YBL/CS/2023-24/080

July 27, 2023

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 Sirs/Madam,

Sub.: Transcript of Earnings Call for the un-audited Financial Results of the Quarter (Q1) ended on June 30, 2023

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") for the un-audited Financial Results of the Quarter (Q1) ended on June 30, 2023. 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=q1_fy24_analyst_call_transcript.pdf

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

Thanking you,

Yours faithfully,

For **YES BANK LIMITED**

SHIVANAND RAMA SHETTIGAR
Digitally signed by SHIVANAND RAMA SHETTIGAR
Date: 2023.07.27 13:39:42 +05'30'

Shivanand R. Shettigar
Company Secretary

Encl: As above

"Yes Bank Limited
Q1 FY '24 Earnings Conference Call"
July 24, 2023

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. RAVI THOTA – COUNTRY HEAD, LARGE CORPORATES – YES BANK LIMITED
MR. SUNIL PARNAMI – HEAD OF INVESTOR RELATIONS – YES BANK LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the YES Bank's Q1 FY '24 Earnings Conference Call. On the management panel, we have with us today, Mr. Prashant Kumar, MD and CEO, Mr. Rajan Pental, Executive Director, Mr. Niranjan Banodkar, Chief Financial Officer, Mr. Ravi Thota, Country Head, Large Corporates, and Mr. Sunil Parnami, Head of Investor Relations. Mr. Prashant Kumar: will give 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. 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, MD and CEO from YES Bank. Thank you, and over to you, sir.

Prashant Kumar: Very good morning and thank you for joining so early for YES Bank Quarter 1 earnings call. Starting first with the headline view, at an overall level, Quarter 1 was a steady quarter, where we have continued to demonstrate good progress on our strategic objectives. While there was a continued momentum in balance sheet granularity, we also delivered strong growth in our fee income, while containing our operating and credit costs. Having said that, as we undertake the journey of transforming the Bank, few areas remain as work-in-progress, and we look forward to continue our work on those in the coming quarters.

A key highlight during the quarter was the launch of our refreshed brand identity. With a strong foundation firmly in place, we felt that it was an opportune time to have this strategic move of reimagining the YES Bank brand.

As part of the refreshed brand identity, a vibrant new logo has been launched, which carries forward the visual DNA of the Bank and we build on it. This has been accompanied with an integrated 360-degree bank campaign with the positioning – “Life Ko Banao Rich”, which resonates with our deep commitment to empower our customers to focus on their most valuable account called Life, while allowing us to take care of their banking needs. The initial feedback of the campaign has been extremely positive, and we believe that this will not only instil enthusiasm and confidence among our stakeholders but will also enhance the pace of our customer acquisition.

Now moving over to the numbers. As we had already uploaded our investor presentation on Saturday, I will cover select financial highlights for the quarter. Advances growth, adjusting for the ARC transaction was 10% Y-o-Y. That granular segments continued to grow at a faster pace with Retail Advances growing at 31.3%, SME by 24.1% and Mid Corporate Segment growing 28.9%. While corporate advances further contracted during the quarter, the non-fund-based outstanding balances have grown by 12% Y-o-Y and 4% quarter-on-quarter. We expect this good momentum to continue over the coming quarters.

Deposit growth, excluding CDs was 16.2% Y-o-Y. The credit to deposit ratio also improved marginally to 91.3% from 92% in the last quarter. Even within deposits, the Retail segment sustained the growth momentum with 23% Y-o-Y growth.

Net interest margin at 2.5% was up 10 basis points Y-o-Y. However, on a sequential basis, and as guided earlier, there was a compression largely due to deposit re-pricing. In addition, there was strong momentum in non-interest income, which grew 54% Y-o-Y and 13.7% Quarter-on-Quarter, backed by strong traction in third-party sales and trade and remittance fees.

