

BSE SENSEX

32,382

S&amp;P CNX

10,021

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Bloomberg	YES IN
Equity Shares (m)	456.5
M.Cap.(INRb)/(USDb)	786.1 / 12.2
52-Week Range (INR)	1723 / 1091
1, 6, 12 Rel. Per (%)	15/5/27
Avg Val, INRm	4021
Free float (%)	79.9

## Financials & Valuations (INR b)

Y/E March	2018E	2019E	2020E
NII	75.7	94.4	121.1
OP	70.4	88.8	116.0
NP	42.1	52.3	65.7
NIM (%)	3.5	3.6	3.7
EPS (INR)	92.3	114.5	143.9
EPS Gr. (%)	26.5	24.1	25.7
BV/Sh. (INR)	542.1	633.3	746.8
ABV/Sh. (INR)	535.1	623.1	736.4
RoE (%)	18.3	19.5	20.9
RoA (%)	1.8	1.8	1.8
<b>Valuations</b>			
P/E(X)	18.7	15.0	12.0
P/BV (X)	3.2	2.7	2.3

**CMP: INR1,713 TP: INR2,123 (+24%)**
**Buy**

## Stellar all-round performance

- Yes Bank's (YES) NII grew 45% YoY (+10% QoQ) to INR18.1b, helped by 30bp YoY NIM improvement (to 3.7%) and customer assets growth of 32% YoY (+5% QoQ). Strong NII and 13% beat on other income (+17% YoY) drove PPOp outperformance (+30% YoY; 6% beat). This was partly offset by higher-than-expected provisioning (INR1b of prudent provisioning), leading to PAT of INR9.1b (5% beat, 32% YoY).
- Asset quality improved during the quarter, with GNPA of 97bp v/s 1.52% in 4Q. In absolute terms, GNPA declined to INR13.6b. This includes one borrower with gross exposure of 0.26% (INR3.66b; down from INR9.11b in 4Q as the bank recovered INR5.46b on the account) and net exposure of 0.10% (INR1.38b). Specific provision held in this account is INR2.27b. Total net stressed loans stood at 1.6% of advances.
- Deposits grew 5%/23% QoQ/YoY to INR1.5t, led by continued CASA inflows. Strengthening of liability franchise continued, with CASA ratio improving 50bp QoQ to 36.8%, helped by 66.7%/45.8% YoY growth in CA/SA deposits.
- Other highlights: a) NIM improved 10bp QoQ, helped by capital raise benefit. b) Loans grew 32% YoY to INR1.4t. c) Retail fee income showed robust growth of 45% YoY. d) RWA/TA declined 300bp+ QoQ to 83% and CET 1 ratio improved 50bp QoQ to 11.9%.
- **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, with RoA/RoE of 1.8%/19%+. YES is adequately capitalized for the next stage of growth (CET1 ~11.9%). We largely maintain earnings estimates and reiterate **Buy** with a target price of INR2,123 (3.2x June 19) – based on residual income model.

