Yes Bank to get a lifeline as govt approves SBI’s rescue plan

2 min read . Updated: 14 Mar 2020, 01:36 AM IST

Shreya Nandi, Gopika Gopakumar

New Delhi/Mumbai: The Union cabinet, headed by Prime Minister Narendra Modi, on Friday approved the Yes Bank rescue plan backed by the State Bank of India (SBI).

“The notification with details of the reconstruction plan will be released as soon as possible,” finance minister Nirmala Sitharaman said, adding that the moratorium that was imposed on 5 March will be lifted within three working days after the scheme is notified.

Thereafter, a new board, including two directors from SBI, will be set up within seven days. The Reserve Bank of India (RBI)-appointed administrator, former SBI chief financial officer Prashant Kumar, will vacate the office seven days after the moratorium is lifted, Sitharaman said at a media briefing.

The finance minister said that SBI will invest up to 49% of equity in Yes Bank as part of the RBI-supervised ‘Yes Bank Ltd Reconstruction Scheme, 2020’. On Thursday, SBI informed the exchanges that its board had approved a proposal to invest ₹7,250 crore in Yes Bank by purchasing 7,250 million shares at ₹10 apiece.

Mint has reviewed a copy of the proposal, though the contours of the final cabinet approval are not yet known.

According to the proposal, HDFC and ICICI Bank will infuse ₹1,000 crore each, Axis Bank ₹600 crore and Kotak Mahindra Bank (KMB) Ltd ₹500 crore into Yes Bank. The quantum of investment to be made by Life Insurance Corp. of India (LIC) is awaiting the board’s approval, according to a person with knowledge of the development.

SYNOPSIS

- Under the new proposed shareholding structure, SBI may hold a 45.74% stake, HDFC and ICICI Bank may hold 6.31% each, and Axis Bank and KMB may hold around 3.5% each
- According to the proposed scheme, Prashant Kumar will be Yes Bank’s new managing director and CEO for three years
Yes Bank to get a lifeline as govt approves SBI’s rescue plan | Mint

Yes Bank to get a lifeline as govt approves SBI’s rescue plan

The boards of HDFC Bank, ICICI Bank, KMB and Axis Bank have approved the investments.

Under the new proposed shareholding structure, SBI may hold a 45.74% stake, HDFC Bank and ICICI Bank may hold 6.31% each, and Axis Bank and KMB may hold around 3.5% each. The additional tier 1 (AT1) bondholders may hold 10.73% and existing shareholders may hold 14.79%. Despite the infusion, Yes Bank will continue to be a private sector bank, said two other people aware of the matter.

The boards of HDFC Bank, ICICI Bank, KMB and Axis Bank have approved the investments.

Sitharaman also said that other investors will be subject to a three-year lock in period for 75% of their investment, while for SBI the investment lock-in is unchanged at 26%, as announced in the draft scheme.

The lock-in tenure for SBI and other investors remains three years, according to the reconstruction scheme.

Yes Bank’s authorized capital is being raised to ₹6,200 from ₹1,100 crore, so that the lender’s immediate and subsequent capital requirement is accommodated, the minister said. This is slightly higher than the ₹5,000 crore proposed by the RBI’s first draft reconstruction scheme.

According to the proposed scheme, the voting rights of all investors except SBI will be capped at 9.9% each.

The additional tier 1 bond holders to whom Yes Bank owed ₹8,800 crore, will have to take a nearly 80% haircut as they will be now getting a 10.73% stake, or 1,700 million shares in the bank. This too will be locked in for three years from the date of allotment of shares.

According to the proposed scheme, Prashant Kumar will be Yes Bank’s new managing director and chief executive officer for three years. RBI will be appointing the chairman and two directors. Mahesh Krishnamurthy and Atul Bheda have been proposed as the bank’s independent directors.

On 5 March, RBI took over the board of cash-starved Yes Bank to restore depositors’ confidence in the lender and prevent it from failing. It imposed a moratorium on the bank, limiting cash withdrawals to ₹50,000 per person across all accounts for 30 days. The central bank also superseded the board of the private sector lender.

Google gets mixed views to India app store policy changes

Hindenburg Research says if Adani files lawsuit it will demand company documents