Yes Bank Ltd — Nov 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat on PAT; Inline on Core Operations. **One-line:** The thesis is strengthening as YES Bank moves from a recovery play to a structural margin expansion story, with the drag from legacy PSL shortfalls finally peaking while the deposit franchise demonstrates industry-leading granularity.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Beat	PAT of □553 Cr (up 146% YoY) beat consensus and prior quarter (□502 Cr).	□
Earnings Quality	Medium	Core Operating Profit grew 22% YoY, but PAT remains supported by □253 Cr in Security Receipt (SR) gains.	□
Guidance Confidence	Strong	Management re-confirmed the roadmap for RIDF (PSL shortfall) reduction below 5% of assets by FY27.	□
Management Credibility	Strong	Achieved NIL PSL shortfall for the second consecutive quarter; delivering on the "CASA-first" deposit strategy.	□
Business Quality Signal	Improving	Structural cleanup of the balance sheet is accelerating; RIDF drag (11% of assets) to start reversing in H2.	□
Key Q&A Exchange	Q2 — RIDF Unwinding	Mgmt quantified that legacy RIDF assets are a 70bps drag on NIM; reversal is the primary RoA re-rating trigger.	□
The Street's Primary Anxiety	Unsecured Stress	High retail slippages (□1,100 Cr+); mgmt response was a deliberate "calibration" (zero YoY growth in retail).	□
Capital Cycle Stage	Harvesting Recovery	Harvesting legacy SR recoveries while consolidating the retail book to fix asset quality.	□
Margin / Return Trajectory	Stable to Improving	NIM steady at 2.4%; RoA held at 0.5% for the third consecutive quarter.	□
Pricing Power	Stable	Managed to keep Cost of Deposits flat at 6.1% despite industry-wide liquidity pressures.	□
FCF Conversion & Quality	Strong (Asset Side)	Rapid SR redemptions (□258 Cr this Q) provide non-dilutive capital and P&L support.	□
Competitive Moat Signals	Widening (Digital)	Dominant #1 in UPI (56% market share) and AePS (35%); leveraging stack for corporate CASA flows.	□
Balance Sheet Strength	Adequate	CET-1 at 13.2% (includes profits); RWA density managed through internal risk-weight optimizations.	□
Working Capital Efficiency	Improving	CD ratio improved to 84.8% (from 86.6% last Q) as deposits (18% YoY) outpace loans (12% YoY).	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on deposit growth and recovery targets (□2,600 Cr H1 recoveries vs □5,000 Cr FY target).	□
Key Vulnerability	Retail Slippages	Unsecured delinquencies expected to remain in the current range for another 2 quarters.	□
Management Tone	Disciplined	Focused on "Mix Optimization" and "Profitability Calibration" over aggressive loan growth.	□

Sentiment: □Positive | □Negative | □Neutral

Key Takeaways: * **Positives:** The structural "NIM pivot" is now visible. Reaching Nil PSL shortfall stops the incremental flow into 2.5%-3.5% yield RIDF deposits. As legacy RIDF balances (□44,000 Cr) begin to mature/repay in H2FY25, the 70bps drag on margins will slowly dissipate, providing a clear path to 1.0% RoA. Deposit growth is exceptional, with CASA (+29% YoY) significantly outperforming peers without aggressive pricing. * **Negatives:** Retail asset quality is the primary friction point. Slippages remain high at 2.2%, with 35-40% coming from the unsecured book (Cards/PL). To fix this, management has slammed the brakes on retail growth (0% YoY), which will cap NII upside in the near term until the "calibration" is complete (expected by Q4FY25). * **Forward-looking Watchpoint:** Monitor the "Net RIDF" reduction in H2. While gross redemptions are □11,000 Cr, net reduction will be ~□5,000 Cr due to past-year catches. Any delay in this reduction pushes back the margin expansion thesis.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures primary; Concall for commentary.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII Growth (%)	14.3%	—	—	↑	Driven by 12% loan growth and disciplined cost of funds.
NIM (AUM basis %)	2.4%	↑ 10bps	→ 0bps	→	Steady despite rising costs; aided by better loan mix.
Cost of Funds %	6.4%	→ 0bps	↓ 10bps	↑	Surprisingly stable despite liquidity tightness; reflecting CASA strength.
Cost of Deposits %	6.1%	↑ 10bps	→ 0bps	→	Held flat QoQ at 6.1% via granular retail deposit engine.
CASA Ratio (period end %)	32.0%	↑ 260bps	↑ 120bps	↑	Significant outperformance; daily avg CA grew 24% YoY.
Credit-Deposit Ratio %	84.8%	↓ 440bps	↓ 180bps	↑	Improving liquidity; Bank is choosing liquidity over low-yield loans.
Loans Growth (% YoY)	12.4%	—	—	↓	Slowing from 15% (Q1) due to intentional retail calibration.
Deposits Growth (% YoY)	18.3%	—	—	↓	Slowing from 21% (Q1) but still far outpacing loan growth.
GNPA %	1.6%	↓ 40bps	↓ 10bps	↑	Continuing downtrend; legacy wholesale stress fully contained.
NNPA %	0.5%	↓ 40bps	→ 0bps	↑	Maintained at 0.5%; PCR (incl tech write-offs) at 81.5%.
Slippage Ratio %	2.2%	↓ 20bps	↑ 10bps	↓	Gross slippages at □1,314 Cr; elevated by unsecured retail.
Credit Cost (% funded assets)	0.3%	↓ 20bps	↓ 10bps	↑	Non-tax provision cost at historic lows due to SR gains.
Capital Adequacy / CET1 %	13.2%	↑ 10bps	↓ 10bps	→	CET-1 hit by 12-13bps due to MFI/LTV risk-weight adjustments.
PAT (□Cr)	553	↑ 145.6%	↑ 10.1%	↑	Highest quarterly profit since reconstruction.
Fee Income Growth %	16.3%	—	—	↑	Core fees normalized for treasury grew 13% YoY.