## Quarterly Performance

	FY17				FY18E				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY17	FY18E
Interest Income	37,973	40,604	42,134	43,490	46,538	47,461	48,913	50,800	1,64,246	1,93,712
Interest Expense	25,457	26,482	27,241	27,093	28,449	29,018	29,743	30,841	1,06,273	1,18,051
<b>Net Interest Income</b>	<b>12,516</b>	<b>14,122</b>	<b>14,893</b>	<b>16,397</b>	<b>18,089</b>	<b>18,444</b>	<b>19,170</b>	<b>19,958</b>	<b>57,973</b>	<b>75,662</b>
% Change (Y-o-Y)	18.1	27.4	28.7	32.1	44.5	30.6	28.7	21.7	26.9	30.5
Other Income	9,655	9,219	10,165	12,574	11,322	11,100	12,000	13,276	41,568	47,647
<b>Net Income</b>	<b>22,171</b>	<b>23,340</b>	<b>25,059</b>	<b>28,971</b>	<b>29,411</b>	<b>29,544</b>	<b>31,170</b>	<b>33,235</b>	<b>99,541</b>	<b>1,23,309</b>
Operating Expenses	9,103	9,481	10,520	12,061	12,369	12,263	13,410	14,895	41,165	52,937
<b>Operating Profit</b>	<b>13,068</b>	<b>13,860</b>	<b>14,538</b>	<b>16,910</b>	<b>17,042</b>	<b>17,281</b>	<b>17,760</b>	<b>18,340</b>	<b>58,375</b>	<b>70,372</b>
% Change (Y-o-Y)	43.9	36.0	26.5	38.0	30.4	24.7	22.2	8.5	35.7	20.6
Other Provisions	2,066	1,617	1,154	3,097	2,858	2,550	1,525	1,495	7,934	8,428
<b>Profit before Tax</b>	<b>11,001</b>	<b>12,243</b>	<b>13,384</b>	<b>13,813</b>	<b>14,184</b>	<b>14,731</b>	<b>16,235</b>	<b>16,844</b>	<b>50,441</b>	<b>61,944</b>
Tax Provisions	3,683	4,228	4,558	4,671	4,529	4,714	5,195	5,384	17,140	19,822
<b>Net Profit</b>	<b>7,318</b>	<b>8,015</b>	<b>8,826</b>	<b>9,141</b>	<b>9,655</b>	<b>10,017</b>	<b>11,040</b>	<b>11,460</b>	<b>33,301</b>	<b>42,122</b>
% Change (Y-o-Y)	32.8	31.3	30.6	30.2	31.9	25.0	25.1	25.4	31.1	26.5
<b>Operating Parameters</b>										
NIM (Cal, %)	3.3	3.6	3.6	3.8	3.9	3.7	3.7	3.6	3.6	3.7
Deposit Growth (%)	28.6	28.9	30.5	27.9	22.6	23.2	25.1	22.0	27.9	22.0
Loan Growth (%)	33.0	37.7	38.8	34.7	32.1	34.6	34.3	28.0	34.7	28.0
CD Ratio (%)	86.4	86.1	88.5	92.6	93.2	94.1	94.9	97.1	92.6	0.0
CASA Ratio (%)	29.6	30.3	33.3	36.3					36.3	37.1
<b>Asset Quality</b>										
Gross NPA (INR B)	8.4	9.2	10.1	20.2	13.6	14.0	14.2	14.0	20.2	14.0
Gross NPA (%)	0.8	0.8	0.9	1.5	1.0	0.9	0.9	0.8	1.5	0.8

E: MOSL Estimates

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

Y/E MARCH (INR m)	1QFY18A	1QFY18E	Var. (%)	Comments
<b>Net Interest Income</b>	<b>18,089</b>	<b>17,505</b>	<b>3</b>	<b>strong loan growth and NiM performance</b>
% Change (Y-o-Y)	45	40		
Other Income	11,322	10,050	13	beat led by robust retail fee income growth
<b>Net Income</b>	<b>29,411</b>	<b>27,555</b>	<b>7</b>	
Operating Expenses	12,369	11,433	8	opex higher than expected
<b>Operating Profit</b>	<b>17,042</b>	<b>16,122</b>	<b>6</b>	<b>other income driving beat operating profit</b>
% Change (Y-o-Y)	30	23		
Other Provisions	2,858	2,500	14	Provisions higher than expected
<b>Profit before Tax</b>	<b>14,184</b>	<b>13,622</b>	<b>4</b>	
Tax Provisions	4,529	4,427	2	
<b>Net Profit</b>	<b>9,655</b>	<b>9,195</b>	<b>5</b>	<b>PAT beat led by strong income growth</b>
% Change (Y-o-Y)	32	26		

