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July 26, 2024

National Stock Exchange of India Limited

Exchange Plaza, Plot no. C/1, G Block,
Bandra - Kurla Complex, Bandra (E)
Mumbai - 400 051
Tel.: 2659 8235/36 8458
NSE Symbol: YESBANK

BSE Limited

Corporate Relations Department
P.J. Towers, Dalal Street
Mumbai - 400 001
Tel.: 2272 8013/15/58/8307
BSE Scrip Code: 532648

Dear Sir/Madam,

Sub.: Transcript of Earnings Call for the un-audited Financial Results of the Quarter (Q1) ended June 30, 2024

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

Please find attached the transcript of the earnings call hosted by YES Bank Limited ("the Bank") on July 22, 2024 for the un-audited Financial Results of the Quarter (Q1) ended June 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=ybl_q1_fy25_analyst_call_transcript.pdf

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

Yours faithfully,

For YES BANK LIMITED

**For Shivanand R. Shettigar
Company Secretary**

Encl.: As above



“Yes Bank Limited
Q1 FY'25 Earnings Conference Call”
July 22, 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-INVESTOR RELATIONS
AND SUSTAINABILITY – YES BANK LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to YES Bank's Q1 FY '25 Earnings Conference Call.

On the management panel, we have with us today Mr. Prashant Kumar, MD and CEO; Mr. Rajan Pental, Executive Director; Mr. Niranjana Banodkar, Chief Financial Officer; Mr. Manish Jain, Country Head, Wholesale Banking; Mr. Pankaj Sharma, Chief Strategy and Transformation Officer; and Mr. Sunil Parnami, Head-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 an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Prashant Kumar: A very good morning and thank you for joining us so early in the day for our Quarter 1 FY '25 earnings call. On this call, I am accompanied by the senior team members of the Bank.

Now moving straight on to the results - continuing from the last quarter, the Bank started the current financial year with an all-around strong performance.

- We delivered highest quarterly profits since the reconstruction of INR 502 crores, which is 46.7%, up Y-o-Y and 11.2% sequentially.
- The Bank maintained its ROA at 0.5% for second consecutive quarter. Quarter 1 FY '25 ROA at 0.5% came in higher by 10 basis points compared to ROA of 0.4% corresponding quarter last year.
- In line with our guidance given last quarter, the Bank reported Nil shortfall for overall, as well as all subcategories of PSL.
- The Bank sequentially further improved the net NPA ratio to 0.5% and the stock of Net NPA and net carrying value of Security Receipts to 0.9% of Advances, which was at 2.4% in Quarter 1 FY '24, meaning a substantial improvement of 1.5% in last four quarters. Since the ARC sale done in

Quarter 3 of FY '23, the Security Receipts have seen a redemption of over 50.0%.

- Even with the seasonality generally seen in Quarter 1, the Bank maintained its Net Interest Margin at 2.4% and CASA ratio at levels broadly similar to last quarter at 30.8%.

As the Bank is continuing to make consistent improvement across all core operating metrics and progress on the key strategic objectives of, 'Improving the profitability', we also received a rating outlook upgrade from Moody's on its long-term issuer rating Ba3 to "positive" from "stable". In addition, ICRA also upgraded its credit rating on the Bank to A from A-.

I am pleased to also report the exercise of outstanding warrants by CA Basque and Verventa Holdings, which are the funds affiliated and managed by Carlyle and Advent International, which boosted the Bank's CET1 by ~100 basis points. These developments reflect positive view of the external stakeholders of the Bank and the reinforcement of their belief in the growth and ROA improvement roadmap of the Bank.

Now I will only briefly cover the **Key Performance Highlights** of our Quarter 1 performance, presuming that many of you might have already gone through our detailed results presentation, which was uploaded on Saturday afternoon.

1. For Quarter 1 FY '25, Net Interest Income at INR 2,244 crores registered a growth of 12.2% Y-o-Y and 4.2% sequentially. The Bank's Net Interest Margin, as I stated earlier, at 2.4% remained steady compared to last quarter.
2. The Core Fee Income of the Bank normalizing for realized and unrealized gains on investment and treasury income has grown by 20.5% on a Y-o-Y basis. Core Fee to Average Assets further improved to ~1.21% for Quarter 1 as compared to 1.15% for the corresponding quarter last year. Bank saw a strong traction in granular and transaction fee income streams, with Retail Banking fees saw a growth of 26% Y-o-Y.

