

The Rise and Fall of Yes Bank : Significance of the Issues for the Indian Banking System

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Introduction

Yes Bank, an Indian listed private bank, known for its innovative, progressive customer engagement with several accolades to its credit in the past decade is now a beleaguered firm, fallen from grace in the eyes of investors. The reasons are manifold, ranging from the personal and family issues of the leadership to the environmental practices seeping into a well governed organization causing long term damage to the finances and eventually reputation of the leadership. This case is an endeavour to chronicle the growth and success of Yes Bank and the relatively quick decline to the current state.

Yes Bank, a pioneering private bank, achieved several milestones within a short period of time and rose on to become the fourth largest private listed bank in India within a 10-12 years of its existence. The stellar reputation of the founder of Yes Bank, Rana Kapoor was legendary and within a short few weeks, Rana Kapoor became a pariah with the Indian central bank. The appointment of the new CEO and MD recently and his endeavours to pacify an embattled investor community, the business fraternity by promising positive moves by the banks to claw back its lost position makes it a fit case for study in business strategy and leadership.

Core Businesses and Shareholding Pattern of Yes Bank

Yes Bank primarily earns its revenues by the syndicated loans and corporate banking and operates through three entities, viz, Yes Bank(YB), Yes Capital (YC) and Yes Asset Management Services (YAMS). The managing verticals are as under:-

- a. Corporate and Institutional Banking
- b. Commercial Banking (CB)



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200 • CASES IN MANAGEMENT

- c. Investment Banking
- d. Corporate Finance
- e. Financial Marketing
- f. Retail Banking (RB)

By Dec 2018, Yes Bank secured syndicated loans from eight well known international financial institutions including the Asia Development Bank (ADB), Overseas Private Investment Corporation (OPIC) and the European Investment Bank (EIB), a Taiwanese banking group, a Japanese group for amounts ranging from \$30- \$410 million. These amounts mainly have been used for lending to the MSME sector in India. At Taiwan, USA, Japan and Europe, Yes Bank has both taken and given loans. As of the beginning of 2019, Yes Bank had 1150 branches and 1814 ATMs in India with a balance sheet of Rs. 250,000 Crores and Gross NPA of 1.72 %, climbing to become the fourth largest private sector bank in India. Yes Bank is now listed at the BSE, the NSE and at the London Stock Exchange (LSE).

Foreign Portfolio Investors (FPIs) hold 43%, insurance companies hold 14% and mutual funds including the UTI holds 10% of Yes Bank shares. Promoter Rana Kapoor holds 4%, Madhu Kapur, his sister-in-law holds 3%, Morgan Credits Pvt. Ltd holds 3% and other the LIC holds 9.7% with few other entities holding more than 1% each.

In Sep 2016, Yes Bank stopped its proposed \$1 billion share sale due to prevailing market conditions and the affair involved embarrassing mis-communication resulting in blame game and a later announcement of the said issue with new set of bankers did not fructify. In 2017, Yes Bank signed MoU with Govt. of India to advance Rs. 1000 Crores finance to projects dealing with food processing and partnering with the National Payment Corporation of India (NPCI) for e-wallets through the BHIM-YES Pay, subsequent to the demonetization exercise.

History of Yes Bank and the Growth Story

Yes Bank was started by Rana Kapoor and Ashok Kapur in 2004, and within the end of 2005, became a listed private bank in the Indian stock exchanges. In 2005, Yes Bank partnered with Master Card International to launch Gold and Silver Debit Cards. The rise of Yes Bank is illustrated with several awards for innovative business practices including the Corporate Dossier Award in 2005, the Financial Express award in 2006 with a recognition as one of India's Best Banks. In 2007, they made a business arrangement with the Agricultural Insurance Company (AIC) for extending block loans. In their rise to fame, Yes Bank was awarded as the No. 1 'Emerging Markets

Sustainable Bank' of the Year-Asia at the Financial Times/IFC Washington Sustainable Banking Awards 2008 in London. The Bank was ranked as the No.1 Bank in the Business Today-KPMG Best Banks Annual Survey 2008.

