



Business News > Industry > Banking/Finance > Banking

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Market Watch

Lakshmi Vilas Bank knocks on RBI door with fund-raising plan

BY [ATMADIP RAY](#), ET BUREAU | UPDATED: MAR 11, 2020, 07.58 AM IST

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KOLKATA: Lakshmi Vilas Bank (LVB), its capital adequacy well below the minimum needed, has approached the Reserve Bank of India (RBI) with a plan to raise \$250-300 million (Rs 1,800-2,200 crore) from [overseas investors](#) through the sale of a 49-60% stake, said people with knowledge of the matter.

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The bank has been in talks with threefour investors and one of them has brought a “specific deal” to the table, said a person close to the bank, without elaborating. He said the prospective investor could act on its own or lead a consortium.

“We are ready to give up a controlling stake to a long-term investor,” LVB chief executive S Sunder told ET. “Capital is the limiting factor for us. We are trying our best to get one investor on board at the earliest.”

Concerns over the private sector lender’s financial health have risen after the crisis at Yes Bank, experts said. Lakshmi Vilas Bank’s capital adequacy ratio is at 3.46% against the regulatory minimum of 9%. LVB had raised Rs 1,430 crore equity in 2018 and 2019 and was set for a merger with Indiabulls Housing Finance, but the RBI struck it down in October, without citing any specific reason.

“The bank is looking forward to RBI’s advice on ‘fit and proper’ criteria of investors. That’s the purpose of seeking the meeting with the RBI,” said a person close to the bank. “That was the lesson LVB learnt from its failed Indiabulls Housing deal. The bank is open to

Vital Stats

	Dec 2019	Dec 2018
Capital adequacy ratio	3.46%	7.57%
Gross NPA	23.27%	13.95%
Net NPA	9.81%	7.64%
Return on assets*	-4.4%	-3.9%
Net loss	₹335 cr	₹374 cr

*Annualised

US firm Tilden Park Capital is still in the running

There's market speculation that Singapore's DBS is interested in the bank

anybody bringing in money. It could be the ones who have approached the regulator directly or the ones to which the bank is talking to.”

US-based Tilden Park Capital, which has already had a meeting with RBI but without making any specific offer, is still in the running, two people said.

ET had first reported about the American alternative asset manager's interest in Lakshmi Vilas Bank on February 11.

Temasek Approaches LVB Management
It's learnt that Temasek Holdings, which has sounded out the government on picking up a

51% stake in LVB, has approached the bank management.

There's market speculation about Singapore-based DBS showing interest in the bank and talking directly to RBI on the matter. The names of Indostar Capital as well as the local Kotak Mahindra Bank are also doing the rounds as prospective investors. This could not be independently verified.

Overseas investors are allowed to invest up to 49% under the automatic route without prior approval of the government or RBI. Prior government approval is needed for investing more than 49%. There's a five-year lock-in period for long-term investors.

Jaspal Brinda-led Centrum Capital is advising LVB in its capital hunt.

The private sector lender, which is under RBI's prompt corrective action framework for severe stress with gross non-performing assets ratio at 23.27% and net NPAs at 9.81%, is looking to sell up to 320 million equity shares.

The bank's stock ended Monday at Rs 13.7, down from its 52-week high of Rs 97.35. It has been on a downward journey since July 2017 when it rose to its peak of Rs 188.3.

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