Yes Bank Ltd — Jul 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Beat on PAT; Inline on Core Operations. **One-line:** The thesis remains on track as YES Bank transitions from a "recovery story" to a "structural improvement story," evidenced by reaching Nil PSL shortfalls and securing a CET1 boost from marquee PE warrant exercises.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Beat	PAT of □502 Cr beat consensus, though driven by □654 Cr in SR recoveries.	□
Earnings Quality	Low (One-off driven)	PAT was heavily supported by write-backs from Security Receipt (SR) redemptions.	□
Guidance Confidence	Strong	Reached Nil PSL shortfall as promised; provides clear roadmap for RIDF reduction.	□
Management Credibility	Strong	Delivered on complex PSL compliance and capital infusion from Carlyle/Advent.	□
Business Quality Signal	Improving	Structural drag from RIDF (11% of assets) is now peaking and set to decline.	□
Key Q&A Exchange	Q6 — PSL/RIDF Drag	Management quantified that RIDF balances will drop below 5% of assets by FY27.	□
The Street's Primary Anxiety	Unsecured Asset Quality	Analysts pressed on retail slippages; mgmt admitted stress and tightened policy.	□
Capital Cycle Stage	Consolidation / Harvesting	Cleaning up the loan mix (Retail calibration) while harvesting legacy recoveries.	□
Margin / Return Ratio Trajectory	Stable to Improving	NIM steady at 2.4%; RoA held at 0.5% despite seasonally weak Q1.	□
Pricing Power	Stable	Yield on advances slightly down to 10.2% vs 10.3% QoQ; Cost of funds up 10bps.	□
FCF Conversion & Quality	Strong (Asset Side)	High pace of SR redemptions (>50% since ARC sale) accelerating capital return.	□
Competitive Moat Signals	Widening (Digital)	Dominant #1 in UPI processing and AePS (1/3 of India's transactions).	□
Balance Sheet Strength	Strong	CET1 boosted to 13.3% via warrant exercise; LCR very healthy at 137.8%.	□
Working Capital Efficiency	Improving	CD ratio stable at 86.6%; granular deposit growth (21% YoY) outpacing loans.	□
Mgmt Guidance Track Record	Reliable	Fulfilled the most critical promise of FY24: PSL compliance.	□
Key Vulnerability / Red Flag	Unsecured Slippages	Retail slippages at □1,056 Cr remain high; ~45% coming from unsecured book.	□
Management Tone	Confident and Disciplined	Focused on "Disciplined Execution" rather than aggressive growth.	□

Sentiment: □Positive | □Negative | □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** Reaching Nil PSL shortfall is a structural game-changer; it stops the incremental flow into low-yield RIDF deposits, paving the way for 20-30bps NIM expansion over the next 2-3 years. Capital position is now fortified at 13.3% CET1, providing ample runway for SME/Mid-Corp growth (targeted at 25% CAGR). Legacy asset resolution continues to provide a P&L cushion, with □1,581 Cr in recoveries this quarter. * **Negatives:** Core operating profitability remains thin; the Cost-to-Income ratio (normalized) is high at 71.8%. Retail asset growth is being intentionally slowed to 9% YoY as the bank cleans up its unsecured portfolio, which is currently the primary source of slippages. The Street remains concerned about how long this "calibration" will last before retail becomes a growth engine again. * **Forward-looking Watchpoint:** Monitor the pace of RIDF balance reduction. Management expects these balances to drop below □40,000 Cr by end-FY25; any delay here would push out the RoA expansion timeline.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures used as primary source.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII Growth (%)	12.2%	—	—	↑	Driven by balance sheet growth and steady margins.
NIM (AUM basis %)	2.4%	↓ 10bps	→ 0bps	→	Steady QoQ despite seasonality and rising cost of funds.
Cost of Funds %	6.5%	↑ 30bps	↑ 10bps	↓	Reflects industry-wide pressure on deposit pricing.
Cost of Deposits %	6.1%	↑ 20bps	→ 0bps	→	Managed through granular deposit focus; SA daily avg grew 28.5% YoY.
CASA Ratio (period end %)	30.8%	↑ 140bps	↓ 10bps	↑	Seasonal Q1 dip; long-term trajectory is up due to new acquisition engine.
Credit-Deposit Ratio %	86.6%	↓ 470bps	↑ 110bps	↑	Improving liquidity profile; Deposits growing 21% YoY vs Loans 15%.
Loans Growth (% YoY)	14.7%	—	—	→	SME/Mid-Corp leading at 24-25%; Retail calibrated down.
Deposits Growth (% YoY)	20.8%	—	—	↑	Outpacing industry; Retail & Branch banking led deposits at 54% of total.
GNPA %	1.7%	↓ 30bps	→ 0bps	↑	Asset quality stabilizing at new lows.
NNPA %	0.5%	↓ 50bps	↓ 10bps	↑	Significant improvement; PCR (incl. tech write-offs) at 80.1%.
Slippage Ratio %	2.1%	↓ 90bps	↓ 30bps	↑	Gross slippages at □1,205 Cr (PPT p21).
Credit Cost (% funded assets)	0.21%	↓ 15bps	↓ 25bps	↑	Aided by □654 Cr write-backs from SR redemptions.
Capital Adequacy / CET1 %	13.3%	↓ 30bps	↑ 110bps	↑	Boosted by warrant exercise; RWA to Total Assets stable at 70.3%.
PAT (□Cr)	502	↑ 46.7%	↑ 11.2%	↑	Highest quarterly profit since reconstruction.
Fee Income Growth %	20.5%	—	—	↑	Normalized core fees; Retail banking fees up 26% YoY.
RoA %	0.5%	↑ 10bps	→ 0bps	→	Maintained 0.5% for second consecutive quarter.

