



Yes Bank – CASA gains momentum, Recommend Accumulate

Yes Bank announced its unaudited results for Q3FY12. The growth in top-line as well as bottom line came above our expectations on account of lower than estimates credit costs.

Key Highlights

- Net Profit up 32.9% YoY (8.1% QoQ) for Q3 FY12** - Net Profit after tax for the current quarter increased 32.9% YoY mainly driven by strong net income growth. Net interest income grew by 32.3% YoY (10.9% QoQ) while growth in non-interest income stood at 30.8% YoY. The growth in NII was mainly driven by robust growth in customer assets (including credit substitutes) at 28.1% YoY (7.3% QoQ). Non Interest Income was up on the back of strong growth in Financial Advisory (50.6% YoY), Financial Markets (17.7% YoY), and Transaction Banking (28.3% YoY) business streams.
- Reported NIMs** contracted by 10bp QoQ to 2.8%. While yield on loans increased 20 bps QoQ, cost of funds increased by 30 bps QoQ to 8.9%, leading to margin contraction sequentially. On YoY basis margins remained unchanged.
- Business growth gains momentum, strong uptick in CASA** - Total Business of the bank grew by 17.3% YoY (5.8% QoQ) to ₹ 828.0 bn. Advances grew (15.3% YoY, 4.9% QoQ) to ₹ 358.7 bn, however including the credit substitutes advances grew healthy at 28.1% to ₹ 437.5 bn. The bank has witnessed strong traction in SME and retail portfolio which currently constitutes 15.1% of the total loan book. During the quarter the bank has introduced six retail asset products including auto loans, CV financing, home loans, etc to enhance its product proposition for retail. Going forward, the management expects loan book (excluding credit substitutes) to grow by ~20.0%. Deposits on the other hand grew by 19.0% YoY (6.5% QoQ). The bank witnessed strong uptick in CASA balance post deregulation of savings rate by RBI in October. The bank saw an uptick of 1.6% in CASA balance from 11.0% in Q2FY12 to 12.6% in the current quarter aided by ~18% QoQ growth in current account balances and ~40.0% growth in savings balances. We expect CASA ratio to improve to 13.4% by FY12E and to 16.4% by FY13E.
- NPAs continue to be impressive** with gross NPAs at 0.2% of gross advances and net NPA of 0.04%. Besides this, restructured advances remained unchanged sequentially at ₹ 1.75 bn (0.49% of the advances) in the current quarter. The bank has seen rating upgrades for the corporates to which it has exposure, reflecting the superior quality of the loan book. The management is confident of maintaining the asset quality at current levels.
- The bank opened **26 new branches** during the quarter taking the total number of branches to 331. Going forward, the management is planning to add 30-40 branches every quarter.

Outlook and Valuations

Yes bank reported strong Q3FY12 numbers with stable asset quality and strong fee income growth. We have raised our earnings estimates by 2.6% and 2.8% for FY12E and FY13E respectively. The bank's stable asset quality, strong uptick in low cost CASA deposits, superior return ratios and adequate capitalization bodes well for its future growth. We estimate Yes Bank to report an EPS CAGR of 26.3% over FY11-FY13E. ABV is estimated to grow at 21.9% CAGR during the same period. The stock currently trades at 2.4x FY12E ABV and 2.0x FY13E ABV. We maintain our positive view on the stock and recommend **Accumulate** rating with a revised price target of ₹353.9 (₹345.0 earlier), implying an upside potential of 10.8%.

Financial Snapshot (₹ mn)

In ₹ mn	NII	YoY (%)	Operating Profit	YoY (%)	Net Profit	YoY (%)	NIM (%)	EPS (₹)	YoY (%)	ABV (₹)	RoAE (%)	RoAA (%)	P/E (x)	P/ABV (x)
FY11	12469.2	58.2	11903.8	37.9	7271.3	52.2	2.9	20.9	48.9	109.0	21.1	1.5	15.2	2.9
FY12E	16014.2	28.4	15544.7	30.6	9669.7	33.0	2.6	27.5	31.2	132.0	22.9	1.4	11.6	2.4
FY13E	19922.3	24.4	19277.9	24.0	11752.8	21.5	2.6	33.4	21.5	162.1	22.6	1.4	9.6	2.0

