

YES BANK Ltd

Q4FY08-Result Update

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YES BANK Ltd reported 71.4% of revenue growth to Rs 2143 mn as compared to same quarter of the previous year.

(Price: Rs 165, P/BV: 3.7x FY08A, UNRATED)

We attended conference call of post Q4FY08 results of YES BANK Ltd.

YES BANK Ltd reported 71.4% growth in revenue to Rs 2143 mn as compared to same quarter of the previous year. The revenue growth was driven by 134.3% increase in net interest income, 34.4% rise in the non interest income accompanied by total deposit of Rs 132.73 bn in Q4 FY08.

The OPM expanded by 860bps to 53.4% on account of restricted operating expenses of the bank. Trimming down of nearly 315 employees & set-up of only seven branches has subdued the operating expenses of the bank. Also the bank has restrained its cost of fund to 8.42% in this quarter.

Improved bottom-line of 108.7% to Rs 645 mn in Q4 FY08 was backed by income from core banking functions with better NIM of 3.06%. Also, the impetus to the growth was further accelerated by 11.26% of gross yield on advances for this quarter.

Q4 FY08 Performance (Standalone)

Rs Mn	Q4FY08	Q4FY07	Change (%)	FY08	FY07	Change (%)
Net Interest Income	1,084.8	462.9	134.3	3,367.1	1,713.4	96.5
Non interest income	1,058.2	787.3	34.4	3,545.3	1,945.7	82.2
Total Revenue	2,143.0	1,250.2	71.4	6,912.4	3,659.1	88.9
Operating Expenses	933.7	652.7	43.1	3,411.6	1,935.0	76.3
Operating Profit	1,209.3	597.5	102.4	3,500.8	1,724.1	103.1
OPM %	56.4	47.8	860bps	50.6	47.1	350bps
Provi. & Contingencies	228.4	126.8	80.1	436.0	287.5	51.7
PBT	980.9	470.7	108.4	3,064.8	1,436.6	113.3
Tax	335.9	161.7	107.7	1,064.6	493.0	115.9
PAT	645.0	309.0	108.7	2,000.2	943.6	112.0
NPM%	16.6	15.3	133bps	15.3	16.1	(80bps)
Equity Capital	2,957.9	2,957.9	-	2,957.9	2,957.9	-
EPS (Rs)	2.2	1.0	-	6.8	3.2	-

Source: Company

Improved CASA boosts the revenue growth

YES BANK Ltd witnessed enormous 71.4% growth in revenue to Rs 2143 mn during this quarter. The growth in revenue was driven by 134.3% growth in net interest income along with 34.4% increase in non interest income. In fact, during Q4 FY08 low cost current & saving deposits (CASA) grew by 138.2% over March 31, 2007. Improved CASA (from 5.8% in Q4 FY07 to 8.5% in Q4 FY08 as a percentage of total deposit) has provided immediate boost to net interest income of the company. Total deposit grew by 61.5% to Rs 132.73 bn as on March 31, 2008. The composition of non interest income were 28 % from Financial Advisory, 16% from transaction banking, 14% from Third Party Distribution, 36% from Financial markets and 5% from other.

Improved bottomline was backed by income from core banking functions with better NIM of 3.06%.

Margin Improves by 860 bps

During this quarter, operating profit margin has expanded by 860bps to 56.4%. Improved OPM was because of restricted operating expenses of the bank. The company has reduced its headcount from 3542 as on Dec 31, 2007 to 3150 as on March31, 2008 and set-up only 7 branches which is much below planned branches for this quarter. Also the bank has restrained its cost of fund to 8.42% during Q4 FY08.

