

Yes Bank

BSE SENSEX
16,937

S&P CNX
5,092

CMP: INR285

TP: INR360

Buy

		YEAR	NET INCOME	PAT	EPS	EPS	P/E	BY	P/BY	P/ABY	ROAA	ROAE
		END	(INR M)	(INR M)	(INR)	GR. (%)	(X)	(INR)	(X)	(X)	(%)	(%)
Bloomberg	YES IN	3/10A	13,635	4,777	14.1	37.5	-	91	-	-	1.6	20.3
Equity Shares (m)	347.1	3/11A	18,702	7,271	20.9	48.9	13.6	109	2.6	2.6	1.5	21.1
52-Week Range (INR)	388/234	3/12E	24,605	9,356	27.0	28.7	10.6	132	2.2	2.2	1.4	22.3
1,6,12 Rel.Perf.(%)	-1/-1/-4	3/13E	31,963	11,510	33.2	23.0	8.6	160	1.8	1.8	1.4	22.7
M.Cap. (INR b)	98.9											
M.Cap. (USD b)	2.0											

Yes Bank reported PAT growth of 33% YoY in 2QFY12 to ~INR2.3b (8% higher than our estimate). Reported margins improved 10bp QoQ to 2.9% - a positive surprise, leading to strong NII growth (5% higher than our estimate).

- **NIM improves QoQ:** Reported NIM expanded 10bp QoQ to 2.9%. While yield on loans increased 60bp QoQ, cost of funds increased by merely 10bp QoQ to 8.6%, leading to margin expansion.
- **Cautious approach leading to moderation in loan growth:** Loans grew ~13% YoY (~3% QoQ) to INR342b. However, increased investment in credit substitutes led to strong customer asset growth of 27% YoY and 9% QoQ to INR407b. While YTD loans are flat, the management guided for growth of 25% for FY12.
- **Fee income traction impressive:** Non-interest income grew ~29% QoQ and 63% YoY to INR2.1b. All segments of fee income (except third-party distribution) reported robust growth.
- **CASA growth disappoints:** CASA deposit growth moderated further to 19% YoY (up ~1.5% QoQ).
- **Asset quality best amongst peers:** In percentage terms, GNPA was up 3bp to 20bp and NNPA was at 4bp - best in the industry. Gross slippages for 2QFY12 stood at INR150m (annualized slippage of 20bp). During the quarter, the bank restructured three MFI's loans worth INR885m (26bp of overall loans), taking the cumulative restructured loans to INR1.8b (51bp of overall loans). Further, bank provided INR100m towards NPA and restructured loans and INR70m-80m as ad-hoc provision for future contingency in 2QFY12.

Valuation and view: We expect Yes Bank to report an EPS of INR27 in FY12 and INR33.2 in FY13. BV would be INR132 in FY12 and INR160 in FY13. We expect RoA of ~1.4% and RoE of 22%+. Maintain **Buy**.

YES Bank: Quarterly Performance

(INR Million)

	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Interest Income	7,392	9,538	11,262	12,226	13,995	14,387	15,639	17,194	40,417	61,215
Interest Expense	4,771	6,406	8,030	8,741	10,454	10,530	11,399	12,547	27,948	44,929
Net Interest Income	2,621	3,132	3,232	3,485	3,542	3,856	4,240	4,648	12,469	16,286
% Change (Y-o-Y)	67.1	77.9	53.2	42.7	35.1	23.1	31.2	33.4	58.2	30.6
Other Income	1,438	1,310	1,617	1,868	1,653	2,141	2,155	2,371	6,233	8,319
Net Income	4,059	4,442	4,848	5,353	5,195	5,997	6,395	7,019	18,702	24,605
Operating Expenses	1,570	1,628	1,736	1,865	1,944	2,138	2,356	2,812	6,798	9,250
Operating Profit	2,490	2,814	3,113	3,488	3,251	3,859	4,039	4,207	11,904	15,356
% Change (Y-o-Y)	25.9	46.7	44.0	35.4	30.6	37.1	29.8	20.6	37.9	29.0
Other Provisions	126	174	250	433	15	379	475	523	982	1,392
Profit before Tax	2,364	2,640	2,863	3,055	3,236	3,481	3,564	3,683	10,922	13,964
Tax Provisions	800	877	952	1,021	1,075	1,130	1,176	1,226	3,650	4,608
Net Profit	1,564	1,763	1,911	2,034	2,161	2,350	2,388	2,457	7,271	9,356
% Change (Y-o-Y)	56.3	57.8	51.8	45.2	38.2	33.3	25.0	20.8	52.2	28.7
Deposit Growth (%)	97.1	106.6	79.0	71.4	44.1	10.2	25.7	24.0	71.4	24.0
Loan Growth (%)	107.2	86.2	66.3	54.8	26.1	12.7	20.9	24.0	54.8	24.0
CD Ratio (%)	86.8	75.8	78.9	74.8	76.0	77.6	75.9	74.8	74.8	74.8
Net Interest Margin (Reported, %)	3.1	3.0	2.8	2.8	2.8	2.9			2.9	
Net Interest Margin (Cal, %)	3.0	3.1	2.8	2.8	2.7	2.9	2.9	2.9	2.7	2.6
Tax Rate (%)	33.9	33.2	33.2	33.4	33.2	32.5	33.0	33.3	33.4	33.0
Gross NPA (%)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.3

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) + 91 22 3982 5415

Sohail Halai (Sohail.Halai@motilalosal.com)+ 9122 3982 5430 / Umang R Shah (Umang.Shah@MotilalOswal.com) + 91 22 3982 5521

Quarterly performance: Above estimates (INR m)

Y/E March	2QFY12A	2QFY12E	Var. (%)	Comments
Net Interest Income	3,856	3,684	5	Margin improvement of 10bp QoQ - a positive surprise
% Change (Y-o-Y)	23	18		
Other Income	2,141	1,915	12	Strong core fee income growth
Net Income	5,997	5,599	7	
Operating Expenses	2,138	2,079	3	Strong control over opex continues
Operating Profit	3,859	3,520	10	
% Change (Y-o-Y)	37	25		
Other Provisions	379	250	51	Higher provisions towards, NPA and restructured loans and adhoc provisions leading to negative surprise
Profit before Tax	3,481	3,270	6	
Tax Provisions	1,130	1,095	3	
Net Profit	2,350	2,174	8	Higher NII and strong fees leading to positive surprise
% Change (Y-o-Y)	33	23		

