Yes Bank Ltd — Rating update 19 Oct Credit Rating Summary

Section	Details
Agency	CARE Ratings (CareEdge)
Rating Change	**No Change** (Maintained CARE AA+ / CARE A1+)
Outlook (Current vs Previous)	**Stable** vs **Stable** (Rating maintained despite Supreme Court setback)
Key Drivers of Change	1. **AT-1 Reinstatement:** SC upheld the Bombay HC order to reinstate ₹8,415 Cr of AT-1 bonds previously written down. 2. **CET-1 Depletion:** Pro-forma CET-1 ratio expected to drop by **~250 bps**, as equity capital is replaced by debt-like AT-1 instruments. 3. **P&L Hit:** Estimated one-time profitability impact of ₹**6,300 Cr** (net of tax) if recognized immediately. 4. **SMBC Support:** Rating floor supported by SMBC (largest shareholder) as a strategic partner capable of providing capital.
Rated Instruments	• **Long Term Rating:** CARE AA+ (Stable) • **Short Term Rating:** CARE A1+ • **AT-1 Bonds (Reinstated):** ₹8,415 Cr (ISINs: INE528G08352, INE528G08394)
Key Observations	**Positives:** • Overall improvement in financial performance over the last 2 years. • Strategic backing from Sumitomo Mitsui Banking Corp (SMBC). • AT-1 coupons are discretionary and non-cumulative, offering some cash flow flexibility. **Risks:** • **Legal Liability:** ₹8,415 Cr principal reinstatement is now mandatory. • **Capital Crunch:** Significant erosion of CET-1 buffers limits organic growth. • **Uncertain Coupon Liability:** Potential payment of past coupons could further bleed capital. • **Accounting Lag:** Financial impact not yet recognized in Sept 30, 2026, statements.
Investor Impact	• **Dilution Risk:** High; Bank *must* raise equity capital to restore CET-1 to pre-judgment levels. • **Growth:** A lower CET-1 ratio will constrain the bank's ability to expand its loan book in the medium term. • **Margins/ROE:** ₹6,300 Cr impact and potential coupon arrears will significantly depress ROE for FY27.
Agency / Cross Analysis	**Same Agency (Update vs Previous):** The agency has shifted from a purely fundamental view to an "Event-Based Monitoring" stance. While ratings were not downgraded, the note highlights a material deterioration in capital quality (Equity replaced by Debt). **Conclusion: Deterioration in Capital Structure.** The rating stability relies heavily on the "implied support" of SMBC rather than the bank's standalone balance sheet strength, which has taken a massive legal hit.
Final Inference	**Real Risk Signal:** This is a "Technical Default" of the reconstruction plan. While the rating holds at AA+, equity investors face **immediate dilution** and a **multi-quarter drag on earnings** to absorb the ₹8,415 Cr liability reinstatement.