

BSE SENSEX	S&P CNX
29,337	9,104
Bloomberg	YES IN
Equity Shares (m)	421.1
M.Cap.(INRb)/(USDb)	732.7 / 11.3
52-Week Range (INR)	1638 / 871
1, 6, 12 Rel. Per (%)	8/18/66
Avg Val, INRm	3868
Free float (%)	79.8

Financials & Valuations (INR b)

Y/E March	2017	2018E	2019E
NII	58.0	76.6	97.6
OP	58.5	70.9	89.9
NP	33.4	42.1	53.0
NIM (%)	3.4	3.6	3.7
EPS (INR)	73.2	92.2	116.2
EPS Gr. (%)	21.2	26.1	26.0
BV/Sh. (INR)	483.1	542.1	634.6
ABV/Sh. (INR)	467.9	535.1	624.8
RoE (%)	18.6	18.0	19.7
RoA (%)	1.8	1.8	1.8
P/E(X)	21.9	17.4	13.8
P/BV (X)	3.3	3.0	2.5
P/ABV (X)	3.4	3.0	2.6
Div. Yield (%)	0.7	1.0	1.3

CMP: INR1,605 TP: INR2,110 (+31%)

Buy

Inline; Asset quality impacted by one off large account

- Yes Bank's (YES) NII grew 32% YoY (+10% QoQ) to INR16.4b, helped by 20bp YoY NIM improvement (to 3.6%) and customer assets growth of 36% YoY (+15% QoQ). Strong NII and beat on other income (27% beat; +57% YoY) drove PPOP outperformance (+38% YoY; 14% beat). However, significantly higher provisioning led to in line PAT at INR9.1b (30% YoY).
- In absolute terms, GNPA doubled to INR20.2b led by one large lumpy account that slipped during the quarter (as per RBI directive; expected to recover in 1QFY18). This includes one borrower with gross exposure of 0.69% of gross loans (INR9.11b) and net exposure of 0.52% (INR6.84b) which is expected to be recovered in near term. Specific provision held in this account is INR2.27b. There was a sale to ARC of 3 accounts during the quarter of ~INR8.9b (of which INR7b is received as SR).
- Overall deposits grew 8% QoQ and 28% YoY to INR1.4t led by continued CASA inflows. Liability franchise strengthened further with CASA ratio improving 300bp QoQ to 36.3%, led by a) bulky CA deposits received in last two weeks of March, and b) strong traction in SA deposits (+12% QoQ).
- Other highlights: a) Loans grew 35% YoY to INR1.3t b) Retail fee income showed robust growth of 77% YoY and 19% QoQ, and c) YES raised INR49b through QIP leading to 150bp QoQ increase in CET 1 ratio to 11.4%
- **Valuation and view:** With significant investment in people (20,000+ v/s 3,929 in FY11), branches (1,000 v/s 214 in FY11) and new products, YES is expected to grow significantly faster than the system. The bank has best-in-class return ratio of with RoA/RoE of 1.8%/19%+. The bank is adequately capitalized for the next stage of growth (CET1 ~11.4%). Reiterate Buy with a target price of INR2,110 (3.3x FY19) – based on residual income model.

Quarterly Performance

	FY16				FY17				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY16	FY17
Net Interest Income	10,598	11,085	11,569	12,414	12,516	14,122	14,893	16,397	45,667	57,985
% Change (Y-o-Y)	42.2	29.4	27.3	27.1	18.1	27.4	28.7	32.1	30.9	27.0
Other Income	5,452	6,181	7,461	8,028	9,655	9,219	10,165	12,574	27,121	42,178
Net Income	16,050	17,266	19,030	20,443	22,171	23,340	25,059	28,971	72,789	100,163
Operating Expenses	6,967	7,074	7,534	8,188	9,103	9,481	10,520	12,061	29,764	41,686
Operating Profit	9,083	10,191	11,496	12,255	13,068	13,860	14,538	16,910	43,025	58,477
% Change (Y-o-Y)	43.7	24.7	33.2	30.7	43.9	36.0	26.5	38.0	32.4	35.9
Other Provisions	980	1,039	1,479	1,865	2,066	1,617	1,154	3,097	5,363	7,942
Profit before Tax	8,103	9,152	10,016	10,390	11,001	12,243	13,384	13,813	37,662	50,535
Tax Provisions	2,591	3,048	3,260	3,369	3,683	4,228	4,558	4,671	12,268	17,136
Net Profit	5,512	6,104	6,757	7,021	7,318	8,015	8,826	9,141	25,394	33,399
% Change (Y-o-Y)	27.7	26.5	25.1	27.4	32.8	31.3	30.6	30.2	26.6	31.5
Operating Parameters										
NIM (Reported,%)	3.3	3.3	3.4	3.4	3.4	3.4	3.5	3.6		
Deposit Growth (%)	25.2	24.0	23.1	22.5	28.6	28.9	30.5	27.9	22.5	27.9
Loan Growth (%)	35.1	29.0	26.7	30.0	33.0	37.7	38.8	34.7	30.0	34.7
CASA Ratio (%)	23.4	25.5	26.6	28.1	29.6	30.3	33.3	36.3	28.1	36.3
Tax Rate (%)	32.0	33.3	32.5	32.4	33.5	34.5	34.1	33.8	32.6	33.9
Asset Quality										
Gross NPA (INR B)	3.7	4.9	5.6	7.5	8.4	9.2	10.1	20.2	7.5	20.2
Gross NPA (%)	0.5	0.6	0.7	0.8	0.8	0.8	0.9	1.5	0.8	1.5

E: MOSL Estimates

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Exhibit 1: YES Bank: quarterly performance v/s expectation

Y/E MARCH (INR m)	4QFY17A	4QFY17E	Var. (%)	Comments
Net Interest Income	16,397	15,872	3	strong loan growth and Nim performance
% Change (Y-o-Y)	32	28		
Other Income	12,574	9,890	27	beat led by one-off lumpy fees in corporate banking
Net Income	28,971	25,762	12	
Operating Expenses	12,061	10,897	11	opex higher than expected
Operating Profit	16,910	14,865	14	other income driving beat in operating profit
% Change (Y-o-Y)	38	21		
Other Provisions	3,097	1,022	203	Provisions higher than expected led by one off account recognized as NPL in the quarter
Profit before Tax	13,813	13,843	0	
Tax Provisions	4,671	4,666	0	
Net Profit	9,141	9,177	0	In line PAT
% Change (Y-o-Y)	30	31		

Source: MOSL, Company

Sale to ARC during the quarter amounted to ~INR8.9b (of which INR7b is SR). Stock of SR increased ~50bp to INR9.8b (73bp of loans)

