

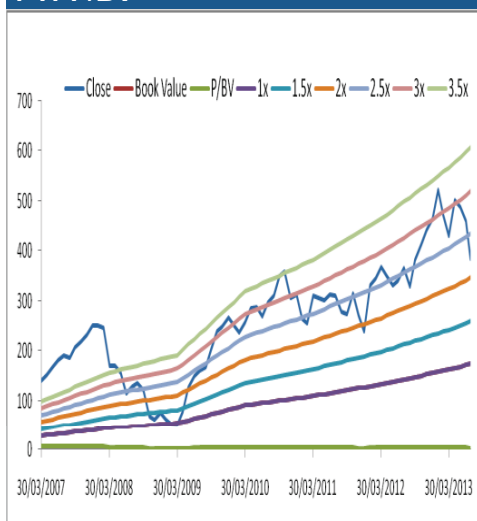
Result update	BUY
CMP	374
Target Price	395
Previous Target Price	-
Upside	6
Change from Previous	-

Market Data	
BSE Code	532648
NSE Symbol	YESBANK
52wk Range H/L	547/322
Mkt Capital (Rs Cr)	13424
Average Daily Volume	74.79
Nifty	5907

Stock Performance	1M	1yr	YTD
Absolute	-15.3	9.6	13.9
Rel.to Nifty	-21.0	-5.8	1.5

Share Holding Pattern-%	Current	4QFY13	3QFY1
Promoters	25.6	25.7	25.8
FII	46.0	49.0	48.3
DII	15.7	13.2	14.7
Others	12.7	12.1	11.3

## 1 Yr P/BV



**Yes bank earnings were better than expected due to higher NII growth and treasury gain. Bank reported stable asset quality and much above of provision coverage ratio against regulatory requirement. Net profit margin were stable at 3% but we do not expected margin will stable at current level as RBI has increased the borrowing cost which will hurt bank's profitability and credit growth as well. Bank has higher dependence on wholesale fund. Currently stock is trading at 1.8 times of one year forward book and 4.4 times of one year forward earnings. We have revised out valuation multiple to 2 times from earlier to 2.3 times on account of likely rising cost of fund and reducing margin. Post correction bank is trading at reasonable valuation. We recommend buy with price target of 395.**

**Better than expected earnings driven by higher NII growth and treasury income**  
Yes Bank performance was better than expected with net profit grown by 38.2% YoY to Rs.401 cr supported by NII growth and non interest income. Margin was stable at 3% and bank's strong revenue growth helped to make higher provision. We do not believe bank's margin will stable at current level going forward as RBI has increased the cost of borrowing. We note that Yes bank has higher dependence on wholesale fund which will not only increase the cost of fund but also hurt margin.

**Strong growth in NII led by advance growth and credit deposits ratio**  
During quarter bank's NII grew by 39.6% YoY and 3.3% QoQ to Rs.659 cr largely due to advance growth of 24.3% and sequentially credit deposits ratio improvement of 320 bps to 73.4%. Total revenue grew by 40.4% YoY to Rs.703 cr supported by higher non -interest income of Rs.442 cr versus Rs.288 cr in 1QFY13 and Rs.379 cr in 4QFY13. Financial market contributed 26% of operating profit grew by 84.2% YoY and financial advisory (21% of PBT) grew by 40% YoY. Retail banking and Transaction banking reported supported revenue of Rs.37 cr and Rs. 88 cr versus Rs. 22 cr and Rs.69.4 cr in 1QFY13 respectively.

## Higher operating profit supported by stable cost income ratio and healthy revenue growth

Operating profit grew by 48% YoY to Rs.680 cr largely due to declined of cost income ratio on YoY basis to 38.2% from 39.6% and healthy revenue growth. Operating expenses increased by 40% YoY on which employee cost and other operating expenses increased by 29.6% and 51.3% YoY respectively.

Financials	Rs, Cr				
	2011	2012	2013	2014E	2015E
NII	1247	1616	2219	2834	2992
Total Income	1870	2473	3476	4092	4249
PPP	1190	1540	2142	2537	2677
Net Profit	727	977	1301	1522	1606
EPS	20.9	27.7	36.3	42.3	44.7

(Source: Company/Eastwind)

# YES BANK

Yes bank reported higher employee cost as a percentage of total operating cost in peers but bank has made continuous effort to reduce the cost as percentage of employee cost to total cost came down to 47.8% from 51.6% in 1QFY13. Cost income declined by 130 bps YoY to 38.3%.

## **Stable credit growth and strong traction in saving account**

The total advance grew by 24.3% YoY to Rs.47898 cr including credit substitute. The corporate advances grew by 23.1% YoY while the retail advances grew at a faster rate of 41.6% YoY. Large corporate constitute 64.3%, mid -sized corporate 18.6% and retail banking constitute 17.1% of total advance. Deposits grew by 30% YoY to Rs.65245 cr. Strong traction in deposits growth came from saving account deposits as grew by 120% YoY largely due to higher interest paid by bank. Share of saving deposits to total deposits increased to 10.1% from 6% in 1QFY13. Share of current deposits to total deposits remain same at 10%, however in absolute term current deposits registered growth of 26.6% YoY. CASA ratio increased by 61% YoY to Rs.13163 cr and in percentage term CASA ratio stood at 20.2% versus 16.3% in 1QFY13.

