

सितम्बर २२, २०१५

The Chief Manager (Surveillance) National Stock Exchange of India Ltd., Exchange Plaza, 5th Floor, Plot No.C/1, G Block, Bandra Kurla Complex, Bandra(E), Mumbai - 400 051	The Chief Manager (Surveillance) Bombay Stock Exchange Ltd., 25th Floor, Phiroz Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001
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Dear Sir,

Increase in Volume

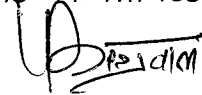
We acknowledge the receipt of your letter dated September 22, 2015 on the captioned subject. As desired, we hereby confirm that there is no official information / announcement (including impending announcement) which in Bank's opinion may have a bearing on the price / volume behaviour in the Bank's scrip.

You may note that Hon'ble Finance Minister of India has given an interview to CNBC-TV 18 in Singapore talking about various Government plans in the financial sector and has mentioned IDBI Bank's name in the said interview which perhaps might have had an impact on the volume behaviour in IDBI Bank's scrip. However, we may clarify that IDBI Bank has not received any official communiqué from Govt. of India in this regard. A news item stating the script of aforesaid interview of Hon'ble Finance Minister with CNBC is attached herewith for your perusal.

Whenever any official strategy for IDBI Bank is finalised by Board of Directors of the Bank having bearing on price/volume behaviour in Bank's scrip, the same will be intimated to Stock Exchanges in terms of the listing guidelines.

भवदीय,

कृते आईडीबीआई बैंक लिमिटेड



[पवन अग्रवाल]

कंपनी सचिव

22/09/15

Print This Page

How foreign capital will flood Indian infra: FM explains

Investors globally are enthused by the potential of the Indian economy and are willing to invest capital in order to help the country upgrade its creaky infrastructure and the government is taking steps to roll out the red carpet for them.

That is the takeaway from CNBC-TV18 Managing Editor Shereen Bhan's exclusive interview with Finance Minister Arun Jaitley who spoke to her during his ongoing Singapore visit.

In the interview, the FM addressed a whole host of issues plaguing the economy currently -- lack of infrastructure investment, the stress in the power and bank sectors, etc -- and outlined what the government was doing to tackle each.

Below is the transcript of the interview on CNBC-TV18.

Q: Let me start by asking you about the enthusiasm or the lack of it as far as pension funds are concerned whether it is you or it is Railway Minister Suresh Prabhu or Roads Minister Nitin Gadkari, everyone for the past one year has said that there is a lot of enthusiasm, there is a lot of interest in pension funds but when do we start to see money coming in? What is holding them back, are they not convinced about the strength of the India story or are there any specific regulatory issues?

A: I think everybody is convinced about the India story and they are convinced about the India story for more than one reason. The first reason is that a lot of things are happening in India and therefore the kind of changes, which have taken place in India in the last 15-16 months has enthused many people.

They are obviously cautiously optimistic because India in the past had even faltered and therefore we carry the baggage of the past. Therefore while people are optimistic about India today, we have to keep that pace and speed on if at all to improve it, not slow it down.

The second India needs investment in infrastructure.

Thirdly, there are not too many avenues, which even investors have to invest because most economies in the world have slowed down, they have issues and problems of their own and the kind of investment returns that these investors expect are certainly going to be much better in India. Even though, we are all not very excited about 7-7.5 percent growth rate in India. The world thinks that compared to the rest of the country, it is moving quite fast.

Therefore, we have to put all our systems in order. I think whether it is the railways or it is the highways or it is the power projects, it will all depend on the bankability of these projects.

Railways traditionally nothing was happening in the last few years, you only had a statement of account in form of a railway budget, there were no expansions going on, there was no modernisation going on, it is now that Suresh Prabhu has started that process of attracting big investment into the railways.

There are already international investors who have exhibited interest and once the infrastructure investment whether for in terms of railway station development or in terms of infrastructure in other areas, it is certainly going to pick up.

As far as the highways are concerned, it was a completely stalled sector. It is only from public investment that Nitin Gadkari had started moving the highways up and I think those who are building highways are now looking for foreign partners.

So these funds are going to be one of the important sources for investment directly into the projects.

Q: In your conversation, and I understand that you have met with California Public Employees' Retirement System (CalPERS), you have met with the Australian Pension Funds and so on, are these expressing the willingness not just the desire but the willingness now to put the money in?

A: Yes, there are twofold approaches that the funds have. One set of funds, which are willing to become a part of the National Infrastructure Investment Fund (NIIF) where the initial contribution comes from the government. So some set of funds have shown great amount of enthusiasm in joining the funds.

There are some others who have a policy decision that they don't become a part of another fund but they are directly willing to fund projects, which are being undertaken by these funds or even independent of these funds.

Therefore everybody is willing to look at India, everybody is willing to put his money into Indian projects today but the structure of investment in each case will depend on their own investment policy.

Q: Since you talked about NIIF and that could be perhaps the next big idea as far as the government is concerned, I understand that it will be operational perhaps by the end of the year. Specific interest as far as pension funds are concerned for the NIIF and also the NIIF's ability to try and play an instrumental role in repairing private sector balance sheet because that is what the minister of state for finance in a conversation with me said.

