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Nilesh Shah on PSU privatisation: How Hindustan Zinc offers a lesson for IDBI Bank

By Kumar Gaurav, ETMarkets.com Last Updated: Oct 15, 2026, 06:57:00 PM IST

Synopsis
Kotak AMC's Nilesh Shah cited Hindustan Zinc as an example of how strategic divestment combined with a retained minority stake can create long-term national wealth. He said the government's remaining stake is now worth over Rs 62,000 crore and expressed hope that IDBI Bank's divestment would deliver similar value.

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Hindustan Zinc's experience offers a lesson in how strategic divestment can create long-term value for the nation, according to Nilesh Shah, managing director of Kotak Mahindra Asset Management Company. Shah argues that selling a government stake in a public sector undertaking (PSU) while retaining a minority holding can generate wealth for future generations rather than amounting to a sale of the country's "family jewels".

Citing Hindustan Zinc, Shah said the government sold around 45% of its stake in the loss-making company, along with management control, to the Vedanta Group about two decades ago for approximately Rs 769 crore. The government had retained a minority stake of around 29% in the company, which was loss-making at the time of the sale.

According to Shah, dividends from the residual holding alone have exceeded the original sale proceeds, while the government's remaining stake is now worth more than Rs 62,000 crore.

"The experience of strategic divestment suggests that family jewels are being created for the next generation," Shah wrote in a post on X.

He also highlighted Hindustan Zinc's operational growth following the transaction. The company's capacity has multiplied, and it is now the world's largest integrated zinc producer, Shah said.

Production has increased more than fourfold, while silver production has risen 15-fold. The company has also replaced zinc imports, earned foreign exchange through exports, paid thousands of crores of rupees in taxes and royalties, created thousands of jobs and substantially improved productivity, he said.

“Strategic sale + minority holding = Long term **value creation** for the nation,” Shah wrote.

@FollowCII The case for Strategic Divestment One opposition against divestment is that family jewels are being sold.The experience of strategic divestment suggests that family jewels are being created for the next generation.Case in point is Hindustan Zinc Limited. Govt sold ~45% stake in Hindustan Zinc Limited , a loss making PSU along with management control to Vedanta Group two decades back for ~ Rs 769 crore. Govt. retained ~29% minority stake.That residual stake has delivered far more in dividends alone than the original sale proceeds. The minority stake is worth over Rs 62,000 crore plus The nation has benefited as HZL Capacity has multiplied (now world’s largest integrated zinc producer), production is up more than 4 X, silver production is up 15x, zinc imports have been replaced, FX is earned from exports, thousands of crore in taxes & royalties paid, thousands of jobs created & productivity improved substantially.Strategic sale + minority holding = Long term value creation for the nation.IDBI was a premier DFI, larger than ICICI in the 90s. ICICI went private and is valued at Rs 9.88 lac crore. IDBI stayed public, needed repeated capital infusions and is valued at Rs 90,000 crore. With the strategic sale of IDBI Bank now approved, hope it becomes as shining example as HZLAll the best to IDBI Bank strategic divestment. No stock recommendation. Please do your own research for your investment decision.
— Nilesh Shah (@NileshShah68) **October 15, 2026**
IDBI Bank and the case for strategic divestment

Shah also compared IDBI Bank with ICICI, noting that IDBI was a premier development financial institution (DFI) in the 1990s and was larger than ICICI at the time.

According to Shah, ICICI moved into private ownership and is now valued at Rs 9.88 lakh crore, while IDBI remained in the public sector, required repeated capital infusions and is valued at Rs 90,000 crore.

With the strategic sale of IDBI Bank now approved, Shah expressed hope that the transaction would become as successful an example as Hindustan Zinc.

“Hope it becomes as shining example as HZL,” he wrote, wishing IDBI Bank’s strategic divestment well.

Shah clarified that his post was not a stock recommendation and urged investors to conduct their own research before making investment decisions.

Disclosure: This article has been written by Kumar Gaurav, who is not a Sebi-registered Research Analyst or an Investment Adviser. Gaurav and their ‘relative(s)’ (as defined under Section 2(77) of the Companies Act, 2013) do not hold any financial interest in the companies mentioned in this article as of the date of publication. The views/recommendations mentioned in this article, wherever applicable, are those of the respective Sebi-registered Research Analyst/brokerage and have been reproduced/reported with due

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