Source: Company/MOSL

Cautious approach leading to moderation in loan growth: Reported loans grew 3% QoQ and ~13% YoY to INR342b. However, increased investment in credit substitutes led to strong growth of 27% YoY and 9% QoQ in customer assets. Management's focus on increasing granularity in its loan book is yielding results, with the share of branch banking increasing to 14.9% from 12.4% a quarter ago. The share of C&IB declined to 61.4% from 63.2% in 1QFY12 and 65% in FY11. In line with loan growth, deposit growth moderated to 10% YoY (largely flat QoQ) to INR441b. As a result CD ratio improved 160bp QoQ to 77.6%. In 1HFY12, borrowings increased 53% YTD, as the bank took the advantage of funding loans with low rate foreign currency borrowings.

CASA growth disappoints: CASA deposit growth moderated further to 19% YoY (up ~1.5% QoQ) - a key disappointment. CASA ratio remained largely stable QoQ at 11%. The management expects CASA deposit growth to improve, as existing branches mature (average life 15-16 months) and new branches are added. We expect CASA ratio to improve to 11.8% in FY12 and to 13.1% by FY13.

Margins improve QoQ; reaping benefits of cooling bulk deposit rates: Reported NIM improved 10bp QoQ to 2.9%. While yield on loans increased 60bp QoQ, cost of funds increased by merely 10bp QoQ to 8.6%, leading to margin expansion. Re-pricing of loans and cooling bulk deposit rates aided margins, but higher proportion of investment in credit substitutes restricted the increase. The management expects margins to be stable/improve from here on. Yes Bank is a predominantly wholesale funded bank and the expected fall in interest rates augurs well for the bank.

Fee income traction impressive: Non-interest income grew ~29% QoQ and 63% YoY to INR2.1b (12% above our estimate). Income from financial advisory grew 18% QoQ (54% YoY) to INR978m. Continuous traction in financial advisory is encouraging; the management expects traction in this segment to continue. Transaction banking fees grew 45% QoQ and 59% YoY to INR609m (v/s INR420m in 1QFY12 and INR383m in 2QFY11). Income from financial markets was INR410m v/s INR247m a quarter ago and INR141m a year ago. The only laggard in the fee income stream was income from third-party product distribution, which declined 9% QoQ and 3% YoY to INR143m.

Investing for next phase of growth: During the quarter, the bank added 50 branches (91 branches in 1HFY11 as against 64 branches in FY11), taking the overall branch network to 305. The management targets to increase its branch network to ~350 branches by FY12. The continuous build-up of branch network augurs well for the bank in terms of improving its liability franchise and non-interest income. The bank added 329 employees during the quarter. Opex grew 31% YoY and 10% QoQ; however, strong traction in core income led to cost to income ratio declining to 35.6% against 37.4% a quarter ago.

Asset quality best among peers; restructured loans increase QoQ: In absolute terms, GNPA increased 23% QoQ (on a low base) to INR688m. In percentage terms, GNPA increased 3bp QoQ to 20bp where as NNPA stood at 4bp - the best in the industry. Gross slippages during the quarter were INR150m (annualized slippage ratio of 20bp). PCR declined to 80% v/s 95% in 1QFY12. PCR including standard asset provisions was 360%.

During the quarter, the bank restructured three MFI's loans worth INR885m (26bp of overall loans), taking the cumulative restructured loans to INR1.8b (51bp of overall loans). Asset quality remains one of the best in the industry, with stress assets at mere ~0.7% of the loan book. During the quarter, the bank provided INR100m towards NPA and restructured loans, and INR70m-80m as ad-hoc provision for future contingency.

Other details

- Capital adequacy ratio stood at 16%, with tier-I at 9.4% (including 1HFY12 profits).
- Branch network increased ~20% QoQ to 305 - the management has effectively utilized the consolidation phase to expand branch network in the last one year (branch network has more than doubled). The bank has 50+ branch licenses in hand; it plans to open these branches in the next three quarters.

Valuation and view

Considering the challenging macroeconomic scenario, the management is conserving capital and is moderating its balance sheet growth. However, on a lower base (1) rapid branch network expansion, (2) acquisition of new customers, and (3) deepening of existing customer relationships will keep its loan growth above industry average. The management has guided for loan growth of 25% for FY12.

Re-pricing of loans and some decline in bulk deposit rates led to 10bp QoQ improvement in margins in 2QFY12. Yes Bank, predominantly a wholesale funded bank is likely to benefit from any trend reversal in interest rates. Further, even in tight liquidity conditions and times of sharp increase in bulk deposit rates, the bank's performance of keeping margins stable in the range of 2.8%-3% is impressive and demonstrates the soundness of its ALM and pricing power. Its branch network has expanded to 305 (as against 171 in 2QFY11) and the management expects it to increase to ~350 by FY12. Improving branch network augurs well for CASA growth.

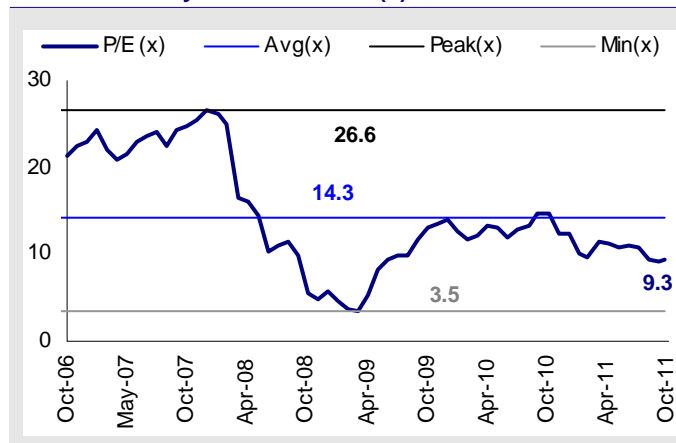
We expect EPS CAGR of ~25% over FY11-13 (without assuming a dilution), on the back of 45% EPS CAGR over FY08-11. We expect Yes Bank to report an EPS of INR27 in FY12 and INR33.2 in FY13. BV would be INR132 in FY12 and INR160 in FY13. We expect RoA of ~1.4% and RoE of 22%+. Maintain **Buy** with target price of INR360.

