YBL/CS/2024-25/129

November 04, 2024

National Stock Exchange of India Limited
Exchange Plaza,
Plot no. C/1, G Block,
Bandra - Kurla Complex
Bandra (E), Mumbai - 400 051
NSE Symbol: YESBANK

BSE Limited
Corporate Relations Department
P.J. Towers, Dalal Street
Mumbai – 400 001
BSE Scrip Code: 532648

Dear Sir/Madam,

Sub.: Transcript of Earnings Call for the un-audited Financial Results of the Quarter (Q2) and half-year ended on September 30, 2024

Ref.: Reg. 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Please find attached the transcript of the earnings call (Group meeting) hosted by YES Bank Limited ("the Bank") on October 26, 2024 for the un-audited Financial Results of the Quarter (Q2) and half-year ended on September 30, 2024. The same is made available on the Bank's website within the timeline prescribed under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and can be accessed at the following link:

https://www.yesbank.in/pdf?name=yesbank_analyst_call_transcript_q2_fy25.pdf

You are requested to take the same on record and acknowledge the receipt.

Yours faithfully,

For YES BANK LIMITED

SHIVANAND RAMA SHETTIGAR
Digitally signed by SHIVANAND RAMA SHETTIGAR
Date: 2024.11.04 11:25:03 +05'30'

Shivanand R. Shettigar
Company Secretary

Encl.: As above

"YES Bank Limited

Q2 FY25 Earnings Conference Call"

October 26, 2024

MANAGEMENT: **MR. PRASHANT KUMAR – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – YES BANK LIMITED**
MR. NIRANJAN BANODKAR – CHIEF FINANCIAL OFFICER – YES BANK LIMITED
MR. RAJAN PENTAL – EXECUTIVE DIRECTOR – YES BANK LIMITED
MR. MANISH JAIN – COUNTRY HEAD – WHOLESALE BANKING – YES BANK LIMITED
MR. PANKAJ SHARMA – CHIEF STRATEGY AND TRANSFORMATION OFFICER – YES BANK LIMITED
MR. SUNIL PARNAMI – HEAD OF INVESTOR RELATIONS AND SUSTAINABILITY – YES BANK LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to YES Bank's Q2 FY '25 Earnings Conference Call. On the management panel, we have with us today, Mr. Prashant Kumar, Managing Director, and Chief Executive Officer; Mr. Rajan Pental, Executive Director; Mr. Niranjan Banodkar, Chief Financial Officer; Mr. Manish Jain, Country Head, Wholesale Banking; Mr. Pankaj Sharma, Chief Strategy and Transformation Officer; and Mr. Sunil Parnami, Head of Investor Relations and Sustainability.

Mr. Prashant Kumar will now give you an overview of the results, which will be followed by a Q&A session. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. Participants are requested to ask questions pertaining to the Bank's Q2 results only. For any other information, you may reach out to the corporate communications team separately.

I now hand the conference over to Mr. Prashant Kumar. Thank you and over to you, sir.

Prashant Kumar: A very Good Afternoon and thank you for joining us for YES Bank Quarter 2 Earnings call. On this call, I am accompanied by the senior team members of the Bank.

The quarter 2 performance of the Bank has been extremely encouraging, especially when seen in the backdrop of industry-wide challenges, particularly in the form of persistent headwinds to deposit acquisition as well as heightened stress in the unsecured segment. I would like to draw your addition to Page 4 and 5 of our Investor Presentation, where we have highlighted our consistent outperformance to the Industry in deposits - growth which is even more stark in the case of Current Account and Savings Account Deposits. Similarly, despite the heightened stress levels in the unsecured segment, there has been a sustained improvement in our Asset Quality parameters. Moreover, it is important to highlight that this outperformance is not just recent but has been persistent over the last four to six quarters.

Before diving into the details of our quarter 2 results, I would summarize our performance through following few data points:

A. The Bank yet again delivered highest quarterly profit since reconstruction of INR 553 crores which is up 146% Y-o-Y and 10% sequentially. The Bank maintained its ROA at 0.5% for the third consecutive quarter which compares to 0.2% reported in quarter 2 of FY '24.
B. It is extremely encouraging that this net profit growth has been driven by healthy operating profit growth of 22% Y-o-Y and 10% on a sequential basis.
C. The Bank's Deposit growth momentum continued with 18% Y-o-Y and 5% quarter-on-quarter growth. CASA ratio improved 260 basis points Y-o-Y and 120 basis points quarter-on-quarter to 32%. While the Current Account Deposits have grown 26% Y-o-Y and 11%

quarter-on-quarter, the Savings Bank Deposits have grown 30% Y-o-Y and 7% on a quarter-on-quarter basis. This had aided the Bank in maintaining the Cost of Deposit, Cost of Funds as well as net interest margins stable on a sequential basis.