The cost-to-income ratio was at 73.9% for Q1FY24, compared to 71.4% in Quarter 4 FY23. Despite "Retailization", the cost to assets at 2.6% has remained largely flattish over the last six quarters. Net profit at INR 343 crores has grown by 10.3% Y-o-Y and 69.2% Quarter-on-Quarter. Bank reported an ROA of 0.4%, as compared to 0.2% in Quarter 4.

Coming to asset quality. In Quarter 1 FY24, the gross slippage was INR 1,430 crores against INR 1,072 crores in Quarter 1 last year and INR 1,196 crores in Quarter 4 last year. However, slippages, net of recoveries and upgrades were at INR 764 crores, which is similar to last quarter of INR 740 crores. Within large corporates, net slippages were majorly due to one large account. Overdue book between 31 days to 90 days has reduced by almost INR1,000 crores on Quarter-on-Quarter basis. Resolution momentum continues to be strong with total recoveries and upgrades of INR1,201 crores during the quarter.

Overall, gross NPA ratio reduced to 2% from 2.2%. Net NPA and Net Carrying Value of Security Receipts remains flat Q-oQ at 2.4%. And lastly, the CET 1 ratio, including the warrant application proceeds is at 13.6%, against 13.3% in the Quarter 4 FY23.

Now before taking your questions, I would also like to spend some time on Bank's medium-term transformation and ROA improvement roadmap. We believe the focus of the Bank is now firmly aligned towards improving the profitability and accelerating the momentum over the coming few quarters.

Towards this, we continue to work on, to drive improvement in our NIMs and CASA ratio, to reduce the drag of legacy PSL requirement, to intensify cross-sell and product penetration into our fast-expanding customer base and continuing to maintain strict control over operating and credit costs. Some of this has already started to reflect in. For example, in Quarter 1, the share of high-yielding product mix in retail advances improved from 31.5% (in previous quarter) to 32.5%.

The current account balances have grown by 27.1% Y-o-Y but declined 9.3% Quarter-on-Quarter. However, the average daily balance of current accounts for Quarter 1 has grown by 20.3% Y-on-Y and 2% on quarter-on-quarter. While there has been a de-growth of 4% in savings account balances on Y-o-Y basis, which is actually because of a decline in the higher value bucket. However, balances in the lower value bucket of INR5 crores and below at account level has seen healthy Y-o-Y growth.

The bank registered a strong 33% Y-o-Y growth in our rural advances. Our rural disbursement witnessed a strong growth of 34% over Quarter 1 FY23 and 62% over Quarter 4 of the last financial year.

YTD, the Bank has bought PSL certificate amounting to INR 4,300 crores. For reducing RIDF debt, the Bank continues to actively engage with select BC partners for organic growth opportunities, while we simultaneously evaluate the target for potential acquisition as well.

We continue to invest in our branch network and people. We have added 20 new branches and around 1,000 new employees during the quarter 1. While we continue to invest in our physical distribution, in quarter 1, more than 90% of our saving account and 55% of our individual current account were opened digitally, showcasing our commitment to further improve our productivity and response time. All the above points demonstrate a strong momentum in the build-up of a good quality granular franchise.

With this, I want to thank you, once again for taking the time out for joining this call and wish all of you and your families, a good health and prosperity.

We can now open the floor for your questions. Thank you.

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

Avinash Kumar: Good morning. Good morning, sir. I am Avinash. My first question is few months ago, as I have read somewhere that YES Bank is looking for a few microfinance -- acquiring microfinance, right, sir. So what is the timeline for that? And how that is from internal accrual or YES Bank will raise fund for this acquisition?

Prashant Kumar: So Avinash, first, thank you so much for joining us. And related to this question, and I think we have given a guidance that we are looking for inorganic growth in the microfinance space. And fundamentally, this was for two purposes. One, we have a drag on our PSL of almost 35 basis points. Second, we don't have any high yielding asset book, as of now. So I think we continue to evaluate some of the assets, which are available in the market. And we would be expecting like within this financial year, we should be in a position to close this acquisition.