Our estimates largely remain unchanged (INR b)

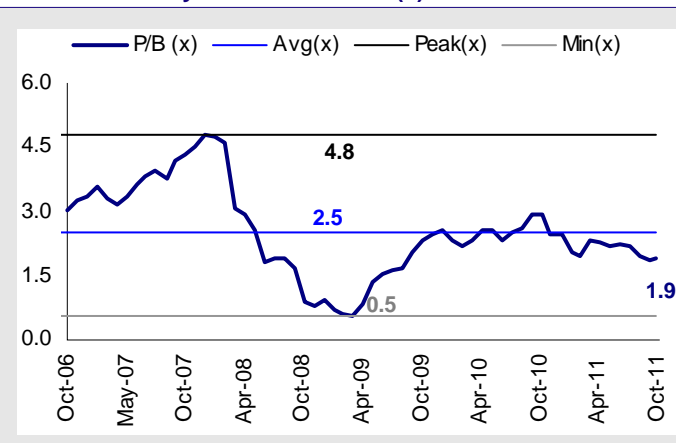
	Old Estimates		Revised Estimates		Change (%)	
	FY12	FY13	FY12	FY13	FY12	FY13
Net Interest Income	16.0	20.6	16.3	21.2	2.1	2.6
Other Income	8.2	10.8	8.3	10.8	0.9	-0.3
Total Income	24.2	31.5	24.6	32.0	1.7	1.6
Operating Expenses	8.7	11.5	9.2	12.2	6.3	6.4
Operating Profits	15.5	20.0	15.4	19.7	-0.9	-1.2
Provisions	1.5	2.7	1.4	2.6	-9.4	-5.8
PBT	14.0	17.3	14.0	17.2	0.0	-0.4
Tax	4.7	5.8	4.6	5.7	-1.5	-1.9
PAT	9.3	11.5	9.4	11.5	0.8	0.3
Loans	454	590	426	554	-6.1	-6.1
Deposits	597	776	570	741	-4.6	-4.6
Margins (%)	2.4	2.4	2.6	2.6		
Credit Cost (%)	0.3	0.4	0.3	0.4		
RoA (%)	1.4	1.3	1.4	1.4		
RoE (%)	22.2	22.6	22.3	22.7		

Source: MOSL

Yes Bank: One year forward P/E (x)

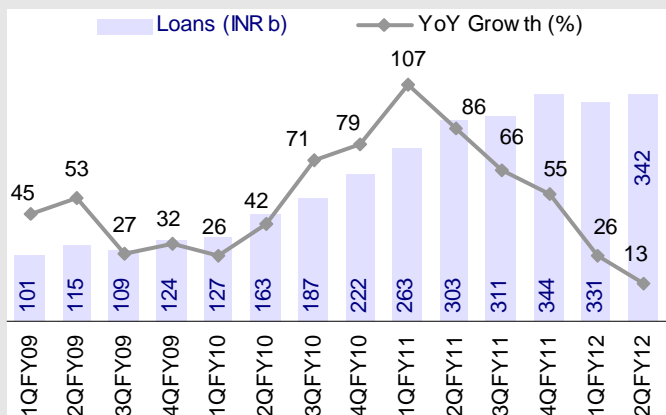


Yes Bank: One year forward P/BV (x)



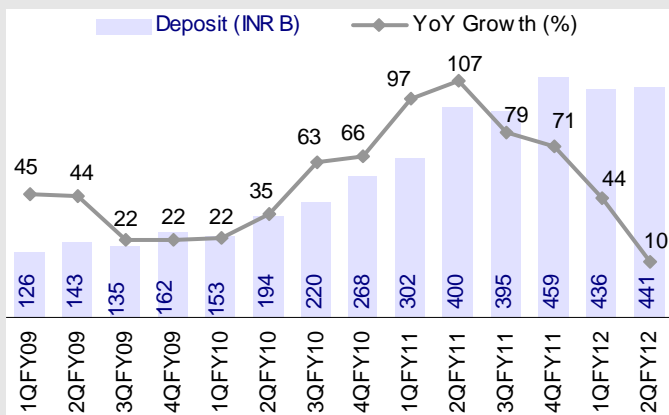
Quarterly trends

Loan growth moderates; however, customer asset growth is strong at 27%



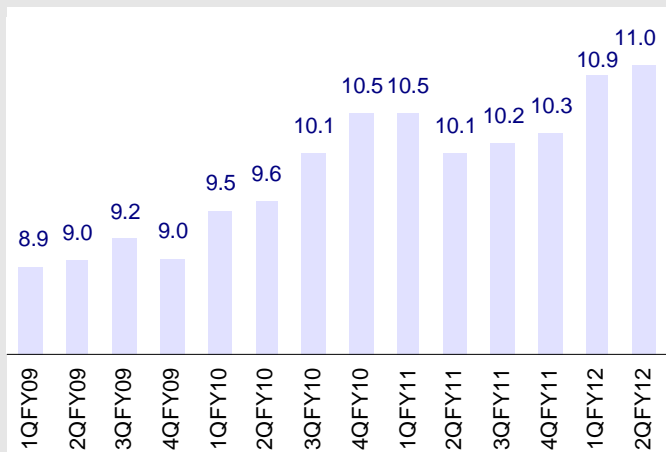
■ While YTD loans are flat, the management guided for full-year growth of 25%

