



Another Strong Quarter!

20<sup>th</sup> Jan, 2017

**CMP:** Rs.1347  
**Target Price:** Rs.1476  
**Recommendation:** HOLD

Stock Info

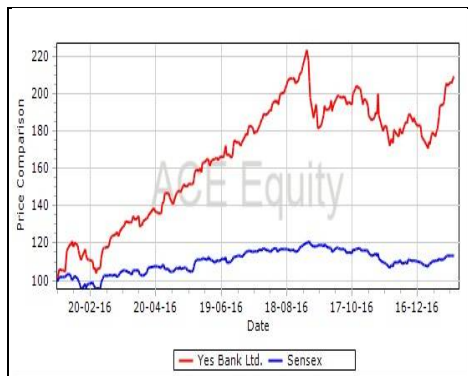
BSE Group	A
BSE Code	532648
NSE Symbol	YESBANK
Bloomberg	YES IN
Reuters	YESB.BO
BSE Sensex	27,214
NSE Nifty	8,408

Market Info

Market Capital	Rs 57,006cr
Equity Capital	Rs 422 cr
Avg. Trading Vol.	37,07,230
52 Wk High/ Low	1450/632
Face Value	10

Shareholding Pattern (%)	(Dec 2016)
Promoters	21.9
Domestic Institutions	24.0
Foreign Institutions	42.1
Public & Others	12.0

Price Vs Sensex Chart



Total Advances grew by 39% to Rs 1,17,087 crore as at Q3 FY17. Corporate banking accounted for 69% of the Advances portfolio while Retail & Business Banking constituted 31.1% dropping from 32.8% YoY due to drop in consumer banking and business banking. Total Deposits grew by 31% to Rs 1,32,376 crore. The CASA deposits grew by 63% y-o-y to Rs 44,126 crore taking up the CASA ratio to 33.3% up from 26.6% in the corresponding quarter on account of demonetization. Savings account deposits grew by 64.3% Y-o-Y. The Bank's C-D ratio stood at 88.5%,

Aided by strong growth in advances and deposits, NII jumped by 30% to Rs 1508 crore and non-interest income increased by 34% and stood at Rs 998 crs. Net profit for the bank grew by 31% Y-o-Y to Rs 883 crores.

Gross NPAs inclined QoQ from 0.83% to 0.85%, and net NPAs stood steady at 0.29%. Total Standard Restructured Advances stood at Rs 500 cr (0.42%) as at Dec 31, 2016 down from Rs 568 crores (0.67%) Y-o-Y.

Total Capital funds for the bank stood at Rs 26,865 crores (16.9%) of which Tier 1 capital stood at 12.2%. Total risk weighted assets stood at Rs 1,58,900 crores (85.6% of total assets). The monthly average liquidity coverage ratio stood at 88%.

As on 31 Dec, 2016 total headcount for the bank stands at 19,400, an increase of 869 employees in the quarter and 5,923 incremental employees since December 31, 2015. The Bank's branch network stood at 964 branches, an addition of 14 branches in the quarter and total ATM network stands at 1,757. Cost to income ratio increased to 42% from 39.6% 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 3.5%, while maintaining healthy asset quality. Bank's comprehensive product offerings continue to enable a healthy and granular credit growth We have valued the bank at 3.25(x) its FY18E adj. book value and have arrived at fair value of Rs 1,476 per share. At CMP of Rs 1,347, the stock is trading at P/ABV(x) of 3.0x its FY18 ABV. We have HOLD rating on stock.

Financial Snapshot (Rs Cr)	FY15	FY16	FY17E	FY18E
Net interest income	3,488	4,567	5,875	7,621
Operating Profit	3,250	4,303	5,711	7,416
PAT	2,005	2,539	3,338	4,390
EPS (Rs)	49.3	60.6	79.4	104.4
EPS Growth (%)	10%	23%	31%	32%
RoE (%)	19%	21%	21%	22%
P/E (x)	16.5	14.3	17.0	12.9
P/ABV (x)	2.9	2.7	3.3	3.0