In the year 2008-9, Yes Bank installed over 50 new ATMs at locations in addition to the location of the bank, in 2009-10, they opened 33 new branches, and further opening 64 new branches by 2011. By the end of FY 2011, they were functioning from 214 bank branches located at 164 Indian cities with over 250 ATMs. In 2010-11, Rana Kapoor announced the ambitious objectives of the 'Yes Bank - Version 2.0', heralding a stimulating growth phase, establishing 750 bank branches, 3000 ATMs, with 12000 employees and the overarching goal of Rs. 125,000 Crores of deposits, Rs. 100,000 Crores loan book and Rs 150,000 Crores balance sheet by 2015.

In September 2013, Yes Bank announced the successful completion of a deal for \$255 million 'dual currency multi-tenor syndicated foreign currency loan facility', with a maturity period of 1 and 2 years, majority commitments of returning the loans coming at the end of the 2 year tenure bucket. This loan was widely distributed with commitments from 11 banks representing 8 countries across the USA, Europe, the Middle-East and Australia. The loan was used for corporate lending to long term clients. In 2014, Yes Bank announced raising of additional \$34million from international bankers as a long- term agreement with a tenure of 6 years, this followed an earlier \$150 million loan from IFC Washington, a member of the World Bank Group with tenures of 2 and 7 years. With this loan, Yes Bank became the first institution globally to receive IFC co-lending portfolio program funding and also the first Indian bank to do so. Again in 2014, Yes Bank announced the closure of a qualified institutional placement (QIP) to raise \$500 million at the issue price of Rs 550 per share, this was followed by the raising of \$422 million in dual currency multi-tenor syndicated loan with maturity periods of 1,2 and 3 years, the bankers were distributed across 21 banks from 14 countries. Asian Development Bank (ADB) announced extending \$ 200 million loan facility to Yes Bank by 2015. The ADB loan was deployed by Yes Bank as the working capital and investment loans to small farm households and rural Self Help Groups (SHGs) essentially made up of women.

By the end of 2013, Yes Bank, under Rana Kapoor's management, flourished to become the fifth biggest private sector bank and boasts of marquee shareholders including Franklin Templeton and GMO, an international fund with \$118 billion in assets.

In 2015, ICRA, the rating agency, upgraded the credit ratings for various long- term debt schemes, preceded by the Credit Analysis and Research (CARE) upgradation of the lower and upper tier II

202 • CASES IN MANAGEMENT

loan advances and perpetual bonds. The upgrades were based on the continuous, sustained robust operating performance with strong asset quality, thus improving CASA base with increasing granularity in the franchise. The mobilization of the \$ 500 million had strengthened the case of Yes Bank for the ICRA & CARE upgradations. Yes Bank was the forerunner among the Indian private banks for consistent profitability performance, capital raising ability and a steady asset quality across economic cycles.

In 2015, Yes Bank announced the commencement of the issue of India's first Green Infrastructure Bonds raising Rs. 1000 Crores, the issue witnessed strong demand from leading investors, insurance companies, provident and pension funds, FPIs and mutual funds and was highly successful. The bonds are of 10 year tenor reserved for funding renewable energy projects including wind, solar, small-hydel, biomass projects. Under the provisions of the announced changes in the Government policy, the board of directors approved the increase in the limit for the FII/FPIs to invest up to 74% of the paid up share capital from the existing 49% in 2015 with the nod from majority of shareholders and they also approved raising of \$1 billion funds by issue of equity in one or more tranches, both from within India as well as through QIPs, Global Depository Receipts (GDRs), American Depository Receipts (ADRs). The Reserve Bank of India approved the establishment of IFSC Banking Units (IBUs) at the Gujarat International Finance Tech City (GIFT), providing it access to international finance markets and foreign currency funding.

In the Tamil Nadu Investor Summit 2015, Rana Kapoor announced launch of National Centralized Operations Management and Services Delivery facility at Ambattur- Chennai. Envisaged as the future of banking services in terms of technology and operations, it was spread across 400,000 sq.ft located at the Yes Bank Tower Centre of Management Excellence. By Nov 2015, Yes Bank announced raising of Rs. 1500 Crores of Basel III compliant Tier II bonds listed at BSE and also announced entering into an MoU with the US Govt's Overseas Private Investment Corporation (OPIC) for debt financing of \$245 million for advances to micro, small and medium enterprises (MSMEs) in India. In Nov 2015, coinciding with PM Modi's visit to UK, Yes Bank entered into an agreement with the London Stock Exchange (LSE) to develop and issue India focused Green Infrastructure Finance bonds with an upper limit of up to \$500 million. In 2016, Yes Bank acquired 500,000 or 5.16% equity shares of Institutional Investor Advisory Services (IIAS), a proxy advisory firm involved in market, equity, governance and compliance research from the BSE. By the end of 2016, Yes Bank secured SEBI not to set up Asset Management Company (AMC) through a Trustee company as wholly owned subsidiary for wealth management, debt and capital market forays, this was followed by the RBI nod for sponsoring mutual funds. In Aug 2016, in the history of