2B. SEGMENT BREAKDOWN

Segment	Advances (₹ Cr)	YoY Growth	Mix %	Trend	vs Co. Avg	Key Development
Retail	100,424	0.0%	43%	↓	Below	Intentional slowdown to calibrate sourcing mix and fix unsecured pain.
SME	38,982	25.8%	16%	↑	Above	Strong momentum; ~86% book is collateral backed.
Mid-Corporate	36,765	25.5%	16%	↑	Above	Focused on Knowledge Banking and digital ecosystem cross-sell.
Corporate	58,946	21.8%	25%	↑	Above	Resumed growth (+5% QoQ) after years of legacy de-risking.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	PSL / RIDF	RIDF balances <5% of Total Assets by FY27.	Requires ₹15,000 Cr+ net reduction over 2.5 years; feasible if PSL compliance stays Nil.	Delivered Nil shortfall for 2nd straight Q.	Low
Guidance	Recoveries	₹5,000 Cr recoveries/ upgrades for FY25.	H1 at ₹2,600 Cr; implies ₹1,200 Cr/quarter run-rate (in-line with current performance).	Consistently met/ exceeded for 2 years.	Low
Guidance	NIM Expansion	70bps potential NIM uplift from RIDF unwinding.	Long-term target (FY27); requires replacement of 3% yield RIDF with 10%+ yield loans.	Structural transition just beginning.	Medium
Strategy	Retail Mix	Shift towards "RoA accretive" products (Used Cars, Affordable HL).	Current retail growth at 0% reflects this aggressive pruning/ calibration.	Calibration visible in segment growth.	Medium
Strategy	Opex	Core Fee income to outpace Opex growth.	Core fees grew 13% YoY; normalized Opex (ex-PSLC) grew 11%. Meeting target.	Track record is mixed due to tech spend.	Medium
Balance	Asset Quality	Credit Costs to remain range-bound despite retail pain.	Supported by SR write-backs (₹850 Cr carrying value remaining).	SR gains providing strong P&L buffer.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	3.0	S. Rama Reddy (Ind.)	Dividends	Financials	"When will the bank announce dividends after three years of profit?"	Management indicated the Board evaluates dividend distribution annually based on capital needs for growth. No commitment made, but signals capital preservation is currently prioritized over payouts.	Specific timeline	3.0	Vague but consistent
2	5.0	Param Subramanian (Nomura)	NIM Profile	Financials	"How will margins sustain in a downward rate cycle given the lower starting NIM?"	Management emphasized the 70bps drag from RIDF assets which will unwind by FY27 as the primary NIM driver. This decouples bank margins from the repo rate to some extent, making the thesis structural rather than cyclical.	None	5.0	Quantified and clear
2a	4.5	Param Subramanian (Nomura)	Unsecured Stress	Financials	"How is the unsecured retail book holding up given industry stress?"	Management admitted delinquencies are elevated but noted they had already slowed growth in Personal Loans and Credit Cards 3-4 months ago. This confirms the bank is being proactive, though near-term retail	None	4.0	Directional with evidence

