



Strong Quarter!

27th July, 2017

CMP: Rs.1786
Target Price: Rs.2013
Recommendation: ACCUMULATE

Stock Info

BSE Group	A
BSE Code	532648
NSE Symbol	YESBANK
Bloomberg	YES IN
Reuters	YESB.BO
BSE Sensex	32,383
NSE Nifty	10,020

Market Info

Market Capital	Rs 81,603cr
Equity Capital	Rs 456 cr
Avg. Trading Vol.	29,68,640
52 Wk High/ Low	1798/1090
Face Value	10

Shareholding Pattern (%)	(June 2017)
Promoters	20.14
Domestic Institutions	22.87
Foreign Institutions	45.76
Public & Others	11.23

Price Vs Sensex Chart



Total Advances grew by 32% to Rs 1,39,972 crore as at Q1 FY18. Corporate banking accounted for 68.1% of the Advances portfolio while Retail & Business Banking constituted 31.9% due to increase in consumer banking and business banking. Total Deposits grew by 22.6% to Rs 1,50,241 crore. The CASA deposits grew by 52.2% y-o-y to Rs 55,215 crore taking up the CASA ratio to 36.8% up from 29.6% in the corresponding quarter on. Savings account deposits increased by 45.8% Y-o-Y. Current account deposits increased by 66.6%.

Aided by strong growth in advances and deposits, NII jumped by 44% to Rs 1,810 crore and non-interest income increased by 17.8% and stood at Rs 1132 crs. Net profit for the bank grew by 32% Y-o-Y to Rs 965 crores.

Gross NPAs declined QoQ from 1.5% to 0.97%, and net NPAs also declined to 0.39% from 0.8%. There was no new restructuring or sale to ARC during this quarter. One account (0.07%) was upgraded during the quarter from Restructured to Standard Asset due to satisfactory conduct during the prescribed period.

Total Capital funds for the bank stood at Rs 32,541 crores (45%) of which Tier 1 capital stood at 13.8%. Total risk weighted assets stood at Rs 1,85,221 crores. The daily average liquidity coverage ratio stood at 88.3%.

As on 30 June, 2017 total headcount for the bank stands at 20,851, an increase of 726 employees in the quarter and 4,430 incremental employees since June 30, 2016. The Bank's branch network stood at 1020 branches, an addition of 20 branches in the quarter and total ATM network stands at 1,796. Cost to income ratio increased to 42.1% from 41.1% Y-o-Y.

Valuation

YES Bank has delivered another quarter of satisfactory performance across key financial parameters of growth and profitability driven by expansion in NIMs to 3.7%. Bank's comprehensive product offerings continue to enable a healthy and granular credit growth. We have valued the bank at 3.9(x) its FY19E adj. book value and have arrived at fair value of Rs 2013 per share. At CMP of Rs 1,786, the stock is trading at P/ABV(x) of 3.5x its FY19 ABV. We have 'ACCUMULATE' rating on stock.

Financial Snapshot (Rs Cr)	FY16	FY17	FY18E	FY19E
Net interest income	4,567	5,798	7,387	9,515
Operating Profit	4,291	5,848	7,460	9,721
PAT	1,302	3,340	4,414	5,722
EPS (Rs)	60.6	73.2	96.7	125.3
EPS Growth (%)	23%	21%	32%	30%
RoE (%)	21%	19%	21%	26%
P/E (x)	14.3	21.9	18.5	14.2
P/ABV (x)	2.7	3.4	4.3	3.5