Indian private banks, Yes Bank had made enviable records and had become the undisputed leader in every sphere which a banking institution can conquer in India, and with the bank, the name of Rana Kapoor became synonymous with banking success. Several other notable events and benchmarks are listed as under :-

- In September 2016, Yes Bank announced deferment or postponement of QIPs on its equity shares due to heightened volatility, simultaneously announcing raising of Rs.330 Crores (\$50 million) for issue of 7 year Green Infrastructure Bonds to FMO, the Dutch Development Bank through the private-placement route.
- Yes Bank raised Rs.2135 Crores in Oct 2016 through issue of RBI approved infrastructure bonds followed by raising of \$650 million at its IBU at GIFT and raising Rs 4906 Crores from issue of 3.27 Crore shares at the rate of Rs. 1500 per share infusing equity.
- The Yes Bank board in 2017 gave nod to the issue of BASEL III compliant Perpetual Subordinated Unsecured NCDs as Additional Tier I bond of Rs. 10 Lakh each aggregating to Rs.3000 Crores with the Green Shoe option to retain Rs. 3000 Crore more if oversubscribed. It was oversubscribed.
- In 2017, the Yes Bank stock was split into 5 equity shares of face value Rs. 2 each.
- In Nov 2017, Yes Bank raised \$400 million from Taiwanese and Japanese banking consortiums and also announced that Yes Bank has been included in the MSCI All Country World Index (ASWI)- ESG Leaders Index and MSCI ACWI SRI Index, as the first bank in India to figure in three ESG benchmark indices- MSCI ESG/SRI, DJSI and FTSE4Good.
- In Nov 2017, the Yes Bank board approved setting up of Medium Term Note (MTN) for \$1 billion to eligible investors in parts under the RBI guidelines.
- In Dec 2017, Yes Bank was allotted 9.4 Lakh (5.62%) equity shares of the paid-up capital of OPOSL under the anchor investor portion of the IPO of NSE India. OPOSL is a domestic BPO engaged in outsourcing international banking services data management including telecommunications of international BFSI, travel, e-commerce, manufacturing transactions.
- In Jan 2018, Yes Bank entered the 30 share S&P BSE Sensex Index.
- In Jan 2018, Yes Bank, with the European Investment Bank (EIB) set up a \$400 million fund initiative to expand the renewable energy power generation in India focusing on solar and wind energy farms. At the same time, they completed the issue of \$600 million maiden

204 • CASES IN MANAGEMENT

issue of international bond for debt markets, receiving an overwhelming response from international investors with oversubscription by 1.83 times from 90 accounts, focusing on business opportunities at GIFT, Gujarat.

- In Feb 2018, Yes Bank debuted the Global Securities Market (GSM) with its maiden \$1 billion MTN program through a \$600-million initial bond issue for international investors for the GIFT, Gujarat.
- In Mar 2018, Yes Bank acquired 8.97 Crore equity shares (17.31%) of the Fortis Healthcare Ltd. pursuant to default by the promoters on the pledged shares with the bank, they also partly sold these shares in the open market to recover the money.
- In Mar 2018, Yes Bank injected Rs. 750 Crores into Mahindra Renewables Pvt. Ltd owned by Mahindra Susten Pvt. Ltd at Rewa, MP followed by the \$400 million issue of MTNs at the GSM of the \$1 billion mentioned earlier.

The above details build the picture of a strong, driven private bank which grew from strength to strength since its inception up to its zenith of achievements.

