

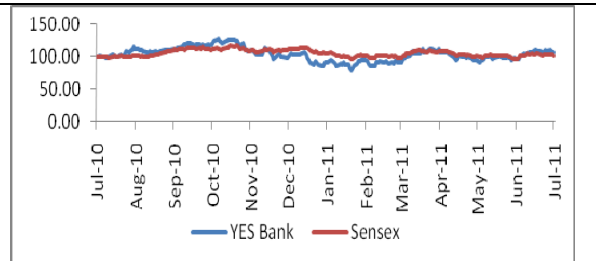
Q1 FY12 Result Update
Yes Bank Ltd

Recommendation	HOLD
CMP (22/07/2011)	Rs. 329
Target	Rs. 370
Sector	Banking

Stock Details

BSE Code	532648
NSE Code	YES
Bloomberg Code	YES IN
Market Cap (Rs. Crs)	11,464
Free Float (%)	73.5%
52- wk HI/Low	388/233
Avg. volume BSE (Quarterly)	312,470
Face Value (Rs.)	10
Dividend (FY 2011)	25%
Shares o/s (in Crs)	34.58

Relative Performance	1 Mth	3 Mth	1 Yr
Yes Bank	9.2%	-3.9%	6.7%
Sensex	5.3%	-5.3%	2.6%


Shareholding Pattern as on 30/06/2011

Promoters Holding	26.5%
FII, Banks & Institutions	59.9%
Corporate Bodies	1.6%
Public & others	12.0%

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Quarterly Result Analysis

Yes Bank's performance for Q1FY12 was broadly in line with our estimates. Yes Bank reported a net profit of Rs.216 crs in Q1FY12 resulting in a growth of 38.1% on a YoY basis and a QoQ increase of 6.2%. The bank's asset quality improved significantly and the bank reported overall decline in its gross and net NPAs. The bank's CASA deposits stood at 10.9% in Q1FY12, up from 10.3% in Q4FY11.

Loan book growth faces moderation

Advances witnessed a 26.1% YoY increase but declined 3.7% on a QoQ basis in Q1FY12. Strong growth was seen in the branch banking and commercial banking segments. The bank has been able to maintain its Net Interest Margin (NIM) at 2.8% for three consecutive quarters which reflects strong pricing power of the bank. Management reiterated its guidance to grow at approximately 30%-35% in FY12.

CASA as a % of total deposits increased 60 bps

CASA deposits increased by 49.4% on YoY basis and were flat on QoQ basis. CASA as a % of total deposits increased from 10.3% in Q4FY11 to 10.9% in Q1FY12.

Non-interest income continues to contribute to profitability

Non Interest Income grew at 13.1% y-o-y to Rs 165 crs in Q1FY12 from Rs 143 crs in Q1FY11. This was on the back of growth in Transaction Banking, Financial Advisory and Branch Banking Fees that displayed healthy traction.

Healthy asset quality

Gross NPA declined both on a YoY as well as on a sequential basis by 6.3% and 30.5% respectively at Rs.56 Crs in the quarter ended June 2011. Yes Bank has continued to maintain minimal Net NPAs.

Increase in cost to income ratio of the bank

As the bank has added 55 branches in this quarter, the cost to income ratio has increased from 34.8% for Q4FY11 to 37.6% in Q1FY12. The bank is in the growth phase and the increase in cost to income ratio of the bank reflects the same.

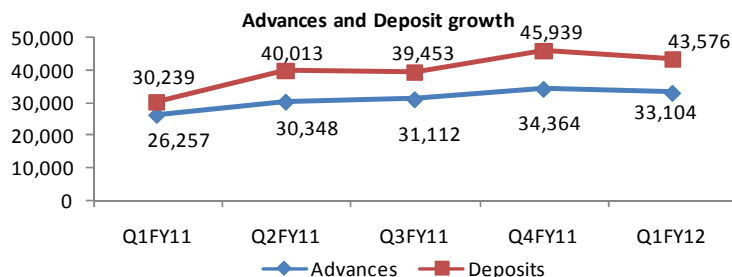
Valuation & Recommendation

At the current price of Rs. 329, Yes Bank is trading at a PE of 12.95x of FY12E EPS & 9.35x of FY13E EPS and at an adjusted P/BV of 2.5x and 2.0x of FY12E & FY13E Adj BV respectively. We recommend HOLD with the target price of Rs 370.

