India’s Yes bank reports $2.5bn quarterly loss

Benjamin Parkin
India’s struggling Yes Bank reported a $2.5bn quarterly loss and rise in bad loans as authorities prepared the final stages of a rescue plan to prevent contagion through a financial system already reeling from the shock of coronavirus.

Yes Bank, one of the country’s largest private lenders, was taken over by the Reserve Bank of India this month, which kicked out its board and placed restrictions on withdrawals to prevent the lender’s collapse.
The bank had for months failed to find new investors to help offset its mounting pile of non-performing loans, a dramatic reversal for what had been one of India’s fastest-growing new banks. Soon after the RBI’s intervention, Rana Kapoor, Yes Bank’s billionaire founder, was arrested and accused of taking kickbacks. Mr Kapoor denies the allegations.

Yes Bank’s delayed results for the quarter ended December laid bare the extent of the rot at a time when analysts fear authorities may struggle to contain the knock-on effects for other lenders.

The bank reported a net loss of Rs185.6bn ($2.5bn) compared with a Rs10bn net profit the same time a year earlier. It also revealed a sharp deterioration in its loan book, with non-performing assets rising to 19 per cent of loans compared with 2 per cent the previous year.

That eroded Yes Bank’s capital base well below the regulatory minimum designed to prevent bank failures, with its common tier 1 equity falling to 0.6 per cent compared with 9 per cent a year earlier.

Indian financial markets have been pummelled over the past week, with uncertainty over Yes Bank’s future adding to investor fears about the economic impact of coronavirus on India’s already weakened economy.

The results came as authorities prepared to kick into action Yes Bank’s hastily assembled turnaround plan, led by the State Bank of India, the country’s largest public sector lender.

Under the terms of the plan, SBI will invest Rs72.5bn to acquire up to 49 per cent of the bank, with leading private lenders such as HDFC, ICICI and Axis also taking part in the rescue.
The list of big-name financial investors is designed to instil confidence in the bank, particularly among depositors shaken by the RBI’s decision to limit withdrawals to Rs50,000. Those restrictions are due to be lifted on Wednesday, but analysts fear skittish customers could nonetheless move swiftly to take their funds elsewhere and further weaken the bank.

“If someone was uncomfortable keeping their money in Yes Bank they would have gone” before the RBI stepped in, said one Mumbai-based analyst. The risk now was that “the day you take it [the restrictions] off, the money will leave”.

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