

July 29, 2010

**CARE UPGRADES RATINGS ASSIGNED TO VARIOUS BOND ISSUES OF YES BANK LTD.**

CARE has revised the rating assigned to various outstanding Lower Tier II Bonds of Yes Bank Limited aggregating to Rs.534.9 crore from 'CARE AA-' [Double A Minus] to 'CARE AA' [Double A]. CARE has also revised the rating assigned to various outstanding Upper Tier II Bonds aggregating to Rs.592.6 crore and Perpetual (Hybrid) Bonds (Tier I) aggregating to Rs.236 crore of Yes Bank Limited from 'CARE A+' [Single A Plus] to 'CARE AA-' [Double A Minus]. Instruments with this rating are considered to offer high safety for timely servicing of debt obligations. Such instruments carry very low credit risk.

<b>Instrument</b>	<b>Amount Outstanding as on March 31, 2010 (Rs crore)</b>	<b>Rating</b>
Lower Tier II Bonds	534.9	'CARE AA' (Upgraded from 'CARE AA-')
Upper Tier II Bonds	592.6	'CARE AA-' (Upgraded from 'CARE A+')
Perpetual (Hybrid) Bonds (Tier I)	236	'CARE AA-' (Upgraded from 'CARE A+')

**Rating Rationale**

The revision in rating takes into account steady improvement in the bank's profitability parameters over past few years, its demonstrated ability to maintain asset quality across business cycle, its consistently robust capital adequacy parameters along with its ability to raise capital at regular intervals to support its business growth, The rating also factors in the track record of YBL's promoters, experienced senior management team, its risk management systems and strong technology platform. The ratings are however, constrained due to relatively limited track record of operations of the bank. YBL's low proportion of low cost Current Account - Saving Account (CASA) deposits is also a rating constraint. In addition, YBL's ability to raise low-cost resources, maintain asset quality of its fast-growing advances portfolio, sustain the high non-fund-based income and manage its asset-liability position are the key rating sensitivities.

CARE has rated the aforesaid (Upper Tier II Bonds and Perpetual Tier I Bonds) one notch lower than the Lower Tier II Bonds in view of the additional risk arising due to existence of lock-in-clause in these instruments. Any delay in payment of interest/principal (as the case may be) following the invocation of the lock-in-clause would constitute as an event of default, as per CARE's definition of default and as such these instruments may exhibit somewhat sharper migration of rating, as compared to conventional subordinated debt instruments.

**Company Profile**

Yes Bank Ltd.(YBL) is a new generation private sector bank incorporated in May 2004 promoted by Mr. Rana Kapoor and Late Ashok Kapur. Promoter holding stood at 27.16% as on March 31, 2010. The bank had 150 fully operational branches across the country, as on March 31, 2010. In January 2010, the bank raised Rs.1034 crore through its maiden Qualified Institutions Placement (QIP).

YBL has witnessed a rapid growth [at a Compounded Annual Growth Rate (CAGR) of 49% from FY07 to FY10] in its asset size to reach Rs.36,317 crore as on March 31, 2010. Deposits of the bank rose about 66% to Rs.26,799 crore as on March 31, 2010 and Advances by 79% to Rs.22,193 crore. YBL reported PAT of Rs.478 crore (FY09:Rs.304 crore) on total income of Rs.2,945 crore (FY09:Rs.2,438 crore). YBL reported Capital Adequacy Ratio (CAR) of 20.60% (under Basel II) as on March 31, 2010. Gross Non Performing Assets (NPA) ratio and net NPA ratio as on March 31, 2009 stood at 0.27% and 0.06%, respectively.

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*CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries /regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

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