Deposit growth moderates; dependence on borrowings increases



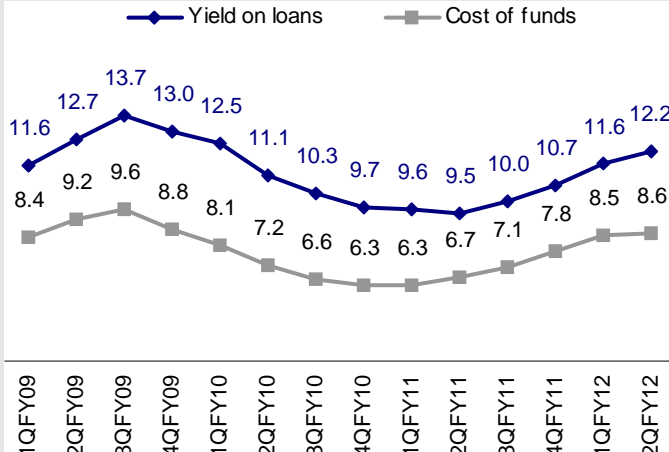
■ In 1HFY12, borrowings increased 53% YTD, as the bank increased proportion of low rate foreign currency borrowings

CASA growth moderates (%)



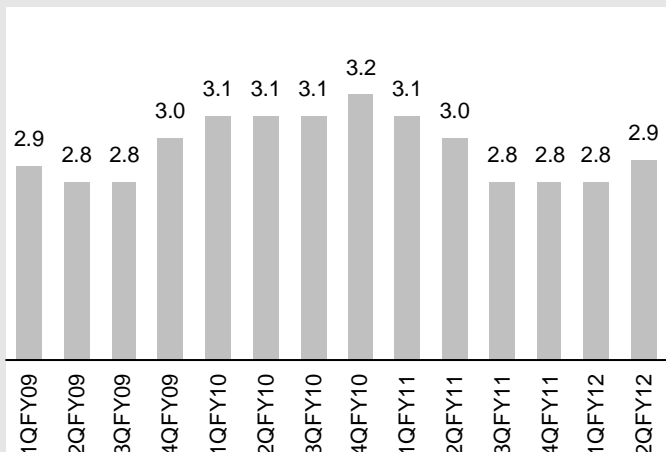
■ Management expects strong growth trajectory in CASA deposits, as existing branches mature and new branches are added

Yield on loans up 60bp QoQ; cost of funds up 10bp QoQ (%)



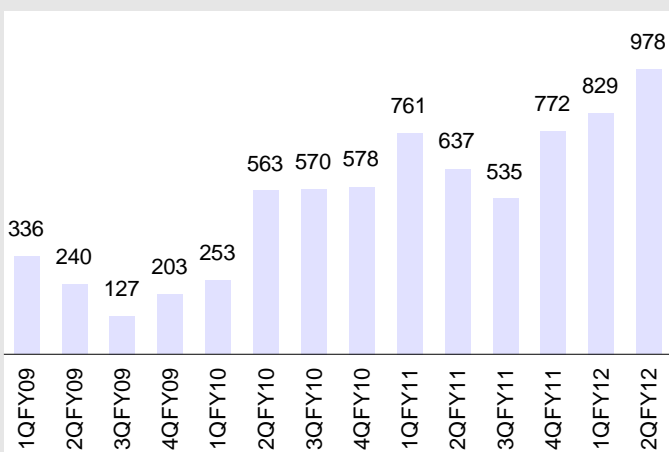
■ Yield on loans improved 60bp QoQ, whereas cooling bulk deposit rates led to control over cost of funds

NIM improved 10bp QoQ, a positive surprise (%)



■ While bulk deposit rates cooled off, higher proportion of investment in credit substitutes restricted the margin expansion

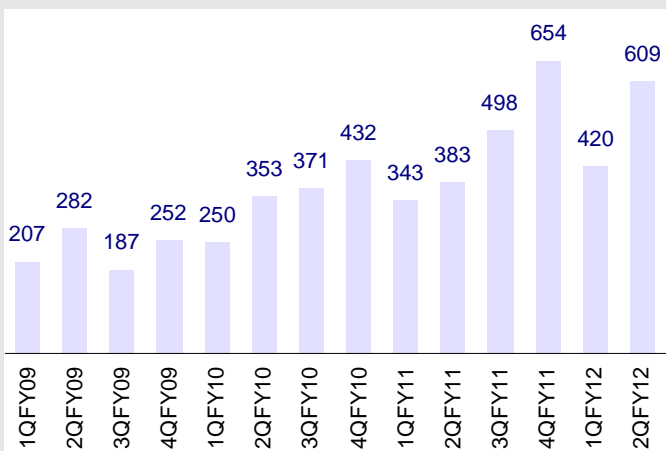
Traction in financial advisory continues (INR m)



■ Income from financial advisory grew 18% QoQ (54% YoY) to INR978m

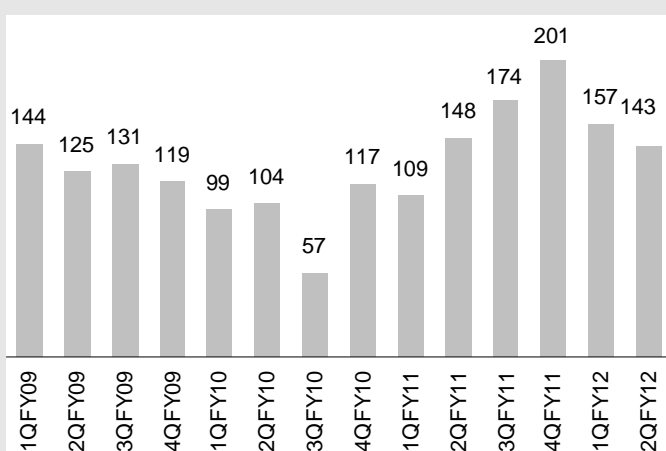
Quarterly trends (continued)

Transaction banking income picks up QoQ (INR m)



