

Yes Bank Ltd

Recommendation	HOLD
CMP (25/07/2012)	Rs. 346
Target Price	Rs.401
Sector	Banking

Stock Details	
BSE Code	532648
NSE Code	YES
Bloomberg Code	YES IN
Market Cap (Rs cr)	12,248
Free Float (%)	73.94%
52- wk HI/Lo (Rs)	389/230
Avg. volume BSE (Quarterly)	489,754
Face Value (Rs)	10.0
Dividend (FY 12)	40%
Shares o/s (Cr)	35.4

Relative Performance	1Mth	3Mth	1Yr
Yes Bank	0.6%	-6.8%	2.6%
Sensex	0.2%	-1.4%	-10.4%



Shareholding Pattern		30 th June 12
Promoters Holding		26.06%
Institutional (Incl. FII)		57.04%
Corporate Bodies		1.52%
Public & others		15.38%

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Continues to impress with yet another quarter of strong results

Yes Bank's reported PAT of Rs.290.1 cr in Q1FY13 resulting in a growth of 34.3% on a YoY basis and 6.7% on QoQ basis.

➤ Loan book growth moderates

Yes Bank loan book grew at 16.4% YoY and 1.4% on a QoQ basis in Q1FY13. Total Customer Assets (Loans + Credit Substitutes) grew by 32.4% to Rs 49,340 cr in Q1FY13. The bank expects to grow ~30-35% in its total customer assets. We have factored in growth of 34.5% for customer assets in FY13E and 25.7% in FY14E.

➤ CASA momentum continues

CASA deposits increased by 71.5% YoY and 10.5% QoQ to Rs 8,170 cr taking the CASA ratio to 16.3% in Q1FY13 up from 10.9% in Q1FY12. The Bank continues to witness increased traction in CASA on the back of enhanced Savings Rate offering and improvements in productivity. We expect CASA ratio to be at 17.5% and 18.4% in FY13E and FY14E.

➤ Cost to income ratio remains elevated

The bank added 25 new branches and added approximately 540 employees in Q1FY12 which resulted in higher operating expenses. The cost to income ratio stood fairly stable at 39.5% in Q1FY13 as compared to 39.8% in Q4FY12 and broadly within the Management's targeted levels. We expect cost to income ratio to be at 39.3% and 39.2% for FY13E and FY14E.

➤ Non-interest income continues to impress

Non Interest Income grew a whopping 74.3% YoY and 8.2% QoQ to Rs 288.1 cr in Q1FY13. Financial Markets increased almost 2.5x to Rs 95 crs which has been the highest level since Q1FY10 primarily due to Rs 30 cr of treasury gain. Management does not expect these levels of growth to be sustainable going forward. We expect non-interest income to grow 29.7% and 27.3% for FY13E and FY14E.

➤ Asset quality remains stable

Gross NPA increased 30.6% QoQ to Rs.109.5 Cr in the quarter ended June 2012. Gross NPAs and Net NPAs stood at 0.28% & 0.06%, respectively as on June 2012. The bank's restructured assets stood at 0.51% of gross advances at Rs 196.5 cr in Q1FY13. Provisioning coverage ratio of the bank (including technical write off) stood at 78.3% in Q1FY13. We expect Gross NPAs to be at 0.39% and 0.42% for FY13E and FY14E and Net NPAs to be at 0.07% and 0.08% for FY13E and FY14E.

Valuation & Recommendation

Yes Bank has been able to perform consistently with a healthy asset quality, superior profitability and return ratios. At the current price of Rs. 346, it is trading at a PE of 9.99x and 7.98x of FY13E and FY14E EPS and at an adjusted P/BV of 2.15x and 1.75x FY13E and FY14E Adj BV. We recommend investors to HOLD the stock with a target price of Rs 401 indicating a potential upside of 15.9% from current levels.

