

Yes Bank Limited

Brickwork Ratings downgrades Yes Bank’s various debt instruments to ‘BWR D’

Particulars:

Instruments	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (December, 2019)	Present
Hybrid Tier I Bonds (Basel II)	90 (raised ₹ 82 Cr)	90 (raised ₹ 82 Cr)	Long Term	BWR A- (Negative)	BWR D Downgrade
Upper Tier II Bonds (Basel II)	450 (raised ₹ 440 Cr)	450 (raised ₹ 440 Cr)	Long Term	BWR A- (Negative)	BWR D Downgrade
Innovative Perpetual Debt Instrument (Basel II)	230 (raised ₹ 225 Cr)	230 (raised ₹ 225 Cr)	Long Term	BWR A- (Negative)	BWR D Downgrade
Lower Tier II Bonds (Basel II)	260	260	Long Term	BWR A (Negative)	BWR D Downgrade
Lower Tier II Bonds (Basel II)	300	300	Long Term	BWR A (Negative)	Withdrawn on due redemption
Total	1330	1330	Rupees One Thousand Three Hundred Thirty Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** ISIN wise details is provided in Annexure-I&II

RATING ACTION / OUTLOOK

Brickwork Ratings downgrades ratings of various bond issues of Yes Bank Limited (Yes Bank) to ‘BWR D’, as tabulated above. Brickwork Ratings (BWR) has factored in the recent developments in the Bank, the steps taken by Reserve Bank of India (RBI) and the information and clarification provided by the bank’s management.

RBI and Government of India, on March 05, 2020 has imposed moratorium on Yes Bank under section 45 of the Banking Regulation Act, 1949. This has led to various restrictions on the bank that includes, limitations on withdrawals by depositors, payments by the bank including that to bondholders, loan disbursements and disposal of assets and liabilities. Further, on March 06, 2020, RBI placed in public domain a draft scheme of reconstruction scheme for Yes Bank, which stipulates that the instruments qualifying as Additional Tier I (AT1) capital under Basel III framework shall stand written down permanently, in full.

BWR has downgraded bank's Basel II Hybrid Tier I bonds amounting to Rs.82 Cr to '**BWR D**' as it has failed to service the coupon of the instrument due on March 05, 2020 as it awaits RBI's approval to make the said payment.

The Upper Tier II bonds and Innovative Perpetual Debt Instruments (IPDI) under Basel II have also been downgraded to '**BWR D**'. There is a high probability that it may not service the coupon obligations on these instruments as regulations necessitate the bank to take RBI permission to service the coupon. Since the bank is incurring losses and RBI may not give the requisite permission. The Basel II Upper Tier II Bonds and Basel II Tier I Bonds have specific features wherein the debt servicing is linked to the bank meeting the regulatory norms on capitalisation and profitability. As per the regulatory norms, for hybrid debt capital instruments, approval from the RBI is required for debt servicing (including principal repayments) in case the bank reports a loss and is not liable to service the debt if it breaches the minimum regulatory capitalisation norms, i.e. CRAR of 9.0%. The coupon if missed on Basel II Tier I bonds, is non-cumulative, while that on Upper Tier II bond is cumulative, if not paid. The bank had incurred a net loss of Rs.485 Cr for H1FY20 and could continue to incur losses in the near term as it would be required to provide for impairment in its loan book.

The Lower Tier II bonds under Basel II of Rs.260 Cr of the bank which is rated by BWR and is due for redemption on 30-April-2020, is highly susceptible to risk of default given the constrained liquidity situation of the bank and hence have been downgraded to '**BWR D**'.

BWR also withdraws rating of Basel II Lower Tier II bonds of Rs.300 Cr, as it was redeemed on its due date of 22-Jan-2020. The Debenture trustee has confirmed the same

LIQUIDITY INDICATORS: WEAK

The Bank's liquidity coverage ratio (LCR) as of 30-Sep-2019 was 113%. However, post that the bank has not published its position as of 31-Dec-2019. In view of the moratorium imposed, the liquidity of the Bank remains to be a concern and hence classified as Weak.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

The Lower tier II bonds under Basel II could be serviced through the profits generated from the current year or from the accumulated reserves and surplus. However, in case of Upper Tier II bonds and Hybrid Tier I bonds under Basel II, the bank has to take RBI permission to service the coupon if it has incurred losses and may not be liable to pay coupon in case it does meet the minimum regulatory CAR requirement of 9%. The coupon if missed on Basel II Tier I bonds, is non-cumulative, while that on Upper Tier II bond is cumulative, if not paid.

