

## Yes Bank

### Performance Highlights

Particulars (₹ cr)	3QFY13	2QFY13	% chg (qoq)	3QFY12	% chg (yoy)
NII	584	524	11.5	428	36.7
Pre-prov. profit	563	485	16.2	399	41.3
<b>PAT</b>	<b>342</b>	<b>306</b>	<b>11.8</b>	<b>254</b>	<b>34.7</b>

Source: Company, Angel Research

During 3QFY2013, Yes Bank reported a strong performance, posting a net profit growth of 34.7% yoy, exceeding our estimates, due to higher-than-estimated growth in non-interest income, contributed largely by 'financial advisory' fees. Key positive takeaways from the results were strong momentum in savings deposits, maintenance of healthy asset quality and strong loan growth during the quarter.

**NIMs improve on lower cost of funds:** During 3QFY2013, the bank registered a healthy growth in its business, as advances and deposits grew by 22.3% and 20.2% yoy, respectively. CASA deposits grew by 74.9% yoy, thereby taking its CASA ratio to 18.3% from 12.6% as of 3QFY2012. Savings deposits quadrupled on a yoy basis and rose by 26.5% qoq to ₹4,905cr. Cost of funds for the bank dipped by 20bp sequentially to 8.5%, on account of the significant traction in savings deposits and easing of wholesale rates. Hence, the NIMs improved by 10bp qoq to 3.0%. Importantly, the management informed that they have received 146 tier-I branch licenses for this year vs. 56 in the previous year, which is expected to keep the bank well on track to meet its version2.0 branches, CASA, and other growth targets. The bank's non-interest income grew strongly by 48.1% yoy to ₹313cr, largely on account of substantial growth witnessed in financial advisory and retail fee income streams. The fee income from financial advisory segment (which is largely linked to deal closures during the quarter) more than doubled on a yoy basis. On the asset quality front, the bank witnessed sequential improvement, with the gross and net NPA ratio coming down by 7bp and 1bp to a marginal 0.17% and 0.04%, respectively. As per the Management, on the Deccan Chronicle account, till now the bank has already provided roughly 80% of the net exposure. The management expects to recover ~10-15% of the net exposure over the next two quarters and eventually ~20-25% over the next four quarters, which would lead to release of some provisioning already made to the extent of extra recovery.

**Outlook and valuation:** Yes Bank has taken the challenge of building a retail deposit base head-on, nearly doubling its branch network over the past two years to 412 branches now and aggressively increasing savings rate to 7% as a smart customer-acquisition strategy. In our view, the bank is in a sweet spot, wherein retail franchise growth is likely to remain strong as large banks cede some market share to it rather than offering higher savings rates to their entire customer base. Though retail growth prospects appear stronger now, it currently trades at a valuation of 2.6x FY2014E ABV, which in our view, offers decent upside from current levels. **Hence, we recommend Accumulate on the stock with a target price of ₹576.**

#### Key financials

Y/E March (₹ cr)	FY2011	FY2012	FY2013E	FY2014E
NII	1,247	1,616	2,172	2,787
% chg	58.2	29.6	34.4	28.3
<b>Net profit</b>	<b>727</b>	<b>977</b>	<b>1,282</b>	<b>1,505</b>
% chg	52.2	34.4	31.2	17.4
NIM (%)	2.7	2.6	2.8	3.0
<b>EPS (₹)</b>	<b>20.9</b>	<b>27.7</b>	<b>36.3</b>	<b>42.6</b>
P/E (x)	24.7	18.7	14.3	12.2
P/ABV (x)	4.7	3.9	3.2	2.6
RoA (%)	1.5	1.5	1.6	1.5
RoE (%)	21.1	23.1	24.6	23.6

Source: Company, Angel Research

## ACCUMULATE

CMP	₹518
Target Price	₹576

Investment Period	12 Months
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#### Stock Info

Sector	Banking
Market Cap (₹ cr)	18,531
Beta	1.3
52 Week High / Low	535/278
Avg. Daily Volume	395,628
Face Value (₹)	10
BSE Sensex	19,818
Nifty	6,002
Reuters Code	YESB.BO
Bloomberg Code	YES@IN

#### Shareholding Pattern (%)

Promoters	25.8
MF / Banks / Indian FIs	15.8
FII / NRIs / OCBs	48.8
Indian Public / Others	9.6

Abs. (%)	3m	1yr	3yr
Sensex	6.7	22.4	12.9
Yes Bank	35.9	84.5	93.8

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**Exhibit 1: 3QFY2013 performance summary (standalone)**