Year	NII (Rs crs)	Growth (%)	PBP (Rs crs)	Margin (%)	PAT (Rs crs)	EPS (Rs)	PE (x)	Adj BVPS (Rs)	P/ABV (x)	RoE
FY 11A	1,247	58.2%	1,190	63.7%	727	20.25	17.09	109.1	3.17	21.1%
FY 12A	1,616	29.6%	1,540	62.3%	977	27.24	12.70	132.2	2.62	23.1%
FY 13E	2,120	31.2%	1,962	60.7%	1,222	34.63	9.99	160.7	2.15	23.6%
FY14E	2,637	24.4%	2,463	60.8%	1,531	43.38	7.98	197.8	1.75	24.2%

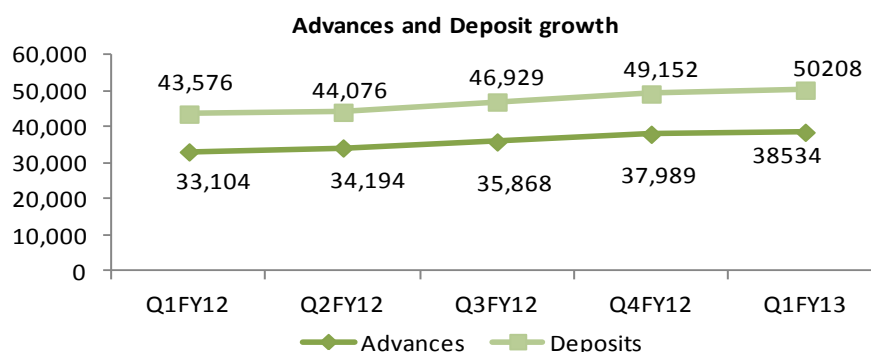


Yes Bank Ltd

Loan book growth moderates

Yes Bank loan book grew at 16.4% YoY and 1.4% on a QoQ basis in Q1FY13. Out of the total advances portfolio, Corporate & Institutional Banking accounted for 64%, Commercial banking accounted for 20.2% and Branch Banking accounted for 15.8%. Total Customer Assets (Loans + Credit Substitutes) grew by 32.4% to Rs 49,340 cr as at June 30, 2012 from Rs 37,270 cr as at June 30, 2011.

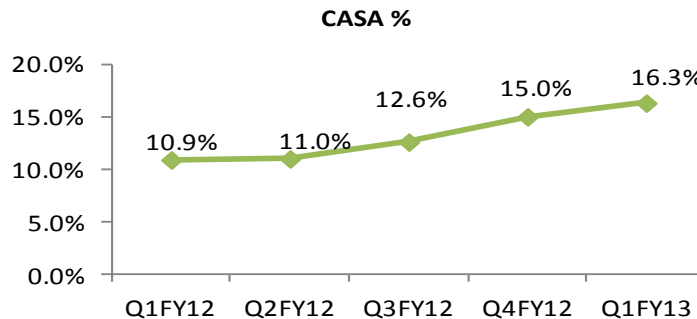
Management continues to expect muted growth (below industry avg. of 17%) for H1FY13 but expect growth momentum to pick up in the later part of FY13. On overall basis the bank expects to grow ~30-35% in its total customer assets. We have factored in growth of 34.5% for customer assets in FY13E and 25.7% in FY14E.



Source: Company data, Nirmal Bang Research

CASA momentum continues

The bank's total deposits grew by a mere 2.15% on QoQ basis reflecting the overall challenging environment. However, on YoY basis deposits grew 15.2% in line with industry growth. The CASA growth continued to remain the forerunner in the deposit front. CASA deposits increased by 71.5% YoY and 10.5% QoQ to Rs 8,170 cr taking the CASA ratio to 16.3% in Q1FY13 up from 10.9% in Q1FY12. The Bank continues to witness increased traction in CASA on the back of enhanced Savings Rate offering and improvements in productivity. The bank added ~80,000 saving accounts during the quarter. Within CASA, SA increased sequentially, forming 6% of total deposits vs. 5.1% in Q4FY12. We expect CASA ratio to be at 17.5% and 18.4% in FY13E and FY14E.