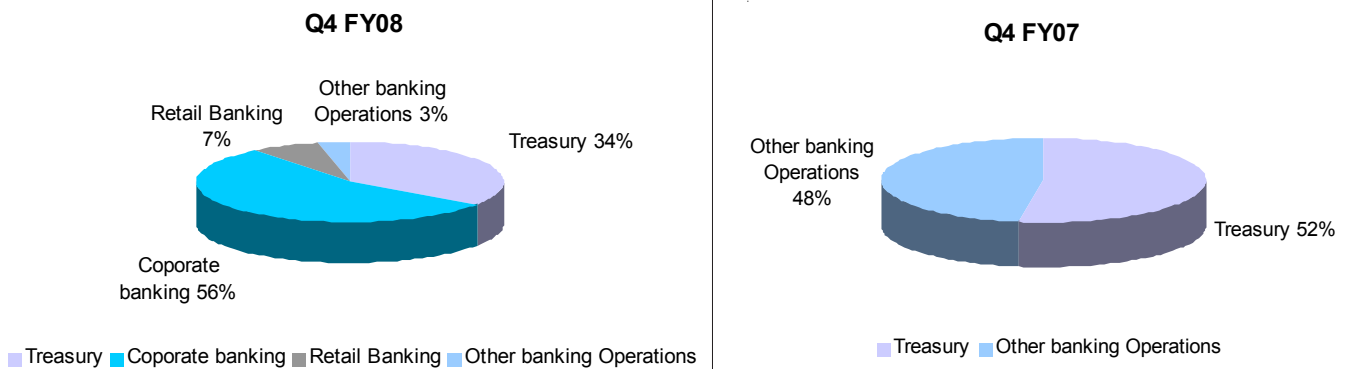
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Strong bottom-line

The company's provision & contingencies have increased by 80.1% to Rs 228.4 Mn. For the first time bank witnessed Net NPA at 0.09% to the Net advances as on March 31, 2008. Even though bank has no delinquencies in forex derivatives portfolio but, the bank has created provision of 17 crores toward credit contingencies.

However, The company showed 108.7% growth in net profit to Rs 645 mn as against the same quarter of the pervious year. Improved bottomline was backed by income from core banking functions with better NIM of 3.06%. In Q4 FY08, gross yield on advances at 11.26% and advances are primarily given to corporate & institutional banking constitute 54% of the bank's total advance & Business Banking (ELC/SME) comprises of 44% with good past records.

Segment Revenue

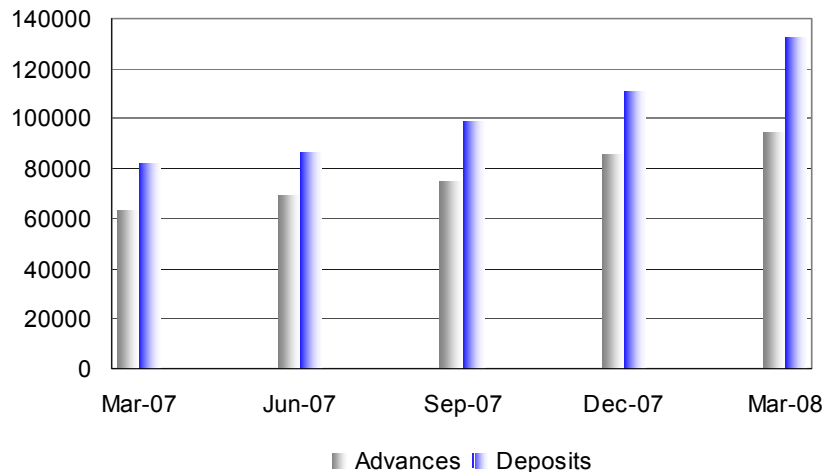


Source: Company

FY 08 Performance (Standalone)

YES BANK Ltd registered 88.9% of significant jump in revenue to Rs 6912.4 mn for FY08. The revenue was mainly driven by 96.5% growth in net interest income & 82.2% increase in non interest income. Total Advances grew by 50.0% to Rs.9, 430 crore as on March 31, 2008 from Rs. 6,290 crore as on March31, 2007. Total Deposits grew by 61.5% to Rs.13, 273 crore as on March 31, 2008 from Rs.8, 220 crore as on March31, 2007.

Growth in Advances & Deposits (Rs in Millions)



Source: Company

Margins improved by 350bps to 50.6% during FY08. Though, addition of new branches & ATMs has increased both employee cost as well as other operating expenses in FY08. Cost to income ratio for FY08 was maintained at 49.35% and also cost of fund was restrained to 8.48% for FY08. The company's bottomline grew by 112% to Rs 2000.2 mn as compared to previous year.