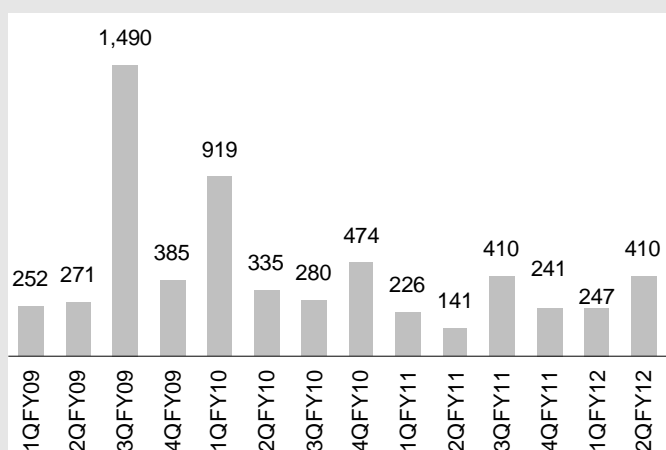
Transaction banking fees grew 45% QoQ and 59% YoY to INR609m

Retail fees under pressure (INR m)



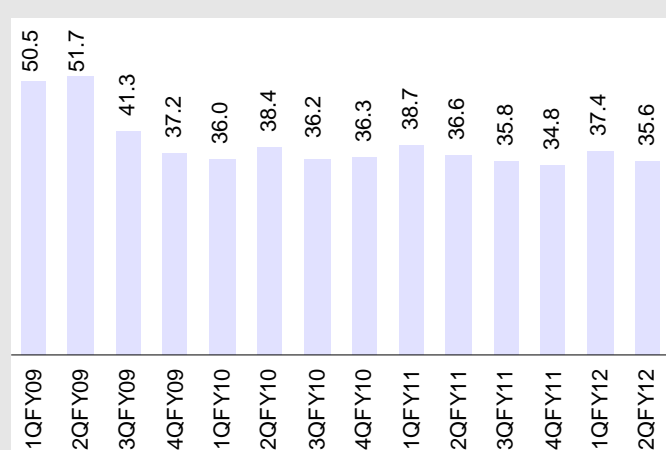
The only laggard in the fee income stream was income from third-party product distribution, which declined 3% YoY

Financial markets income remains volatile (INR m)



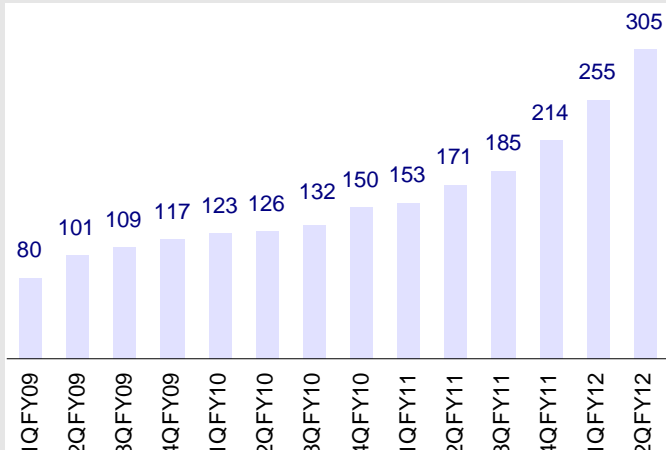
Sequential growth in financial market income aids growth in non-interest income

Commendable control over opex (%)



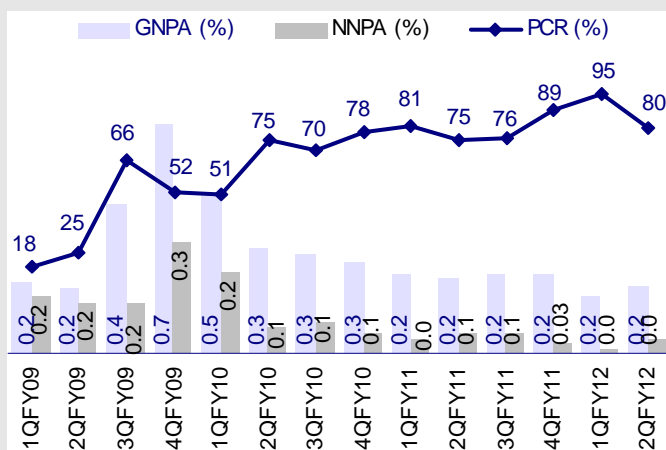
Strong traction in core income led to cost to income ratio declining to 35.6% against 37.4% a quarter ago

Branch expansion gains momentum



The management has effectively utilized the consolidation phase to expand branch network, doubling it in a year

Asset quality remains one of the best in the industry



Gross slippages during the quarter stood at INR150m (annualized slippage ratio of 20bp)