D. In line with our strategic objectives, both SME and Mid-Corporate Advances grew at a superior rate of 26% each, while Corporate Advances continued the momentum from last quarter. The Retail segment growth has been calibrated, both on account of mix optimization aimed at profitability improvement as well as risk-based interventions across products. I would provide further insight into this a bit later. However, we are still maintaining NIL PSL shortfall across overall requirements as well as subcategories during this quarter also.

E. The Bank sequentially improved the Gross NPA ratio to 1.6% from 1.7% last quarter. The Provision Coverage Ratio continuing to improve and now stands at a healthy 70%. There has been also significant decline in the outstanding amount of restructured accounts at ~INR 2,100 Crores, which is now only 0.9% of advances and down from 2.2% in quarter 2 last year and 1.6% in quarter 1 of this fiscal. The quarter-on-quarter reductions have been primarily on account of resolutions and upgrades. The Fresh Slippage at 2.2% of Advances, remained well within our guidance range.

I would also like to highlight that, the growing strength in our franchise is receiving external validation through Credit Rating upgrades over the last two quarters. During quarter 2, CRISIL and Care have upgraded the ratings on our Basel III Tier II Bonds and the Infrastructure Bonds to A+ from A earlier.

We have also made few key senior appointments in our Management Team during the quarter. In line with our strategy to improve profitability in the Retail Asset segment, we have appointed Mr. Sumit Bali as the Head of the Retail Asset and Debt Management. We have also hired Mr. Mohit Mehta as the Retail Collection Head and Mr. Nirav Dalal has been appointed as Head of Financial Markets.

Now I would like to cover the Key Performance Highlights of our quarter 2 performance, presuming that many of you might have already gone through our detailed results presentation, which was uploaded sometime back.

1. For quarter 2, Net Interest Income at INR 2,200 crores registered a growth of 14% Y-o-Y. The Bank's Net Interest Margin at 2.4% remained steady compared to last quarter.
2. The Non-Interest Income at INR1,407 crores has grown 16% Y-o-Y and 17% quarter-on-quarter. Core fee income of the Bank - after normalizing for realized and unrealized gains on Investment and treasury income has grown 13% Y-o-Y basis and 9% on quarter-on-quarter. Core Fee as a % of Average Assets further improved to 1.3% for quarter as compared to 1.2% last quarter.
3. The Cost-to-Income ratio improved to 73% in comparison to 74.4% in quarter 2 and 74.3% in quarter 1 of the current financial year. Normalizing for PSLC cost, Operating Expenses growth was contained at 11% on a Y-o-Y basis and only 2% on sequential basis.
4. In quarter 2, the Bank has once again achieved NIL PSL shortfall in the overall requirement as well as various sub-categories. We remain on track to start seeing a reduction in the stock

of aggregate deposits made in view of PSL shortfall starting second half of the FY '25 itself. This balance is targeted to reduce below 5% of our Total Assets over the next 3 years.

5. The Bank reported its Pre-Provision Operating Profit of INR 975 crores for quarter 2, which is up 22% Y-o-Y and 10% quarter-on-quarter.
6. The salient highlights pertaining to Asset Quality, Slippages, Recoveries, and the Provisioning are as follows:
    a. Gross NPAs ratio at 1.6%, improved from 2% in quarter 2 last year and 1.7% in the quarter 1.
    b. Net NPA ratio at 0.5% in comparison to 0.9% in the quarter 2 last year and at the similar levels compared to quarter 1.
    c. Resolution momentum continued during the last quarter with recoveries and upgrades of INR 1,021 crores during the quarter including INR 258 crores of gross recoveries from Security Receipts. Cumulative recoveries and resolution in the first half of FY '25 have aggregated to INR 2,600 crores.
    d. NPA Provision Coverage Ratio was stepped up to 70% against 67.6% last quarter and 56.4% in quarter 2 of last year. Including technical write-off, PCR now stands at 81.5% against 80.1% in quarter 1 and 72.1% in quarter 2 of last financial year.
    e. Non-Tax Provision Cost for quarter 2 at INR 297 crores and as a percentage to Average Assets stood at 0.3% on annualized basis. This was lower by 41% on Y-o-Y basis.
    f. Gross Slippage at INR1,314 crores against INR1,263 crores in quarter 2 last year and INR1,204 crores in quarter 1 of this year. Slippage Ratio as a percentage of advances is at 2.2% against 2.4% in quarter 2 last year and 2.1% in the previous quarter.

