

**PPOP well managed – Expect some moderation:** Yes bank has managed PPOP volatility well in the last two quarters but with slowing B/S and fee income growth, we expect PPOP growth to come off sharply. NIMs will largely remain flat with stability in wholesale funding rates now. However, given management's cautious approach, growth is unlikely to revert back till macro outlook improves. Our numbers factor in <10% PPOP growth in FY15.

**On Asset quality:** Though slippages have inched up in the last 2-3 quarters and Yes bank has limited B/S impact by selling fresh NPAs to ARCIL, we believe slippages are still manageable. Our interactions indicate that, large part of the SR book is linked to real estate assets and haircuts will be relatively lower. We factor in credit costs to inch up higher to ~60-70bps. Also, our analysis of US\$75bn of risky exposures indicated that ex-commercial real estate, Yes Bank's exposure to risky corporate groups is relatively lower and hence, are not as concerned as the street on Yes bank's slippage origination

**Valuations at 1.3x reasonable even if profitability comes off:** Admittedly some fee income streams of Yes bank is bulky and hence, there remains a question of sustainability. Even adjusting for that, we believe, Yes bank will deliver +17-18%ROEs and hence, we find valuations at 1.3x attractive. We have upgraded stock to 'BUY' from 'Accumulate' with a PT of Rs400 per share.

## Key Financials (Rs m)

Y/e March	FY12	FY13	FY14E	FY15E	FY16E
Net interest income	16,156	22,188	26,919	30,976	37,336
<i>Growth (%)</i>	<i>29.6</i>	<i>37.3</i>	<i>21.3</i>	<i>15.1</i>	<i>20.5</i>
Operating profit	15,417	21,422	26,213	28,589	34,098
PAT	9,784	13,012	15,500	16,476	20,050
EPS (Rs)	27.7	36.3	43.2	45.9	55.9
<i>Growth (%)</i>	<i>32.1</i>	<i>31.0</i>	<i>19.2</i>	<i>6.3</i>	<i>21.7</i>
Net DPS (Rs)	4.0	6.0	7.0	8.0	9.0

Source: Company Data, PL Research

## Profitability & valuation

Y/e March	FY12	FY13	FY14E	FY15E	FY16E
NIM (%)	95.4	96.5	97.4	92.3	91.3
RoAE (%)	23.1	24.8	24.1	21.3	21.8
RoAA (%)	1.5	1.5	1.5	1.4	1.4
P / BV (x)	2.3	1.9	1.6	1.3	1.1
P / ABV (x)	2.3	1.9	1.6	1.3	1.1
PE (x)	11.1	8.5	7.1	6.7	5.5
Net dividend yield (%)	1.3	1.9	2.3	2.6	2.9

Source: Company Data, PL Research

## Stock Performance

(%)	1M	6M	12M
Absolute	(10.3)	8.7	(39.6)
Relative to Sensex	(8.2)	0.5	(44.0)

**Income Statement (Rs m)**

Y/e March	FY12	FY13	FY14E	FY15E	FY16E
Int. Earned from Adv.	44,268	53,971	65,430	76,180	91,932
Int. Earned from Invt.	18,470	28,595	35,776	37,417	40,455
Others	-	-	-	-	-
<b>Total Interest Income</b>	<b>63,074</b>	<b>82,940</b>	<b>101,622</b>	<b>114,064</b>	<b>132,914</b>
Interest expense	46,917	60,752	74,703	83,088	95,578
<b>NII</b>	<b>16,156</b>	<b>22,188</b>	<b>26,919</b>	<b>30,976</b>	<b>37,336</b>
<i>Growth (%)</i>	<i>29.6</i>	<i>37.3</i>	<i>21.3</i>	<i>15.1</i>	<i>20.5</i>
Treasury Income	379	1,557	1,500	1,000	1,000
NTNII	8,207	11,023	15,128	18,183	22,322
Non Interest Income	8,586	12,579	16,628	19,183	23,322
<b>Total Income</b>	<b>71,659</b>	<b>95,519</b>	<b>118,250</b>	<b>133,247</b>	<b>156,235</b>
<i>Growth (%)</i>	<i>53.6</i>	<i>33.3</i>	<i>23.8</i>	<i>12.7</i>	<i>17.3</i>
Operating Expense	9,325	13,345	17,334	21,570	26,559
<b>Operating Profit</b>	<b>15,417</b>	<b>21,422</b>	<b>26,213</b>	<b>28,589</b>	<b>34,098</b>
<i>Growth (%)</i>	<i>29.5</i>	<i>39.0</i>	<i>22.4</i>	<i>9.1</i>	<i>19.3</i>
NPA Provisions	523	2,222	3,149	4,360	4,613
Investment Provisions	160	(30)	600	-	-
<b>Total Provisions</b>	<b>902</b>	<b>2,160</b>	<b>3,749</b>	<b>4,360</b>	<b>4,613</b>
PBT	14,514	19,262	22,464	24,230	29,485
Tax Provisions	4,730	6,251	6,964	7,753	9,435
<i>Effective Tax Rate (%)</i>	<i>32.6</i>	<i>32.4</i>	<i>31.0</i>	<i>32.0</i>	<i>32.0</i>
<b>PAT</b>	<b>9,784</b>	<b>13,012</b>	<b>15,500</b>	<b>16,476</b>	<b>20,050</b>
<i>Growth (%)</i>	<i>34.6</i>	<i>33.0</i>	<i>19.1</i>	<i>6.3</i>	<i>21.7</i>