Quarterly Snapshot

	FY10		FY11				FY12		Variation (%)		Cumulative Numbers		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY	1HFY11	1HFY12	YoY Gr (%)
Profit and Loss (INR m)													
Net Interest Income	2,109	2,442	2,621	3,132	3,232	3,485	3,542	3,856	9	23	5,753	7,398	29
Other Income	1,278	1,601	1,438	1,310	1,617	1,868	1,653	2,141	29	63	2,748	3,793	38
Financial Markets	280	474	225	142	410	241	247	411	66	189	367	657	79
Financial Advisory	570	578	761	637	535	772	829	978	18	54	1,398	1,807	29
Transaction banking	371	432	343	383	498	654	420	609	45	59	726	1,029	42
Branch Banking	57	117	109	148	174	201	157	143	-9	-3	257	300	17
Total Income	3,387	4,043	4,059	4,442	4,848	5,353	5,195	5,997	15	35	8,501	11,192	32
Operating Expenses	1,226	1,467	1,570	1,628	1,736	1,865	1,944	2,138	10	31	3,197	4,081	28
Employee	627	708	812	878	903	1,030	1,098	1,100	0	25	1,690	2,198	30
Others	599	759	758	750	833	835	846	1,038	23	38	1,508	1,884	25
Operating Profits	2,162	2,576	2,490	2,814	3,113	3,488	3,251	3,859	19	37	5,304	7,110	34
Provisions	254	426	126	174	250	433	15	379	N.A.	117	300	394	31
PBT	1,908	2,150	2,364	2,640	2,863	3,055	3,236	3,481	8	32	5,004	6,716	34
Taxes	649	750	800	877	952	1,021	1,075	1,130	5	29	1,677	2,205	31
PAT	1,259	1,400	1,564	1,763	1,911	2,034	2,161	2,350	9	33	3,326	4,511	36
Asset Quality													
GNPA	542	602	597	677	728	805	560	688	23	2	677	688	2
NNPA	162	130	111	172	174	92	27	136	411	-21	172	136	-21
GNPA (%)	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	3	-2	0.2	0.2	-2
NNPA (%)	0.1	0.1	0.0	0.1	0.1	0.0	0.0	0.0	3	-2	0.1	0.0	-2
PCR (Calculated, %)	70	78	81	75	76	89	95	80					
Ratios (%)													
Non Int. to Total Income	37.7	39.6	35.4	29.5	33.3	34.9	31.8	35.7			32.3	33.9	
Cost to Income	36.2	36.3	38.7	36.6	35.8	34.8	37.4	35.6			37.6	36.5	
Tax Rate	34.0	34.9	33.9	33.2	33.2	33.4	33.2	32.5			33.5	32.8	
CASA (Reported)	10.1	10.5	10.5	10.1	10.2	10.3	10.9	11.0			10.1	11.0	
Loan/Deposit	84.9	82.8	86.8	75.8	78.9	74.8	76.0	77.6			75.8	77.6	
CAR	16.2	20.6	17.3	19.4	18.2	16.5	16.2	16.0			19.4	16.0	
RoA	1.8	1.7	1.6	1.5	1.5	1.5	1.5	1.6					
RoE	26.3	20.4	19.7	20.9	21.3	21.7	22.1	22.6					
Margins (%) - Reported													
Yield on loans	10.3	9.7	9.6	9.5	10.0	10.7	11.6	12.2	60	270	9.6	11.9	235
Cost of funds	6.6	6.3	6.3	6.7	7.1	7.8	8.5	8.6	10	190	6.5	8.6	205
Margins	3.1	3.2	3.1	3.0	2.8	2.8	2.8	2.9	10	-10	3.1	2.9	-20
Balance Sheet (INR B)													
Loans	187	222	263	303	311	344	331	342	3	13	303	342	13
Investments	83	102	110	145	152	188	175	214	22	48	145	214	48
Deposits	220	268	302	400	395	459	436	441	1	10	400	441	10
CASA Deposits	22	28	32	41	40	48	48	48	2	19	41	48	19
Borrowings	43	47	53	59	63	67	70	102	46	73	59	102	73
Total Assets	296	364	409	518	522	590	570	628	10	21	518	628	21
Risk Weighted Assets	232	255	303	351	375	431	438	491	12	40	351	491	40
Loan Mix (% , Non PSL)													
C&B	72.6	69.1	73.4	69.8	67.6	65.1	63.2	61.4	-180	-840			
Commercial Banking	23.1	25.6	22.0	19.6	23.3	22.9	24.4	23.8	-60	420			
Branch Banking	4.3	5.3	4.5	10.6	10.1	12.0	12.4	14.9	250	430			
Deposits Mix (%)													
CASA	10.1	10.5	10.5	10.1	10.2	10.3	10.9	11.0	10	90			
Term Deposits	89.9	89.5	89.5	89.9	89.8	89.7	89.1	89.0	-10	-90			
Branch Banking	12.0	11.3	12.1	9.8	13.5	13.2	16.3	17.6	130	780			
Corporate Banking	31.8	35.1	36.9	47.4	39.4	39.5	34.4	34.3	-10	-1,310			
Commercial Banking	6.5	6.3	7.1	7.3	8.0	7.5	8.9	8.3	-60	100			
Govt Institutions	9.2	9.6	10.3	8.1	10.0	12.1	10.8	10.7	-10	260			
Certificate of Deposits	19.8	17.3	13.7	11.2	12.7	10.9	13.4	12.3	-110	110			
Institutional Deposits	10.6	9.9	9.4	6.1	6.3	6.4	5.4	5.8	40	-30			
Other Details													
Branches	132	150	153	171	185	214	255	305	20	78			
Employees	2,816	3,034	3,450	3,626	3,785	3,929	4,385	4,714	8	30			

For %age change QoQ and YoY is bp

Source: Company/MOSL

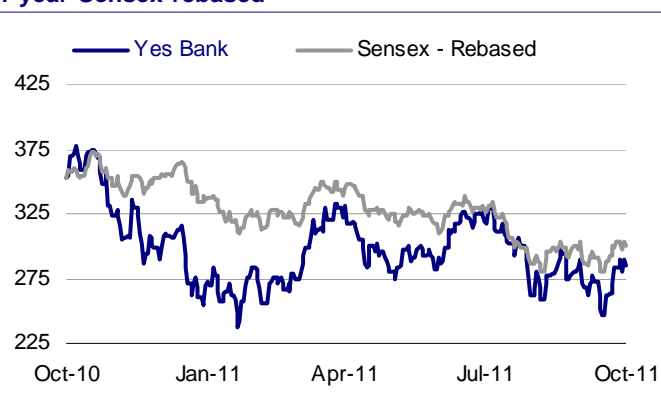
EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY12	27.0	26.9	0.4
FY13	33.2	33.5	-0.9

Shareholding pattern (%)

	Sep-11	Jun-11	Sep-10
Promoter	26.3	26.5	26.7
Domestic Inst	9.7	7.0	7.4
Foreign	50.7	53.7	55.4
Others	13.3	12.9	10.4

