

Yes Bank Ltd — 21 Aug 2024 Credit Rating Summary

Section	Details
Agency	CRISIL Ratings (August 21, 2024)
Rating Change	A → A+ (Upgraded by 1 notch)
Outlook (Current vs Prev)	Stable (Current) vs Positive (Previous)
Key Drivers of Change	<ol style="list-style-type: none"> Portfolio Granularity: Retail/SME/Med-Corp increased to 75% of gross advances (vs 47% in Mar-20), reducing concentration risk. Deposit Recovery: Total deposits grew to ₹2,65,072 Cr (June-24) from ₹1,05,364 Cr (Mar-21); CASA stable at 30.8%. Capital Cushion: Infusion of ₹2,845 Cr (share warrants) in Q1FY25 bolstered CET-1 to 13.3%. Asset Quality: Corporate GNPA plummeted to 1.7% (June-24) from 4.4% (June-23).
Rated Instruments	• Tier II Bonds: ₹13,941 Cr
Key Observations	<p>Strengths:</p> <ul style="list-style-type: none"> • Networth coverage for Net NPA is strong at 36.6x. • Retail portfolio grew 17.8% YoY; Top 20 depositors concentration down to 11.5%. • Liquidity is robust with LCR at 138%. <p>Risks:</p> <ul style="list-style-type: none"> • NIM Pressure: Compressed to 2.2% (Q1FY25) due to high funding costs and PSL shortfall drag. • High Opex: Operating expenses remain elevated at 2.6% of average assets. • Legal Overhang: Potential SC verdict on AT-1 bonds write-back remains a monitorable for CET-1 impact.
Investor Impact	<ul style="list-style-type: none"> • Growth: Shift to Retail/SME supports sustainable credit growth but increases opex. • Margins: PSL drag remains a major hurdle for ROA expansion (currently 0.5% vs peer avg). • Leverage: Adequate capital (16.5% CAR) reduces immediate equity dilution risk. • Valuation: Rating upgrade lowers cost of debt, potentially aiding future NIM recovery.
Agency / Cross Analysis	<p>Same Agency (Evolution): This is a consistent upward trajectory (BBB+ in 2021 → A- in 2022 → A in 2023 → A+ in 2024).</p> <p>What Changed: Shift from 'Positive' outlook to 'Stable' rating reflects the realization of expected improvements in granularity and capital.</p> <p>Conclusion: Improvement. The agency acknowledges the transition from a "rescued" entity to a "normalized" private bank, though profitability still lags Tier-1 peers.</p>
Final Inference	<p>Real Improvement. The upgrade signals structural stability in the liability franchise and capital base. However, for equity upside, the bank must solve the "PSL drag" and high opex to push ROA beyond 0.75%.</p>