Yes Bank Ltd — Rating update 1d Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd. (CareEdge)
Rating Change	**AA-** → **AA+** (Upgraded by 2 notches)
Outlook (Current vs Previous)	**Stable** vs **Stable**
Key Drivers of Change	1. **Strategic Entry of SMBC:** Sumitomo Mitsui Banking Corp (G-SIB) is now the largest shareholder (24.90%), providing global brand synergy and growth capital visibility. 2. **Structural Asset Quality Cleanup:** Net stressed assets to Net Worth fell to **1.93%** (FY26) from **2.90%** (FY25); NNPA hit a low of **0.20%**. 3. **Earnings Trajectory:** PAT rose **44% YoY** to **□3,476 Cr**, driven by lower credit costs (**0.21%**) and stable NIMs (**2.22%**). 4. **Liability Strengthening:** CASA improved to **35.10%**; reliance on high-cost borrowings dropped to **14.02%** of liabilities (vs 17.22% Prev).
Rated Instruments	• **Tier II Bonds:** □8,900 Cr | CARE AA+; Stable • **Infrastructure Bonds:** □4,670 Cr | CARE AA+; Stable • **Certificates of Deposit:** □20,000 Cr | CARE A1+
Key Observations	1. **Digital Dominance:** Market leader in UPI ecosystem with **~57%** Payee PSP market share. 2. **Capital Adequacy:** Tier-I at **13.80%** (Entirely CET-I) provides a healthy buffer for growth. 3. **RIDF Rundown:** Low-yield RIDF assets fell to **~6%** of total assets, promising future margin expansion. 4. **Portfolio Mix:** Granular book with Retail + Commercial at **~71.68%** of advances. 5. **Risk - AT-1 Litigation:** Potential adverse SC judgment could impact CET-1 by **~253 bps**. 6. **Risk - Concentration:** Top 20 depositors constitute **11%**, higher than private-sector peers. 7. **Risk - Slippages:** Retail slippages improved in Q4 but remain "elevated" and a key monitorable.
Investor Impact	• **Growth:** Strategic backing by SMBC reduces the risk of distressed equity dilution and enhances capital market access. • **Margins:** Expected to improve from FY27 as high-yield retail share grows and low-yield RIDF balances exit. • **Valuation:** A 2-notch upgrade typically leads to lower cost of funds, directly boosting PPOP and equity valuation multiples.
Agency / Cross Analysis	**Same Agency (CARE):** Massive shift in stance compared to 2023-24 (where it was rated 'A'). The upgrade from AA- to AA+ in a single review reflects high confidence in the **SMBC-led transformation** and the completion of the legacy stress cleanup. The agency previously flagged moderate profitability (RoTA 0.60%); now acknowledges the jump to 0.80% as a sustainable trend. **Conclusion: Structural Improvement.**
Final Inference	**Real structural turnaround.** The rating upgrade is a lag-indicator of the bank's successful transition from a "rescue entity" to a "strategic G-SIB partner." While RoTA is still below 1%, the risk of asset-side shocks is now significantly mitigated.