We expect this overall momentum in Fee Income to continue, driven by, a) our strong customer acquisition engine, which is well integrated with our Spectrum Banking and Relationship Banking channels, b) our distinctive moats in our payments, API and digital and transaction banking

leadership; and finally, c) our refreshed YES Bank brand and lastly; d) our Service Orientation and Disciplined Execution.

3. For Quarter 1 FY '25, Cost-to-Income Ratio (normalized for PSLC cost; realized, unrealized gain on investment and treasury income) was 71.8% against 76.4% in Quarter 1 FY '24 and largely flattish as compared to last quarter owing to efficiency gains and operating leverage within the respective business segments.

Normalizing for PSLC cost of INR 63 crores incurred during Quarter 1, the Y-o-Y growth in operating expenses have been contained at 8.0% in comparison to 15.0% Y-o-Y growth in our Core Income.

As Bank have achieved NIL PSL shortfalls, it is on track to start seeing a reduction in the stock of aggregate deposit made in lieu of PSL shortfall starting in the current financial year itself. And it expects that by FY '27, the same would meaningfully reduce and come down to below 5.0% of our Total Assets. Bulk of the compliance is targeted to be achieved through focused organic acquisitions besides balance being funded through inorganic means, including purchase of PSL Certificates.

4. Bank reported its Pre-Provision Operating Profit of INR 885 crores, which is up by 8.2% Y-o-Y. Normalized for realized / unrealized gains on investment and treasury income as well as PSLC cost, Operating Profit growth has been higher at 37.6% Y-o-Y.
5. The salient highlights pertaining to asset quality, slippages, recoveries and provisioning are as under:
 - a. Gross NPAs were at 1.7% in Quarter 1, improving from 2.0% in the corresponding quarter last year while remaining steady compared to 1.7% in Quarter 4 of last financial year.
 - b. Net NPA ratio, as I mentioned earlier, has improved to 0.5% against 1.0% in Quarter 1 FY '24 and 0.6% in Quarter 4 of last financial year.
 - c. The strong resolution momentum continued during the last quarter with Recoveries and Upgrades of INR 1,581 crores during the quarter.

- d. NPA Provision Coverage Ratio (PCR) has been stepped up to 67.6%, against 66.6% last quarter and 48.4% in Quarter 1 FY '24. Including technical write-off, PCR now stands at 80.1% against 79.3% in last quarter, and 67.8% in Quarter 1 of FY '24.
- e. Non-tax provision costs at INR 212 crores and as a percentage to Total Assets was 0.21% on annualized basis. This was lower by 41.2% Y-o-Y and 55.0% on sequential basis. Gross Provision write-backs of INR 654 crores from SR redemption during the quarter helped us in containing the credit costs.
- f. The Gross Slippage for Quarter 1 were at INR 1,205 crores against INR 1,482 crores in Quarter 1 of last financial year and INR 1,356 crores in the last quarter. Slippage Ratio as percentage of Advances for Quarter 1 was at 2.1% against 3.0% in Quarter 1 of FY '24 and 2.4% in the last quarter.

Now moving over to **Business, Balance Sheet and other highlights.**

6. Bank's Balance Sheet registered a Y-o-Y growth of 14.6% and CD Ratio stood at 86.6% against 85.5% in the previous quarter.
7. Robust accretion continued in Deposits, growing at 20.8% Y-o-Y and marginally down 0.5% quarter-on-quarter, in line with the seasonality of first quarter.

CASA ratio, as covered earlier, came in at 30.8% as compared to 30.9% in Quarter 4 and 29.4% in Quarter 1 of the previous financial year. During the quarter, Bank added 3.78 lakh new Retail CASA accounts.