A: Certainly one of the objectives of that fund is that you have a lot of stalled projects and those stalled projects have impacted on private sector balance sheets and they need infusion of funds wherever they are held back because of bankability and non-availability of funds. Certainly this can go into them, they can also go into greenfield projects, which will start straightaway.

And I think those options are available because the investment need of India is very large. We cannot sit tight and say, we are going to keep our procedures very tight therefore money may come or may not come. We need the money and that is the message we have to send to investors all over the world including our own domestic investors.

Q: Would it be fair to say that the NIIF would be the enabler, would be the driver to try and start the process of private sector balance sheet repair?

A: The NIIF is an enabler, the NIIF would have a government contribution, it will have a public sector contribution maybe some state can also join if it wants to and then funds and other investors globally would become part of the NIIF and you can earmark funds for different sectors.

We intend the NIIF to function completely independent of the government. Eventually if there are investors who will take over and the government will be one of the investors of the NIIF.

Q: In your conversations here with investors, and I know that one issue has cropped up time and that is what do you intend doing as far as the state distribution companies (discoms) are concerned because that in fact will impact not just the banking sector but the economy in general. You said that this is a matter that has been dealt with at the Prime Minister's level and which is a matter that is being taken up on a priority basis, what should we understand that to mean, is the current financial restructuring package going to be extended or are we going to see something else in its place?

A: I will be more specific in that. We first of all have taken it up with the defaulting discoms and the state governments, which own the defaulting discoms. It can only give a transient pleasure to a state government or an optical pleasure to say that my state fiscal deficit is completely independent of the state discoms.

Factually, it is the part of the same corpus. It is for political reasons that some of the states are not charging adequately for the power and therefore the state discoms are in a loss. There is no free lunch, somebody has to pay for that power.

Either the state budget pays for it and if the state budget doesn't pay for it, who else is going to pay for it? The consumers pay for it. The deficit cannot be indefinitely financed by the public sector banks because that deficit is now impacting the balance sheets of banks also. Therefore, the state discoms in some cases have become absolutely villainous as far as the Indian economy is concerned.

This whole concept of not charging for power, making the discoms go sick and expecting the public sector banks to fund the state discoms cannot be a sustainable approach at all. Therefore we have tried various measures, we have tried to speak to those state governments, the power minister has himself spoken to each of the state governments.

As I mentioned, there are four states, I don't want to name them where the discoms are highly defaulted and there are four other where they are partly defaulted. Therefore these eight states have been put to notice by the Reserve Bank of India (RBI) already that this cannot go on indefinitely, the banks cannot go on funding them.

After the power minister's discussions with them, he is presenting the report and it has been taken at the level of the Prime Minister. I was present in the meeting, [officials of] the NITI Aayog was present in the meeting and the government has taken it up very seriously.

Now these defaulting states are going to be requested by the power ministry itself to enter into an arrangement. It is not going to be a package where some money is going to be given because otherwise it will be completely unfair.

Q: An arrangement with whom?

A: With the state governments that they will have to come out with a programme of tariff escalation, repayment back to the banks on the strength of that escalation and till then we are going to consider whether we can make some additional fiscal space available to those states.

There is going to be no package because the package itself means that the performer goes back and the defaulter gets an advantage.

Q: That means the fair and remunerative price (FRP) will stand to lapse, the FRP will not be extended in that sense?

A: Within those limits -- these are possibilities being discussed with them. I don't want to get in to the figures at the moment of exact strategy but all that I have indicated to you is if temporarily some more fiscal space can be granted to them, so that they start performing and repay the money back and those who default still will continue to do it at their peril and consequences.

Q: I want to pick up on another point that you made yesterday when you were speaking to investors in response to a question on whether the government is actively looking at bringing down its holding in public sector banks,

the stated objective is 51 percent but we haven't seen you move on that path. Now that Indradhanush has been announced, can we finally see the government step up the pace as far as the bringing down the government holding in public sector banks is concerned and because you alluded to the fact that banks for the outside of the banking act, the government may have a different approach, if you could explain that?

A: As far as the first question is concerned, why are we not bringing down the equity down to 52 percent, it is something that I announced in 2014 at the moment. When a bank has a weaker balance sheet and a higher non-performing asset (NPA) is the right time for the bank to divest at that time? The answer obviously is no.

Therefore, I have first to strengthen the banks and therefore as part of strengthening of the bank, I am inducing further capital into the bank, I am addressing all the three sectors which are responsible for NPAs: the highways, the steel sector and power. So we moved in all three.

Once I am able to bring these sectoral NPAs down and are able to induct some budgetary capital into these banks, strengthen these banks, it is only then that their equity should be divested and brought down to 52 percent. That is the response to your first question.

My response to your second question is that as far as the public sector banks are concerned, 52 percent cap remains. Banks have come up with several legitimate questions to me for which I have not been able to give an answer to the public sector banks. The first is every time they are working out practical solutions to the NPA problem, whom to fund, how much to fund, whether additional funding has to be given or not, every banker has at the back of his mind a problem: [which is] if I take the risk of taking this decision, will I be hauled up under the Prevention of Corruption Act, ten years from today?