Source: Ace Equity, Arihant Research



Q1 FY18 EARNINGS SNAPSHOT

Reported Quarterly Results					
Particulars (Rs in Cr)	Q1 FY18	Q1 FY17	YoY	Q4 FY17	QoQ
Interest Earned	4,654	3,802	22%	4,349	7%
Interest Expended	2,845	2,546	12%	2,709	5%
Net Interest Income	1,809	1,256	44%	1,640	10%
Other Income	1,132	961	18%	1,257	-10%
<i>Other income / Net Income (%)</i>	38.5	43		43	
Total income	2941	2,217	33%	2,897	2%
Employee Expenses	546	407	34%	497	10%
Non-Employee expenses	691	503	37%	709	-3%
Operating Expenses	1,237	910	36%	1,206	3%
<i>Cost-income Ratio (%)</i>	42.1	41		42	
Pre-Prov Profits	1,704	1,307	30%	1,691	1%
Provisions & Contingencies	286	207	38%	310	-8%
PBT	1,418	1,100	29%	1,381	3%
Provisions for Tax	453	368	23%	467	-3%
<i>Effective Tax Rate (%)</i>	31.9	33	-5%	34	-6%
PAT (reported)	966	732	32%	914	6%
EPS Basic	21.1	17		22	
EPS Diluted	20.7	17		21	
GNPA	1,364	845	62%	2,019	-32%
NNPA	545	302	80%	1,072	-49%
GNPA (%)	1.0%	0.8%		1.5%	
NNPA (%)	0.4%	0.3%		0.8%	
Total CAR (%)	17.0	17		17	
Tier 1 (%)	13.3	11		13	
Tier 2 (%)	3.7	6		4	
NIM	3.7%	3.4%		3.6%	
Advances	1,39,972	1,05,942	32%	1,32,263	6%
Deposits	1,50,241	1,22,581	23%	1,42,874	5%



Income Statement			
Year to 31st March (Rs.Cr)	FY17	FY18E	FY19E
Interest Income	16,425	20,351	25,461
Interest Expenses	10,627	12,964	15,946
Net Interest Income	5,798	7,387	9,515
- growth %	27%	27%	29%
Other Income	4,218	5,483	7,238
Operating Income	10,016	12,870	16,753
- growth %	37%	28%	30%
Operating Expenses	4,169	5,409	7,032
- Staff Cost	1,840	2,429	3,158
- Other Operating Exp.	2,328	2,980	3,874
Gross Profits	5,848	7,460	9,721
- growth %	36%	28%	30%
Provisions	794	722	918
Profit Before Taxes	5,053	6,738	8,803
Taxes	1,714	2,325	3,081
Profit After Taxes	3,340	4,414	5,722
- growth %	157%	32%	30%

Balance Sheet			
As on 31st March (Rs. cr)	FY17E	FY18E	FY19E
LIABILITIES			
Capital	456	459	461
Reserves & Surplus	21,583	18,841	23,686
Share holders Fund	22,040	19,299	24,147
Deposits	1,42,857	1,79,909	2,25,625
Borrowings	38,607	46,328	55,594
Other liabilities & provisions	11,556	13,289	15,283
Total Liabilities	2,15,060	2,58,826	3,20,648
ASSETS			
Cash on hand & with RBI	6,952	8,096	10,153
Money at call and short notice	12,603	10,424	9,113
Advances	1,32,263	1,65,975	2,15,767
Investments	49,982	58,979	67,825
Fixed assets	687	893	1,161
Other assets	12,574	14,460	16,629
Total Assets	2,15,060	2,58,826	3,20,648

Ratio Analysis			
Year to 31st March	FY17E	FY18E	FY19E
Basic Ratio (Rs.)			
EPS	73	97	125
Book Value per share	483	423	529
Adjusted Book Value	474	412	516
Dividend per share	14.0	15.0	16.0
Asset Quality (%)			
Gross NPAs	0.9%	0.8%	0.8%
Net NPAs	0.3%	0.3%	0.3%
PCR	66%	64%	64%
Profitability ratios			
RoE	19%	21%	26%
RoA	1.8%	2.1%	2.5%

Spread analysis (%)			
	FY17E	FY18E	FY19E
NIM	3.4%	3.4%	3.6%
Cost to Income	41.6%	42.0%	42.0%
Yield			
Yield on investments	7.4%	7.2%	7.0%
Yield on advances	9.6%	9.5%	9.6%
Yield on funds	9.2%	9.1%	9.3%
Cost of funds	6.5%	6.4%	6.3%
Spread	2.7%	2.8%	3.0%
Valuation ratios (x)			
P/E	21.9	16.6	12.8
P/BV	3.3	3.8	3.0
P/ABV	3.4	3.9	3.1



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Stock Rating Scale

	Absolute Return
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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