Moving over to Business, Balance Sheet and Other Highlights

7. Our balance sheet has registered a Y-o-Y growth of 14% and CD ratio improved to 84.8% from 89.2% in quarter 2 last year and 86.6% in quarter 1 of this year.
8. Robust accretion continued in deposits, growing at 18% Y-o-Y and 5% quarter-on-quarter. CASA ratio as covered earlier, came in at 32% as compared to 30.8% in quarter 1 and 29.4% in quarter 2 last year. CASA balances at the end of quarter 2 has grown by 29% Y-o-Y and 9% quarter-on-quarter. While the Current Account Deposits have grown 26.2% Y-o-Y and 11.1% quarter-on-quarter, the Savings Bank Deposits have grown 30.5% Y-o-Y and 6.6% quarter-on-quarter. The average daily balance for Current Account and Savings Account registered similar growths on Y-o-Y basis.
9. Advances growth is 12.9% Y-o-Y.
10. In line with our strategic objectives, SME and Mid-corporate Advances continue to grow at a faster pace of 26% each on Y-o-Y basis. Further, the momentum in Corporate Advances continued with 22% Y-o-Y and 5% quarter-on-quarter growth.

    Retail advances growth is flattish on Y-o-Y basis and marginally lower on quarter-on-quarter basis. I would like to draw your attention to Page 41 of our investor presentation, where we have provided product-wise growth rates. If you notice, there has been differential growth across products. This has been on account of a couple of interventions. Firstly, as we have been stating, we are optimizing our product and sourcing mix to improve profitability of our retail asset portfolio. As a result of this, you can see higher growth rates in products such as affordable home loans, used car loans, credit cards, etc. The PSL contributing products are also registering high growth rates such as Rural Banking and ISB which is our MFI portfolio.

The second intervention is based on our risk assessment in certain segments, geography, and products where we have highlighted -- where we have tightened the underwriting parameters to ensure better selection as well as lower the impact of ongoing stress in the Industry. As a result of this, you can see that there has been a slowdown in growth of products such as personal loans. It is important to highlight that the second kind of intervention is more transitory in nature and will be reviewed on frequent basis based on prevailing conditions.

11. The Bank's average quarterly LCR for quarter 2 remained healthy at 132%.
12. Bank's CET 1 ratio stood at 13.2% with total Capital Adequacy at 16.1%. This is despite the Risk-Weighted Asset's increase in select portfolio such as MFI.

As I conclude, let me reiterate that YES Bank's core franchise has now gained significant momentum, and this strength is now enabling the Bank to successfully navigate the various headwinds currently prevalent in the industry. We remain confident in our progress towards building a franchise which delivers superior returns to our stakeholders.

Lastly, I would like to take this opportunity to wish you for the upcoming festival season. On behalf of the YES Bank family, I wish all of you a Very Happy and Prosperous Deepavali.

With this, we can now take your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of S. Rama Subba Reddy, an Individual Investor. Please go ahead.

S. Rama Subba Reddy: So I've been an individual investor of YES Bank last 4 years before SBI taking over some last previous management. So here, my question is like we are like delivering the good numbers like every quarter, every year-on-year basis. Despite all the good performance showing by YES Bank, there is no significant growth in the YES Bank share price. May I know what kind of actions are being taken by management side? That is my first question.

And second question, as mentioned by the new management after three consecutive years of the profit, we will be announcing the dividend. But somehow last year, it has been not given to the shareholders. Maybe is it planned in the next year or how it is if you could address? So -- and the third question is like basically like from the Japan and Dubai, some big banks are going to buy the stake and because of that we can see that last couple of -- year-to-date, YES Bank share is performing down. So maybe if you could address these three questions, it would be helpful for the individual investors as a retail investor?

Prashant Kumar: First of all, thank you so much for taking time out and participating in this investor call. Responding to your first question, I think we don't comment in terms of the movement on the stock prices. We, as a management team, I strongly believe that we need to focus ourselves in terms of sustained and continuous performance, both in terms of business as well as the profitability of the Bank. And if you have taken note that Bank has been able to deliver both in terms of business growth and the profitability on a continuous basis, which is moving upward in the right direction, and we will continue to do this.

Your second question in terms of dividend after 3 years of profitability. We as a Bank have a dividend policy approved by the Board, and the Board would continue to evaluate whenever we find it appropriate to distribute dividend to our shareholders. But at the same time, I would like to reassure you that we as a Management Team would continue to work in terms of optimization of return for all our stakeholders.

Your third question, pardon me, but I think this conference call is limited on the basis of the performance of the quarter 2 of the Bank.

S. Rama Subba Reddy: Thank you sir.

Moderator: Thank you. We have the next question from the line of Param Subramanian from Nomura. Please go ahead.

