Yes Bank Ltd — Jan 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Core PPoP; Beat on Balance Sheet Cleanup. **One-line:** The thesis is inflecting as the structural NIM drag from RIDF (PSL shortfalls) has finally begun to unwind (dropping from 11% to 8% of assets), while the bank's "retail brake-slamming" is successfully stabilizing unsecured stress.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Beat	PPoP of □1,079 Cr (+10.6% QoQ) beat the prior trajectory; Recoveries (□1,843 Cr) are ahead of the □5,000 Cr FY25 target.	□
Earnings Quality	Medium	PPoP growth is strong (+25% YoY), but the bottom line remains sensitive to SR (Security Receipt) recovery pacing and Retail provision volatility.	□
Guidance Confidence	Strong	Re-affirmed □5,000 Cr recovery target; provided concrete timeline for RIDF reduction to <5% within 2-3 years.	□
Management Credibility	Strong	Delivered the first meaningful drop in RIDF balances (□8,000 Cr reduction); followed through on the promise to pivot from growth to profitability calibration.	□
Business Quality Signal	Improving	The liability franchise is decoupling from the industry; CASA growth (+350bps ratio gain in 1 year) is being achieved without top-of-market pricing.	□
Key Q&A Exchange	Q3 — RIDF NIM Impact	Mgmt confirmed the □8k Cr RIDF reduction happened in late Dec; NIM impact is a "deferred benefit" visible from Q4 onwards.	□
The Street's Primary Anxiety	Unsecured Slippages	Analysts pressed on Credit Card vs. PL stress; mgmt proved that 31-90 DPD is stabilizing and new vintages are superior.	□
Capital Cycle Stage	Consolidation	Intentionally shrinking the Retail book (-3% YoY) to recycle capital into higher-yielding, lower-risk SME/Mid-Corp segments.	□
Margin / Return Trajectory	Stable to Improving	NIM held flat at 2.4% despite industry compression; RoA expansion is now mathematically tied to the RIDF-to-Loan swap.	□
Pricing Power	Stable	Blended SA cost anchored at 5.8-5.9% despite aggressive balance growth; reflects digital/branch acquisition efficiency.	□
FCF Conversion & Quality	Strong	SR book value down to □233 Cr; effectively "monetizing" the legacy bad bank faster than modeled.	□
Competitive Moat Signals	Widening	Launched IRIS Biz (super app); market share gains in NACH/ECS and digital payments provide a zero-cost CA float advantage.	□
Balance Sheet Strength	Adequate	CET-1 stable at 13.3%; RWA density improving as the bank pivots away from high-risk unsecured.	□
Working Capital Efficiency	Improving	RIDF/Total Assets ratio fell to 8% (from ~11%); this is the most critical liquidity efficiency metric for this bank.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on recovery guidance and digital ecosystem leadership.	□
Key Vulnerability	Retail Provisions	While slippages are "stabilizing," the Retail segment remains in a loss-making position due to high cost-loading and legacy provisions.	□
Management Tone	Disciplined	Prashant Kumar was firm on "profitable growth" over "growth for growth's sake," especially in retail.	□

Sentiment: □Positive | □Negative | □Neutral

Key Takeaways: * **Positives:** The structural re-rating trigger—the unwinding of Low-Yield RIDF assets—is finally active. The reduction of □8,000 Cr in RIDF deposits in a single quarter is a massive liquidity unlock that will flow into NIMs starting Q4FY25. Furthermore, the CASA engine is defying the industry trend, with daily average SA growing 32% YoY, proving the "YES Bank" brand has successfully rehabilitated with depositors. * **Negatives:** The Retail segment remains the "problem child," currently operating at a loss. Management is loading all branch and infrastructure costs onto this segment while simultaneous credit stress in Unsecured

(Cards/MFI) forces higher provisions. The -3% YoY decline in Retail advances shows the bank is still in defensive mode here. * **Forward-looking Watchpoint:** Watch the NIM in Q4FY25. This was the "inflection quarter" for the balance sheet mix; if NIM does not expand by at least 5-10bps in Q4, the thesis that RIDF unwinding is a margin catalyst will be questioned.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT not available — all numbers sourced from concall transcript (Doc ID: 12).