Source: Ace Equity, Arihant Research



Q3 FY17 EARNINGS SNAPSHOT

Reported Quarterly Results					
Particulars (Rs in Cr)	Q3 FY17	Q3 FY16	YoY	Q2FY17	QoQ
Interest Earned	4,232	3,376	25%	4,094	3%
Interest Expended	2,724	2,219	23%	2,648	3%
<b>Net Interest Income</b>	<b>1,508</b>	<b>1,157</b>	<b>30%</b>	<b>1,446</b>	<b>4%</b>
Other Income	998	746	34%	888	12%
<i>Other income / Net Income (%)</i>	39.8	39.2		38.0	
<b>Total income</b>	<b>2506</b>	<b>1903</b>	<b>32%</b>	<b>2334</b>	<b>7%</b>
Employee Expenses	467	343	36%	433	8%
Non-Employee expenses	585	411	42%	515	14%
<b>Operating Expenses</b>	<b>1,052</b>	<b>753</b>	<b>40%</b>	<b>948</b>	<b>11%</b>
<i>Cost-income Ratio (%)</i>	42.0	39.6		40.6	
<b>Pre-Prov Profits</b>	<b>1,454</b>	<b>1,150</b>	<b>26%</b>	<b>1,386</b>	<b>5%</b>
Provisions & Contingencies	115	148	-22%	162	-29%
<b>PBT</b>	<b>1,338</b>	<b>1,002</b>	<b>34%</b>	<b>1,224</b>	<b>9%</b>
Provisions for Tax	456	326	40%	423	8%
<i>Effective Tax Rate (%)</i>	34.1	32.5	5%	34.5	-1%
<b>PAT (reported)</b>	<b>883</b>	<b>676</b>	<b>31%</b>	<b>802</b>	<b>10%</b>
EPS Basic	20.9	16.1		19.0	
EPS Diluted	0.0	15.8		18.5	
GNPA	1,006	559	80%	917	10%
NNPA	342	187	83%	323	6%
GNPA (%)	0.9%	0.7%		0.8%	
NNPA (%)	0.3%	0.2%		0.3%	
Total CAR (%)	15.0	15.6		16.1	
Tier 1 (%)	10.0	11.5		10.9	
Tier 2 (%)	5.0	4.1		5.2	
NIM	3.5%	3.4%		3.4%	
Advances	1,17,087	84,396	39%	1,10,216	6%
Deposits	1,32,376	1,01,437	31%	1,28,024	3%



Income Statement				
Year to 31st March (Rs.Cr)	FY15	FY16	FY17E	FY18E
Interest Income	11,572	13,533	16,366	20,420
Interest Expenses	8,084	8,967	10,491	12,799
<b>Net Interest Income</b>	<b>3,488</b>	<b>4,567</b>	<b>5,875</b>	<b>7,621</b>
- growth %	28%	31%	29%	30%
Other Income	2,046	2,712	3,770	4,901
<b>Operating Income</b>	<b>5,534</b>	<b>7,279</b>	<b>9,645</b>	<b>12,522</b>
- growth %	25%	32%	33%	30%
Operating Expenses	2,285	2,976	3,934	5,106
- Staff Cost	980	1,297	1,751	2,311
- Other Operating Exp.	1,305	1,680	2,183	2,795
<b>Gross Profits</b>	<b>3,250</b>	<b>4,303</b>	<b>5,711</b>	<b>7,416</b>
- growth %	21%	32%	33%	30%
Provisions	339	536	615	714
<b>Profit Before Taxes</b>	<b>2,910</b>	<b>3,766</b>	<b>5,096</b>	<b>6,702</b>
Taxes	905	1,227	1,758	2,312
<b>Profit After Taxes</b>	<b>2,005</b>	<b>2,539</b>	<b>3,338</b>	<b>4,390</b>
- growth %	24%	27%	31%	32%

Balance Sheet				
As on 31st March (Rs. cr)	FY15	FY16	FY17E	FY18E
<b>LIABILITIES</b>				
Capital	418	421	423	425
Reserves & Surplus	11,262	13,366	17,235	19,146
<b>Share holders Fund</b>	<b>11,680</b>	<b>13,787</b>	<b>17,657</b>	<b>19,571</b>
Deposits	91,176	1,11,720	1,40,292	1,79,909
Borrowings	26,220	31,659	37,358	44,829
Other liabilities & provisions	7,094	8,098	9,313	10,710
<b>Total Liabilities</b>	<b>1,36,170</b>	<b>1,65,263</b>	<b>2,04,620</b>	<b>2,55,020</b>
<b>ASSETS</b>				
Cash on hand & with RBI	5,241	5,776	7,716	8,096
Money at call and short notice	2,316	2,442	5,919	6,526
Advances	75,550	98,210	1,27,673	1,65,975
Investments	46,605	48,838	50,792	59,935
Fixed assets	319	471	612	796
Other assets	6,139	9,526	11,907	13,693
<b>Total Assets</b>	<b>1,36,170</b>	<b>1,65,263</b>	<b>2,04,620</b>	<b>2,55,020</b>

Ratio Analysis				
Year to 31st March	FY15	FY16	FY17E	FY18E
<b>Basic Ratio (Rs.)</b>				
EPS	49	61	79	104
Book Value per share	280	328	420	465
Adjusted Book Value	277	321	411	454
Dividend per share	9.0	10.0	14.0	15.0
<b>Asset Quality (%)</b>				
Gross NPAs	0.4%	0.8%	0.9%	0.8%
Net NPAs	0.1%	0.3%	0.3%	0.3%
PCR	72%	62.0%	66%	65%
<b>Profitability ratios</b>				
RoE	19%	21%	21%	22%
RoA	1.6%	1.8%	1.8%	2.1%

Spread analysis (%)				
	FY15	FY16	FY17E	FY18E
NIM	3.2%	3.4%	3.5%	3.7%
Cost to Income	41.3%	40.9%	40.8%	40.8%
<b>Yield</b>				
Yield on investments	7.4%	7.2%	7.4%	7.2%
Yield on advances	10.6%	9.9%	9.6%	9.5%
Yield on funds	10.0%	9.5%	9.4%	9.4%
Cost of funds	7.6%	6.9%	6.5%	6.4%
Spread	2.4%	2.6%	2.9%	3.1%
<b>Valuation ratios (x)</b>				
P/E	16.5	14.3	17.0	12.9
P/BV	2.9	2.6	3.2	2.9
P/ABV	2.9	2.7	3.3	3.0



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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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