

Banking

YES Bank

Buy

(Stable NIMs, rising CASA maintains its stellar performance)

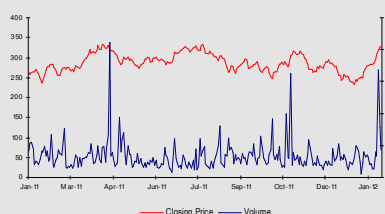
CMP Rs 326

Target Price Rs 402

Key Data

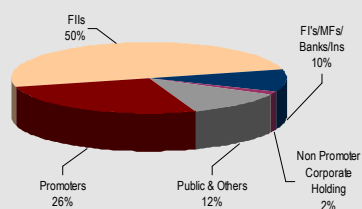
Face Value	10
Market Cap (Rs in mn)	114729
Total O/s Shares in (in mn)	351.9
Free Float	73.8%
52 Week High / Low	341/230.5
Avg. Monthly Volume (BSE)	350136
Avg. Monthly Volume (NSE)	3081047
BSE Code	532648
NSE Code	YESBANK
Bloomberg Code	YES IN
Beta	1.4
Date of Incorporation	Nov 2003
Last Dividend Declared	25%
Six month return	4.2%
Indices	BSE 100

One Year Price Chart



Source: Capitaline

Share Holding Pattern 31.12.2011



Source: Company, KJMC Research

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YES Bank reported PAT of Rs 2540.9mn up 32.9%YoY which was above our estimates of Rs 2393.7mn. NII grew by 32.3% to Rs 4275.8mn while its NIMs was maintained at 2.8% YoY (declined by 10bps QoQ). CASA of the bank increased by 1.6% to 12.6% sequentially in which saving deposits increased by 99.2%YoY. Asset quality of the bank continues to remain stable with GNPA at 0.2% and NNPA at 0.04% while PCR at 80%. Restructured assets remained sequentially flat at Rs 1757mn representing its best asset quality.

The stock is currently trading at 2.0x of its FY13E ABV. We value the standalone business at 2.4x of its FY13E ABV at Rs 167.6 and maintain our Buy rating on the stock with Target Price of Rs 402.

Key Highlights

- Improvement on the CASA share visible after deregulation:** After deregulation of savings rate Yes Bank was the first one to increase savings rate to 6% for deposits below Rs 0.1mn and 7% above Rs 0.1mn thereby leading CASA ratio to improve by 160bps QoQ to 12.6% in Q3 FY12. Savings deposits of the bank have increased by 99.2% to Rs 1202.6mn while management has kept vision of 30% CASA till FY15E.
- NIMs maintained at 2.8% YoY:** Despite higher interest expenses, Bank has managed to maintain its NIMs to 2.8% YoY (sequentially 10bps down) by passing its rising cost of borrowing to its borrowers. With interest rates expected to fall will cushion the margins of the bank going ahead. Also, rising CASA share will add some flavour in maintaining its margins at 3%.
- Moderation in business growth continues:** Following previous quarter trend, advances growth of the bank remained dismal even in this quarter. Advances of the bank grew by 15.3% YoY to Rs 358.6bn while deposits have grown by 18.9% to Rs 469.2bn. We expect credit flow to remain muted as bank is witnessing higher demand for credit via CP and bonds.
- Asset quality continues to be best in class:** Asset quality of the bank continues to remain stable with GNPA and NNPA at 0.2% and 0.04% respectively while PCR stood at 80% levels. Restructured assets remained flat sequentially at Rs 1757mn which is 0.5% of net advances.
- Non interest income continues to grow:** Other income of the bank grew by 30% to Rs 2102mn. Growth was witnessed across all the segments with Transaction Banking and Financial Markets posting 28.3% and 50.6% YoY growth respectively.

Standalone Financial Snapshot

(Rs in mn)

Particulars	FY09	FY10	FY11	FY12E	FY13E
Interest Income (Rs)	20033.2	23697.1	40417.4	63860.4	83262.5
NII (Rs)	5111.8	7879.5	12469.2	17247.5	25409.3
PAT (Rs)	3038.4	4777.4	7271.3	10127.2	13733.7
EPS (Rs)	10.2	14.1	20.9	29.1	39.6
ABV (Rs)	53.3	99.6	109.7	134.1	169.5
P/E (x)	27.9	18.4	13.5	9.8	7.2
P/ABV (x)	5.3	2.9	2.6	2.1	1.7

Source: Company, KJMC Research

Valuations and Outlook

Yes Bank has delivered above expected performance in the bottomline on the back of improvement in the yield on advances and CASA share thereby maintaining its NIMs. Also, asset quality which has been a major concern for the banking industry continues to augur well for the bank. However, moderation in business growth continues in this quarter which is expected to continue in the next quarter. The stock is currently trading at 2.0x of its FY13E ABV. We value the standalone business at 2.4x of its FY13E ABV at Rs 167.6 and maintain our Buy rating on the stock with Target Price of Rs 402.

