



ARIHANT Capital Markets Ltd.

Result Update-Q1FY17 Yes Bank

Growth momentum to continue!

29th July, 2016

CMP: Rs.1224
Target Price: Rs.1284
Recommendation: **HOLD**

Stock Info

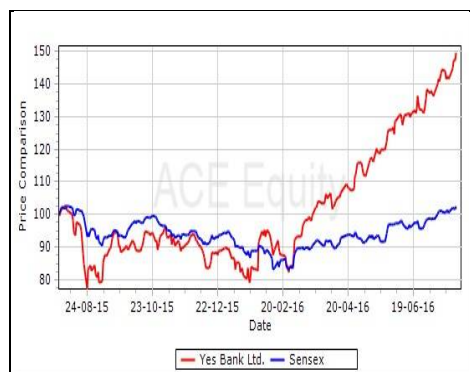
BSE Group	A
BSE Code	532648
NSE Symbol	YESBANK
Bloomberg	YES IN
Reuters	YESB.BO
BSE Sensex	28,208
NSE Nifty	8,666

Market Info

Market Capital	Rs 51,412cr
Equity Capital	Rs 421 cr
Avg. Trading Vol	37,93,620
52 Wk High/ Low	1267/590
Face Value	10

Shareholding Pattern (%)	(June 2016)
Promoters	21.9
Domestic Institutions	24.0
Foreign Institutions	42.2
Public & Others	11.9

Price Vs Sensex Chart



Total Advances grew by 33% to Rs 1,05,942 crore as at Q1 FY17. Corporate banking accounted for 67.5% of the Advances portfolio while Retail & Business Banking constituted 32.5%. Total Deposits grew by 29% to Rs 1,22,581 crore. The Bank's CD ratio stood at 86.4%, while the (CASA) deposits grew by 63% y-o-y to 36,288 crore taking the CASA ratio to 29.6% this quarter up from 23.4% which was in Q1 FY16. Further, SA deposits grew by 81.6% to Rs 25,187 crore from Rs. 13,867 crore.

Aided by strong growth in advances and deposits, NII jumped by 24.2% to Rs 1,317 crore and non-interest income increased by 65.2% and stood at Rs 901 crs. Increase in other income is due to sharp rise in corporate banking fees and income from financial markets.

Gross NPAs increased QoQ from 0.76% to 0.79%, and net NPAs stood steady at 0.29%. Total Restructured Asset stood at Rs 522 cr (0.49%) as at June 30, 2016. During the quarter, the Bank has not done any 5:25 refinancing and there were no sales to ARC.

During Q1 FY17, the Bank continued with the LCR maintenance at well above 70% regulatory requirement with monthly average Liquidity Coverage ratio of 83.1%, reflecting a healthy liquidity position.

Total headcount for the bank stands at 16,421 as at June 30, 2016, an increase of 1,421 employees in the quarter and 4,878 incremental employees since June 30, 2015.

The Bank's branch network stood at 900 branches as on June 30, 2016, an addition of 40 branches in the quarter. Total ATM network stands at 1,680 as at June 30, 2016, of which 428 are Bunch Note Acceptors (BNA). Cost to income ratio decreased to 40.1% from 40.3% in same quarter last year.

Valuation

Bank reported another quarter with consistent growth. 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 3.5(x) its FY17 adj. book value and have arrived at fair value of Rs 1,284 per share. At CMP of Rs 1,224, the stock is trading at P/ABV(x) of 3.3x its FY17 adjusted book value of Rs 367 per share. We have **HOLD** rating on stock.

Financial Snapshot (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	3,091
EPS (Rs)	44.9	49.3	60.6	73.5
EPS Growth (%)	23%	10%	23%	21%
RoE (%)	25%	19%	21%	20%
P/E (x)	9.2	16.5	14.3	16.6
P/ABV (x)	2.1	2.9	2.7	3.3

Source: Ace Equity, Arian Research



Q1 FY17 EARNINGS SNAPSHOT

Reported Quarterly Results					
Particulars (Rs in Cr)	Q1 FY17	Q1 FY16	YoY	Q4FY16	QoQ
Interest Earned	3,862	3,252	19%	3,528	9%
Interest Expended	2,546	2,192	16%	2,287	11%
Net Interest Income	1,317	1,060	24%	1,241	6%
Other Income	901	545	65%	803	12%
<i>Other income / Net Income (%)</i>	40.6	34.0		39.3	
Total income	2217	1605	38%	2044	8%
Employee Expenses	407	289	41%	353	15%
Non-Employee expenses	503	408	23%	466	8%
Operating Expenses	910	697	31%	819	11%
<i>Cost-income Ratio (%)</i>	41.1	43.4		40.1	
Pre-Prov Profits	1,307	908	44%	1,225	7%
Provisions & Contingencies	207	98	111%	186	11%
PBT	1,100	810	36%	1,039	6%
Provisions for Tax	368	259	42%	337	9%
<i>Effective Tax Rate (%)</i>	33.5	32.0	5%	32.4	3%
PAT (reported)	732	551	33%	702	4%
EPS Basic	17.4	13.2		16.7	
EPS Diluted	17.0	12.9		16.4	
GNPA	844.6	368.3	129%	749.0	13%
NNPA	302.4	106.7	183%	284.5	6%
GNPA (%)	0.8%	0.5%		0.8%	
NNPA (%)	0.3%	0.1%		0.3%	
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%	3.3%		3.4%	
Advances	1,05,942	79,666	33%	98,210	8%
Deposits	1,22,581	95,316	29%	1,11,720	10%



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
Net Interest Income	2,716	3,488	4,567	5,679
- growth %	22%	28%	31%	24%
Other Income	1,722	2,046	2,712	3,200
Operating Income	4,438	5,534	7,279	8,879
- 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
Gross Profits	2,688	3,250	4,303	5,146
- growth %	26%	21%	32%	20%
Provisions	362	339	536	600
Profit Before Taxes	2,326	2,910	3,766	4,546
Taxes	709	905	1,227	1,455
Profit After Taxes	1,618	2,005	2,539	3,091
- growth %	24%	24%	27%	22%

Ratio Analysis				
Year to 31st March	FY14	FY15	FY16	FY17E
Basic Ratio (Rs.)				
EPS	44.9	49.3	60.6	73.5
Book Value per share	197.5	279.6	327.8	372.9
Adjusted Book Value	196.8	277.5	321.1	366.7
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%
NIM	2.9%	3.2%	3.4%	3.4%
Operating Profit Margin	23%	24%	26%	27%
Net Profit Margin	14%	15%	16%	16%
Cost to Income	39%	41%	41%	42%

Balance Sheet				
As on 31st March (Rs. cr)	FY14	FY15	FY16	FY17E
LIABILITIES				
Capital	361	418	421	421
Reserves & Surplus	6,761	11,262	13,366	15,262
Share holders Fund	7,122	11,680	13,787	15,682
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
Total Liabilities	1,09,016	1,36,170	1,65,263	1,94,612
ASSETS				
Cash on hand & with RBI	4,542	5,241	5,776	6,396
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
Total Assets	1,09,016	1,36,170	1,65,263	1,94,612

Spread analysis (%)				
	FY14	FY15	FY16	FY17E
Yield on investments	8.3%	7.4%	7.2%	8.2%
Yield on advances	11.8%	10.6%	9.9%	8.5%
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%
Valuation ratios (x)				
P/E	9.2	16.5	14.3	16.6
P/BV	2.1	2.9	2.6	3.3
P/ABV	2.1	2.9	2.7	3.3



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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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