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Result Update-Q1FY15
Yes Bank

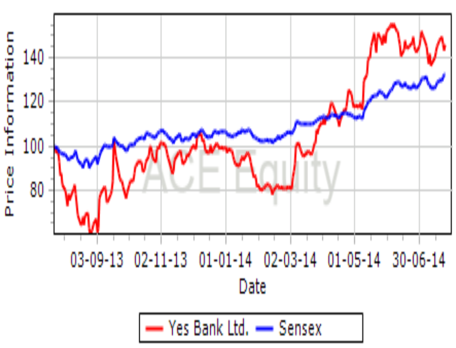
below expectations- but growth momentum to continue going ahead

CMP:	**Rs.545**
Target Price:	**Rs.605**
Upside/ (Downside) %	**11%**
Recommendation:	**HOLD**

Stock Info	
BSE Group	A
BSE Code	532648
NSE Symbol	YESBANK
Bloomberg	YES IN
Reuters	YESB.BO
BSE Sensex	26,272
NSE Nifty	7,831

Market Info	
Market Capital	Rs 22,601 cr
Equity Capital	Rs 415 cr
Avg. Trading Vol	94,54,870
52 Wk High/ Low	588/216
Face Value	10

Shareholding Pattern (%)	**(30th Jun 2014)**
Promoters	22.2
Domestic Institutions	20.4
Foreign Institutions	45.0
Public & Others	12.4



July 25, 2014

Advances up 23%: Total customer assets (advances +credit substitutes) for the quarter grew 19% YoY to Rs 1 35,091cr. Share of advances to large corporate was at 68.7%, mid-sized corporate was at 14.5% and retail banking was at 16.8%. Total Deposits grew by 17% to Rs 76,102cr. Total advances grew by 23% to Rs 58,989cr. CASA deposits reported healthy growth of 29% to Rs 16,975cr. CASA ratio increased to 22.3%.

Aided by strong growth in advances and deposits, NII jumped 13% to Rs 745cr. However, non-interest income declined by 4% and stood at Rs 426 crs. Decline in other income is due to sharp decline in Retail banking fees and income from financial markets.

Asset quality deteriorates marginally: Gross NPAs increased qoq from 0.31% to 0.33%, while net NPAs increased from 0.05% to 0.07%. Cost to income ratio increased to 45% from 38.3% in same quarter last year. Restructured assets for the bank decline to Rs 113 crs from Rs 139 crs on YoY basis. Fresh slippages during the quarter were Rs 115 crs while recoveries stood at Rs 85 crs.

During the quarter bank raised $ 500 mn through QIP which helped CRAR to increase to 18.0% from 14.4% last quarter. This will help bank to increase its advances growth in coming quarters.

Large ticket (above Rs 25crs) wholesale deposit share in total deposits reduced to 26.1% from 34.7%.

Outlook: Bank reported lower than expected growth during the quarter. However, we expect momentum to come back on track in coming quarters. We believe, the business dynamics would continue to work in favor of YES bank, improvement in liability franchise, loan composition, consistent balance sheet growth, and superior asset quality. We have valued bank at 2.2(x) its FY15 adj book value and have arrived at fair value of Rs 605 per share. At CMP of Rs 545, the stock is trading at P/ABV(x) of 2.0x its FY15 adjusted book value of Rs 275 per share. We recommend **Hold** rating on stock.

(Rs Cr)	FY12	FY13	FY14	FY15E
Operating Income	2473	3476	4438	4793
Gross Profits	1540	2142	2688	2822
PAT	977	1301	1618	1812
EPS (Rs)	27.9	36.5	45.9	43.7
RoE (%)	23.1	23.7	23.2	22.2
P/E (x)	19.5	14.9	11.9	12.5
P/ABV (x)	4.1	3.3	2.7	2.0

Q1FY15 EARNINGS SNAPSHOT

Particulars (Rs in Cr)	Q1FY15	Q1FY14	YoY	Q4FY14	QoQ	Comments
Interest Earned	2,680	2,398	*12%*	2,568	*4%*	
Yield on Advances (%)	*12.5%*	*12.3%*		*12.4%*		*Yields continue to hold*
Interest Expended	1,934	1,739	*11%*	1,848	*5%*	
Cost of Funds (%)	*8.5%*	*8.3%*		*8.4%*		*Cost up marginally*
Net Interest Income	**745**	**659**	*13%*	**720**	*3.6%*	Strong NII performance supported by robust growth in customer assets and expansion in margins
Other Income	426	442	*-4%*	446	*-4.5%*	Other income for the bank has come off largely due to decrease in income from financial market
Other income / Net Income (%)	*36.3*	*40.1*		*38.2*		
Total income	**1171**	**1101**	*6%*	**1165**	*1%*	
Employee Expenses	225	201	*12%*	204	*10%*	
Non-Employee expenses	302	220	*37%*	281	*8%*	
Operating Expenses	**527**	**421**	*25%*	**485**	*9%*	
Cost-income Ratio (%)	*45.0*	*38.3*		*41.6*		C/I ratio increased due to decrease in other income and spike in opex
Pre-Prov Profits	**644**	**680**	*-5%*	**680**	*-5%*	
Provisions & Contingencies	24	97	*-76%*	72	*-67%*	provisioning is lower but PCR ratio remains strong at 78.4%
PBT	**620**	**583**	*6%*	**608**	*2%*	
Exceptional (Reported)	0	0		0		
Provisions for Tax	181	182	*-1%*	178	*2%*	
Effective Tax Rate (%)	*29.2*	*31.2*	*-7%*	*29.3*	*0%*	
PAT (reported)	**439**	**401**	*10%*	**430**	*2%*	**PAT growth was lower than estimates**
EPS Basic	11.7	11.2		11.9		
EPS Diluted	11.5	10.9		11.8		
BVPS						
Adj BVPS						
GNPA	198.0	104.9	*89%*	174.9	*13%*	
NNPA	42.8	12.1	*254%*	26.1	*64%*	
GNPA (%)	0.33	0.22		0.31		Asset quality detoriates slightly
NNPA (%)	0.07	0.05		0.05		
Total CAR (%)	18.0	15.4		14.4		Capital adequacy stands higher
Tier 1 (%)	12.6	9.5		9.8		
Tier 2 (%)	5.4	5.9		4.6		
NIM	3.0	3.0		3.0		Stable NIM
Advances	58,989	47,898	*23%*	55,633	*6%*	Healthy growth in advances backed by refinancing activites
Deposits	76,103	65,245	*17%*	74,186	*3%*	Decent growth in deposits

Source: - Company, Arihant Research

Arihant Research Desk

E. research@arihantcapital.com
T. 022-42254834

Head Office

3rd Floor, Krishna Bhavan,
67 Nehru Road, Vile Parle (East),
Mumbai - 400057
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	12-20
HOLD	5-12
REDUCE	<5