YES Bank in talks with MFs for raising up to $500 mn

Lock-in condition may prove to be a hurdle to get investors on board

S HAMSINI
Mumbai, 3 March

YES Bank has approached domestic asset management companies (mutual funds) for raising fresh equity capital worth $300-$500 million. This comes amid a slew of rating downgrades and stress on its loan book.

If the private bank is able to raise funds in this round, it would get some breathing space. The lender, however, will still have to work to raise more funds to address concerns. The bank has been aiming to raise a total of $2 billion.

The private lender has been struggling to raise capital for months. It also had to postpone its December 2019 quarter results as the fundraising process consumed most of its top management's time.

Investment bankers associated with the fundraising exercise said the bank has approached domestic mutual funds for issuing equity shares.

"While there is definite interest in the offering, firm commitments have not been made yet. The bank is in dialogue with mutual funds which had participated in the last equity raising round in 2019," said one of the bankers.

In August 2019, YES Bank had raised ₹1,930 crore through the qualified institution placement (QIP) route.

Fund managers have conveyed reservations over putting money into instruments which have a lock-in period. However, discussions are on to find a solution. An email sent to the bank to know the status of its fundraising plans did not get response till the time of going to press.

There is also a plan to issue equity shares on a rights basis. For participating in a rights issue, an investor must be a shareholder, which is why some existing shareholders (mutual funds) are being approached, the banker said. The final investor approvals are expected over the next three days. These investors may exit once a deal to sell a controlling stake in the bank is struck.

On February 12, YES Bank had delayed announcement of its December quarter results as it was in talks with potential investors, including J C Flowers, for raising equity capital. It received non-binding expressions of interest from several investors, including J C Flowers and Tilden Park Capital Management.

Last month, ICRA downgraded the bank's tier-I and tier-II bonds from "A-" to "BBB+" due to continued delay in capital raising by the lender.

This apart, there was likelihood of further increase in the quantum of stressed and reported non-performing exposure, given the limited resolutions and recoveries.

Accordingly, the quantum of capital requirement is also expected to increase from earlier estimates, ICRA had said.

The bank's common equity tier-I (CET-I) stood at 8.7 per cent of the risk weighted assets (RWAs) as on September 30, 2019. Although this was above the Reserve Bank of India's threshold of 7.375 per cent as on March 31, 2019, and 8.0 per cent for March 31, 2020, it remains weak.

On Tuesday, YES Bank's stock closed 1.1 per cent lower at ₹31.25 per share on the BSE. The stock is down over 33 per cent since the start of calendar year 2020.

PNB Housing to raise ₹1,700 crore via QIP

ABHIJIT LELE
Mumbai, 3 March

PNB Housing Finance's board has given the go-ahead to raise up to ₹1,700 crore in equity capital through qualified institutional placement to support business growth till March 2023, the firm informed the BSE on Tuesday. Its shares closed at ₹341.7 apiece, 1 per cent up over the previous close.

The board advised the company that subsequent to closure of QIP, the company offer quality investment holding and associates preferential allotment of equity shares or permissible securities on basis. The housing finance company, however, did not specify the timing for the QIP.

According to CRISIL, the firm had pegged the size of capital raise at ₹2,000 crore to reduce leverage. But it scaled down the size of equity capital offering to ₹1,500-1,600 crore to ensure that PNB continues its hold over 26 per cent stake as promoter.

Bill to give more powers to RBI over co-op banks tabled in LS

A Bill to provide more powers to the Reserve Bank of India (RBI) for regulating co-operative banks was introduced by Finance Minister Nirmala Sitharaman in the Lok Sabha on Tuesday.

The Banking Regulation (Amendment) Bill, 2020, which comes in the backdrop of Punjab and Maharashtra Co-operative Bank scam, seeks to strengthen co-operative banks by increasing professionalism, enabling access to capital, improving governance and ensuring sound banking through the RBI.

Introducing the bill, Sitharaman said it is the "need of the hour" to avoid a PMC Bank-like crisis. Noting that the happenings at the PMC Bank had "unfortunately" put a lot of small depositors in difficulty, she said there were demands that the government should do something about it.

The Bill was introduced in the Lok Sabha amid the din, with Sitharaman saying if the opposition wants to deny the small depositors their rights then "it is a shame". PTI

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5-member jury picks top 3 in social sector

L&T Finance Holdings (LTFH) was picked out for the scale and gender-inclusive work of its digital literacy initiative in rural India, Digital Sakhi.

The jury deliberated on a number of parameters before settling on a winner for each of the categories. "The outcome measures (for choosing the winners) were absolutely critical," Chairman Ramadorai said. In the end, it was the jury's conviction that the impact must be seen and felt that helped identify the winners of the year, he elaborated.

Ramadorai led a jury made of the strongest names from the social sector: Bain Capital Private Equity Chairman Amit Chandra, GiveIndia Director & CEO Atul Satija, Pratham Co-founder Farida Lambay, and Indian School of Public Policy founder-Director Luis Miranda.