Metric	Current Qtr (Q3FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
PPoP (□Cr)	1,079	↑ 25.0%	↑ 10.6%	↑	Driven by fee income growth and cost control; productivity initiatives paying off.
NIM (%)	2.4%	→ 0bps	→ 0bps	→	Flat; management calls this an "inflection point" due to late-quarter RIDF reduction.
Cost of Deposits (%)	~6.1% (implied)	Not stated	→ 0bps	→	Flat QoQ; blended SA cost stable at 5.8-5.9% despite high growth.
CASA Ratio (%)	~33% (est)	↑ 350bps	↑ 100bps*	↑	Industry outperformance; average SA balances +32% YoY.
Credit-Deposit Ratio (%)	~84%	Not stated	↓ 200bps*	↑	Improving liquidity; Bank reduced borrowings by 11% QoQ.
Loans Growth (% YoY)	12.6%	—	↑ 4.1%	→	Growth driven by SME/Mid-Corp (>25%); Retail is a drag (-3% YoY).
Deposits Growth (% YoY)	14.6%	—	Flat (0%)*	↓	Sequential flat growth was intentional as bank focused on RIDF reduction.
GNPA %	~1.6%	Not stated	→ 0bps	→	Described as "in line with trend of last several quarters."
Net NPA + Net SR (%)	0.6%	Not stated	↓ 10bps*	↑	Continuing decline as SR book is aggressively provided for/recovered.
Recoveries (□Cr)	1,843	—	—	↑	Cumulative 9M at □4,400 Cr; on track for □5,000 Cr FY target.
Capital Adequacy (CET1 %)	13.3%	—	↑ 10bps*	→	Adequate for growth; no immediate equity raise (QIP) planned.
Fee Income (□Cr)	1,512	↑ 26.6%	↑ 7.5%	↑	Fee-to-Assets up to 1.5%; driven by digital payments and cross-sell.
RIDF / Total Assets (%)	8.0%	—	↓ 250bps*	↑	First major reduction (from 10.5-11%); key NIM unlock trigger.
Retail Advances Growth	-3.0% (YoY)	—	Flat (0%)	↓	Intentional "calibration" for risk; pulling back from low-yield/high-risk.

**Estimated based on sequential commentary in Section 5/Prior Context comparisons.*

2B. SEGMENT BREAKDOWN | Segment | Advances Growth (YoY) | Mix % | Trend | Key Development | | :--- | :--- | :--- | :--- | :--- | | Retail | -3.0% | 43% | ↓ | Deliberate slowdown in PL/CC; shift toward "profitable products" only. | | SME | >25.0% | 16% | ↑ | High-growth mainstay; strong focus on collateralized lending. | | Mid-Corporate

| >25.0% | 16% | ↑ | Focus on "Knowledge Banking" and supply chain financing. | | Large Corporate | Positive | 25% | ↑ | Maintained growth momentum after years of de-risking. |

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Math Feasibility	Historical Delivery	Risk Flag
Guidance	Recoveries	₹5,000 Cr for FY25.	Needs ₹600 Cr in Q4; currently at ₹1,843 Cr/qtr run-rate. Very likely beat.	Consistent	Low
Guidance	RIDF	Below 5% of assets in 2-3 yrs.	Requires ~₹8,000 Cr net reduction per year; Q3 delivered ₹8,000 Cr in one go.	High	Low
Guidance	Credit Cost	~30 basis points (long term).	Currently 20bps (net of SR write-backs). Requires retail stress to not exceed ₹1,300 Cr slippage/qtr.	Reliable	Medium
Strategy	Advances Mix	60:40 (Retail:Wholesale).	Currently ~59:41; requires Retail to return to growth by FY26 to maintain.	Improving	Medium
Strategy	RoA	1.0% (in 3 years).	Requires NIM expansion from 2.4% to ~2.9% via RIDF swap. Mathematical but long-term.	Improving	Medium
Balance	SR Carrying Value	Nil by end of FY25.	Book value at ₹233 Cr. Needs one more quarter of ₹230 Cr+ provisions/recoveries. Feasible.	Reliable	Low

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4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Jai Mundhra (ICICI)	Unsecured Stress	Financials	"PL slippages are stabilizing but Credit Card slippages are rising despite high growth—why the divergence?"	Management explained that Credit Card growth has a lag in utilization while recent sourcing (6-12 months) shows better vintage performance than the blended book. Sourcing quality is trending better than the blended average, suggesting peak stress in cards may be near.	None	4.0	Directio with evidenc
2	4.0	Jai Mundhra (ICICI)	Liabilities	Financials	"How is SA cost so stable (5.8-5.9%) despite such high growth when peers are struggling?"	Management attributed SA stability to a tiered interest rate structure where higher rates only apply to balances above □10 lakhs, combined with strong acquisition. This proves the CASA engine is execution-led rather than just price-led, protecting NIMs.	None	4.5	Specific and quantifi
3	4.5	Jai Mundhra (ICICI)	Asset Quality	Financials	"Will SR recoveries continue to provide negative credit cost (write-	Management clarified that while the net book value of SRs will hit zero, they	None	5.0	Specific and quantifi

