

Bailout time! SBI's Rs 2450-crore Yes Bank parachute is ready

HYDERABAD: SBI on Saturday confirmed that it will pick up a 49 per cent stake in Yes Bank with an initial commitment of Rs 2,450 crore.

The bank's legal and investment teams are working overnight doing due diligence and will respond by Monday, the time given by RBI to the lender. SBI will also try to get the resolution plan approved and implemented much before the set deadline of April 3.

While SBI will pick up stake at the RBI-determined Rs 2 per share, for incoming investors the usual norm of SEBI-guided pricing formula will kick in.

Speaking to the media, chairman Rajnish Kumar said that there were as many as 23 potential investors interested in picking up a stake in Yes Bank and the SBI board will decide if it should invest alone or co-invest with others.

"We have to hold 26 per cent as per the three-year lock-in. But depending on the scenario, if I find co-investors, who are acceptable to RBI, we might consider that," Kumar said.

These include some foreign and domestic institutional investors who have to qualify with the banking regulations' proper criteria. "That call will be taken by the RBI," Kumar clarified.



He added that Yes Bank's revised market capitalization of Rs 2,500 crore doesn't look over-priced by any definition and so SBI's proposed investment of Rs 2,450 crore, prima facie, was a reasonable bet even for SBI's shareholders, including minority investors. "We are mindful of the interest of minority investors in SBI and all actions are governed and their interest will be protected," he said. According to Kumar, SBI has not lost money in any investment made so far. Be it in SBI Cards, SBI Mutual Funds, or others, the bank ensured that its joint venture partners and subsidiaries don't get disappointed. As for Yes Bank's 'forced investment call', Kumar said, "There were not many options before RBI and government, which is why they had to go with this proposal." Getting SBI on board was essentially to prop up investor confidence and perhaps the banking regulator hopes potential investors will value Yes Bank fairly. As per the plan, SBI board will nominate an MD & CEO and two nominee directors on Yes Bank board and when the RBI-appointed administrator vacates, the newly-appointed board will steer the decisions.

"We have stepped in to give assurance to potential investors and depositors. There's a certain process that needs to be followed when a bank is being reconstructed," Kumar said stressing that SBI isn't merging Yes Bank with itself.

Given SBI's size and rate of internal accruals, he believes the proposed investment will neither dent the bank's capital ratios nor will it knock on the government's doors asking for capital. "Our board mandate is that we maintain 0.5 per cent above regulatory minimum capital adequacy. We will continue to do that," Kumar said.

Reliance Jio wants you to pay more for 1GB data in next 6 months

NEW DELHI: Reliance Jio has proposed to TRAI that wireless data prices are gradually increased to Rs 20 per GB from Rs 15 per GB currently, after six to nine months while suggesting floor rate for data prices.

While advocating for TRAI's intervention to prescribe floor price for wireless data service, Jio said voice tariff should continue under forbearance as before as the same will affect the masses and will be difficult to implement.

In its response to the consultation paper of TRAI on 'Tariff issues in Telecom Services', the company said the typical Indian consumer is very price sensitive and target floor price should be implemented in 2-3 tranches so as to minimise the impact of increase in tariff.

It further said once data floor price is implemented, it should be uniformly implemented across all tariffs and applicable to all segments -- individuals and corporates.

The Mukesh Ambani company said the data floor price should also cover the bundled tariffs with clearly defined elements.



Yes Bank Depositors' Money Safe, Assures Nirmala Sitharaman

NEW DELHI: Finance Minister Nirmala Sitharaman on Friday said the government has asked the Reserve Bank to look into what went wrong at Yes Bank and fix individual responsibilities.

Addressing a press conference after the RBI superseded the board of Yes Bank and placed withdrawal restrictions, she said the bank was being monitored since 2017 and developments relating to it were being monitored on a day-to-day basis.

Since 2017, the central bank noticed governance issues and weak regulatory compliance at Yes Bank, besides wrong asset classification and risky credit decisions, she said.

On finding risky credit decisions, the RBI advised a change in management, she said.

These decisions were taken in the interest of the bank's health, and a new CEO was appointed in September 2018 and cleaning up of bank started, she said adding that investigative agencies too had found irregularities.

She said Anil Ambani Group, Essel, ILFS, DHFL and Vodafone were among the stressed corporates Yes Bank had exposure to.

Finance Minister retorted back at senior Congress leader and former finance P Chidambaram saying United Western Bank collapsed in 2006 under the "self-appointed competent doctors."

Earlier in the day, Sitharaman assured cash-starved Yes Bank depositors that their money is safe and the RBI is working on an early resolution of the issue.

"I want to assure every depositor that their money shall be safe. Their monies are safe," Sitharaman told reporters here.

She said the steps taken are in the interest of depositors, banks and the economy.

"We are fully of seized of the development. RBI governor has as-

sured me that there will be no loss to any depositor," she added.

Yes Bank will not be able to grant or renew any loan or advance, make any investment, incur any liability or agree to disburse any payment.

Sitharaman insisted the immediate priority to ensure Yes Bank customers are able to withdraw money within Rs 50,000 limit.

For the next month, Yes Bank will be led by the RBI-appointed administrator Prashant Kumar, an ex-chief financial officer of SBI.

The board of country's largest lender State Bank of India on Thursday gave an "in-principle" approval to invest in the capital-starved Yes Bank.

Yes Bank has been struggling to execute a capital raising plan for the last six months. Its core equity tier-I ratio had slipped to 8.7 per cent as of September.