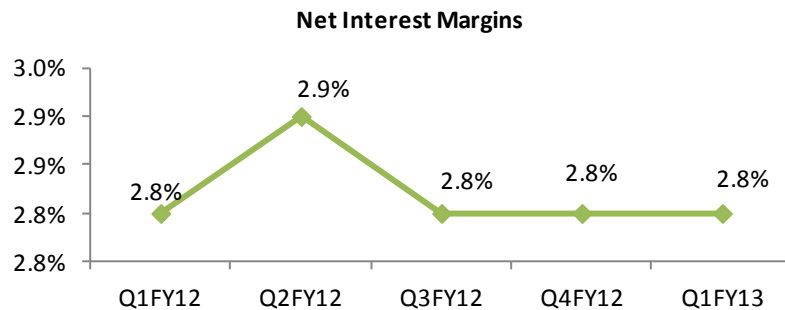
Source: Company data, Nirmal Bang Research



Yes Bank Ltd

NIMs remained stable

Net Interest Income increased by 33.3% YoY to Rs 472 cr in Q1FY13. Net Interest Margin (NIM) remained stable consecutively for the third quarter and stood at 2.8% in Q4FY12. Although the cost of fund remained stable on QoQ basis at 9.0%; on YoY basis the cost of funds increased by 50 bps. The 130 bps improvement in CASA % provided some respite to the increasing cost of funds and the bank was able to maintain a stable NIM. Management expects some improvement in NIMs going forward resulting from the traction in CASA accounts. Going forward, we expect NIMs to be at 2.8% for FY13E and 2.9% for FY14E.

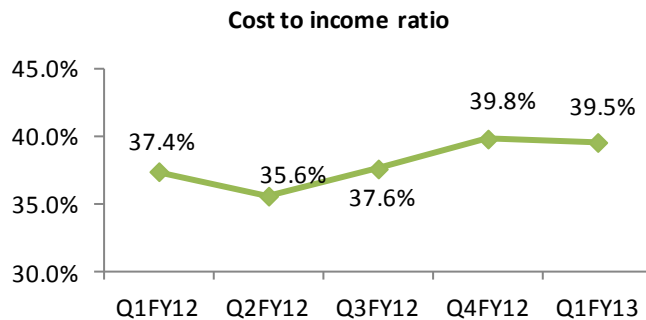


Source: Company data, Nirmal Bang Research

Cost to income ratio remains elevated

The bank added 25 new branches taking the total branch network to 381 in Q1FY13 and added approximately 540 employees in Q1FY12 which resulted in higher operating expenses. Moreover, operating expenses also tend to remain on the slightly higher side in Q1 generally resulting from bonus outgo and increments. Despite this the cost to income ratio stood fairly stable at 39.5% in Q1FY13 as compared to 39.8% in Q4FY12.

The cost to income ratio has been broadly within the Management's targeted levels. Going forward Management expects to add ~125-150 branches in FY13E and expects cost to income ratio in the range of 38%-40% with an upward bias. We expect cost to income ratio to be at 39.3% for FY13E and 39.2% for FY14E.