Particulars (₹ cr)	3QFY13	2QFY13	% chg (qoq)	3QFY12	% chg (yoy)	9MFY13	9MFY12	% chg
<b>Interest earned</b>	<b>2,134</b>	<b>1,986</b>	<b>7.4</b>	<b>1,684</b>	<b>26.7</b>	<b>6,006</b>	<b>4,522</b>	<b>32.8</b>
- on Advances / Bills	1,394	1,291	8.0	1,173	18.8	3,932	3,231	21.7
- on investments	726	689	5.3	506	43.4	2,045	1,269	61.2
- on balance with RBI & others	4	6	(25.0)	5	(12.7)	14	17	(18.5)
- on others	10	1	1,532.3	1	1,675.4	16	6	167.9
<b>Interest Expended</b>	<b>1,549</b>	<b>1,462</b>	<b>6.0</b>	<b>1,256</b>	<b>23.3</b>	<b>4,426</b>	<b>3,355</b>	<b>31.9</b>
<b>Net Interest Income</b>	<b>584</b>	<b>524</b>	<b>11.5</b>	<b>428</b>	<b>36.7</b>	<b>1,581</b>	<b>1,167</b>	<b>35.4</b>
<b>Other income</b>	<b>313</b>	<b>277</b>	<b>13.2</b>	<b>211</b>	<b>48.1</b>	<b>878</b>	<b>591</b>	<b>48.6</b>
- Financial markets	39	47	(16.8)	48	(18.8)	181	114	58.6
- Financial advisory	162	120	35.8	81	101.5	385	261	47.1
- Transaction banking	81	80	1.1	64	26.0	230	167	37.6
- Retail and others	31	31	1.6	19	66.3	83	49	71.3
<b>Operating income</b>	<b>898</b>	<b>801</b>	<b>12.1</b>	<b>639</b>	<b>40.5</b>	<b>2,459</b>	<b>1,758</b>	<b>39.8</b>
<b>Operating expenses</b>	<b>334</b>	<b>316</b>	<b>5.7</b>	<b>240</b>	<b>39.1</b>	<b>951</b>	<b>648</b>	<b>46.7</b>
- Employee expenses	162	164	(1.4)	122	33.1	481	341	41.0
- Other Opex	172	152	13.3	118	45.3	470	307	53.0
<b>Pre-provision Profit</b>	<b>563</b>	<b>485</b>	<b>16.2</b>	<b>399</b>	<b>41.3</b>	<b>1,508</b>	<b>1,110</b>	<b>35.9</b>
Provisions & Cont.	57	32	78.6	22	153.6	118	62	91.8
<b>PBT</b>	<b>507</b>	<b>453</b>	<b>11.9</b>	<b>376</b>	<b>34.6</b>	<b>1,389</b>	<b>1,048</b>	<b>32.6</b>
Provision for Tax	164	147	11.9	122	34.3	451	343	31.5
<b>PAT</b>	<b>342</b>	<b>306</b>	<b>11.8</b>	<b>254</b>	<b>34.7</b>	<b>939</b>	<b>705</b>	<b>33.1</b>
Effective Tax Rate (%)	32.4	32.4	1bp	32.5	(7)bp	32.4	32.7	(0.8)

Source: Company, Angel Research

**Exhibit 2: 3QFY2013 – Actual vs. estimates**

Particulars (₹ cr)	Actual	Estimates	Var. (%)
Net interest income	584	553	5.7
Other income	313	279	12.3
<b>Operating income</b>	<b>898</b>	<b>831</b>	<b>7.9</b>
Operating expenses	334	333	0.3
<b>Pre-prov. profit</b>	<b>563</b>	<b>499</b>	<b>13.0</b>
Provisions & cont.	57	43	31.8
<b>PBT</b>	<b>507</b>	<b>456</b>	<b>11.2</b>
Prov. for taxes	164	148	11.2
<b>PAT</b>	<b>342</b>	<b>308</b>	<b>11.2</b>

Source: Company, Angel Research

**Exhibit 3: 3QFY2013 performance analysis (standalone)**

Particulars	3QFY13	2QFY13	% chg (qoq)	3QFY12	% chg (yoy)
<b>Balance sheet</b>					
Advances (₹ cr)	43,857	42,019	4.4	35,868	22.3
Deposits (₹ cr)	56,401	52,291	7.9	46,929	20.2
Credit-to-Deposit Ratio (%)	77.8	80.4	(260)bp	76.4	133bp
Current deposits (₹ cr)	5,436	5,157	5.4	4,711	15.4
Savings deposits (₹ cr)	4,905	3,877	26.5	1,203	307.8
CASA deposits (₹ cr)	10,341	9,034	14.5	5,914	74.9
CASA ratio (%)	18.3	17.3	106bp	12.6	573bp
CAR (%)	18.0	17.5	50bp	16.1	187bp
Tier 1 CAR (%)	9.0	9.5	(50)bp	9.2	(20)bp
<b>Profitability Ratios (%)</b>					
Yield on advances	12.3	12.4	(10)bp	12.4	(10)bp
Cost of funds	8.5	8.7	(20)bp	8.9	(40)bp
Reported NIM	3.0	2.9	10bp	2.8	20bp
Cost-to-income ratio	37.2	39.5	(226)bp	37.6	(36)bp
<b>Asset quality</b>					
Gross NPAs (₹ cr)	76	103	(25.9)	72	5.8
Gross NPAs (%)	0.2	0.2	(7)bp	0.2	(3)bp
Net NPAs (₹ cr)	16	20	(22.7)	14	8.0
Net NPAs (%)	0.04	0.05	(1)bp	0.04	0bp
Provision Coverage Ratio (%)	79.6	80.4	(85)bp	80.0	(43)bp
Provisions to avg. assets (%)	0.3	0.2	11bp	0.1	13bp

Source: Company, Angel Research

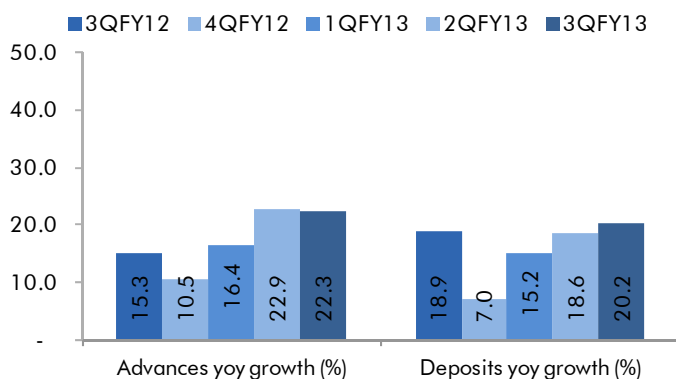
**Growth in customer assets remains healthy**

During 3QFY2013, the bank registered healthy growth in its business, as advances grew by 22.3% yoy, while deposits increased by 20.2% yoy. Growth in Customer Assets (loans & credit substitutes) remained strong at 27.4% yoy. CASA deposits grew by 74.9% yoy, thereby taking the CASA ratio to 18.3% as of 3QFY2013 up from 12.6% as of 3QFY2012. Savings account deposits more than quadrupled on a yoy basis and were higher by 26.5% qoq to ₹4,905cr.

