Yes Bank Ltd — FY 2025 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	Yes Bank has transitioned to a retail-heavy digital utility, commanding a dominant 56.9% market share in the UPI Payee PSP ecosystem and processing 1 in 3 digital transactions in India.	—
2	**Total revenue grew 12% YoY to □30,919 Cr, yet Net Interest Margins (NIM) remain compressed at 2.11%, well below the 2.50% threshold required for sustainable profitability.**	—
3	**Operating efficiency is challenged by a low ROA of 0.6% and ROE of 5.1%, which remain significantly below private sector peer benchmarks and the bank's own cost of equity.**	—
4	**Reported Net Profit surged 91% to □2,447 Cr, but this growth is of low quality as it was heavily supported by non-recurring provision reversals of □1,737 Cr and accounting changes.**	—
5	**The balance sheet underwent significant de-leveraging with total borrowings decreasing 10.4% to □71,971 Cr, resulting in an improved Debt/Equity ratio of 1.50x.**	—
6	**Cash flow from operations (CFO) remains positive and exceeds PAT, though the CFO/Operating Profit ratio deteriorated from 62 to 33, signaling declining cash conversion efficiency.**	—
7	**Capital adequacy (CRAR) strengthened to 15.6% following a □2,882 Cr equity infusion from warrant exercise, while asset quality improved with Net NPA falling to 0.33%.**	—
8	***Earnings quality is compromised by aggressive accounting, specifically the extension of IT asset useful life from 3 to 6 years and a high reliance on Deferred Tax Assets (18.4% of Reserves).***	—
9	***Governance is stable but transparency is hampered by the suppression of SBI related-party transactions under secrecy provisions and a systemic voluntary attrition rate of 35.5%.***	—
10	***The bank faces massive tail risks from contingent liabilities of 11.90 lakh Cr (2.8x balance sheet size) and pending Supreme Court litigation regarding the 8,415 Cr AT1 bond write-down.***	—
11	The outlook depends on the bank's ability to transition from a "stabilized" phase to a "value creation" phase by crossing the 1.0% ROA threshold and resolving legal overhangs.	—
12	**Investment View: Watch; while the digital moat is strong, the low core profitability and systemic capital risks warrant caution. Monitor NIM expansion and AT1 litigation rulings.**	—

1. Business overview (In Bullet Points)

- **Business Segments:** Yes Bank has structurally pivoted from a corporate-heavy lender to a granular, retail-led franchise, with Retail and SME now accounting for 59% of total advances.
- **Revenue Drivers:** Increasingly driven by non-interest income, specifically from Transaction Banking and Digital Payments. Interest Earned remains the primary driver at □30,894.91 Cr (84% of total income).
- **Cost Drivers:** High IT spending to support UPI/API infrastructure and a "Phygital" model. Voluntary attrition remains a systemic cost friction at 35.5%.
- **Industry Position:** India’s 6th largest private sector bank by assets. It holds a dominant 34.3% market share in UPI Payer PSP and 56.9% in UPI Payee PSP.

- **Expansion Plans:** Added 37 new branches focusing on "leaner formats" to optimize cost-to-income ratios; focusing on the "Emerging Affluent" segment (YES Grandeur).
- **Acquisitions & Partnerships:** Partnership with Paytm to transition 1.69 crore merchants; launch of IRIS Biz (MSME super-app) and YES PAY Biz (merchant app).
- **Capacity Additions:** Focus on "Ecosystem Banking" to capture the entire value chain of large corporates (dealers, vendors, employees) to secure low-cost CASA.
- **Segment Performance:** Retail & Branch Banking is the primary engine for liability mobilization. NRI Banking (IBU liabilities) saw 240% growth.
- **Geographical Presence:** Strengthening domestic footprint through leaner branch formats and expanding international presence via IBU (International Banking Unit) liabilities.

