Yes Bank Ltd — Jan 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat **One-line:** A structural "breakout" quarter where NIM expansion and 8-quarter low slippages confirm the fundamental turnaround, though earnings were flattered by Security Receipt (SR) recoveries and masked by a large one-time gratuity charge.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	PAT □952 Cr vs ~□600 Cr expectations; RoA hit 0.9% ahead of schedule.	□
Earnings Quality	Low (Mixed)	High core PPOP growth (28.7% adj. YoY) offset by □555 Cr SR gain & □155 Cr charge.	□
Guidance Confidence	Strong	Reaffirmed 1.0% RoA for FY27; RIDF rundown on track to hit <5% of assets.	□
Management Credibility	Strong	Delivered on credit cost normalization and CASA outperformance in tight liquidity.	□
Business Quality Signal	Improving	NIM expansion (2.6%) and granular deposit growth (Avg. SA +16.3% YoY).	□
Key Q&A Exchange	Q#4 — Gratuity & SMBC	Mgmt took a conservative one-time hit for labor codes; vague on SMBC merger.	□
The Street's Primary Anxiety	Loan Growth Lag	Lagging system growth (5.2% vs ~13%); Mgmt: "Chasing profitability over volume."	□
Capital Cycle Stage	Harvesting	Legacy resolution (RIDF/SR) is now funding core book expansion.	□
Margin / Return Ratio Trajectory	Improving	NIM up 20bps YoY; RoA normalized for one-offs hit 1.0% this quarter.	□
Pricing Power	Stable	Reduced cost of savings deposits by 150bps while maintaining 17% avg SA growth.	□
FCF Conversion & Quality	Strong	LCR at 123.8% and high capital conservation (CET1 13.9%).	□
Competitive Moat Signals	Stable	Leadership in digital payments (1 in 3 transactions) remains a core fee engine.	→
Balance Sheet Strength	Strong	GNPA at 1.5% and high PCR (83.3%) provides massive buffer.	□
Working Capital Efficiency	Improving	CD ratio at 88%; CD-led funding replaced by granular deposits.	□
Mgmt Guidance Track Record	Reliable	Hit SR recovery guidance (□1,113 Cr 9M vs □1,200 Cr FY target).	□
Key Vulnerability / Red Flag	SR Book Run-out	Only □1,800 Cr SR left; the "low credit cost" tailwind will vanish in 4-6 qtrs.	□
Management Tone	Confident & Conservative	Emphasized "Profitable Growth" over top-line; conservative on accounting hits.	□

Key Takeaways (Positives & Negatives): * **Positives:** The bank achieved a 1.0% RoA (adjusted for gratuity), a target previously set for FY27, signaling the turnaround is accelerating. NIM expansion to 2.6% is structural, driven by the replacement of 2.5%-yielding RIDF assets with 9%+ advances. Asset quality is at its cleanest in years, with retail slippages finally bottoming out. * **Negatives:** Headline credit growth of 5.2% YoY is significantly below the private sector average of 13-15%, as the bank sacrifices market share to protect margins in low-yield segments (Home/Auto/Gold). The earnings "beat" relies heavily on SR recoveries (□555 Cr), which are finite and will not sustain the 0.04% credit cost indefinitely. Analysts remain anxious about the SMBC parentage roadmap and the timeline for equity servicing/dividends.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII Growth (%)	10.9%	—	7.2%	↑	Driven by yield expansion on assets and cost-of-fund reduction.
NIM (%)	2.6%	+20bps	+10bps	↑	RIDF rundown (down to 6.9% of assets) is the primary structural tailwind.
Cost of Funds (%)	5.9%	-60bps	-10bps	↑	Replacement of high-cost borrowings with granular deposits and RIDF maturities.
Cost of Deposits (%)	5.6%	-50bps	-10bps	↑	Proactive SA rate cuts (150bps cumulative) while maintaining deposit traction.
CASA Ratio (Period End %)	34.0%	+90bps	+30bps	↑	Outperforming industry; Retail CASA up 110bps QoQ on avg balance basis.
Credit-Deposit Ratio %	88.0%	-30bps	+350bps	↓	CD ratio remains elevated; management comfortable as LCR is healthy at 124%.
Loans Growth (% YoY)	5.2%	—	2.9%	↓	Underperforming system due to calibration in low-yield Retail segments.
Deposits Growth (% YoY)	5.5%	—	-1.3%	→	Intentional rundown of high-cost wholesale deposits; Retail-led growth is higher.
GNPA %	1.5%	-10bps	-10bps	↑	Broad-based improvement; Corporate GNPA down to 0.7%.
NNPA %	0.3%	-20bps	→	→	Maintained at historic lows with high provision coverage.
Slippage Ratio %	1.6%	-60bps	-40bps	↑	8-quarter low; retail slippages improved to 3.7% (lowest in 7 quarters).
Credit Cost (%)	0.04%	-20bps	-60bps	↑	Negligible due to SR gains; normalized NPA provision stood at 0.5% of assets.
CET1 %	13.9%	+60bps	→	→	Includes profits; DTA unwind to add ~148bps over time.
PAT (□Cr)	952	55.4%	45.4%	↑	Adjusted for □155 Cr gratuity, PAT is □1,068 Cr (+74.4% YoY).
Fee Income Growth %	9.8%	—	2.9%	↑	Core fees driven by Processing Fees (+12.3%) and Cards (+10.4%).
Cost to Income Ratio (%)	66.1%	-500bps	-100bps	↑	Adjusted for gratuity; Jaws are positive with 9.7% income growth vs 2% opex growth.

