

Yes Securities (INDIA) Limited

December 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Issuer Rating	0.00	CARE A+; Stable	Upgraded from CARE A; Positive
Commercial Paper	700.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Upgrade in ratings assigned to debt instrument and issuer rating of Yes Securities (India) Limited (YSIL) take into consideration the improvement in credit profile of the parent entity, namely Yes Bank Limited (YBL); (rated CARE A+; Stable/CARE A1+). YSIL provides capital market-related services including retail broking and wealth management and institutional broking predominantly to YBL's clients. As a subsidiary of YBL, it has strong operational linkages with its parent and derives broader benefits from shared brand identity of the bank and financial and managerial support. Ratings continue to reflect YSIL's established retail broking franchise and extensive experience across business segments. The company's revenue profile is diversified, though it remains skewed in favour of broking income at present. Additionally, YSIL maintains adequate margin and risk management systems, and moderate leverage.

Going forward, YSIL plans to diversify its clientele away from YBL's customers; but would continue to remain a strategic subsidiary for the bank for providing service to its clients and enabling the bank to cross sell banking products to the clients. The company plans to foray in the financial products' distribution business.

Ratings are constrained by volatility in the income due to high dependence on capital markets, high client concentration in the brokerage segment, exposure to increasing competition in the sector and moderate size of operations and profitability, notwithstanding an improvement in FY24.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in credit profile of the parent (YBL).
- Improvement in market share on a sustained basis.
- Significant revenue diversification while improving profitability on a sustained basis.

Negative factors

- Deterioration in the credit profile of the parent.
- Material changes in ownership structure or moderation in the expected support from YBL.
- Significant deterioration in scale and profitability on a sustained basis.

Analytical approach: YSIL has been assessed on standalone basis and factoring managerial, financial and operational linkages and shared brand name with the parent, YBL.

Outlook: Stable

The "Stable" outlook factors in CARE Ratings' expectation that the company would report a steady growth rate while maintaining adequate capitalisation and strong liquidity position.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:**Key strengths****Parentage YBL and managerial, operational, financial linkages and shared brand name**

YSIL is a subsidiary of YBL and provides capital market-related services including retail broking, wealth management and institutional broking, predominantly to YBL's clients. YSIL has been receiving financial support from YBL where the bank has infused equity capital of ₹250 crore in YSIL till September 30, 2024, with the last round of equity of ₹100 crore infused in September 2023. CARE Ratings believes YSIL would continue to receive need-based funding support from the bank going forward.

The bank has extended its brand identity and shared the brand name with YSIL. YSIL's board of directors is headed by Prashant Kumar (managing director and chief executive officer; MD and CEO of YBL) as the Chairman and Rajan Pental (executive director of YBL) and Tushar Patankar (chief risk officer of YBL) as Directors on YSIL's board.

Established retail broking franchise, experienced management team and adequate risk management systems and process

YSIL offers broking services to retail customers and is also an institutional broker with presence in cash, derivative and commodities market segment. The company currently offers 3-in-1 accounts where the demat account and trading account is offered by YSIL and bank account linked to it is offered by YBL, as well as 2-in-1 account where bank account can be bank other than YBL. YSIL had a customer base of over 5.64 lakh largely comprising YBL clients, of which active clients stood at 85,597 as on September 30, 2024. The company started to expand its services even to non-YBL clients from March 2022 which would help the company to increase the client base.

The company's total trading turnover stood at ₹1,49,682 crore in FY24 (FY23: ₹1,10,874 crore) which comprises of equity cash, equity derivative, currency derivative and commodity derivative. However, ~86% turnover is derived from equity cash and equity derivative segments. The company has started offering margin trading facility (MTF) to its customers from FY19 and has gradually scaled up the book. As on September 30, 2024, the MTF book stood at ₹829 crore (March 31, 2024: ₹601 crore). The company has further plans to scale up this book in the near term. Going forward, the company plans to foray in distribution business.

The company has robust risk management systems with adequate margin from clients. The company offers MTF only in selected securities to its clients and charges additional margin over and above the exchange-specified value at risk (VaR) + extreme loss margin (ELM). YSIL has defined criteria for client exposures and has not faced major loss or bad debts in the last five years of operations.