Param Subramanian: My first question is on the margin profile. As we know, I think the broader outlook for interest rates is probably downwards from here. So in that context, considering we have a lower margin profile than our peers and currently a lower overall operating profitability, what measures will be looking at to, say, improve or sustain this margin in the context of, say, moderating rates? That's question one.

Niranjan Banodkar: So why don't you just complete the list of questions, then we'll take all of them.

Param Subramanian: Yes. Secondly, on the retail book, I can see we have a decent chunk of, say, unsecured retail credit cards, personal loans. So how is that book holding up at present? Some color on that would be great. That's it from me.

Niranjan Banodkar: Okay. Thank you, Param. On the margin profile, so we're currently at 2.4%. I think it's important to just understand that there is one big drag that comes from the RIDF assets that we are holding in view of the PSL shortfall of the past. That's almost 11% of our Total Assets. And currently, just on a pro-forma basis is pulling down the margins by almost 70 basis points. So as the proportion of these assets keeps reducing over time, and we've also indicated that by March '27, we expect this proportion to come well below 5% from the current 11%, which will, of course, add to margins for the Bank. That's point number one.

The second point you mentioned was on -- as we kind of look at reducing interest rate backdrop, I think just from matching of the assets and liabilities from an interest rate perspective, I think we believe that we are fairly matched. However, as we kind of start seeing interest rates coming down, it is possible that you will see some lead and lag in terms of the pricing. So it is possible that your, let's say, repo linked advances get repriced immediate and some of the deposits may not get repriced immediately.

But I think just given the broad combination of assets and liabilities that we have, we do believe that over a 6 month to 12-month period for most of these things to end up neutralizing, of course, depending on how sharp the movements are. And if there are mismatches in the -- while interest rates on funding can come down, but let's say, if the asset pricing for whatever reason is depicting a different behaviour, I think in those elements we will have to see. But just the direction of interest rates in itself may not necessarily have an impact on the margin.

I think it will be a function of also what competitive landscape we see in the loan market and the deposit because that will also ultimately determine the spread, and the demand and supply will determine whether the spreads compress or expand. So that's the response to your question number one.

Your second question was on Retail. So just in terms of the proportion, I'm not sure, Param, if you've got the information right way. It's not that we are running a very high unsecured book, yes, although we do admit that the delinquencies that are coming through in recent times, there is about 1/3 of those -- 35% to 40% of those are indeed coming from the unsecured book. And we would actually go back and just see what we've been saying.

We've been consistently saying that there are early signs of delinquency on the unsecured side. In fact, we've also consciously slowed down on some of these products over the last 3 to 4 months. So both, given the asset quality early indicators as well as our focus on asset quality, our focus on improving profitability, we've recalibrated the retail asset growth. And in fact, this quarter, after the disbursement rates having come down quarter-on-quarter is actually - September being the first quarter, the disbursement in retail actually has been higher than June quarter. So yes, I think we are now kind of seeing some improvement, but we will continue to be watchful in this particular segment.

Param Subramanian: Perfect. No, I don't mean to say unsecured retail is higher. I guess from the perspective that our margins are currently lower and, as you said, will improve, the scope to go wrong is a little lower. So that was where it was coming from. But one other thing just, is there the change in mix towards corporate, does that have any margin implications? Yes, that's it from me, and congratulations on the quarter.

Niranjan Banodkar: Thank you, Param. So yes, I think the mix shift, I think clearly, the yield at which, let's say, Corporate operates versus where the Retail will operate will have a bearing on the margins. But as I said, at least, we are confident that some of the RoA's that we kind of look at on the retail, we do believe that we will be able to drive better margins, not just from a margin standpoint, but let's say, from a viewpoint of ultimate RoA.

And the second thing what you've to also keep in mind is we also expect the start of the unwinding of the RIDF book kind of picking up speed from H2 fiscal '25, some bit of margins will also start coming in from that. So while the mix recalibration might be a near-term phenomenon for us between wholesale and retail, it's not a structural change that we are talking about. It is more an interim phenomenon. And I think we do expect the margins to operate at similar to actually with a positive bias. But again, I'm not giving any real-time guidance on where the margins will end this financial year.

Moderator: Thank you. The next question is from the line of Jai Mundhra from ICICI Securities. Please go ahead.

Jai Mundhra: Sir, in the BSE release Point 15, in Sub-part 2, that gives the security value realizable bifurcation, right? That shows that there are few security receipts, which have a value of more than 100% and then up to 150%. How to read this number? I mean the outstanding value of SR is INR 843 crores, which is your book value. But is there any mathematical way to understand what could be the potential recovery in absolute amount from this book? Or that is not really too much information there?