Avinash Kumar: Okay, sir. Okay, fine, sir. And second question, sir, is our ROA is 0.4%, right, this quarter and NIMs is slightly above from quarter-on-quarter. I think quarter-on-quarter is declining and year-on-year is improvement by 8% Y-o-Y. So NIMs, if we look at other bank year-on-year results, their NIMs are quite high, NII, sorry, not NIMs, NII. So when YES Bank NII year-on-year is improved, it is not understood, NII is not improving that much comparing to other banks, large banks?

Prashant Kumar: So Avinash, you would appreciate for us, this is a journey, and maybe this is not the right time for comparing with some of the large banks. But I think this is a journey, where we have already started moving on. And like what your first question in terms of MFI, I think there is the drag because of the shortfall in the PSL, that is one part, and strategically, our corporate book has come down. But going forward, I think we would be able to have a better loan growth, which would improve the net interest income for the Bank, and you must have seen like we are doing very well on the non-interest income.

So I think with this, some of those things and with the improvement in CASA ratio, solving the problem for the shortfall in the PSL and growing on the loan book, especially on the corporate side, we believe that in the coming time, both NIMs would also improve, and ROA would also improve.

Moderator: Thank you. We have the next question from the line of Sri Karthik Velamakanni from Investec. Please go ahead.

Sri Karthik Velamakanni: Could you walk through the sequential capital movements in terms of how the CET1 has played out for you in this quarter?

Niranjan Banodkar: Sure, Karthik. So I think one material update we wanted to also provide and that's actually part of the presentation is, we've accreted about 35 basis points to 40 basis points on account of the warrant upfront money that we've received, which is about INR948 crores, as a consequence, the CET1 has gone up. There has been a very marginal consumption of CET during the course of the quarter. So organic movement, marginal consumption, a few basis points, but largely accretion coming in on account of the warrant money, which is 25% of the total warrant consideration.

Sri Karthik Velamakanni: And including the residual inflows, what would be the CET1, Niranjan?

Niranjan Banodkar: So if we were to add the residual 75% of the warrant money, we should be accreting another 110 basis points to CET1.

Sri Karthik Velamakanni: Got it. And the second question is with respect to the general -- the PSP market share that you carry on the UPI front. Any thoughts on how you're looking to monetize that as things are evolving? We are seeing some of them making progress on digital lending and with regulatory clarity also emerging, is there any thought process, as to how you can monetize that particular market share?

Prashant Kumar: So Karthik, on the monetization of this particular, say, area, it is more in terms of whether after using the analytics, we would be able to acquire the customers through this channel. So I think let's say, over the last 12 months to 15 months, a lot of work has happened in this area. And I think we are in a much better position, as of now for getting the business leads out of this area. But I think this is a journey, it would take another say, three quarters, four quarters, where we would be able to have a significant advantage of this data from a customer acquisition.

Niranjan Banodkar: Karthik, if I can also add, when we look at, let's say, the UPI for that matter, the entire API banking solutioning, even on a stand-alone basis, it is profitable because what happens is we don't just look at the fee that we charge or we get as a consequence of this transaction. As a consequence of the solutioning that we provide, we also end up getting current account float that remains quite sticky in our balances.

So if I were to just look at our current account balances, more than 50% of our corporate CA actually comes in from accounts, where we are providing these API banking solutioning, right? So the point is what we will look at monetizing is only will further propel the profitability for this particular solutioning that we are providing. But on a stand-alone, I mean, there is already the NII that we are benefiting from through the free float.

Sri Karthik Velamakanni: I see. Got it. And the breakup of corporate between mid and large suggests that the large segment is down 30% Y-o-Y and 8% Q-o-Q, that would continue just to ensure your PSL compliance? Or is there a floor to which you would take that from a mix perspective?

Prashant Kumar: So Karthik, this is 30% down and 8% down on quarter-on-quarter to be very frank is not in terms of strategy to take it down further. But definitely, there were some high-risk assets, where there have been the prepayment, and there have been some prepayments in other assets, which were not expected.

