



Yes Bank

 Relative to sector: **Neutral**
Praveen Agarwal

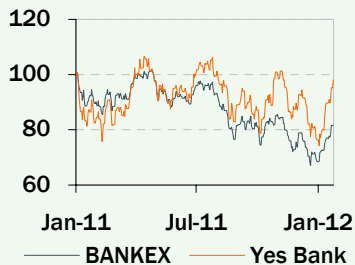
 Executive Director – BFSI
 Email: praveen.agarwal@enam.com
 Tel: 9122 6754 7609

Siddharth Goel

 AVP – BFSI
 Email: siddharth.goel@enam.com
 Tel: 9122 6754 7620

Deepak Agrawal

 VP – BFSI
 Email: deepak.agrawal@enam.com

Relative Performance


Source: Bloomberg, ENAM Research

Stock data

 No. of shares : 351 mn
 Market cap : Rs 112 bn
 52 week high/low : Rs 341/ Rs 231
 Avg. daily vol. (6mth) : 2.9 mn shares
 Bloomberg code : YES IB
 Reuters code : YESB.BO

Shareholding (%) Dec-11 QoQ chg

Promoters	: 26.2	(0.1)
FIs	: 44.5	(0.8)
MFs / UTI	: 3.4	(0.3)
Banks / FIs	: 7.3	1.3
Others	: 18.6	(0.2)

Financial summary

Y/E Mar	PAT (Rs mn)	EPS (Rs)	EPS chg (%)	P/E (x)	BV (Rs.)	Adj. BV (Rs.)	P/BV (x)	P/Adj. BV (x)	RoE (%)	RoA (%)	Net NPA (%)
2010	4,777	14	37	22.7	91	91	3.5	3.5	20.3	1.6	0.1
2011	7,271	21	49	15.2	109	109	2.9	2.9	21.1	1.5	0.0
2012E	9,741	28	34	11.4	134	134	2.4	2.4	23.1	1.4	0.0
2013E	11,444	33	17	9.7	163	162	2.0	2.0	22.2	1.4	0.0

Source: Company, ENAM estimates

CASA IMPROVES; ASSET QUALITY STABLE

Yes Bank' net profit at Rs 2.5 bn (up 33% YoY) was ahead of our estimates led by higher non-interest income (up 31% YoY). Net interest income growth was up 32% YoY (in line) – with customer assets (loans *plus* credit substitutes) rising 28% YoY and 7% QoQ. NIM remained largely flat at 2.8% (unchanged YoY and down 10 bps QoQ). CASA ratio improved to 12.6% (from 11% in Sep-11), partially benefiting from increase in savings rate. Asset quality was stable with absolute gross NPAs rising by 5% QoQ (on lower base). Restructured loans (as % of total loans) improved marginally to 0.49% (from 0.51% in Sep-11).

Key highlights

- **Strong non-interest income:** Non-interest income growth was driven by financial advisory (up 51% YoY), transaction banking (up 28% YoY) and financial market segment (up 18% YoY).

(Contd. on next page...)
Maintain BUY with revised TP of Rs 360 (earlier Rs 321)

While the loan book witnessed lower growth at 15% YoY, overall customer assets growth was driven by credit substitutes (up 1.6x YoY). The management sounded confident on improving its funding profile going forward with focus on CASA balances. We have revised upwards our FY12 earnings estimates by 8% to factor in stronger non interest income and lower slippages. We assign higher FY13E target P/ABV multiple of 2.2x (earlier 2x), given strong return profile, traction in low cost funding franchise, and comfortable asset quality. At CMP of Rs 319, the stock trades at 2x FY13E ABV of Rs 162 and 10x FY13E EPS of Rs 33. **Maintain BUY with revised TP of Rs 360 (2.2x FY13E ABV) – upside of 13% from CMP.**

Key highlights (...Contd from page 1)