Source: MOSL, Company

Sharp improvement in asset quality with bulk recovery in a lumpy account

**GNPA declines sharply – Bulky recovery helps asset quality**

- Asset quality improved during the quarter with a recovery of INR5.46b (~60% of 4QFY17 exposure of INR9.11b) from a lumpy cement account, leading to 55bp sequentially lower GNPA at 0.97%. NNPA declined 42bp sequentially to 0.39%. Outstanding exposure to this lumpy account contributes 26bp/10bp to GNPA/NNPA. The bank expects to recover a further 15% (at least) of the original exposure by 2QFY18.
- Stock of security receipts stayed flat QoQ at INR9.8b (69bp of loans).
- Outstanding standard restructured loan portfolio moderated 12bp QoQ to 24bp, helped by one account moving back to standard category due to satisfactory performance
- Total net stressed loans (NNPA, OSRL, SDR, S4A, SR, 5:25, NCLT cases) stood at 1.87%. The bank has an exposure of INR3.4b on 2 accounts out of the 12 that have been referred to NCLT, and has provided 50% on this exposure. Provision coverage ratio improved to 60% v/s ~47% in 4Q

CASA ratio at an all-time high; retail deposits comprise 61.8% of total deposits

**Strong CASA mobilization; CASA ratio +50bp QoQ to 36.8%**

- Deposits grew 5% QoQ and 23% YoY to INR1.5t. CASA ratio improved 50bp QoQ sequentially to 36.8%. SA/CA grew 45.8%/and 66.6% YoY.
- 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 continues to inch up and stands at 61.8% (61.5% a quarter ago and 55.3% a year ago).

**Strong Loan growth; NIM improves 10bp QoQ to 3.7%**

- Loan book grew 32% YoY and 13% QoQ to INR1.3t driven by 33% YoY (+6% QoQ) growth in the corporate banking book.
- Commercial banking division too showed robust growth of 30% YoY (+5% QoQ) driven by strong growth in both retail and SME segments.
- The management sounded cautious on their electricity exposure and said they will continue to monitor exposures in this sector closely

Retail fees showed robust  
45% YoY growth

### Other highlights

- Reported NIM increased 10bp QoQ and 30bp YoY to 3.7%. Capital raise of INR50b towards the end of 4QFY17, helped margins during the quarter. Adjusted for capital raise benefit margins have been flat to 5bp decline
- Non-interest income grew 17% YoY (-10% QoQ). Retail banking fees registered robust growth of 45% YoY. Lumpiness of corporate banking fees (36% of total non-interest income) remains a concern.
- Cost income ratio came in at 42.1% (+43bp/+100bp QoQ/YoY)
- During the quarter, YES added 20/11 branches/ATM increasing the branch/ATM network to 1,020/1,796.

### Exhibit 2: Retail fees continues to exhibit strong growth

	1QFY18	4QFY17	QoQ Gr. (%)	1QFY17	YoY Gr. (%)
<b>Non interest income</b>	<b>11,322</b>	<b>12,574</b>	<b>-10</b>	<b>9,655</b>	<b>17</b>
Corporate trade and CMS	1,352	1,178	15	1,112	22
Forex, debt capital and Securities	3,221	2,324	39	2,023	59
Corporate banking fees	4,108	5,864	-30	4,701	-13
Retail fees	2,641	3,208	-18	1,819	45
Trade and Remittance	795	791	1	709	12
Facility/Processing fees	486	482	1	164	196
Third party sales	279	633	-56	222	26
Interchange fees	675	776	-13	369	83
General Banking	355	449	-21	310	15

Source: Company, MOSL

### 1QFY18 Conference call highlights

#### Asset Quality

- The bank expects minimum of further 15% of recovery of the original exposure on the lumpy account.
- **Details of provision expenses** – INR1.58b towards NPAs (of which, INR946m to IBC accounts and INR316m of general loan losses).
- In telecom sector, the bank has exposures to 3 out of 4 companies.
- The bank made additional 0.4% of provision for telecom sector exposure in 1QFY18.
- In 1QFY18, 1 SDR account and 3 restructured accounts slipped into NPA (0.03% each).
- Exposure to future possible IBC target accounts – INR2.9b (0.21% of loans).

