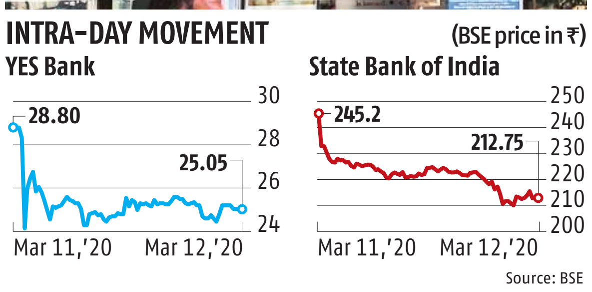
SBI to invest ₹7K cr in YES Bank



ABHIJIT LELE
Mumbai, 12 March

State Bank of India (SBI) on Thursday said it would infuse ₹7,250 crore into ailing YES Bank to pick up to 49 per cent equity as part of the Reserve Bank of India-mandated bailout plan.

SBI will pick 7,250 million shares at ₹10 each, and its shareholding will remain within 49 per cent of the paid-up capital of the private sector lender.

Under the restructuring scheme, the authorised capital shall stand altered to ₹5,000 crore.

The number of equity shares will stand altered to 24,000 million of ₹2 each aggregating to ₹4,800 crore.

SBI's stake in altered capital is expected to be 30 per cent, going by the restructuring scheme. "The executive committee of the central board at its meeting on March 11 accorded approval for purchase of 7,250 million shares of YES Bank at a price of ₹10 a share, subject to regulatory approvals," SBI said in an exchange filing on Thursday.

Under the reconstruction scheme, SBI is to buy up to 49 per cent of YES Bank and cannot reduce its holding below 26 per cent for the next three years. The SBI investment of ₹7,250 crore is much higher than the ₹2,450 crore it had planned initially for 49 per cent stake in the private sector lender.

Last week, SBI Chairman Rajnish Kumar had said the bank would invest ₹2,450 crore to buy 2,450 million shares of YES Bank. SBI was also in talks with other investors, and SBI investment would not exceed ₹10,000 crore.

On March 5, the RBI had imposed a moratorium on YES Bank, restricting withdrawals to ₹50,000 per depositor till April 3.

The RBI also superseded the board and placed it under an administrator, Prashant Kumar, who is a former deputy managing director and chief financial officer of SBI.

The administrator will take on board results for third quarter on Saturday. The final restructuring scheme is expected to be finalised on Friday.

YES Bank is banking on investment by SBI, speedy resolution with support from the RBI and SBI, and fundraising plans to instil confidence among customers, according to administrator.

Accept offer, will withdraw plea: Bondholders to RBI

SURAJEET DAS GUPTA & JASH KRIPLANI
New Delhi/Mumbai, 12 March

Investors of YES Bank additional tier-1 (AT-1) bonds have written to the Reserve Bank of India (RBI) through Axis Trustee Services asking it to accept an offer where they can recover at least 20 per cent of investments, saying they will withdraw their petition in Bombay High Court (HC) if this is done.

In a letter sent by Axis Trustee to RBI, the former said that bondholders propose a minimum of 1.7 billion shares to be allotted to them, in proportion of their current exposures.

As a result, the imputed value would work out to ₹10 per share, which would approximately amount to ₹1,700 crore. This will lead to "salvaging near-about 20 per cent of the principal outstanding", the note said.

Further, the bondholders have requested that the lock-in features, if any, should be restricted to 36 months, in line with the proposed new equity issuance of the issuing bank.

Axis Trustee also said that if the above terms were acceptable, the majority bondholders of AT-1 bonds, on whose behalf it is intervening, would not pursue any further legal recourse and would withdraw the current petition.

Axis Trustee had filed a petition in the Bombay HC seeking relief from the RBI's proposal for a full writedown of YES Bank's AT-1 Bonds. Arguments are yet to begin, with the matter still in the pre-admission stage.

Meanwhile, L&T and L&T Officers and Supervisory Staff Provident Fund also moved HC on Wednesday, seeking relief.