- **Higher accretion to credit substitutes vs. loans:** Growth in credit substitutes (ie corporate bonds, NCDs and CPs) was strong at 160% YoY and 20% QoQ, led by higher absolute accretion in these instruments than customer loans. Management indicated these instruments have become preferred fund raising tool by corporate clients following the introduction of base rate regime. At the same time, such instruments do not carry PSL requirement for the bank and are a better tool to manage capital allocation.
- **Traction in 'SME & retail':** Although loan book growth remained slow, 'SME & retail' book saw continued traction with 73% YoY and 7% QoQ increase. This segment now forms 15.2% of overall loans (vs. 10% in Dec-11 and 14.9% in Sep-11).
 - ▶ To widen its product offerings, the bank has recently launched auto loans, CV financing, home loans, LAP and LAS.
- **CASA ratio improves:** CASA ratio improved to 12.6% (from 11% in Sep-11) led by 18% QoQ increase in current account balances (form 10% of total deposits) and 40% QoQ increase in saving account balances (form 2.6% of total deposits). Management is optimistic of meeting its CASA target of 30% by FY15.
- **Stable asset quality:** In % terms, gross and net NPA ratios have remained stable at 0.20% and 0.04%, respectively. Provision coverage ratio is stable at ~80%.
 - ▶ Restructured advances, as a % of total loans, have improved to 0.49% (from 0.51% in Sep-11). According to the management, the bank maintains an 'ordinary' pipeline of restructuring proposals and a couple of accounts with nominal exposure may go in for restructuring in coming quarters.
- **Cost-income ratio to remain at sub-40% levels:** Bank witnessed higher cost-income ratio at 37.6% (up 194 bps QoQ) led by 14% QoQ increase in non-staff expenses. However, the C/I ratio came in at sub 40% levels - better than industry average. Management is confident of mantaining it below sub 40% level going forward.

Results update

(Rs mn)	Quarter ended					12 months ended		
	Dec-11	Dec-10	% Chg	Sep-11	% Chg	Mar-12E	Mar-11	% Chg
Interest Income	16,841	11,262	50	14,387	17	61,853	40,417	53
Interest Expended	12,565	8,030	56	10,530	19	45,130	27,948	61
Net Interest Income	4,276	3,232	32	3,856	11	16,723	12,469	34
Non-Interest Income	2,114	1,617	31	2,141	(1)	7,837	6,233	26
Net Income	6,390	4,848	32	5,997	7	24,560	18,702	31
Operating Expenses	2,402	1,736	38	2,138	12	8,981	6,798	32
Operating profit	3,988	3,113	28	3,859	3	15,578	11,904	31
Provision & Contingencies	224	250	(10)	379	(41)	931	982	(5)
PBT	3,765	2,863	32	3,481	8	14,648	10,922	34
Tax	1,224	952	29	1,130	8	4,907	3,650	34
Net Profit	2,541	1,911	33	2,350	8	9,741	7,271	34
No. of shares (mn)	352	345		351		352	347	
Rep. EPS - non-annualized (Rs.)	7.2	5.5	30	6.7	8	28	21	34
Yields & Margins (%)								
Yield on advances	12.4	10.0	240 bps	12.2	20 bps	11.7	10.6	115 bps
Cost of funds	8.9	7.1	180 bps	8.6	30 bps	7.6	6.6	92 bps
Net interest margin	2.8	2.8	0 bps	2.9	(10) bps	2.6	2.7	(15) bps
Cost to income ratio	37.6	35.8	178 bps	35.6	194 bps	36.6	36.3	22 bps
Asset quality								
Gross NPAs (Rs mn)	721	728	(1)	688	5	908	805	13
Gross NPAs (%)	0.20	0.23	(3) bps	0.20	0 bps	0.23	0.23	(0) bps
Net NPAs (Rs mn)	144	174	(17)	136	6	136	92	49
Net NPAs (%)	0.04	0.06	(2) bps	0.04	0 bps	0.03	0.03	1 bps
Provisioning coverage (%)	80.0	76.1	387 bps	80.2	(18) bps	85.0	88.6	(363) bps
Capital (%)								
Tier-I	9.2	10.4	(120) bps	9.4	(20)	8.6	9.7	(112) bps
CAR	16.1	18.2	(207) bps	16.0	15	16.1	16.5	(37) bps
Balance sheet (Rs. Bn)								
Advances	359	311	15	342	5	394	344	15
Deposits	469	395	19	441	6	513	459	12
CASA (%)	12.6	10.2	240 bps	11.0	160 bps	12.5	10.3	216 bps

Source: Company, ENAM Research; Note: Full year ratios are on calculated basis & may be different from reported nos

This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Nothing in this document should be construed as investment or financial advice, and nothing in this document should be construed as an advice to buy or sell or solicitation to buy or sell the securities of companies referred to in this document. The intent of this document is not in recommendatory nature

Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors

Enam Securities Private Limited has not independently verified all the information given in this document. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval

Enam securities Private Limited, its affiliates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document

This report has been prepared on the basis of information, which is already available in publicly accessible media or developed through analysis of ENAM Securities Private Limited. The views expressed are those of analyst and the Company may or may not subscribe to all the views expressed therein

This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. Neither this document nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions

Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

Copyright in this document vests exclusively with ENAM Securities Private Limited.