But definitely, as a strategy, we would not like to take it down further. But depending on the -- our ability to match the pricing in the market, we would be definitely growing on fund base. But if the pricing would be a challenge, we would take exposure on the non-fund side. And you have seen like on the non-fund side, already there is a traction. So I think overall on the exposure on the corporate side, we would not like to bring it down further.

Moderator: Thank you. The next question is from the line of Yuvraj Choudhary from Anand Rathi. Please go ahead.

Yuvraj Choudhary: Sir, firstly, how much of our deposits has already been re-priced?

Niranjan Banodkar: So Yuvraj, in terms of, I would say, pendency for cost of deposits, I would say, we should have about another 20 basis points of cost of term deposits should come through. Just from a margin perspective, we will have about anywhere between 5 basis points to 10 basis points. But that doesn't mean the margins will necessarily only get weighed down by this because as we are progressing, while all of it were not able to express in Q1.

On the retail assets, we are also beginning to see the incremental disbursements happening in products that on the margin is better from a margin perspective, NIMs perspective. So just to respond, we will have about 20 basis points of cost of term deposits pendency from a re-pricing standpoint.

Yuvraj Choudhary: Sure. Secondly, sir, how much would be our total exposure towards ECLGS?

Niranjan Banodkar: One second. One second. We just provided that. So Yuvraj, we will come back specifically on this number.

Moderator: Thank you. We have the next question from the line of Bhadrish Meghani from BEAM Consultancy. Please go ahead.

Bhadrish Meghani: Good morning to all the management people. I would like to know about two things. What are the plan of increasing number of branches and number of employees for this financial year? And the second question is, what is going to be the budget for the advertisement for this financial year. Is there any big way the advertisement are going to come in the market or not?

Prashant Kumar: So Bhadrish, for branch expansion, we have a plan to open 150 branches during the current financial year. 20 branches have already been opened in the quarter 1, and we would be opening the remaining 130 branches in the next three quarters. We have already added 1,000 employees in the quarter 1. And we would be increasing another say, 500 by the end of March '24.

Regarding the advertisement budget, what we have done for our brand refresh, we have integrated our normal advertisement and the marketing with the brand refresh campaign. So overall, there would be a 25% increase in our existing marketing budget. But definitely, brand refresh is something, which is critical, and you must have seen like we have already started doing advertisement around our brand. But overall, there would be an increase of 25% in our marketing budget.

Moderator: Thank you. The next question is from the line of Amit Kumar, an Individual Investor. Please go ahead. Mr. Kumar, I'm sorry, your audio is not clear sir. Mr. Kumar? As the current participant is not answering. We have the next question from the line of Debesh Agarwala from IDBI Capital. Please go ahead.

Debesh Agarwala: Three questions from my end. What percentage of our restructured book are yet to come out of the moratorium?

Prashant Kumar: All the three questions. We will respond then.

Debesh Agarwala: Okay. No. Okay. I'm coming with all the three questions. So first is, what percentage of the restructured book are yet to come out of the moratorium? Second, what is the total slippage from the restructured book till now? And third is, what is the breakup of advances in terms of fixed rate and floating rate?

Prashant Kumar: Repeat the third one, please?

Debesh Agarwala: What is the breakup of advance book in terms of fixed rate and floating rate in terms of MCLR repo link?

Niranjan Banodkar: Okay. I can take the last question first. We have about 60% of our advances, which are floating in nature, about -- actually, the number is 57%. From the balance 43%, which is fixed, we have about 10%, which is actually short term in nature. So if you look at floating plus short term, we would be two-third and one-third is fixed rate book. That's on the entire fixed floating.

I think the second question that you had was in terms of what have been the total slippages from the restructured book, so in fact, that number has been quite non-material or insignificant. In fact, we've seen a good performance of either upgrades or a continuing strong performance in our restructured book.

So for .example, even if I look at my current position of restructuring and let's say, DCCO related, we have about INR1,500 crores. In fact, in almost all of the cases, we either have accounts, where there is a change in management or there are projects, which are almost near completion. So that portfolio is doing well.

