

Rs 12,600 cr-windfall gains! SBI made big bucks in 3 yrs of its investment in YES Bank

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Synopsis

Given the strong outlook for the lender, analysts expect good demand for the shares. After the bailout of the bank in 2020, YES Bank's earnings have improved significantly, particularly on the asset quality front. The Rs 9,000 crore fund infusion by the PE firms has further bolstered the capital.



Three years back, when [YES Bank](#) was on the brink of bankruptcy, it received a Rs 10,000 crore lifeline from 8 of its peers, led by India's largest lender [State Bank of India](#).

This not only brought life back into the bank, but also its shares, which have appreciated about 70% in the last 3 years.

Such an appreciation in the stock has bolstered the value of [SBI](#)'s stake in YES Bank, as it has more than doubled in 3 years.

On March 14, 2020, SBI acquired a 30% stake in the private sector lender at Rs 10 a share. This stake got diluted to a little over 26% after a fresh share issue by YES Bank to [private equity](#) firms Carlyle Group and Advent International in the last quarter.

The 26.14% stake of SBI is valued at Rs 12,655 crore at the current market price. Shares of YES Bank have appreciated about 70% since the fund infusion by the 8 lenders.

Besides SBI, 7 other lenders who invested in the bank were Housing Development Finance Corp Limited ([HDFC](#)), [ICICI Bank](#), [Axis Bank](#), [Kotak Mahindra Bank](#), [Federal Bank](#), [Bandhan Bank](#), and [IDFC First Bank](#).

However, the 3-year lock-in period for these lenders will end on March 13. And the noise on a potential sale of partial stake by some of the lenders, especially SBI, is high on Dalal Street.

Given the windfall gains that SBI has made through its investment, it is natural to assume that it will cash in on some of them.

As of December end, the lenders, barring Bandhan Bank, cumulatively held 36.12% stake in YES Bank. Bandhan Bank's stake has dropped below 1% due to the dilution and was therefore not visible in the shareholding pattern.

Supply Pressure?

YES Bank stock could see some volatility ahead of the potential sale of shares by some of the stakeholders, and this might keep the upside capped.

The supply of shares and the consequent volatility notwithstanding, experts don't see any major downside in the stock.

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"Having addressed, recognised and provided for the legacy corporate stress book, it is now willing to resume corporate lending, focused towards transaction banking and working capital financing," [ICICI Securities](#) said in a recent note on the bank.

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