

April 20, 2011

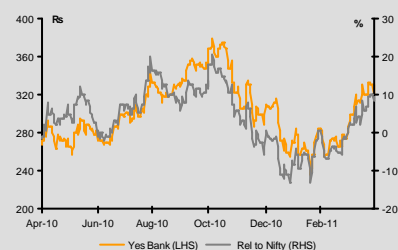
Reco Accumulate	Previous Reco Accumulate
CMP Rs331	Target Price Rs390
EPS change CY10E/11E (%)	NA
Target Price change (%)	30
Nifty	5,852
Sensex	19,471

Price Performance

(%)	1M	3M	6M	12M
Absolute	21	29	(6)	29
Rel. to Nifty	11	26	(4)	15

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Banks
Bloomberg	YES@IN
Equity Capital (Rs mn)	3471
Face Value(Rs)	10
No of shares o/s (mn)	347
52 Week H/L	388/234
Market Cap (Rs bn/USD mn)	115/2,590
Daily Avg Volume (No of sh)	3106326
Daily Avg Turnover (US\$m)	19.7

Shareholding Pattern (%)

	M'11	D'10	S'10
Promoters	26.6	26.6	26.7
FII/NRI	51.2	54.0	55.4
Institutions	9.9	6.7	7.4
Private Corp	1.4	1.8	1.5
Public	11.0	11.0	9.0

Source: Capitaline

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- Yes Bank's Q4FY11 results were inline with expectations with NII at Rs3.5bn (up 7.8% qoq) and PAT at Rs2.0bn (up 6.4% qoq)
- NIMs maintained qoq at 2.8% - 70bps helped by repricing of advances. Further repricing expected in Q1FY12. Alongwith little easing of wholesale rates, NIMs can be maintained
- NPAs up marginally to Rs805mn. Aggressive provisioning still helps keep provision cover at 88.6%
- Introducing FY13E estimates with Rs23bn of capital raising. Maintain ACCUMULATE rating with revised target price of Rs390

NII growth inline with expectations

Yes Bank's NII grew by 7.8% qoq to Rs3.5bn inline with our expectations. The NII growth was driven by stable margins at 2.8% and advances growth of 10.5% qoq.

NIMs remain stable – asset repricing helps

NIMs remained stable at 2.8% driven by a sharp 70bps qoq upward repricing of advances and other assets which offset 70bps increase in cost of funds.

Yield analysis

%	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	YoY (bps)	QoQ (bps)
Yield on advances*	9.6	9.2	10.2	10.6	10.9	127	21
Yield on assets*	8.1	7.6	8.2	8.7	8.8	73	13
Cost of funds*	5.1	4.9	5.5	6.2	6.3	119	11
NIM*	3.0	2.7	2.7	2.5	2.5	-45	2
Yield on advances#	9.7	9.6	9.5	10.0	10.7	100	70
Yield on assets #	9.5	9.4	9.7	9.9	10.6	110	70
Cost of funds #	6.3	6.3	6.7	7.1	7.8	150	70
NIM #	3.2	3.1	3.0	2.8	2.8	-40	0

Source: Company, Emkay Research

Note:* Calculated on basis of average quarterly balances # Reported

Valuation table

Y/E March 31	Net income	Net profit	FDEPS (Rs)	ABV (Rs)	RoA (%)	RoE (%)	P/E (x)	P/ABV (x)
FY2010	13,635	4,777	13.8	90.6	1.6	20.3	24.0	3.6
FY2011P	18,701	7,270	20.8	109.1	1.5	21.4	15.9	3.1
FY2012E	26,439	11,085	26.2	133.1	1.6	26.3	12.6	2.5
FY2013E	35,636	14,720	34.7	192.6	1.7	22.8	9.5	1.7

