

Yes Bank Ltd

India's Yes Bank receives \$1.2bn stake offer from foreign investor

Lender has been hit by a widespread increase in corporate defaults



Yes Bank's share price fell share price fell 80% between January and September © Bloomberg

Benjamin Parkin in New Delhi OCTOBER 31 2019



India's Yes Bank has received a \$1.2bn offer from an unnamed foreign investor to take a stake in the lender, prompting its share price to rise more than 20 per cent as the stock market touched record highs.

The bank said the investor, who it did not name, made a binding offer to invest through newly issued equity, subject to approval by the board, shareholders and regulators. It added that it was in "advanced discussions with other global and domestic investors" as it looks to raise capital.

One of India's largest private lenders, Yes Bank has had a rollercoaster year, with scrutiny from regulators and investors over its bad loans and concerns about its exposure to [less regulated lenders](#) and its capital adequacy ratio. **Its share price fell 80 per cent between January and September before turning higher** this month on anticipation that it was close to securing investment.

Its shares ended Thursday up 24 per cent after earlier trading around 30 per cent higher. The rally came as the Bombay Stock Exchange's benchmark Sensex index hit a record high of more than 40,300 points after rumours that the government would follow up last month's corporate tax rate cut with further business-friendly reforms.

Founded in 2004, Yes Bank grew fast in a financial system where state banks account for two-thirds of assets. But it has been hard hit by a widespread increase in corporate defaults, which has affected the entire sector, and has come under increased scrutiny from India's [central bank](#). 

The Reserve Bank of India compelled Yes Bank's billionaire founder, [Rana Kapoor](#), to step down as chief executive earlier this year. He was replaced by former Deutsche Bank executive Ravneet Gill.

It has also calculated that Yes Bank's total non-performing loans in 2016 and 2017 exceeded the bank's reported figures. It subsequently accused Yes Bank earlier this year of attempting to mislead the public and said it had identified "several other lapses and regulatory breaches".

One of the main concerns among investors is that Yes Bank has lent heavily to less-regulated "non-bank" financial companies that specialise in everything from loans for second-hand cars to funding for real estate development.

A major non-bank lender, IL&FS, collapsed last year, sparking concern that banks were vulnerable to contagion. That put pressure on Yes Bank's share price, prompting it to say last month that it had been cutting its exposure to a major real estate finance company, Indiabulls.

In August, rating agency Moody's downgraded Yes Bank's rating and said its outlook for the company was negative.

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