A CASESTUDY ON YES BANK'S QIP FAILURE

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***Abstract*- QIP (Qualified Institutional Placement) is capital raising instrument which is otherwise called private situation. In which a recorded organization can issue value offers, completely and somewhat convertible debentures or some other securities other than a warrant which are convertible to value shares to a qualified institutional purchaser (QIB).**

YES BANK Limited is a private area bank. The Bank gives keeping money administrations, as corporate and institutional saving money, budgetary markets, speculation saving money, corporate fund, branch saving money, business and exchange saving money, and riches administration. The Retail Banking has administrations like loaning, tolerating stores and other related administrations offered to retail clients.
On September 7th 2016, Yes Bank opened its QIP at a rebate of 5% from the last shutting cost. Toward the start of the eighth September 2016, the QIP was said to be oversubscribed, however because of the absence of correspondence among the financiers, the market value began to get lower than the floor cost of the QIP subsequently of which the speculators who had as of now contribute pulled back their venture at the most recent minutes. Did the QIP got scratched off as well as even the market cost of the share likewise endured. Because of the absence of coordination among the brokers and no legitimate correspondence for a considerable length of time set off the frenzy among the shareholder which assumed a part in the wiping out of the QIP.

Index Terms- QIP, Corporate Finance, Private Placement, Basel III, CAR, Financial Specialist

I. INTRODUCTION

Yes Bank is India's fourth greatest private division Bank, built up by Rana Kapoor in 2004. Yes Bank is a "Full Service Commercial Bank", and has perseveringly amassed notoriety in Corporate, Retail and SME Banking, Financial Markets, Investment Banking the country over.
As an element of the isolated method, Yes Bank has had a strong focus on Development Banking, as is clear from the cutting–edge work that the Bank has done in the region of Food and Agribusiness, Infrastructure, Microfinance, and Sustainability which all around has been first–of–its kind in India
Yes Bank has united with various associations for passing on quality things and organizations specifically Cash Tech, Cisco Systems, Gartner, Intel, i–flex, Reuters, VSNL, Wipro, De La Rue, Murex, Wincor Nixdorf and Sanovi.

Business Areas –

Corporate and Institutional Banking– The bank offers an extensive extent of budgetary and danger organization answers for clients, for instance, tremendous Indian corporates and social events, multinational associations, central and state governments, government bodies and open part endeavors.

Business Banking– The Bank offers diverse things, organizations andresources for little and medium endeavors.
Corporate Finance– It offers corporate back responses for various clients, for instance, adjacent corporates, multinational associations, financial establishments and open part tries.

Retail Banking– Under this, the bank offers broad assortment of things and organizations, for instance, saving record, current record, settled store, retail propel, vault organizations and some more.

Venture Banking– Yes Bank offers theory dealing with a record benefits in zone of mergers and acquisitions, divestitures, private esteem syndication and IPO consultative.

II. MEANING OF PRIVATE PLACEMENT

A private placement is the offer of securities to a by and large humble number of select theorists as a technique for raising capital. Budgetary masters required in private positions are ordinarily significant banks, shared resources, and protection offices and advantages stores.
A private placement is not the same as an open issue, in which securities are made available accessible to be obtained on the open market to a speculator.
To describe QIP, it is a capital-raising gadget, whereby an enlisted association can issue esteem offers, totally and mostly convertible debentures, or any securities other than warrants which are convertible to esteem shares to a qualified institutional buyer (QIB). Beside specific designation, this is the principle other snappy system for private position whereby a recorded association can issue shares or convertible securities to a select social affair of individuals. QIP scores over various methods in light of the way that the issuing firm does not have to encounter extend procedural essentials to raise this capital.
Organization like Ceat which is a tire fabricating organization had raised Rs 400 crore through a Qualified Institutional Placement (QIP) and the assets were to be used for the extension of the organization. The organization said that it would be issuing 44,94,382 value offers at a cost of Rs 890.00 for every share.

REASON FOR YES BANK'S QIP

The main purpose behind Yes Bank's QIP alternative was to bring stores up with a specific end goal to meet the capital prerequisite under BASEL III standards and guarantee sufficient money to bolster development and extension.
Basel III standard which was discharged in December 2010 is the third in the arrangement of Basel Accords. These Accords manages hazard administration viewpoints for the keeping money division. More or less it can be expressed that Basel III is the worldwide administrative standard (settled upon by the individuals from the Basel Committee on Banking Supervision) on bank capital ampleness, stretch testing and market liquidity hazard.

The destinations/points of Basel III measure:-

- Prepare the keeping money division to deal with monetary unpredictability and financial anxiety
- Improve hazard administration and administration.
- Strengthen banks' straightforwardness and revelations.

