

YES Bank analysts unfazed, but Gogia push mystifies

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Mumbai: YES Bank, one of India's youngest private sector lenders, may be caught in promoter fracas, but to the analyst community, that doesn't in any way change the business case of the bank.

Be it BoFA Merrill Lynch or Goldman Sachs, all have a thumbs up on the share.

Which reflects well on the bank's current management.

Which begs the question, what must be motivating Madhu Kapur, wife of the late promoter Ashok Kapur, to seek a board seat for her daughter Shagun Gogia?

The answers aren't clear to anyone.

To be sure, Madhu Kapur and her family are richer by around ₹2,200 crore over the last couple of years thanks to their 11.7% stake in the bank because of a huge leap in the YES Bank share price.

Could it be then about Maslow's hierarchy of needs?

Analysts are at a loss of words.

Kapur has also contested appointment of Diwan Arun Nanda, M R Srinivasan and Ravish Chopra on the bank's board.

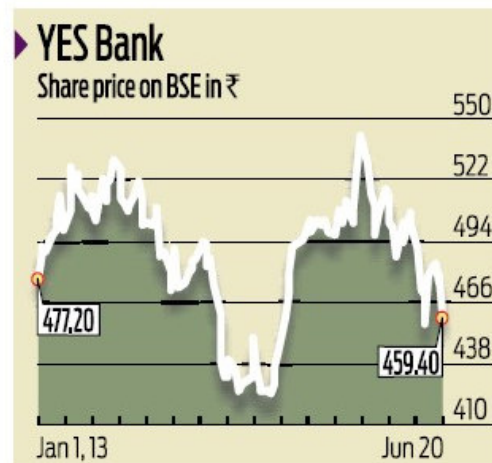
The request for her nomination was earlier rejected in 2009 on grounds that the nominee did not meet "fit & proper" norm of the Reserve Bank of India (RBI).

The bank's board will meet on June

27 to reconsider her nomination.

Shagun has filed the papers for the nomination process. The high court has directed the bank to share the results of the board meeting at the next court hearing scheduled for July.

As per regulatory norms, "fit & proper" norms include formal education, experience, track record, integrity etc. Private banks are also allowed to follow the age criteria (35-65 years) like their state-owned peers while nominating directors to the board.



Interestingly, last year, YES Bank made it to the list of top 50 Corporate Governance Ranking (in the market cap less than \$10 billion segment) according to CLSA Corporate Governance Watch in Asia.

The report ranked corporates on the basis of discipline, transparency, clarity of information, the independ-

ence of the chairman or presence of non-executive directors and responsibilities vested on the independent directors.

Most surprisingly, Deepak Parekh, chairman of Housing Development Finance Corporation has weighed in on the issue.

He recently told a financial daily: "I have not met Ms Kapur after Mr Kapur passed away nor I have spoken to her and neither do I know Ms Shagun Gogia. However, according to me, in case of a bank where a family holds a large stake and if the member as per the Reserve Bank of India is fit and qualified the board could take a view to consider the appointment of such a family member."

Shagun Gogia's husband, by the way, is a senior official of HDFC Mutual Fund.

So what would be the endgame in all this?

If Gogia's nomination is rejected again, will Madhu Kapur nominate a senior banker as her nominee, instead of her daughter, as a director on board? In which case, what would be YES Bank's answer to that?

The possibilities in all this are interesting and it would not be a good idea to take your eyes off the ball.

Meantime, analysts are least bothered.

Goldman Sachs has maintained its call of BUY stating 30% return potential on the stock.