Rana Kapoor the Driving Force Behind Yes Bank and His Family Issues Which Affected the Board

An economics graduate from Sri Ram College of Commerce (SRCC), Delhi and MBA from Rutgers University, USA, Rana Kapoor joined Bank of America (BoA) as a management trainee in 1980, eventually leading the wholesale banking business across Asia, working till 1996 at BoA managing corporate, government and financial institution clients. He won several merit awards at the BoA, later he joined ANZ Grindlays Investment Bank as general manager and country head and worked there till 1998. In Feb 1995, he had made a proposal to the visiting Rabobank team in India with his brother-in-law Ashok Kapur and Harkirat Singh for starting an NBFC and a bank, the NBFC was set up in 1997. The three Indian partners investing Rs. 9 Crore each and in 2003, the three sold their stakes for \$10 million each which gave the seed fund to start the Yes Bank. With the RBI nod, Yes Bank was started in 2004 with a vision of " Building the Best Quality Bank of the world in India", by 2015, Rana Kapoor held 26% stake in Yes Bank, Ashok Kapur held 11% and Rabobank International held 20%. In between, with the death of long-time partner Ashok Kapur in Nov 2008 during the siege of the Oberoi Hotel, Mumbai by terrorists, the shares held had been transferred to his wife, Madhu Kapur, she became the board member at Yes Bank. Madhu Kapur is the elder sister of Bindu Kapoor, Rana Kapoor's wife.

All was well till 2013, till Madhu Kapur went to the law courts to enforce her right to nominate the board member to represent her due to her poor health, as she was being denied that right by Rana Kapoor for unspecified reasons. And she chose Shagun Gogia, her married, entrepreneur daughter. All this while Gaurav Kapur, her son is absent from the scene till date in the entire affair. Despite the district court's order in favour of Madhu Kapur and Shagun Gogia, Rana Kapoor argued that Shagun Gogia is not a 'fit-and-proper' choice as a board member as per the RBI guidelines and the Yes Bank board is not a 'Kapur' home, further, he went on to say that in the interest of the 11,000 employees and the huge organization the bank had become, Shagun Gogia is 'unfit' as a board member. Both parties became increasingly hostile towards each other with Shagun Gogia going all out with the legal possibilities to corner Rana Kapoor. In the meanwhile the inherited wealth of Madhu Kapur at Rs.300 Crores in 2008 had grown to Rs. 4000 Crores plus in 2013, and Rana Kapoor claimed credit for the same that, 'this is due to the my professionally managing Yes Bank'. Whereas Madhu Kapur and the daughter Shagun Gogia say that late Ashok Kapur's remembrance as a founder and their right to nominate a board member is more important than any increase in their wealth. Finally in 2019, with the exit of Rana Kapoor as the MD & CEO, Shagun Kapur Gogia, has entered the Yes Bank board as a 'non-executive, non-independent director.

The effect of this family imbroglio brought negative attention in the media regarding Yes Bank and has resulted in sporadic fluctuations in the stock of the bank as seen by the shareholders.

Governance Issues at Yes Bank and Rana Kapoor at the Eye of the Storm

In Sep 2018, RBI refused to extend the tenure of Rana Kapoor, the MD & CEO of Yes Bank citing persistent governance and compliance failure, specifically with respect to credit management practices and deficiencies in governance practice and culture.

Yes Bank came under the RBI scanner for regulatory and governance issues in 2015 during an Asset Quality Review (AQR) as part of an overall NPA control exercise in the financial sector. Several banks were found showing wide disparity in reporting NPAs vis-à-vis the RBI's own assessment of these banks and Yes Bank was one of them. On paper, Yes Bank had managed to keep a check on its NPAs but the RBI came up with several observations on malpractices by Yes Bank to keep their books clean. The observations by the RBI are listed as under:-

- The difference between the Yes Bank reported NPAs at Rs. 748.98 Crores for FY 2016 constituting less than 2% of the loans was just 15% of that observed by the RBI at 4925.68 Crores. A whopping 557% misreporting of NPAs with respect to the actuals. The Gross NPA

206 • CASES IN MANAGEMENT

percentage reported by Yes Bank in March 2016 was 0.76% whereas it should have been 5.01%.

