rules or regulations. The foreword itself states that the procedure suggested is not to be construed as a rigid, legal framework, which may require due adaptation/ modification in the best interest of successful execution of the transaction in a time bound manner. Given the complex nature of strategic transactions, the indicative guidelines give flexibility to ensure cost and time spent in lengthy processes is not wasted.

The press note dated 14.10.2026 clearly explains that there is no *a-priori* benchmark for bidding. The bidders do their own valuation and submit their bids 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. The bid discovered price and the comparative valuation can, therefore, be above or below each other.

To handle this situation, provision is *ex-ante* built into Para 5.3.6(iii) the RFP: *"In the event the Financial Bid of the Highest Bidder is lower than the reserve price, the GoI will decide the further course of action and the QIPs shall not subsequently question any decision taken by the GoI in this regard."*

There is no procedure prescribed to handle this situation internally within DIPAM and special powers have been delegated to the Core Group of Secretaries on Disinvestment (CGD) by the Cabinet Committee of Economic Affairs (CCEA) for this purpose. In its meeting dated August 16, 2017, while approving the Note titled 'Procedure and Mechanism for Strategic Disinvestment - Delegation Thereof', the CCEA has empowered the CGD to remove all difficulties, including deviations from procedure, to ensure effective implementation of the strategic disinvestment transactions approved by the CCEA. The abstract of the decision is as follows:

> *"8.1 Approval of the CCEA is solicited in case of strategic disinvestment...(ii) for empowering the CGD to take policy decisions with regard to procedural issues and to consider deviations as necessary from time to time for (the) effective implementation of decisions of CCEA". Decision: Approved in the CCEA Meeting dated August 16th, 2017.*

In due exercise of these powers, the procedure for the second or the best offer round was determined by the CGD itself. The reserve price was neither decreased, nor increased, and the first round itself became functus officio after the initial bids were not approved.

The entire valuation methodology was reviewed by the CGD in April, 2026 before the invitation of best offer bids. Since the comparator used for valuation has to be contemporaneous with the bids received, and 31st March, 2026 closing financial accounts were released in the public domain in end-April, the independent valuation agencies 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. It is only the CGD which gets to see a complete picture and compares the bids with fair valuations to take a final call on the reasonableness of the bids submitted.

The valuation was carried out by two different advisers, independent of each other, using independent and distinct methodologies. The Business Valuation is always done through the Transaction Adviser as per the protocol, who, given the complex nature of this transaction, further appointed professional experts trained in the Market Multiple Method. To explain briefly, the Market Multiple method is of two sub-types: the Comparable Company Method and the Comparable Transaction Method. Since suitable comparable transaction were not available, comparable companies' method was used, which in this case were all the listed public sector banks. It is pertinent to mention here that the IDBI was a government 'owned' banking company till 2019, but became a government 'controlled' banking company after the LIC acquired majority stakes in 2019. Since there is no specific regulatory protocol for this situation, the RBI started treating it as a private bank only for regulatory purposes, even though the ownership stayed overwhelmingly with the LIC and the GoI, and the market investors continued to value it as a public sector entity.

The Asset Valuer also used robust and time-tested methodologies, including additional value for disputed tax demands, which were indemnified as a common demand of the qualified bidders to nudge the bid offer upwards. This remains a low probability event and revenue neutral for the government, as only the additional tax demand, if paid at all, will be eligible for reimbursement. The potential liability that could arise on this account was only Rs. 627 crores while the bid discovered price increased by Rs 3,917 crores enhancing the value of the transaction for the GoI and the LIC.

The details of the volatile stock price of the narrowly traded IDBI stock and why it was discarded are well explained in the press note date 14.10.2026. The GoI and the LIC retain residual shareholdings to get further benefit from the upside that is expected from the value enhancement following strategic restructuring of the IDBI Bank going forward in future.

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