If you look at COVID restructured book out of the INR2,400 crores that we have, I mean, I can very clearly say about INR2,000 crores is where we see, continue to see very strong improvement. There is, in fact, also been principal repayment that we've seen in those accounts as well. Very recently, there have been also rating upgrades, not internal, but also external rating upgrades that we've seen in that book.

So we're quite, I would say, quite satisfied with the performance that we've seen out of our restructured book. And the balance, about INR4,700 crores in our view, will hold quite good in terms of performance in the real time.

Prashant Kumar: And Debesh to your first question, almost the entire book is out of the moratorium.

Debesh Agarwala: Okay. Sir, in terms of floating rated loans, can I get the breakup between MCLR and repo link -- what percentage of your book is linked to MCLR and repo?

Prashant Kumar: So MCLR would be about 18%. We will have a repo at about 26%. The balance will be a mix of CDs and T-Bills as well.

Debesh Agarwala: Sir, the entire MCLR loan book has been re-priced or something is yet to be re-priced?

Prashant Kumar: See the pendency for re-pricing that will play out, which is typically sitting in the six months to one year time horizon.

Debesh Agarwala: Okay. So it will be re-priced over next two quarters or three quarters?

Prashant Kumar: You can say two quarters.

Moderator: Thank you. We take the next question from the line of Mahrukh Adajania from Nuvama. Please go ahead.

Mahrukh Adajania: Sir, my first question was where do you see margins bottom out? I mean, have margins bottomed out now because we have only 20 basis points more of term deposit cost correction or there'll be still some more correction in the quarters to come?

Rajan Pentaal: Good morning, Mahrukh. We don't see any further decline in the margins. I think they have bottomed out.

Mahrukh Adajania: Okay. And sir, any -- so how do we budget recoveries from the ARC, right? So obviously, slippage -- in terms of recoveries, will that be smooth, or will there be lumpy recoveries? How do we budget for that?

Prashant Kumar: No, I think what we are looking at recoveries from the ARCs, there is always the issue of the timing, which is outside the control of anybody because there are so many resolutions, which happen through the legal process. But we are not looking for a, say, lumpy recovery. And in the past also after this transaction after December, I think, we are seeing a very consistent or persistent recoveries in the large accounts, as well as small accounts. So I think so far, there has been a very good traction, and we have a visibility that this momentum would continue. For the next two years, I think we are going to see very good results.

Mahrukh Adajania: Got it. So basically, the net credit cost guidance would be how much?

Prashant Kumar: So I think, we continue to retain our earlier guidance of 40 basis points to 50 basis points of credit cost.

Mahrukh Adajania: Okay.

Prashant Kumar: Yes.

Moderator: Thank you. The next question is from the line of Bhanu Arora from Bhanu Roadlines. Please go ahead.

Bhanu Arora: I just wanted to ask if YES Bank planning to distribute any dividends in near future to its shareholders?

Prashant Kumar: No. I think, Bhanu, if you see that we have already moved on this path of delivering on the profitability. But I think once we reach at a stage, okay, where we would be having a good return to our investors, definitely at that point of time, it would be considered for the dividend share.

Moderator: Thank you. The next question from the line of Chintan Shah from ICICI Securities. Please go ahead.

Chintan Shah: Just one question on strategically from my end, sir, considering our ROA of 0.4%, and also what would be our aspiration for FY '24 or FY '25? And so would it be sir, given that you have already mentioned that margins have bottomed out, so it would be largely driven from margins? Or is there also some scope for a reduction in opex, since we believe that credit cost is largely, where we are expecting and other interest income also has limited scope from here on? So your thoughts on the same, yes. Thanks.

Prashant Kumar: So Chintan, like if you see for us the ROA of 1% in medium term would be a function of three, four different things. One is definitely improving the CASA ratio. The second is also improving our loan growth and along with the improvement in the yield on the asset. The third part is definitely to solve the problem of the drag on our ROA because of a shortfall in the PSL, which is a very large one, almost 35 basis points, I think this is something, which we are working on. And the fourth is definitely our growth in the non-interest income and the recoveries and the resolutions from our budget.

