



ARIHANT Capital Markets Ltd.

## Result Update-Q2FY17 Yes Bank

### Another Strong Quarter!

20<sup>th</sup> Oct, 2016

**CMP:** Rs.1308  
**Target Price:** Rs.1476  
**Recommendation:** Accumulate

#### Stock Info

<b>BSE Group</b>	A
<b>BSE Code</b>	532648
<b>NSE Symbol</b>	YESBANK
<b>Bloomberg</b>	YES IN
<b>Reuters</b>	YESB.BO
<b>BSE Sensex</b>	28,129
<b>NSE Nifty</b>	8,699

#### Market Info

<b>Market Capital</b>	Rs 55,361cr
<b>Equity Capital</b>	Rs 421 cr
<b>Avg. Trading Vol.</b>	37,77,640
<b>52 Wk High/ Low</b>	1450/632
<b>Face Value</b>	10

Shareholding Pattern (%) (Sep 2016)	
<b>Promoters</b>	21.9
<b>Domestic Institutions</b>	24.0
<b>Foreign Institutions</b>	42.1
<b>Public &amp; Others</b>	12.0

#### Price Vs Sensex Chart



Total Advances grew by 38% to Rs 1,10,216 crore as at Q2 FY17. Corporate banking accounted for 67.9% of the Advances portfolio while Retail & Business Banking constituted 32.1% rising from 31.8% YoY backed by improved share in MSE and consumer banking. Total Deposits grew by 29% to Rs 1,28,024 crore. The CASA deposits grew by 53% y-o-y to Rs 38,784 crore taking the CASA ratio to 30.3% up from 25.5% in the corresponding quarter backed by strong growth of savings account deposits which grew by 53.6% Y-o-Y. The Bank's C-D ratio stood at 86.1%,

Aided by strong growth in advances and deposits, NII jumped by 30% to Rs 1446 crore and non-interest income increased by 44% and stood at Rs 888 crs. Net profit for the bank grew by 31% Y-o-Y to Rs 802 crores.

Gross NPAs inclined QoQ from 0.79% to 0.83%, and net NPAs stood steady at 0.29%. Total Standard Restructured Advances stood at Rs 512 cr (0.46%) as at Sep 30, 2016 down from Rs 569 crores (0.71%) Y-o-Y.

Total Capital funds for the bank stood at Rs 23,117 crores (15%) of which Tier 1 capital funds stood at Rs 15,560 crores (10.1%). Total risk weighted assets stood at Rs 1,54,605 crores (82.5% of total assets). The monthly average liquidity coverage ratio stood at 83.9%.

As on 30 September, 2016 total headcount for the bank stands at 18,531, an increase of 2,110 employees in the quarter and 5,831 incremental employees since September 30, 2015. The Bank's branch network stood at 950 branches, an addition of 50 branches in the quarter and total ATM network stands at 1,756. Cost to income ratio decreased to 40.6% from 41.0% Y-o-Y.

#### Valuation

Bank reported another strong quarter with strong growth and steady asset quality. The momentum should continue as the bank focuses to reduce its corporate advance mix to 55% in next few years as well as raising capital via QIP will stay a trigger. We have valued bank at 3.25(x) its FY18E adj. book value and have arrived at fair value of Rs 1,476 per share. At CMP of Rs 1,308, the stock is trading at P/ABV(x) of 2.9x its FY18 ABV. We have **Accumulate** rating on stock.

Financial Snapshot (Rs Cr)	FY15	FY16	FY17E	FY18E
<b>Net interest income</b>	3,488	4,567	5,937	7,715
<b>Operating Profit</b>	3,250	4,303	5,644	7,343
<b>PAT</b>	2,005	2,539	3,320	4,346
<b>EPS (Rs)</b>	49.3	60.6	79.0	103.3
<b>EPS Growth (%)</b>	10%	23%	30%	31%
<b>RoE (%)</b>	19%	21%	21%	22%
<b>P/E (x)</b>	16.5	14.3	16.6	12.7
<b>P/ABV (x)</b>	2.9	2.7	3.2	2.9