As a result of strong performance on the CASA front, retail liabilities as a proportion of total deposits (CASA + retail term) have increased to 37.8% from 30.7% as of 3QFY2012. The Management plans to increase the share of retail deposits in total deposits to around 55-60% over the next two years (30% CASA and 30% retail term deposits).

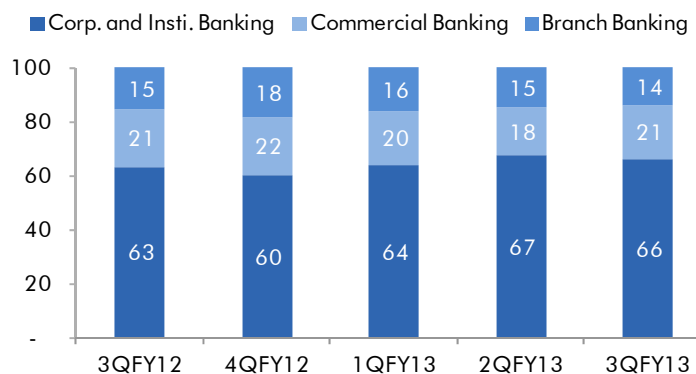
The advances book for the bank grew by a healthy 22.3% yoy, however the management still remains wary of the external environment and will maintain its cautious stance regarding balance sheet growth in the short term. The primary driver of loan growth during 3QFY2013 was the corporate segment, which now stands at 66% of the total advances.

**Exhibit 4: Advances and deposits growth trend**



Source: Company, Angel Research

**Exhibit 5: Corporate lending higher in 3QFY2013**



Source: Company, Angel Research

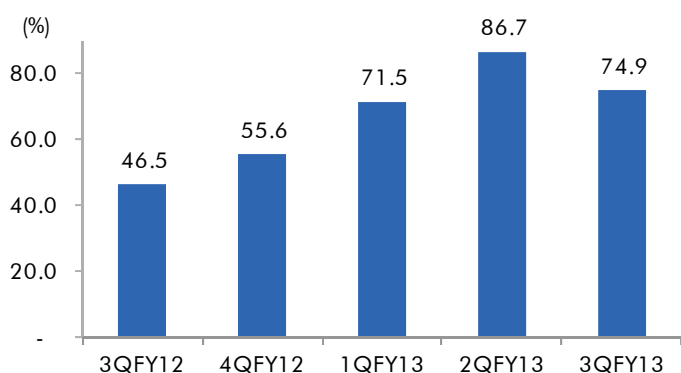
**Strong traction continues in savings deposits post rate deregulation**

Immediately post the savings rate de-regulation, the bank had aggressively hiked its savings account interest rates, which is leading to a paradigm shift in the bank’s franchise from a predominantly wholesale franchise to one that will increasingly have much needed retail play as well.

Highlighting the strong traction, savings account deposits rose by 26.5% qoq to ₹4,905cr (have grown by more than seven times on an absolute basis since the savings deposit rate deregulation in October 2011). The share of retail deposits (CASA and retail banking term deposits) has now risen to 37.8% of total deposits from 30.7% a year ago, thereby reducing the bank’s dependence on higher costing bulk deposits.

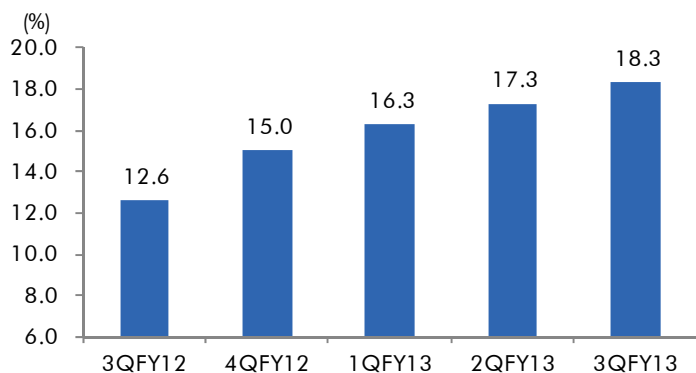
The bank opened 12 branches during the quarter, thereby taking its network size to 412 branches. Recently, the bank has received 146 tier-I branch licenses from the Reserve Bank of India (RBI) this year compared to 56 in the previous year, which will further its aspirations of creating a sustainable retail deposits franchise, as deposits density is relatively better in tier-I locations, and also keep the bank well on track to meet its version2.0 branch, CASA, and other growth targets.

**Exhibit 6: CASA deposit growth yoy**



Source: Company, Angel Research

**Exhibit 7: CASA ratio improves 100bp sequentially**



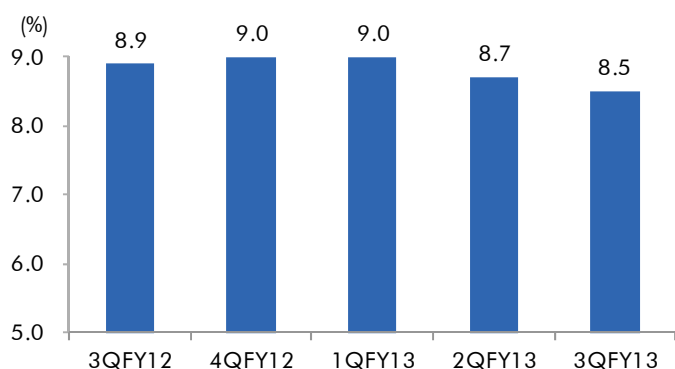
Source: Company, Angel Research

### NIM improves sequentially on lower costs of funds

The bank's cost of funds dipped by 20bp sequentially to 8.5% during the quarter, primarily on account of the significant traction in savings account deposits and easing in wholesale rates. Yield on funds for the bank also witnessed a sequential moderation of 10bp to 12.3% and hence, the NIM of the bank improved by 10bp qoq to 3.0%, in-line with the Management guidance.