2. Management commentary & outlook

- The declaration that the turnaround phase is "decisively behind us" signals a shift from defensive repair to purposeful growth.
- Management is moving away from "lumpy" corporate lending toward "Ecosystem Banking" to de-risk the wholesale book and secure fee income.
- Liability strategy prioritizes "Quality Acquisitions" (Smart Salary, NRI Banking) over pure volume to improve deposit stickiness.
- Asset strategy involves calibrating the disbursal mix toward "ROA-accretive products," implying a shift toward high-yield SME and Unsecured Retail.
- The bank achieved 100% PSL compliance for the first time, reducing the drag of low-yielding RIDF deposits on NIMs.
- Management emphasizes a "Proactive Risk Culture," citing the reduction of Net NPA to 0.3% and elimination of Net Security Receipts as evidence.
- Digital strategy focuses on "monetization" of its massive UPI market share, moving from volume-chasing to value-extraction.
- The bank is betting on its superior API Banking stack (1 million monthly requests) to out-service larger peers without equivalent physical overhead.
- Management remains cautious regarding the external macro environment, specifically citing US tariffs and liquidity tightness.
- Long-term vision centers on being a "Digital Utility" with a granular balance sheet, though current ROE (5.2%) and ROA (0.6%) remain below industry benchmarks.
- Management is signaling that the "cleanup" is done and they are now ready to compete on merit. However, the low ROE suggests that while the bank is "safe," it is not yet "efficient." The narrative is one of "Digital Dominance looking for a Profit Model" (LAST bullet point).

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2025	Mar 2024
Revenue	30,919	27,606
Sales Growth %	12	21.60
Interest	21,998	19,527
Expenses	11,360	11,350
Manufacturing Cost %	0.20	0.22
Employee Cost %	13.42	14.10
Other Cost %	23.12	26.80
Financing Profit	-2,439	-3,272
Financing Margin %	-8	-12
Other Income	6,157	5,355
Exceptional items	-15	-2
Other income normal	6,172	5,357
Depreciation	493	546
Profit before tax	3,224	1,538
Tax %	24	16
Net Profit	2,447	1,285
Minority share	0	0
Exceptional items AT	-11	-2
Profit excl Excep	2,458	1,287
Profit for PE	2,458	1,287
Profit for EPS	2,446	1,285
Profit Growth %	91	76
EPS (□)	0.78	0.45
Dividend Payout %	0	0

Balance sheet (□Cr)

Line item	Mar 2025	Mar 2024
Equity Capital	6,271	5,754
Reserves	41,562	36,402
Deposits	284,420	266,230
Borrowing	71,971	80,508
Other Liabilities	19,892	17,469
Non controlling int	3	0
Trade Payables	359	499
Other liability items	19,530	16,971
Total Liabilities	424,116	406,362
Fixed Assets	2,872	2,509
Building	1,210.25	1,210.25
Furniture n fittings	4,855.47	4,115.22
Other fixed assets	0	0.01
Gross Block	6,065.72	5,325.48
Accumulated Depreciation	3,193.39	2,816.37
CWIP	206	357
Investments	84,725	89,997
Other Assets	336,313	313,499
Cash Equivalents	14,215	17,177
Loans n Advances	1,649	1,200
Other asset items	320,449	295,121
Total Assets	424,116	406,362

Cash flow statement (□Cr)

Line item	Mar 2025	Mar 2024
Cash from Operating Activity	6,386	9,645
Profit from operations	6,446	5,320
Loans Advances	-21,699	-27,327
Operating investments	-2,908	-2,224
Operating Deposits	18,190	48,847
Other WC items	6,415	-14,594
Working capital changes	-1	4,702
Direct taxes	-58	-377
Cash from Investing Activity	8,514	-12,453
Fixed assets purchased	-742	-981
Fixed assets sold	20	19
Capital WIP	0	0
Investments purchased	0	-11,469
Investments sold	9,249	0
Other investing items	-14	-22
Cash from Financing Activity	-5,651	2,771
Proceeds from shares	2,882	17
Redemption of debentures	0	0
Proceeds from borrowings	0	3,034
Repayment of borrowings	-8,536	-280
Dividends paid	0	0
Other financing items	3	0
Net Cash Flow	9,249	-38
Free Cash Flow	5,665	8,683
CFO/OP	33	62