2B. SEGMENT BREAKDOWN

Segment	Advances (□ Cr)	YoY Growth	Mix %	Trend	vs Company Avg	Key Development
Retail	101,781	9.4%	44%	↓	Below Avg	Intentionally slowed for "product and sourcing mix calibration."
SME	37,147	23.8%	16%	↑	Above Avg	High-yielding granular book; GNPA at 1.5%.
Mid-Corp	34,309	25.0%	15%	↑	Above Avg	Growth led by new-to-bank (NTB) clients and trade solutions.
Corporate	56,328	13.8%	25%	↑	Inline	Resumed growth after years of legacy de-risking; up 6.3% QoQ.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	PSL / RIDF	RIDF balances <5% of Total Assets by FY27.	Requires ~20% annual reduction in RIDF book; feasible if PSL compliance holds.	Delivered Nil PSL shortfall in Q1 as promised.	Low
Guidance	Loan Mix	60:40 ratio (Retail+SME vs Wholesale).	Currently at 60:40; maintaining this requires Retail to re-accelerate in H2.	Ratio held steady at 60:40 (PPT p21).	Medium
Guidance	Growth	25% CAGR in SME and Mid-Corporate segments.	Current run-rate of 24-25% matches this target exactly.	Consistently delivered mid-20s growth in these pods.	Low
Strategy	Digital	Retain leadership in UPI/ AePS despite market share caps.	High; processing 1 in 3 digital payment transactions in India.	Market share processing increased this quarter.	Low
Balance	Asset Quality	Stabilize Net NPA + SR carrying value below 1.0%.	Currently at 0.9%; requires continued recovery momentum.	Improved from 2.4% to 0.9% in 12 months.	Medium

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	Shreenivas (Ind.)	Recoveries	Financials	Why is P&L gain lower than actual SR recovery?	Management explained that recoveries first reduce the carrying value of SRs on the balance sheet and only flow to P&L once the specific trust's carrying value is zero. This implies future recoveries will have a higher P&L flow-through as carrying values reach zero (currently only □850 Cr left).	None	5.0	Specific and quantified
2	4.5	M.B. Mahesh (Kotak)	Unsecured Stress	Financials	What is the status of the unsecured loan portfolio?	Management admitted to segmental stress, changed scorecards, and cut certain markets/ profiles, noting they expect pain to persist for 1-2 quarters. Muted growth in retail is a deliberate risk-mitigation strategy that will suppress near-term NII but protect	None	4.0	Directional with evidence

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						the balance sheet.			
3	3.5	Jai Mundhra (ICICI)	Fee Income	Financials	What explains the negative treasury income and fee trends?	Management attributed the negative treasury to MTM revaluations and lower investment sale gains compared to last year, while core fees grew 20%+. The fee trajectory remains tied to granular transaction banking rather than volatile trading gains.	None	3.5	Vague but consistent
4	4.0	Jai Mundhra (ICICI)	Growth Strategy	Management	Why has retail growth slowed while corporate has picked up?	Management clarified that retail is undergoing a "calibration" for profitability, while the corporate slowdown of the past (legacy run-offs) has finally ceased. This signals a healthier growth mix where corporate banking is no longer a drag on total AUM.	None	4.0	Directional with evidence
5	5.0	Jai Mundhra (ICICI)	UPI Dominance	Strategy	Why will UPI market share moderate?	Management noted that the migration of a large	None	5.0	Specific and transparent

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						troubled player's handles (Paytm) to four banks will distribute the load, but the absolute market size growth will offset share loss. This manages expectations that processing fees will not grow linearly with total market volumes.			
6	5.0	Kunal Shah (Citi)	PSL/RIDF Drag	Financials	When will the PSL/ RIDF drag on NIMs neutralize?	Management provided a clear roadmap where RIDF balances drop below 5% of assets by FY27, with the P&L benefit starting materially in FY26. This is the single largest re-rating trigger for the bank's RoA expansion.	None	4.0	Specific timeline given
7	4.0	Rajan Pental (YBL)	Retail Slippages	Financials	What is the breakup of retail slippages?	Management revealed that 40-45% of the ₹800 Cr retail asset slippages came from the unsecured book. This confirms the	None	4.5	Quantified and honest

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						vulnerability in the high-yield unsecured segment and justifies the current growth slowdown.			

PATTERN FLAGS & SENTIMENT * **The PSL Structural Pivot:** Analysts were hyper-focused on the financial impact of reaching Nil PSL shortfall. Management successfully shifted the narrative from "compliance risk" to "structural margin expansion," providing a three-year roadmap for RIDF reduction. The concern is resolved on a compliance basis but remains a monitoring point for RoA expansion (FY26/27). * **Retail/Unsecured Anxiety:** A recurring theme was the spike in retail slippages. Management's posture was defensive but transparent, admitting they saw the signs 6-7 months ago and have already pivoted. This remains a "live" concern that will likely resurface next quarter as the "calibration" continues.

Analyst Sentiment Verdict: Analysts appear "cautiously optimistic." The structural cleanup (PSL and capital) was well-received, but the friction point remains the high Cost-to-Income ratio and the unsecured stress in the retail book. Management's credibility improved by delivering on PSL, but the single unresolved risk is whether retail asset quality can stabilize without further depressing growth.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (PPT)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Retail Growth	"Sustained momentum"	Growth is "subdued" and "calibrated."	Intentional slowdown to fix unsecured risk; growth will be "low double-digits."	Retail is 44% of the book; if slowdown extends beyond FY25, total AUM targets will be missed.
UPI Market Share	#1 Market Leadership	Expect "moderation going ahead."	Share will be distributed among four partner banks following the Paytm handle migration.	Minor; fee income impact mitigated by overall market volume growth.

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5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
N/A	N/A	N/A	N/A

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