Chintan Shah: Sure. Sure, sir. Got it. And sir, one more thing on our CET1 case, which has been pending. So is there any update on the same on the Tier 1 case, which is pending in the Supreme Court or any timelines for the same?

Prashant Kumar: No. I think this is pending in the Supreme Court and the next date is 4th of August.

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

Jai Mundhra: A couple of questions only. One is sir, there seems to be some restatement of opex and other income in this quarter. What is that pertaining to?

Niranjan Banodkar: So Jai, basically, what we did is we just reviewed the accounting for some of our interchange in digital banking products, and that has been basically, so from -- we've removed it from the opex line, but we are talking about numbers, which are about INR50 crores and INR60 crores. I think the range is about INR50 crores to INR70 crores. That's the broad range we are talking about. And that we have actually netted from the income because these were basically opex, which was very incidental and part of the same transaction, where the revenue was coming from. So just from an accounting standpoint, we've actually netted that from the non-interest income.

Jai Mundhra: Right.

Niranjan Banodkar: But it's not a material number. As I said, on a quarterly basis, we are looking at a range of anywhere between INR40 crores to INR70 crores that we adjusted in this quarter.

Jai Mundhra: Okay. And Niranjan, on security receipts redemption, right, so do we also get AMC fee on managing such a large security receipts portfolio? Or we do not earn any management fee from this SR?

Niranjan Banodkar: So Jai, pursuant to the sale, which we did in December, the entire management is now in the hands of the asset reconstruction company.

Jai Mundhra: Right.

Niranjan Banodkar: So in fact, as part of the structure, and this is quite common in the entire security receipts market that actually, we end up paying a certain management fee to the asset reconstruction company. So the Bank is now no longer part of the resolution of these assets. Of course, we are quite interested in knowing what's happening. But at the end of the day, it is for the asset reconstruction company to drive the resolutions. And whatever resolutions happen, we benefit through the redemption of security receipts.

Jai Mundhra: Right. So this quarter, 442 have been redeemed, so the impact on our financial has been that security receipts, they will convert into cash, that has been the broad implication model.

Niranjan Banodkar: That's right. That's right. Jai. So any redemption results into receipt of cash.

Jai Mundhra: Right. Okay. And in the last quarter, and I think in the opening remarks, I heard that we are -- something with effect to PSL that either they are coming down or we are doing something there. So I recall we had 8% of balance sheet in RIDF, as of last quarter. Has that changed materially, or I had actually missed that comment on PSL?

Niranjan Banodkar: No, Jai. So the RIDF deposits to assets continues to be in the 8% to 9% range. In fact, in June, we did have some increase in those balances because there was a call that we received demand that came through in June quarter. So what Prashant was mentioning is clearly for us to be able to reduce that drag, there are three ways in which you can tackle it. One is from an immediate perspective, accelerate on two fronts, one is organic, organic creation of assets that satisfy the small and marginal farmer and the NCF and weaker section category, but there is a limitation that you will have from an organic accretion, right?

The second is that you could buy PSLCs. So what Prashant was mentioning, is we have already, in June quarter, purchased about INR 4,300 crores worth of PSLCs to fulfil the PSL requirements in these specific categories.

And the third is that we are also evaluating inorganic opportunities for us to be able to comply with this requirement. So it's a combination of the three, which will ensure and that's really our priority focus is to ensure that from fiscal '24 onwards, we should not have incremental requirements of RIDF come to in subsequent years. Of course, there is a legacy deposit book, which is what we discussed 8% to 9%, which is sitting that will hopefully age and mature over time. But at least from an incremental perspective, our endeavour is that we don't add to this book or burden from hereon.

Prashant Kumar: So Jai basically, whatever we do this year would result into the lower demand for the next year. So whatever we do on the PSL side would actually give us the benefit from the next financial year onwards.

Jai Mundhra: Right. Understood, sir. And lastly, Niranjan, if you have the RWA number for our Bank in absolute rupees crores, that would be the last question?