3.2 Financial analysis summary

- The bank reported a 12.00% growth in **Revenue** to □30,919.00 Cr, primarily driven by Interest Earned of □30,894.91 Cr, while Net Profit surged by 91.00% to □2,447.00 Cr; however, this bottom-line growth was significantly aided by a change in Depreciation policy which extended the useful life of IT hardware from 3 to 6 years, artificially reducing the charge to □493.00 Cr and boosting PAT.
- **Other Income** grew 14.5% YoY to □6,157.00 Cr, supported by a 20.8% surge in Commission, Exchange, and Brokerage to □3,713.21 Cr, which improved fee-based traction and helped offset a Financing Profit loss of -□2,439.00 Cr.
- **Deposits** expanded to □284,420.00 Cr, with a high-quality shift toward lower-cost CASA as Savings Bank deposits grew 32.2% YoY to □54,175.62 Cr, helping manage the rising Interest cost on deposits that reached □15,847.59 Cr.

- **Total Debt** in the form of Borrowing decreased by 10.4% to ₹71,971.00 Cr, reflected in the Cash Flow Statement as a ₹8,536.00 Cr Repayment of borrowings, which improved the Debt/Equity ratio to 1.50 from 2.21 and was supported by improved internal liquidity from deposit growth.
- **Net Worth** strengthened to ₹47,833.00 Cr, bolstered by ₹2,882.00 Cr in Proceeds from shares following the exercise of share warrants by marquee investors, which improved the Capital Adequacy Ratio to 15.6%.
- Asset quality showed marked improvement with **Net NPA** dropping to 0.33% (₹800.14 Cr) from ₹1,329.73 Cr, though this was achieved through aggressive technical write-offs of ₹2,802.02 Cr rather than pure recoveries, impacting the Loans n Advances movement in CFO.
- **CFO** of ₹6,386.00 Cr remains healthy at 2.61x PAT, although it declined from ₹9,645.00 Cr in the previous year due to a lower intake of Operating Deposits (₹18,190.00 Cr vs ₹48,847.00 Cr) and continued absorption of cash by Loans Advances of -₹21,699.00 Cr.
- **Cash from Investing Activity** turned positive at ₹8,514.00 Cr due to ₹9,249.00 Cr from Investments sold, while Capex remained moderate with Fixed assets purchased of ₹742.00 Cr, resulting in a strong Free Cash Flow of ₹5,665.00 Cr.
- **Unsecured Advances** grew 10.7% to ₹55,747.27 Cr, now representing 22.64% of the total loan book, which increases the risk profile of Total Assets in a credit downturn despite the current low Net NPA levels.
- **Contingent Liabilities** present a massive off-balance sheet risk at ₹11,90,235.98 Cr (2.8x Total Assets), driven by a 61.4% spike in forward exchange contracts, alongside a critical legal risk regarding the ₹8,415.00 Cr AT1 Bond write-down currently under litigation.
- **Other Assets** are dominated by RIDF/SIDBI deposits of ₹37,017.03 Cr (60.6% of the category), which are low-yielding assets resulting from missed priority sector targets, acting as a structural drag on the Net Interest Margin of 2.11%.
- **Other Liabilities** are impacted by MTM on Derivatives (₹8,176.69 Cr), reflecting the bank's aggressive derivative market-making which increases balance sheet sensitivity to volatility.
- **Other Expenses** (Miscellaneous) reached ₹4,789.55 Cr, accounting for 45% of operating costs; the lack of granular disclosure in this large bucket potentially masks structural cost inefficiencies.
- **ROE** improved to 5.11% from 3.05% due to the 91% jump in PAT, but Asset Turnover remains stagnant at 0.07, indicating that while profitability per unit of equity is rising, the efficiency of the ₹424,116.00 Cr Total Assets base in generating Revenue has not yet scaled.
- The dominant financial theme of the year is a successful transition to a retail-funded balance sheet and debt reduction, though the quality of earnings is heavily reliant on accounting estimate changes and provision reversals rather than core operational efficiency.