BANK'S PROFILE

Yes Bank, founded in 2004 and headquartered at Mumbai is a new age private sector bank in India, with presence covering 53 Metros, 29 states and 7 Union Territories. The Bank with 1120 branches, 1456 ATMs across the nation has an employee headcount of 21,136 as of 31-Mar-2019.

KEY FINANCIAL INDICATORS BWR in its [rationale dated 23-Dec-2019](#) has published the bank results available upto 30-Sep-2019. No further update on financials is available

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY -NIL

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

S No	Instrument	Current Rating			Rating History					
		Type	Amount (₹ Crs)	Rating	24 Dec 2019	05 Aug 2019	09 May 2019	05 Oct 2018	27 Aug 2018	02 Aug 2017
1	Innovative Perpetual Debt Instrument	Long term	230 (raised ₹ 225 Cr)	BWR D Downgraded	BWR A- (Negative) Downgrade	BWR A+ (Negative) Downgrade	BWR AA- (Negative) Downgrade	BWR AA+ (Credit Watch with Developing Implications)	BWR AA+ (Stable) Reaffirmed	BWR AA+ (Stable) Reaffirmed
2	Upper Tier II	Long Term	450 (raised ₹ 440 Cr)	BWR D Downgraded	BWR A- (Negative) Downgrade	BWR A+ (BWR A Plus) (Outlook: Negative) Downgrade	BWR AA- (Negative) Downgrade	BWR AA+ (Credit Watch with Developing Implications)	BWR AA+ (Stable) Reaffirmed	BWR AA+ (Stable) Reaffirmed
3	Hybrid Tier I	Long Term	90 (raised ₹ 82 Cr)	BWR D Downgraded	BWR A- (Negative) Downgrade	BWR A+ (Negative) Downgrade	BWR AA- (Negative) Downgrade	BWR AA+ (Credit Watch with Developing Implications)	BWR AA+ (Outlook: Stable) Reaffirmed	BWR AA+ (Outlook: Stable) Reaffirmed

4	Lower Tier II	Long Term	300	Withdrawn	BWR A (Negative) Downgrade	BWR AA- (Negative) Downgrade	BWR AA (Negative) Downgrade	BWR AA+ (Credit Watch with Developing Implications)	BWR AA+ (Stable) Reaffirmed	BWR AA+ (Stable) Reaffirmed
5	Lower Tier II	Long Term	260	BWR D Downgraded	BWR A (Negative) Downgrade	BWR AA- (Negative) Downgrade	BWR AA (Negative) Downgrade	BWR AA+ (Credit Watch with Developing Implications)	BWR AA+ (Stable) Reaffirmed	BWR AA+ (Stable) Reaffirmed
Total			1330	INR One Thousand Three Hundred Thirty Crores Only						

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COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Bank & Financial Institutions](#)
- [Basel III Compliant Instruments](#)

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**YES BANK LIMITED
ANNEXURE I
INSTRUMENT DETAILS**

Instrument	Issue Date	Amount Rs. Crs.	Coupon Rate	Maturity Date	ISIN Particulars
Hybrid Tier I Bonds	05-Mar-2010	90	10.25%	Call option after 10 years	INE528G09061
Upper Tier II Bonds	14-Aug-2010	450	9.65%	14-Aug-2025	INE528G08154
Innovative Perpetual Debt Instrument	21-Aug-2010	230	9.90%	Perpetual	INE528G09079
Lower Tier II Bonds	30-Sep-2009	260	9.65%	30-Apr-2020	INE528G08139
Lower Tier II Bonds**	22-Jan-2010	300**	9.65%	22-Jan-2020	INE528G08147

Total Rupees One Thousand Three Hundred Thirty Crores Only

** The Lower Tier II Bonds of Rs.300 Cr has been redeemed in full on 22-Jan-2020

For print and digital media

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