

SBI pegs maximum investment in Yes Bank at ₹10,000 crore

Investors have shown interest in the private lender post RBI plan, says SBI chief

SPECIAL CORRESPONDENT
MUMBAI

State Bank of India, which can pick up a maximum 49% stake in Yes Bank as per the draft reconstruction plan drawn by the Reserve Bank of India (RBI), expects the upper limit of investment in the private lender to be no more than ₹10,000 crore.

On Friday, the RBI announced a draft plan that put the authorised capital of the bank at ₹5,000 crore with 2,400 crore equity shares of ₹2 each aggregating to ₹4,800 crore.

The board of SBI had approved a proposal to explore investment opportunities in Yes Bank after the government put a moratorium on the lender till April 3 and capped deposit withdrawal at ₹50,000.

Addressing the media, SBI chairman Rajnish Kumar said investors had shown interest in Yes Bank after the RBI floated the draft plan on Friday evening.

"The [draft reconstruction] plan has been received by SBI and our investment and legal teams are doing the due diligence on the draft scheme. There is time till Monday for us to go back to RBI with comments," Mr. Kumar said.

"If SBI goes solo and picks up 49% stake, then immediate investment requirement is ₹2,450 crore," he said. He clarified that a potential investor needs to comply with the fit and proper criteria of RBI if they want to pick up more than 5% stake, as is the norm.

"There are many potential investors after seeing the scheme. They have approached us. And there are some good names. Anybody who wants to go above 5%,



Banking on goodwill: Rajnish Kumar, chairman, SBI, addressing the media in Mumbai on Saturday. ■ VIVEK BENDRE

they have to meet the fit and proper criteria of the RBI," he said. Observing investors saw opportunity in the country's financial sector, Mr. Kumar said SBI's investment team will hold discussions with the potential investors and then present a plan to the RBI along with other investors.

"That is a possibility but no firm decision has been made as of now," he said.

The bank, which is under the RBI-appointed administrator now, is valued at ₹10 per share but later, when the administrator is removed, a new investor will have to pick up stake at a value which will be decided by the pricing formula of the market regulator. Mr. Kumar expects Yes Bank to quickly come out of the administration.

When asked about the valuation of Yes Bank, he said while SBI's investment team was working the valuation proposed by the RBI, prima

facie, the valuation looks fair.

"If it is ₹10 (per share) and [there are] 255 crore shares, then the value of the bank is ₹2,550 crore. The bank has 1,150 branches, they have a strong retail franchise, which has a very good technology platform. So, it appears the bank is worth ₹2,550 crore," he said.

Impact on SBI's capital
The SBI chairman said the impact on the capital position of the bank due to the investment will not be significant.

"We have done our math. The capital ratios will not be impacted. There is very marginal impact on the bank's capital adequacy ratio. All the ratios, as a policy, we maintain them at 50 bps higher than the regulatory requirement. We will continue to do that without any further release of the capital," he said.

Mr. Kumar said there is

'no question' of requesting the government for any capital. Mr. Kumar defended the government's decision to rope in SBI for the bailout of Yes Bank and said a bank's failure had a consequences for the economy.

"SBI is a national institute of importance. When there is a banking institution in particular, the survival of the bank is a must otherwise there is a huge contagion effect. We have to keep in mind, when it is a bank, whether it is small, medium or big, its failure has huge consequences for the financial sector and the economy."

"If today, a resolution has to happen, realising that need, you need a credible name with the investors, creditors and depositors of the bank. Yes, SBI is standing behind it, has been asked to stand behind it," he added.

Arm's-length

He clarified that the SBI will keep arm's-length from the day-to-day operations of Yes Bank and there was no question of conflict of interest. The SBI will also not try to lure the next customers of Yes Bank.

"We don't thrive in misery of others. One thing has to be very clear, that it is a strategic investment. Like we do with all our associate and subsidiaries, it will be a professional board and a professional management team."

The bank, as a shareholder and investor, has certain expectations from the management team and the board. Other than that, there is no question of any conflict of interest. We will keep, not one arm's-length but two arms'- length from Yes Bank," he said.

