

## Yes Bank Ltd — 03 Jul 2025 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd. (July 03, 2025)
Rating Change	CARE A+ → CARE AA- (Upgraded by 1 notch for Infrastructure and Tier II Bonds)
Outlook (Current vs Previous)	Stable vs Stable
Key Drivers of Change	<ul style="list-style-type: none"> <li>• <b>Asset Quality Cleanup:</b> Net stressed assets to Net Worth plummeted to <b>4.63%</b> in FY25 from <b>20.48%</b> in FY24 due to reduced slippages.</li> <li>• <b>Portfolio Granularity:</b> Retail/SME advances reached <b>59%</b> of book (vs 49% in FY22), reducing wholesale concentration.</li> <li>• <b>Profitability Pivot:</b> RoTA nearly doubled to <b>0.60%</b> in FY25 (vs 0.34% in FY24) driven by credit cost reduction (0.27%) and better yields.</li> <li>• <b>Strategic Entry:</b> SMBC's proposed acquisition of a <b>20% stake</b> (via SPA with SBI and others) signals a shift toward a strong global anchor investor.</li> </ul>
Rated Instruments	• <b>Infrastructure Bonds:</b> ₹4,670 Cr
Key Observations	<ul style="list-style-type: none"> <li>• <b>Strengths:</b> Strong Capital Adequacy (<b>CAR: 15.65%</b>; Tier-I: 13.52%); Granular CASA at <b>34.26%</b>; Market leader in UPI payments (<b>57% PSP market share</b>).</li> <li>• <b>Concerns:</b> Retail slippages remain elevated at <b>4.4%</b>; Advances growth (<b>8%</b>) lags industry average (<b>11%</b>); Ongoing litigation regarding AT-1 bond write-down poses a potential <b>2.5–3.0% hit to CET-I</b> capital.</li> </ul>
Investor Impact	<ul style="list-style-type: none"> <li>• <b>Growth:</b> SME/Retail focus stabilizes NIMs but requires monitoring of credit costs in new segments.</li> <li>• <b>Margins:</b> Expected to improve as low-yield RIDF allocations fell to <b>8.7%</b> (vs 11% YoY).</li> <li>• <b>Dilution Risk:</b> Low in near term given adequate capital buffers and internal accruals; SMBC entry is a secondary sale (no immediate equity dilution).</li> </ul>
Agency / Cross Analysis	<p><b>Same Agency (Evolution):</b> CARE has consistently moved the bank up from BBB+ (2022) to A (2023), A+ (2024), and now AA- (2025).</p> <ul style="list-style-type: none"> <li>• <b>What Changed:</b> The focus shifted from "survival/liquidity" in earlier reviews to "profitability and asset quality" in the current review.</li> <li>• <b>Conclusion:</b> Consistent improvement. The upgrade reflects the successful "granularization" strategy and the resolution of legacy stressed assets.</li> </ul>
Final Inference	<b>Real Fundamental Improvement.</b> The upgrade validates Yes Bank's transition from a "rescue entity" to a "normalizing" private bank. The SMBC entry is a major sentiment booster for equity, though high retail slippages and AT-1 legal overhang remain the primary tail risks.