#### P/L related

- The bank is confident of reaching 4% NIM by FY20.
- Management believes CASA ratio should reach 40% by 2QFY19, ahead of their original target of FY20.
- Management believes they should be able to reduce SA rates once they reach 25% of deposits.

#### Balance sheet related

- Guidance here is no bought-outs in non-PSL consumer accounts; even in PSL book, buyouts are being replaced by PSL certificate.
- Retail/MSME growth targets remain broadly the same. CV sales have partly impacted retail and business banking growth, but this should pick up.
- Management sounded cautious on the power sector, and commented that they will continue to monitor their exposures in the sector closely.

Reiterate Buy with a target price of INR2,123 (3.2x June 19 BV)

- RWA/TA declined 300bp+ QoQ to 83%, as portfolio de-risking happened with incremental loans having lower risk weights.

### 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 ~12%), branch network has increased to 1,020 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 ~25%/28% 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.
- YES's total stress loan (NNPA+OSLR+SDR+5:25+S4A) remains one of the lowest in the industry) at ~1.6%. 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 25% PAT CAGR through FY20. This will see RoE improving to ~20% by FY19E.
- The stock trades at 2.6x FY19 BV and 15.0x FY19 EPS. Reiterate Buy with a target price of INR2,125 (3.2x June 2019 BV) – based on residual income model (Average growth of ~17% over FY17-37E, Terminal growth of 5%, 13.7% cost of equity – risk free rate of 7%, beta of 1.34, and 5% market risk premium.

### Exhibit 3: We largely maintain estimates

INR B	Old Est.			New Est.			% Change		
	FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20
Net Interest Income	74.9	95.7	122.9	75.7	94.4	121.1	1.0	-1.3	-1.4
Other Income	46.4	57.5	71.3	47.6	59.0	73.1	2.7	2.6	2.5
<b>Total Income</b>	<b>121.3</b>	<b>153.2</b>	<b>194.2</b>	<b>123.3</b>	<b>153.4</b>	<b>194.2</b>	<b>1.6</b>	<b>0.1</b>	<b>0.0</b>
Operating Expenses	51.5	64.3	79.0	52.9	64.6	78.2	2.9	0.4	-1.0
<b>Operating Profits</b>	<b>69.9</b>	<b>88.9</b>	<b>115.2</b>	<b>70.4</b>	<b>88.8</b>	<b>116.0</b>	<b>0.7</b>	<b>0.0</b>	<b>0.7</b>
Provisions	8.5	11.9	16.9	8.4	11.9	19.4	-1.2	0.0	14.6
<b>PBT</b>	<b>61.3</b>	<b>76.9</b>	<b>98.3</b>	<b>61.9</b>	<b>76.9</b>	<b>96.6</b>	<b>1.0</b>	<b>-0.1</b>	<b>-1.7</b>
Tax	19.9	24.6	31.5	19.8	24.6	30.9	-0.6	-0.1	-1.7
<b>PAT</b>	<b>41.4</b>	<b>52.3</b>	<b>66.8</b>	<b>42.1</b>	<b>52.3</b>	<b>65.7</b>	<b>1.7</b>	<b>-0.1</b>	<b>-1.7</b>
Loans	1,693	2,167	2,774	1,693	2,167	2,774	0.0	0.0	0.0
Deposits	1,757	2,249	2,902	1,743	2,249	2,901	-0.8	0.0	0.0
Margins (%)	3.50	3.64	3.71	3.54	3.59	3.65			
Credit Cost (%)	0.60	0.65	0.65	0.60	0.65	0.75			
<b>RoA (%)</b>	<b>1.75</b>	<b>1.80</b>	<b>1.84</b>	<b>1.78</b>	<b>1.80</b>	<b>1.81</b>			
<b>RoE (%)</b>	<b>17.97</b>	<b>19.53</b>	<b>21.22</b>	<b>18.25</b>	<b>19.48</b>	<b>20.85</b>			