Q2 FY17 EARNINGS SNAPSHOT

Reported Quarterly Results					
Particulars (Rs in Cr)	Q2 FY17	Q2 FY16	YoY	Q1FY17	QoQ
Interest Earned	4,094	3,377	21%	3,862	6%
Interest Expended	2,648	2,269	17%	2,546	4%
<b>Net Interest Income</b>	<b>1,446</b>	<b>1,108</b>	<b>30%</b>	<b>1,317</b>	<b>10%</b>
Other Income	888	618	44%	901	-1%
<i>Other income / Net Income (%)</i>	38.0	35.8		40.6	
<b>Total income</b>	<b>2334</b>	<b>1727</b>	<b>35%</b>	<b>2217</b>	<b>5%</b>
Employee Expenses	433	313	39%	407	6%
Non-Employee expenses	515	395	30%	503	2%
<b>Operating Expenses</b>	<b>948</b>	<b>707</b>	<b>34%</b>	<b>910</b>	<b>4%</b>
<i>Cost-income Ratio (%)</i>	40.6	41.0		41.1	
<b>Pre-Prov Profits</b>	<b>1,386</b>	<b>1,019</b>	<b>36%</b>	<b>1,307</b>	<b>6%</b>
Provisions & Contingencies	162	104	56%	207	-22%
<b>PBT</b>	<b>1,224</b>	<b>915</b>	<b>34%</b>	<b>1,100</b>	<b>11%</b>
Provisions for Tax	423	305	39%	368	15%
<i>Effective Tax Rate (%)</i>	34.5	33.3	4%	33.5	3%
<b>PAT (reported)</b>	<b>802</b>	<b>610</b>	<b>31%</b>	<b>732</b>	<b>10%</b>
EPS Basic	19.0	14.6		17.4	
EPS Diluted	18.5	14.3		17.0	
GNPA	917	491	87%	845	9%
NNPA	323	159	104%	302	7%
GNPA (%)	0.8%	0.6%		0.8%	
NNPA (%)	0.3%	0.2%		0.3%	
Total CAR (%)	15.0	15.6		16.1	
Tier 1 (%)	10.0	11.5		10.9	
Tier 2 (%)	5.0	4.1		5.2	
NIM	3.4%	3.3%		3.4%	
Advances	1,10,216	80,015	38%	1,05,942	4%
Deposits	1,28,024	99,344	29%	1,22,581	4%



Income Statement				
Year to 31st March (Rs. Cr)	FY15	FY16	FY17E	FY18E
Interest Income	11,572	13,533	16,338	20,196
Interest Expenses	8,084	8,967	10,401	12,482
<b>Net Interest Income</b>	<b>3,488</b>	<b>4,567</b>	<b>5,937</b>	<b>7,715</b>
- growth %	28%	31%	30%	30%
Other Income	2,046	2,712	3,526	4,584
<b>Operating Income</b>	<b>5,534</b>	<b>7,279</b>	<b>9,462</b>	<b>12,298</b>
- growth %	25%	32%	30%	30%
Operating Expenses	2,285	2,976	3,819	4,956
- Staff Cost	980	1,297	1,686	2,225
- Other Operating Exp.	1,305	1,680	2,133	2,730
<b>Gross Profits</b>	<b>3,250</b>	<b>4,303</b>	<b>5,644</b>	<b>7,343</b>
- growth %	21%	32%	31%	30%
Provisions	339	536	613	708
<b>Profit Before Taxes</b>	<b>2,910</b>	<b>3,766</b>	<b>5,031</b>	<b>6,635</b>
Taxes	905	1,227	1,710	2,289
<b>Profit After Taxes</b>	<b>2,005</b>	<b>2,539</b>	<b>3,320</b>	<b>4,346</b>
- growth %	24%	27%	31%	31%

Ratio Analysis				
Year to 31st March	FY15	FY16	FY17E	FY18E
Basic Ratio (Rs.)				
EPS	49	61	79	103
Book Value per share	280	328	421	465
Adjusted Book Value	277	321	412	454
Dividend per share	9.0	10.0	13.0	15.0
Asset Quality (%)				
Gross NPAs	0.4%	0.8%	0.9%	0.8%
Net NPAs	0.1%	0.3%	0.3%	0.3%
PCR	72%	62.0%	65%	65%
Profitability ratios				
RoE	19%	21%	21%	22%
RoA	1.6%	1.8%	1.8%	2.0%
NIM	3.2%	3.4%	3.5%	3.7%
Operating Profit Margin	24%	26%	28%	30%
Net Profit Margin	15%	16%	17%	18%
Cost to Income	41.3%	40.9%	40.4%	40.3%

Balance Sheet				
As on 31st March (Rs. cr)	FY15	FY16	FY17E	FY18E
LIABILITIES				
Capital	418	421	423	425
Reserves & Surplus	11,262	13,366	17,268	19,136
<b>Share holders Fund</b>	<b>11,680</b>	<b>13,787</b>	<b>17,691</b>	<b>19,561</b>
Deposits	91,176	1,11,720	1,40,292	1,79,909
Borrowings	26,220	31,659	37,358	44,829
Other liabilities & provisions	7,094	8,098	10,528	12,633
<b>Total Liabilities</b>	<b>1,36,170</b>	<b>1,65,263</b>	<b>2,05,868</b>	<b>2,56,932</b>
ASSETS				
Cash on hand & with RBI	5,241	5,776	7,015	8,096
Money at call and short notice	2,316	2,442	9,830	10,929
Advances	75,550	98,210	1,26,200	1,64,060
Investments	46,605	48,838	50,304	59,358
Fixed assets	319	471	612	796
Other assets	6,139	9,526	11,907	13,693
<b>Total Assets</b>	<b>1,36,170</b>	<b>1,65,263</b>	<b>2,05,868</b>	<b>2,56,932</b>

Spread analysis (%)				
	FY15	FY16	FY17E	FY18E
Yield				
Yield on investments	7.4%	7.2%	7.3%	7.2%
Yield on advances	10.6%	9.9%	9.8%	9.5%
Yield on funds	10.0%	9.5%	9.4%	9.3%
Cost of funds	7.6%	6.9%	6.5%	6.2%
Spread	2.4%	2.6%	2.9%	3.1%
Valuation ratios (x)				
P/E	16.5	14.3	16.6	12.7
P/BV	2.9	2.6	3.1	2.8
P/ABV	2.9	2.7	3.2	2.9



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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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