CASA ratio at an all-time high; retail deposits comprise 61.5% of total deposits

RBI directed NPA recognition impacts reported asset quality

- Asset quality deteriorated during the quarter with GNPA's increasing doubling sequentially in absolute terms and stood at 1.5% of loans. NNPA stood at 0.8% v/s 0.3% of loans in 3Q. During the quarter bank had to recognize one large exposure of INR9.1b (50% of the quarter slippages) based on RBI audit. Bank expects to recover this account in 1HFY18.
- The bank had SDR of 0.22% (INR3b) from five accounts of which three accounts (0.08% of gross advances) were implemented during Q4FY17. One account worth INR1.6b was restructured under SDR scheme during the quarter.
- There was a sale to ARC during the quarter of ~INR8.9b (of which INR7b is SR). Stock of security receipts increased ~50bp to INR9.8b (73bp of loans).
- Outstanding standard restructured loan portfolio moderated 6bp QoQ to 36bp.
- Provision coverage ratio decreased to 47% v/s ~66% in 3Q.

Strong CASA mobilization; CASA ratio +300bp QoQ to 36.3%

- Deposits grew 8% QoQ and 28% YoY to INR1.4t. CASA ratio shot up 300bp sequentially to 36.3% led by 60%+ and 75% growth in SA and CA respectively.
- We expect continued traction on CASA deposits as the branches opened in the past 2-3 quarters ramp up to scale.
- Management efforts in building granular liability book is showing fruits as the share of retail deposits has increased to 61.5% from 59.2% a quarter ago and 54.5% a year ago.

Strong Loan growth; NIM improves 10bp QoQ to 3.6%

- Loan book grew 35% YoY and 13% QoQ to INR1.3t driven by 40% YoY (+11% QoQ) growth in the corporate banking book.
- Commercial banking division too showed robust growth of 25% YoY (+17% QoQ) driven by strong growth in both retail and SME segments.
- Reported NIM increased 10bp QoQ and 20bp YoY to 3.6%. This was driven by higher share of CASA and more deployment of funds into loans rather than investments.

Retail fees showed robust
77% YoY growth

Other highlights

- Non-interest income witnessed robust growth of 57% YoY (+24% QoQ). Corporate trade fees continue to remain subdued. Management attributes this to benign commodity prices.
- During the quarter, YES added 36/28 branches/ATM increasing the branch/ATM network to 1,000/1,785.

Exhibit 2: Retail fees continues to exhibit strong growth

	4QFY17	3QFY17	QoQ Gr. (%)	4QFY16	YoY Gr. (%)
Non interest income	12,574	10,165	24	8,028	57
Corporate trade and CMS	1,178	995	18	1,412	-17
Forex, debt capital and Securities	2,324	3,077	-24	1,163	100
Corporate banking fees	5,864	3,588	63	3,637	61
Retail fees	3,208	2,505	28	1,816	77
Trade and Remittance	791	588	35	580	36
Facility/Processing fees	482	235	105	248	94
Third party sales	633	304	108	307	107
Interchange fees	776	517	50	347	124
General Banking	449	499	-10	335	34

Source: Company, MOSL

4QFY17 Conference call highlights

Asset Quality

- The large account that slipped into NPA was in the cement sector. – underlying business is an announced M&A transaction, which is expected to close out in the current quarter and then the amount will be recovered.
- RBI direction with respect to discrepancy in recognition of GNPA has been fully accounted for by the bank in this quarter.
- Sale to ARC: Value after cash is ~INR7b (~15-20% is the cash component) –very well collateralized exposures (minimal haircuts) and the bank expects recoveries to be swift. YES is the predominant lender in 1 of the assets and a joint lender in the other assets.
- Contingency provisions stood at ~20bp v/s 30bp in 3Q
- Break up of provisions: Standard asset provisioning for the quarter was INR580m, INR70m on account of FX related provisioning, INR270m provisioning on account of investment, rest are credit provisions.

P/L related

- NIM guidance: should be improving – the management expects 10-15bp improvement NIM in the next year taking NIMs to 2.7%+
- Credit cost guidance: should follow current trend of ~50-70bp.

Balance sheet related

- Guidance on credit growth –25-30% growth
- The bank is on track to achieve CASA target of 40% sooner than targeted (FY20)
- Credit substitutes book stood at ~INR140b
- Last 2 weeks of March saw a strong inflow in CA deposits which may not be sustainable.
- Average cost of SA deposits at ~6.1-6.2%: close to 20bp improvement since reduction in SA deposit rate

Reiterate Buy with a target price of INR2,110 (3.3x FY19 BV)

Others

- 250 branches to be opened in FY18 (~+25% YoY expansion) –average capex on these branches would be ~USD100,000-200,000/branch, and could add up to about INR1.5b for the year.

Valuation and view

- With the continued investment in franchise, people and processes, YES is well positioned to leverage on to the opportunity that Indian economy presents. Bank has strong capitalization (CET1 of ~11.3%), branch network has increased to 1,000 v/s 214 in FY11 and employee strength is up to 20,000+ v/s 3,929 in FY11.
- Comfortable liquidity, low inflation and bulk deposit rate is a significant positive for YES from NIMs (higher short term liabilities) and bond gains perspective (~9% share of corporate bonds in customer assets). Further bank has room to reduce savings deposits rate leading to stability over margins. Stable/improving NIM and traction in fees will keep core PPP/ earnings CAGR strong at ~27%/26% over FY17/20E despite strong investments in building liability franchise.
- With an incremental market share of 3.5%+, aggressive roll-out of retail/SME products and strong corporate relationships, YES is expected to register loan CAGR (FY17-20) of 28% – at least 2x of system loan growth.
- YES has a well-laid strategy for growing small business loans (most of which qualify as priority sector loans) and cross-selling to acquired customers which would help granular retail fees growth. On balance-sheet front, initial focus of the bank will be on growing the liability side first and as customer relationships age, focus would be on cross-selling its retail assets. The bank has been expanding its branch network at an increasing pace.
- We see current quarter asset quality performance as one off. Despite significant stress addition in the quarter, profitability remains healthy. YES's total stress loan (NNPA+OSLR+SDR+5:25+S4A) remains one of the lowest in the industry) at ~2%.
- Robust loan growth, NIM expansion (~30bp led by capital raise, higher CASA and share of retail loans) and rising fee income contribution are expected to drive a 26% PAT CAGR through FY20. This will see RoA improving to ~1.9% (v/s 1.8% currently) and RoE being maintained at ~20%.
- The stock trades at 2.5x FY19 BV and 13.7x FY19 EPS. Reiterate Buy with a target price of INR2,110 (3.3x FY19 BV) – based on residual income model (Average growth of ~18% over FY16-36E, Terminal growth of 5%, 14% cost of equity – risk free rate of 7%, beta of 1.4, and 5% market risk premium).