Overall, more than ₹8,000 crore of investments are exposed to YES Bank's AT-1 bonds. The information memorandum of these bonds had outlined the risk of write-down or equity conversion in case the bank is deemed non-viable or approaching non-viability.

AT-1 bonds are also called perpetual bonds as there is no fixed maturity date and bondholders can exit when the issuing bank exercises its call option, which is typically five years from date of issue.

Ensure credit not disrupted after bank merger: FinMin

SOMESH JHA
New Delhi, 12 March

Finance Minister (FM) Nirmala Sitharaman on Thursday met chief executives of two sets of public sector banks (PSBs) which are going to be merged from April 1.

After the meeting, the finance ministry tweeted that the banks have been told to ensure credit is not disrupted because of the amalgamation process.

"Amalgamating PSBs made a presentation to Sitharaman on their preparedness... to ensure no disruption to credit and enhanced customer experience," said a statement by the Department of Financial services.

The FM met chief executives of Punjab National Bank (PNB), United Bank of India and Oriental Bank of Commerce along with Union Bank of India, Andhra Bank and Corporation Bank.

The FM will meet officers of the remaining banks on Friday.

The banks presented to the FM their "business and financial plans including credit and deposit growth and year-wise synergy realisation plan". The FM checked on the preparedness and capacities of the amalgamating banks to handle and address customer queries and difficulties.

From April 1, PNB, Oriental Bank of Commerce, and United Bank of India will combine to form the nation's second-largest lender. Canara Bank will take over Syndicate Bank; Union Bank of India is planned to be amalgamated with Andhra Bank and Corporation Bank; and Indian Bank will subsume Allahabad Bank.

Immediately from April, the balance sheets and stocks of the banks will be merged. The integration of technology, human resources and branches/ ATMs will take place in a phased manner.

Jet lenders to seek 90-day extension for resolution

SUBRATA PANDA
Mumbai, 12 March

The committee of creditors (CoC) of Jet Airways on Thursday decided to file for an extension of the airline's corporate insolvency resolution process (CIRP), given that a plan to revive the firm is still not on the table. None of the players in the fray, however, has backed out of the process completely.

An extension of up to 90 days may be sought from the National Company Law Tribunal (NCLT), sources said. It was also discussed in the meeting that perhaps this was not the right time to go for liquidation of the company, given weak sentiments prevailing in the economy because of the coronavirus outbreak.

Under the insolvency and bankruptcy code (IBC), the maximum time limit for the completion of CIRP has been set at 330 days, which includes the litigation period. The 270-day CIRP period of the company ends on March 15.

Under the IBC provisions, Jet can get a 60-day extension from the bankruptcy tribunal. However, the NCLT will decide whether it will grant a 90-day extension to Jet, as no resolution plan has been submitted by any of the suitors. The grounded airline did not receive any proposal for revival until the last date of submission of resolution plan expired on March 9.

Sources said the three players — Russia-based Far East Development Fund, New Delhi-based Prudent ARC, and South America-based Synergy Group — are still in the fray, but issues related to slots are stumbling blocks that are preventing them from presenting a resolution plan. The Russian fund expressed interest in the airline's revival last month, hoping to introduce Sukhoi Super Jet 100 in the Indian market. Its executives met the top functionaries of the government but were apparently nudged to consider investing in Air India. On the other hand, Prudent ARC had sought additional time to raise funds from investors but failed to muster a plan, while Synergy Group turned cold as it had issues regarding airport slots in India and abroad. Besides slots, Synergy had reservations about the liabilities of the airline.

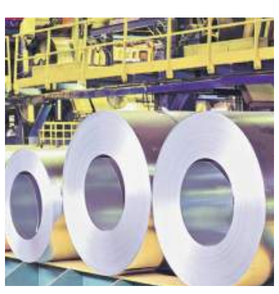
Sources also said there would not be a fresh call for bids for the firm. If anyone shows interest it will be taken up by the CoC accordingly. This was the second time that the lenders called for a fresh resolution as the first round of bidding did not yield much response. The lenders gave ample time to the prospective suitors by extending the deadline repeatedly.

