



NPA WOES!

20th April, 2017

CMP: Rs.1605
Target Price: Rs.1647
Recommendation: NEUTRAL

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

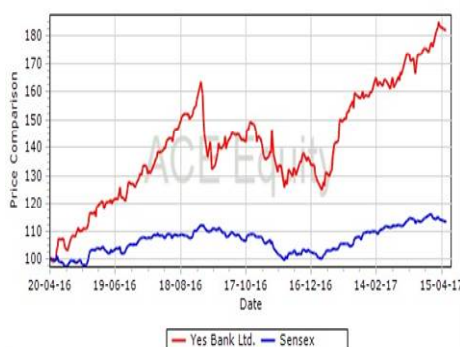
Market Info

Market Capital	Rs 70,565cr
Equity Capital	Rs 422 cr
Avg. Trading Vol.	7,90,503.63
52 Wk High/ Low	1638/861
Face Value	10

Shareholding Pattern (%) (Dec 2016)

Promoters	20.19
Domestic Institutions	23.31
Foreign Institutions	46.65
Public & Others	9.85

Price Vs Sensex Chart



Total Advances grew by 34.7% to Rs 1,32,263 crore as at Q4 FY17. Corporate banking accounted for 67.7% of the Advances portfolio while Retail & Business Banking constituted 32.3% due to increase in consumer banking and business banking. Total Deposits grew by 27.9% to Rs 1,42,874 crore. The CASA deposits grew by 65.5% y-o-y to Rs 51,869 crore taking up the CASA ratio to 36.3% up from 33.3% in the corresponding quarter on. Savings account deposits fell by 60.6% Y-o-Y. The Bank's C-D ratio stood at 92.6%,

Aided by strong growth in advances and deposits, NII jumped by 32.1% to Rs 1640 crore and non-interest income increased by 57% and stood at Rs 1639.7 crs. Net profit for the bank grew by 30% Y-o-Y to Rs 914 crores.

Gross NPAs inclined QoQ from 0.85% to 1.52%, and net NPAs stood steady at 0.81%. Total Standard Restructured Advances stood at Rs 482 cr (0.36%) as at April 31, 2016 down from Rs 500 crores (0.42%) Q-o-Q.

Total Capital funds for the bank stood at Rs 31,731 crores (17%) of which Tier 1 capital stood at 13.3%. Total risk weighted assets stood at Rs 1,86,330 crores. The daily average liquidity coverage ratio stood at 88.1%.

As on 31 April, 2017 total headcount for the bank stands at 20,125, an increase of 725 employees in the quarter and 6,025 incremental employees since March 31, 2016. The Bank's branch network stood at 1000 branches, an addition of 36 branches in the quarter and total ATM network stands at 1,785. Cost to income ratio increased to 41.6% from 40.1% 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 3.6%. Bank's comprehensive product offerings continue to enable a healthy and granular credit growth. We have valued the bank at 3.15(x) its FY19E adj. book value and have arrived at fair value of Rs 1,647 per share. At CMP of Rs 1,605, the stock is trading at P/ABV(x) of 3.1x its FY19 ABV. We have NEUTRAL rating on stock.

Financial Snapshot (Rs Cr)	FY16	FY17	FY18E	FY19E
Net interest income	4,567	5,875	7,621	9,795
Operating Profit	4,303	5,711	7,416	9,627
PAT	2,539	3,338	4,390	5,661
EPS (Rs)	60.6	73.6	96.9	124.9
EPS Growth (%)	23%	21%	32%	29%
RoE (%)	21%	19%	22%	26%
P/E (x)	14.3	21.8	16.6	12.8
P/ABV (x)	2.7	3.6	3.8	3.1