Centre invites bids for BPCL sale

However, sliding crude oil prices may prove a dampener on the process

SPECIAL CORRESPONDENT
MUMBAI

The government on Saturday invited bids for the sale of its entire 52.98% stake in country's second biggest State-owned oil refiner Bharat Petroleum Corporation Ltd. (BPCL).

However, amid falling oil prices, analysts believe that the government will find it difficult to get a good valuation for the company.

"The government's plan to sell its stake in BPCL could be delayed, as many global oil majors that have been looking at the company as an outlet to refine their crude may reevaluate their bids in a scenario of sinking oil prices," said Fitch Ratings.

Global suitors

Global oil majors, starting from world's largest oil firm Saudi Aramco to U.S. major ExxonMobil, from Russia's oil major Rosneft to Royal Dutch Shell, from Total of France to Abu Dhabi National Oil Company (ADNOC), are said to be interested in



Get set: The government has set \$10 billion in minimum net worth as one of the eligibility criteria. ■ REUTERS

buying out the government's stake in BPCL.

Expressions of interest for the strategic sale of BPCL have been invited by May 2, as per the bid document by the Department of Investment and Public Asset Management (DIPAM).

"The Government of India is proposing strategic disinvestment of its entire shareholding in BPCL comprising 114.91 crore equity shares,

which constitute 52.98% of BPCL's equity share capital, along with transfer of management control to a strategic buyer (except BPCL's equity shareholding of 61.65% in Numaligarh Refinery Limited)," said the bid document.

"Saudi Aramco and Royal Dutch Shell will be the front runners for BPCL. Saudi Aramco believes that their oil will last for eternity and so they want to get long-term

crude supply contracts for Saudi oil. For Shell, tough environment norms in the West will be major factor to make refineries investment in India," a director of an oil marketing company (OMC) told *The Hindu*.

BPCL shares on the BSE closed down 3.74% to ₹402.85 on the BSE in a weak Mumbai market on Friday, valuing the company at ₹87,388.4 crore.

The government has set \$10 billion minimum net worth as one of the eligibility criteria in the expression of interest (EOI) for BPCL.

In case of a consortium of investors bidding for taking a stake in the oil refiner and marketer, the minimum net worth for each member has been set at \$1 billion, according to the bid document.

The government has explicitly excluded public sector units (PSUs), having 51% government ownership, from bidding for BPCL, a move that will make Indian Oil Corporation (IOCL) ineligible to bid for BPCL.

IndusInd defers AT1 bond plan

RBI scheme for Yes Bank said such bonds will be written down

SPECIAL CORRESPONDENT
MUMBAI

IndusInd Bank has deferred its plan to raise additional tier-1 (AT1) and tier -II bonds in view of the current market conditions.

The bank's board was scheduled to meet on Monday to approve the fundraising plan. The board meeting has now been deferred.

"The meeting of the board of directors of the bank was proposed to be held on Monday, March 9, 2020 to consider and approve, inter alia, the borrowing and raising of funds in Indian and/or fo-

reign currency by issuance of debt securities in the nature of Additional Tier I Capital (AT1) and/or tier 2 capital (T2 bonds) of the bank.

Market conditions

In view of the current market conditions and since the bank is adequately capitalised at present, it has been decided not to consider raising the Basel III-compliant debt capital instruments for the time being," the bank said.

The move comes after the Reserve Bank of India's draft reconstruction scheme for Yes Bank was released on

Friday. According to the scheme, instruments qualifying as Additional Tier 1 capital, issued by the Yes Bank Ltd. under Basel III framework, will be written down permanently and in full.

"This is in conformity with the extant regulations issued by Reserve Bank of India based on the Basel framework," the central bank had said.

This has raised confusion among holders of AT1 bonds since they would not be getting their investments back under the reconstruction scheme of Yes Bank.

K.M. Mammen re-elected ATMA chief

SPECIAL CORRESPONDENT
CHENNAI

Tyre major MRF's chairman and managing director K.M. Mammen has been unanimously re-elected chairman of the Automotive Tyre Manufacturers' Association (ATMA).

Anshuman Singhania, deputy MD, JK Tyre & Industries, is the vice-chairman. Founded in 1975, ATMA represents 11 large tyre companies comprising Indian and international tyre majors, representing over 95% of the tyres produced in India.

