

Yes Bank Limited

NSE: YESBANK | India Banks | Market Cap: Rs.670 Bn

Report Date:	October 21, 2025
Analyst:	Jashan Singh Virdi
Price (LTP):	Rs.22.50
Rating:	Hold - Long Term

Executive Summary

Yes Bank (NSE: YESBANK) is undergoing a significant transformation, marked by strategic investments and improving financial metrics. The recent acquisition of a 24.2% stake by Sumitomo Mitsui Banking Corporation (SMBC) underscores this shift. However, while these developments are promising, the bank's core profitability metrics remain below industry standards, indicating that a full recovery may take several years.

Financial Performance Snapshot

Q2 FY26 Highlights

- Net Profit: Rs.654.47 crore, up 18.3% YoY.
- Net Interest Income (NII): Rs.2,300 crore, a 4.6% increase YoY.
- Net Interest Margin (NIM): 2.5%, reflecting a 10 basis point improvement YoY.

Key Ratios

Metric	Q2 FY26	Industry Average
Return on Assets (RoA)	0.67%	1.2%

Return on Equity (RoE)	5.93%	14-16%
Cost-to-Income Ratio	71.25%	45-50%

Strategic Developments

SMBC Stake Acquisition

- Initial Purchase: 20% stake acquired for Rs.13,483 crore in May 2025.
- Additional Stake: 4.2% acquired from a Carlyle affiliate for \$101.7 million in September 2025.
- Total Stake: 24.2%, making SMBC the largest shareholder.

Strategic Intent

- SMBC aims to enhance Yes Bank's corporate banking and cross-border capabilities.
- The partnership is expected to improve governance and operational efficiency.

Valuation & Analyst Sentiment

Relative Valuation

Metric	Yes Bank	Sector Average
Price-to-Book (P/B) Ratio	1.5x	1.2x
Price-to-Earnings (P/E) Ratio	23.38	9.29

Analyst Consensus

- Average 12-Month Target Price: Rs.17.7, with a range of Rs.17 to Rs.20.
- Recommendation: Predominantly 'Hold' or 'Sell' ratings from major brokerages.

Virdi Research Price Target Scenarios

Scenario	Target Price (Rs.)	Upside/Downside	Probability
Bull Case	34.22	+52%	20%
Base Case	30.24	+34%	50%
Bear Case	26.80	+19%	20%
Worst Case	17.70	-21%	10%

Risks & Considerations

Profitability Metrics

- RoA and RoE remain below industry peers, indicating slower growth potential.
- NIM is improving but still below top-tier private banks.

Market Volatility

- Stock price is susceptible to market sentiment and news flow.
- Recent fluctuations highlight investor uncertainty.

Execution Risks

- Successful turnaround depends on effective implementation of strategic initiatives.
- Long-term recovery may take several years.

Investment Recommendation

Yes Bank presents a compelling case for long-term investors with a high-risk appetite. The partnership with SMBC offers strategic advantages, and improving financial metrics suggest a positive trajectory. However, potential investors should be aware of the bank's current profitability challenges and market volatility. We assign a HOLD rating with a base case target of Rs.30.24, representing a 34% upside from current levels. A cautious approach, focusing on long-term fundamentals and monitoring quarterly performance, is advisable.

Key Catalysts to Monitor

- Quarterly improvement in RoA and RoE metrics
- Successful integration of SMBC partnership benefits
- Further reduction in GNPA/NNPA ratios
- Market share gains in corporate banking segment
- Regulatory developments and RBI oversight changes

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