- The RBI also observed a deviation of 1166% for Net NPAs with the bank reporting 0.29% and the RBI observing at 3.67%

RBI continued to communicate these issues keeping Yes Bank on the watch list and acknowledging that Rana Kapoor's explanations were not satisfactory, deciding that Yes Bank is resorting to jugglery and 'engineered' accounts to report lower NPAs, RBI refused to relent and asked Rana Kapoor to discontinue as the MD & CEO. Specifically, the RBI's letter to Yes Bank had questioned,

1. Poor compliance culture and serious violations of statutory and regulatory guidelines between 2014-15 and 2017-18.
2. Persistent governance and compliance failure, serious lapses in functioning and governance.
3. Highly irregular credit management practices.
4. The RBI, in Sep 2018, also ordered recovery of bonus/remuneration to Rana Kapoor for 2014-16 and asked him relinquish his board position both as the CEO and as a member and to submit a succession plan beyond 31 Jan 2019 for a new CEO with changes in the board constitution.

The effects in terms of reputation was enormous. Moody's Investor Service downgraded Yes Bank's foreign and local deposits to Ba1 from Baa3, the global Baseline Credit Assessment (BCA) rating from from Ba 1 to Ba 2. They also downgraded the foreign currency senior unsecured MTN program rating and unsecured debt rating. ICRA and CARE also downgraded the Yes Bank debt instruments.

The share price plummeted to Rs. 147 by Nov 2018 from an earlier all time high of Rs. 412. Even after the appointment of the new CEO, Ravneet Gill in Jan-Feb 2019, the share price went on finding new bottoms. After announcement of the FY 2018-19 results and the subsequent haircut announced by the new CEO of Rs 1500 Crores in the profits, still the Yes Bank shares continued to hover near Rs. 100 and went below Rs. 100 to Rs. 88 or low after the announcement of the Q1 2020 results in July 2019.

Between Oct-Jan 2019, the appointed search committee headed by former LIC and IRDAI chairman TS Vijayan also saw few changes. OP Bhatt, a member and former SBI chairman resigned citing conflict of interest, Rentala Chandrashekhar, an independent director had resigned from the board

of Yes Bank in Nov 2018 due to extreme concerns on the governance culture, followed by the resignation of Ashok Chawla, former finance secretary and the non-executive chairman of Yes Bank, following a charge sheet filed by the CBI in connection with the Aircel-Maxis case. Vasant Gujarathi, another independent director, also resigned following the Moody's Rating downgrade of the bank's instruments. The RBI also started simultaneous investigations into the possible direct or indirect exposure of the Yes Bank to the IL & FS, Indiabulls Group and the DHFL issues.

Significance of the Setbacks in Yes Bank's Journey on the Indian Banking and Business Environment and the Light at the End of the Tunnel

The journey of Yes Bank from 2005-17 is highlighted with several firsts in terms of bold moves by the bank- of engaging with iconic European, American, Japanese, Taiwanese and Australian banks, entering into the uncharted Indian business areas of renewable energy resource and capability building, foraying into the MSME sector which even now is more or less un-organized in terms of financial structure, history of tax generation for the Government and lack of authenticated records of providing regular employment, mandated salary structure and periodically audited results. In doing so, Yes Bank broke several un-written barriers and proceeded to conduct business successfully. When such a bank is accused by the Indian central banker, the RBI for 'cooking up' its accounts to give a false picture of its NPA status and as a consequence, the head of the leader rolls, who incidentally is a celebrated leader in the national banking environment, the direct and indirect effects of the same reflects in several forms such as:-

Loss of domestic and international investor confidence - Small and big investors lose trust in the leadership of the bank and the general tendency to scrutinize every other bank involved in similar nature of operations is seen with suspicion. This may lead to circulation of conspiracy theories and 'inside stories' resulting in deep erosion of the industry market capitalization and the worth of the industry as a possible investment destination.

Loss of reputation of the Indian banking management system - As mentioned above, Yes Bank being a pioneer in the international corporate bank borrowing arena, other private and public Indian banks may be viewed with scepticism by reputed international lenders. Specifically, India still being a partial follower of BASEL norms and international banking regulatory system, the international lending agencies may cite Yes Bank's governance issues as an example for poor checks and balances set up for financial prudence.

Effect on the private bank employees - As a private bank employee, when you realize that all this while what you are being proud of, the leadership, the pioneering efforts and the stellar results

may actually be an eyewash whereas the actual situation may be something negative. This leads to rumours and conspiracy theories spinning out of hand, thus eroding employee confidence in the Indian banking system.