Source: MOSL, Company

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

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
<b>Net Interest Income</b>	<b>2.57</b>	<b>2.61</b>	<b>2.85</b>	<b>3.03</b>	<b>3.05</b>	<b>3.20</b>	<b>3.26</b>	<b>3.33</b>
Core Fee Income	1.28	1.49	1.55	1.63	1.81	1.72	1.79	1.81
Fee to core Income (%)	31.7	35.0	34.4	33.7	34.6	32.9	33.8	34.0
<b>Core Income</b>	<b>3.84</b>	<b>4.11</b>	<b>4.40</b>	<b>4.66</b>	<b>4.86</b>	<b>4.92</b>	<b>5.05</b>	<b>5.14</b>
<b>Operating Expenses</b>	<b>1.55</b>	<b>1.68</b>	<b>1.86</b>	<b>1.97</b>	<b>2.16</b>	<b>2.24</b>	<b>2.23</b>	<b>2.15</b>
Cost to Core Income (%)	40.2	41.0	42.4	42.4	44.5	45.6	44.1	41.8
Employee cost	0.76	0.75	0.80	0.86	0.95	0.99	0.99	0.94
Others	0.79	0.93	1.06	1.11	1.22	1.25	1.24	1.21
<b>Core operating Profits</b>	<b>2.30</b>	<b>2.42</b>	<b>2.53</b>	<b>2.68</b>	<b>2.70</b>	<b>2.68</b>	<b>2.82</b>	<b>2.99</b>
Trading and others	0.18	0.16	0.12	0.17	0.37	0.30	0.25	0.20
<b>Operating Profits</b>	<b>2.48</b>	<b>2.58</b>	<b>2.65</b>	<b>2.85</b>	<b>3.07</b>	<b>2.98</b>	<b>3.06</b>	<b>3.19</b>
<b>Provisions</b>	<b>0.25</b>	<b>0.35</b>	<b>0.28</b>	<b>0.36</b>	<b>0.42</b>	<b>0.36</b>	<b>0.41</b>	<b>0.53</b>
NPA	0.17	0.13	0.11	0.33	0.35	0.38	0.43	0.51
Others	0.08	0.22	0.17	0.03	0.07	-0.03	-0.02	0.02
<b>PBT</b>	<b>2.23</b>	<b>2.24</b>	<b>2.37</b>	<b>2.50</b>	<b>2.65</b>	<b>2.62</b>	<b>2.65</b>	<b>2.66</b>
Tax	0.72	0.68	0.74	0.81	0.90	0.84	0.85	0.85
Tax Rate (%)	32.5	30.5	31.1	32.6	34.0	32.0	32.0	32.0
<b>RoA</b>	<b>1.51</b>	<b>1.55</b>	<b>1.64</b>	<b>1.68</b>	<b>1.75</b>	<b>1.78</b>	<b>1.80</b>	<b>1.81</b>
Leverage (x)	16.5	16.1	13.0	11.8	10.8	10.2	10.8	11.6
<b>RoE</b>	<b>24.8</b>	<b>25.0</b>	<b>21.3</b>	<b>19.9</b>	<b>18.9</b>	<b>18.3</b>	<b>19.5</b>	<b>20.9</b>