Exhibit 3: We largely maintain estimates

INR B	Old Est.			New Est.			% Change		
	FY17	FY18	FY19	FY17	FY18	FY19	FY17	FY18	FY19
Net Interest Income	58.6	76.3	96.3	58.0	76.6	97.6	-1.0	0.4	1.3
Other Income	37.8	47.0	58.3	42.2	46.4	57.5	11.7	-1.2	-1.5
Total Income	96.3	123.3	154.7	100.2	123.0	155.1	4.0	-0.2	0.3
Operating Expenses	40.0	50.0	62.5	41.7	52.1	65.1	4.2	4.2	4.2
Operating Profits	56.3	73.3	92.2	58.5	70.9	89.9	3.8	-3.3	-2.4
Provisions	5.9	9.0	11.9	7.9	8.5	11.9	35.6	-4.9	0.3
PBT	50.5	64.3	80.3	50.5	62.4	78.0	0.1	-3.0	-2.8
Tax	17.1	20.9	25.7	17.1	20.3	25.0	0.0	-3.0	-2.8
PAT	33.3	43.4	54.6	33.4	42.1	53.0	0.2	-3.0	-2.8
Loans	1,228	1,571	2,011	1,323	1,693	2,167	7.7	7.7	7.7
Deposits	1,374	1,704	2,198	1,429	1,757	2,249	4.0	3.1	2.3
Margins (%)	3.56	3.79	3.82	3.37	3.58	3.71			
Credit Cost (%)	0.55	0.65	0.65	0.55	0.60	0.65			
RoA (%)	1.80	1.92	1.96	1.76	1.78	1.84			
RoE (%)	19.00	18.86	20.27	18.64	17.99	19.75			

Source: MOSL, Company

Exhibit 4: DuPont: Return ratios to improve driven by strong core operating performance (%)

Y/E March	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E	FY19E
Net Interest Income	2.44	2.57	2.61	2.85	3.03	3.05	3.24	3.38	3.47
Core Fee Income	1.24	1.28	1.49	1.55	1.63	1.98	1.77	1.83	1.86
Fee to core Income (%)	33.1	31.7	35.0	34.4	33.7	37.5	34.0	34.1	34.0
Core Income	3.67	3.84	4.11	4.40	4.66	5.03	5.01	5.22	5.33
Operating Expenses	1.41	1.55	1.68	1.86	1.97	2.19	2.20	2.26	2.23
Cost to Core Income (%)	38.3	40.2	41.0	42.4	42.4	43.6	44.0	43.3	41.8
Employee cost	0.72	0.76	0.75	0.80	0.86	0.97	0.97	1.00	0.96
Others	0.69	0.79	0.93	1.06	1.11	1.22	1.23	1.26	1.27
Core operating Profits	2.27	2.30	2.42	2.53	2.68	2.83	2.80	2.96	3.10
Trading and others	0.06	0.18	0.16	0.12	0.17	0.24	0.19	0.16	0.13
Operating Profits	2.32	2.48	2.58	2.65	2.85	3.08	3.00	3.12	3.23
Provisions	0.14	0.25	0.35	0.28	0.36	0.42	0.36	0.41	0.47
NPA	0.02	0.17	0.13	0.11	0.33	0.33	0.38	0.43	0.45
Others	0.12	0.08	0.22	0.17	0.03	0.08	-0.02	-0.02	0.02
PBT	2.19	2.23	2.24	2.37	2.50	2.66	2.64	2.70	2.76
Tax	0.71	0.72	0.68	0.74	0.81	0.90	0.86	0.87	0.88
Tax Rate (%)	32.6	32.5	30.5	31.1	32.6	33.9	32.5	32.0	32.0
RoA	1.47	1.51	1.55	1.64	1.68	1.76	1.78	1.84	1.88
Leverage (x)	15.7	16.5	16.1	13.0	11.8	10.6	10.1	10.7	11.4
RoE	23.1	24.8	25.0	21.3	19.9	18.6	18.0	19.7	21.3

Source: MOSL, Company

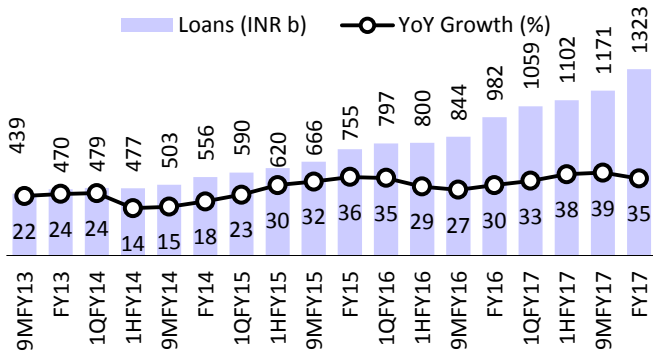
Exhibit 5: DuPont: Healthy operating profitability led by strong operating income performance

	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17
Net interest income	2.73	3.03	3.04	3.01	3.08	3.12	3.16	3.17	2.92	3.10	3.12	3.20
Non-interest income	1.51	1.79	1.79	1.82	1.58	1.74	2.04	2.05	2.26	2.02	2.13	2.45
Operating Income	4.24	4.82	4.83	4.83	4.67	4.87	5.20	5.22	5.18	5.12	5.25	5.65
Cost/income (%)	45.4	40.0	40.3	40.2	43.4	41.0	39.6	40.1	41.1	40.6	42.0	41.6
Operating cost	1.93	1.93	1.95	1.94	2.03	1.99	2.06	2.09	2.13	2.08	2.20	2.35
- Employee	0.82	0.85	0.85	0.81	0.84	0.88	0.94	0.90	0.95	0.95	0.98	0.97
- Others	1.10	1.08	1.10	1.14	1.19	1.11	1.12	1.19	1.17	1.13	1.22	1.38
Operating Profit	2.31	2.89	2.88	2.89	2.64	2.87	3.14	3.13	3.05	3.04	3.04	3.30
Provisions	0.09	0.42	0.23	0.39	0.28	0.29	0.40	0.48	0.48	0.35	0.24	0.60
PBT	2.23	2.47	2.65	2.50	2.36	2.58	2.74	2.66	2.57	2.69	2.80	2.70
Tax	0.65	0.76	0.84	0.80	0.75	0.86	0.89	0.86	0.86	0.93	0.95	0.91
ROAA (%)	1.58	1.71	1.80	1.70	1.60	1.72	1.85	1.79	1.71	1.76	1.85	1.78
Leverage (x)	12.4	10.5	10.6	11.2	11.5	11.3	11.1	11.4	12.1	12.2	12.1	10.7
ROAE (%)	19.6	18.0	19.2	19.0	18.4	19.4	20.5	20.5	20.7	21.4	22.3	19.1