Source: Company, ABML Research

Rating	Closing Price (₹)	Target Price (₹)	Upside / Downside %
Accumulate	319.4	353.9	10.8

Source: ABML Research

Company Data

BSE Code	532648
NSE Code	YESBANK
Equity Capital (₹ mn)	3519.3
Face Value (₹)	10
Market Cap (₹ bn)	112.4
Avg Daily Volume	3059698
52 week H/L (₹)	341.3 / 230.6

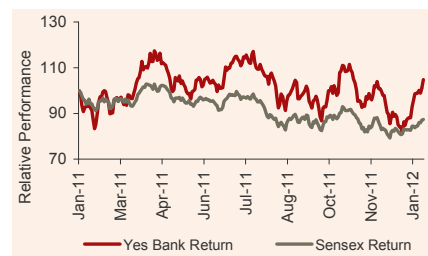
Source: NSE, BSE

Shareholding (%)

Holders	Dec 11	Sep 11	Jun 11
Promoters	26.21	26.28	26.50
FII's	44.48	45.23	48.09
MFs/Banks & FI's	15.42	14.46	11.76
Public & Others	13.89	14.03	13.65

Source: BSE

Chart: Yes Bank vs. Sensex



Source: Capitaline

Analyst Details

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Standalone Financial Results (Q3 FY12)

Particulars (in ₹ mn)	Q3 FY12	Q3 FY11	YoY %	Q2 FY12	QoQ %
Income					
Interest Earned	16840.6	11261.5	49.5	14386.5	17.1
Other Income	2114.3	1616.7	30.8	2140.5	-1.2
Total Income	18954.9	12878.2	47.2	16527	14.7
Expenditure					
Interest Expanded	12564.8	8029.9	56.5	10530.2	19.3
Operating Expenses	2401.7	1735.8	38.4	2137.6	12.4
Total Expenditure (excluding provisions & contingencies)	14966.5	9765.7	53.3	12667.8	18.1
Operating Profit (Profit before provisions and contingencies)	3988.4	3112.5	28.1	3859.2	3.3
Other Prov. & Contingencies	223.5	249.5	-10.4	378.7	-41.0
Prov for tax	1224	951.8	28.6	1130.3	8.3
Net profit for the year	2540.9	1911.2	32.9	2350.2	8.1
Earning per share					
Basic (₹)	7.2	5.5	30.4	6.7	7.5
Diluted (₹)	7.1	5.3	34.5	6.6	7.6

Source: Company data, ABML Research

Key Ratios

Particulars (in ₹ mn)	Q3 FY12	Q3 FY11	YoY %	Q2 FY12	QoQ %
Deposits (₹ bn)	469.3	394.5	19.0	440.8	6.5
Advances (₹ bn)	358.7	311.1	15.3	341.9	4.9
NIM (%)	2.8*	2.8*	0 bps	2.9*	-10 bps
ROAE (%)	23.0*	21.3*	170 bps	22.6*	40 bps
CD Ratio (%)	76.4	78.9	-242 bps	77.6	-115 bps
Gross NPA (%)	0.20	0.23	-3 bps	0.20	0 bps
Net NPA (%)	0.04	0.06	-2 bps	0.04	0 bps
Provision Coverage (%)	80.0	76.1	390 bps	80.2	-20 bps
Cost to Income (%)	37.6	35.8	180 bps	37.4	20 bps
CAR (%)	16.1	18.2	-210 bps	16.0	10 bps
Tier 1 (%)	9.2	10.4	-120 bps	9.4	-20 bps

Source: Company data, ABML Research

* Reported

Recommendation summary

Date	Reports	Rating	Closing Price (₹)	Target Price (₹)	Upside / (Downside) %
17-Jan-11	Initiating Coverage	Buy	260.2	335.3	28.9
24-Jan-11	Result Update (Q3FY11)	Buy	269.7	335.3	24.3
25-Apr-11	Result Update (Q4FY11)	Accumulate	317.5	362.6	14.2
11-Aug-11	Result Update (Q1FY12)	Buy	306.8	355.4	15.9
28-Oct-11	Result Update (Q2FY12)	Accumulate	308.1	345.0	12.0
25-Jan-12	Result Update (Q3FY12)	Accumulate	319.4	353.9	10.8

Source: ABML Research

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Standalone Financials – Yes Bank