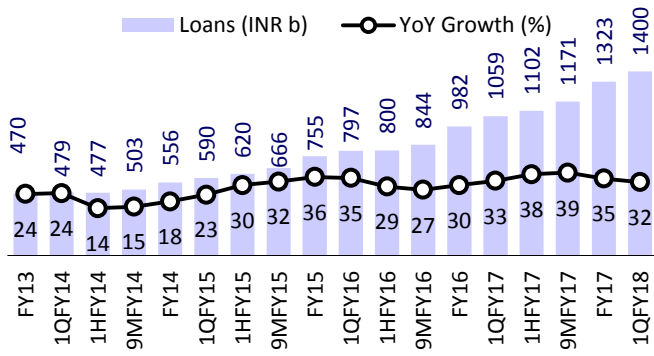
Source: MOSL, Company

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

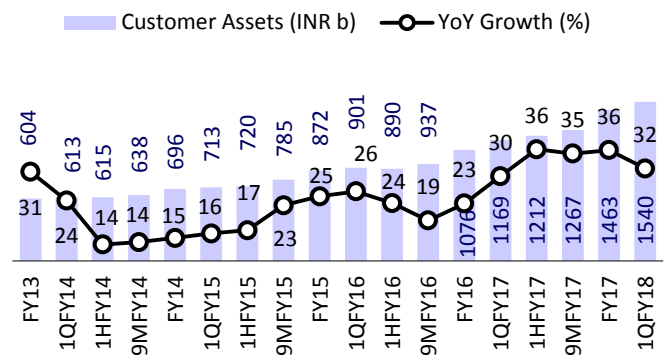
	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18
<b>Net interest income</b>	<b>2.73</b>	<b>3.03</b>	<b>3.04</b>	<b>3.01</b>	<b>3.08</b>	<b>3.12</b>	<b>3.16</b>	<b>3.17</b>	<b>2.92</b>	<b>3.10</b>	<b>3.12</b>	<b>3.20</b>	<b>3.31</b>
Non-interest income	1.51	1.79	1.79	1.82	1.58	1.74	2.04	2.05	2.26	2.02	2.13	2.45	2.07
<b>Operating Income</b>	<b>4.24</b>	<b>4.82</b>	<b>4.83</b>	<b>4.83</b>	<b>4.67</b>	<b>4.87</b>	<b>5.20</b>	<b>5.22</b>	<b>5.18</b>	<b>5.12</b>	<b>5.25</b>	<b>5.65</b>	<b>5.38</b>
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	42.1
<b>Operating cost</b>	<b>1.93</b>	<b>1.93</b>	<b>1.95</b>	<b>1.94</b>	<b>2.03</b>	<b>1.99</b>	<b>2.06</b>	<b>2.09</b>	<b>2.13</b>	<b>2.08</b>	<b>2.20</b>	<b>2.35</b>	<b>2.26</b>
- 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	1.00
- 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	1.26
<b>Operating Profit</b>	<b>2.31</b>	<b>2.89</b>	<b>2.88</b>	<b>2.89</b>	<b>2.64</b>	<b>2.87</b>	<b>3.14</b>	<b>3.13</b>	<b>3.05</b>	<b>3.04</b>	<b>3.04</b>	<b>3.30</b>	<b>3.12</b>
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	0.52
<b>PBT</b>	<b>2.23</b>	<b>2.47</b>	<b>2.65</b>	<b>2.50</b>	<b>2.36</b>	<b>2.58</b>	<b>2.74</b>	<b>2.66</b>	<b>2.57</b>	<b>2.69</b>	<b>2.80</b>	<b>2.70</b>	<b>2.60</b>
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	0.83
<b>ROAA (%)</b>	<b>1.58</b>	<b>1.71</b>	<b>1.80</b>	<b>1.70</b>	<b>1.60</b>	<b>1.72</b>	<b>1.85</b>	<b>1.79</b>	<b>1.71</b>	<b>1.76</b>	<b>1.85</b>	<b>1.78</b>	<b>1.77</b>
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	9.8
<b>ROAE (%)</b>	<b>19.6</b>	<b>18.0</b>	<b>19.2</b>	<b>19.0</b>	<b>18.4</b>	<b>19.4</b>	<b>20.5</b>	<b>20.5</b>	<b>20.7</b>	<b>21.4</b>	<b>22.3</b>	<b>19.1</b>	<b>17.4</b>