Source: Company, Emkay Research

Key financials – Quarterly

Rs mn	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	YoY (%)	QoQ (%)	YTD'11	YTD'10	YoY (%)
Net Interest Income	2,442	2,621	3,132	3,232	3,485	42.7	7.8	12,469	7,948	56.9
Other Income	1,601	1,438	1,309	1,617	1,868	16.7	15.5	6,232	5,686	9.6
Net Income	4,043	4,059	4,441	4,848	5,353	32.4	10.4	18,701	13,634	37.2
Total Operating Expenses	1,467	1,570	1,628	1,736	1,865	27.1	7.4	6,798	5,002	35.9
As % Of Net Income	36.3	38.7	36.7	35.8	34.8			36.4	36.7	
Employee Expenses	708	812	878	903	1,030	45.4	14.0	3,623	2,569	41.0
As % Of Net Income	17.5	20.0	19.8	18.6	19.2			19.4	18.8	
Other Expenses	759	758	750	833	835	10.0	0.3	3,175	2,433	30.5
As % Of Net Income	18.8	18.7	16.9	17.2	15.6			17.0	17.8	
Operating Profit	2,575	2,490	2,813	3,113	3,488	35.4	12.1	11,903	8,633	37.9
As % Of Net Income	63.7	61.3	63.3	64.2	65.2			63.6	63.3	
Provisions	426	126	174	250	433	1.6	73.4	982	1,368	-28.2
PBT	2,150	2,364	2,639	2,863	3,055	42.1	6.7	10,921	7,265	50.3
Total Tax	750	800	877	952	1,021	36.2	7.3	3,650	2,488	46.7
Adjusted PAT	1,400	1,564	1,762	1,911	2,034	45.3	6.4	7,270	4,777	52.2
Extra Ordinary Items	0	0	0	0	0			0	0	
Reported PAT	1,400	1,564	1,762	1,911	2,034	45.3	6.4	7,270	4,777	52.2
Reported EPS	4.1	4.6	5.1	5.5	5.9	42.3	6.4	21.1	15.4	36.5

Source: Company, Emkay Research

Cost increases may be limited from hereon

Over H2FY11, the cost of funds has gone up by ~110bps (150bps over last three quarters). The management has guided that bulk of the deposit repricing cycle may get over by Q1FY12 and the increase from thereon may taper off.

In terms of asset repricing, Yes Bank has raised its BPLR and base rate in March 2011. This alongwith repricing of some short term loans maturing in Q1FY12 will help the bank to maintain NIMs in H1FY12.

We expect some margin improvements in H2FY12 as the advances growth slows down and CASA starts improving. Margins may also benefit as the asset repricing (100bps in FY11) for Yes Bank is still lagging the deposit repricing (150bps in FY11) by 50bps.

CASA remains stable despite strong asset growth

CASA for the quarter stood at 10.3%, stable qoq, despite strong growth in advances. The strong CASA was driven by addition of 43 branches during H2FY11 compared with 21 during H1FY11. Despite stronger expansion in branch network in H2FY11, the CASA per branch was maintained at Rs220mn per branch, in line with H1FY11.

We expect CASA to improve to 13.3% in FY12E driven by slower advances growth of 35% and increase in the branch network to 325 branches.

CASA Mix

Rs mn	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	YoY (%)	QoQ (%)
CASA Deposits	28,138	31,800	40,528	40,242	47,500	68.8	18.0
Term deposits	239,847	270,587	359,609	354,286	411,889	71.7	16.3
Total Deposits	267,985	302,387	400,137	394,528	459,389	71.4	16.4
CASA (%)	10.5	10.5	10.1	10.2	10.3	-16	14

Source: Company, Emkay Research

Advances growth strong at 10.5%qoq

The advances growth during the quarter was strong at 10.5% qoq which was driven by two factors: (1) higher food and agriculture loans of which some loans would be for PSL limits and (2) bank has also diversified its portfolio with the loans in sectors other than five large sectors have grown by 66% qoq.

Few sectors which have seen sharp growth in the quarter are auto ancillaries, metals and electricity.