CASA balances at the end of Quarter 1 were up 26.3% over Quarter 1 of FY '24 and flattish compared to last quarter. The average daily balances however, sustained robust momentum with average daily Current Accounts growing 21.7% Y-o-Y, and average daily Savings Accounts growing 28.5% Y-o-Y. Retail and Small Business Deposits as per LCR definition grew by 13.0% Y-o-Y.

As we continue to leverage Branches as the fulcrum of our business, the contribution of Retail and Branch Banking Deposits increased to ~54% of Total Deposits compared to 52% in FY '23. We remain committed to

judiciously expand our distribution and added nearly 140 new branches since January '23 in CASA rich clusters including 9 in Quarter 1 of FY '25.

During Quarter 1, we introduced YES Grandeur, a Premier Banking experience for the Elite and Emerging Affluent segments, and also launched *Yes Private* for Business, an enterprise banking program that seamlessly blends a full array of business banking solutions along with best-in-class service delivery.

An update on 'iris by YES Bank'. This is a new - this is the next-generation super-app for retail. This has been gaining strong traction and adoption since its launch in August '23, with over 27 lakhs registered users, ~67% monthly active users and cumulatively having handled 175 lakh transactions and 87 lakh service requests at the end of Quarter 1 '25.

8. Moving on to **Advances**. The advances growth was at 14.7% Y-o-Y.
9. In line with our strategic objective, SME and Mid-Corporate Advances continue to grow at a faster pace of 23.8% and 25.0% Y-o-Y, respectively. Further, there was a pickup in Corporate Advances in line with our recent guidance and which was up by 13.8% Y-o-Y and 6.3% quarter-on-quarter decline seen over the last few years. Retail advances were up 9.4% Y-o-Y while declining sequentially by 3.1%, as our focus continues towards product and sourcing mix calibration - both of which continued to show positive traction during the quarter.

It should be noted that growth rate for Retail, SME and Mid-Corporate are normalized for inter-segment movement of products and customers during the quarter.

Within Advances, the ratio of Retail plus SME segment Advances against Wholesale segment Advances, (Mid and Large corporates) remained at level of 60:40, in line with our guidance.

Bank announced a strategic partnership with EBANX - a Brazil based global fintech company to empower Cross-Border Commerce and Bank's presence in cross-border payment processing offering for merchants and customers in India.

As regards our market share in UPI transactions, while you may notice that the Bank gained incremental market share in this quarter. However, it expects some moderation going ahead.

10. In Quarter 1, Bank's average quarterly LCR remained healthy at 137.8%.
11. Our Bank's CET1 Ratio stood at 13.3%, with Total Capital Adequacy at 16.5%.

As I conclude, let me reiterate that YES Bank's core franchise is gaining momentum due to past interventions. This momentum is expected to be further fuelled by our on-going structural initiatives around PSL and Business Transformation, our distinctive retail capabilities and market leadership across digital payments ecosystem with #1 position in UPI and Aadhaar enabled Payment Solution (AePS) transactions, #2 position in NEFT and NACH, and Top 3 position in IMPS.

Having said this, fundamentally the key for us has been and would continue to be Disciplined Execution. And in that, we would like to thank you for your continued support.

And lastly, before we take your questions, as India gears up for Paris Olympics 2024, we urge you to join us in cheering for Team India at www.yesteamindia.com as we celebrate the collective efforts behind our athletes' journey to glory on the global stage.

Thank you, and we now take your questions.

- Moderator:** The first question is from the line of Shreenivas, an individual investor.
- Shreenivas:** I have seen in the presentation that the gross gain to P&L is around INR 600-odd crores, whereas the recovery is in excess of INR 700 crores from SRs. Can you explain the difference in the numbers there?
- Niranjan Banodkar:** Can you just repeat the question, please?
- Shreenivas:** Yes, what I was saying is like -- in the presentation I have seen that the gross gain to the P&L on account of recovery from SR -- the reduction from SR is around INR 600-plus crores, but actual recovery is in excess of INR 700 crores. I think it's INR 732 crores or something.

