

### RESULTS REVIEW

#### Share Data

Market Cap	Rs. 64.5 bn
Price	Rs. 230.30
BSE Sensex	18,526.32
Reuters	YESB.BO
Bloomberg	YES IN
Avg. Volume (52 Week)	0.37 mn
52-Week High/Low	Rs. 254.9 / 115.4
Shares Outstanding	280.0 mn

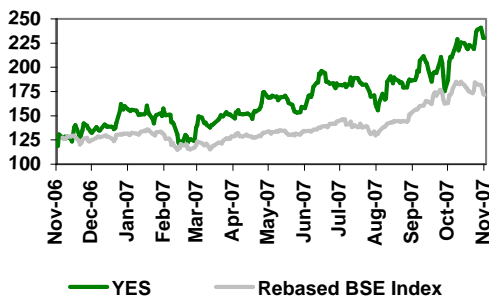
#### Valuation Ratios

Year to 31 March	2008E	2009E
EPS (Rs.)	5.4	8.9
+/- (%)	61.2%	66.3%
PER (x)	42.8x	25.8x
P / PPP (x)	22.7x	12.6x
P / ABV (x)	4.9x	3.4x

#### Shareholding Pattern (%)

Promoter	36
FII's	30
Institutions	22
Public & Others	12

#### Relative Performance



## Yes Bank Ltd

**Buy**

### Accelerating growth

In Q2'08, Yes Bank continued to move on a high growth trajectory, with a 110.7% yoy increase in net profit to Rs. 452.8 mn. The result was in line with our estimates. However, the Bank surprisingly reported lower cost of funds and higher NIM, which increased 60 bps sequentially to 2.9%. The Bank also showed a robust growth in its balance sheet with net advances and deposits growing yoy by 101.5% and 129.3% respectively. The asset quality remained healthy with another quarter of nil NPAs. During the quarter, the Bank raised Rs. 1.8 bn of upper tier II capital to meet capital adequacy norms and to continue with the expansion plans. The Bank has announced its plan to raise Rs. 5 bn of tier I capital in FY08 through private placement or QIP.

We continue to remain positive on the Bank based on the recently announced capital infusion, high proportion of non interest income, aggressive branch expansion, and growth-seeking management. Hence, we maintain our Buy rating.

### Result Highlights

Yes Bank showed a whopping 94.9% yoy rise in its net interest income to Rs. 827.7 mn driven by a 101.5% growth in advances and a 167.9% rise in income from investments. The NIM increased 60 bps sequentially primarily due to lower cost of funds, which decreased 90 bps to 8.4%.

#### Key Figures

Year to March	Q2'07	Q1'08	Q2'08	YoY %	QoQ%	H1'07	H1'08	YoY %
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(Figures in Rs mn, except per share data)

Net Interest Income	424.7	524.2	827.7	94.9%	57.9%	738.0	1,351.9	83.2%
Total Net Income	791.4	1,283.8	1,587.0	100.5%	23.6%	1,463.4	2,870.8	96.2%
Pre-Prov Profit	349.3	608.1	674.0	93.0%	10.8%	647.7	1,282.1	97.9%

Net Profit	214.9	360.0	452.8	110.7%	25.8%	383.6	812.8	111.9%
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#### Ratios (%)

Cost / Net Income	55.9%	52.6%	57.5%	-	-	55.7%	55.3%	-
Net Interest Margin	2.9%	2.3%	2.9%	-	-	-	-	-
NPA ratio	0.0%	0.0%	0.0%	-	-	0.0%	0.0%	-

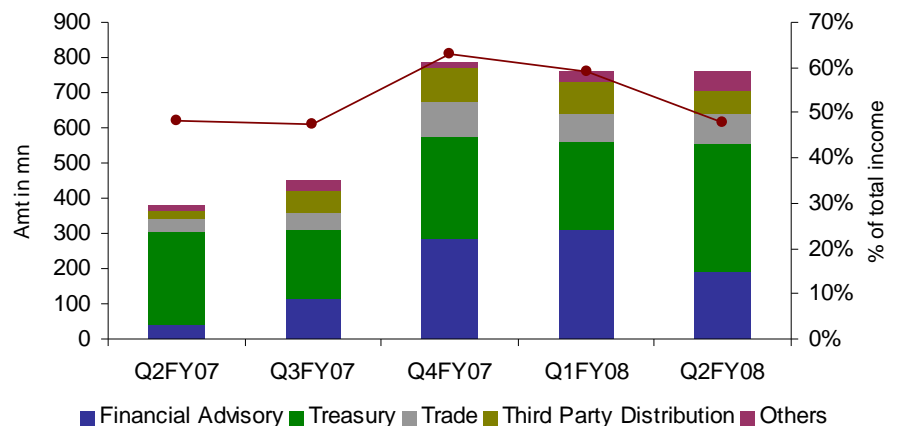
#### Per Share Data (Rs.)