3.3 Contingent liabilities & commitments

- **Total Contingent Liabilities:** ₹11,90,235.98 Cr (2.8x Balance Sheet size).
- **Derivative Exposure:** Forward Exchange Contracts at ₹6,19,107.46 Cr (up 61.4% YoY) and Interest Rate Swaps at ₹3,75,356.04 Cr.
- **Litigation:** A critical risk remains the ₹8,415.00 Cr AT1 Bond write-down under litigation in the Supreme Court (hearing July 2025).
- **Guarantees:** Guarantees in India stand at ₹65,238.23 Cr.
- **Capital Commitments:** Decreased to ₹298.36 Cr, suggesting a slowdown in physical infrastructure expansion.
- **Tax Disputes:** Claims not acknowledged as debt stand at ₹330.62 Cr.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↑ — earnings overstate cash	—	CFO/OP ratio dropped from 62 to 33, indicating lower cash conversion efficiency.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — credit risk	—	Unsecured loans now 22.64% of book; high growth in risky segments to drive interest.
3	Revenue timing	Revenue ↑ — conservative recognition	—	Interest on NPAs recognized only upon realization; ₹27.82 Cr profit from upfront cash ARC sales.
4	Revenue from related parties %	Neutral — capital infusion	—	Share warrants exercised by marquee investors; strengthens CRAR to 15.6%.
5	Inventory vs revenue growth	Neutral — banking sector	—	RIDF deposits are 60.6% of "Other Assets," dragging NIM due to PSL shortfalls.
6	Inventory valuation method change	Profit ↑ — accounting shift	—	Transition to new RBI directions bypassed P&L, inflating equity but not PAT.
7	Exceptional items in operating profit	Profit ↓ — non-recurring loss	—	Minimal impact on overall bottom line but shows increasing frequency of adjustments.
8	Depreciation rate vs useful life policy	Profit ↑ — estimate change	—	Change reduced depreciation to ₹493 Cr, artificially boosting PAT.
9	Provision reversals boosting PAT	Profit ↑ — non-recurring boost	—	PAT growth heavily aided by 13.4% reduction in total provisions and reversals.
10	Tax rate consistency	Profit ↓ — tax spike	—	Large gap between P&L tax (₹777 Cr) and cash tax (₹58 Cr) due to DTA.
11	CWIP age and stalling projects	Neutral — infrastructure slowdown	—	Capital commitments decreased, suggesting lower physical expansion.
12	Deferred tax asset recognition adequacy	Profit ↑ — non-cash asset	—	DTA represents 18.4% of Reserves; requires significant future profits to justify value.
13	RPT quantum and trend	Neutral — group support	—	Exposure to subsidiaries is entirely unlisted, representing a potential liquidity risk.
14	Dividend paid vs FCF adequacy	Neutral — capital conservation	—	Retaining earnings to bolster CRAR and manage AT1 bond litigation risks.
15	Auditor KAM: NPA Classification	Profit ↑↓ — judgment risk	—	Risk of manual overrides in automated E-NPA system for classification and provisioning.
16	Auditor KAM: IT Control Integrity	Neutral — operational risk	—	High reliance on technology (16bn monthly transactions) makes user access/change management critical.
17	Off-Balance Sheet Volume	Profit ↑ — fee income mechanism	—	61.4% spike in forward contracts suggests aggressive fee chasing via derivative market-making.
18	Non-Recurring Recovery Boost	Profit ↑ — recovery mechanism	—	Realized profit from stressed loan transfers to ARCs provides a non-core boost to revenue quality.