Niranjan Banodkar: Yes. So, two parts. Whenever we have cash flow coming in from security receipts, some of it goes for redemption of the face value of the security receipts. And if there is a carrying value, which is sitting on the balance sheet, there is an appropriation that also goes for reducing the carrying value of such security receipts. Whatever is in excess of the carrying value become the write-back to the P&L.

Shreenivas: Okay. Does that mean the carrying value is on account of additional provisioning requirement?

Niranjan Banodkar: It is -- so sir, you can think of this like any NPA. There is a Gross NPA and there is a net NPA. The Net NPA is effectively the carrying value of those non-performing assets in your balance sheet. Similarly, for security receipts, there is a face value of security receipt and there is a carrying value. The difference is the provisioning that the bank is already carrying in its books. Whenever we receive cash towards redemption of the security receipt, we first use and it depends on which trust we are receiving the money into. For that trust, we will first reduce the carrying value of that security receipt.

Only once it becomes zero for their respective trust, it becomes then a write-back into the P&L. For those trust where the carrying value still not zero, it will go down to reduce the carrying value. For those trust where the carrying value is already zero, if we receive cash, we have taken that into the P&L. So that explains the difference between the cash flow versus -- total cash flow versus the total P&L write-back.

Shreenivas: Okay. Got it. What this means is like the balance provisioning requirement, which is still there to make the carrying value zero, that would be deduction from the gross recovery. And what remains will be the gains for the P&L.

Niranjan Banodkar: Yes. I mean -- as on 30th June, sir, this -- the number that we have at carrying value of security receipts is about INR 850 crores. Now whenever we receive cash towards the security receipts, it could be in 2 parts. One, either it will reduce the carrying value - from INR 850 crores, it could come down to maybe a INR 650 crores, or it could be a P&L write-back. It depends on which trust is the cash coming from.

But just to also give a simple answer to you. So the carrying value is of INR 850 crores that we have in the balance sheet today, the face value of these

security receipts is about INR 3,500 crores and the NAV is actually higher than that. And so what we are expecting over the course of fiscal '25 is clearly for the book value to become zero, rather - the carrying value to become zero and without any hit to the P&L. We don't expect that this should be a hit to the P&L. On the contrary, we will recover more cash than the carrying value we will have in our security receipts.

Moderator: Next question is from the line of M.B. Mahesh from Kotak Securities.

M.B. Mahesh: Just want an update on the unsecured loan book. We've had some issues in the last couple of quarters, is there any kind of an update of what you are seeing in your portfolio?

Rajan Pentel: So yes, unsecured book in line with the market has some issue in particular in some segments. So accordingly, both for cards and unsecured, we have undergone the policy change. There are new scorecards in play. We have cut down on certain markets and certain profiles. And also just to keep you updated, we have also beefed up our collection machinery. And till the time we are fully comfortable with all the segments we don't intend to open up. So as a result, you will also see a muted growth around unsecured.

So I think it's a time to be a little extra careful around the segment, and it could be a result of the customers over-leveraging themselves and stuff like that.

M.B. Mahesh: Well, just to clarify these 2 parts. One, we understand that the forward originations, at least the fresh origination of the book is likely to be tighter. About the existing book that you're carrying today - Any sense of how long the pain will persist based on what you're seeing in the data?

Rajan Pentel: First of all, the new book, which we are creating, obviously, is a much better quality because of the measures, what I spoke about. The old book, I think, should reflect in 1 or 2 quarters from here before it stabilizes and start subsequently coming down.

M.B. Mahesh: Just to clarify. See today, we are looking at these retail slippages. You are saying that this at a bank level is more or less likely to remain at these levels is the assumption that you are building, is it?

Rajan Pentel: So unsecured will remain at that level for the next 1 or 2 quarters.

Niranjan Banodkar: Also, just to call out on that. And you would recall that just on unsecured, some of the interventions that at least from our side, we have been making those almost 2 quarters prior to this. So sometime September quarter, December quarter, we had already taken note of some of the early signs of some risk kind of building on to the portfolio. And those interventions were made. So we are hoping, like Rajan mentioned, over the next couple of quarters, this should stabilize. And in any case, we are lot tighter on the new sourcing.

Moderator: Next question is from the line of Jai Mundhra from ICICI Securities.