Year	NII (Rs. Crs)	Growth %	Profit before provisioning (Rs. Crs)	Margin %	PAT (Rs. Crs)	EPS (Rs)	P/E (x)	Adj. BVPS (Rs.)	P/ABV (x)	ROE %
FY 2010A	788	54.7%	863	63.3%	478	14.87	22.13	90.70	3.63	20.3%
FY 2011E	1,247	58.2%	1,190	63.7%	727	20.25	16.25	109.12	3.02	21.1%
FY 2012E	1,643	31.8%	1,495	62.3%	919	25.41	12.95	131.77	2.50	21.9%
FY 2013E	2,236	36.1%	2,048	62.8%	1,273	35.20	9.35	164.11	2.00	24.7%

Loan book growth faces moderation

Yes Bank loan book grew at 26.1% YoY and declined 3.7% on a QoQ basis in Q1FY12. Out of the total advances portfolio, Corporate & Institutional Banking accounted for 63.2%, Commercial banking accounted for 24.4% and Branch Banking accounted for 12.4%. Yes Bank has been able to increase its branch banking and commercial banking portfolio as per version 2.0. Management reiterated its guidance to grow at approximately 30%-35% in FY12.



Source: Company data, Nirmal Bang Research

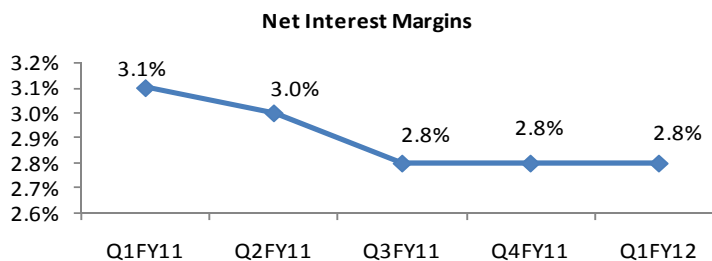
CASA as a % of total deposits increased 60 bps

The bank's total deposits grew by 44.1% YoY, whereas it declined 5.14% on QoQ basis in Q1FY12. However, the bank's proportion of low cost deposits i.e. CASA is amongst the lowest in the sector. CASA deposits increased by 49.4% on YoY basis and were flat on QoQ basis. CASA as a % of total deposits increased from 10.3% in Q4FY11 to 10.9% in Q1FY12.

Yes Bank has increased its branches from 214 in March 2011 to 255 in June 2011 which is well in place with the banks earlier target of increasing the branches to 250 by June 2011. Management intends to increase the number of branches to 325 by the end of FY 2012. We believe that going forward, Yes Bank will continue to derive value from planned branch expansion and increase penetration to improve its CASA ratio.

NIMs remained flat on QoQ basis

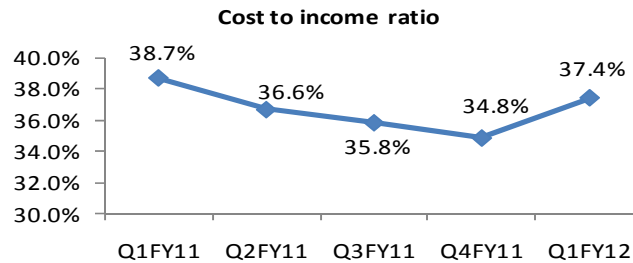
Net Interest Margin (NIM) remained stable at 2.8% in Q1FY12 which was supported by 60 bps QoQ improvement in CASA%. Moreover, despite the increase in savings rate by 50 bps, the bank was not impacted significantly due to lower share of savings deposits. On a yoy basis NIMs were lower by 30 bps due to higher cost of funds. This reflects the banks strong pricing power demonstrated by the bank.



Source: Company data, Nirmal Bang Research

Increase in cost to income ratio of the bank

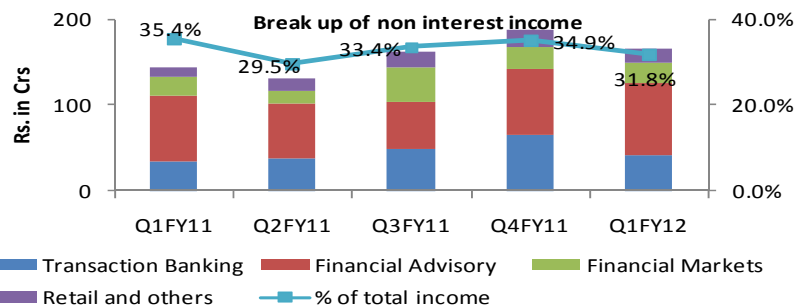
As the bank has added 55 branches in this quarter, the cost to income ratio has increased from 34.8% for Q4FY11 to 37.6% in Q1FY12. The bank is in the growth phase and the increase in cost to income ratio of the bank reflect the same. Going forward Management has guided that the cost to income ratio will continue to remain under control as long as the company's top-line grows at more than 35% YoY.



