



Growth momentum to continue going ahead

**CMP:** Rs.944  
**Target Price:** Rs.1096

**Recommendation:** ACCUMULATE

Stock Info

BSE Group	A
BSE Code	532648
NSE Symbol	YESBANK
Bloomberg	YES IN
Reuters	YESB.BO
BSE Sensex	25,606
NSE Nifty	7,849

Market Info

Market Capital	Rs 39,704 cr
Equity Capital	Rs 421 cr
Avg. Trading Vol	94,54,870
52 Wk High/ Low	952/590
Face Value	10

Shareholding Pattern (%)	(31 <sup>st</sup> Mar 2016)
Promoters	22.0
Domestic Institutions	24.2
Foreign Institutions	41.2
Public & Others	12.6

Price Vs Sensex Chart



30<sup>th</sup> April, 2016

**Advances up 30%:** Total Advances grew by 30.0% to 98,210 crore as at Q4FY16. Corporate banking accounted for 65.1% of the Advances portfolio while Retail & Business Banking constituted 34.9%. Total Deposits grew by 23% to Rs 111,720cr. The Bank's CD ratio stood at 87.9%, while the (CASA) deposits grew by 48.7% y-o-y to 31,343 crore taking the CASA ratio to 28.1% this quarter up from 23.1% which was in Q4FY15. Further, SA deposits grew by 62.3% to Rs 20,418 crore from Rs. 12,580 crore.

Aided by strong growth in advances and deposits, NII jumped 27% to Rs 1,241cr and non-interest income increased by 36% and stood at Rs 803 crs. Increase in other income is due to sharp rise in Retail banking fees and income from financial markets.

**Asset quality increased marginally:** Gross NPAs increased QoQ from 0.7% to 0.8%, and net NPAs went up to 0.3%. Cost to income ratio decreased to 40.1% from 40.3% in same quarter last year. Total Restructured Asset stood at 524 cr as at Mar 31, 2016. During the quarter, the Bank has not done any restructuring. Further, there were no slippages from the restructured book into NPA, during the current fiscal.

During Q4FY16, the Bank continued with the LCR maintenance at well above 70% regulatory requirement with monthly average Liquidity Coverage ratio of 83.9%, reflecting a healthy liquidity position.

**EXPANSION INITIATIVES**

YES Bank continues investing significantly in new-age mediums and digital technologies to achieve a heightened customer engagement and experience.

Total headcount stands at 15,000 as at March 31, 2016, an increase of 1,523 employees in the quarter (highest ever addition in a single quarter) and 4,190 incremental employees during the year.

The Bank's branch network stood at 860 branches as on March 31, 2016, an addition of 110 branches in the quarter. Total ATM network stands at 1,609 as on March 31, 2016, of which 359 are Bunch Note Acceptors (BNA).

**Outlook:** Bank reported another consistent growth during the quarter; we expect momentum will be continued in coming quarters. We believe improvement in liability franchise, loan composition, consistent balance sheet growth, and superior asset quality. We have valued bank at 3(x) its FY17 adj book value and have arrived at fair value of Rs 1096 per share. At CMP of Rs 944, the stock is trading at P/ABV(x) of 2.6x its FY17 adjusted book value of Rs 365 per share. We recommend **ACCUMULATE** rating on stock.

Financials:

(Rs Cr)	FY14	FY15	FY16	FY17E
Net interest income	2,716	3,488	4,567	5,679
Operating Profit	2,688	3,250	4,303	5,146
PAT	1,618	2,005	2,539	3,037
EPS (Rs)	44.9	49.3	60.6	72.2
EPS Growth (%)	23%	10%	23%	19%
RoE (%)	25%	19%	21%	20%
P/E (x)	9.2	16.5	14.3	13.1
P/ABV (x)	2.1	2.9	2.7	2.6