Quarterly Result Q3 FY12

Particulars (Rs in mn)	Q3FY12	Q3 FY11	yoy (%)
Interest earned	16840.6	11,261.5	49.5
-Interest/discount on advances/bills	11726.4	8,177.5	43.4
-Income on investments	5059.8	2,993.3	69.0
-Interest on bal. with RBI	48.7	70.2	-30.6
-Others	5.7	20.5	-72.2
Interest expenses	12564.8	8,029.9	56.5
Net Interest Income (NII)	4275.8	3,231.6	32.3
Other Income	2114.3	1,616.7	30.8
Total income	6390.1	4,848.3	31.8
Operating expenses	2401.7	1,735.8	38.4
-Employee cost	1217.0	903.3	34.7
-Other operating expenses	1184.7	832.5	42.3
Operating profit	3988.4	3,112.5	28.1
Provision for contingencies	223.5	249.5	-10.4
PBT	3764.9	2,863.0	31.5
Provision for taxes	1224.0	951.8	28.6
Net profit	2540.9	1,911.2	32.9
Equity	3519.3	3396.7	3.6
EPS	7.2	5.6	28.3
Ratios (%)			
Int. exp/Int earned (%)	74.6	71.3	-
Cost/Income ratio (%)	37.6	35.8	-
Emp. cost/Int. Income (%)	7.2	8.0	-
Gross NPAs (Rs)	720.6	688.3	4.7
Net NPAs (Rs)	144.1	136.4	5.6
Gross NPAs (%)	0.20	0.2	-
Net NPAs (%)	0.04	0.0	-
ROA (%)	1.5	1.6	-
CAR (%)	16.1	16.0	-
Advances	358,678.0	311,122.0	15.3
Deposits	469,291.0	394,528.0	18.9
Business	827,969	705,650	17.3
CD ratio (%)	76.4	78.9	-
Investments (Rs)	261006.0	152223.0	71.5
Total assets (Rs)	711091.0	431465.0	64.8
Provisions	576.5	551.9	4.5
Provision coverage	80.0	80.2	-0.2

Source: Company, KJMC Research

Financial Summary

Income Statement

(Year ending March, Rs in mn)	FY09	FY10	FY11	FY12E	FY13E
Interest Income					
-Interest/Discount on advances and bills	14878.1	17715.0	29891.2	45841.1	60370.7
-Income on Investments	4997.0	5858.9	10273.1	17713.1	22605.0
-Int. on bal. with RBI	115.1	86.9	187.5	236.2	206.7
-Others	43.0	36.3	65.6	70.0	80.0
Total Interest Income	20033.2	23697.1	40417.4	63860.4	83262.5
Interest on deposits	12270.5	12534.4	22941.8	40336.1	51413.1
Interest on RBI / Inter-bank borrowings	2531.4	3025.7	4587.9	5753.7	5864.6
Others	119.4	257.4	418.5	523.1	575.5
Total Interest expense	14921.4	15817.6	27948.2	46612.9	57853.2
Net Interest Income	5111.8	7879.5	12469.2	17247.5	25409.3
Other Income	4350.2	5755.3	6232.7	8430.5	10954.4
Total Income	9462.0	13634.8	18701.9	25677.9	36363.7
Employees Cost	2180.2	2568.9	3623.4	4882.5	6975.0
Other operating expenses	2005.3	2432.6	3174.7	4725.0	6750.0
Total operating expenses	4185.5	5001.5	6798.1	9607.5	13725.0
Operating Profit	5276.5	8633.3	11903.8	16070.4	22638.7
Provisions and contingencies	617.4	1368.4	982.1	859.1	2010.3
Profit before tax (PBT)	4659.1	7264.9	10921.7	15211.3	20628.4
Tax provisions	1620.7	2487.5	3650.4	5084.1	6894.7
Profit After Tax (PAT)	3038.4	4777.4	7271.3	10127.2	13733.7
(% change)	51.9	57.2	52.2	39.3	35.6
EPS	10.2	15.5	21.1	29.1	39.4
Share Capital	2969.7	3396.7	3471.5	3510.5	3510.5