Source: MOSL, Company

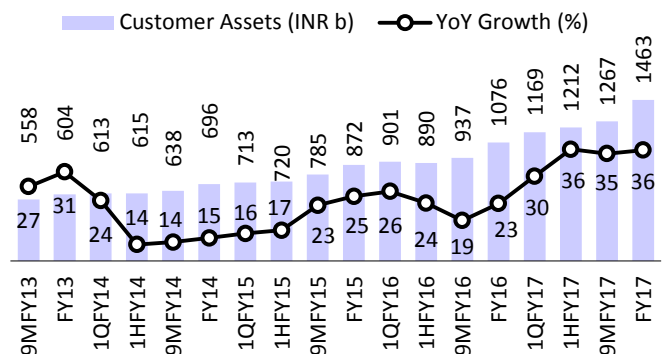
Story in charts

Exhibit 6: Strong traction in loans (+13% QoQ, +35% YoY)



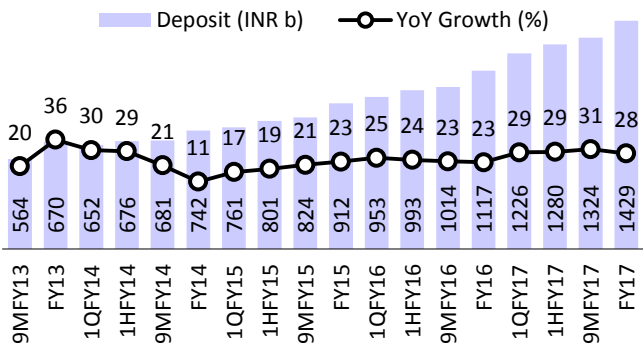
Source: Company, MOSL

Exhibit 7: Customer assets grew 36% YoY



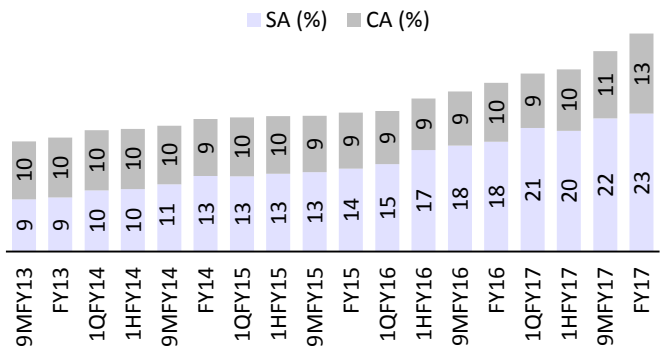
Source: Company, MOSL

Exhibit 8: Strong deposits growth



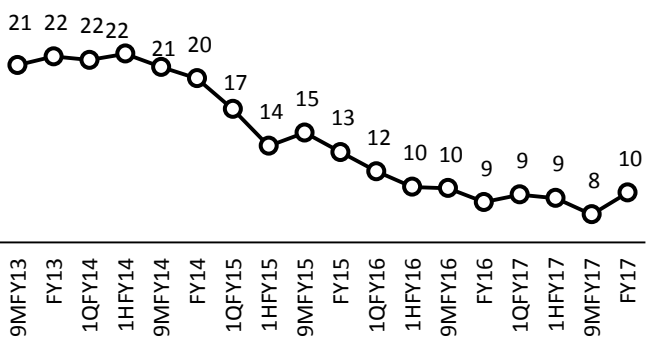
Source: Company, MOSL

Exhibit 9: CASA growth remains strong (+66% YoY)



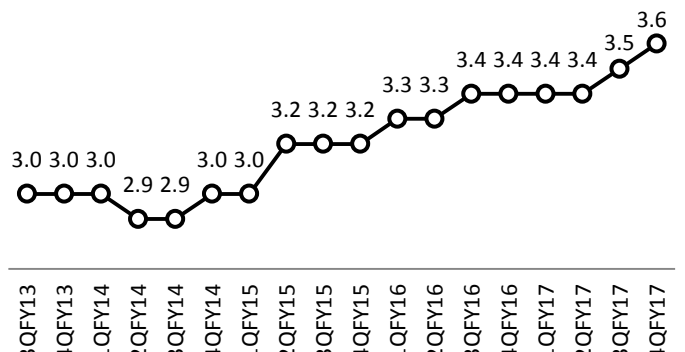
Source: Company, MOSL

Exhibit 10: Credit substitutes' proportion ticks higher (%)



Source: Company, MOSL

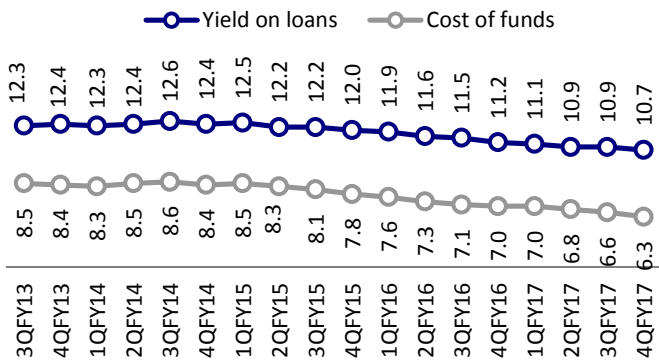
Exhibit 11: Reported NIM trending upwards (%)