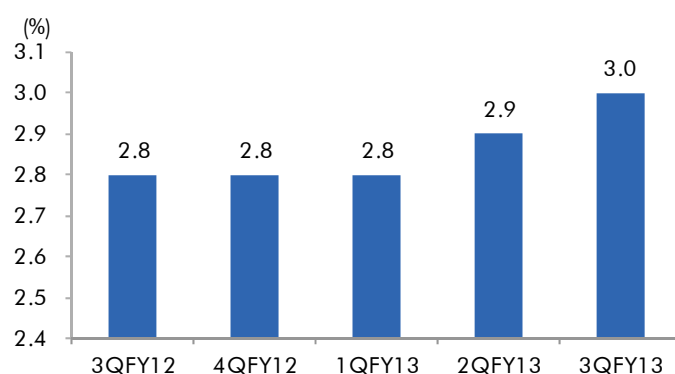
The bank has been reducing the share of bulk deposits to overall deposits and with saving deposits franchise becoming stronger every quarter, we have factored in ~20bp NIM expansion in FY2013 and another ~20bp expansion for FY2014.

**Exhibit 8: Cost of funds decline largely on SA traction...**



Source: Company, Angel Research

**Exhibit 9: ...hence NIMs improve qoq**



Source: Company, Angel Research

### Strong growth in non-interest income during 3QFY2013

During 3QFY2013, the bank's non-interest income grew strongly by 48.1% yoy to ₹313cr, on account of substantial growth witnessed in financial advisory and retail fee income streams. The fee income from the financial advisory segment, (which is largely linked to deal closures during the quarter) more than doubled on a yoy basis. The retail fee segment grew by 66.3% yoy (although on a low base). The bank's continued concentration on improving its retail franchise both on the asset and liability side is starting to give a thrust to the retail fee segment.

**Exhibit 10: Substantial growth in fee from 'financial advisory' segment**

Particulars (₹ cr)	3QFY13	2QFY13	% chg (qoq)	3QFY12	% chg (yoy)
Financial markets	39	47	(16.8)	48	(18.8)
Financial advisory	162	120	35.8	81	101.5
Transaction banking	81	80	1.1	64	26.0
Retail and others	31	31	1.6	19	66.3
<b>Other income</b>	<b>313</b>	<b>277</b>	<b>13.1</b>	<b>212</b>	<b>48.1</b>

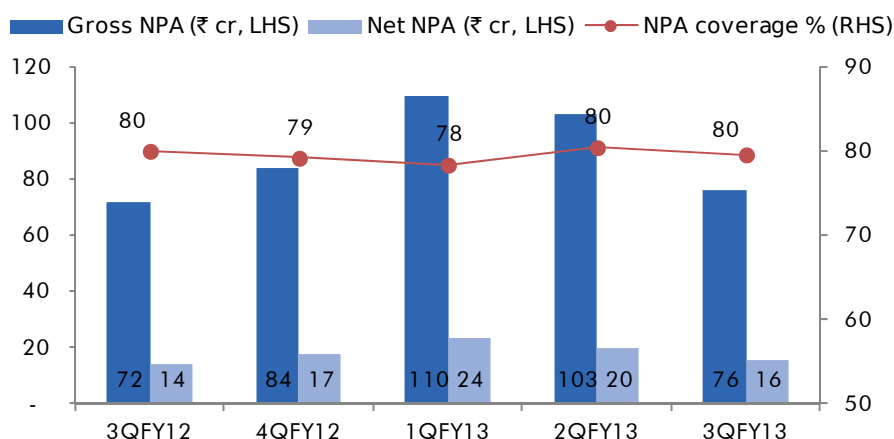
Source: Company, Angel Research

### Strong asset quality maintained

During the quarter, the bank witnessed sequential improvement in its asset-quality profile, with gross NPA ratio and the net NPA ratio coming down by 7bp and 1bp to marginal 0.17% and 0.04%, respectively. Though, PCR (excluding technical write-offs) dipped sequentially by 85bp, still it remains healthy at 79.6%. Restructured advances remained under control at 0.43% of gross advances. There was no new restructuring during the quarter.

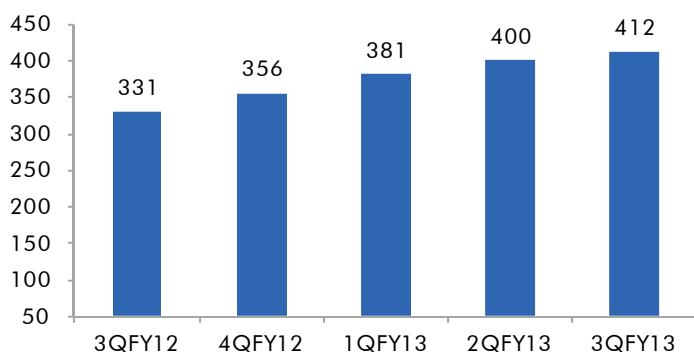
On the Deccan Chronicle account, till now the bank has already provided ~₹85cr (₹50cr in 2QFY2013 and ₹35cr in 3QFY2013) i.e roughly 80% of the net exposure. The management expects to recover ~10-15% of the net exposure over the next two quarters and eventually ~20-25% over the next four quarters, which would lead to release of some provisioning already made to the extent of extra recovery. The account still remains a servicing one for the bank and hence the bank refrained from classifying it as an NPA during the quarter.