Jai Mundhra: Firstly, it looks like that -- in the fee income, there is -- of course, there is a negative fee on the trading side. But apart from that, is there anything else which is changing, I think. And is this the negative treasury income is it because of the -- I mean, what explains this negative treasury gains?

Niranjan Banodkar: Jai, just on the core fees, so the core fees actually have done very well. And if you look at excluding the treasury on a Y-o-Y basis, we would have grown 20% plus - on the core fees, and this is across all lines. Of course, there have been some sluggish that we saw in our FX income. We've seen some acceleration that we've seen in our digital income. So there are pulls and pushes. But I think on the whole, we've seen actually core fees continue to do well, growing more than 20% plus.

If you compare the fees sequentially, you would appreciate that typically, there are some -- there are seasonality performances that kind of play out in March, for example, you see third-party distribution do very well in March quarter as compared to a June quarter.

Also, between March and June, the 2 big callouts were we had received MeitY incentive, which was also part of the P&L in Q4. So that also meant that June was subdued as compared to March quarter just from a Digital Banking income line. And there, of course, if you look at also the overall Non-Interest Income, there was the income tax refund, which was in excess of about INR 100 crores that we had in Q4 as compared to Q1.

At least the underlying trends on core fees continue to hold good. Yes, of course, there were some pulls and pushes that played out during the quarter, but we are confident that the fee trend should hold up about 20% plus.

Jai Mundhra: Right, that is helpful. But anyways the negative income on investment gain and treasury income? Is it like some MTM or I mean...

Niranjan Banodkar: That's right. So what happens is in the balance sheet, we run, of course, there's large -- there are large cash flows on foreign currency that also goes through. There are revaluation effects that we do have to sometimes take into the P&L.

But the explanation actually is not whether it is negative or not, explanation is that last quarter as well as the prior -- let's say, the prior year we had a large gain on sale of investments. This quarter, that number was quite muted, and that explains the difference between Q1 of last year and Q1 of this year.

Jai Mundhra: Right. And secondly, on the loan growth side, even in this quarter, it looks like even retail, we have taken a bit a calibrated stance, I would have thought that Retail SME were your growth driver. And you have mentioned that corporate has now resumed the growth trajectory. So, if you can comment on this individual retail, how do you look at Retail growth and maybe the Corporate growth?

Niranjan Banodkar: Sure, Jai. So I will take SME and the Mid-Corporate first. And you would recall that we have very consistently been saying that these are 2 sectors that we will continue to drive about a 25% / mid-20s growth. And we continued to see that over the last 3 or 4 quarters as well as how we see going forward. We do believe that Mid-Corporate and SME will grow at mid-20s percentage.

On Retail, and we just had a question also prior to yours, there are 2 focus areas on the Retail. But it's, of course, in some segments, there is -- especially on the unsecured side, we have seen that we need to be more cautious and some of the interventions have played out over the last 6 to 9 months to have identified some pockets of stress that has gone up. And we have also, course corrected to make sure that the new sourcing, therefore, is in the right risk framework. As a consequence, what we end up seeing is subdued disbursement there. That's number one.

Number two, and again, we've said this for some time now, that on the overall Retail as well, we are wanting to recalibrate the mix to make sure it is a profitable growth. And as a consequence, FY '25, we do believe, we will see a subdued growth on the book. Once we kind of put through the -- into the right processes, there are some interventions we need to undertake in FY '25 as well.

Once all of those are recalibrated, the new disbursement on profitable product will start reflecting on the book in FY '26 and '27. But you will see slightly, I would say, subdued, not the 25% and the 30% growth rates that we would have seen in the past. I think we get calibrated to more like low -- very low double-digit-to-teens kind of a growth.

The third, which is Large Corporate business. Again, you will recall that we have always been saying that the new business generation in large corporate, momentum has always been there, and it's been there for the last 12 to 18 months. It has now picked up, in fact, even more. There has also been businesses in good client outreach that has resulted into growth coming from some of the large corporate names as well.