4. Management & governance

A. Auditor report & key audit matters

- **Audit Opinion:** Unqualified.

- **KAM 1: Identification, Classification, and Provisioning of NPA:** Auditors flagged high complexity and judgment in estimating recoverability. Focus was placed on the "E-NPA" automated system and the risk of manual overrides.
- **KAM 2: IT Systems and General Controls:** Significant reliance on technology for transaction processing (16 billion monthly). Auditors focused on Core Banking and Treasury solution integrity, specifically user access and change management.
- **AT1 Bond Write-down:** Auditor highlighted the pending Supreme Court hearing (July 2025) regarding the □8,415.00 Cr write-down. This remains the single largest legal uncertainty for the Bank.
- **Auditor Fees:** Specific granular breakout for FY 2025 was not provided; however, "Other Expenditure" reached □4,789.55 Cr. The lack of granular disclosure for "Miscellaneous Other Expenditure" (45% of operating costs) masks potential independence risks.

B. Related party transactions

Party	Relationship	Nature	Amount (□ Cr)	Concern
State Bank of India	Investing Company	Various	Not disclosed	***Secrecy Provisions invoked to suppress transaction details.***
Marquee Investors	Significant Shareholders	Equity Allotment	3,357.13 Cr	**Exercise of share warrants significantly altered capital base.**
Subsidiaries/JVs	Group Entities	Investments	398.78 Cr	***Exposure in Non-SLR portfolio is entirely unlisted; liquidity risk.***
YES Foundation	Controlled Entity	CSR	Not disclosed	**Bank continues to use Foundation for social mandates.**

- **RPT Verdict:** Monitor. While capital infusion is positive, the continued invocation of "Secrecy Provisions" regarding SBI transactions and the shift of capital into unlisted subsidiary portfolios warrant close monitoring for institutional transparency.

C. Shareholding

Category	Mar 2025 (%)	Mar 2024 (%)
Promoters	0.00	0.00
FIIs	24.96	23.10
DIIs	34.50	37.99
Public	40.54	38.91

- **Promoter Pledging:** 0.00% (No identifiable promoter group).

D. Board composition + KMP compensation

- **Total Directors:** 13 | **Independent %:** 53.85% | **Women Directors:** 3 (23.08%).
- **KMP Compensation (Operating Profit = □6,446.00 Cr):**
  - Prashant Kumar (MD & CEO): □7.89 Cr (Agg. Prior); FY25 not explicitly disclosed.
  - Dr. Rajan Pental (ED): □7.89 Cr (Agg. Prior); FY25 not explicitly disclosed.
- **YoY Analysis:** Aggregate employee costs rose 6.20%, significantly lagging the 21.16% growth in Operating Profit.

- **ESOP Inflation:** ESOP compensation expense surged 116.18% (□67.58 Cr vs □31.26 Cr), signaling a shift toward dilutive retention strategies for senior management despite thin 0.60% RoA.

F. Capital allocation & capex

Action	FY current (□Cr)	FY prior (□Cr)	% of CFO	Signal
Equity Issuance	2,882.00 Cr	17.00 Cr	45.13%	—
Capex (Fixed Assets)	742.00 Cr	981.00 Cr	11.62%	**Text**
Repayment of Borrowings	8,536.00 Cr	280.00 Cr	133.67%	—
Dividends	0.00 Cr	0.00 Cr	0.00%	—
Investments Sold (Net)	9,249.00 Cr	0.00 Cr	144.83%	—
Contingent Liabilities	11,90,235.98 Cr	7,96,957.22 Cr	18,638.52%	—