However, the effects so far have been limited to the corporate and institutional banking and corporate finance verticals and the negative effects so far have not materialized in any form with the retail, capital markets and investment banking verticals. No reports of closure of Yes Bank retail banking units or mass resignations of employees or a clamour for withdrawals of deposits by customers have been seen or heard till date. In the succeeding paragraphs, the short and medium term strategy of the new leader, CEO- Ravneet Gill to address the issues at hand complete the loop in terms of the actions being taken by the bank management and thus, there is light at the end of the tunnel and everything is not over for Yes Bank.

The Task Before the New CEO, Ravneet Gill and the Journey so far from Feb 2019

On Jan 23, 2019, Yes Bank announced appointment of Ravneet Gill as the MD & CEO, for a period of 3 years replacing Rana Kapoor. With 3 decades of experience including 25 years with the Deutsche Bank AG, Ravneet Gill is a well known banker with an illustrious career spearheading all key banking functions of capital markets, corporate-investment-retail-private banking and treasury solutions. Recently his re-appointment as the MD& CEO of Deutsche Bank, India was accepted by the RBI for the 3rd term. Under his leadership, Deutsche Bank has been a recipient of several marquee international and domestic awards and accolades and he is regarded as one of the most high profile and successful MNC CEOs in India.

Despite the poor performance in the first quarter of FY 2020, Ravneet Gill is upbeat and says that the concerns over the bank's asset quality are over-done, he plans to raise capital for growth in the near future and not for healing the balance sheet. He intends to conclude the capital raising process in Q2 FY2020. Though he did not quantify the intended capital, the indications point to a \$ 1 billion focusing on medium term growth. In the Q1 FY2020 results, the NPAs jumped by 53% in absolute terms sequentially with gross NPAs holding over 5% and loan growth moderating to 10% over the previous year. However, the bank earned profits to the tune of Rs. 73 Crores net on a QoQ basis.

Yes Bank reported gross slippages of Rs. 6232 Crores and net slippages of Rs. 4554 Crores in the Q1 FY2020, most belonging to the 'watchlist' which included firms defaulting other bank loans as well. While the watchlist stood at Rs.10000 Crores in Q1 FY2020, the below rated book expanded from Rs. 23,000 Crores in Q4 FY2019 to Rs.29,000 Crores in Q1 FY2020, mostly connected with

the two identified defaulters well known to the markets.

Still the new CEO is positive about Yes Bank and says that the " Market opportunity has never been bigger or more compelling", and vows that his NPA book has peaked and will not expand further. He adds that, " our real estate book stands at about Rs. 24,000 Crores and 25% of that is already captured in the current NPAs and the watchlist", with the remaining 75% remaining 'top class' expecting minimal impairments. By July 2019, Yes Bank's Provision to Coverage Ratio stands at 43%, below the market average of its peers. Gill averred that this is not satisfactory but it would be built up to 60% as the recoveries have increased.

The gist of the CEO, Ravneet Gill's clarifications on several relevant issues are given in the following points:-

- When asked about the resignations of two more directors, he stated that the Bank is in a state of transition and this is the process of re-characterisation of Yes Bank in action. The current state of Yes Bank is not only because of internal issues but also external issues such as changes in the financial markets, competitive landscape and regulations. He pointed at the state of NBFCs and PSU bank NPAs which are similar to that of Yes Bank, but more serious in nature.
- The priority is to manage the board stability followed by increasing the asset quality. In the asset quality issue with Yes Bank, it is a handful of entities causing defaults and the spread is limited and in all cases, resolutions are underway simultaneously. The asymmetry of information is creating confusion.
- Regarding the poor underwriting standards, he says that the risk management has been very good, but the turmoil in the overall financial market has also affected Yes Bank negatively. That coupled with the RBI intervention in replacing the CEO has cause harm to the reputation of the bank. Otherwise, he sees no lurking nasty surprises in the near future.
- On the issue of the rumours of Rana Kapoor attempting to re-enter the Yes Bank board, he dismissed this as speculation and stated that, Rana Kapoor being a major shareholder, it is in his interest to ensure the stability at Yes Bank.