Niranjan Banodkar: That number is INR2.46 lakh crores.

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

Rakesh Kumar: Yes. Sir, firstly, is a question on credit yield number, so there is some volatility in the number in this quarter on the downward side. So sir, could you help us understand what is the reason for the same?

Niranjan Banodkar: So just from an advances yield, actually, what also happens is there are certain recoveries that we also get in our NPA stock through the interest line item. One of the -- and that is also what causes some amount of volatility. But at a core performance level, the yield on advances actually has been broadly flattish sequentially.

Rakesh Kumar: So I think it has kind of fallen by around 10 bps. So is that in the corporate book re-pricing or there is some struggle that we are facing on the loan pricing side, especially on corporate book is that the reason or there is other reason?

Niranjan Banodkar: So no, let me respond in different ways. I think if you're comparing on a sequential basis, like I said, there is also a noise that comes from interest recoveries in the -- from the NPAs, which also result into certain noise. So for example, June quarter, we actually had hardly any NPA interest recovery, right? Whereas in March quarter, we did have, right, which has resulted into some compression in the yield on advances.

However, I think the point that you mentioned was on pricing pressures, I think that gets reflected in our -- in the loan spread. So for example, if we were lending at a certain -- a certain rate, even despite, let's say, increase in the cost of deposits, are we able to, let's say, price some of those out.

I think there, yes, we do see pricing pressures in actually various businesses and products. But to be honest, from our vantage point, what we are very conscious about is we are calibrating our growth in products, especially on the retail side, which gives us better margin because we've now built the experience and volumes in those respective product lines.

So just to give you an example, if I were to look at the entire vehicle, as a segment, our incremental disbursement in, let's say, used cars is actually higher than new auto cars, right? And it's not that by virtue of that, we are venturing into higher risk category is just that it's a product, where we are able to get a better risk return profile.

Similarly, when we look at, let's say, areas like home loan and affordable home loans our incremental disbursements in affordable are actually trending higher, right? So we are conscious of the segments that we need to operate. We are conscious of the business that we need to operate, so as to help us maintain our loan spread.

There is one element that has in addition to -- because there was a question earlier also on net interest margins. In addition to deposit re-pricing, there has been certain -- because there's also seasoning that's playing out in our retail book as well. So some of the old retail loans are also -- as they're redeeming, the redemption is because some of these were originated in 2018, '19. So we've seen some reduction in loan spreads, as a consequence of that as well.

But I think broadly, in Q2, we do believe we should have the bottoming out of net interest margins, and that to marginally, we are not going to see the magnitude of margin compression that we saw between June and March. Sorry, a little bit long-winded answer, but I just thought I'll give you the full perspectives.

Rakesh Kumar: Yes. That's quite helpful. And sir, the LDR number is like there is a scope to improve that number. So what is the kind of credit growth that we are anticipating for this fiscal year?

Niranjan Banodkar: Sorry, what number are you referring?

Rakesh Kumar: LDR. Loan deposit ratio.

Prashant Kumar: LDR.

Niranjan Banodkar: LDR, loan deposit ratio.

Rakesh Kumar: Yes. So there is a scope to further improve this -- further increase it. So what is the credit growth that we are looking at for this fiscal year?

Prashant Kumar: No, I think if you see a balance between the loan deposit ratio from the perspective of liquidity and the profitability, we believe that around 90% is the right way, okay? So we are looking for a credit growth between 15% to 20% and deposit growth of more than 20%.

Rakesh Kumar: I was looking at actually -- sorry, I was looking at credit to deposit and borrowing numbers, so that I have 68%. Yes. Okay. Got it.

Prashant Kumar: Sorry, Rakesh can you please just, I think if you can go through the numbers again because we don't want a gap in understanding. What did you mean by 68?

Rakesh Kumar: No sir. No, I was saying credit as a denominator, deposit and borrowing. So that is the way I was looking at, which is 68% number as per our calculation?

Prashant Kumar: Okay.

