

'Benign interest rate regime needed'

YES Bank, the youngest private sector bank in India has been scaling up its business. The bank has managed to raise money to shore up its capital base even in these difficult times. **Gaurie Mishra caught up with MD and CEO Rana Kapoor. Excerpts**

These are not the best of times to raise money. How did Yes bank achieve it? The markets are uncertain and definitely not the best to raise capital. The highlight of the raise has been that we have demonstrated our ability to raise long-term capital even in the current downturn and negative sentiment. Our business demonstrates scalability and that is the reason for our success.

Yes Bank has raised Rs 154 crore from 13 institutional investors. This is a tier-1 perpetual capital and carries a coupon of 10.5%. The capital raise is a hybrid capital and due to its perpetual nature, it will be treated as bonds. In fact, the coupon rate is very attractive in these markets and that's the reason why we got such a stupendous response to the issue. The issue size was Rs 75 crore and we received Rs 154 crore — oversubscribed 105%. This is a banking instrument and this is the reason why all the 13 institutional investors are banks and government-owned institutions. Some of them are Union Bank of India, Canara Bank, Syndicate bank, Central Bank of India, Bank of Baroda and Indian bank.

A whole host of public sector banks have raised money in the last few months, but not many private sector banks...

Yes that's correct, there have been several PSBs including Bank of India which raised Rs 400 crore, Bank of Baroda which raised Rs 300 crore and Punjab National Bank



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which raised significant amount of cash. This is a time when a lot of banks are trying to shore up their capital bases and these PSBs are an example of that. In private sector banks, for the financial year 2008-09, Yes Bank is the only one which has raised capital. This is a testimony of our capabilities and the investor community has taken to it well. What is interesting is that the investor base that has invested in these PSBs is also identical to the one that has invested in Yes Bank, again a positive for us.

What is the bank's overall capital base after this raise and are you overcapitalised as a bank right now?

Post this raise, the bank now has total capital funds of Rs 3,000 crore and has a capital adequacy ratio of 15%. This is clearly on the higher side but given the current markets, a prudent and cautious approach is the best way forward. It would not be correct to say that we are over-capitalised as the current scenario calls for greater caution and that's

our strategy. We also have some specific thoughts on the utilisation of these funds.

In these times, the banking sector has a large role to play to lift the economy out of the downturn.

Yes, the banking sector has a large role to play. Unless there is more liquidity into the system and credit is given to companies the economy will take longer to revive. Banks need to re-align their lending strategies with the current economic environment for the economy to recover soon. Most large banks are aware of their role and responsibility in the present time.

What is equally important is that the interest rate regime should be more benign and long-term interest rates need to come down more from their current levels. For that, one must look at the yield curve. The yield curve had fallen in early January and recently, but it has again risen by 1.5%. This is not a very positive sign and the situation needs to be corrected.

What is Yes Bank's business strategy in these times?

In these markets, there are several sectors which we at the bank feel are more palatable than the others. And these include agribusiness, the healthcare vertical which includes pharmaceuticals, life sciences and the infrastructure space. These three sectors are definitely where the focus will be for Yes Bank. In fact, agribusiness has a lot of potential and is relatively insulated from the economic downturn. The sector is presently untapped. And also, we have to try and consciously take an approach to tap companies which are trying to come back into the credit markets. The other big area that needs to be tapped is the services domain where there is immense potential.