Source: Company, KJMC Research

Balance Sheet

(Year ending March, Rs in mn)	FY09	FY10	FY11	FY12E	FY13E
Sources of funds					
Cash and Balances with RBI	12777.2	19953.1	30760.2	40945.1	51382.6
Bal. with banks	6449.9	6779.4	4199.6	803.7	5520.0
Total Advances / Credit	124030.9	221931.2	343636.4	446727.3	594147.3
Total Investments	71170.2	102099.4	188288.4	243737.4	314411.4
Fixed Assets	1311.1	1154.7	1324.3	2165.9	3094.2
Other Assets	13268.6	11907.3	21861.0	26233.2	31479.8
Total assets	229007.9	363825.1	590069.9	760612.7	1000035.3
Application of funds					
Share Capital	2969.7	3396.7	3471.5	3510.5	3510.5
Reserves & Surplus	13272.4	27498.8	34469.3	43368.2	55669.0
Total Deposits	161694.2	267986.0	459389.3	603221.1	809934.3
Borrowings	21890.6	47490.8	66909.1	76933.0	90625.6
Other Liabilities and provisions	29181.0	17453.2	25830.7	33579.9	40295.9
Total liabilities	229007.8	363825.5	590069.9	760612.7	1000035.3

Source: Company, KJMC Research

Key Ratios

Ratios	FY09	FY10	FY11	FY12E	FY13E
(A) Efficiency Ratios (%)					
Fee income / Total Income	23.9	27.8	31.4	27.4	23.2
Cost / Income	44.2	36.7	36.3	37.4	37.7
C-D ratio	76.7	82.8	74.8	74.1	73.4
Net Interest Margin	2.7	2.8	2.7	2.7	3.0
B) Solvency					
Gross NPAs/ Net Advances(%)	0.7	0.3	0.2	0.3	0.3
Provisions/ Net Advances (%)	0.4	0.2	0.2	0.2	0.2
C) Measures of Investment					
EPS (Rs)	10.2	14.1	20.9	28.8	39.0
BV (Rs)	54.7	91.0	109.3	133.2	168.2
Adjusted BV (Rs)	53.3	99.6	109.7	133.4	167.7
DPS (Rs)	0.0	1.5	2.5	3.0	3.5
Avg. ROE (%)	20.6	20.3	21.1	23.9	25.9
Avg. ROA (%)	1.5	1.6	1.5	1.5	1.6
P/E (x)	31.9	23.2	15.6	11.3	8.4
P/ABV (x)	6.1	3.3	3.0	2.4	1.9
Dividend yield (%)	0.0	0.5	0.8	0.9	1.1
Effective tax rate (%)	34.8	34.2	33.4	33.4	33.4
D) Growth Rates (%)					
Deposits	21.8	65.7	71.4	31.3	34.3
Advances	31.5	78.9	54.8	30.0	33.0
E) Other performance parameters					
No. of branches (No.)	117.0	150.0	214.0	350.0	500.0
No. of employees (No.)	2671.0	3034.0	3929.0	5425.0	7750.0
Business per branch (Rs mn)	2442.1	3266.1	3752.5	2999.9	2808.2
Profit per branch (Rs mn)	26.0	31.8	34.0	28.9	27.5
Business per employee (Rs mn)	107.0	161.5	204.4	193.5	181.2
Profit per employee (Rs mn)	1.1	1.6	1.9	1.9	1.8

Source: Company, KJMC Research

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Recommendation Parameters

Expected returns in absolute terms over a one-year period

Buy	- appreciate more than 20% over a 12- month period
Accumulate	- appreciate 10% to 20% over a 12- month period
Hold / Neutral	- appreciate up to 10% over a 12- month period
Reduce	- depreciate up to 10% over a 12- month period
Sell	- depreciate more than 10% over a 12- month period

KJMC Research Basket

Products	Contains	Frequency
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Company Reports	Initiating Coverage on Company based on Fundamental Research	Time to Time
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IPO Note	Reports based on IPO Analyst Meet and Company Fundamentals	Time to Time
Event Report	Reports based on special events such Budget, Monetary policy etc.	Time to Time
Morning Market Compass	Morning Market Compass containing information on Indian & Global Markets, Indices and key company events.	Mon-Fri
(B) Alternative Research		
Dividend Yield Stocks	Reports based on analysis of Dividend Yield.	Time to Time
Special Situation Research	Investments based on Open Offer, Buy-Back, FPO Arbitrage, IPO/FPO, Delisting, Merger/Demerger,etc.	Time to Time
What's in & What's out	List of companies, Purchase / Sold in particular month by different AMC's.	Monthly
(C) Mutual Funds & IPO's Research		
Daily Performance Report for Liquid & Liquid Plus Funds	Report containing daily, weekly, monthly, half yearly & yearly performance of only Liquid & Liquid Plus plans along with ranking of each fund for Corporates & Institutions.	Mon-Fri
Daily Performance Report for all Debt & Equity Funds	Report containing daily, weekly, monthly, half yearly & yearly performance along with ranking of each fund.	Mon-Fri
Product Notes	Brief Details about different products like Mutual fund, Fixed Deposits, Bonds, IPOs, Insurance & Home Loans.	Time to time

Data Sources : Capitalline, Companies, Bloomberg, Various Websites & publication available on Public domain.

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