**Q4FY16 EARNINGS SNAPSHOT**

<b>Reported Quarterly Results</b>						
<b>Particulars (Rs in Cr)</b>	<b>Q4FY16</b>	<b>Q4FY15</b>	<b>YoY</b>	<b>Q3FY16</b>	<b>QoQ</b>	<b>Comments</b>
Interest Earned	3,528	3,088	14%	3,376	5%	
Interest Expended	2,287	2,111	8%	2,219	3%	
<b>Net Interest Income</b>	<b>1,241</b>	<b>977</b>	<b>27%</b>	<b>1,157</b>	<b>7.3%</b>	Healthy NII performance on account of strong loan growth of 30% YoY
Other Income	803	590	36%	746	7.6%	Other income for the bank has come up largely due to increase in income from financial market
<i>Other income / Net Income (%)</i>	39.3	37.7		39.2		
<b>Total income</b>	<b>2044</b>	<b>1568</b>	<b>30%</b>	<b>1903</b>	<b>7%</b>	
Employee Expenses	353	262	35%	343	3%	
Non-Employee expenses	466	368	27%	411	13%	
<b>Operating Expenses</b>	<b>819</b>	<b>630</b>	<b>30%</b>	<b>753</b>	<b>9%</b>	Opex higher due to rise in non-employee expenses
<i>Cost-income Ratio (%)</i>	40.1	40.2		39.6		
<b>Pre-Prov Profits</b>	<b>1,225</b>	<b>938</b>	<b>31%</b>	<b>1,150</b>	<b>7%</b>	
Provisions & Contingencies	186	126	48%	148	26%	
<b>PBT</b>	<b>1,039</b>	<b>811</b>	<b>28%</b>	<b>1,002</b>	<b>4%</b>	
Provisions for Tax	337	260	30%	326	3%	
<i>Effective Tax Rate (%)</i>	32.4	32.1	1%	32.5	0%	
<b>PAT (reported)</b>	<b>702</b>	<b>551</b>	<b>27%</b>	<b>676</b>	<b>4%</b>	
EPS Basic	16.7	13.2		16.1		
EPS Diluted	16.4	12.9		15.8		
GNPA	749.0	313.4	139%	558.6	34%	
NNPA	284.5	87.7	224%	187.2	52%	
GNPA (%)	0.8%	0.4%		0.7%		Asset quality increased marginal on YoY
NNPA (%)	0.3%	0.1%		0.2%		
Total CAR (%)	16.5	15.6		16.1		
Tier 1 (%)	10.7	11.5		10.9		
Tier 2 (%)	5.8	4.1		5.2		
NIM	3.4%	3.2%		3.4%		Stable NIM
Advances	98,210	75,550	30%	84,396	16.4%	Healthy growth in advances backed by refinancing activities
Deposits	1,11,720	91,176	23%	1,01,437	10.1%	Deposit base looks strong



Income Statement				
Year to 31st March (Rs.Cr)	FY14	FY15	FY16	FY17E
Interest Income	9,981	11,572	13,533	15,766
Interest Expenses	7,265	8,084	8,967	10,088
<b>Net Interest Income</b>	<b>2,716</b>	<b>3,488</b>	<b>4,567</b>	<b>5,679</b>
- growth %	22%	28%	31%	24%
Other Income	1,722	2,046	2,712	3,200
<b>Operating Income</b>	<b>4,438</b>	<b>5,534</b>	<b>7,279</b>	<b>8,879</b>
- growth %	28%	25%	32%	22%
Operating Expenses	1,750	2,285	2,976	3,733
- Staff Cost	784	980	1,297	1,634
- Other Operating Exp.	965	1,305	1,680	2,099
<b>Gross Profits</b>	<b>2,688</b>	<b>3,250</b>	<b>4,303</b>	<b>5,146</b>
- growth %	26%	21%	32%	20%
Provisions	362	339	536	490
<b>Profit Before Taxes</b>	<b>2,326</b>	<b>2,910</b>	<b>3,766</b>	<b>4,656</b>
Taxes	709	905	1,227	1,619
<b>Profit After Taxes</b>	<b>1,618</b>	<b>2,005</b>	<b>2,539</b>	<b>3,037</b>
- growth %	24%	24%	27%	20%