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						growth will be sacrificed for asset quality.			
3	4.0	Jai Mundhra (ICICI)	SR Fair Value	Financials	"What is the potential absolute recovery from the ₹843 Cr book value of SRs?"	Management clarified that while book value is ₹843 Cr, face value is ₹3,200 Cr and fair value (rating agency estimates) is ₹5,000-6,000 Cr. This implies a massive unrealized P&L buffer that will flow through as redemptions continue over 2-3 years.	None	4.5	Specific and quantified
4	4.0	Jai Mundhra (ICICI)	CET-1 Hit	Financials	"What caused the 10bps sequential decline in CET-1 ratio?"	Management attributed the hit to higher risk weights on MFI and LTV-based adjustments on certain retail products (12-13bps total impact). This is a one-time regulatory/risk adjustment, not a sign of fundamental capital depletion.	None	4.5	Specific and verifiable
5	4.5	Jai Mundhra (ICICI)	Credit Card Growth	Financials	"Why is the PPT showing 45% CC growth if management is being cautious?"	Management clarified that CC growth will anchor lower to <30% going forward compared to the historical 45-50% run-rate. The backward-looking	None	4.0	Follow-up forced clarity

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						numbers mask the recent aggressive tightening in card sourcing.			
6	4.0	M.B. Mahesh (Kotak)	Personal Loan Pain	Financials	"Is the stress in unsecured retail peaking or will it continue for a few quarters?"	Management expects stress levels to remain in the current range through March 2025. This sets a clear two-quarter timeline for when asset quality pressure might finally begin to abate.	None	4.0	Specific timeline given
7	3.5	Rakesh Kumar (B&K)	Core Fee Quality	Financials	"What drove the acceleration in Non-Interest Income this quarter?"	Management noted treasury gains of □100 Cr and strong life insurance premiums ahead of Oct-1 regulation changes. While some elements are one-off/pre-emptive, core retail fees grew a healthy 15% YoY.	None	3.5	Directional with evidence
8	4.0	Jai Mundhra (ICICI)	CASA Engine	Financials	"How are you achieving high SA growth while managing costs at 5.7-5.8%?"	Management highlighted digital onboarding (SA in 4 mins) and segmented catchment strategies rather than aggressive pricing. This implies the CASA growth is sustainable	None	4.0	Specific and transparent

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						and not dependent on "buying" deposits.			
9	4.5	Dev Dey (Horsepower)	RIDF Redemptions	Financials	"What is the net impact of RIDF redemptions in H2FY25?"	Management expects ₹10,000-11,000 Cr in gross redemptions but only ~₹5,000 Cr in net book reduction due to catch-up placements. This provides a realistic (and slightly lower) expectation for the NIM boost in the immediate H2 period.	None	5.0	Quantified and clear

PATTERN FLAGS & SENTIMENT * **Theme 1: The RIDF Structural Pivot:** Analysts are finally shifting from questioning *if* the bank can comply with PSL to *how much* it will benefit. Management was extremely confident, providing a 70bps "margin unlock" figure. This is now the core of the long-term investment thesis. * **Theme 2: Retail Calibration vs. Pain:** There is clear skepticism about the duration of the unsecured stress. Management's defensive posture—halting retail growth to fix quality—is respected but has turned retail from a growth engine to a drag. * **Analyst Sentiment Verdict:** Analysts are cautiously optimistic. They are convinced by the liability franchise (CASA) and the structural PSL cleanup but remain skeptical about the Cost-to-Income ratio (73%) and the timeframe for retail asset quality stabilization. Management's credibility is at its highest point in years due to consistent delivery on the "Turnaround Story" metrics.

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" | 0% YoY growth; "calibration" mode. | The PPT highlights historical growth; Q&A revealed a total halt to PL/CC growth to manage stress. | NII growth targets for FY25 are likely at risk if Wholesale doesn't fill the gap. | | RIDF Reduction | ₹11k Cr Redemptions | Only ₹5k Cr *Net* reduction. | PPT highlights the gross redemption; Q&A clarified that net reduction is smaller due to catch-up. | NIM expansion will be more gradual in H2 than some analysts initially modeled. |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1FY25)	This Quarter (Q2FY25)	Direction
Retail Growth	9.4% YoY growth	0.0% YoY growth	↓
CASA Ratio	30.8%	32.0%	↑
PAT	□502 Cr	□553 Cr	↑
CD Ratio	86.6%	84.8%	↑ (Improving)
Credit Rating	A / Stable	A+ / Stable (CRISIL/CARE)	↑
Unsecured Outlook	"Early signs of delinquency"	"Stress to remain for 2 quarters"	↓
Management Focus	PSL Compliance achievement	RIDF balance unwinding / NIM unlock	↑

STOP HERE.