Questions which Arise Regarding Business Strategy and Governance

From the above information, few obvious questions arise regarding the business strategy and governance listed as under with the author's opinion on the same:-

- ***Did Yes Bank rise too fast in an un-supportive environment? - such as its exposure to infrastructure loan defaults and rising NPAs.***

The author disagrees with this indication. In high growth days, Yes Bank was subject to the same RBI regulations as that of other private banks in India. Yes Bank set several iconic benchmarks in its business operations, national and international strategy which other private banks have not matched till date. Since the maturity of loans extended from 2009-12 occurred in 2015 onwards, a large number of PSU banks and private banks have been affected by the slowing business growth and loan defaults. Yes Bank has been affected by an environmental malady. However, the under-reporting of NPAs is wrong and must be addressed.

- ***The issue of governance, in mis-reporting of NPAs has jeopardized the reputation of the bank beyond repair?***

Again, the author dis-agrees with the phrase 'beyond repair'. The price of this misdemeanour in governance has been paid by the bank by replacing the then founder, MD & CEO with a new CEO of stellar pedigree. PSU banks such as SBI, PNB have all had more serious issues of loan defaults directly connected with malpractices in governance and mis-reporting but the media did not subject these banks to the way Yes Bank has been punished in terms of causing loss of reputation.

- ***To what extent the family issues of Rana Kapoor, Madhu Kapur and Shagun Gogia affected the investor wealth?***

Not much. Though, the stock fluctuations did occur when this issue and the subsequent drama rolled out continuously for several months from 2015-17, it was minimal and during the same period, the stock also rose to its life time high in 2018 and in fact, in the period from 2015-18, the stock, in spite of sporadic behaviour, maintained a broad move upwards and till the refusal of the RBI for extending Rana Kapoor's CEO tenure remained a top performing private bank.

- ***Can the words of Ravneet Gill, MD & CEO and his highly positive sentiments for the future of Yes Bank be taken at face value?***

This is leadership in action. Ravneet Gill has undisputed reputation and he stands with his organization, his employees and his company's business practices and repeatedly has assured the change to the positive in terms of asset quality, behavioural transformation in reporting

and his own commitment to maintaining a healthy banking culture. Yes, right now, the author feels that his words may be taken at the face value.

Conclusion

Yes Bank, from the period 2005-2018, brought worldwide attention towards Indian private banks and rose from a small beginning of three family members putting in their life savings of Rs. 27 Crores to an asset book of Rs. 300,000 Crores in a relatively short span of 13 years. There are slippages in governance as pointed out by the RBI, but the bank is clawing back towards a new beginning. The author hopes to see Yes Bank again regain its lost reputation, exalted position among the Indian private banks as an innovative, future oriented organization.

Appendix A - Consolidated Balance Sheets from FY 2015-19 of Yes Bank

Appendix B - Stock movement from 2006-2019

Appendix C- Stock movement from 2014-19

Appendix D- Share holding pattern of Yes Bank

Appendix E - Yes Bank management team, snapshot

Author's Questions to the Reader on this Case

1. In the current Indian context, is it fair to assume that the current situation of Yes Bank is a temporary setback and it will bounce back as one of the admired Indian private banks?
2. As a comparison, do you feel that the market watching community has punished the Yes Bank stock unfairly relative to its PSU peers who have the same or more serious NPA condition currently?
3. What are the possible actions by the Yes Bank management to reassure foreign lenders to move back to their original condition of 'business as usual' during which, Yes Bank had garnered mostly positive sentiments in the international banking scene?