The second: last week I had a meeting with chairpersons of several banks and the banking department where public sector banks are today crippled as a result of a judgement of the Bombay High Court, which has been affirmed by the Supreme Court.

The private sector banks are all going to universities and colleges recruiting the best for campus recruitment and the public sector banks because they are bound by the constraints of being government institutions have been now prevented from any such recruitment. So they will have to go by their traditional ways etc, so we are finding an alternative route to that, some strategy we have brought out.

Therefore even though the public sector banks will only come down to the 52 percent level and these two problems will remain, these are the handicaps under which public sector banks are functioning. There is little flexibility we have with regard to banks which are not under the Banking Companies Regulation Act for which no amendment is required, which are only registered with the Company's Act.

Take Axis Bank for instance and that is the model where through various government instrumentalities, there is a major shareholding that the government has but the government maintains an arm's length distance and it is a bank which has done remarkably well. Therefore can we, with regard to any other institution that we have, like IDBI follow that model?

Therefore the levels of professionalism, the level of quality, its freedom of decision-making, its economy etc can be maintained.

I must tell you that in the last year and a quarter, we have tried to bring in that level of professionalism with all its constraints even in the public sector banks. The appointments have totally been professionalised, there is no political interference, people are being selected on merit, people are being brought in from within the banking system, from private sector etc.

Their monetary and banking decisions are completely independent, the government doesn't make phone calls to them. So we have tried to bring in that element of professionalism and therefore I am seeing both the models existing.

What do we then do with some of the weaker banks? We can bring the equity down, does that end the matter? It doesn't end with that. I have even said, I am willing to give that extent of freedom to the banks to consider whether some of the weaker banks after strengthening them could be amalgamated with some of the major public sector banks.

Q: What is the kind of broad time period that you envisage possible consolidation for?

A: I am not going to bind myself in time. I have first to reconstruct the strength of these banks. You have to restore professionalism and independence to these banks. You have to address the sectoral concerns then you can think in terms of divesting some of their equity and thereafter if somebody finds it still difficult to survive in a small bank then could you then merge it in one of the bigger banks because you have five-six very large banks in this country.

Most economies in the world don't have 25-27 banks run by the government. They have two-three major banks, it is only in India that we have it and we are the large country therefore we can afford to have many more.

Q: The curious issue as far as the land bill is concerned and the ordinance is now a thing of the past. I want to ask you if Tamil Nadu could make changes to the 2013 land act in January and they have got presidential ascent as well, why did the government insist on trying to continue with the ordinance route and why is it that Bharatiya Janata Party (BJP) ruled states with strong Chief Ministers have not been able to do what Tamil Nadu has done?

A: Our action was purely bonafide. As soon as the government took over in May last year, in June Nitin Gadkari then looking after rural development also had called a meeting of all the state governments and 100 percent of them including Congress government said we want dilution of that 2013 law. We acted on the advice of the state governments.

The Congress party played politics and said, their chief ministers wrote letters, please amend the law and then they turned around. Since they were double-crossing us on the subject and I am consciously using that word, we then decided an alternative strategy.

We tried to convince them, they didn't agree. Since it is a concurrently subject and the states can amend it then the more progressive Chief Ministers came back in the NITI Aayog meeting and told the Prime Minister, we don't want a stalemate at the centre, if you cannot do it, give us the right to do it and we said go ahead and do it.

Tamil Nadu had read the constitution much better than the other states. We always knew that it is a concurrent list subject and that is why we agreed to the Tamil Nadu request.

Q: Who is next, Rajasthan, Madhya Pradesh (MP)?

A: There are many progressive states. For example, today doesn't Andhra Pradesh (AP) need land? They have done land pooling for their capital, they certainly need some more land and if Andhra Pradesh says that give me some amendments to my law, we will readily agree.

If MP needs it -- a number of state governments already have a lot of land and therefore they say for the time being we don't want to enter into these jhagdas.

I am ending it with a note of curiosity for you. What the Congress party thinks the 2013 act is, I think they have made some huge drafting errors which are going to be in the larger interest of this nation. So there is a large amount of flexibility.

Q: Which you have also now figured out as far as 2013 is concerned?

A: Which we have figured out as far 2013 is concerned and therefore there is some amount of flexibility which 2013 act gives us, the ambiguity can be removed and the time periods can be shortened even by state amendments perhaps even by rule-making power.

Q: If I may take another 30 seconds and ask you a final question and that is the perception that why is this government making big promises, Smart Cities, Digital India, Make in India, Swacchh Bharat, so on and so forth? The follow-through action is perhaps lacking. For instance, we were in the US people brought up the issue of REITs, we are here in Singapore, people are bringing up the issue as far as REITs are concerned, 15 months down the line that continues to be the issue.

A: People are bringing up the REITs because REITs doesn't get created overnight. At least I am aware of two Indian companies, which are in the final stages of finalising their REITs.

The pass-through tax rebates that they wanted have already been granted to them, the necessary clarifications have been issued. When Indian companies can vest their assets in REITs and have a lot of capital release out of that, I am sure international investors who own real estate in India can probably do the same.