Source: Company, MOSL

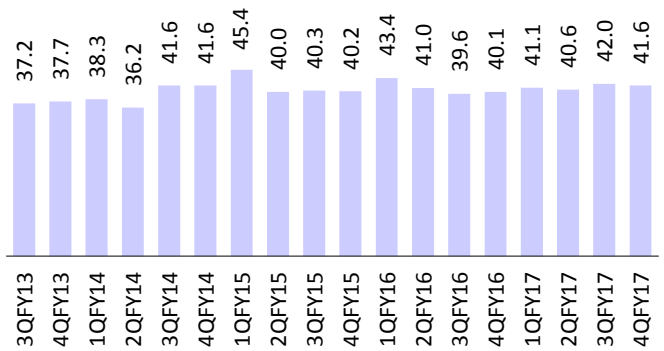
Story in charts

Exhibit 12: Both yields and COF trending lower



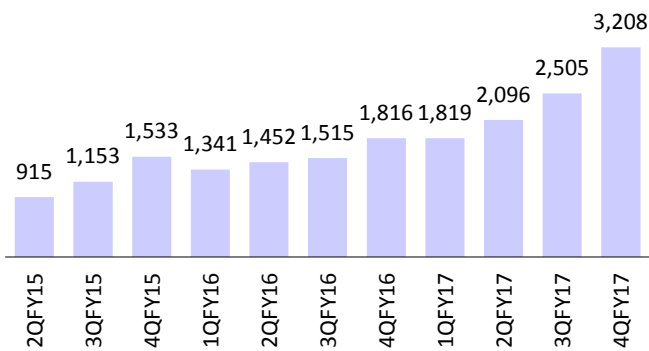
Source: Company, MOSL

Exhibit 13: Cost to income ratio largely stable



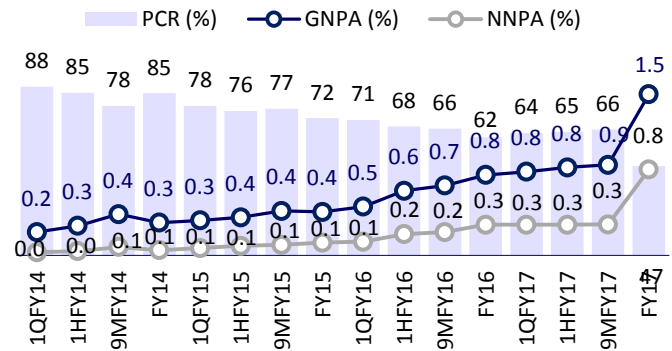
Source: Company, MOSL

Exhibit 14: Traction in retail fees continues (INR m)



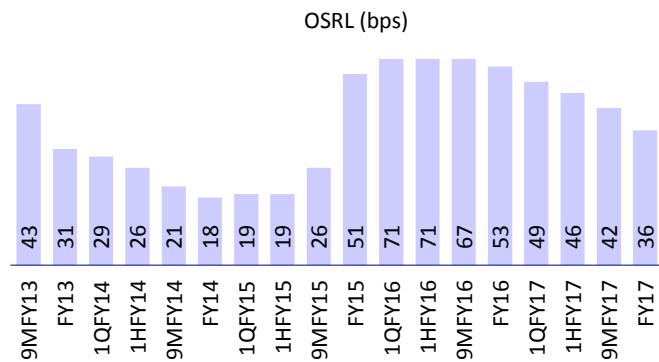
Source: Company, MOSL

Exhibit 15: GNPA increases 100% sequentially



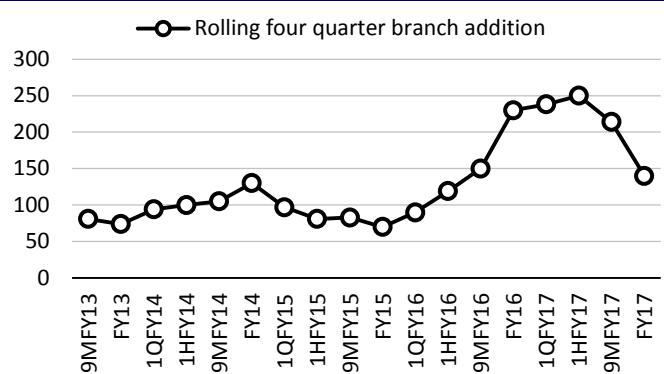
Source: Company, MOSL

Exhibit 16: ORSL tick lower QoQ (bps)



Source: Company, MOSL

Exhibit 17: Added 36 branches during the quarter (nos.)



Source: Company, MOSL

Quarterly Snapshot (INRb)