### Exhibit 11: Asset quality amongst the best in industry



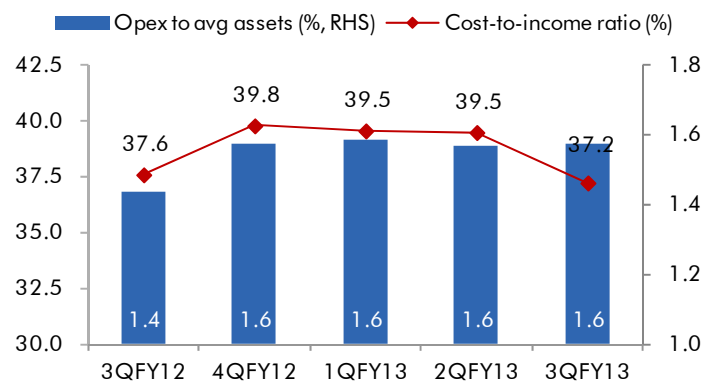
Source: Company, Angel Research

### Exhibit 12: Branch network expands steadily



Source: Company, Angel Research

### Exhibit 13: C-I ratio lower, on higher growth in income

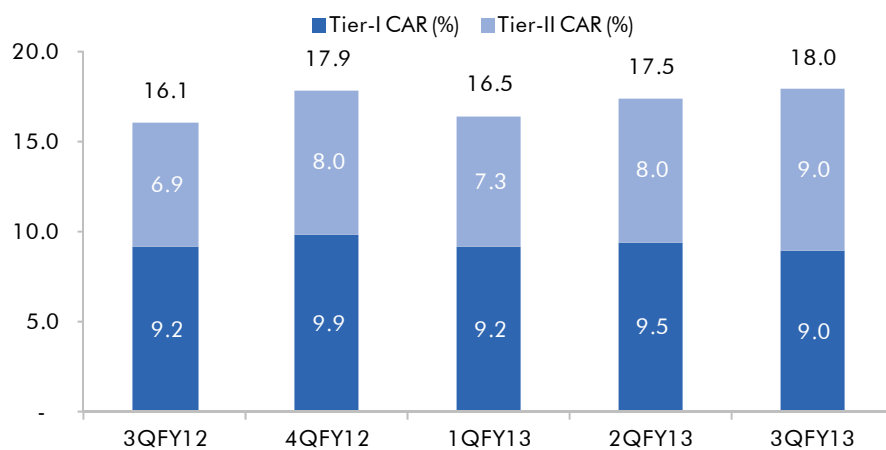


Source: Company, Angel Research

### Overall capital adequacy continues to be strong

The bank's capital adequacy ratio (CAR) continued to be strong at 18.0%, with tier-I ratio at 9.0%. With RoE of around 25%, the bank's retained earnings itself are capable for funding balance sheet growth of 20-22%. In any case, the management plans to raise US\$300-400mn equity capital in the next 9-12 months, subject to favorable market conditions.

#### Exhibit 14: Overall capital adequacy remains healthy



Source: Company, Angel Research

## **Investment arguments**

### **Savings rates deregulation aiding retail customer acquisition**

Yes Bank had aggressively hiked savings interest rates immediately post the deregulation, which is leading to a paradigm shift in the bank's franchise from a predominantly wholesale franchise to one that will increasingly have a much needed retail play as well.

Savings rate deregulation does not allow banks to offer differential rates to different groups of customers, hence, it would be unfavorable for larger players to offer higher rates to their entire customer base just to protect some amount of market share from competition from smaller players such as Yes Bank (~33,000 branches and ₹8lakh cr savings deposits for large banks compared to ~410 branches and ₹4,900cr savings deposits for Yes Bank). While the loss in market share for larger players would be minor, the gain for smaller banks such as Yes Bank offering higher savings rates is expected to be significant, especially considering the low bases of their retail franchises.

Yes Bank has witnessed strong traction in its savings deposits with SA deposits increasing 26.5% qoq, and have grown by more than seven times on an absolute basis, since the savings deposit rate deregulation in October 2011. We expect the strong pace in savings deposit accretion for the bank to continue going ahead as well.

### **A-list management and ability to raise capital**

Yes Bank has an A-list top management team, which brings to the table rich experience from the best banks in India, including Bank of America, ABN AMRO, Citibank, ICICI Bank, Rabo India and HDFC Bank. The bank's performance also benefits from the Management's ability to raise equity capital (at increasing, book-accretive premiums).

### **Capital raising to be book accretive**

Yes Bank plans to grow its customer asset base at 30-35% for the next 2-3 years, leading to higher capital requirements. The bank's capital adequacy ratio (CAR) continues to be strong at 18%, with tier-I ratio at 9%. With RoE of around 25%, the bank's retained earnings itself are capable of funding balance sheet growth of 20-22%. In any case, the Management plans to raise US\$300-400mn equity capital in the next 9-12 months, subject to favorable market conditions. However, any capital raising is likely to be book-accretive and will aid in further enhancing the bank's credit market share going forward.

### **Strong asset quality**

The bank has maintained strong asset quality in spite of growing at a fast clip over the past few years (gross and net NPA ratios at marginal 0.17% and 0.04%, respectively), which has been aided by the smaller size of its balance sheet so far. The bank's provision coverage ratio even without inclusion of technical write-offs remained healthy at 79.6% in 3QFY2013. The bank has also been astute in managing its growth rate and asset-liability durations in-line with the changing external environment.