Niranjan Banodkar: So Jai, if we look at -- I'm just putting -- I'm going to put 3 numbers here. And again, I think this is something we discussed last time around as well. The book value is about INR 850 crores. The face value of these Security Receipts is in the handle of about INR 3,200 crores. And then there is a fair value, which is getting reflected through the rating letters, right? That number -- again, I'm not kind of putting up a precise number here. The number that we are looking at is in the range of about INR 5,000 crores to INR 6,000 crores.

So I think that's the range that the Rating Agencies is kind of putting on from a recovery standpoint. And yes, I think that's something that we're kind of seeing from a recovery prognosis. Of course, I'm not talking about the timing of these recoveries. These will happen as they have to happen, but that's the number that we're going look at.

Jai Mundhra: Sure. Secondly, I mean, you've mentioned that in the waterfall, CET waterfall, that 10 basis point reduction is because of MFI and others. I believe the MFI number, right, I mean, I think you have given of INR 1 lakh crores of retail assets, retail loans. MFI is 2% only, right? I mean the IBG number, so is only maybe INR 2,000 crores roughly, MFI exposure. Is that the right understanding? Or there is more to it, which is causing the 10-basis point decline?

Niranjan Banodkar: So on the risk weights, there were two large -- I wouldn't say large, sorry, my bad for that, but 2 segments in which we've looked at the risk weights going up. One was the MFI and the other was the way we were for certain product lines, the way we were looking at computing the market value. So there was some minor adjustment that we had to do on the market value from. Let's say, you take a market value versus what is the realizable value, I think concept that we had to use for computing the LTVs.

So both of them combined, the MFI and this adjustment in the LTV, which had an implication on risk weight. Both of these adjustment was, I think, between about 12 to 13 basis points from a CET-1 impact standpoint. So if you actually eliminate that, you would actually see that the Bank has maintained its CET-1 despite actually growing, and that's because we continue to work hard on maximizing the rating letters from our customers. It's also a reflection that when we are lending to, let's say, the corporate NBFC side, these are -- some of them are also good quality customers. So it's getting inherently reflected in the weight profile as well.

Jai Mundhra: And sir, in the issue -- I mean we had highlighted some higher stress in the Credit Card book in some media interviews and also, I think, in the last quarter also. If you can quantify the Gross Slippages in Credit Card book? And if I see the growth, right, I mean, the PPT says that we have been growing at 45% kind of a number. And so how do you look at growth as well as asset quality going ahead?

Niranjan Banodkar: In terms of -- I'll just take the question on the specific number on slippage. We have about INR 150 crores, INR 160 crores of growth slippage on the credit card book for this quarter. And I'll hand it over to Rajan on the growth. Thank you.

Rajan Pental: So in line with what are the developments in the market, the growth for Credit Card is going to be trending lower. We would be actually looking at a growth of around 30%, 32%. And then we'll be watchful of how the proceedings are actually in the market, how the portfolios are shaping up. So I don't think that probably 40-50% kind of a growth number is what we are looking for going forward anywhere closer. So this would probably be half from the current levels.

Niranjan Banodkar: So Jai, just sequential growth rate is already -- if I just annualize the sequential growth rate, we are already clocking in the 30% range from the 50s. And like Rajan mentioned, we think we will anchor lower than 30%.

Jai Mundhra: Right. And last question, I think did I hear it correct that RIDF proportion should be coming down to below 5% by March '26? Is that the way to look at RIDF?

Niranjan Banodkar: You heard it correct, except for one minor correction there, it is not March '26, March '27.

Jai Mundhra: Okay, sure. And the reason is that incrementally, we may not -- we are not putting any amount in RIDF. And hence, as the book grows and the numerator does not grow, that is how the proportion will come down? Or there is any other way around also?

Niranjan Banodkar: In substance, what you are saying is absolutely right, yes. Just that, again, minor clarification. At a net level, the book will come down. But just in terms of the gross operation, for some of the previous non-compliances that we had even before FY '24, there will be some gross money that we will have to park, but the redemptions will be more than the gross money that we are parking. But the good thing is that the new money that we will be parking is actually at a rate of interest, which will be higher than the stock yields that we have in the book. So either way, we're looking to improve margins through reduction as well as the rate on the RIDF.

Prashant Kumar: But Jai, there would be a change in both numerator as well as denominator. So it is not only overall book is growing, that's why the percentage would come down less than 5%. Stock of RIDF would also start coming because of the repayment.

Moderator: Thank you. The next question is from the line of M B Mahesh from Kotak Securities. Please go ahead.

M B Mahesh: Sir, just adding to the previous question again, you said INR 150 crores has come from Cards. Even if you remove this number - the slippage is still running at 4%. Are there any other portfolio like how is the PL doing and any other part of the portfolio which is additional cause on stress?