Source: Company Data, PL Research

**Balance Sheet (Rs m)**

Y/e March	FY12	FY13	FY14E	FY15E	FY16E
Par Value	10	10	10	10	10
No. of equity shares	353	359	359	359	359
Equity	3,530	3,586	3,586	3,586	3,586
Networth	46,766	58,077	70,640	83,759	100,033
Adj. Networth	46,592	58,007	70,322	83,110	98,628
Deposits	491,517	669,556	775,577	914,929	1,117,111
<i>Growth (%)</i>	<i>7.0</i>	<i>36.2</i>	<i>15.8</i>	<i>18.0</i>	<i>22.1</i>
Low Cost deposits	73,921	126,875	151,238	196,710	251,350
<i>% of total deposits</i>	<i>15.0</i>	<i>18.9</i>	<i>19.5</i>	<i>21.5</i>	<i>22.5</i>
<b>Total Liabilities</b>	<b>736,621</b>	<b>991,041</b>	<b>#####</b>	<b>1,274,301</b>	<b>1,517,506</b>
Net Advances	379,886	469,996	549,895	670,872	838,590
<i>Growth (%)</i>	<i>10.5</i>	<i>23.7</i>	<i>17.0</i>	<i>22.0</i>	<i>25.0</i>
Investments	277,573	429,760	444,233	482,660	537,304
<b>Total Assets</b>	<b>736,621</b>	<b>991,041</b>	<b>#####</b>	<b>1,274,301</b>	<b>1,517,506</b>

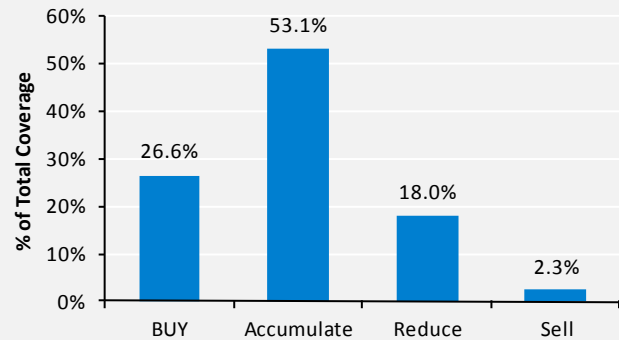
Source: Company Data, PL Research

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## Rating Distribution of Research Coverage



## PL's Recommendation Nomenclature

<b>BUY</b>	: Over 15% Outperformance to Sensex over 12-months	<b>Accumulate</b>	: Outperformance to Sensex over 12-months
<b>Reduce</b>	: Underperformance to Sensex over 12-months	<b>Sell</b>	: Over 15% underperformance to Sensex over 12-months
<b>Trading Buy</b>	: Over 10% absolute upside in 1-month	<b>Trading Sell</b>	: Over 10% absolute decline in 1-month
<b>Not Rated (NR)</b>	: No specific call on the stock	<b>Under Review (UR)</b>	: Rating likely to change shortly

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