

Update on Yes Bank Limited

Jan 31, 2023 | Banks

India Ratings and Research (Ind-Ra) notes that the Mumbai High Court has set aside the decision to write off INR84.2 billion worth of Yes Bank Limited's ('IND A-/Stable) additional tier-1 (AT1) bonds. Ind-Ra understands that the court did not go into the merits of the nature of these bonds and ruled that there were procedural lapses in the decision to write down the bonds. The court has instructed the bank to reinstate the AT1 bonds within the next six weeks.

Yes Bank however has decided to appeal against the decision in the high court. Some press reports also suggest that the regulator may also appeal against the decision. The agency is of the view that the resolution of the matter could take some time. The bank raised capital of about INR60 billion (including INR10 billion through convertible warrants) in 3QFY23. Its net worth as on 31 December 2022 was INR401 billion with a CET and Tier 1 ratio of 13%. The bank reported a return on equity of 1.9% (annualised) in 9MFY23. Under the worst case scenario, if the said reinstatement were to happen now, Ind-Ra assesses that the bank could see a decline in the CET1 to nearly 10% while its Tier 1 may remain at the current levels.

The AT1 features include discretion in terms of interest payments to instrument holders and the coupons are non-cumulative. The agency would wait for the more clarity on the issue and take an appropriate rating action as and when required.

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