But I think importantly, what's also playing out is that the rundown of the -- some of the old book or the legacy book, that -- the run rate, which used to be quite fast or high, that has also slowed down. Again, what you're now seeing on the book is that the new growth that's coming through is reflecting on the book more emphatically than it has in the past. But that doesn't mean that we are not sourcing more. I think that run rate is also picking up.

I think that's broadly the landscape of how the growth is. SME and Mid-Corporate will be a mid-20s growth for us. Again, Large Corporate is now beginning to pick up as the repayment of the past accounts has slowed down. And Retail, at least for FY '25 will be in a slight product recalibration, but we are confident about the risk that we are sourcing, we will be able to also scale up the growth there.

Jai Mundhra: And in the opening remarks, Mr. Prashant mentioned that you may see a decline in the UPI share as per your presentation, it is past 50% or more than 50%. But anything to suggest that why would it come down? Or is this the normal because you have more than 1/3 share?

Prashant Kumar: So Jai, if you recall, in case of 1 company where there was an issue, and the whole thing has been migrated to 4 banks, right? But in the first quarter, almost everything is coming to us. And I think going forward, we are going to see equal distribution of that business within the 4 banks.

Jai Mundhra: Sir, does this change any of the fee line item also?

Prashant Kumar: So definitely, it helps us in both fee income as well as on the float, which comes through the current account with others.

Niranjan Banodkar: Jai, also just to add to -- see I think the question that we have to ask is how fast is the market also growing, right? If the underlying market is actually growing very fast. And even if, let's say, our volumes grow at a reasonable pace, it helps us deliver the growth rate on fee. So we don't believe that there will be an impact of any materiality on our fees just because of the diversification, because diversification would mean that on the incremental business, maybe there will be a higher share that might go to other banks. But I think the market itself is quite big for us to keep growing. That's one.

Just complete one point on the retail asset calibration. What I also wanted to drive, Jai, there is if you look at the new yields that we have been doing on retail businesses as compared to the portfolio over the last 3 to 4 quarters, you would see that the spread is already close to 80 to 100 basis points. So the new disbursements are already accreting almost 80 to 100 basis points more than what the portfolio is at, right? That's the calibration journey we are going through. And hopefully, over the next year or so, it will start reflecting on the book more emphatically.

Jai Mundhra: Sure. And lastly, I don't know if you can clarify there were some news articles suggesting the largest Bank shareholder may be replaced by another bank, etc. So to the extent possible if you can comment on that.

Prashant Kumar: No, I think on these news items, we have already given the clarification to the stock exchanges, okay. These news items as of now, they are not correct.

Moderator: Next question is from line of Kunal Shah from Citi.

Kunal Shah: Yes. So firstly, on PSL. So given that in Q1 the overall what we have got still like maybe the expenses which have been incurred to and there is INR 63-odd crores. And broadly, we have been able to pick up maybe after the buying of the certificates, we have been broadly able to comply with the PSL.

And you had given maybe what is the difference of how much is the drag on margins and the other aspects? What – when should we ideally expected to neutralize maybe how long is it going to take before we see that the gap narrowing down between PSL and ex of PSL?

Niranjan Banodkar: So Kunal, on the PSL impact, there are two parts. One is the flow. And when I say the flow, it is what we are doing to comply with PSL from here on, right? So last year, let's say, we had INR 300 crores plus of -- I mean cumulative ballpark INR 300 crores of PSLC expenses that was to comply for FY '24. In addition to that, we had some other loans that we had on our balance sheet, which although were not -- I mean they were not a drag from an earnings standpoint.

But and the question that we have to answer is, from here on, what would be the share of inorganic and organic compliance to PSL? And the good part Kunal is that FY '24, almost 2/3 of the compliance came in from -- more than 2/3 rather came in from some inorganic process, and just 1/3 was from organic. As we look at -- as we look at June quarter, of course, it's just early indication, but we'll have to see during the course of the year. But the June quarter itself, when we look at the mix of compliance, we are already at a 50-50 mix, right? Now clearly, from a -- ability to improve our earnings, we will want more and more share coming in from organic and less from inorganic. And I mean, including PSLCs also as part of inorganic, right? So that's point number one.

