

## Yes Bank Ltd. - Concall Notes (Q4-FY08 Results)

April 11, 2008

Price: Rs160.90

52-wk High/Low: 278/121

MCap: Rs4759Cr (\$1.19bn)

BSE Sensex: 15790

Rating: Not Rated

### Key Takeaways

- Net Interest Income (NII) was up 134% y-o-y, led by 16 bps growth in Net Interest Margin (NIM) and growth in advances of 50%. PAT grew by 109% in spite of rise in provisions by 80%, because of growth in NII.
- Fund Raising Plan
  - Tier I and Tier II Capital stood at Rs12.9bn and Rs7.8bn respectively as at March 31, '08.
  - To issue 20mn equity shares by September, '08 by way of Qualified Institutional Placement (QIP) or private placement. This will lead to equity dilution of 6.36% and will reduce the promoter stake to 32.2%
- International Banking launched in Q2-FY08 witnessed 4 deals in this quarter.
- Low emphasis on Retail finance segment, as it carries high credit risk with low margins.
- Ratio Highlights
  - Credit-deposit ratio down from 77% in FY07 to 71% in FY08.
  - NPAs, which was nil till Q3-FY08 stood at 0.09%.
  - CASA continues to be low at 8.5%. However it targets CASA of 12.5% by FY09, by increasing retail deposits by increasing number of branches.
- Branch rollout: 67 new branches opened, which lagged the target of 100 branches.
- Forex derivate exposure issue

It has classified client's profile. 70% of its exposure on derivatives is through large corporates and the rest through emerging corporates. There is no exposure to SME segment. It has made no specific provisions for any derivative account. However a contingency provision of Rs17Cr has been made to meet any credit contingencies.

### Results Summary

(RsCr)

| Particulars                | Q4-FY07       | Q3-FY08       | Q4-FY08       | % change<br>(y-o-y) | % change<br>Sequential | FY07          | FY08          | % change<br>(y-o-y) |
|----------------------------|---------------|---------------|---------------|---------------------|------------------------|---------------|---------------|---------------------|
| Interest Income            | 202.35        | 346.36        | 388.50        | 92.0%               | 12.2%                  | 587.60        | 1310.80       | 123.1%              |
| Interest Expense           | 156.06        | 253.32        | 280.00        | 79.4%               | 10.5%                  | 416.30        | 974.10        | 134.0%              |
| <b>Net Interest Income</b> | <b>46.29</b>  | <b>93.04</b>  | <b>108.50</b> | <b>134.4%</b>       | <b>16.6%</b>           | <b>171.30</b> | <b>336.70</b> | <b>96.6%</b>        |
| Non Interest Income        | 78.73         | 96.82         | 105.80        | 34.4%               | 9.3%                   | 194.60        | 354.50        | 82.2%               |
| <b>Total Income</b>        | <b>125.02</b> | <b>189.86</b> | <b>214.30</b> | <b>71.4%</b>        | <b>12.9%</b>           | <b>365.90</b> | <b>691.20</b> | <b>88.9%</b>        |
| Operating Expenses         | 65.27         | 88.92         | 93.40         | 43.1%               | 5.0%                   | 193.50        | 341.20        | 76.3%               |
| <b>Operating Profit</b>    | <b>59.75</b>  | <b>100.94</b> | <b>120.90</b> | <b>102.3%</b>       | <b>19.8%</b>           | <b>172.40</b> | <b>350.00</b> | <b>103.0%</b>       |
| Prov. & Contingencies      | 12.68         | 15.72         | 22.80         | 79.8%               | 45.0%                  | 28.80         | 43.60         | 51.4%               |
| Provision for Tax          | 16.17         | 30.98         | 33.60         | 107.8%              | 8.5%                   | 49.30         | 106.50        | 116.0%              |
| <b>Profit after Tax</b>    | <b>30.90</b>  | <b>54.24</b>  | <b>64.50</b>  | <b>108.7%</b>       | <b>18.9%</b>           | <b>94.30</b>  | <b>199.90</b> | <b>112.0%</b>       |

### Results analysis Q4-FY08 (y-o-y)

Interest Income grew by 92% mainly due to 50% growth in advances backed by 11.26% average yield. NII posted growth of 134%.

Non-Interest Income grew marginally by 34 % in spite of the sluggish witnessed in capital markets.

Operating expenses grew by 43% due to expansion of the branch network. Staff strength, however witnessed a fall to 3150 employees, compared to 3236 employees as on September 2007. Accordingly, payroll expenses declined.

Provisions and contingencies of Rs22.8Cr was more than the total provisioning during the first 9 months of FY08 of Rs20.8Cr. They grew by 80% because of the contingencies in provisions were made.

Profit after tax grew by 107% due to robust growth in NII; fee-based services income also contributed to the same.