Advances Mix

Rs mn	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	YoY (%)	QoQ (%)	% of total
Corporate	153,354	192,725	211,830	210,317	223,707	45.9	6.4	65.1
SME	56,814	57,765	59,482	69,380	78,693	38.5	13.4	22.9
Others	11,762	12,078	32,169	31,423	41,236	250.6	31.2	12.0
Total	221,931	262,568	303,481	311,120	343,636	54.8	10.5	100.0

Source: Company, Emkay Research Note: Numbers not strictly comparable due to reclassification between corporate and others segments

Advances Mix

Rs mn	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	YoY (%)	QoQ (%)	% of total
Food and agri	37,506	34,396	47,647	56,157	68,040	81.4	21.2	19.8
Infrastructure	45,940	47,787	66,462	70,469	64,260	39.9	-8.8	18.7
Engineering	42,389	53,564	59,786	67,513	64,604	52.4	-4.3	18.8
Healthcare	17,754	18,117	13,657	14,934	18,213	2.6	22.0	5.3
Telecom, media, tech	29,517	60,653	56,144	44,801	33,333	12.9	-25.6	9.7
Others	48,825	48,050	59,786	57,246	95,187	95.0	66.3	27.7
Total	221,931	262,568	303,481	311,120	343,636	54.8	10.5	100.0

Source: Company, Emkay Research

Retail and transaction banking bring resilience in other income

The strong traction in the business services and retail services continued during the quarter as the wealth management and transaction banking business contributed 46% of the other income with both showing very high double digit sequential growth. Both contributed 46% of the total other income compared with 34% in Q4FY10.

Fee income

Rs mn	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	YoY (%)	QoQ (%)	YTD'11	YTD'10	YoY (%)
Financial markets	474	226	141	410	241	-49.2	-41.2	1,018	1,820	-44.1
Financial advisory	578	761	637	535	772	33.6	44.3	2,705	1,394	94.0
Wealth Management	117	108	148	174	201	71.8	15.5	631	320	97.2
Transaction Banking	432	343	383	498	654	51.4	31.3	1,878	1,035	81.4
Total	1,601	1,438	1,309	1,617	1,868	16.7	15.5	6,232	4,569	36.4

Source: Company, Emkay Research

Slightly higher slippages in Q4FY11

For FY11, the slippages stood at Rs500mn, with slightly higher slippages (Rs150mn) in Q4FY11. However, with aggressive provisions and write offs the gross and net NPA were just 0.2% and almost negligible respectively. The provision stood strong at 88.6%.

Asset quality

Rs mn	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	YoY (%)	QoQ (%)
Gross NPAs	602	597	677	728	805	33.8	10.6
Net NPAs	130	111	172	174	92	-29.6	-47.4
Gross NPAs (%)	0.3	0.2	0.2	0.2	0.2		
Net NPAs (%)	0.1	0.0	0.1	0.1	0.0		
Net NPAs/Net worth (%)	0.4	0.3	0.5	0.5	0.2		
Provision cover (%)	78.4	81.4	74.7	76.1	88.6		

Source: Company, Emkay Research

Board approves capital raising

Yes Bank's tier I CAR was at 9.7% with total CAR at 16.5%. The last capital raising in March 2010 had raised its tier I CAR by ~390bps of which it has already run down 320bps over FY11. However, the management has guided that they would like to run it down to below 9% before any further capital raising. The board has passed enabling resolution for raising equity capital upto USD500mn and which may be done over next 12-15 months.

Yes Bank plans to obtain the shareholders approval in its AGM which will be held some time in July 2011.

Valuations and view

We expect Yes Bank's NIMs to be sustained at 2.9% for FY12E driven by tapering of the cost increases and repricing on the advances side. Lower dependence on the financial markets income clearly shows that bank is gradually getting more resilience in its fee income. With further expansion in branch network, Yes Bank's ability to sustain productivity and lower balance sheet growth, the CASA is likely to expand to 13.3% by FY12E.

We are introducing our FY13E FDEPS estimates at Rs34.8 and ABV estimate at Rs193 per share (including a dilution). The stock is currently trading at 2.5x FY12E and 1.7x (including dilution) FY13E ABV. We are rolling over our valuations on FY13E basis with TP of Rs390 (2x P/ABV). We retain our ACCUMULATE rating on the stock.