Income Statement

Financial Year (in ₹ mn)	FY09	FY10	FY11	FY12E	FY13E
Net Interest Income	5093	7880	12469	16014	19922
Growth (%)	51	55	58	28	24
Other Income	4369	5755	6233	8241	11166
Net Income	9462	13635	18702	24256	31088
Operating Expenses	4185	5002	6798	8711	11810
Operating Profit (pre-prov)	5277	8633	11904	15545	19278
Other Prov. & Contingencies	617	1368	982	1021	1625
Profit Before Taxes	4659	7265	10922	14524	17653
Prov for tax	1621	2487	3650	4854	5900
Net profit for the year	3038	4777	7271	9670	11753
Growth (%)	52	57	52	33	22

Balance Sheet

Financial Year (in ₹ mn)	FY09	FY10	FY11	FY12E	FY13E
Sources of Funds					
Capital	2970	3397	3472	3519	3519
Reserve and Surplus	13272	27499	34469	43110	53833
Net Worth	16242	30896	37941	46629	57352
Deposits	161694	267986	459389	551267	683571
Growth (%)	22	66	71	20	24
Borrowings	37017	47491	66909	137817	139449
Other Liabilities and Prov.	14055	17453	25831	26851	28476
Total Liabilities	229008	363825	590070	762564	908848
Application of Funds					
Cash and balances with RBI	12777	19953	30760	38774	45833
Bal. with banks & call money	6450	6779	4200	5513	6152
Investments	71170	102099	188288	275634	300771
Advances	124031	221931	343636	413450	519514
Growth (%)	32	79	55	20	26
Fixed assets	1311	1155	1324	1867	2420
Other assets	13269	11907	21861	27326	34158
Total Assets	229008	363825	590070	762564	908848

Source: ABML Research, company data

Key Ratios

Financial Year (in ₹ mn)	FY09	FY10	FY11	FY12E	FY13E
Return Ratios					
Average Yield on Advances	13.6%	10.2%	10.6%	12.3%	12.0%
Average Cost of Deposits	8.3%	5.8%	6.4%	7.8%	7.5%
NIM	2.9%	3.0%	2.9%	2.6%	2.6%
Non Int Income / Net Income	46.2%	42.2%	33.3%	34.0%	35.9%
Return on Avg Equity	20.6%	20.3%	21.1%	22.9%	22.6%
Return on Avg Assets	1.5%	1.6%	1.5%	1.4%	1.4%
Asset Quality					
Gross NPA to Advances	0.68%	0.27%	0.23%	0.22%	0.27%
Net NPA to Advances	0.33%	0.06%	0.03%	0.04%	0.06%
Provision Coverage	51.5%	78.4%	88.6%	80.0%	78.0%
Slippage Ratio	0.9%	0.9%	0.2%	0.1%	0.2%
Efficiency Ratios					
Business Per Emp. (in mn)	107.0	161.5	204.4	182.8	167.2
Net Profit Per Emp. (in lakh)	11.4	15.7	18.5	18.3	16.3
Business Per Branch (in mn)	2442.1	3266.1	3752.5	2650.3	2340.6
Cost / Income Ratio	44.2%	36.7%	36.3%	35.9%	38.0%
Business Ratios					
Credit Deposit Ratio	76.7%	82.8%	74.8%	75.0%	76.0%
Investment Deposit Ratio	44.0%	38.1%	41.0%	50.0%	44.0%
CASA Ratio	8.7%	10.5%	10.3%	13.4%	16.4%
Valuations Ratio					
EPS	10.2	14.1	20.9	27.5	33.4
P/E (x)	31.2	22.7	15.2	11.6	9.6
BVPS	54.7	91.0	109.3	132.5	163.0
P/BV (x)	5.8	3.5	2.9	2.4	2.0
Adj. BVPS	53.3	90.6	109.0	132.0	162.1
P/ABV (x)	6.0	3.5	2.9	2.4	2.0



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ABML research is also accessible in Bloomberg at ABMR



Our Rating Methodology

Stock Ratings	Absolute Returns (R)
Buy	$R > 15\%$
Accumulate	$5\% < R \leq 15\%$
Neutral	$-5\% < R \leq 5\%$
Reduce	$-10\% < R \leq 5\%$
Sell	$R \leq -10\%$

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