## Investment concerns

### Medium-term downside risks to RoA

The bank's credit market share has steadily increased on the back of a robust credit CAGR of 41.7% over FY2008-12, which at 0.8% represents an increasingly meaningful market share. The bank has so far managed to source loans with relatively above-average profitability, keeping its NIM above 2.7% since FY2009, in spite of a CASA ratio of just 18.3%. Going forward though, as the size of the balance sheet increases, we believe RoA compression remains a risk to the bank. Having said that, the recent deregulation of savings account rates and the consequent strong accretion of SA deposits for Yes Bank are likely to aid in countering this impact.

### Outlook and valuation

Yes Bank's growth as well as its Management's track record has been excellent so far. However, as the bank's balance sheet size continues to increase, it remains to be seen whether it could continue to source lending opportunities as profitable as its current loan portfolio. On the liabilities side, building a savings deposit franchise involves execution risks.

However, Yes Bank has taken challenges of building a retail deposit base head-on and has nearly doubled its branch network over the past two years to 412 branches now and aggressively increased savings rate to 7% as a smart customer-acquisition strategy. The bank has grown its savings deposits base by more than seven times since the savings deposit rate deregulation in October 2011. In our view, the bank is in a sweet spot, wherein retail franchise growth is likely to remain strong as large banks cede some market share to it rather than offering higher savings rates to their entire customer base. Though retail growth prospects are stronger now, valuations at 2.6x FY2014E ABV, offer decent upsides from current levels. **Hence, we recommend Accumulate on the stock with a target price of ₹576.**

### Exhibit 15: Key assumptions

Particulars (%)	Earlier estimates		Revised estimates	
	FY2013	FY2014	FY2013	FY2014
Credit growth	19.0	26.0	20.0	25.0
Deposit growth	20.0	26.0	20.0	25.0
CASA ratio	21.0	25.8	21.0	26.0
NIMs	2.8	3.0	2.8	3.0
Other income growth	35.6	24.6	39.1	23.5
Growth in staff expenses	40.0	30.0	37.5	30.0
Growth in other expenses	40.0	30.0	42.5	30.0
Slippages	0.5	0.9	0.5	0.9

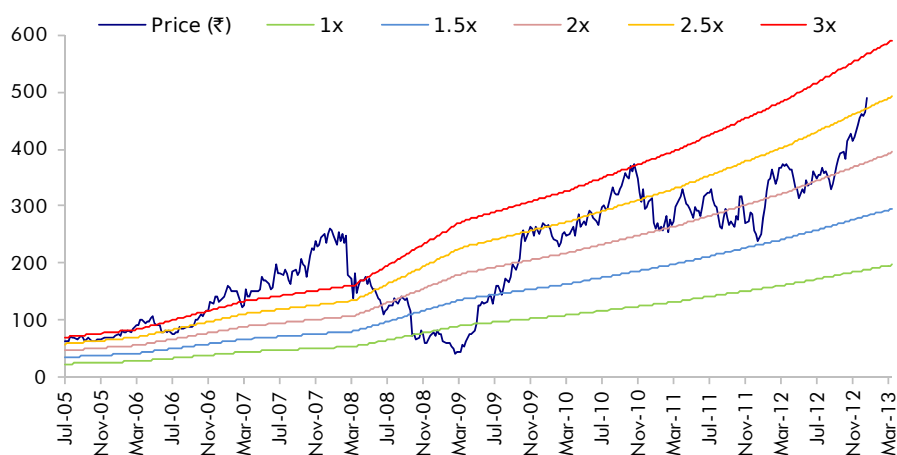
Source: Angel Research

**Exhibit 16: Change in estimates**

Particulars (₹ cr)	FY2013			FY2014		
	Earlier estimates	Revised estimates	Var. (%)	Earlier estimates	Revised estimates	Var. (%)
NII	2,130	2,172	1.9	2,795	2,787	(0.3)
Non-interest income	1,162	1,192	2.6	1,448	1,473	1.7
<b>Operating income</b>	<b>3,292</b>	<b>3,364</b>	<b>2.2</b>	<b>4,243</b>	<b>4,260</b>	<b>0.4</b>
Operating expenses	1,306	1,305	(0.0)	1,697	1,697	(0.0)
<b>Pre-prov. profit</b>	<b>1,986</b>	<b>2,059</b>	<b>3.6</b>	<b>2,546</b>	<b>2,563</b>	<b>0.7</b>
Provisions & cont.	159	162	1.5	341	335	(1.7)
PBT	1,827	1,897	3.8	2,205	2,228	1.1
Prov. for taxes	593	616	3.8	715	723	1.1
<b>PAT</b>	<b>1,234</b>	<b>1,282</b>	<b>3.8</b>	<b>1,489</b>	<b>1,505</b>	<b>1.1</b>