1-year Sensex rebased



Valuation matrix - Financials

	Rating	CMP (INR)	Mkt. Cap (USD\$b)	EPS (INR)		P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
				FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13
ICICI*	Buy	878	20.4	56	66	11.8	9.7	1.7	1.4	1.5	1.5	14.1	15.1
HDFCB	Neutral	490	23.0	22	28	22.1	17.7	3.9	3.3	1.6	1.7	18.9	20.3
Axis	Buy	1,131	9.4	99	115	11.4	9.8	2.1	1.8	1.5	1.5	19.7	19.5
Kotak	Neutral	471	3.5	23	27	19.4	16.4	2.6	2.2	2.2	2.1	15.5	15.7
Yes	Buy	285	2.0	27	33	10.6	8.6	2.2	1.8	1.4	1.4	22.3	22.7
Indusind	Buy	270	2.5	17	21	16.3	13.1	2.8	2.4	1.5	1.5	18.6	19.9
ING Vysya	Buy	318	0.8	29	34	11.1	9.4	1.2	1.1	1.0	1.0	13.5	12.4
Federal	Buy	396	1.4	41	46	9.6	8.6	1.2	1.1	1.3	1.2	13.2	13.4
J&K Bk	Buy	831	0.8	156	179	5.3	4.6	1.0	0.9	1.4	1.3	20.0	19.8
SIB	Buy	23	0.5	3	4	7.2	6.1	1.3	1.1	1.0	0.9	20.0	20.2
Private Aggregate			64			15.2	12.7	2.2	1.9				
SBI (cons)*	Buy	1,934	24.8	220	269	8.4	6.8	1.3	1.1	0.8	0.9	15.7	17.1
PNB	Buy	984	6.3	168	200	5.8	4.9	1.3	1.1	1.3	1.3	24.0	23.5
BOI	Neutral	335	3.7	52	65	6.4	5.1	1.0	0.9	0.7	0.8	16.6	18.2
BoB	Neutral	749	5.9	112	130	6.7	5.8	1.3	1.1	1.1	1.1	20.2	20.0
Canara	Buy	458	4.1	80	95	5.7	4.8	1.0	0.8	1.0	1.0	18.2	18.5
Union	Buy	250	2.7	51	61	4.9	4.1	1.0	0.8	1.1	1.1	22.2	22.3
IOB	UR	99	1.2	22	25	4.5	4.0	0.7	0.6	0.7	0.7	15.8	16.1
OBC	Buy	301	1.8	53	69	5.6	4.4	0.8	0.7	0.9	1.0	14.4	16.4
Indian Bk Corporation	Buy	207	1.8	44	52	4.7	4.0	1.0	0.8	1.4	1.4	21.5	21.4
Andhra Bk	Buy	120	1.4	26	28	4.5	4.2	0.9	0.8	1.2	1.1	21.1	19.5
IDBI *	Neutral	105	2.1	19	21	4.3	3.8	0.6	0.5	0.7	0.7	13.7	14.0
Dena Bank	Buy	75	0.5	20	24	4.3	3.5	0.6	0.5	0.9	0.9	17.9	18.4
Public Aggregate			57			7.1	6.0	1.1	1.0				
HDFC*	Neutral	645	19.1	28	32	16.2	13.5	4.6	4.1	2.8	2.8	27.1	29.4
LICHF	Buy	218	2.1	23	28	9.3	7.7	2.1	1.7	2.0	1.9	24.2	24.3
DHFL	Buy	220	0.5	36	43	6.2	5.1	1.2	1.0	1.6	1.5	22.0	20.6
IDFC	Neutral	122	3.6	9.7	11.7	12.6	10.4	1.4	1.2	2.8	2.8	12.9	13.7
REC	Buy	175	3.5	29	35	6.0	5.0	1.2	1.0	3.1	3.1	20.9	22.0
PFC	Buy	150	3.5	22	27	6.8	5.5	1.0	0.9	2.6	2.6	16.2	16.6
STF	Buy	607	2.8	61	71	9.9	8.6	2.3	1.8	3.1	3.0	25.3	23.5
MMFSL	Neutral	632	1.3	58	70	10.9	9.0	2.2	1.9	4.4	4.3	22.0	22.3
IBFC Aggregate			36			12.1	10.0	2.9	2.4				

* Multiples adjusted for value of key ventures/investments; For ICICI Bank, HDFC Ltd BV is adjusted for investments in subsidiaries

Financials and Valuations

Income Statement					(INR Million)	
Y/E March	2008	2009	2010	2011	2012E	2013E
Interest Income	13,047	20,014	23,697	40,417	61,215	78,713
Interest Expense	9,741	14,921	15,818	27,948	44,929	57,538
Net Interest Income	3,306	5,093	7,880	12,469	16,286	21,175
Change (%)	92.9	54.1	54.7	58.2	30.6	30.0
Non Interest Income	3,607	4,369	5,755	6,233	8,319	10,787
Net Income	6,912	9,462	13,635	18,702	24,605	31,963
Change (%)	88.9	36.9	44.1	37.2	31.6	29.9
Operating Expenses	3,412	4,185	5,002	6,798	9,250	12,213
Pre Provision Profits	3,501	5,277	8,633	11,904	15,356	19,750
Change (%)	103.0	50.7	63.6	37.9	29.0	28.6
Provisions (excl tax)	436	617	1,368	982	1,392	2,571
PBT	3,065	4,659	7,265	10,922	13,964	17,179
Tax	1,065	1,621	2,487	3,650	4,608	5,669
Tax Rate (%)	34.7	34.8	34.2	33.4	33.0	33.0
PAT	2,000	3,038	4,777	7,271	9,356	11,510
Change (%)	111.9	51.9	57.2	52.2	28.7	23.0
Equity Dividend (Incl tax)	0	0	596	1,012	1,423	1,751
Core PPP*	2,910	3,790	7,647	11,904	14,956	19,200
Change (%)	79.9	30.3	101.8	55.7	25.6	28.4

*Core PPP is (NII+Fee income-Opex)