Hyundai Motor India starts making new Creta

Exports of the sport utility vehicle will start from June/July 2020

SPECIAL CORRESPONDENT
CHENNAI

South Korean carmaker Hyundai Motor India Ltd. (HMIL) has commenced production of the all new Creta, a sport utility vehicle (SUV), at its Sriperumbudur facility, near here.

"We have started producing Creta in limited numbers. It will be despatched to our dealers in the coming days and delivery would commence soon," said Puneet Anand, senior general manager and group head, corporate affairs, HMIL.

Domestic market

On exports, he said: "Our first priority is to cater to the domestic market and look-



Getting ready: The all-new Creta gets finishing touches at Hyundai's Sriperumbudur facility, near Chennai. ■ N. ANAND

ing at the response, we will start exporting it. This happened in the case of Hyundai Venue. In this case, we will start exporting from June/July 2020 onwards."

S.Ganesh Mani, director, production, HMIL, said the car will be powered by BS VI

emission-compliant 1.5 litre diesel and petrol engines and also 1.4 litre turbo.

According to him, the SUV was designed by deploying 3D printing and scanning which were used to detect stress points that needed corrections.

Tarun Garg, director, sales, marketing and service, HMIL said that the Creta came with over 50 connectivity features and it was best in its class.

The all new Creta offers five new powertrain options, in 10 colour options, including two-dual tone options. Bookings for the SUV started on March 2 and deliveries will commence in the third week of March.

The new car will feature blue link connectivity, bringing in 'Hello Blue Link' - a wake-up word to activate voice recognition service at ease for in-car control and assistance alongside new smart watch integrated blue link application, he said.

INTERVIEW | BALBIR SINGH DHILLON

Luxury cars to see revival in 2021

Adoption of electric vehicles will take time, says Audi India head

N. ANAND

The luxury car market in India during 2020 will be flat and experience a positive revival in 2021, says Balbir Singh Dhillon, head, Audi India. Edited excerpts:

How was 2019 sales?

■ The auto industry faced strong headwinds in 2019. The economic slowdown in India last year tapered customer sentiments with potential car buyers delaying their buying decision. It was a challenging year as there was ambiguity about the life of BS IV vehicles on-road in the customer's mind and anticipation of GST reduction on cars; both these topics were later clarified by the government.

Every major luxury car player has de-grown in volumes during 2019 and we were not an exception. We sold 4,594 units in 2019 and continue to be one of the top choices for luxury car customers in India. What is notable is while the overall car



market declined, we saw a strong traction in the luxury pre-owned car segment. Audi Approved: plus, our pre-owned car business, registered a year-on-year growth of 11% in 2019.

Your outlook for 2020?

■ We have been optimistic about the growth of the luxury car segment on the back of the India growth story, which remains intact. We believe that the luxury car market will take a leap sometime in the future, we only don't know when. In terms of

While the overall car market declined, we saw a strong traction in the luxury pre-owned car segment

growth estimates for the luxury car market, we estimate it to remain flat in 2020 and are hopeful of positive revival starting 2021.

What is the scenario for cars costing above ₹1 crore?

■ The recently launched Audi Q8 and the Audi A8 L form an extremely important part

of our product portfolio for 2020 that focuses on the push for C & D segment cars.

These products are big on customisation and exclusivity and hence, sold in limited numbers. So far, we have received an extremely positive response for both the Audi Q8 and the Audi A8 L from prospective customers.

Your take on EVs...

■ EVs are the way forward but the market is not going to develop overnight. Infrastructure plays an important role. Tangible measures by the government towards e-mobility infrastructure and adequate support towards the import of electric vehicles would be a welcome move. Ideally, the government should do something for PHEVs (plug-in hybrid electric vehicles) because it is a step towards electrification. The launch of Audi e-tron (it's first electric car) is on the cards and we will announce the launch timeline in due course.

LOVE LETTERS WILL NEVER GO OUT OF FASHION.

The year is 2020, but affectionate words are still very much in demand. This International Women's Day, show your love and gratitude by writing a few deserving lines for the wonderful women in your life. The best of the entries will receive memorable goodies from us. Mail your good words to helo@thehindu.co.in Send in your entries on or before 8th March 2020.

THE HINDU

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