2B. SEGMENT BREAKDOWN

Segment	Advances (₹Cr)	YoY Growth	GNPA %	Trend	vs Company Avg	Key Development
Retail Banking	120,865	2.3%	2.4%	↑	Underperforming	Avoiding Prime Home/Auto; Rural (+17%) and Cards (+21%) are growth drivers.
Commercial Banking	65,962	13.6%	1.0%	↑	Outperforming	Strong traction in SME/Mid-corp; accounts for 29.3% of total MSME book.
Corporate & Institutional	70,625	2.9%	0.7%	→	Underperforming	Selective on risk-adjusted returns; API/Transaction banking focus over lending.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	RoA (FY27)	1.0%	Current adj. RoA is already 1.0%. Feasible if credit costs stay <0.5%.	Delivered ahead of schedule	Medium (SR gain reliance)
Guidance	RIDF Balances	<5% of Total Assets by FY27	Needs ~₹2,000 Cr reduction/qtr. Currently at 6.9%. On track.	Steady quarterly rundown	Low
Guidance	Loan Growth (FY26)	~8% YoY	Needs >3% QoQ growth in Q4. Historically Q4 is strongest.	Lagging system	Medium
Guidance	SR Recovery (FY26)	₹1,200 Cr	Only ₹87 Cr needed in Q4. Already hit ₹1,113 Cr in 9M.	Over-delivered	Low
Strategy	Branch Expansion	80 branches in FY26	76 already opened (95% of target). Highly feasible.	On track	Low
Strategy	Retail Profitability	Break-even this quarter	Adj. for one-offs, segment is now contributing to PBT.	Long-awaited milestone	Medium
Macro	Interest Rates	Proactive SA rate cuts	Managing cost of deposits better than peers.	Outperformed	Low
Balance	Asset Quality	Credit cost below 50bps	Currently at 0.04% (reported); 0.5% (NPA-only). On track.	Improving	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Pankaj Agrawal / Prudence	Recovery & Retail	Business Overview	Verbatim: "The books that had been delivered to JC Flower... how much cumulative recovery has been done... how many more quarters will it take for the bank in getting Profitability from Retail?"	Mgmt confirmed □7,500 Cr cash recovery for YES Bank to date with □1,800 Cr SR remaining. Retail has broken even this quarter on an adjusted basis and is expected to contribute meaningfully to profit from here.	None	4.5	Clear & Quantified
2	4.5	Jayant Kharote / Axis Capital	Growth Calibration	Business Overview	Verbatim: "Retail disbursals... slightly down Q-o-Q... absolute CASA number seems to be not going up meaningfully... when do we see that growth or uptick being meaningful?"	Mgmt indicated disbursals are up 15% YoY but calibrated in low-yield segments; Q4 is expected to be stronger. CASA growth (Avg. SA +17%) is outperforming the industry despite sharp rate cuts, focusing on quality over volume.	None	4.0	Directional with Evidence
2a	3.5	Jayant Kharote / Axis Capital	FY27 Growth	Outlook	Verbatim: "Should we now think of next year growth closer to the mid-teen number?"	Mgmt is targeting growth in line with the market for FY27, excluding low-yield segments like Prime Home/Auto. This implies a pivot from "consolidation" to "system-level growth"	None	3.5	Vague but Consistent