- **CAPEX Analytical Notes:**
  - **CFO Coverage of Capex:** CFO/Capex ratio is 8.61x, indicating strong self-funding of expansion.
  - **Nature of Capex:** Primarily IT-focused; physical infrastructure commitments decreased to □298.36 Cr.
  - **Deployment Efficiency:** Revenue grew 12% while Capex decreased 24.3%, suggesting a "harvest" phase of previous IT investments.
  - **Key Takeaways: The □742 Cr capex is increasingly efficient, but the □11.90 lakh Cr contingent liability book suggests the bank is taking massive off-balance sheet risks to drive fee income.**

H. Risks

- **AT1 Litigation:** Supreme Court case on □8,415 Cr write-down. **Adverse ruling would decimate Tier-1 capital and require immediate massive provisioning.** (Severity: High)
- **Derivative Exposure:** Contingent liabilities at □11.90 lakh Cr (2.8x Balance Sheet). **Extreme sensitivity to interest rate/forex volatility; potential for systemic liquidity squeeze.** (Severity: High)
- **DTA Realizability:** □7,655.38 Cr non-cash asset on balance sheet. **Represents 18.4% of Reserves; write-down risk if future taxable profits miss targets.** (Severity: Medium)
- **Employee Attrition:** Voluntary attrition at 35.5%. **Loss of institutional memory and high training costs.** (Severity: Medium)
- **PSL Drag:** □37,017.03 Cr locked in low-yield RIDF/SIDBI deposits. **Directly suppresses NIM as these assets yield significantly less than market loans.** (Severity: Medium)

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	3	→	59% Retail/SME mix; 34% UPI share	Strong digital utility moat but low pricing power and high competitive intensity.
Financial health	4	↑	CRAR 15.6%; D/E 1.5x; CFO > PAT	Significant de-leveraging and capital infusion have stabilized the balance sheet.
Earnings quality	2	↓	IT life extension; Provision reversals	PAT growth is heavily aided by accounting estimate changes and non-recurring items.
Management & governance	3	→	Secrecy on SBI RPTs; 35% Attrition	Generally compliant but lacks transparency in key RPTs and faces human capital friction.
Capital allocation & earnings visibility	3	↑	ROCE < Cost of Equity; FCF ₹5,665 Cr	Disciplined capex and debt reduction, but ROE remains too low for value creation.

Business positives (for this company this year) * **Strong Capital Position:** CRAR improved to 15.6% following ₹2,882 Cr equity issuance from warrant exercise. * **Liability Profile Improvement:** Savings Bank deposits grew 32.2% YoY, indicating successful CASA mobilization. * **Asset Quality Cleanup:** Net NPA reduced to 0.33%, with the elimination of Net Security Receipts. * **Digital Dominance:** Maintained 56.9% market share in UPI Payee PSP, processing 1 in 3 digital transactions in India. * **Debt Reduction:** Total borrowings decreased by 10.4% to ₹71,971 Cr, improving the Debt/Equity ratio to 1.50. * **Regulatory Compliance:** Achieved 100% PSL compliance for the first time, reducing future RIDF drag.

Business negatives / concerns (for this company this year) * **Massive Off-Balance Sheet Risk:** Contingent liabilities at ₹11.90 lakh Cr are 2.8x the total balance sheet size. * **AT1 Litigation:** Pending Supreme Court hearing on ₹8,415 Cr write-down remains a systemic capital risk. * **Aggressive Accounting:** Extension of IT asset useful life and provision reversals (₹1,737 Cr) artificially inflated PAT. * **High Attrition:** Voluntary attrition remains systemic at 35.5%, hampering relationship banking continuity. * **Low Profitability:** ROA of 0.6% and ROE of 5.1% remain significantly below private sector peer benchmarks. * **DTA Reliance:** Deferred Tax Assets of ₹7,655 Cr represent 18.4% of Reserves, posing a write-down risk.

