

Interested in China?

Explore our specially curated China hub for the latest news & analysis

Visit

Yes Bank Ltd

RBI says Yes Bank under-reported bad loans by \$457m

Discovery of discrepancy renews scrutiny of Indian lender as it looks to raise capital

Benjamin Parkin in Mumbai NOVEMBER 20 2019

India's central bank has found that Yes Bank under-reported bad loans in the most recent financial year by Rs32.8bn (\$457m), renewing scrutiny of the lender's finances as it seeks to raise capital from global investors.

Yes Bank reported late on Monday that the Reserve Bank of India had uncovered the discrepancy in its accounts. That brought the total amount of non-performing assets at the bank to Rs111.6bn as of March 31, the end of India's financial year.

The bank's shares have fallen 65 per cent this year as the RBI has [stepped up](#) pressure on management over an increase in bad debts, as well as concerns about its capital adequacy ratio and exposure to India's [crisis-stricken](#) shadow-banking sector.

The RBI found in both 2016 and 2017 that Yes Bank, which has grown rapidly since it was established in 2004, had under-reported its non-performing loans. The central bank ordered the bank's billionaire founder Rana Kapoor to step down as chief executive this year.

Yes Bank last month said it had [received an offer](#) of \$1.2bn from an unnamed foreign investor to take a stake through newly issued equity, subject to approval by the board, shareholders and regulators. It added that it was in "advanced discussions" with other foreign and domestic investors.

The bank this week said it had "made material policy and personnel changes to ensure fullest regulatory compliance" since the end of the period reviewed by the RBI. It added that the board would meet to finalise its capital-raising plans by the end of the month.

“The bank's management stands irrevocably committed to ensuring the highest standards of accounting and governance transparency,” Yes Bank said.

India's financial system has been grappling with a significant pile of bad loans in recent years. While the problem is most notable at the country's large state lenders, which account for around two-thirds of banking assets, private entities such as Yes Bank have also come under scrutiny over their lending practices.

Investors have been concerned that Yes Bank has lent heavily to the country's struggling non-bank financial sector, which has been hit by a string of defaults over the past year.

Yes Bank said it has reduced its exposure to big real estate financier Indiabulls, amid concerns that banks were vulnerable to contagion in the case of further defaults.

Separately, the bank said that Mr Kapoor, who was replaced by former Deutsche Bank executive Ravneet Gill, had sold much of his stake in the lender.

Mr Kapoor last year said he would “never ever” sell his shares, likening them to precious stones: “Diamonds are forever,” he wrote on Twitter at the time.

[Copyright](#) The Financial Times Limited 2023. All rights reserved.