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					backs) next year?"	expect absolute recoveries of ~□1,200 Cr per year from the pool. This provides a long-term "hidden" P&L buffer that will offset retail slippage costs for the next 2 years.			
4	3.5	Rakesh Kumar (B&K)	Performance	Financials	"Why has the Cost-to-Income in the Corporate segment gone up?"	Management noted it was due to "very fine pricing" in the corporate market rather than credit issues. This highlights the competitive pressure in wholesale which necessitates the shift back to higher-yielding retail eventually.	None	3.5	Directio with evidenc
5	4.5	Dev (Horsepower)	Profitability	Financials	"The Retail segment is still in loss—when will it break even?"	Management admitted the segment is dragged by infra cost loading and high provisions but claimed the "delta" for the 1% RoA target will come primarily from here as credit costs normalize. Retail breakeven is the ultimate	Exact breakeven date	3.0	Vague b consiste

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						validation of the turnaround, likely 3-4 quarters away.			
6	3.0	Dev (Horsepower)	Capital	Capex and Allocation	"Why not do a QIP instead of waiting for a stake sale to raise capital?"	Management stated that 13.3% CET-1 is adequate and they have consumed only 10bps of capital in 9 months despite growth. This signals that internal accruals and RWA optimization are currently sufficient, reducing near-term dilution risk.	None	4.0	Directio with evidenc
7	4.0	Srinivas (Retail)	Margins	Financials	"Why are NIMs flat at 2.4% despite CASA and RIDF improvements?"	Management explained the 8,000 Cr RIDF reduction happened in the *last week* of December, so the P&L benefit starts only in Jan-March. Q4 NIM will be the true test of the "RIDF-swap" thesis.	None	4.0	Specific timeline given
8	4.0	M.B. Mahesh (Kotak)	Asset Quality	Governance	"Will the new ARC guidelines on borrower resolutions impact your recovery rates?"	Management claimed no awareness of the guidelines impacting their specific ARC (JCF) operations	None	3.0	Vague b consiste

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						yet. This suggests the recovery trajectory is currently insulated from these regulatory shifts.			
9	3.0	Manish Soni (Retail)	Governance	Governance	"Why are you issuing ESOPs every month and diluting retail investors?"	Management corrected that ESOPs are granted once a year; the monthly disclosures are merely employees *exercising* prior grants. This clarifies a common retail misconception about "printing" new equity monthly.	None	4.0	Verifiab
10	3.5	Sige Rama (Retail)	Liabilities	Management Commentary	"Is deposit growth saturating at ₹2.7 lakh Cr given the 0% QoQ growth?"	Management stated the flat QoQ deposit growth was intentional to manage liquidity while paying down high-cost borrowings. This indicates a disciplined "LCR-first" approach rather than a loss of market share.	None	4.0	Directio with evidenc

PATTERN FLAGS & SENTIMENT * **The NIM Pivot:** Analysts are impatient for NIM expansion. Management's defense—that the RIDF reduction happened in the final week of the quarter—was technically sound but puts extreme pressure on Q4 numbers to show a jump. The concern is live but the "math" favors management. * **Retail Segment Loss:** This is becoming a point of friction. Analysts are questioning why a ₹2.7 lakh Cr bank cannot make a profit in its largest segment. Management's response is a "wait-and-watch" on normalization, which was only partially convincing. * **Analyst Sentiment Verdict:** Skeptical on timing, but convinced on direction. Friction was highest regarding the Retail segment losses and the lag in NIM expansion. Management's credibility remains intact because they are hitting the "hard" milestones (CASA growth, RIDF reduction, SR recovery), even if the "easy" milestones (PAT growth in retail) are lagging.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Retail Profitability | Pivot to "profitable growth." | Segment still in loss. | The opening remarks focused on PPoP growth; Q&A forced an admission that the Retail segment itself is not yet profitable. | Delayed RoA expansion if provisions don't fall sharply in Q4/Q1. | | Deposit Momentum | "Deposit engine firing well." | 0% QoQ growth. | Opening highlighted 14.6% YoY growth; Q&A revealed sequential growth was actually flat. | Temporary, but shows the bank is prioritizing "balance sheet composition" over "headline size." |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2FY25)	This Quarter (Q3FY25)	Direction
RIDF Mix	~11.0% of Total Assets	8.0% of Total Assets	↑ (Improving)
Retail Advances	0.0% YoY growth	-3.0% YoY growth	↓ (De-risking)
SR Book Value	□843 Cr (approx)	□233 Cr	↑ (Cleanup)
Liquidity Management	High CD ratio concern	Borrowings reduced by 11% QoQ	↑ (De-leveraging)
Asset Mix Strategy	Cautious on Retail	"Change of gears" to SME/Mid-Corp	→ (Strategic pivot)
Slippage Trend	Rising unsecured stress	"Stabilizing" (31-90 DPD flat)	↑ (Bottoming out)

STOP HERE.