Source: Angel Research

**Exhibit 17: P/ABV band**



Source: Company, Angel Research

**Exhibit 18: Recommendation summary**

Company	Reco.	CMP (₹)	Tgt. price (₹)	Upside (%)	FY2014E P/ABV (x)	FY2014E Tgt P/ABV (x)	FY2014E P/E (x)	FY2012-14E EPS CAGR (%)	FY2014E RoA (%)	FY2014E RoE (%)
AxisBk	Buy	1,410	1,641	16.4	1.89	2.2	10.1	16.4	1.6	20.1
FedBk	Accumulate	516	576	11.6	1.25	1.4	10.0	6.7	1.1	13.2
HDFCBk	Neutral	661	665	0.7	3.72	3.8	18.4	27.7	1.9	22.0
ICICIBk*	Buy	1,179	1,397	18.5	1.90	2.2	14.2	21.6	1.5	15.6
SIB	Buy	28	34	20.6	1.16	1.4	6.9	6.9	1.0	17.7
<b>YesBk</b>	<b>Accumulate</b>	<b>518</b>	<b>576</b>	<b>11.2</b>	<b>2.61</b>	<b>2.9</b>	<b>12.2</b>	<b>24.1</b>	<b>1.5</b>	<b>23.6</b>
AllBk	Accumulate	182	199	9.6	0.78	0.9	5.4	(5.2)	0.8	14.6
AndhBk	Neutral	122	127	4.3	0.81	0.9	5.4	(3.5)	0.8	14.2
BOB	Neutral	872	901	3.3	1.02	1.1	6.3	6.5	1.0	17.1
BOI	Neutral	379	372	(2.0)	0.97	1.0	5.9	17.2	0.8	15.9
BOM	Accumulate	59	64	8.0	0.74	0.8	4.9	38.7	0.7	16.1
CanBk	Neutral	509	516	1.3	0.94	1.0	6.3	4.1	0.8	14.7
CentBk	Neutral	89	93	3.7	0.77	0.8	4.2	102.0	0.6	14.8
CorpBk	Buy	469	551	17.4	0.72	0.8	4.7	(3.1)	0.8	14.8
DenaBk	Accumulate	118	132	11.3	0.72	0.8	4.9	2.6	0.8	15.6
IDBI#	Accumulate	113	119	5.5	0.71	0.8	5.1	17.8	0.9	13.9
IndBk	Buy	211	252	19.5	0.75	0.9	4.9	4.4	1.1	16.8
IOB	Accumulate	88	98	11.1	0.59	0.7	4.3	24.3	0.6	13.3
J&KBk	Neutral	1,328	1,292	(2.7)	1.13	1.1	6.7	9.2	1.4	18.0
OBC	Accumulate	339	369	8.8	0.74	0.8	5.2	29.0	0.9	14.4
PNB	Accumulate	884	933	5.6	0.95	1.0	5.4	6.9	1.0	17.3
SBI*	Accumulate	2,433	2,600	6.8	1.57	1.7	9.5	21.5	1.0	17.7
SynBk	Accumulate	139	158	13.8	0.79	0.9	5.1	11.6	0.7	16.4
UcoBk	Neutral	82	83	1.4	0.94	1.0	5.5	2.6	0.5	13.5
UnionBk	Accumulate	261	286	9.4	0.91	1.0	5.6	20.5	0.8	16.4
UtdBk	Buy	78	90	15.4	0.56	0.7	3.6	19.6	0.7	16.1
VijBk	Accumulate	63	66	5.1	0.76	0.8	6.1	7.0	0.5	12.1

Source: Company, Angel Research; Note: \*Target multiples=SOTP Target Price/ABV (including subsidiaries), #Without adjusting for SASF

### Company Background

Yes Bank is the youngest private sector bank in the country, promoted by professional bankers. The bank started its operations in CY2004 and has been growing at a scorching pace, focusing on niche assets to maintain profitable margins and asset quality. The bank's thrust so far has been primarily on wholesale banking operations for mid-size corporates. Now aiming for a higher share of retail deposits, the bank has recently doubled its network to 410 branches (targeting the urban affluent segment) and is planning to expand its network to 750-900 branches by FY2015.

**Income statement**

Y/E March (₹ cr)	FY08	FY09	FY10	FY11	FY12	FY13E	FY14E
<b>Net Interest Income</b>	<b>331</b>	<b>511</b>	<b>788</b>	<b>1,247</b>	<b>1,616</b>	<b>2,172</b>	<b>2,787</b>
- YoY Growth (%)	92.9	54.6	54.1	58.2	29.6	34.4	28.3
<b>Other Income</b>	<b>361</b>	<b>435</b>	<b>576</b>	<b>623</b>	<b>857</b>	<b>1,192</b>	<b>1,473</b>
- YoY Growth (%)	79.7	20.6	32.3	8.3	37.5	39.1	23.5
<b>Operating Income</b>	<b>691</b>	<b>946</b>	<b>1,363</b>	<b>1,870</b>	<b>2,473</b>	<b>3,364</b>	<b>4,260</b>
- YoY Growth (%)	85.8	36.9	44.1	37.2	32.2	36.0	26.6
<b>Operating Expenses</b>	<b>341</b>	<b>419</b>	<b>500</b>	<b>680</b>	<b>933</b>	<b>1,305</b>	<b>1,697</b>
- YoY Growth (%)	76.3	22.7	19.5	35.9	37.2	40.0	30.0
<b>Pre - Provision Profit</b>	<b>350</b>	<b>528</b>	<b>863</b>	<b>1,190</b>	<b>1,540</b>	<b>2,059</b>	<b>2,563</b>
- YoY Growth (%)	96.0	50.7	63.6	37.9	29.4	33.7	24.5
<b>Prov. &amp; Cont.</b>	<b>44</b>	<b>62</b>	<b>137</b>	<b>98</b>	<b>90</b>	<b>162</b>	<b>335</b>
- YoY Growth (%)	24.9	41.6	121.6	(28.2)	(8.1)	79.2	107.5
<b>Profit Before Tax</b>	<b>306</b>	<b>466</b>	<b>726</b>	<b>1,092</b>	<b>1,450</b>	<b>1,897</b>	<b>2,228</b>
- YoY Growth (%)	113.3	52.0	55.9	50.3	32.8	30.8	17.4
<b>Prov. for Taxation</b>	<b>106</b>	<b>162</b>	<b>249</b>	<b>365</b>	<b>473</b>	<b>616</b>	<b>723</b>
- as a % of PBT	34.7	34.8	34.2	33.4	32.6	32.4	32.4
<b>PAT</b>	<b>200</b>	<b>304</b>	<b>478</b>	<b>727</b>	<b>977</b>	<b>1,282</b>	<b>1,505</b>
- YoY Growth (%)	111.9	51.9	57.2	52.2	34.4	31.2	17.4

