

Chapter 11

Business Value Analysis at Yes Bank: A Strategic Lesson

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ABSTRACT

This case is related with the biggest 2020 scam by one of the major new private sector banks (i.e., YES bank). The case is related with the misuse of the power of banks in providing the benefits to one person, due to the power and influence granted by the political party leaders that influence providing unlimited loans to one person and further the acts of the bank officials that led to the partial breakdown of the banking system in India. Further, the case deals with the major accused and the shell company's creator as DHFL. The present analysis put lights on the future lessons to be learnt by various sectors in order to prevent heavy losses and loss of customer faith (being the most vital component). It starts by giving a background of the crisis that led the RBI to come into picture. It also shows the effectiveness of the actions of RBI for YES bank. At last, it points out the importance of independent management and the roles of auditors and other regulators in dealing with this crisis.

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INTRODUCTION

YES Bank is a high quality, customer and service-oriented bank. Since 2004, it has grown into a “full-service commercial bank” offering a full range of technology-based digital products, services, and offerings for businesses, MSMEs and individuals. It was the 4th largest bank of India with 18000 employees throughout the country and having customers like Flipkart, PhonePe, BharatPe, Swiggy, Red bus; in fact, 35% of UPI Transactions of the country relied through this bank. YES bank, India, is the outcome of its promoter Mr. Rana Kapoor’s professional entrepreneurship and his extremely competent managing team’s efforts to create a high-quality, customer-centric, service-oriented bank serving India’s “Sunrise Sector.” It is the RBI’s only “Greenfield Bank license” granted in the last two decades, and it is backed by some of the world’s most prestigious investors. It has gradually built a Corporate, Retail, and SME Banking franchise, with a diverse product portfolio that includes Financial Markets, Investment Banking, Corporate Finance, Branch Banking, Company, and Transaction Banking (figure 6).

GLOBAL PRESENCE

YES bank is a high quality, customer, and service-oriented bank. Since 2004, it has grown into a “full-service commercial bank” offering a full range of technology-based digital products, services, and offerings for businesses, MSMEs and individuals. The bank operates its investment banking, commercial banking and brokerage activities through YES Securities and its investment fund activities through YES Asset Management (India) Limited, two fully acquired subsidiaries of the Bank. It’s headquartered in Mumbai and is represented across India in all 28 states and 9 Union territories in India, including an IBU in GIFT City and a representative office in Abu Dhabi. In past 4 years it has shown 11.6 percent growth in balance sheet, stabilizing the net interest margin at 2.8 Percent, 5.9 percent growth in the deposits globally with CASA ratio of 30.2 Percent (YES bank, 2020) (Table 5.).

YES BANK CRISIS BEGINS

In 2004, Rana Kapoor and Ashok Kapoor established YES bank. After 2008, Rana Kapoor, the then serving head of YES Bank, had a behaviour of aggressively giving bank loans on a high interest rate to companies which were stressed. Companies like Cafe Coffee Day, DHFL, and Anil Ambani Reliance were unable to pay its loans

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