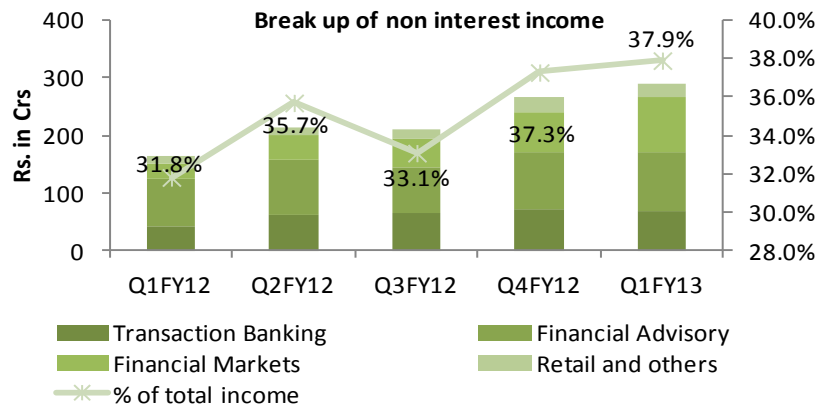


Source: Company data, Nirmal Bang Research



Non-interest income continues to impress

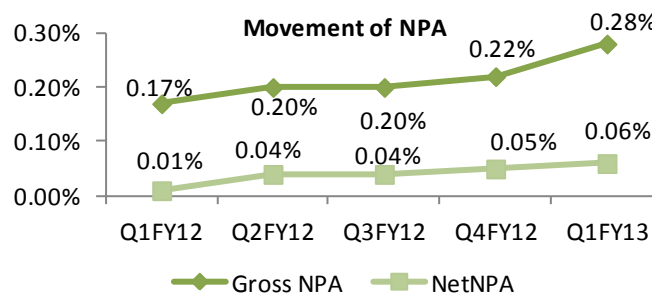
Non-interest income has always been the bank's forte and the bank has been able to capitalize on this strength even in this challenging operating environment. Non Interest Income grew a whopping 74.3% YoY and 8.2% QoQ to Rs 288.1 cr in Q1FY13 resulting from growth in Transaction Banking, Financial Advisory and Financial markets. Transaction Banking grew 65.3% YoY to Rs 69 cr, Financial Advisory grew 23.8% YoY to Rs 103 cr. Financial Markets increased almost 2.5x to Rs 95 crs which has been the highest level since Q1FY10. This is primarily due to SLR gain which the bank has booked and also resulting from correction in the bond yields in the last 2-3 months which had a positive impact on the banks financial market income. We believe that that going forward financial advisory and transaction banking will continue to be the key focus areas for growth in non interest income. We expect non-interest income to grow 29.7% and 27.3% for FY13E and FY14E.



Source: Company data, Nirmal Bang Research

Asset quality remains stable

Gross NPA increased 30.6% QoQ to Rs.109.49 Cr in the quarter ended June 2012. Yes Bank has continued to maintain minimal Net NPAs. Gross NPAs and Net NPAs stood at 0.28% & 0.06%, respectively as on June 2012. The bank's restructured assets stood at 0.51% of gross advances at Rs 196.5 cr in Q1FY13. Provisioning coverage ratio of the bank (including technical write off) stood at 78.3% in Q1FY13. We expect Gross NPAs to be at 0.39% and 0.42% for FY13E and FY14E and Net NPAs to be at 0.07% and 0.08% for FY13E and FY14E.



Source: Company data, Nirmal Bang Research

Yes Bank Ltd

Income Statement	Q1FY13	Q1FY12	YoY (%)	Q4FY12	QoQ (%)
Interest Earned	1,886	1,400	34.8%	1,785	5.7%
Interest Expended	1,414	1,045	35.3%	1,337	5.8%
Net Interest Income	472	354	33.3%	448	5.3%
Other Income	288	165	74.3%	266	8.2%
Total Income	760	519	46.4%	715	6.4%
Payment to employees	155	110	41.3%	134	16.1%
Other operating expenses	145	85	72.0%	151	(3.4%)
Total operating expenses	301	194	54.7%	284	5.8%
Profit before provisioning	460	325	41.4%	430	6.8%
Provisions	30	2	1887.4%	28	5.4%
Profit before tax	430	324	32.8%	402	6.9%
Tax	139	108	29.7%	130	7.2%
Profit after tax	290	216	34.3%	272	6.7%
EPS	8.2	6.2	32.1%	7.7	6.4%

Source: Company data, Nirmal Bang Research

- Net Profit has shown a growth of 6.7% QoQ and 34.3% YoY at Rs 290.1 cr mainly due to 33.3% YoY increase in net interest income and 74.3% YoY increase in other income.
- EPS for Q1FY13 stood at Rs 8.2 while for Q1FY12, it was Rs 6.2.
- RoA stood flat at 1.5% in Q1FY13 and RoE stood at 24%.
- Capital Adequacy Ratio (CAR) of the Bank as on Q1FY13 stood at 16.5% with Tier I ratio of 9.2%.
- Total borrowings stood at ~Rs 17,000 cr including Tier-II capital.

Valuation and Recommendation

Yes Bank has been able to perform consistently with a healthy asset quality, superior profitability and return ratios. Moreover, the CASA deposits have also started showing traction. The bank is on track with its plans to expand in the retail and SME segment. The bank has continued to perform well on non interest income front.

At the current price of Rs. 346, it is trading at a PE of 9.99x and 7.98x of FY13E and FY14E EPS and at an adjusted P/BV of 2.15x and 1.75x FY13E and FY14E Adj BV. We continue to recommend investors to HOLD the stock with a target price of Rs 401 indicating a potential upside of 15.9% from current levels.