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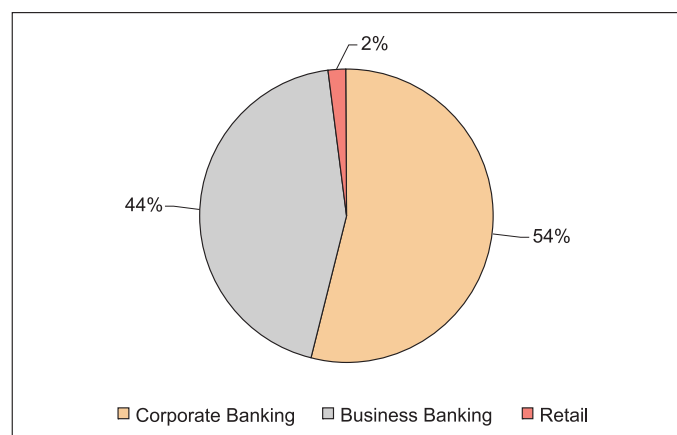
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**Key ratios**

|                           | Q3-FY08 | Q4-FY08 |
|---------------------------|---------|---------|
| Average Yield on advances | 11.40%  | 11.26%  |
| Average Cost of funds     | 8.30%   | 8.42%   |
| NIM                       | 2.90%   | 3.06%   |
| Cost-to-income ratio      | 46.80%  | 43.57%  |
| CAR                       | 14.80%  | 13.64%  |
| Tier 1 Capital            | 8.86%   | 8.52%   |
| Tier 2 Capital            | 5.94%   | 5.12%   |
| CASA                      | 8.04%   | 8.50%   |
| NPA                       | Nil     | 0.09%   |

**Advances Portfolio**



Of the total advances, retail constituted 2%, while corporate lending formed the major chunk of loan book. It refrained from increasing exposure to retail loans, in order to maintain the quality of credit. Also this space is highly competitive with slim margins.

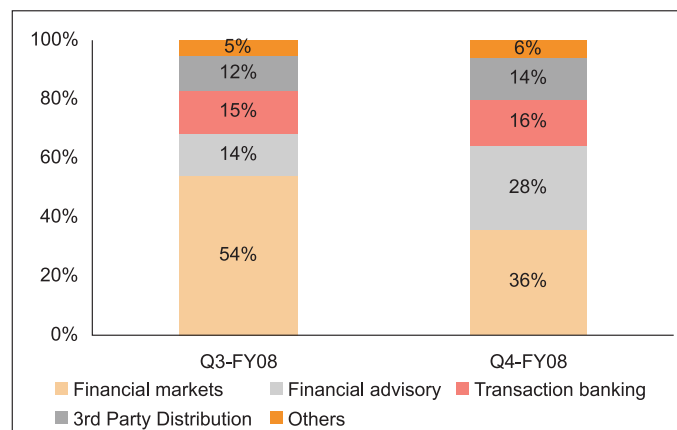
**Need to improve CASA**

The proportion of CASA as a percentage of total deposits is 8.5%. The management targets to increase it to 12.5% by FY09 and 25% by 2010. This will be done through retail oriented deposit products by focusing on increasing the number of branches.

**Branch Roll-out**

It has 67 operational branches (vis-à-vis FY08 target of 100) and 75 ATMs in Mumbai. It has received licenses to open 57 new branches and 125 ATMs. However, it plans to achieve its target of 175 branches by FY09 and 250 branches by FY10.

**Break-up of Fee-income**

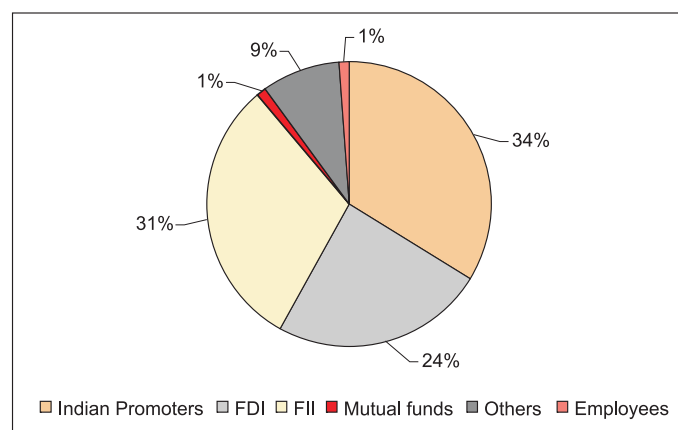


## Key Balance Sheet Numbers

(RsCr)

| Particulars               | FY07          | FY08          | Growth %     |
|---------------------------|---------------|---------------|--------------|
| Advances                  | 6,290         | 9,430         | 49.9%        |
| Investments               | 3,073         | 5,094         | 65.8%        |
| Shareholders' funds       | 787           | 1,319         | 67.6%        |
| Deposits                  | 8,220         | 13,273        | 61.5%        |
| Borrowings                | 867           | 986           | 13.7%        |
| <b>Balance Sheet size</b> | <b>11,103</b> | <b>16,982</b> | <b>52.9%</b> |

## Shareholding Pattern as on March 31, 2008



## Valuations

| Particulars         | FY08 | FY09E | FY10E |
|---------------------|------|-------|-------|
| Total Income (RsCr) | 691  | 1,126 | 1,675 |
| EPS (Rs)            | 6.76 | 9.61  | 14.43 |
| P/E (x)             | 23.8 | 16.7  | 11.2  |

E - Consensus Analyst Estimates

**Keynote Capitals Ltd.**

**Member**

Stock Exchange, Mumbai (INB 230930539)  
National Stock Exchange of India Ltd. (INB 010930556)  
Over the Counter Exchange of India Ltd. (INB 200930535)  
Central Depository Services Ltd. (IN-DP-CDSL-152-2001)

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