## **Impressive asset quality**

On asset quality front, bank continue to report stable asset quality with GNPA and net NPA stood at 0.2% and 0% respectively. In absolute term GNPA and NPA improved by 4% and 49% on YoY basis. The total restructure asset stood at Rs.140 cr which was 0.29% of gross advance, reported improvement in sequential basis of 0.5%. During quarter bank's provisions increased by 223% YoY to Rs.97 cr from Rs.30 cr in 1QFY13. Higher NII growth and other income supported bank to make higher provision and provision coverage ratio improved to 88.5% from 78.4% in 1QFY13, much above of regulatory requirement of 70%.

## **Valuation &view**

Yes bank earnings were better than expected due to higher NII growth and treasury gain. Bank reported stable asset quality and much above of provision coverage ratio against regulatory requirement. Net profit margin were stable at 3% but we do not expected margin will stable at current level as RBI has increased the borrowing cost which will hurt bank's profitability and credit growth as well. Bank has higher dependence on wholesale fund. Currently stock is trading at 1.8 times of one year forward book and 1.4 times of one year forward earnings. We have revised out valuation multiple to 2 times from earlier to 2.3 times on account of likely rising cost of fund and reducing margin. Post correction bank is trading at reasonable valuation. We recommend buy with price target of 395.

# YES BANK

## Quarterly Result

	1QFY14	4QFY13	1QFY13	%YoY Gr	%QoQ Gr
Interest/discount on advances / bills	1520	1465	1247	21.8	3.7
Income on investments	874	814	630	38.7	7.4
Interest on balances with Reserve Bank of India	2	3	4	-48.2	-24.0
Others	2	5	5	-65.6	-68.5
Total Interest Income	2398	2288	1886	27.1	4.8
Others Income	442	379	288	53.4	16.5
Total Income	2840	2667	2174	30.6	6.5
Interest Expended	1739	1650	1414	23.0	5.4
NII	659	638	472	39.6	3.3
Other Income	442	379	288	53.4	16.5
Total Income	1101	1018	760	44.8	8.2
Employee	201	174	155	29.6	15.5
Other Expenses	220	209	145	51.3	5.0
Operating Expenses	421	384	301	40.1	9.8
PPP( Rs Cr)	680	634	460	47.9	7.3
Provisions	97	98	30	223.2	-0.6
PBT	583	536	430	35.7	8.7
Tax	182	174	139	30.6	4.6
Net Profit	401	362	290	38.2	10.7

## Balance Sheet Data

<b>Assets</b>	<b>100,802</b>	<b>99,104</b>	<b>78,224</b>	28.9	1.7
Advances	47,898	46999.6	38533.9	24.3	1.9
Investments	41,824	42976	30517.2	37.1	-2.7
<b>Liabilities + Shareholder's Equity</b>	<b>100,802</b>	<b>99,104</b>	<b>78,224</b>	28.9	1.7
Shareholders' Funds	6,224	5807.7	4978.4	25.0	7.2
Deposits	65,245	66955.6	50208.1	29.9	-2.6
CASA	13,163	12687.5	8170.2	61.1	3.7

## Ratio

Cost to Income ratio	211.5	218.5	164.1	28.9	-3.2
NIM	3%	3%	2.9%	3.4	0.0
RoA (Annualized)	1.6%	1.6%	1.5%	6.7	0.0
RoE (Annualized)	26.7%	25.2%	24.0%	11.3	6.0
No. of Branches	475	430	381	24.7	10.5
No. of ATMs	1051	951	642	63.7	10.5

Source: Eastwind/Company

# YES BANK

<b>Income Statement</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>
Interest Income	2370	4042	6307	8294	10161	10170
Interest Expense	1582	2795	4692	6075	7326	7178
NII	788	1247	1616	2219	2834	2992
Change (%)		58.2	29.6	37.3	27.7	5.6
Non Interest Income	576	623	857	1257	1257	1257
Total Income	1363	1870	2473	3476	4092	4249
Change (%)		37.2	32.2	40.6	17.7	3.8
Operating Expenses	500	680	933	1335	1555	1572
Pre Provision Profits	863	1190	1540	2142	2537	2677
Change (%)		37.9	29.4	39.1	18.5	5.5
Provisions( Incl tax)	386	463	563	841	1015	1071
PAT	478	727	977	1301	1522	1606
Change (%)		52.2	34.4	33.1	17.0	5.5
<b>Balance Sheet</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>
Deposits( Rs Cr)	26799	45939	49152	66956	80347	78294
Change (%)		71.4	7.0	36.2	20.0	-2.6
of which CASA Dep	2818	4751	7392	12688	20087	23488
Change (%)		68.6	55.6	71.6	58.3	16.9
Borrowings( Rs Cr)	4749	6691	14156	20922	25373	24724
Investments( Rs Cr)	10210	18829	27757	42976	51802	50479
Loans( Rs Cr)	22193	34364	37989	47000	58749	59872
Change (%)		54.8	10.5	23.7	25.0	1.9
<b>Ratio</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>
Avg. Yield on loans	8.0	8.7	11.7	11.5	11.5	11.5
Avg. Yield on Investments	5.7	5.5	6.7	6.7	6.5	6.5
Avg. Cost of Deposit	4.7	5.0	7.8	9.1	9.1	9.2
Avg. Cost of Borrowings	6.9	7.5	6.0	7.2	7.5	7.5
<b>Valuation</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015E</b>
Book Value	91.0	109.3	132.5	161.9	196.8	209.7
CMP	254.9	310	367	367.3	347	347
P/BV	2.8	2.8	2.8	2.3	1.8	1.7

Source: Eastwind/Company