

Yes Bank Ltd — 16 Sep 2024 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	CARE A → CARE A+ (Upgraded by 1 notch)
Outlook	Stable (Revised from Positive)
Key Drivers of Change	<ul style="list-style-type: none"> • Capital Infusion: Receipt of ₹2,845 Cr via warrant conversion (Q1FY25) boosted Tier-1 CAR to 13.3%. • Asset Quality Cleanup: GNPA improved to 1.73% (from 2.13%) and NNPA to 0.58% (from 0.82%) via sales to ARC. • Granularization: Retail + SME/Mid-corp now 75% of total advances (up from 60% in FY22), reducing corporate concentration. • Deposit Stability: 22.5% YoY growth in deposits to ₹2,66,372 Cr (FY24); Retail deposits now 54% of total.
Rated Instruments	<ul style="list-style-type: none"> • Infrastructure Bonds: ₹4,670 Cr CARE A+; Stable • Tier II Bonds: ₹8,900 Cr CARE A+; Stable • Certificates of Deposit: ₹20,000 Cr CARE A1+ (Reaffirmed)
Key Observations	<p>(+) Total CAR healthy at 16.5% (June 2024); LCR comfortable at 138%.</p> <p>(+) Digital leadership: ~90% of transactions through digital channels.</p> <p>(-) AT1 Litigation Risk: Potential adverse SC judgment could hit CET-1 ratio by 2.5%–3.0%.</p> <p>(-) Profitability Lag: ROTA is low at 0.34% (FY24) vs. private peers due to PSL shortfalls and RIDF deposits.</p> <p>(-) CASA Profile: CASA at 30.9% remains lower than established private sector competitors.</p> <p>(-) High concentration: Top 20 depositors account for 11% of total deposits.</p>
Investor Impact	<ul style="list-style-type: none"> • Growth: Granular book reduces systemic risk but retail product seasoning is unproven. • Margins: Expected to remain under pressure until PSL organic growth reduces RIDF drag. • Leverage: No immediate dilution risk post-warrant conversion, unless AT1 legal outcome is negative. • Valuation: Rating upgrade signals lower cost of funds, but ROTA < 0.6% limits equity upside.
Agency / Cross Analysis	<p>Same Agency (CARE): Upgraded from A to A+ based on the successful execution of the turnaround strategy and improved capital buffers. The shift from "Positive" outlook to "Stable" indicates the upgrade factors in the recent improvements, and further upgrades are unlikely until ROTA crosses 0.6% on a sustained basis.</p>
Final Inference	<p>Real structural improvement. The bank has successfully transitioned from "distressed" to "stable" with a granular book and healthy capital. However, the equity "re-rating" is capped by low ROAs and a looming legal overhang regarding AT1 bond write-downs.</p>