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						as the balance sheet repair matures.			
3	3.0	Sucrit D. Patil / Eyesight	Differentiation	Strategy	Verbatim: "How do you see YES Bank positioning itself... differentiate itself in the next few years against larger private sector peers?"	Mgmt is leveraging high SME mix (29%) and digital leadership (1 in 3 payments) as key differentiators. Future expansion will focus on Wealth Management and potentially Gold Loans if risk-returns align.	None	3.0	Qualitative
4	5.0	Jai Mundhra / ICICI Sec	Labor Code hit	Financials	Verbatim: "Impact of gratuity under the new labor code... seems relatively very high if you compare other banks... any reason?"	Mgmt explained they conservatively provided 155 Cr assuming basic pay moves from 30% to 50% of fixed pay. This one-time clean-up protects future earnings from regulatory volatility, signaling a conservative accounting stance.	None	4.5	High Credibility
4a	5.0	Jai Mundhra / ICICI Sec	SMBC Structure	Governance	Verbatim: "SMBC... do you see a possibility wherein four Indian branch of SMBC is amalgamated or convert into wholly owned subsidiary...	Mgmt declined to provide specifics, noting the situation is unprecedented in Indian banking. An eventual merger remains a	Definitive roadmap	2.0	Evasive - Key Signal

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					can they run parallelly?"	critical overhang/re-rating trigger for long-term investors.			
4b	4.0	Jai Mundhra / ICICI Sec	SR Redemption	Financials	Verbatim: "Fair to say that if you continue to receive... □500 crores kind of a SR redemption you can sustain the current negligible kind of a credit cost or that can again have a volatility?"	Mgmt admitted SR recoveries are volatile but guided for □800 Cr recovery next year (vs □1,200 Cr this year). This confirms the credit cost tailwind is moderating, placing more pressure on core NII growth.	None	4.0	Quantified Volatility
5	3.5	Dev Dey / Horse Power	Loan Growth	Outlook	Verbatim: "Are you confident to achieve the Advances growth in the figure of teen, high teen or mid-teen?"	Mgmt reiterated they are not chasing "top-line for top-line sake" and will stay at ~8% for FY26. This confirms the thesis remains "profit over volume" for the next 12 months.	None	4.0	Reaffirmed Strategy
6	2.5	Nagesh Motamarri / Ind. Inv.	Dividends	Strategy	Verbatim: "When can we expect a nominal simple dividend from the Bank?"	Mgmt stated it's too early for a timeline, requiring Board discussion. Dividend resumption remains a 2-3 year horizon play contingent on RoE crossing 10-12%.	Timeline	1.0	Evasive

PATTERN FLAGS & SENTIMENT

Analysts focused heavily on the "Quality vs. Quantity" trade-off. There is a palpable anxiety regarding the bank's sub-system credit growth (5.2% vs 13%+ system), which analysts fear may lead to long-term market share loss. Management was defensive but firm, repeatedly stating they would not lend to low-yield prime segments where they have a cost-of-fund disadvantage.

The Gratuity provision was the primary forensic friction point; YES Bank's hit was significantly larger than peers, which management framed as "extreme conservatism." This actually improved credibility, as it removes a future earnings overhang. However, the lack of clarity on the SMBC branch merger remains a persistent cloud over the valuation.

Analyst Sentiment Verdict: Skeptical but Encouraged. Analysts were convinced by the NIM expansion and the retail slippage bottoming out, but remain hostile toward the lack of a clear SMBC merger roadmap. The friction point is shift from "recovery" to "growth"—management is not yet ready to signal aggressive growth, which may keep the stock's P/B multiple capped despite the RoA beat.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Opening)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
SR Recoveries	High confidence in tailwinds	FY27 recovery will drop to □800 Cr	33% decline in non-core recovery income.	Core NII must grow >15% to sustain PAT.
Loan Growth	Maintaining momentum	Target for FY26 capped at 8%	Gap vs 13% system growth.	Continued market share loss.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.