Balance Sheet					(INR Million)	
Y/E March	2008	2009	2010	2011	2012E	2013E
Equity Share Capital	2,958	2,970	3,397	3,471	3,471	3,471
Reserves & Surplus	10,231	13,272	27,499	34,469	42,402	52,161
Net Worth	13,189	16,242	30,896	37,941	45,873	55,632
Deposits	132,732	161,694	267,986	459,389	569,643	740,536
Change (%)	61.5	21.8	65.7	71.4	24.0	30.0
of which CASA Dep	11,287	14,118	28,182	47,509	67,329	96,712
Change (%)	138.2	25.1	99.6	68.6	41.7	43.6
Borrowings	17,137	37,017	47,491	66,909	92,707	113,970
Other Liabilities & Prov.	6,767	14,055	17,453	25,831	30,987	37,289
Total Liabilities	169,825	229,008	363,825	590,070	739,210	947,427
Current Assets	16,276	19,227	26,732	34,960	50,199	66,632
Investments	50,937	71,170	102,099	188,288	235,360	294,201
Change (%)	65.8	39.7	43.5	84.4	25.0	25.0
Loans	94,303	124,031	221,931	343,636	426,109	553,942
Change (%)	49.9	31.5	78.9	54.8	24.0	30.0
Fixed Assets	1,012	1,311	1,155	1,324	1,307	1,173
Other Assets	7,297	13,269	11,907	21,861	26,233	31,480
Total Assets	169,825	229,008	363,825	590,070	739,210	947,427
Asset Quality					(%)	
GNPA (INR m)	106	849	602	805	1,148	2,262
NNPA (INR m)	85	412	130	92	172	339
GNPA Ratio	0.11	0.68	0.27	0.23	0.27	0.41
NNPA Ratio	0.09	0.33	0.06	0.03	0.04	0.06
PCR (Excl Tech. write off)	20.0	51.5	78.4	88.6	85.0	85.0

E: MOSL Estimates

Financials and Valuations

Ratios						
Y/E March	2008	2009	2010	2011	2012E	2013E
Spreads Analysis (%)						
Avg. Yield-Earning Assets	9.7	10.7	8.4	8.8	9.6	9.8
Avg. Yield on loans	11.8	13.6	10.2	10.6	11.6	11.8
Avg. Yield on Investments	8.8	8.2	6.8	7.1	7.7	7.7
Avg. Cost-Int. Bear. Liab.	7.9	8.6	6.2	6.6	7.6	7.6
Avg. Cost of Deposits	7.9	8.3	5.8	6.3	7.6	7.7
Interest Spread	1.8	2.1	2.2	2.2	2.1	2.2
Net Interest Margin	2.5	2.7	2.8	2.7	2.6	2.6
Profitability Ratios (%)						
RoE	19.0	20.6	20.3	21.1	22.3	22.7
RoA	1.4	1.5	1.6	1.5	1.4	1.4
Int. Expense/Int. Income	74.7	74.6	66.7	69.1	73.4	73.1
Fee Income/Net Income	43.6	30.5	35.0	33.3	32.2	32.0
Non Int. Inc./Net Income	52.2	46.2	42.2	33.3	33.8	33.7
Efficiency Ratios (%)						
Cost/Income*	49.4	44.2	36.7	36.3	37.6	38.2
Empl. Cost/Op. Exps.	59.3	52.1	51.4	53.3	52.9	54.1
Busi. per Empl. (INR m)	59.1	96.0	127.8	164.5	190.2	204.8
NP per Empl. (INR lac)	6.3	11.4	15.7	18.5	19.8	20.6
* ex treasury						
Asset-Liability Profile (%)						
Loans/Deposit Ratio	71.0	76.7	82.8	74.8	74.8	74.8
CASA Ratio	8.5	8.7	10.5	10.3	11.8	13.1
Investment/Deposit Ratio	38.4	44.0	38.1	41.0	41.3	39.7
G-Sec/Investment Ratio	70.6	65.8	66.5	57.1	60.5	62.9
CAR	13.6	16.6	20.6	16.5	15.3	13.8
<i>Tier 1</i>	8.5	9.5	12.8	9.7	9.1	8.3
Valuation						
Book Value (INR)	44.6	54.7	91.0	109.3	132.1	160.3
<i>Change (%)</i>	58.6	22.7	66.3	20.2	20.9	21.3
Price-BV (x)	6.4	5.2	3.1	2.6	2.2	1.8
Adjusted BV (INR)	44.4	53.8	90.7	109.1	131.8	159.6
Price-ABV (x)	6.4	5.3	3.1	2.6	2.2	1.8
EPS (INR)	6.8	10.2	14.1	20.9	27.0	33.2
<i>Change (%)</i>	100.6	51.3	37.5	48.9	28.7	23.0
Price-Earnings (x)	42.1	27.9	20.3	13.6	10.6	8.6
Dividend Per Share (INR)	0.0	0.0	1.5	2.5	3.5	4.3
Dividend Yield (%)	0.0	0.0	0.5	0.9	1.2	1.5

E: MOSL Estimates

N O T E S

Disclosures

This report is for personal information of the authorized recipient and does not constitute to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and Motilal Oswal Securities Limited (hereinafter referred as MOST) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your information and should not be reproduced or redistributed to any other person in any form.

Unauthorized disclosure, use, dissemination or copying (either whole or partial) of this information, is prohibited. The person accessing this information specifically agrees to exempt MOST or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOST or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOST or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

The information contained herein is based on publicly available data or other sources believed to be reliable. While we would endeavour to update the information herein on reasonable basis, MOST and/or its affiliates are under no obligation to update the information. Also there may be regulatory, compliance, or other reasons that may prevent MOST and/or its affiliates from doing so. MOST or any of its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MOST or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This report is intended for distribution to institutional investors. Recipients who are not institutional investors should seek advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

MOST and/or its affiliates and/or employees may have interests/positions, financial or otherwise in the securities mentioned in this report. To enhance transparency, MOST has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement

Yes Bank

- | | |
|---|----|
| 1. Analyst ownership of the stock | No |
| 2. Group/Directors ownership of the stock | No |
| 3. Broking relationship with company covered | No |
| 4. Investment Banking relationship with company covered | No |

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analysts, strategists, or research associates principally responsible for preparation of MOST research receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOST & its group companies to registration or licensing requirements within such jurisdictions.

For U.K.

This report is intended for distribution only to persons having professional experience in matters relating to investments as described in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (referred to as "investment professionals"). This document must not be acted on or relied on by persons who are not investment professionals. Any investment or investment activity to which this document relates is only available to investment professionals and will be engaged in only with such persons.

For U.S.

MOST is not a registered broker-dealer in the United States (U.S.) and, therefore, is not subject to U.S. rules. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., Motilal Oswal has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, Marco Polo and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.



Motilal Oswal Securities Ltd

3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021

Phone: (91-22) 39825500 Fax: (91-22) 22885038. E-mail: reports@motilaloswal.com