Mumbai: Banks that acquired stakes in Yes Bank as part of its rescue three years ago are likely to hold on to their shares even as a three-year lock-in ends on 13 March, three officials aware of the matter said.

State Bank of India, ICICI Bank, Axis Bank, IDFC First Bank, Federal Bank, Kotak Mahindra Bank and Bandhan Bank have made nearly 70% returns on their Yes Bank holdings over the last three years.

“RBI has asked banks to sell stakes gradually so as to ensure the stability of the bank,” one of the three officials cited above said. “As far as SBI is concerned, it’s a strategic investment. They are not looking at booking profit and making an exit. They have the responsibility of not disrupting the market,” said the second person, a Yes Bank official.

After the Reserve Bank of India seized Yes Bank, eight financial institutions led by SBI infused ₹10,000 crore worth of equity into the bank on 13 March 2020 as part of a rescue plan. These investors were allotted shares at ₹10 per share, and 75% of their holdings were locked in for three years.

SBI had initially infused ₹6,050 crore to acquire a 49% stake in Yes Bank; however, its shareholding fell to 26.14% after private equity firms Carlyle and Advent invested in the bank last year. As part of the rescue scheme, the state-owned bank is required to maintain a 26% stake in Yes Bank for three years.

On the other hand, lenders like Kotak Mahindra Bank, Federal Bank and IDFC First Bank sold part of their stake and booked profits within days into their investments. Currently, they hold 1% or lower in the private sector lender.
As lock-in expires, Yes Bank rescuers may retain stakes

As of 31 December, ICICI Bank, Axis Bank and IDFC First Bank held 2.61%, 1.57% and 1% stakes, respectively. State-owned Life Insurance Corp. held 4.34%, while HDFC held 3.48%.

“It may be better if other banks gradually bring down their stake in Yes Bank, as it will be more value-accretive to their investment. Business performance of Yes Bank is also improving gradually, and thus, it may give them room to bring down stake without negatively impacting their investment returns over the next 18-36 month period,” said Asutosh Mishra, head of research, Ashika Stock Broking.

Ever since the reconstruction scheme was introduced, Yes Bank’s financial performance has improved gradually. Its return on assets stood at 0.4% as of FY22 compared with -1.3% as of FY21 and -7.1% in FY20. Asset quality improved, too, with gross non-performing assets declining to 13.9% as of March 2022 compared with 16.8% as of March 2020. After the transfer of its bad loan stock to JC Flowers Asset Reconstruction Co., gross NPAs fell further to 2% as of December 2022. The bank also reported its first full-year profit in FY22 at ₹1,066 crore, against a loss of ₹3,462 crore in FY21 and ₹22,715 crore in FY20.