The Basel III which is to be executed by banks in India according to the rules issued by RBI every now and then, will challenge assignment for the banks as well as for GOI.

III. Findings and Analysis

Yes Bank needed to raise $ 1 billion through this worldwide QIP (i.e. individuals outside India would likewise get an opportunity to put resources into the QIP) for which they had designated 14 vendor financiers/exhorting group for the QIP which were as per the following:

- Goldman Sachs(India) Securities
- Motila Oswal Investment Advisors
- CLSA India
- Edelweiss Financial Services
- HSBC Securities and Capital Markets (India)
- Inga Capital
- Investec Capital Services(India)
- JM Financial Institutional Securities
- Nomura Financial Advisory and Securities(India)
- Religare Capital Markets
- SBI Capital Markets
- Luthra and Luthra Law Offices
- Shardul Amarchand Mangaldas
- Allen and Overy LLP

On April 27th 2016 Yes Bank had educated the stock trade that it should do a QIP keeping in mind the end goal to raise capital by the method for issuance of value up to $ 1 billion which was chosen in the executive meeting which hung around the same time.
On sixth September 2016 Yes Bank's market cost per share was Rs.1440. Yes Bank's CAR was quite recently over 15% and the bank was developing at a searing pace. This suggested that the bank was required to raise value capital before 1-1.5 years. The planning of the QIP was immaculate as share was exchanging close to unequalled high in a bullish market.

QIP opened on seventh September 2016 at a 5% markdown (from the last shutting cost) at Rs.1371.84/share. As indicated by SEBI controls, a QIP must be kept open for three days i.e. institutional financial specialists can offer for QIP for three days. It was a worldwide QIP so financial specialists from outside nations were applying for it too. The QIP was propelled post showcase hours at around 7.30-8PM India time. Thus it had an effect opening day itself as two of the key markets for Indian backers i.e. Hong Kong and Singapore had effectively shut. On that day the share cost of the stock shut at Rs.1405.40/share.
On eighth September 2016, author Rana Kapoor said that the issue was completely subscribed by morning 4AM of the day. Be that as it may, as the market opened there was no correspondence, coordination between the lead investors and other in the syndicate. The investors didn't know whom to call which prompt duplication of requests and deception. Later when the venture banks attempted to force numbers frame the oral requests they understood there was twofold including. As per a man having a place with the eight individuals' consortium of joint book running lead directors expressed that "an excessive number of cooks were ruining the stock. A similar arrangement of long-just financial specialists and flexible investments were getting calls from various investors who gave an alternate picture each time. No one had the genuine photo of the real request."
Before the days over as the frenzy settled in the market about the QIP's execution the market value tumbled from Rs.1387 to Rs.1321.25 which was urgently underneath the base Rs.1350 offer cost. As indicated by certain market theorists and specialists the request number shrank to $400-450 million of the real designated request

from the before requests of around $750-800 million. Capital International which is one of the world's biggest cash administrators had hauled out $250-300 million request at last.

As the market cost was lower than the floor value then acquiring offers by means of QIP isn't an alluring action. Why might the speculator pay more in QIP when he/she is getting the typical shares at a lower cost? As the QIP was as yet open the institutional financial specialists pulled back their offers. Thus from over membership there was no membership left for the QIP. What's more, in the wake of hearing this news the minority shareholders froze and the share shut at a cost of Rs.1330 and thus the QIP must be crossed out.

As per Mr. Rana Kapoor the QIP didn't prevail because of the financiers wrongly encouraged to keep the issue open even in the wake of getting an awesome reaction from the speculators. He additionally expressed that the SEBI directions are likewise a piece of the disappointment as the manage to keep QIP open for three days of exchanging even subsequent to getting over subscribed.

The bankers blame each other for the lack of coordination, bad planning and excessive optimism.

IV. Conclusion

QIP could have helped Yes Bank in extending and meet the capital necessity under BASEL III, however due the accompanying reasons it neglect to do as such:

• Miscommunication and absence of coordination among the financiers prompt perplexity in QIP prepare.

• The run in regards to QIP to be open for three days affected it as they were being oversubscribed and because of fall in the share value speculators began to pull back from it.

• The advertise cost of Yes Bank' share fell beneath the floor cost of the QIP subsequently a sound financial specialist wouldn't care for put resources into a higher value security when he/she could without much of a stretch put resources into the shares.

• The freeze among the financial specialists prompt the defeat of impart's cost to the disappointment of the QIP also.

Well gaining from this occurrence Yes Bank could in the long run think of a QIP in the coming months and might want to sanction the past errors keeping in mind the end goal to accomplish a fruitful QIP.

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