The bank had also delayed its December quarter results.



MUMBAI: SBI Chairman Rajnish Kumar on Saturday said the bank has received the draft scheme of reconstruction for crisis-hit Yes Bank.

Bank officials are doing due diligence of the draft scheme, he added.

"We have received draft scheme of reconstruction for Yes Bank. Our investment and legal team is doing due diligence," Kumar told reporters here.

He also said many potential inves-

tors have approached SBI after seeing the draft scheme.

Kumar further said the interest of shareholders will not be compromised.

On Friday, the RBI announced a draft scheme of reconstruction for cash-starved Yes Bank.

In its draft 'Yes Bank Ltd. Reconstruction Scheme, 2020', RBI said the strategic investor bank will have to pick up 49 per cent stake and it can-

not reduce holding to below 26 per cent before three years from the date of capital infusion.

The draft came a day after the RBI imposed a moratorium on Yes Bank, restricting withdrawals to Rs 50,000 per depositor till April 3. The RBI also superseded the board of the private sector lender, which is now being headed by former deputy managing director and CFO of SBI Prashant Kumar.

Yes Bank's Rana Kapoor at ED office for questioning

NEW DELHI: Yes Bank founder Rana Kapoor was taken to Enforcement Directorate (ED) office for questioning on Saturday.

Earlier, the agency conducted raids at Kapoor's residence located at 'Samudra Mahal' residential tower in Mumbai on Friday and registered a case under the Prevention of Money Laundering Act (PMLA) against him.

On Thursday, the RBI said a moratorium has been imposed on Yes Bank, stress-

ing that the bank's financial capability has undergone a steady decline largely due to the inability of the bank to raise capital.

During the period of moratorium, the Yes Bank Ltd will not, without the permission in writing of the Reserve Bank of India, make in the aggregate, payment to a depositor of a sum exceeding Rs 50,000 lying to his credit in any savings, current or any other deposit account.



Coronavirus batters trade, hits exports and imports in China



BEIJING: China's exports plummeted in the first two months of this year on the back of a coronavirus epidemic that forced businesses to suspend operations, disrupting the world's supply chains.

Exports fell 17.2 percent from a year ago, the biggest drop since February 2019 during the trade war with the United States, and imports dropped 4 percent, according to customs data released on Saturday.

A Bloomberg poll of economists had expected a smaller fall in exports, by 16.2 percent, but had foreseen a much starker drop on imports of 16.1 percent.

Coronavirus cases were first reported last December in Wuhan, in China's central Hubei province, prompting a lockdown of the key industrial region with some 56 million people, from late January.

Measures to contain the outbreak that has killed over 3,000 in the country, including travel curbs and quarantines, have hit the workforce and supply chains.

China's trade surplus with the US a key point of contention in the trade dispute between the two countries sharply narrowed 40 percent in the first two

months, from \$42 billion last year to \$25.4 billion.

It is the first time Chinese authorities have published combined trade data for January and February.

Moody's Analytics economist Xu Xiaochun told on Saturday that the slowdown is likely to continue into parts of March.

Outbreaks beyond China, such as in South Korea and Europe, will further harm Chinese exports since external demand will be lower, Xu said.

In another early sign of the economic impact to come, China's manufacturing activity fell to its lowest level on record in February, and non-manufacturing activity plummeted too.

"What began as a supply shock in China has morphed into something much more serious," Oxford Economics said in a report on Friday.

The disruptions call into question China's ability to hold up its end of a partial trade deal signed with the US in January, in which Beijing committed to boost purchases of US goods and services by \$200 billion.

But Chinese authorities have stressed that the impact of the epidemic would be "short-term" and has rolled out a host of support measures.

BOTTOM LINE

Fundamentals of Indian economy strong, says PM Modi on economic downturn

NEW DELHI: Prime Minister Narendra Modi on Friday hit out at 'right talking' critics of his government's decisions such as the new citizenship law and scrapping of special status for Jammu and Kashmir, saying they have hatred for people who walk the path of 'doing the right things'.

Speaking at the ET Global Business Summit, he said the 'right talking' gang which advocates for rights of migrants world over is opposed to India giving citizenship to persecuted minorities of neighbouring nations.

This gang talks of the constitution but opposes the temporary provision of Article 370 and full implementation of the Indian constitution in Jammu and Kashmir, he said.



"There is nothing wrong with talking the right things. But these people have a particular hatred for people who are doing the right things," he said. "So when changes are brought in status quo, they see this as disruptions."

"Fundamentals of Indian economy strong, policies are clear. India got \$48 bn FDI in 2019, a 16% growth; 53% more private equity, venture capital investment at \$19 bn," said Modi about the economic downturn facing the world.

Modi said for his government development and good governance are not subjects of convenience but of conviction.

"Conviction to do the right things, the conviction to break the status quo," he said.

The Prime Minister further said

direct benefit transfer of government subsidies and doles into the accounts of beneficiaries has led to the saving of thousands of crores of rupees.

Similarly, RERA law has helped save the real estate sector from black money, he said.

"We have changed the status quo by bringing in Chief of Defence Staff (CDS) to bring better synergy and collaboration in our defence forces," he said. "Since 2014, the country is being taken forward by the idea of cooperation in spirit, collaboration in action and combination of ideas."

India is creating a sustainable growth model, he said.

Listing his government's achievements, he said the speed of construction of highways has been increased to 30 km per day from 12 km earlier.