Overall scorecard summary Yes Bank has successfully transitioned from a "recovery" phase to a "stabilized" phase, evidenced by a cleaner balance sheet, improved capital adequacy, and a retail-heavy loan mix. However, the quality of its 91% PAT growth is low, as it was heavily supported by accounting estimate changes and provision reversals rather than core operating leverage. While governance is stable, the massive off-balance sheet derivative exposure and the pending AT1 litigation represent significant tail risks that could decimate capital in an adverse scenario.

Part b: governance check matrix

#	Check	Status
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

Final line: "Total: 9/10 — Governance Rating: 3"

Part c: investor verdict

Thesis: Yes Bank is a stabilized digital payments utility transitioning to a granular retail bank, but core profitability remains elusive.

Overall stance: Watch

Rationale: While the balance sheet is de-risked, the low ROE and massive off-balance sheet derivative risks outweigh the current recovery momentum. Re-evaluate when: ROA crosses 1.0% sustainably OR Supreme Court rules on the AT1 bond litigation. BULL CASE: Successful monetization of UPI market share leads to fee income surge and ROE expansion to >12%. BEAR CASE: Adverse AT1 ruling necessitates ₹8,415 Cr capital reversal, leading to massive dilution or Tier-1 breach. Key monitorable: Net Interest Margin (NIM): 2.11% → watch for 2.50% threshold.

7. Year-over-year analysis

7.1 Changes

Metric / theme	Summary a status	Summary b status	Forensic takeaway
Accounting Estimates	Accelerated depreciation on IT assets (3-4 years).	Extended useful life of IT hardware (3 to 6 years).	Management is aggressively utilizing accounting estimate changes to artificially inflate reported PAT by reducing non-cash expenses.
Margin Trajectory	Financing Margin at -12%.	Financing Margin improved to -8%.	While the core lending spread is recovering, the business remains structurally unprofitable without the support of fee income and provision reversals.
Capital Allocation	Modest equity issuance (□17 Cr) and rising debt.	Large equity infusion (□2,882 Cr) and aggressive debt repayment (□8,536 Cr).	The bank has successfully utilized warrant exercises to deleverage the balance sheet and improve Tier-1 capital ratios.
Cash Flow Efficiency	CFO/Operating Profit ratio of 62.	CFO/Operating Profit ratio dropped to 33.	The quality of earnings has deteriorated as cash conversion efficiency fell by nearly half, indicating that profits are increasingly driven by non-cash items.
Management Tone	Defensive focus on survival and balance sheet repair.	Offensive focus on "Ecosystem Banking" and "decisive" turnaround.	Leadership has pivoted from a risk-averse repair mode to an aggressive growth strategy targeting high-yield retail and SME segments.
Provisioning Behavior	Provision reversals of □643 Cr.	Provision reversals surged to □1,737 Cr.	Reported profit growth is heavily reliant on the aggressive release of legacy provisions rather than sustainable core operating income.

7.2 Persistent patterns

- **The □8,415 Cr AT-1 bond litigation remains a critical "Sword of Damocles" that could decimate Tier-1 capital adequacy upon an adverse Supreme Court ruling.**
- **Heavy reliance on Deferred Tax Assets (DTA), representing a significant portion of reserves (18.4% in Summary B), persists as a non-earning asset sensitive to future profit misses.**
- **Voluntary employee attrition remains at systemic risk levels (consistently >35%), threatening operational continuity and increasing long-term human capital costs.**
- **Management continues to invoke "Secrecy Provisions" to suppress granular details of Related Party Transactions with the State Bank of India, limiting institutional transparency.**
- **The bank maintains a dominant but low-margin position as a systemic digital utility, consistently processing approximately one-third of India's UPI transactions.**
- **Core lending operations remain structurally unprofitable with negative financing margins across both periods, highlighting a sustained inability to generate positive spreads.**
- **Capital conservation remains the absolute priority over shareholder returns, evidenced by a sustained 0% dividend payout policy.**
- **A significant portion of the balance sheet remains locked in low-yielding RIDF/SIDBI deposits due to persistent historical misses in Priority Sector Lending (PSL) targets.**