The Business Standard Awards for Social Excellence have been instituted to recognise key initiatives taken up by corporates, enterprises, and individual entrepreneurs to create meaningful changes in society. The Awards have always managed to attract some of the best names in the sector, and this year, competition for the most Socially Aware Corporate was particularly intense. But for the jury, the one that stood tallest in the shortlist was LTFH and its Digital Sakhi project.

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Equality is a hard-fought battle in every sphere, making it difficult for governments and corporations to ensure an even spread of their efforts. For the team at LTFH, the big challenge was untangling digital finance for rural communities from gender-discriminatory practices. Their work laid bare the sharp inequalities that mark the sector in rural areas and set the stage for Digital Sakhi.

"In the entire journey of digital finance to empower low-income communities, digital financial inclusion still remains difficult for rural communities, particularly women," said Dinanath Dubhashi, CEO of LTFH. The Digital Sakhi programme (FY17-18) seeks to empower rural women by training them in digital financial literacy and imparting them with requisite leadership skills, all with the aim of creating a legion of women micro-entrepreneurs and influencers.

Dubhashi pointed out that one of the biggest takeaways from the early years of the programme was that women needed to be trained in much more than financial matters, that it was as important to teach them about the internet and money as it was to impart leadership skills and confidence. As it is with almost every aspect of the social sector, there is a need to adopt a communal approach for maximum impact.

The initiative has not just built confident entrepreneurs, but has also created role models for the community. The programme that started with Maharashtra has since been adapted for Madhya Pradesh, Odisha, Tamil Nadu, and West Bengal.

For the jury, the work done by LTFH stood out for the scale and impact of the project. The jury took a particular note of gender diversity, rural impact, rural presence, and scalability for the future that the Digital Sakhi initiative had achieved, Ramadorai said.

Impact was also one of the big reasons that drew the jury towards St Jude India ChildCare Centres, founded by Nihal and Shyama Kaviratne, that won the Social Enterprise of the year. A St Jude Centre is a home away from home, for families travelling with their children to the big city for cancer treatment. Beginning with eight families in one centre in 2006, today St Jude India operates 39 centres and supports nearly 500 families at any given time in nine cities across India.

"The centres have seen over 20,000 admissions over the past 14 years, giving them (families and children) over 800,000 nights of peaceful sleep," said Nihal Kaviratne.

The initiative, diligently built up over the years, was born out of a rash promise. "On January 27, 2006, I was called up on the stage at the Children's Cancer Day function at Tata Memorial Hospital, and a mike was thrust into my hand. I looked down on the sea of little faces, all bald, all wearing masks, all with IV ports stuck in their arms, joyful but expectant. I made a rash promise. No child from a village or small town coming in for treatment at a hospital in a large city like Mumbai, accompanying parents, would have to suffer living on the streets." He said his friends and family were aghast at what he had called upon himself at first, but soon rallied around to help.

Institutions such as this help battle not just the disease but also the miasma of fear and alarm around it, the jury averred. For Kaviratne, the journey has just begun. He believes that there will come a time when no child from a village or small town coming in for cancer treatment at a hospital in a large city with accompanying parents, will have to suffer living on the streets.

His conviction and commitment to the work at hand is mirrored by M R Madhavan, who won the Social Entrepreneur of the year award for his venture, PRS Legislative Research.

Madhavan is determined to do what it takes to strengthen democracy in the country, by supporting democratic institutions and building awareness among the political class that is entrusted with its care. He recalls with utmost clarity when the bug bit him. "When I worked with ICICI Securities, I had volunteered with Pratham and got interested in contributing to large scale change," and that is how he, a career finance professional, set about becoming an upholder for democratic values and systems.

Democracy is not just about an electoral process or an institution, it is a knot of invisible strands that need nurturing and care and its lifeblood is an aware and vocal citizenry and political class. Without these, democracy is just a hollowed out version of the real thing. And it is here that PRS Legislative Research has made huge strides, not just as a key aide to Parliamentarians but also through its Legislative Assistants to Members of Parliament (LAMP) Fellowship that initiates young Indians to learn law-making and public policy.

It has been a challenging journey thus far and Madhavan recalls how the project nearly ran aground. "We had tied up with a couple of foreign foundations but did not get the government permission to take their funds. This led to a severe cash crunch, but fortunately, several Indian philanthropists stepped in," whose generosity has carried them through the last nine years, he said.

PRS, Madhavan believes, is delivering a public good and the work must be accessible to everyone and hence has to be sustained through philanthropic funding. It is a tough ask in times such as these, but one that is vital to the functioning of a democracy, the jury felt.

Ramadorai said there was no doubt about the huge impact of Madhavan's work on the country's legislative processes and democratic institutions. He also appreciated the work done by Deloitte, partner to the Business Standard Social Excellence Awards, commending the diligence involved in the drawing up of the list of entries and presenting their case to the jury.