	FY15				FY16				FY17				Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
Profit and Loss (INR m)														
Net Interest Income	7,453	8,564	9,090	9,771	10,598	11,085	11,569	12,414	12,516	14,122	14,893	16,397	10	32
Other Income	4,136	5,056	5,368	5,904	5,452	6,181	7,461	8,028	9,655	9,219	10,165	12,574	24	57
Total Income	11,589	13,620	14,458	15,675	16,050	17,266	19,030	20,443	22,171	23,340	25,059	28,971	16	42
Operating Expenses	5,267	5,449	5,831	6,300	6,967	7,074	7,534	8,188	9,103	9,481	10,520	12,061	15	47
Employee	2,247	2,390	2,541	2,619	2,885	3,128	3,426	3,528	4,074	4,334	4,675	4,968	6	41
Others	3,020	3,059	3,290	3,682	4,082	3,947	4,108	4,659	5,030	5,147	5,846	7,093	21	52
Operating Profits	6,322	8,171	8,627	9,375	9,083	10,191	11,496	12,255	13,068	13,860	14,538	16,910	16	38
Provisions	237	1,195	699	1,264	980	1,039	1,479	1,865	2,066	1,617	1,154	3,097	168	66
PBT	6,085	6,976	7,929	8,111	8,103	9,152	10,016	10,390	11,001	12,243	13,384	13,813	3	33
Taxes	1,769	2,151	2,526	2,602	2,591	3,048	3,260	3,369	3,683	4,228	4,558	4,671	2	39
PAT	4,315	4,825	5,403	5,510	5,512	6,104	6,757	7,021	7,318	8,015	8,826	9,141	4	30
Asset Quality														
GNPA	1,980	2,224	2,787	3,134	3,683	4,914	5,586	7,490	8,446	9,167	10,059	20,186	101	170
NNPA	428	539	645	877	1,067	1,586	1,872	2,845	3,024	3,230	3,425	10,723	213	277
GNPA (%)	0.3	0.4	0.4	0.4	0.5	0.6	0.7	0.8	0.8	0.8	0.9	1.5	67	76
NNPA (%)	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.8	52	52
PCR (Calculated, %)	78	76	77	72	71	68	66	62	64	65	66	47	-1,907	-1,514
Ratios (%)														
Non Int. to Total Income	35.7	37.1	37.1	37.7	34.0	35.8	39.2	39.3	43.5	39.5	40.6	43.4		
Cost to Income	45.4	40.0	40.3	40.2	43.4	41.0	39.6	40.1	41.1	40.6	42.0	41.6		
Tax Rate	29.1	30.8	31.9	32.1	32.0	33.3	32.5	32.4	33.5	34.5	34.1	33.8		
CASA (Reported)	22.3	22.5	22.6	23.1	23.4	25.5	26.6	28.1	29.6	30.3	33.3	36.3		
Loan/Deposit	77.5	77.4	80.9	82.9	83.6	80.5	83.2	87.9	86.4	86.1	88.5	92.6		
RoA	1.6	1.7	1.8	1.7	1.6	1.7	1.8	1.8	1.7	1.8	1.8	1.8		
RoE	21.6	18.0	19.2	19.0	18.4	19.4	20.5	21.1	20.7	21.4	22.3	21.8		
Margins (%) - Calculated														
Yield on loans	12.9	13.0	12.9	12.0	12.0	12.1	11.8	11.2	10.9	11.2	11.0	10.5	-59	-70
Yield On Investments	8.0	8.3	8.4	8.4	8.0	7.9	7.9	7.7	8.1	7.8	7.8	7.6	-21	-16
Yield on funds	11.1	11.3	11.2	10.8	10.8	11.0	10.6	10.2	10.2	10.4	10.3	10.0	-35	-22
Cost of funds	8.2	8.2	8.0	7.6	7.4	7.4	7.1	6.7	6.8	6.7	6.6	6.2	-39	-56
Spreads	2.9	3.1	3.1	3.3	3.4	3.5	3.6	3.4	3.3	3.7	3.8	3.8	3	34
Margins	3.1	3.4	3.4	3.4	3.5	3.6	3.6	3.6	3.3	3.6	3.6	3.8	11	17
Margins (%) - Reported														
Yield on loans	12.5	12.2	12.2	12.0	11.9	11.6	11.5	11.2	11.1	10.9	10.9	10.7	-20	-50
Cost of funds	8.5	8.3	8.1	7.8	7.6	7.3	7.1	7.0	7.0	6.8	6.6	6.3	-30	-70
Margins	3.0	3.2	3.2	3.2	3.3	3.3	3.4	3.4	3.4	3.4	3.5	3.6	10	20
Balance Sheet (INR B)														
Loans	590	620	666	755	797	800	844	982	1,059	1,102	1,171	1,323	13	35
Investments	381	415	428	432	422	439	456	488	461	496	497	500	1	2
Deposits	761	801	824	912	953	993	1,014	1,117	1,226	1,280	1,324	1,429	8	28
CASA Deposits	170	180	186	211	223	253	270	313	363	388	441	519	18	65
Borrowings	171	196	235	262	253	238	267	317	319	346	369	386	5	22
Total Assets	1,097	1,162	1,233	1,362	1,390	1,448	1,478	1,653	1,772	1,873	1,948	2,151	10	30
Risk Weighted Assets	846	902	970	1,035	1,127	1,171	1,211	1,329	1,443	1,546	1,590	1,863	17	40
Loan Mix (% , Non PSL)														
C&IB	68.7	71.4	68.7	64.7	68.0	68.2	67.2	65.1	67.5	67.9	68.9	67.7	-120	260
Commercial Banking	14.5	28.6	31.3	35.3	32.0	31.8	32.8	34.9	32.5	32.1	31.1	32.3	120	-260
Branch Banking	16.8	14.7	14.3	0.0	14.1	13.3	12.7	11.1	11.0	10.7	10.7	10.5	-20	-60
Other Details														
Branches	572	581	600	630	662	700	750	860	900	950	964	1,000		
Employees	9,051	9,612	9,887	10,810	11,543	12,700	13,477	15,000	16,421	18,531	19,400	20,125		

Source: MOSL, Company

Valuation metrics

	Rating	CMP (INR)	Mcap (USDb)	EPS (INR)		P/E (x)		BV (INR)		P/BV (x)		RoA (%)		RoE (%)	
				FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
ICICIBC*	Buy	281	25.5	17.8	20.5	11.0	8.9	158.0	172.4	1.25	1.05	1.23	1.22	9.8	10.5
HDFCB	Buy	1,447	57.2	66.7	79.0	21.7	18.3	379	439	3.82	3.29	1.84	1.80	18.9	19.3
AXSB	Neutral	499	18.4	23.9	40.6	20.9	12.3	250	284	1.99	1.76	0.90	1.30	9.9	15.2
KMB*	Buy	875	25.0	32.3	41.3	27.1	21.2	238	278	3.67	3.15	1.78	1.95	14.5	16.0
YES	Buy	1,605	10.5	97.0	118.4	16.6	13.6	468	562	3.43	2.86	1.85	1.84	22.6	23.0
IIB	Buy	1,423	13.2	58.7	71.2	24.3	20.0	383	444	3.71	3.20	1.85	1.86	16.4	17.2
IDFC Bk	Neutral	59	3.1	3.8	4.8	15.3	12.3	45	49	1.29	1.19	1.03	1.06	8.7	10.1
FB	Buy	92	2.4	5.2	6.7	17.5	13.7	54	60	1.68	1.54	0.72	0.75	10.0	11.7
DCBB	Neutral	176	0.8	8.8	11.2	20.1	15.7	75	85	2.36	2.07	0.94	0.97	12.4	14.0
JKBK	Neutral	77	0.6	13.0	15.4	5.9	5.0	117	129	0.66	0.59	0.69	0.72	11.6	12.5
SIB	Neutral	22	0.5	3.1	3.8	7.2	5.9	32	35	0.70	0.64	0.54	0.59	10.0	11.3
Equitas	Buy	165	0.9	6.2	7.4	26.6	22.4	73	80	2.26	2.06	1.92	1.66	8.9	9.6
RBL	Under Review	576	3.1	18.5	24.3	31.1	23.7	130	149	4.45	3.86	1.24	1.27	15.2	17.4
Private Aggregate															
SBIN (cons)*	Buy	284	34.9	16.9	23.3	14.9	10.6	243	262	1.04	0.95	0.36	0.45	7.3	9.3
PNB	Buy	154	5.1	12.4	16.6	12.4	9.3	191	205	0.80	0.75	0.36	0.43	6.7	8.3
BOI	Neutral	149	2.5	14.5	23.7	10.3	6.3	249	267	0.60	0.56	0.23	0.33	6.0	9.2
BOB	Buy	175	6.3	19.0	26.1	9.2	6.7	167	187	1.05	0.94	0.60	0.75	11.9	14.8
CBK	Neutral	317	2.6	35.9	57.6	8.8	5.5	525	569	0.60	0.56	0.31	0.43	7.0	10.5
UNBK	Neutral	150	1.6	30.5	45.3	4.9	3.3	328	368	0.46	0.41	0.45	0.59	9.7	13.0
OBC	Neutral	151	0.8	21.0	26.0	7.2	5.8	413	433	0.36	0.35	0.28	0.31	5.2	6.1
INBK	Buy	254	1.9	30.1	35.9	8.4	7.1	324	352	0.78	0.72	0.64	0.68	9.6	10.6
Public Aggregate															
Banks Aggregate															
HDFC*	Buy	1,490	36.1	38.4	43.2	21.6	16.9	225	283	3.67	2.58	1.78	1.83	18.1	17.1
LICHF	Buy	644	5.0	46.9	55.3	13.7	11.7	249	294	2.58	2.19	1.60	1.63	20.3	20.3
IHFL	Buy	957	6.3	84.4	102.7	11.3	9.3	316	358	3.03	2.67	3.13	3.00	28.3	30.5
GRHF	Neutral	390	2.2	10.3	12.5	38.0	31.2	37	44	10.62	8.81	2.49	2.49	30.6	30.9
REPCO	Buy	777	0.7	34.0	40.2	22.8	19.3	210	247	3.70	3.15	2.14	2.09	17.5	17.6
DEWH	Buy	401	1.9	36.7	42.7	10.9	9.4	278	311	1.44	1.29	1.37	1.31	13.9	14.5
Housing Finance															
RECL	Neutral	198	6.0	35.0	40.4	5.7	4.9	196	227	1.01	0.87	3.10	3.12	19.1	19.1
POWF	Neutral	156	6.3	27.2	30.2	5.7	5.1	169	191	0.92	0.81	2.76	2.72	17.0	16.8
Infra Finance															
SHTF	Buy	1,093	3.7	81.9	100.5	13.3	10.9	558	637	1.96	1.72	2.74	3.00	15.5	16.7
MMFS	Buy	340	2.9	10.9	14.1	31.1	24.2	117	125	2.90	2.71	1.34	1.50	9.6	11.6
BAF	Buy	1,244	10.3	47.5	64.0	26.2	19.4	207	261	6.02	4.76	3.59	3.66	25.5	27.3
SCUF	Buy	2,273	2.3	134.5	164.6	16.9	13.8	870	1,008	2.61	2.25	3.73	3.85	16.5	17.5
MUTH	Buy	406	2.5	34.5	40.0	11.8	10.1	182	207	2.23	1.96	4.11	4.12	20.2	20.6
SKSM	Neutral	748	1.6	42.8	55.1	17.5	13.6	243	298	3.08	2.51	4.58	4.18	19.3	20.4
Asset Finance															
NBFC Aggregate															
Financials															