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Financials

Profitability (Rs. Crs)	FY11	FY12	FY13E	FY14E	Balance Sheet (Rs. Crs)	FY11	FY12	FY13E	FY14E
Interest earned	4,042	6,307	7,845	9,789	Deposits	45,939	49,152	58,930	71,185
Interest expended	2,795	4,692	5,725	7,151	(of which CASA)	(4,750)	(7,392)	(10,313)	(13,098)
Net interest income	1,247	1,616	2,120	2,637	Borrowings	6,691	14,156	22,697	27,324
Non interest income	623	857	1,112	1,416	Other liab and prov	2,583	5,677	6,529	7,508
Total income	1,870	2,473	3,232	4,053	Total liabilities	55,213	68,985	88,156	106,017
Operating expenses	680	933	1,270	1,590	Equity Share Capital	347	353	353	353
Staff costs	362	475	657	806	Reserves and Surplus	3,447	4,324	5,343	6,630
Other Op Exp	317	457	613	784	Net worth	3,794	4,677	5,696	6,983
Operating profit	1,190	1,540	1,962	2,463	Total liab and equity	59,007	73,662	93,852	113,000
Provisions	98	90	137	177	Cash and bank bal	3,496	3,586	3,608	4,101
Profit before tax	1,092	1,450	1,825	2,285	Investments	18,829	27,757	39,814	48,511
Taxes	365	473	602	754	Advances	34,364	37,989	45,788	55,410
Net profit	727	977	1,222	1,531	Fixed assets	132	177	198	222
Quarterly (Rs. Crs)	Sep. 11	Dec.11	Mar.12	June.12	Other assets	2,186	4,153	4,444	4,755
Net interest income	386	428	448	472	Total assets	59,007	73,662	93,852	113,000
Non interest income	214	211	266	288	Key Ratios	FY11	FY12	FY13E	FY14E
Total income	600	639	715	760	Yield Ratios				
Operating expenses	214	240	284	301	Avg Yield on Assets	8.9%	10.6%	10.4%	10.3%
Operating profit	386	399	430	460	Yield on Advances	10.6%	12.2%	12.1%	12.0%
Provisions	38	22	28	30	Yield on Investments	7.1%	7.9%	8.2%	8.1%
Profit before tax	348	376	402	430	Cost of Int Bearing Liab	6.6%	8.1%	7.9%	7.9%
Taxes	113	122	130	139	Cost of Deposits	6.2%	7.8%	7.7%	7.5%
Net profit	235	254	272	290	Net Interest Spread	2.3%	2.5%	2.5%	2.6%
Earnings per share	6.6	7.1	7.6	8.0	NIM	2.9%	2.7%	2.8%	2.9%
Profitability Ratios	FY11	FY12	FY13E	FY14E	Balance Sheet Ratios				
Cost / Income Ratio	36.3%	37.7%	39.3%	39.2%	Gross NPA	0.23%	0.22%	0.39%	0.42%
Net profit margin	38.9%	39.5%	37.8%	37.8%	Net NPA	0.03%	0.05%	0.07%	0.08%
RONW	21.1%	23.1%	23.6%	24.2%	Return on Assets	1.5%	1.5%	1.5%	1.5%
Growth Ratios	FY11	FY12	FY13E	FY14E	CASA	10.3%	15.0%	17.5%	18.4%
Advances Growth	54.8%	10.5%	20.5%	21.0%	Loan-deposit ratio	74.8%	77.3%	77.7%	77.8%
Deposit Growth	71.4%	7.0%	19.9%	20.8%	CAR	16.1%	17.9%	17.0%	16.4%
NII Growth	58.2%	29.6%	31.2%	24.4%	Provision cov ratio	86.0%	80.0%	82.0%	82.0%
PAT Growth	52.2%	34.4%	25.1%	25.3%					
Pre prov profit growth	37.9%	29.4%	27.4%	25.5%	Per Share Data	FY11	FY12	FY13E	FY14E
Non int income growth	8.3%	37.5%	29.7%	27.3%	EPS	20.25	27.24	34.63	43.38
Valuation Ratios	FY11	FY12	FY13E	FY14E	BVPS	109.3	132.5	161.4	197.8
P/BV	3.17	2.61	2.14	1.75	Adjusted BVPS	109.1	132.2	160.7	197.8
P/ABV	3.17	2.62	2.15	1.75	Dividend Per Share	2.50	4.00	5.00	6.00
P/E	17.09	12.70	9.99	7.98	Dividend yield	0.8%	1.2%	1.4%	1.7%

Source: Company data, Nirmal Bang Research

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