YSIL's operations are headed by Anshul Arzare, managing director (MD) and chief executive officer (CEO). He has over two decades of experience in the financial industry.

Adequate capital position with moderate gearing levels

The company has adequate capital position supported by capital infusion by the parent, YBL, as and when required. The parent had infused ₹250 crore till date as equity capital in the company. Apart from equity support from the parent, the company also has working capital financing facilities of ₹345 crore from the parent.

The company's tangible net worth stood at ₹250.86 crore as on March 31, 2024 (March 31, 2023: ₹121.49 crore). The company's overall gearing decreased to 2.26x as on March 31, 2024 (March 31, 2023: 2.76), mainly considering capital infusion in September 2023. The company's net worth further stood at ₹277.23 crore as on September 30, 2024. YSIL would maintain overall gearing at ~4x to 4.5 over the medium term within the limits per SEBI guidelines.

Going forward, the continuous need-based support from the parent to maintain leverage levels and support growth and the company's ability to generate adequate internal accruals would be a key rating monitorable.

Key weaknesses**Moderate Scale, despite improvement**

YSIL is an established broker, albeit with a modest turnover and market share of 0.25% of active client as on September 2024. In terms on turnover, its market share has improved to 0.33% in March 2024 from 0.31% in March 2023. YSIL has a diversified income profile with revenue from brokerage (including retail and institutional broking) and interest income through the MTF book.

The company has been focusing on broking and MTF segments to maintain its revenue and profitability over the last three years. Brokerage contributed majority to the total income with a share of ~44% in FY24 (PY: 46%) while interest from MTF constituted ~44% of total income for FY24 (PY:31%) and float income (interest on fixed deposit) comprised the rest. Income from broking is expected to constitute major proportion of income in the near term as it has scaled up its customer base tapping on YBL's clientele. The company has been able to report profit over the last three years with shift in business strategy and focus on wealth and MTF segments.

The company reported profit after tax (PAT) of ₹34.12 crore on total income of ₹273.82 crore in FY24 compared to PAT of ₹18.41 crore on total income of ₹219.01 crore in FY23. YSIL reported PAT of ₹25.58 crore on total income of ₹175.27 crore in H1FY25 compared to PAT of ₹5.31 crore on total income of ₹121.02 in H1FY24 crore.

Presence in inherently risky and competitive broking business

YSIL's business and earning profile significantly depends on income earned as brokerage which contributed to ~44% of its total revenues in FY24. This indicates YSIL's dependence on capital market activities which is highly volatile, which could impact the earnings profile and the company's profitability. As the company is in MTF lending, it is also exposed to credit and market risk. The company's MTF book has increased from ₹101.3 crore as on March 31, 2021, to ₹600.72 crore as on March 31, 2024, and further to ₹828.73 crore as on September 30, 2024. Securities broking business has high degree of competition, with the entry of zero brokerages and discount broking firms which have reduce the brokerage yields. However, the company mitigates the risk arising from such activities by maintaining excess margin with the exchange in the form of cash, fixed deposit and other securities.

Going forward, the company's ability to maintain asset quality and increase its brokerage income through increase in the active clientele, would remain a key rating monitorable.

Liquidity: Adequate

As on June 30, 2024, YSIL had unencumbered cash and bank balance of ₹0.40 crore and access to unutilised bank lines of ₹560 crore against the upcoming debt repayment of ₹631 crore (including CP of ₹296 crore) in next one year. Of the unutilised bank lines, ₹95 crore consists of working capital demand loan (WC DL) from YBL and ₹115 crore consists of OD FD limits from YBL. Comfort is derived from YBL's strong financial flexibility as YBL's subsidiary to obtain additional funding to repay maturing debt.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Issuer Rating](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Broking Firms](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Capital Markets	Stockbroking & Allied

About the company – YBL

YBL is a new generation private sector bank incorporated in November 2003. The Reserve Bank of India (RBI) superseded the bank's board of directors and imposed a moratorium on the bank from March 05, 2020. The Government of India approved the 'Yes Bank Reconstruction scheme, 2020' which came into effect from March 13, 2020. Per the scheme, the moratorium was lifted from March 18, 2020, and the State Bank of India (SBI) led group of financial institution invested ₹10,000 crore. SBI is required to hold minimum 26% in the bank for three years and other investors are required to hold 75% holding for three years. The bank raised ₹15,000 crore from institutional investors in July 2020, which has led to improvement in its capitalisation levels to well above regulatory requirement. As the bank witnessed significant progress since the reconstruction scheme, the bank's board under the reconstruction scheme initiated the process of forming the alternate board which was appointed in H1FY23. In July 2022, the RBI withdrew its appointed additional directors and the directors appointed by GOI under the reconstruction scheme. As on March 31, 2024, YBL has 1,234 branches, 219 BC managed banking outlets and 1,290 ATMs, CRMs and BNAs.

