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'Proactively de-risking the bank'

Yes Bank on Friday reported a 25.06% rise in its third quarter net profit, supported by a reasonable growth in its net interest income.

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Yes Bank on Friday reported a 25.06% rise in its third quarter net profit, supported by a reasonable growth in its net interest income. In the post-earnings press conference, managing director and CEO Rana Kapoor said the credit cost guidance for the fiscal year 2016 has been brought down to 50 basis points. Excerpts:

What is your outlook on credit cost?

Like most other banks, we also had to undergo asset quality review (AQR). Our numbers for this quarter fully reflect the impact of that review as well as our ongoing provisioning. The numbers that we have reported are consolidated numbers and the credit cost for this quarter is 14 basis points. For the future forecast, we are going to maintain our overall credit cost, naturally factoring in the impact of this AQR, at 50 basis points. There will be no spillover whatsoever from any of the special review impact of the Reserve Bank of India in 2016-17.

What helped you bring down your credit cost guidance?

In October 2011, Yes Bank's risk management department with the relationship leaders took a view that when the GDP slipped below the 6.2% level, there were red flags in the economy. Since then, dynamically the team has been managing our risks systems pro-actively. For four-and-a-half years, we have been de-risking the bank pro-actively. I want to report this that even as a corporate bank, you can build asset quality resilience, you can preserve quality because relationship management with the right risk architecture backing you can also produce results as good as the bellwether bank in the country. The bank is working pro-actively and dynamically to make sure that we are de-risking ahead. Sometimes we are structuring our credits with more collateral and more securities, with cash flow traffics, escrow accounts where necessary because cash flow capture is strictly important in restructuring.

The overall contribution to the credit from the business banking segment has come down...

There is a view that the stress is only in large conglomerates. But, actually it is the guy who is in the middle who has problems. And it is the standalone businesses which do not have the balance sheet might, that sometimes show greater weaknesses in a protracted weak credit cycle. So this is one segment, the medium enterprises, where we have been de-risking and contracting.

What about exposure to the iron & steel sector?

Our exposure to the iron and steel sector is 3.2%. Around 2.3% of this 3.2% is 'A' or above rated. The balance has some stresses and we have factored in that into our overall provisions.

Are you going for the asset management company (AMC) licence?

We had the benefit of the Reserve Bank of India's approval for the AMC licence. We are in the midst of obtaining the Sebi approvals for the same. Thereafter sometime later this year, we will commence our business as well.