A few days ago, Vishesh C Chandiok, chief executive officer of Grant Thornton India, had tweeted that the airline had run out of options, as he feared it was end of the road for the airline. The total claim amount of the creditors is ₹36,090 crore, of which ₹14,640 crore was admitted as on October 20. Jet had shut its operations in April 2019 and was dragged to the insolvency court on June 20, 2019, by its lenders over dues.

Currently, the airline has 12 aircraft, including three Boeing 737s, six Boeing 777s, and three Airbus A330s, (including one leased to Air Serbia).

Jet had 20-30 per cent of available slots at Delhi and Mumbai airports and overseas traffic rights, but these had been allocated temporarily to other carriers. In December 2018, the airline had 115 planes but most of them have been repossessed by lessors.

Vedanta's Lanjigarh alumina unit set for record performance



ADITI DIVEKAR
Mumbai, 12 March

Vedanta's Lanjigarh alumina refinery is set for a record performance in FY20, with total production expected to increase to 1.8 million tonne (mt) from 1.5 mt in the previous financial year.

The jump in production will be backed by a significant improvement in operating efficiencies, the company informed in a release on Thursday.

The improvement in operational parameters has been driven by 26 per cent reduction in caustic soda consumption and 19 per cent decline in conversion cost.

The unit has achieved 9 per cent reduction in bauxite cost per tonne through strategic bauxite sourcing.

Lanjigarh now ranks among the top five alumina refineries globally in terms of total energy consumption, said the Anil Agarwal-led firm. There has been reduced carbon intensity to 30 per cent below global average of $1,500 per tonne. Lanjigarh is on track to deliver aluminium cost of production exit rate in Q4 2020, it said.

Hindustan Zinc, on the other hand, has recorded metal-in-concentrate production of 90,000 tonne in February, while metal output jumped to 80,000 tonne for the month. The cost of production, excluding royalty, fell below $1,000 per tonne levels in Q4FY20.

Alongside, the steel business of Electrosteel Steels, which was acquired in 2018, has recorded an improvement in operational performance with Ebitda margins of over $100 per tonne in Q4FY20.

Electrosteel is set to achieve the best-ever production of 1.4 million tonnes in FY20, said the company.

Meanwhile, Cairn Oil & Gas has successfully ramped up its facilities to full production ahead of time.

Vedanta Limited, a subsidiary of Vedanta Resources Limited, is a diversified natural resource company with business operations in India, South Africa, Namibia, and Australia.

Vehicle sales up in Feb after 11 months

Automobile retail sales in general — excluding passenger vehicles (PVs) — grew in February, after nearly 11 months of year-on-year (YoY) fall.

However, dealers say despite the YoY growth, overall retail sales were much below expectation. The anticipated pre-buying ahead of the April 1 deadline for a switch to vehicles meeting the higher BS-VI emission standards, which will be costlier, is not being seen.

While overall automobile sales rose 2.6 per cent in February, those of PVs dropped nearly 1.2 per cent, compared to the same month last year. This was the only segment to see a fall — it appears customers are postponing their purchases in the hope of getting good discounts closer to the deadline.

According to the Federation of Automobile Dealers Associations (FADA), apex body of the segment's retail industry in the country, the overall sales were 1,711,711 units in February, compared to 1,668,268 units a year ago. Dealers attribute this to a focus on liquidation of existing stock, discounts and better rural sales. After January 2019, except in October 2019, retail numbers were in the red. October's numbers were better as it was a festival month.

According to FADA President Ashish Harsharaj Kale, customers are asking for unreasonable discount, which is impacting PV sales.

Availability of credit is also a factor. He said many were holding back on purchase decision, expecting sweeter deals towards the end of March. Another factor is the coronavirus scare. It is leading to an alarming drop in customer visits to showrooms. The share market is also contributing to the weakened purchase sentiment.

T E NARASIMHAN