PPP per share	1.3	2.2	2.3	85.5%	6.6%	2.3	4.4	90.2%
EPS	0.8	1.3	1.6	102.6%	20.9%	1.4	2.8	103.6%
BVPS	22.6	29.4	31.1	37.4%	37.4%	22.6	31.1	37.4%

*Diverse sources of non interest income*

Non interest income grew 107.1% yoy to Rs. 759.3 mn. The Bank's proportion of non interest to total net income decreased sequentially to 47.8%. However, income from financial advisory business is rising steadily and therefore, we expect the Bank to maintain the proportion of other income at around 50%.

**Percentage of other income to total income**



Source: Company data, Indiabulls research

*Investing in human capital*

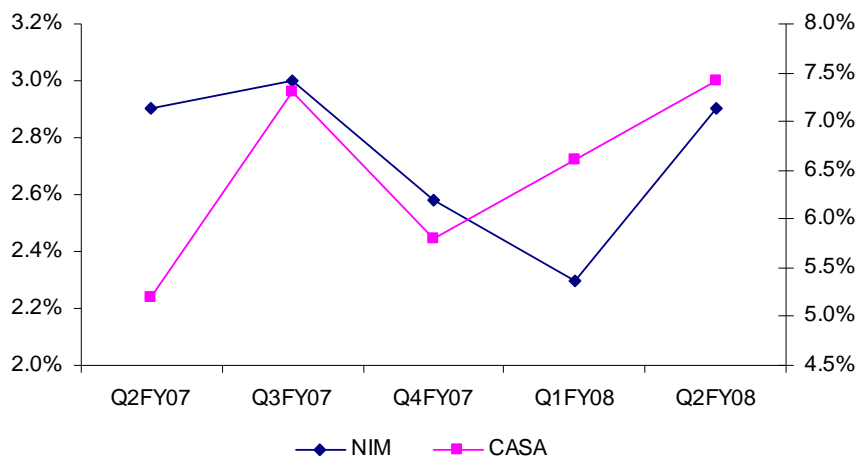
Operating expenses have risen by 106.5% yoy to 913 mn. This rise is attributed to continuous branch expansion and rise in employee cost, which witnessed more than two fold increase to Rs. 585.2 mn. Presently, the Bank has 60 branches and aims to establish 100 branches by the end of this financial year.

*Advances, Investments & CASA ratio – all on the rise*

Yes Bank showed a strong growth in its balance sheet with investments and advances registering huge increases of 121.9% and 101.5% yoy, respectively. The Bank remained largely focused on corporate & institutional banking, which contributed 58.6% of the total advances. While total deposits increased 129.3% yoy to Rs. 99.3 bn, low cost deposits stood at 7.4%. However, with expanding branches and the management's focus on low cost deposits, we expect CASA ratio to improve to 20-25% by FY10E. The Bank's asset quality remains healthy with zero net NPA ratio in this quarter too.

### **Increasing CASA to support NIM**

*NIM and CASA moving together*



Source: Company data, Indiabulls research

### **Prospects**

#### *Going global...*

*Expanding horizon*

In order to establish itself internationally, the Bank has set up a team for its overseas banking division and plans to open representative offices in various countries in the next 18 months. Further, the Bank is also planning to establish its own branches abroad by 2010.

#### *....Growing domestically too*

Presently, the Bank has 60 operational branches and has received additional licenses to open 56 new branches and 125 offsite ATMs taking the total licensed network to 116 branches and 200 Offsite ATM's. In addition, the Bank aims to have 250 branches by March 2010.

#### *Capital infusion to boost its expansion plan*

*Raising capital to create shareholders' wealth*

Yes Bank is planning to raise Rs. 6 bn in 2H'08, out of which Rs. 5 bn will be tier I capital and the rest will be through tier II capital. This will help the Bank in its expansion plan and meet its capital adequacy ratio.

*Bright future ahead*

**Outlook**

Yes Bank continues to report strong numbers and we believe that its growth will remain intact, at least for the next few quarters. The Bank's non interest income continues to grow and we expect it to remain around 50% of net revenue. More growth is expected in the future, as the Bank is going to make a fresh intake of capital in FY08E. The management is focusing on improving low cost deposits, which will be further augmented by increasing branches with a focus on retail banking. The Bank would add 40 branches in 2H'08 and is expected to have 250 branches by FY10. It is also planning to spin off its investment banking division, which will further drive stock returns.

At the current share price of Rs. 230.3, the stock is trading at the forward P/ABV FY08E of 4.9x and forward P/E FY08E of 42.8x. We maintain our Buy rating on the stock with the target price of Rs. 320 for FY09E.

