

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA
UNSTARRED QUESTION NO. 537
ANSWERED ON – 7/2/2023

Deep Discount Bonds

537 # **Shri Rajendra Gehlot:**

Will the Minister of FINANCE be pleased to state:

- (a) whether Deep Discount Bonds have been issued from time to time by the Nationalized Banks operational in the country;
- (b) if so, whether such Bonds had also been issued by the IDBI Bank in the year 1996, if so, the details thereof;
- (c) whether the investors, making an investment into the Deep Discount Bond (1996) of IDBI Bank, have been paid by the bank in due course, if so, the details thereof; and
- (d) whether the said scheme has been discontinued by the IDBI Bank without any prior notice, if so, steps taken by Government to make up for the loss caused to the investors?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(DR. BHAGWAT KARAD)

(a): No nationalised bank in India has so far issued any Deep Discount Bond.

(b): IDBI Bank was incorporated under the Companies Act, 1956 on 27.9.2004. The bank has not issued any Deep Discount Bond since incorporation. However, the bank's predecessor entity, erstwhile Industrial Development Bank of India (eIDBI), a development financial institution (DFI), had issued Deep Discount Bonds in 1996.

(c) and (d): IDBI Bank has informed that under Deep Discount Bond 1996 scheme, bonds with a face value of Rs. 2,00,000 each, were issued at a deep discounted price of Rs. 5,300 with a maturity of 25 years from 18.3.1996 (Allotment Date), subject to the investors (bondholder) having an option to withdraw (Put Option) and the issuer having an option to redeem the bonds (Call Option), at the end of intervals as mentioned below:

Put/Call option		Deemed Face Value
Interval from date of allotment	Date	
4 Years & 4 Months	01.08.2000	Rs. 10,000
10 Years & 8 Months	01.12.2006	Rs. 25,000
15 Years & 5 Months	01.09.2011	Rs. 50,000
20 Years & 2 Months	01.06.2016	Rs. 1,00,000
25 Years	18.03.2021	Rs. 2,00,000

Subsequently, eIDBI had exercised the call option on 1.8.2000, for redemption of the bonds. Notices regarding the exercise of call option, were sent to the investors at their registered addresses, besides publishing in one Hindi and one English newspaper, two months prior to the date of exercise of call option. Stock exchanges, RBI and SEBI were also intimated regarding exercise of the call option.

Investors who could not approach eIDBI/IDBI Bank for redemption in time, have been paid additional interest at savings bank rate, compounded at quarterly rests, over and above the redemption amount. Status of redemption of these bonds as on 31.12.2022, is as under:

(in crore Rs.)

Amount Raised (at a discounted value of Rs.5,300 per Bond)	Redemption value as on call date (1.8.2000) at Rs.10,000 per bond	Redeemed amount	Unclaimed amount
1106.5	2087.83	2045.63	42.2