Source: MOSL, Company

Financials and Valuations

Income Statement						(INR Million)		
Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
Net Interest Income	22,188	27,163	34,878	45,667	57,985	76,607	97,606	124,741
Change (%)	37.3	22.4	28.4	30.9	27.0	32.1	27.4	27.8
Non Interest Income	12,574	17,216	20,465	27,121	42,178	46,407	57,472	71,293
Net Income	34,762	44,378	55,343	72,789	100,163	123,014	155,078	196,034
Change (%)	40.6	27.7	24.7	31.5	37.6	22.8	26.1	26.4
Operating Expenses	13,345	17,499	22,847	29,764	41,686	52,108	65,135	79,980
Pre Provision Profits	21,417	26,880	32,496	43,025	58,477	70,907	89,943	116,053
Change (%)	39.1	25.5	20.9	32.4	35.9	21.3	26.8	29.0
Provisions (excl tax)	2,160	3,617	3,395	5,363	7,942	8,528	11,941	16,884
PBT	19,257	23,263	29,101	37,662	50,535	62,379	78,002	99,169
Tax	6,251	7,085	9,047	12,268	17,136	20,273	24,961	31,734
Tax Rate (%)	32.5	30.5	31.1	32.6	33.9	32.5	32.0	32.0
PAT	13,007	16,178	20,054	25,394	33,399	42,106	53,042	67,435
Change (%)	33.1	24.4	24.0	26.6	31.5	26.1	26.0	27.1
Equity Dividend (Incl tax)	2,510	3,397	4,528	5,062	6,342	8,584	10,814	13,748
Core PPP*	19,860	25,218	31,075	40,419	53,870	66,300	85,337	111,447
Change (%)	32.2	27.0	23.2	30.1	33.3	23.1	28.7	30.6

*Core PPP is (NII+Fee income-Opex)

Balance Sheet						(INR Million)		
Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
Share Capital	3,586	3,606	4,177	4,205	4,565	4,565	4,565	4,565
Reserves & Surplus	54,490	67,611	112,622	133,661	215,976	242,904	285,132	338,318
Net Worth	58,077	71,217	116,800	137,866	220,541	247,469	289,697	342,883
Of which Equity Network	58,077	71,217	116,800	137,866	220,541	247,469	289,697	342,883
Deposits	669,556	741,920	911,758	1,117,195	1,428,739	1,757,348	2,249,406	2,901,734
Change (%)	36.2	10.8	22.9	22.5	27.9	23.0	28.0	29.0
of which CASA Dep	126,875	163,447	210,790	313,428	518,697	646,326	856,551	1,117,306
Change (%)	71.6	28.8	29.0	48.7	65.5	24.6	32.5	30.4
Borrowings	209,221	213,143	262,204	316,590	386,067	433,975	488,278	551,307
Other Liabilities & Prov.	54,187	63,877	70,942	80,983	115,253	138,118	165,674	198,893
Total Liabilities	991,041	1,090,158	1,361,704	1,652,634	2,150,599	2,576,910	3,193,055	3,994,817
Current Assets	40,658	58,917	75,572	82,184	195,494	131,152	130,116	154,711
Investments	429,760	409,503	432,285	488,385	500,318	600,382	720,458	864,550
Change (%)	54.8	-4.7	5.6	13.0	2.4	20.0	20.0	20.0
Loans	469,996	556,330	755,498	982,099	1,322,627	1,692,962	2,166,992	2,773,749
Change (%)	23.7	18.4	35.8	30.0	34.7	28.0	28.0	28.0
Fixed Assets	2,295	2,935	3,190	4,707	6,835	8,292	9,748	11,204
Other Assets	48,332	62,473	95,160	95,259	125,325	144,123	165,742	190,603
Total Assets	991,041	1,090,158	1,361,704	1,652,634	2,150,599	2,576,910	3,193,055	3,994,817

Asset Quality						(%)		
GNPA (INR m)	943	1,749	3,134	7,490	20,186	15,437	21,957	32,102
NNPA (INR m)	70	261	877	2,845	10,723	4,927	6,902	8,990
GNPA Ratio	0.20	0.31	0.41	0.76	1.52	0.91	1.01	1.15
NNPA Ratio	0.01	0.05	0.12	0.29	0.81	0.29	0.32	0.32
Slippage Ratio	0.64	0.85	0.70	1.21	1.00	1.20	1.30	1.30
Credit Cost	0.34	0.26	0.20	0.57	0.55	0.60	0.65	0.65
PCR (Incl Tech. Write off)	92.6	85.1	72.0	62.0	46.9	68.1	68.6	72.0