Niranjan Banodkar: So Mahesh, if you look at the total slippage, if I look at, let's say, the unsecured book, including Credit Cards, we would -- I think about INR 1,100 crores slippage, about 35% to 40% will be unsecured book, including credit cards. So yes, I think there is a play out of the delinquency coming in from personal loans.

M B Mahesh: Sorry, to ask a question again, did you indicate that the stress has peaked out? Or are you saying that it will still run through for a few more quarters?

Niranjan Banodkar: So in terms of the stress that we are seeing right now, we do believe that it will remain in this range for the next couple of quarters till, let's say, March '25. And again, I'm not kind of working through a precise number, but in the same range is where we think that this will remain. We don't expect a material elevation in the stress levels from here on. Although our endeavour is to see, we reduced the numbers from here. But our expectation is largely that we should be range bound over the next 2 quarters.

M B Mahesh: And just to clarify, in these borrowers that you are writing off today, that is also the personal loans and credit cards?

Niranjan Banodkar: The write-off pool, yes. So the write-off policy that we have, Mahesh, is all non-property-backed Retail loans, we actually write-off at 180 days. So the write-off will also include some of, let's say, for example, Auto loans. Some of those products will also come and sit as part of the write-off.

M B Mahesh: And one clarification. On the MFI book, how is your portfolio doing? And is that contributing to stress today or will that contribute at a later point in time?

Niranjan Banodkar: Actually, to be honest, it's not a material book. And so far, it has performed quite okay for us.

Moderator: Thank you. The next question is from the line of Dinesh Parekh from DG Parekh & Co. Please go ahead.

Dinesh Parekh: Congratulations to the Management for giving a very good performance. But our equity is too large, INR 3,000 crores equity share, INR 2 fully paid-up. So INR 6,000 crores equity. If you have to pay dividend of 10%, then you have to -- at least INR 650 crores will go over dividend. So at least every year, we have to double the profit minimum. Then by 2027, we can have an EPS of INR 3 or INR 4. That is the only just -- this is not a question. This is just a clarification.

Niranjan Banodkar: No. No, I think we kind of -- we are aware of some of these numbers that you're mentioning, Mr. Parekh. As Prashant mentioned, just from a dividend standpoint, for us, we have to maximize the Shareholders' returns over, let's say, a longer period of time, right? And you would appreciate that as Banks, we also require Capital to grow just given some of the balancing that we have to do. And then you also mentioned about equity base. But I think feedback taken, like we took from the first investor being who's been with the Bank for more than 4 years. So feedback taken. But we will continue to evaluate this on an ongoing basis just in terms of our ability and what we believe is in the best interest of our stakeholders.

Moderator: Thank you. The next question is from the line of Rakesh Kumar from B&K Securities. Please go ahead.

Rakesh Kumar: So sir, a couple of questions. Firstly, on the Other Interest Income side, so there is quite a lot of acceleration that we have in the first half, so we have posted close to around INR 780 crores.

This number used to be close to half around INR 400 crores, INR 440 crores. So where is this number coming from? If you can let me understand that?

Niranjan Banodkar: Rakesh, any other question or should we respond to it?

Rakesh Kumar: Yes. I have a couple of questions other than this.

Moderator: Rakesh, sorry to interrupt, but your line is not very clear.

Rakesh Kumar: Okay. Can you hear me now?

Management: Much better. Please go ahead.

Rakesh Kumar: Yes. So I was asking about the third-party sales-related income, that has also -- there is quite a lot of volatility, like in the last three, four quarters. So that I wanted to understand. Secondly, write-back of Standard Asset Provision. So what has happened there, and the tax rate is low. And then lastly, on this Asset Quality front, as you said just now that this kind of run rate on the Gross Delinquency side would be there. So I was just thinking that in the last 4 years, we had an average credit growth of around 7.5%. We had also sold quite a lot of chunk to ARCs. So now with this kind of Credit Growth, should we have this kind of Asset Quality issues even going ahead? So these are the list of questions that I have like you may respond to?

Niranjan Banodkar: Thank you, Rakesh. I think there's quite a number of questions. I'll try and tackle one by one. So I think the first question was on Non-Interest Income, and I think absolutely a valid observation. I would say, the volatility that you spoke about in the context of third parties, let me just maybe extend that to some other elements of fees as well. Typically, you observe fee performances at its peak in Q4. Q1 typically ends up being a slightly sluggish, sometimes materially lower than Q4. And then, of course, the momentum starts picking up again from Q2. So I would encourage that you do use that lens to begin with, when you are looking at the performance of Non-Interest Income. That's one.

