

Business Standard

Crisis-hit Yes Bank poised to reveal crucial fund-raising details

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Representative Image

An Indian lender that's creaking under the weight of bad loans and exposure to the nation's shadow-banking crisis is poised to release details of a crucial fund-raising plan.

Yes Bank Ltd. is expected to name the investors and the amount of money they will contribute after its board signs off on the plan at a meeting on

Friday. Then it will be up to the Reserve Bank of India to consider approving the arrangement.

India's fourth-largest private-sector lender aims to raise about \$1.2 billion in capital and says it has received offers from bidders including an unnamed North American family office. Chief Executive Officer Ravneet Gill, who is about nine months in the role, has said raising the money will keep the bank running for the next two years.

RBI approval is required for stake purchases in Indian banks of more than 5 per cent. Any non-financial entity can buy up to 10 per cent of a lender, and for a financial entity the cap is 15 per cent. In general the central bank

is reluctant to allow larger stakes, though there's a provision to allow a single investor to pick up 40 per cent or more under special circumstances.

A notable such exception came three years ago when Canada's Fairfax Financial Holdings Ltd. was allowed to buy a 51 per cent stake in CSB Bank Ltd., then known as Catholic Syrian Bank Ltd. That marked the first time the central bank let a foreign firm take a majority interest in a local lender.

Yes Bank shares have more than doubled since Oct. 1, the best performance on the benchmark Sensex, giving it a market value of about \$2.5 billion. The rally has pared its decline this year to about 61 per cent.

With exposure to several troubled shadow banks, real estate firms and stressed companies, Yes Bank's bad loans have risen sharply, forcing it to step up provisioning and eroding its capital. The lender's core equity capital is 8.70 per cent, barely above the regulatory minimum of about 8 per cent.

Gill is trying to clean up the bank after the RBI forced his predecessor, co-founder Rana Kapoor, to step down following a dispute over the disclosure of bad loans. With 314 billion rupees (\$4.4 billion) of exposure to junk-rated companies, the bank might need more capital to set aside for defaults in the future.