Key Financials

Income Statement (Rs. Mn)

(Year Ending Mar 31)	FY10	FY11P	FY12E	FY13E
Net interest income	7,880	12,469	18,325	25,395
Other income	5,755	6,232	8,114	10,241
Net income	13,635	18,701	26,439	35,636
Operating expenses	5,002	6,798	8,629	11,943
Pre provision profit	8,633	11,903	17,810	23,694
PPP excl treasury	7,647	11,429	17,260	23,089
Provisions	1,368	983	1,178	1,608
Profit before tax	7,265	10,921	16,632	22,086
Tax	2,488	3,650	5,547	7,365
Tax rate	34.2%	33.4%	33.3%	33.3%
Profit after tax	4,777	7,270	11,085	14,720

Balance Sheet (Rs. Mn)

(Year Ending Mar 31)	FY10	FY11P	FY12E	FY13E
Liabilities				
Equity	3,397	3,472	3,511	4,236
Reserves	27,499	34,469	43,428	77,736
Net worth	30,896	37,248	46,939	81,972
Deposits	267,986	459,389	625,638	815,192
Borrowings	64,944	92,744	93,371	94,163
Total liabilities	363,825	590,070	765,947	991,327
Assets				
Cash and bank	26,733	34,960	48,149	62,736
Investments	93,185	179,356	221,457	269,460
Customer assets	230,846	352,551	472,823	635,191
Others	13,062	23,247	23,518	23,940
Total assets	363,825	590,070	765,947	991,327

Key Ratios (%)

(Year Ending Mar 31)	FY10	FY11P	FY12E	FY13E
NIM	3.0	2.9	2.9	3.0
Non-Il/avg assets	1.6	1.1	1.1	1.0
Fee income/avg assets	1.3	1.0	1.0	1.0
Opex/avg assets	1.7	1.4	1.3	1.4
Provisions/avg assets	0.5	0.2	0.2	0.2
PBT/avg assets	2.0	1.9	2.2	2.2
Tax/avg assets	0.7	0.6	0.7	0.7
RoA	1.6	1.5	1.6	1.7
RoAE	20.3	21.4	26.3	22.8
GNPA (%)	0.3	0.2	0.3	0.3
NNPA (%)	0.1	0.0	0.0	0.0

Valuations Table

(Year Ending Mar 31)	FY10	FY11P	FY12E	FY13E
Net profit (Rs mn)	4,777	7,270	11,085	14,720
Shares in issue (mn)	340	347	351	424
EPS (Rs)	14.1	21.0	31.6	34.7
PER (x)	23.5	15.7	10.5	9.5
FDEPS(Rs)	13.8	20.8	26.2	34.7
FDPER (x)	24.0	15.9	12.6	9.5
Book value (Rs)	91.0	109.3	133.7	193.5
P/BV (x)	3.6	3.1	2.5	1.7
Adj book value (Rs)	90.6	109.1	133.1	192.6
P/ABV (x)	3.6	3.1	2.5	1.7
P/PPP (x)	13.0	9.6	6.5	5.9
Dividend yield (%)	0.5	0.9	1.2	1.6

Recommendation History: Yes Bank – YES IN

Date	Reports	Reco	CMP	Target
20/01/2011	Yes Bank Q3FY11 Result Update	Accumulate	273	300
20/10/2010	Yes Bank Q 2FY11 Result Update	Reduce	352	300
22/07/2010	Yes Bank Q1FY11 Result Update	Reduce	298	260
27/04/2010	Yes Bank Q 4FY10 Result Update	Reduce	276	255

Recent Research Reports

Date	Reports	Reco	CMP	Target
18/04/2011	HDFC Bank Q4FY11 Result Update	Hold	2,316	2,530
18/04/2011	CRISIL Q1CY11 Result Update	Hold	6,834	7,000
15/04/2011	SBI Management Meet Update	Accumulate	2,819	3,000
13/04/2011	ICICI Bank Management Meet Update	Hold	1,099	1,200

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