Ratio Analysis				
Year to 31st March	FY14	FY15	FY16	FY17E
<b>Basic Ratio (Rs.)</b>				
EPS	44.9	49.3	60.6	72.2
Book Value per share	197.5	279.6	327.8	371.6
Adjusted Book Value	196.8	277.5	321.1	365.4
Dividend per share	8.0	9.0	10.0	11.0

Asset Quality (%)				
Gross NPAs	0.3%	0.4%	0.8%	0.7%
Net NPAs	0.0%	0.1%	0.3%	0.2%
PCR	85%	72%	62.0%	71%

Profitability ratios				
RoE	25%	19%	21%	20%
RoA	1.6%	1.6%	1.8%	1.7%
<b>NIM</b>	<b>2.9%</b>	<b>3.2%</b>	<b>3.4%</b>	<b>3.4%</b>
Operating Profit Margin	23%	24%	26%	27%
Net Profit Margin	14%	15%	16%	16%
Cost to Income	39%	41%	41%	42%

Source: Company data, Arianth Research

Balance Sheet				
As on 31st March (Rs. cr)	FY14	FY15	FY16	FY17E
<b>LIABILITIES</b>				
Capital	361	418	421	421
Reserves & Surplus	6,761	11,262	13,366	15,207
<b>Share holders Fund</b>	<b>7,122</b>	<b>11,680</b>	<b>13,787</b>	<b>15,628</b>
Deposits	74,192	91,176	1,11,720	1,35,587
Borrowings	21,314	26,220	31,659	34,192
Other liabilities & provisions	6,388	7,094	8,098	9,151
<b>Total Liabilities</b>	<b>1,09,016</b>	<b>1,36,170</b>	<b>1,65,263</b>	<b>1,94,557</b>
<b>ASSETS</b>				
Cash on hand & with RBI	4,542	5,241	5,776	6,342
Money at call and short notice	1,350	2,316	2,442	2,520
Advances	55,633	75,550	98,210	1,29,637
Investments	40,950	46,605	48,838	49,815
Fixed assets	293	319	471	527
Other assets	6,247	6,139	9,526	5,716
<b>Total Assets</b>	<b>1,09,016</b>	<b>1,36,170</b>	<b>1,65,263</b>	<b>1,94,557</b>

Spread analysis (%)				
	FY14	FY15	FY16	FY17E
<b>Yield on advances</b>	11.8%	10.6%	9.9%	8.5%
Yield on investments	8.3%	7.4%	7.2%	8.2%
Cost of deposits				
Yield on funds	10.5%	10.0%	9.5%	9.2%
Cost of funds	7.9%	7.6%	6.9%	6.4%
Spread	2.6%	2.4%	2.6%	2.7%
<b>Valuation ratios (x)</b>				
P/E	9.21	16.55	14.27	13.07
P/BV	2.09	2.92	2.64	2.54
<b>P/ABV</b>	<b>2.10</b>	<b>2.94</b>	<b>2.69</b>	<b>2.58</b>



### Arihant Research Desk

E. [research@arihantcapital.com](mailto:research@arihantcapital.com)  
T. 022-42254800

### Head Office

#1011, Solitaire Corporate park,  
Building No. 10, 1<sup>st</sup> Floor,  
Andheri Ghatkopar Link Road,  
Chakala, Andheri (E).  
Mumbai - 400093  
Tel: (91-22) 42254800  
Fax: (91-22) 42254880

### Registered Office

E-5 Ratlam Kothi  
Indore - 452003, (M.P.)  
Tel: (91-731) 3016100  
Fax: (91-731) 3016199

### Stock Rating Scale

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

### Research Analyst Registration No.

INH000002764

### Contact

SMS: 'Arihant' to 56677

### Website

[www.arihantcapital.com](http://www.arihantcapital.com)

### Email Id

[research@arihantcapital.com](mailto:research@arihantcapital.com)

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