Income Statement					Key Ratios				
(Rs mn, Yr. ending March 31)	FY06	FY07	FY08E	FY09E		FY06	FY07	FY08E	FY09E
Interest Income	1,902	5,876	11,659	24,238	<b>Per share data (Rs.)</b>				
Interest Expense	1,047	4,163	8,243	17,687	Shares outstanding (mn)	270.0	280.0	305.0	325.0
<b>Net Interest Income</b>	<b>855</b>	<b>1,714</b>	<b>3,416</b>	<b>6,551</b>	Basic EPS	2.2	3.5	5.6	9.3
YoY Growth (%)	371.4%	100.5%	99.4%	91.8%	Diluted EPS	2.1	3.3	5.4	8.9
Other Income	997	1,946	3,113	4,670	Book value per share	21.2	28.1	47.3	67.9
<b>Total Net Income</b>	<b>1,852</b>	<b>3,659</b>	<b>6,530</b>	<b>11,221</b>	Adj. book value per share	21.2	28.1	47.3	67.9
YoY Growth (%)	410.2%	97.6%	78.4%	71.8%	<b>Valuation ratios (x)</b>				
Operating Expense	861	1,935	3,591	5,835	P/PPP	26.4x	37.8x	22.7x	12.6x
<b>Pre-Provisioning Profit</b>	<b>991</b>	<b>1,724</b>	<b>2,938</b>	<b>5,386</b>	P/E	47.2x	69.0x	42.8x	25.8x
Provisions and Contingencies	146	287	509	1,277	P/B	4.7x	8.2x	4.9x	3.4x
<b>Profit Before Tax</b>	<b>844</b>	<b>1,437</b>	<b>2,429</b>	<b>4,109</b>	P/ABV	4.7x	8.2x	4.9x	3.4x
Tax	291	493	874	1,479	<b>Performance ratio (%)</b>				
<b>Net Profit</b>	<b>553</b>	<b>944</b>	<b>1,555</b>	<b>2,630</b>	Return on avg. assets	2.0%	1.2%	1.0%	0.9%
YoY Growth (%)	nm	70.6%	64.7%	69.2%	Return on avg. net worth	14.0%	13.9%	13.9%	14.4%
<b>Balance Sheet</b>					<b>Balance Sheet ratios (%)</b>				
(Rs mn, as on March 31)	FY06	FY07	FY08E	FY09E	Advances to deposits	82.7%	76.5%	67.2%	60.3%
Cash and balances with RBI	2,156	12,928	30,450	29,107	Borrowings to advances	19.3%	13.8%	8.5%	5.5%
Investments	13,501	30,731	58,981	147,875	Investments to assets	32.4%	27.7%	28.0%	38.1%
YoY Growth (%)	241.9%	127.6%	91.9%	150.7%	Investments to deposits	46.4%	37.4%	35.0%	45.0%
Advances	24,071	62,897	113,215	198,127	Net Worth to assets	13.8%	7.1%	6.8%	5.7%
YoY Growth (%)	216.3%	161.3%	80.0%	75.0%	<b>Productivity ratio (Rs. mn)</b>				
Fixed Assets (Net)	347	709	1,441	2,005	Opt. expense per employee	1.4	0.8	0.9	1.0
Other Assets	1,550	3,769	6,909	11,173	Net profit per employee	0.9	0.4	0.4	0.5
<b>Total Assets</b>	<b>41,626</b>	<b>111,034</b>	<b>210,997</b>	<b>388,286</b>	Asset per employee	66.4	45.5	50.8	66.8
Deposits	29,104	82,204	168,518	328,610	<b>Operating ratios (%)</b>				
YoY Growth (%)	338.9%	182.5%	105.0%	95.0%	Operating cost to net income	46.5%	52.9%	55.0%	52.0%
Borrowings	4,648	8,673	9,623	10,897	Operating cost to avg. assets	3.2%	2.5%	2.2%	1.9%
YoY Growth (%)	25.7%	86.6%	11.0%	13.2%					
Other Liabilities & Provisions	2,147	12,287	18,430	26,724					
<b>Total Liabilities</b>	<b>35,899</b>	<b>103,164</b>	<b>196,571</b>	<b>366,231</b>					
Share Capital	2,700	2,800	3,050	3,250					
Reserves & Surplus	3,027	5,071	11,375	18,805					
<b>Total Equity &amp; Liabilities</b>	<b>41,626</b>	<b>111,034</b>	<b>210,997</b>	<b>388,286</b>					

Source: Bank data, Indiabulls research

Note: Some ratios are as per Indiabulls definitions and may not match figures declared by the Bank

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