About the company – YSIL

YSIL is a subsidiary of YBL (rated CARE A+; Stable [for Infrastructure Bonds, Tier II Bonds, Lower Tier II Bonds]/ A1+) was incorporated on March 14, 2013. The company is a securities broker registered with the SEBI since July 08, 2013. The company is also a registered merchant banker, research analyst and investment advisor with SEBI.

YSIL offers different kind of services such as trading and investment in equity, merchant banking services such as fundraising for large corporates across public and private sectors and equity and debt advisory, investment banking services such as mergers and acquisition and private equity service to wide range of sectors, fixed income advisory and investment advisory to retails investors and HNI investors.

YSIL has been major player in providing multiple PE investor exit through IPO over the years.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total income	219.00	273.82	175.27
PAT	18.40	34.12	25.58
Tangible Net worth	121.50	250.86	277.23
Loan Book (MTF & T+5)	359.50	600.72	828.73
Total Borrowings	334.90	567.17	732.04
Cost-to-Income (%)	90.29	84.18	74.88
Overall Gearing (x)	2.76	2.26	2.64
PAT Margin (%)	8.41	12.46	14.59
RONW (%)	16.48	18.33	20.20
ROTA (%)	2.53	3.42	3.96

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

All ratios are as per CARE Ratings Limited's (CARE Ratings) calculations.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Commercial Paper	INE066R14473	26-Apr-24	9.00%	23-Oct-24	35	CARE A1+
Commercial Paper	INE066R14499	08-May-24	9.15%	04-Nov-24	50	CARE A1+
Commercial Paper	INE066R14564	31-Jul-24	8.65%	28-Nov-24	25	CARE A1+
Commercial Paper	INE066R14572	21-Aug-24	8.20%	21-Oct-24	20	CARE A1+
Commercial Paper	INE066R14580	30-Aug-24	8.80%	30-Dec-24	30	CARE A1+
Commercial Paper	INE066R14598	19-Sep-24	9.25%	18-Sep-25	25	CARE A1+
Commercial Paper	INE066R14606	24-Sep-24	8.85%	24-Mar-25	20	CARE A1+
Commercial Paper	INE066R14614	25-Sep-24	9.15%	24-Sep-25	50	CARE A1+
Commercial Paper	INE066R14622	26-Sep-24	9.15%	25-Sep-25	25	CARE A1+
Commercial Paper	INE066R14630	30-Sep-24	8.70%	31-Dec-24	21	CARE A1+
Commercial Paper	INE066R14648	01-Oct-24	9.15%	01-Sep-25	50	CARE A1+
Commercial Paper	INE066R14655	08-Oct-24	8.80%	05-Feb-25	25	CARE A1+
Commercial Paper	INE066R14663	14-Oct-24	8.85%	11-Feb-25	28	CARE A1+
Commercial Paper	INE066R14689	17-Oct-24	8.25%	18-Nov-24	50	CARE A1+
Commercial Paper (Proposed)	-	-	-	-	246	CARE A1+
Issuer Rating	-	-	-	-	-	CARE A+; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Commercial Paper-Commercial Paper (Standalone)	ST	700.00	CARE A1+	-	1)CARE A1+ (12-Feb-24) 2)CARE A1+ (24-Nov-23)	1)CARE A1+ (17-Feb-23) 2)CARE A1+ (12-Oct-22) 3)CARE A1 (15-Jul-22) 4)CARE A1 (06-Apr-22)	-
2	Issuer Rating-Issuer Ratings	LT	0.00	CARE A+; Stable	-	1)CARE A; Positive (12-Feb-24) 2)CARE A; Positive (24-Nov-23)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Issuer Rating	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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