The second is if you just look at the absolute delta, we have about INR 200 crores of delta on the Non-Interest Income. In that, about INR 100 crores is actually from the treasury line item. So it's not that all of it is coming from the granular. So treasury, which had -- which at -- across all trading line items, etc., when we kind of sum it up, we've seen about INR 100 crores of uptick on the treasury, because there are also some gain on sale of bonds plus some IPO mandates in which we ended up making some money, right?

If I look at the core fees, of course, there are -- third party has done very well. I would say that it's -- we've also seen some industry trends that premium growth have also gone up. And that's also because there are some regulations that are likely to come in from 1st October. So the momentum did kind of pick up or accelerate in H1 because there could be some headwinds that could come in on the way income get recognized on third parties, not material. But yes, some headwinds that could come in, so that's number two.

I think you also had a question on tax rate. So yes, I think there were some tax refunds, which we had to clean up from a tax provision standpoint and that's the reason effective tax rate is lower in this quarter. I think we covered non-Interest Income. We covered tax rate, Third-party we covered.

Sunil Parnami: Another question was that Asset growth rate has been around 7.5% and at that growth rate will you still have the asset quality issues going forward?

Niranjan Banodkar: So I think you've to look at the asset growth rate, I would say, from a different perspective. I think we have to look at Retail because the growth rate in Retail, the growth rates in Mid-Corporate were of a very different magnitude. And of course, there were some of the legacy book that we had in the Corporate which was unwinding. And what we are seeing right now, Rakesh, is that vintage is on the Retail growth that played out, let's say, between fiscal '22 and '23, those vintages have caught up here with the book and it's also kind of coinciding with the slowing down. So the ratio, therefore, might look elevated for the Bank because we've also slowed down the Retail denominator. That's number one.

Number two, we are not denying or shying away from the fact that there have been increase in actual delinquencies even on a vintage basis. And that is where over the last 3, 4 quarters, we have been working towards making the right interventions to make sure that we have the right sourcing, right underwriting, but more importantly, also the right collection to drive an effectively better performance on Asset Quality.

Moderator: Thank you. We have a follow-up question from the line of Jai Mundhra from ICICI Securities. Please go ahead.

Jai Mundhra: Sir first, on CASA right, and SA and CA both, I mean, you have been doing very strong growth. If you have -- apart from the usual deepening or engagement-related stuff, if you have any other thing which is working out for you? And if you have the blended SA cost for the quarter, if that is available?

Rajan Pental: So on the SA and CA momentum, I think what has played out for us is that we have been having a very segmented strategy around both of these, coupled with the surround area, catchment area, penetration, what we have been guiding our field force. But one of the big change, what, in the CA accounts we have made is, first, on the turnaround time, which I think is the Industry best today. We open approximately 50% of our accounts within 4 hours. And this has not been just opening of a SA or a CA account, our approach has been largely to sell the services, which means that a Current Account customer also needs a CMS. He does need many other allied services from the Bank. And we have equipped our sales machinery to be able to render those services rather than selling of the account. So this is one big attribution.

The second attribution is on the SA where we are able to open most of our accounts in 4 minutes. Because of the wow factor involved, we are also able to cross-sell many other products that leads to a higher PPI and thereby the active accounts playing out with larger margins. That is the second strategy.

Third thing is we have also densified our branches in the last 1 year, wherein we have put adequate resources depending on the catchment area potential and that has yielded results. So I think this is not just 1 or 2 initiatives. There are a series of initiatives what we have taken in terms of a granular growth of the portfolio, which is yielding results and showing the higher numbers on the trajectory.

But having said that, one thing which we have been conscious and if you compare us with many other Banks, you would see that our Cost of Deposit has not moved in line with some of the other banks. So the Cost of Deposit is limited at 6.1%, and that is largely because we have kept our costs under control. We have kept the rates under control. And we have kept it as per with the Peer Banks, but not shown any irrational exaggeration to going for just the pricing, but rather it is a service-oriented retail expansion strategy. And that is what is playing out for us.

Niranjan Banodkar: Jai, on blended SA rate, I think we should be in the 5.7% - 5.8% range.

Jai Mundhra: And this CASA growth, is it also helped by -- because you have a very disproportionate share in the -- I mean the UPI float. Is it fair to say that at least some -- there is some attribution from that business also in the balances?

Niranjan Banodkar: No, certainly, certainly, Jai. So if you look at the landscape of CASA, right, so clearly, Savings Account is predominantly the Retail distribution, let's say, franchise or balances that you see. Of course, the SME and Retail also can be done on the Current account, right? But on the corporate side, it is predominantly solutioning-oriented. And our Transaction Banking platform, which kind of provides the Current Account offering as well. I don't want to sound boastful, but I think we do a fairly good job of providing the solutioning to our Corporate customers so much so that we've said this before, we would have a disproportionately higher share, let's say, in Fintech-led industry.

