



# Yes Bank

 Relative to sector: **Outperformer**
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**Relative Performance**


Source: Bloomberg, ENAM Research

**Stock data**

No. of shares	: 347 mn
Market cap	: Rs 94.7 bn
52 week high/low	: Rs 388/ Rs 223
Avg. daily vol. (6mth)	: 2.6 mn shares
Bloomberg code	: YES IB
Reuters code	: YESB.BO

**Shareholding (%) Sep-10 QoQ chg**

Promoters	: 26.7	(0.3)
FIs	: 47.1	3.8
MFs / UTI	: 3.2	(2.5)
Banks / FIs	: 4.3	(0.1)
Others	: 18.7	(0.9)

**Financial summary**

Y/E Mar	PAT (Rs. m)	EPS (Rs)	EPS chg (%)	P/E (x)	BV (Rs.)	Adj. BV (Rs.)	P/BV (x)	P/Adj. BV (x)	RoE (%)	RoA (%)	Net NPA (%)
2009	3,038	10.2	51	26.7	55	54	5.0	5.1	20.6	1.5	0.3
2010	4,777	14.1	37	19.4	91	91	3.0	3.0	20.3	1.6	0.1
2011E	7,218	21.2	51	12.9	110	110	2.5	2.5	21.1	1.6	0.1
2012E	9,328	24.9	17	11.0	149	149	1.8	1.8	20.0	1.5	0.1

Source: Company, ENAM estimates.

**GROWTH ON TRACK; MARGIN DISAPPOINTS**

Yes Bank's net profit grew 52% YoY led by a robust growth in net interest income (NII), up 53% YoY. Margins contracted by 20 bps QoQ to 2.8% due to an increase in cost of funds (up 40 bps QoQ). Growth in NII was driven by advances growth of 66% YoY. CASA ratio increased by 10 bps QoQ to 10.2%, though, in absolute terms CASA deposits remained flat. Asset quality deteriorated with gross NPAs increasing by 8% QoQ to Rs 728 mn mainly on account of delinquency (of ~ Rs 60 mn) from one SME account.

**Key highlights**

- Rise in cost of funds (up 40 bps QoQ to 7.1%) coupled with YoY decline in C-D ratio (down 604 bps to 79%) led to contraction in NIM (down 20 bps QoQ to 2.8%) for the second consequent quarter.
- Rise in gross NPAs was mainly due to default of one SME of Rs ~60 mn (adequately collateralized). Increase in provisioning coverage ratio to 76% restricted Net NPAs growth to 1% QoQ. The bank maintains lowest gross NPA ratio of 0.23% in the industry.
- Deposits declined 1% QoQ mainly due to withdrawal of Rs 35 bn (9% of deposits) from wholesale FD (part was in form of IPO money). This has resulted in 10 bps improvement in CASA ratio to 10.2%.
- Advances growth was largely driven by retail and business banking segment which grew by 290% YoY and 61% YoY respectively.
- Exposure to MFI sector and 2G telecom players is limited at 0.94% and 7.6% respectively. Moreover, management clarified that there is no exposure to the new telecom players.

**Valuations**

Margins remained subdued as the cost of deposits went up and C-D ratio declined YoY. Majority of loans are likely to be re-priced in next 6 months at higher rates, which will keep the margins intact. We expect the bank to maintain its growth momentum while improving its branch network. This will support balance sheet growth at 35% CAGR along with an average RoA of ~1.5% for FY10-FY12E. We have a **BUY rating** with target price of Rs 357 (2.4x FY12E ABV and 15x FY12E earnings).

## Results update

(Rs mn)	Quarter ended					12 months ended		
	Dec-10	Dec-09	% Chg	Sep-10	% Chg	Mar-11E	Mar-10	% Chg
Interest Income	11,262	6,264	80	9,538	18	40,112	23,697	69
Interest Expended	8,030	4,154	93	6,406	25	27,726	15,818	75
<b>Net Interest Income</b>	<b>3,232</b>	<b>2,109</b>	<b>53</b>	<b>3,132</b>	<b>3</b>	<b>12,386</b>	<b>7,880</b>	<b>57</b>
Non-Interest Income	1,617	1,278	27	1,310	23	6,053	5,755	5
<b>Net Income</b>	<b>4,848</b>	<b>3,387</b>	<b>43</b>	<b>4,442</b>	<b>9</b>	<b>18,439</b>	<b>13,635</b>	<b>35</b>
Operating Expenses	1,736	1,226	42	1,628	7	6,710	5,002	34
<b>Operating profit</b>	<b>3,113</b>	<b>2,162</b>	<b>44</b>	<b>2,814</b>	<b>11</b>	<b>11,729</b>	<b>8,633</b>	<b>36</b>
Provision & Contingencies	250	254	(2)	174	43	876	1,368	(36)
<b>PBT</b>	<b>2,863</b>	<b>1,908</b>	<b>50</b>	<b>2,640</b>	<b>8</b>	<b>10,853</b>	<b>7,265</b>	<b>49</b>
Tax	952	649	47	877	9	3,636	2,487	46
<b>Net Profit</b>	<b>1,911</b>	<b>1,259</b>	<b>52</b>	<b>1,763</b>	<b>8</b>	<b>7,218</b>	<b>4,777</b>	<b>51</b>
No. of shares (mn)	345	300	-	345	-	340	340	-
<b>Rep. EPS - non-annualized (Rs.)</b>	<b>5.5</b>	<b>4.2</b>	<b>32</b>	<b>5.1</b>	<b>9</b>	<b>21.2</b>	<b>14.1</b>	<b>51</b>
<b>Yields &amp; Margins (%)</b>								
Yield on advances	10.0	10.3	(30) bps	9.5	50 bps	10.7	10.2	43 bps
Cost of funds	7.1	6.6	50 bps	6.7	40 bps	6.8	6.2	67 bps
Net interest margin	2.8	3.1	(30) bps	3.0	(20) bps	2.8	2.8	(4) bps
Cost to income ratio	35.8	36.2	(38) bps	36.6	(84) bps	36.4	36.7	(29) bps
<b>Asset quality</b>								
Gross NPAs (Rs mn)	728	542	34	677	8	814	602	35
Gross NPAs (%)	0.23	0.29	(6) bps	0.22	1 bps	0.23	0.27	(4) bps
Net NPAs (Rs mn)	174	162	7	172	1	244	130	88
Net NPAs (%)	0.06	0.09	(3) bps	0.06	0 bps	0.07	0.06	1 bps
Provisioning coverage (%)	76.1	70.1	599 bps	74.7	147 bps	70.0	78.4	(843) bps
<b>Capital (%)</b>								
Tier-I	10.4	9.0	140 bps	11.0	(60) bps	9.9	12.9	(294) bps
CAR	18.2	16.2	200 bps	19.4	(123) bps	16.3	20.6	(427) bps
<b>Balance sheet (Rs. Bn)</b>								
Advances	311	187	66	303	3	353	222	59.1
Deposits	395	220	79	400	(1)	437	268	63.2
CASA (%)	10.2	10.1	9 bps	10.1	10 bps	10.1	10.5	(43) bps

Source: Company, ENAM Research; Note: Full year numbers and ratios are on calculated basis

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