Source: Company data, Nirmal Bang Research

Non-interest income continues to contribute to profitability

Non Interest Income grew at 13.1% y-o-y to Rs 165 crs in Q1FY12 from Rs 143 crs in Q1FY11. This was on the back of growth in Transaction Banking, Financial Advisory and Branch Banking Fees that displayed healthy traction. We believe that the bank will continue to focus on increasing its share from non-interest income. Management has guided that going forward financial advisory and transaction banking will continue to be the key focus areas for growth in non interest income.



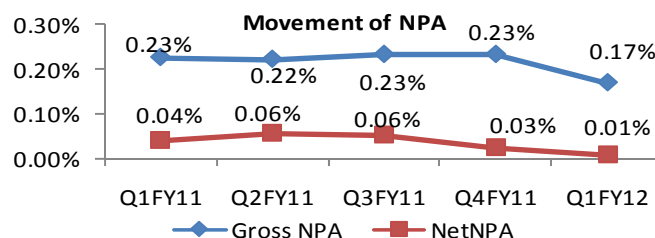
Source: Company data, Nirmal Bang Research

Healthy asset quality:

Gross NPA declined both on a YoY as well as on a sequential basis by 6.3% and 30.5% respectively at Rs.56 Crs in the quarter ended June 2011. Yes Bank has continued to maintain minimal Net NPAs. Gross NPAs and Net NPAs were the lowest in the bank's history at 0.17% & 0.01%, respectively as on June 30 2011. The bank has restructured assets worth Rs. 87 crs as at June 30, 2011 which represents 0.26% of gross advances. Provisioning coverage ratio of the bank (including technical write off) stood at 95.2% in Q1FY12.

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Source: Company data, Nirmal Bang Research

Capital raising plans:

The tier I CAR at the end of Q1FY12 was at 9.6% with total CAR at 16.2%. We believe that with slower growth expected in FY12, the bank is comfortably placed in terms of capital. However, Yes Bank is planning to raise around \$300-\$400 mn in its Tier-I capital by way of Qualified Institutions Placement (QIP). We believe that the additional capital will help the bank to grow at a higher rate than the industry.

Income Statement	Q1FY12	Q1FY11	YoY (%)	Q4FY11	QoQ (%)
All figures in Rs. Crs, unless specified					
Interest Earned	1,400	739	89.4%	1,223	14.5%
Interest Expended	1,045	477	119.2%	874	19.6%
Net Interest Income	354	262	35.1%	349	1.6%
Other Income	165	144	14.9%	187	(11.5%)
Total Income	519	406	28.0%	535	(3.0%)
Payment to employees	110	81	35.2%	103	6.6%
Other operating expenses	85	76	11.7%	83	1.3%
Total operating expenses	194	157	23.9%	186	4.2%
Profit before provisioning	325	249	30.6%	349	(6.8%)
Provisions	2	13	(88.0%)	43	(96.5%)
Profit before tax	324	236	36.9%	306	5.9%
Tax	108	80	34.4%	102	5.3%
Profit after tax	216	156	38.1%	203	6.2%
EPS	6.0	4.4	37.0%	5.6	7.4%

Source: Company data

- Net worth of the bank was Rs. 4,011 crs as on June 2011 compared to Rs.3,246 crs in June 2010. The book value of the bank is at Rs.115.5 per share at the end of FY11. Adjusted book value of the bank is at Rs. 115.2 per share.
- EPS for Q1FY12 stood at Rs 6.0 while for Q1FY11, it is Rs 4.4.
- RoA stood at 1.5% and RoE% stood at 22.1% in Q1FY12.
- Capital Adequacy Ratio stands at 16.2% as on June 2011 with a Tier-I ratio of 9.6%.

Valuation and Recommendation

Yes Bank reported healthy growth in its Net Interest Income and has been able to maintain its NIMs. In addition bank is on track with its plans to expand in the retail and SME segment. We remain positive on the bank in the long term owing to the exponential growth in its balance sheet. Yes Bank has also increased its focus on non interest income and has maintained superior profitability and return ratios. However, we remain concerned regarding the bank's low share of CASA deposits in the near term.