Key Takeaways:

YES BANK targets 117 branches by end of FY09 & 150 branches by 2010

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- YES BANK LTD acted as the Manager to the open offer made by Jaydev M. Mody Group for acquiring 20% stake in G.P Electronics Ltd by offering size amount to INR 19.4 Mn
- YES BANK was the Strategic & Financial Advisor to Apar Industries and Jeans Knit Private for their acquisition of Uniflex Cables (for deal size of USD 31.75 Mn), the plant of Celebrity Fashion (for USD 10.6 mn) respectively. It also offered Strategic & Financial Advisor to Arrow Webtex Limited for private equity placement with ICICI Venture and Pacific Corporate Services. The two funds invested USD 31 million in Arrow Webtex for a minority stake
- YES BANK served as Exclusive Banker and Sole Underwriter for Green Delhi BQS Private Ltd by sanctioning total amount of INR 765 MN for working capital requirements.
- YES BANK was the Sole Arranger for INR 1,250 million to Spice Communication Limited, of which YES BANK provided underwritten offer for INR 650 million and is in advanced stage of syndication for balance INR 600 million and also provided for Bid Bond Guarantees of INR 950 million to Adani Power Limited to help bid for supply of 2000 MW to Haryana Power Generation Corporation Ltd and 2000 MW to Maharashtra State Electricity Distribution Company Ltd.
- The company's Tier I & Tier II capital as on March 31, 2008 stood at Rs 12.9 bn & Rs 7.8 bn respectively.

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Company Background:

YES BANK is a new age private sector bank that has acquired best international practices of providing highest standards of service quality and operational excellence and offers comprehensive banking and financial solutions to all its valued & esteemed customers.

YES BANK is a new age private sector bank. The main strength and unique feature of YES BANK is its knowledge driven approach to banking and an unprecedented customer experience for its retail banking and wealth management clients.

The main strength and unique feature of YES BANK is its knowledge driven approach to banking and an unprecedented customer experience for its retail banking and wealth management clients. Also it provides cutting-edge technology, governed by transparency and committed to responsible banking.

Yes Bank's highly competent top management team has already established a high quality, customer centric, service driven, private Indian Bank catering to the "Future Industries of India". It is steadily building corporate and institutional banking, financial markets, investment banking, corporate finance, business (SME) and transactional banking, retail banking and wealth management business lines across the country.

Business Outlook and Valuation

YES BANK is presently having 67 operational branches across 57 locations nationally, 75 offsite ATM's in Mumbai and NCR and 2 Central Processing Centres at Mumbai and Gurgaon. YES BANK has received additional licenses to open 57 new branches and 125 offsite ATMs taking the total licensed network to 117 branches and 200 Offsite ATM's.

Yes Bank plans to enter into Asset reconstruction business. It also targets to venture into retail broking by FY09 & to establish an AMC for the Mutual Fund business by FY10.

The company's Capital Adequacy Ratio is 13.64% as on March 31, 08 of which Tier I at 8.52%. The company has maintained cost of fund at 8.48% for FY08 as well as gross yield on advance for FY08 at 10.45%. It also got approval from its shareholders to issue 20 million equity shares by way of QIP. The company plans to raise \$150mn of tier I & \$150 mn of tier II by May, 09 to meet its capital requirement for expansion plans. It also target CASA of 12.5% by march, 2009.

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Financials - Standalone

Year Ended	Mar05A	Mar06A	Mar07A	Mar08A
Total Revenue (Rs Mn)	363.0	1,852.0	3,659.2	6,912.4
Operating Profit	(36.4)	990.8	1,724.5	3,500.8
OPM %	(10.0)	53.5	47.1	50.6
PAT (Rs Mn)	(37.6)	553.2	943.7	2,000.2
NW (Rs MN)	2,170.0	5,726.9	7,870.6	13,189.3
Book val per share (Rs) FV Rs.10	7.3	19.4	26.6	44.6
P/BV (x) At Rs.165	22.5	8.5	6.2	3.7

Source: Reliance Money Research

Currently, at stock price of Rs 165, the stock trades at P/BV 3.7x FY08A. We don't have any active rating on YES BANK Ltd but, looking at growth prospects of the bank we have positive bias on the stock.



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Equities: Trading through Reliance Securities Limited | NSE SEBI Registration Number Capital Market :- INB 231234833 |
BSE SEBI Registration Number Capital Market :- INB 011234839 | NSE SEBI Registration Number Derivatives :- INF 231234833
Commodities : Trading through Reliance Commodities Limited | MCX member code: 29030 | NCDEX member code: NCDEX-CO-05-00647|
NMCE member code: CL0120 Mutual Funds : Reliance Securities Limited | AMFI ARN No.29889

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