**Balance sheet**

Y/E March (₹ cr)	FY08	FY09	FY10	FY11	FY12	FY13E	FY14E
Share Capital	296	297	340	347	353	353	353
Reserves & Surplus	1,023	1,327	2,750	3,447	4,324	5,400	6,659
Deposits	13,273	16,169	26,799	45,939	49,152	58,982	73,728
- Growth (%)	61.5	21.8	65.7	71.4	7.0	20.0	25.0
Borrowings	986	2,189	2,564	3,333	9,343	14,972	16,384
Tier 2 Capital	728	1,513	2,185	3,358	4,813	5,415	5,280
Other Liab. & Prov.	677	1,405	1,745	2,583	5,677	5,619	6,823
<b>Total Liabilities</b>	<b>16,982</b>	<b>22,901</b>	<b>36,383</b>	<b>59,007</b>	<b>73,662</b>	<b>90,742</b>	<b>109,226</b>
Cash Balances	959	1,278	1,995	3,076	2,333	2,654	2,949
Bank Balances	668	645	678	420	1,253	1,544	1,858
Investments	5,094	7,117	10,210	18,829	27,757	35,629	41,030
Advances	9,430	12,403	22,193	34,364	37,989	45,586	56,983
- Growth (%)	49.9	31.5	78.9	54.8	10.5	20.0	25.0
Fixed Assets	101	131	115	132	177	212	247
Other Assets	730	1,327	1,191	2,186	4,153	5,117	6,159
<b>Total Assets</b>	<b>16,982</b>	<b>22,901</b>	<b>36,383</b>	<b>59,007</b>	<b>73,662</b>	<b>90,742</b>	<b>109,226</b>
- Growth (%)	52.9	34.8	58.9	62.2	24.8	23.2	20.4

**Ratio analysis**

Y/E March	FY08	FY09	FY10	FY11	FY12	FY13E	FY14E
<b>Profitability ratios (%)</b>							
NIMs	2.5	2.7	2.8	2.7	2.6	2.8	3.0
Cost to Income Ratio	49.4	44.2	36.7	36.3	37.7	38.8	39.8
RoA	1.4	1.5	1.6	1.5	1.5	1.6	1.5
RoE	19.0	20.6	20.3	21.1	23.1	24.6	23.6
<b>B/S ratios (%)</b>							
CASA Ratio	8.5	8.7	10.5	10.3	15.0	21.0	26.0
Credit/Deposit Ratio	71.0	76.7	82.8	74.8	77.3	77.3	77.3
CAR	13.6	16.6	20.6	16.5	17.9	17.2	15.9
- Tier I	8.5	9.5	12.9	9.7	9.9	9.4	9.4
<b>Asset Quality (%)</b>							
Gross NPAs	0.1	0.7	0.3	0.2	0.2	0.2	0.1
Net NPAs	0.0	0.4	0.1	0.0	0.0	0.0	0.0
Slippages	0.2	0.9	0.9	0.2	0.2	0.5	0.9
Loan Loss Prov. /Avg. Assets	0.0	0.3	0.3	0.1	0.0	0.1	0.3
Provision Coverage	80.0	48.5	78.4	88.6	79.2	79.1	79.0
<b>Per Share Data (₹)</b>							
EPS	6.8	10.2	14.1	20.9	27.7	36.3	42.6
ABVPS (75% cover.)	44.6	53.9	91.0	109.3	132.5	163.0	198.7
DPS	-	-	1.5	2.5	4.0	5.0	6.0
<b>Valuation Ratios</b>							
PER (x)	76.6	50.7	36.8	24.7	18.7	14.3	12.2
P/ABVPS (x)	11.6	9.6	5.7	4.7	3.9	3.2	2.6
Dividend Yield	-	-	0.3	0.5	0.8	1.0	1.2
<b>DuPont Analysis</b>							
NII	2.4	2.6	2.7	2.6	2.4	2.6	2.8
(-) Prov. Exp.	0.3	0.3	0.5	0.2	0.1	0.2	0.3
Adj. NII	2.0	2.3	2.2	2.4	2.3	2.4	2.5
Treasury	0.4	0.7	0.3	(0.1)	0.1	0.1	0.1
Int. Sens. Inc.	2.5	3.0	2.5	2.3	2.4	2.6	2.5
Other Inc.	2.1	1.4	1.6	1.4	1.2	1.3	1.4
Op. Inc.	4.6	4.4	4.1	3.7	3.6	3.9	3.9
Opex	2.4	2.1	1.7	1.4	1.4	1.6	1.7
PBT	2.2	2.3	2.5	2.3	2.2	2.3	2.2
Taxes	0.8	0.8	0.8	0.8	0.7	0.7	0.7
<b>RoA</b>	<b>1.4</b>	<b>1.5</b>	<b>1.6</b>	<b>1.5</b>	<b>1.5</b>	<b>1.6</b>	<b>1.5</b>
Leverage	13.3	13.6	12.6	13.9	15.7	15.8	15.7
<b>RoE</b>	<b>19.0</b>	<b>20.6</b>	<b>20.3</b>	<b>21.1</b>	<b>23.1</b>	<b>24.6</b>	<b>23.6</b>

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Disclosure of Interest Statement	Yes Bank
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

*Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors*

<b>Ratings (Returns):</b>	Buy (> 15%) Reduce (-5% to 15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
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