At the current price of Rs. 329, Yes Bank is trading at a PE of 12.95x of FY12E EPS & 9.35x of FY13E EPS and at an adjusted P/BV of 2.5x and 2.0x of FY12E & FY13E Adj BV respectively. We recommend HOLD with the target price of Rs 370

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Financials

Profitability (Rs. Crs)	FY 2010	FY 2011	FY 2012E	FY 2013E
Interest earned	2,370	4,042	6,402	8,579
Interest expended	1,582	2,795	4,759	6,343
Net interest income	788	1,247	1,643	2,236
Non interest income	576	623	759	1,025
Total income	1,363	1,870	2,402	3,261
Operating expenses	500	680	907	1,213
Staff costs	257	362	513	682
Other Op Exp	243	317	394	531
Operating profit	863	1,190	1,495	2,048
Provisions	137	98	123	147
Profit before tax	726	1,092	1,372	1,901
Taxes	249	365	453	627
Net profit	478	727	919	1,273
Earnings per share	14.9	20.2	25.4	35.2

Quarterly (Rs. Crs)	Sept. 10	Dec. 10	Mar.11	June.11
Net interest income	313	323	349	354
Non interest income	131	162	187	165
Total income	444	485	535	519
Operating expenses	163	174	186	194
Operating profit	281	311	349	325
Provisions	17	25	43	2
Profit before tax	264	286	306	324
Taxes	88	95	102	108
Net profit	176	191	203	216
Earnings per share	4.9	5.3	5.6	6.0

Valuation Ratios	FY 2010	FY 2011	FY 2012E	FY 2013E
P/BV	3.62	3.01	2.49	2.00
P/ABV	3.63	3.02	2.50	2.00
P/E	22.13	16.25	12.95	9.35

Profitability Ratios	FY 2010	FY 2011	FY 2012E	FY 2013E
Cost / Income Ratio	36.7%	36.3%	37.7%	37.2%
Net profit margin	35.0%	38.9%	38.3%	39.1%
RONW	20.3%	21.1%	21.9%	24.7%

Growth Ratios	FY 2010	FY 2011	FY 2012E	FY 2013E
Advances Growth	78.9%	54.8%	32.4%	34.5%
Deposit Growth	65.7%	71.4%	33.0%	32.4%
NII Growth	54.7%	58.2%	31.8%	36.1%
PAT Growth	57.2%	52.2%	26.4%	38.5%

Source: Company data, Nirmal Bang Research

Balance Sheet (Rs. Crs)	FY 2010	FY 2011	FY 2012E	FY 2013E
Deposits	26,799	45,939	61,088	80,862
(of which CASA)	(2,818)	(4,750)	(7,697)	(11,321)
Borrowings	4,749	6,691	7,385	8,446
Other liab and prov	1,745	2,583	2,841	3,126
Total liabilities	33,293	55,213	71,314	92,434
Equity Share Capital	340	347	347	347
Reserves and Surplus	2,750	3,447	4,244	5,376
Net worth	3,090	3,794	4,592	5,723
Total liab and equity	36,383	59,007	75,905	98,157
Cash and bank bal	2,673	3,496	3,724	5,197
Investments	10,210	18,829	24,220	29,189
Advances	22,193	34,364	45,513	61,193
Fixed assets	115	132	152	168
Other assets	1,191	2,186	2,295	2,410
Total assets	36,383	59,007	75,905	98,157

Key Ratios	FY 2010	FY 2011	FY 2012E	FY 2013E
Yield Ratios				
Avg Yield on Assets	8.6%	8.9%	9.9%	10.3%
Yield on Advances	10.2%	10.6%	11.6%	11.8%
Yield on Investments	6.8%	7.1%	8.2%	8.4%
Cost of Int Bearing Liab	6.2%	6.6%	7.9%	8.0%
Cost of Deposits	5.6%	6.2%	7.6%	7.9%
Net Interest Spread	2.4%	2.3%	2.1%	2.2%
NIM	2.9%	2.8%	2.6%	2.7%

Balance Sheet Ratios	FY 2010	FY 2011	FY 2012E	FY 2013E
Gross NPA	0.27%	0.23%	0.28%	0.31%
Net NPA	0.06%	0.03%	0.06%	0.06%
Return on Assets	1.6%	1.5%	1.4%	1.5%
CASA	10.5%	10.3%	12.6%	14.0%
Loan-deposit ratio	82.8%	74.8%	74.5%	75.7%
CAR	20.6%	16.1%	14.9%	13.5%
Provision cov ratio	78.4%	86.0%	80.0%	80.0%

Per Share Data	FY 2010	FY 2011	FY 2012E	FY 2013E
EPS	14.87	20.25	25.41	35.20
BVPS	90.96	109.29	132.27	164.85
Adjusted BVPS	90.70	109.12	131.77	164.11
Dividend Per Share	1.50	2.50	3.00	3.50
Dividend yield	0.8%	0.8%	0.9%	1.1%

NOTE

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