Appendix A - Consolidated Balance Sheets for FY 2015-19

Consolidated Balance Sheet of Yes Bank

for FY 15-19

----- in Rs. Cr. -----

	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15
	12 mths	12 mths	12 mths	12 mths	12 mths
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	0.00	460.59	456.49	420.53	417.74
Total Share Capital	0.00	460.59	456.49	420.53	417.74
Reserves and Surplus	0.00	25,291.91	21,583.14	13,341.85	11,247.79
Total Reserves and Surplus	0.00	25,291.91	21,583.14	13,341.85	11,247.79
Total ShareHolders Funds	0.00	25,752.51	22,039.63	13,762.38	11,665.52
Deposits	0.00	200,688.60	142,857.44	111,704.18	91,158.78
Borrowings	0.00	74,893.58	38,606.67	31,658.98	26,220.40
Other Liabilities and Provisions	0.00	11,114.96	11,555.94	8,117.08	7,098.27
Total Capital and Liabilities	0.00	312,449.65	215,059.69	165,242.62	136,142.97
ASSETS					
Cash and Balances with Reserve Bank of India	0.00	11,425.75	6,952.07	5,776.16	5,240.65
Balances with Banks Money at Call and Short Notice	0.00	13,328.07	12,602.59	2,442.74	2,316.75
Investments	0.00	68,293.44	49,981.80	48,788.47	46,570.24
Advances	0.00	203,518.83	132,262.68	98,209.93	75,549.82
Fixed Assets	0.00	837.30	13,260.56	474.58	321.82
Other Assets	0.00	15,046.28	0.00	9,550.75	6,143.70
Total Assets	0.00	312,449.65	215,059.69	165,242.62	136,142.97
CONTINGENT LIABILITIES, COMMITMENTS					
Bills for Collection	0.00	43,104.50	1,390.00	27,308.95	1,373.94
Contingent Liabilities	0.00	540,661.33	379,564.57	305,489.12	337,299.25

Source: www.moneycontrol.com

Appendix B - Stock movement from 2006-2019



Appendix C - Stock movement from 2014-19



Appendix D- Share holding pattern of Yes Bank

CATEGORY OF SHAREHOLDER	NO. OF SHARE-HOLDERS	TOTAL NO. OF SHARES	TOTAL NO. OF SHARES HELD IN DEMATERIALIZED FORM	TOTAL SHAREHOLDING AS A % OF TOTAL NO. OF SHARES		SHARES PLEDGED OR OTHERWISE ENCUMBERED	
				AS A % OF (A+B)	AS A % OF (A+B+C)	NUMBER OF SHARES	AS A % OF TOTAL NO. OF SHARES
(A) Shareholding of Promoter and Promoter Group							
(1) Indian							
Individuals / Hindu Undivided Family	2	275,275,000	275,275,000	11.88	11.88	16,675,000	6.06
Central Government / State Government(s)	-	-	-	-	-	-	-
Bodies Corporate	-	-	-	-	-	-	-
Financial Institutions / Banks	-	-	-	-	-	-	-
Any Others (Specify)	3	183,090,025	183,090,025	7.90	7.90	-	-
Sub Total	5	458,365,025	458,365,025	19.78	19.78	16,675,000	3.64
(2) Foreign							
Individuals (Non-Residents Individuals / Foreign Individuals)	-	-	-	-	-	-	-
Bodies Corporate	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-
Qualified Foreign Investor	-	-	-	-	-	-	-
Any Others (Specify)	-	-	-	-	-	-	-
Sub Total	-	-	-	-	-	-	-
Total shareholding of Promoter and Promoter Group (A)	5	458,365,025	458,365,025	19.78	19.78	16,675,000	3.64

216 • CASES IN MANAGEMENT

(1)	-	-	-	-	-	-
(2)	-	-	-	-	-	-
Sub Total	-	-	-	-	-	-
Total (A)+(B)+(C)	1,145,214	2,317,631,788	2,317,579,251	100.00	100.00	16,675,000
						0.72

Appendix E- Yes Bank management team, snap shot

Company Facts - Yes Bank

Registered Address	Registrars
YES BANK Tower, IFC- 2, 15th Floor, Senapati Bapat Marg, Mumbai Maharashtra 400013 Tel: 022-33669000 Fax: 022-24214518 Email: shareholders@yesbank.in Website: http://www.yesbank.in Group: Not Applicable	Karvy Fintech Pvt. Ltd. Karvy Selenium Tower B, Plot No. 31-32, Gachibowli, Hyderabad - 500032 Telangana Tel: 040-67161500, 67162222 Fax: 040-23420814, 23001153 Email: inward.ris@karvy.com Website: http://www.karvyfintech.com

Management - Yes Bank

Name	Designation	Name	Designation
Brahm Dutt	Non Exe Part Time Chairman	Ravneet Gill	Managing Director & CEO
Pratima Sheorey	Independent Director	Uttam Agarwal	Independent Director
T S Vijayan	Independent Director	Maheswar Sahu	Independent Director
Anil Jaggia	Independent Director	Ravinder Kumar Khanna	Non Exe Non Ind Director
Shagun Kapur Gogia	Non Exe Non Ind Director	R Gandhi	Non Exe Non Ind Director
Subhash Kalia	Non Exe Non Ind Director		

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