And that is a function of be scaling up the MFI book. But of course, we have to be mindful about the industry headwinds as well. Of course, we will have to put our own investments into that segment there is -- we have been discussing this in the past as well. There is a thought to see if we can look at an inorganic to scale up. But clearly, our focus would be that -- and we are tracking this almost every day to say, how can the organic share be more than the inorganic and therefore lesser PSLC. That's number one.

Number 2 is that even within the inorganic, how can we make sure that we are more rate effective? The good part is when we look at, let's say, PSLC compliance cost last year versus PSLC compliance cost this year, we do believe that we are more effective and optimal this year than we were last year, right? Because the bulk of our compliance also came in at the lag in Q4 as compared to Q1.

So just to drive that point. So we are very consciously making sure that the mix of compliance is moving from cost, high-cost contributors like a PSLC to inherently ROA accretive businesses let's say, which is Inclusive & Social Banking (ISB). And I think that journey will -- is not going to be immediate.

It will take about 2-3 years, but we will keep working hard on that. That's number one.

I think the second part of your question was, which is already a big drag is on the RIDF, right, which are the deposits, which are sitting on our balance sheet. That book is about INR 44,000 crores. It was about 11% to our Total Assets. Because we have now been compliant in FY '24 or like we mentioned, we don't believe on incremental basis, we should start seeing the new demand come through. And therefore, the rate at which the RIDF book will start falling off, we'll start improving.

So this year itself. When we look at FY '25, the RIDF book, which is about INR 44,000 crores on a net basis should already come below INR 40,000 crores. But I think the key is that FY '26 and '27, this book should come below -- well below 5% by the end of fiscal '27, right? So that's how the book will start falling. And the moment the book start falling, clearly, it's going to aid and add to our margins, right?

So just to summarize, the new business formation, we are making sure that we do more organically. In fact, we've also been -- we have also done our own direct lending to the MFI sector. We've also started that, reduce the PSLC cost. But importantly on RIDF, latter half of fiscal '25 is when you'll start seeing the redemptions or the reductions in the RIDF book, but the P&L impact will start materially playing out in FY '26 and '27.

Kunal Shah: Okay. So maybe '26 and '27 is where to look. Okay. And maybe looking at, as you mentioned, will it be well spread through the fiscal better than being or either be upfronted or maybe having. So last year, we had it move towards 4Q, but fair to assume that this will be well spread now across all the quarters?

Niranjan Banodkar: Absolutely, Kunal. This year, in fact, when we look at the PSLC expense line, which is, I think ballpark about a INR 60-odd crores in Q1, that will be very largely evenly spread out through the remainder of the year because we have taken bulk of the PSLC expense in Q1 itself as compared to Q4 of last year.

Kunal Shah: Sure. And second is on retail slippages maybe at almost 4-odd percent. But if you can just give some color in terms of if we just have to look at it in terms of the breakup between secured and the unsecured given that the unsecured, we

have now built it up, say, a proportion of all retail assets. Would this skew be more towards the unsecured in the entire set of slippages?

Rajan Pental: Yes. So out of the total around INR 800 crores Gross slippage we had in this quarter, around 40%-45% is actually coming from the unsecured, which is where the larger issue lies. And keeping in line, as I said earlier, we have beefed our collection machinery. And also we have been going one is slow and also we have cut the segments, which were contributing to the default. And we were able to read these signs around 6-7 months back. And hence, the adequate measures have been taken. But for the slippage already there in place, there is a complete beefing up of the collection machinery, both on that bucket as well as on the recovery path.

Kunal Shah: Okay. So INR 1,000 crores of slippage in retail?

Rajan Pental: So, I was -- that is the total of retail, adding up everything, but only if we have to look at the retail assets slippage. That is what I was talking about.

Moderator: As there are no further questions, I will now hand the conference over to Mr. Prashant Kumar for closing comments.

Prashant Kumar: Again, thank you so much for joining us so early in the day. And again, since 26th onwards, the Paris Olympics is starting. I think we again request all of you to send your wishes for the Indian Olympic team.

Moderator: Thank you very much. On behalf of YES Bank, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.