Source: Ace Equity, Arihant Research



Q4 FY17 EARNINGS SNAPSHOT

Reported Quarterly Results					
Particulars (Rs in Cr)	Q4 FY17	Q4 FY16	YoY	Q3 FY17	QoQ
Interest Earned	4,349	3,528	23%	4,232	3%
Interest Expended	2,709	2,287	18%	2,724	-1%
Net Interest Income	1,640	1,241	32%	1,508	9%
Other Income	1,257	803	57%	998	26%
<i>Other income / Net Income (%)</i>	43.4	39		40	
Total income	2897	2,044	42%	2,506	16%
Employee Expenses	497	353	41%	467	6%
Non-Employee expenses	709	466	52%	585	21%
Operating Expenses	1,206	819	47%	1,052	15%
<i>Cost-income Ratio (%)</i>	41.6	40		42	
Pre-Prov Profits	1,691	1,225	38%	1,454	16%
Provisions & Contingencies	310	186	66%	115	168%
PBT	1,381	1,039	33%	1,338	3%
Provisions for Tax	467	337	39%	456	2%
<i>Effective Tax Rate (%)</i>	33.8	32	4%	34	-1%
PAT (reported)	914	702	30%	883	4%
EPS Basic	21.6	17		21	
EPS Diluted	21.1	16		20	
GNPA	2,019	749	170%	1,006	101%
NNPA	1,072	285	277%	342	213%
GNPA (%)	1.5%	0.8%		0.9%	
NNPA (%)	0.8%	0.3%		0.3%	
Total CAR (%)	17.0	17		15	
Tier 1 (%)	13.3	11		10	
Tier 2 (%)	3.7	6		5	
NIM	3.6%	3.4%		3.5%	
Advances	1,32,263	98,210	35%	1,17,087	13%
Deposits	1,42,874	1,11,720	28%	1,32,376	8%



Income Statement				
Year to 31st March (Rs.Cr)	FY16	FY17E	FY18E	FY19E
Interest Income	13,533	16,366	20,420	25,538
Interest Expenses	8,967	10,491	12,799	15,743
Net Interest Income	4,567	5,875	7,621	9,795
- growth %	31%	29%	30%	29%
Other Income	2,712	3,770	4,901	6,469
Operating Income	7,279	9,645	12,522	16,265
- growth %	32%	33%	30%	30%
Operating Expenses	2,976	3,934	5,106	6,637
- Staff Cost	1,297	1,751	2,311	3,004
- Other Operating Exp.	1,680	2,183	2,795	3,633
Gross Profits	4,303	5,711	7,416	9,627
- growth %	32%	33%	30%	30%
Provisions	536	615	714	918
Profit Before Taxes	3,766	5,096	6,702	8,709
Taxes	1,227	1,758	2,312	3,048
Profit After Taxes	2,539	3,338	4,390	5,661
- growth %	27%	31%	32%	29%

Balance Sheet				
As on 31st March (Rs. cr)	FY16	FY17E	FY18E	FY19E
LIABILITIES				
Capital	421	453	455	458
Reserves & Surplus	13,366	20,052	19,033	23,823
Share holders Fund	13,787	20,505	19,488	24,282
Deposits	1,11,720	1,40,292	1,79,909	2,25,625
Borrowings	31,659	37,358	44,829	53,795
Other liabilities & provisions	8,098	9,313	10,710	12,317
Total Liabilities	1,65,263	2,07,467	2,54,936	3,16,018
ASSETS				
Cash on hand & with RBI	5,776	7,716	8,096	10,153
Money at call and short notice	2,442	8,767	6,442	4,391
Advances	98,210	1,27,673	1,65,975	2,15,767
Investments	48,838	50,792	59,935	68,925
Fixed assets	471	612	796	1,034
Other assets	9,526	11,907	13,693	15,747
Total Assets	1,65,263	2,07,467	2,54,936	3,16,018

Ratio Analysis				
Year to 31st March	FY16	FY17E	FY18E	FY19E
Basic Ratio (Rs.)				
EPS	61	74	97	125
Book Value per share	328	452	430	536
Adjusted Book Value	321	444	420	523
Dividend per share	10.0	14.0	15.0	16.0
Asset Quality (%)				
Gross NPAs	0.8%	0.9%	0.8%	0.8%
Net NPAs	0.3%	0.3%	0.3%	0.3%
PCR	62.0%	66%	65%	64%
Profitability ratios				
RoE	21%	19%	22%	26%
RoA	1.8%	1.8%	2.1%	2.5%

Spread analysis (%)				
	FY16	FY17E	FY18E	FY19E
NIM	3.4%	3.5%	3.6%	3.8%
Cost to Income	40.9%	40.8%	40.8%	40.8%
Yield				
Yield on investments	7.2%	7.4%	7.2%	7.0%
Yield on advances	9.9%	9.6%	9.5%	9.6%
Yield on funds	9.5%	9.3%	9.4%	9.5%
Cost of funds	6.9%	6.5%	6.4%	6.2%
Spread	2.6%	2.8%	3.0%	3.2%
Valuation ratios (x)				
P/E	14.3	21.8	16.6	12.8
P/BV	2.6	3.5	3.7	3.0
P/ABV	2.7	3.6	3.8	3.1

*Note: Since audited annual figures for FY17 has not been released, estimates are represented.



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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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