So the solutioning we provide through the UPI as well, we end up having the flows in our current account, right? Similarly, we have the solutioning that we provide to a lot of our customers that even -- let's say, we may not have a disproportionately larger share on credit, but they're still wanting to come and bank with us from a cash management or a transaction-banking solution. So I think it is a reflection of our, I would say, strength on providing the right solution to our set of customers.

Jai Mundhra: Sure. And lastly, we used to give this recovery number and target for the year. I mean last time, we had said around INR 5,000-odd crores. If you can just update on the -- how are you seeing the overall NPA recovery including NPA T W/Os (Technical Write offs) ?

Niranjan Banodkar: So if you look at our recovery run rate for the full year, this quarter, I think we've cumulatively on the NPA pool, recovered about INR 600 crores. And I think a cumulative number would be -- H1 is about INR 2,600 crores, including the JC Flowers. So I think the trending there continues to be quite strong. I think we basically -- I think we will be in the range of about INR 5,000 crores.

Moderator: Thank you. The next question is from the line of Dev Dey from Horsepower Securities. Please go ahead.

Dev Dey: Yes. May I ask you why did the provision gone up? Why did this provision go from INR 210 crores to INR 297 crores? What are the factors that made you to raise the provision?

Niranjan Banodkar: So we have over the last few quarters working towards improving the PCR. So if you see, the PCR has gone up from 67.6% to 70%. And that in itself translates to about INR100 crores of additional provision.

Dev Dey: Okay, sir. And my connected question relating to this is at what percentage point of PCR are you comfortable with? From 70%, how much more do you want to increase it to?

Niranjan Banodkar: So PCR, we believe that 70% is a reasonable level to anchor around. For us, just from an actual recoveries and expected loss standpoint, we do believe that we will have recoveries in the ARC book, which is meaning that I'm already running a very significant PCR on that book. So blended PCR, both NPA and security receipts is actually higher than 70%. But sorry, just to respond specifically to that question, we believe 70% is a reasonable number on the NPA to be anchored around.

Dev Dey: Okay. And my last question is, your NII has gone down a bit. If you take the quarter-on-quarter number, around INR 40 crores to INR 50 crores, I believe, right?

Niranjan Banodkar: That's right. So just call out, I know you've gone through the numbers well, sir, but to call out. So Y-o-Y, we've actually normalized 14% growth, which is quite healthy. On a sequential basis, we did have some NPA recoveries that were sitting as part of the NII. And also just from an accounting standpoint, there is a dividend that we do get from some of the Equity Investment that did get accounted in the NII as well. So adjusted for that, actually, NII is sequentially higher as well.

Dev Dey: And what about your RIDF fund release, INR 11,000 crores or something like that, would it be released in the next month?

Niranjan Banodkar: So that -- the trending of RIDF reduction is largely concentrated in H2 of this financial year. So we will see a gross redemption of anywhere between INR 10,000 crores to INR 11,000 crores, but we are -- we also believe that there will be some call for new RIDF placement on account of the past non-compliances. So on a net basis, we don't expect INR 11,000 crores of reduction in the net RIDF book. That net reduction should be in the range of about INR 5,000 crores.

Dev Dey: INR 5,000 crores. And from next year onwards, will you need to invest more in your RIDF? I mean what is the picture you are getting right now if you can say?

Niranjan Banodkar: On account of the compliances of fiscal '24 and '25, we don't expect anything material that should come through. But I'll just repeat what we said earlier on the call, at a net level, the book, which is today 11% of our Total Assets, by fiscal '27, we expect that book to be well below 5% of our Total Assets because the absolute value of INR 44,000 crores will keep reducing quite substantially over the next 2.5 years.

Dev Dey: Okay. And your Capital Adequacy Ratio has gone down a bit. Is that because of the change in the risk weightage of the asset?

Niranjan Banodkar: So sir, CET-1 actually has moved from 13.3% to 13.2%. Like I mentioned, the reduction is because we have applied higher risk weightage on the MFI and those other products in which we've increased risk weight. As a consequence, we have consumed about 12 to 13 basis points.

Moderator: That was our last question, ladies, and gentlemen. I would now like to hand the conference over to Mr. Prashant Kumar for closing comments. Over to you, sir.

Prashant Kumar: Thanks, everyone, for participating in this conference for our quarter 2 results. Wish you and your family a Very Happy Deepavali. Thank you.

Moderator: Thank you. This brings the conference call to an end. On behalf of YES Bank, we thank you all for joining us. You may now disconnect your lines.