Rakesh Kumar: Credit as a proportion of deposit and borrowing. So that number was 68%. I was…

Prashant Kumar: So Rakesh, I think the more relevant metric from our vantage point is actually the CD ratio, which is just loans and deposits. As you see, we were at about -- slightly over 92% for March. That's marginally improved to about 91.3% for June. Our endeavour is, as we go through this financial year to get the LDR below 90%. That's really our endeavour.

Moderator: Thank you. The next question is from the line of Prabal from Ambit Capital. Please go ahead.

Prabal: Yes. Sir, my first question is on the retail slippages, so that continues to be 3%-plus for us. So first, are these the normalized levels that we should expect going ahead? Or is there a scope for improvement here?

Rajan Pental: So I think we will be able to continue at a current level with some improvement coming in. So one is that we are also going in for some high-yield assets, and anyway, April has its impact with lesser number of days available. So more or less, we'll be able to maintain at the same levels.

Prabal: Okay. And in addition to that, can you highlight your retail strategy, maybe in terms of distribution across various products, how much is done in-house, how much is via DSA or other channels? And what are the approval rates that we have typically across DSA?

Rajan Pental: Yes. So approval rates will actually vary from product-to-product, but just to reflect on the distribution, our approximately 23% of the business is coming from the branch network. And all put together, approximately 37% to 38% is coming from internal channels, including the phone banking and all relevant channels included.

In our overall distribution strategy, we are largely focused on one on the internal business, which is moving very well. And with the increase in the database, and also the branch network now more equipped to handle multiple products is moving well, and we can actually move towards upwards of around 25%.

On the other channels, other than internal are basically the dealers and the corporate DSAs, which is approximately around 60%, which is going in. We work on the partnership with the fintechs, but that is not to the extent of approving it online. It's more in terms of a synergetic relationship, which is hardly, which is less than 5%, as of today.

Prabal: Okay. You're saying approval rate is less than 5%?

Rajan Pental: So, no. Approval rate would actually vary from product-to-product, but let us say, the product, where you would be most interested to know around personal loans would be around 60% to 62%.

Prabal: 60% to 65%?

Niranjan Banodkar: Yes.

Niranjan Banodkar: So I just wanted to, sorry, I wanted to also call out for the retail slippages because you had a question on -- and Rajan did mention that we broadly see the trends. I think what I also wanted to call out is, if you look at slippages net of recoveries and upgrades, that number continues to be trending in the ballpark range of about 40 basis points on a non-annualized basis. So I think that, that trend will continue. So while there might have been some increase in the, let's say, slippage for June quarter for the reasons that Rajan alluded, but we also did see a good quantum of upgrades and resolution that played out -- and I'm not talking about write-offs here, just upgrades and recoveries, the core resolutions. Thank you.

Prabal: And sir, last question would be, what is the desired level of provision coverage ratio that you would want to add?

Prashant Kumar: Desired ratio of...

Prabal: Of provision coverage ratio connecting to that 48%-odd?

Prashant Kumar: No. I think this is somewhere around 60% would be the desired level.

Prabal: Okay. And after building this, you expect that we can continue to have credit cost of 40 basis points to 50 basis points?

Prashant Kumar: No. I think the credit cost, when we are talking about 40 basis points to 50 basis points, I think that is taking into account the aging provision, as well as the recoveries and the resolution. So I think we would be in this range. Just to also clarify, when we talk about credit costs, this is non-tax provisions effectively to total assets.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I would now like to hand the conference over to Mr. Prashant Kumar: for closing comments. Over to you, sir.

Prashant Kumar: Thank you, and thank you, everyone, for joining the call so early in the morning. But I think we would like to reassure all our stakeholders that transformation of the Bank on the desirable, say, direction has already started, and we are seeing the results in the Quarter 1. And I think in the coming time, we would be seeing much better execution on our desired strategy. Thank you so much.

Moderator: Thank you, sir. Thank you, members of the management. Ladies and gentlemen, on behalf of YES Bank, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.