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
Spreads Analysis (%)								
Avg. Yield-Earning Assets	10.5	10.6	10.6	10.0	9.5	9.3	9.1	9.1
Avg. Yield on loans	12.7	12.7	12.2	11.2	10.6	10.2	9.7	9.7
Avg. Yield on Investments	8.1	8.1	8.0	7.6	7.7	7.1	6.8	6.8
Avg. Cost-Int. Bear. Liab.	8.0	7.9	7.6	6.9	6.5	6.1	5.7	5.7
Avg. Cost of Deposits	7.9	8.0	7.9	7.1	6.6	6.1	5.7	5.7
Interest Spread	2.5	2.7	3.0	3.1	3.0	3.2	3.3	3.4
Net Interest Margin	2.8	2.9	3.2	3.4	3.4	3.6	3.7	3.8

Profitability Ratios (%)

RoE	24.8	25.0	21.3	19.9	18.6	18.0	19.7	21.3
RoA	1.5	1.6	1.6	1.7	1.8	1.8	1.8	1.9
Int. Expense/Int. Income	73.2	72.8	69.9	66.3	64.7	61.3	59.1	58.6
Fee Income/Net Income	31.7	38.8	37.0	37.3	42.1	37.7	37.1	36.4
Non Int. Inc./Net Income	36.2	38.8	37.0	37.3	42.1	37.7	37.1	36.4

Efficiency Ratios (%)

Cost/Income*	40.2	41.0	42.4	42.4	43.6	44.0	43.3	41.8
Empl. Cost/Op. Exps.	49.1	44.8	42.9	43.6	44.1	44.1	44.1	43.1
Busi. per Empl. (INR m)	143.1	138.5	137.2	125.6	120.5	132.5	144.8	163.4
NP per Empl. (INR lac)	18.5	18.4	18.6	16.9	16.6	18.0	19.5	21.8

* ex treasury

Asset-Liability Profile (%)

Loans/Deposit Ratio	70.2	75.0	82.9	87.9	92.6	96.3	96.3	95.6
CASA Ratio	18.9	22.0	23.1	28.1	36.3	36.8	38.1	38.5
Investment/Deposit Ratio	64.2	55.2	47.4	43.7	35.0	34.2	32.0	29.8
G-Sec/Investment Ratio	54.8	54.8	69.4	72.0	79.8	80.3	83.6	87.9
CAR	18.3	14.4	15.6	16.5	17.0	16.4	15.0	13.7
Tier 1	9.5	9.8	11.5	10.7	13.3	12.9	12.0	11.2

Valuation

Book Value (INR)	161.9	197.5	279.6	327.8	483.1	542.1	634.6	751.1
Change (%)	22.2	21.9	41.6	17.3	47.4	12.2	17.1	18.4
Price-BV (x)	9.9	8.1	5.7	4.9	3.3	3.0	2.5	2.1
Adjusted BV (INR)	161.8	197.0	278.2	323.4	467.9	535.1	624.8	738.3
Price-ABV (x)	9.9	8.2	5.8	5.0	3.4	3.0	2.6	2.2
EPS (INR)	36.3	44.9	48.0	60.4	73.2	92.2	116.2	147.7
Change (%)	31.0	23.7	7.0	25.8	21.2	26.1	26.0	27.1
Price-Earnings (x)	44.3	35.8	33.5	26.6	22.0	17.4	13.8	10.9
Dividend Per Share (INR)	6.0	8.0	9.0	10.0	12.0	16.1	20.3	25.9
Dividend Yield (%)	0.4	0.5	0.6	0.6	0.7	1.0	1.3	1.6

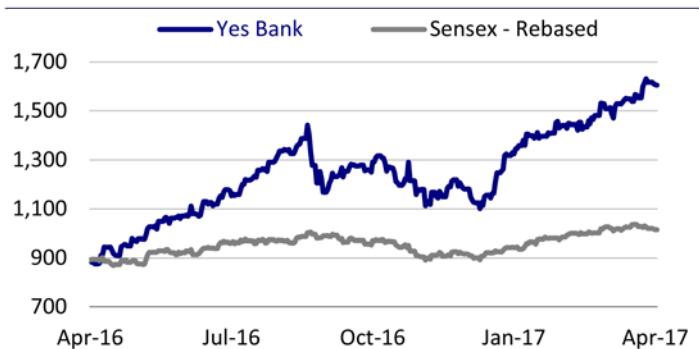
E: MOSL Estimates

Corporate profile

Company description

Yes Bank, a private bank incorporated in 2003, is promoted and led by Mr. Rana Kapoor, who is currently the MD & CEO of the bank. Yes Bank has steadily built a full-service commercial bank with Corporate, Retail and SME Banking platforms, with a comprehensive product suite. It was the first bank to offer differentiated rates on savings account following RBI's deregulation of savings account rates in October 2011. The number of branches and ATMs stood at 964 and 1,757 respectively.

Exhibit 1: Sensex rebased



Source: MOSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Dec-16	Sep-16	Dec-15
Promoter	21.8	21.9	22.0
DII	23.8	23.1	23.6
FII	42.0	42.6	41.4
Others	12.4	12.4	13.1

Note: FII Includes depository receipts

Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
LIFE INSURANCE CORPORATION OF INDIA ALONG WITH ITS VARIOUS SCHEMES	8.3
BIRLA SUN LIFE TRUSTEE COMPANY PRIVATE LIMITED ALONG WITH ITS VARIOUS SCHEMES	2.0
FRANKLIN TEMPLETON INVESTMENT FUNDS	2.0
FRANKLIN INDIA MONTHLY INCOME PLAN ALONG WITH ITS VARIOUS SCHEMES	2.0
NEW WORLD FUND INC	1.6

Source: Capitaline

Exhibit 4: Top management

Name	Designation
Ashok Chawla	Part Time Chairman
Rana Kapoor	Managing Director & CEO
Shivanand R Shettigar	Company Secretary

Source: Capitaline

Exhibit 5: Directors

Name	Name
Brahm Dutt	Mukesh Sabharwal
Saurabh Srivastava	Vasant V Gujarathi
Ajai Kumar	

*Independent

Exhibit 6: Auditors

Name	Type
BSR & Co LLP	Statutory
Mehta & Mehta	Secretarial Audit
S R Batliboi & Co LLP	Statutory

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY18	92.2	93.5	-1.4
FY19	116.2	117.9	-1.4

Source: Bloomberg

NOTES

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