Source: MOSL, Company

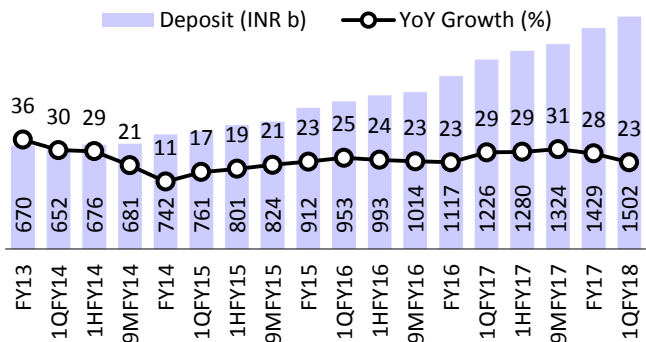
## Story in charts

**Exhibit 6: Strong traction in loans (+6% QoQ, +32% YoY)**


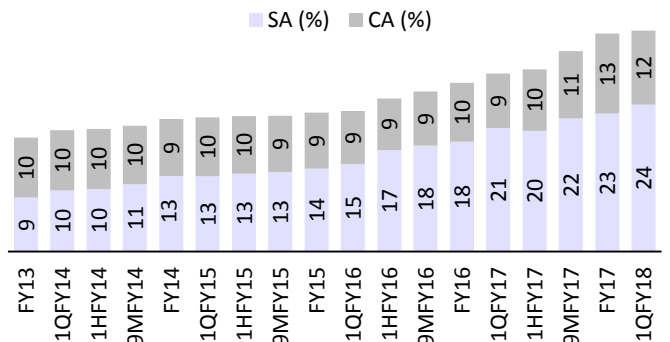
Source: Company, MOSL

**Exhibit 7: Customer assets grew 32% YoY**


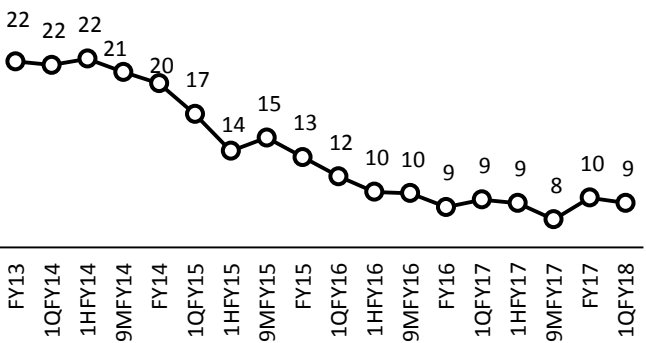
Source: Company, MOSL

**Exhibit 8: Strong deposits growth**


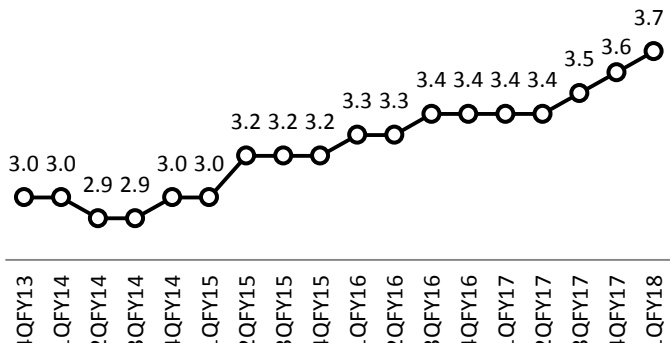
Source: Company, MOSL

**Exhibit 9: CASA growth remains strong (+52% YoY)**


Source: Company, MOSL

**Exhibit 10: Credit substitutes' proportion ticks lower (%)**


Source: Company, MOSL

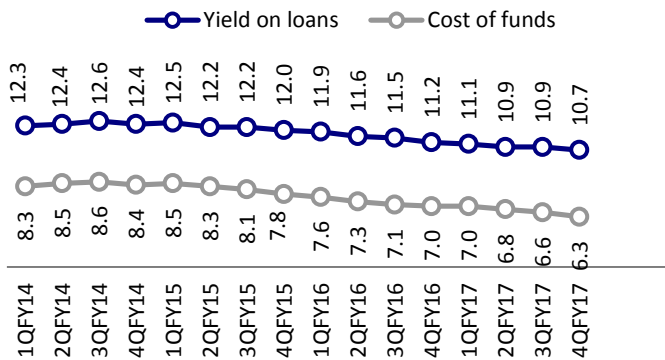
**Exhibit 11: Reported NIM trending upwards (%)**


Source: Company, MOSL



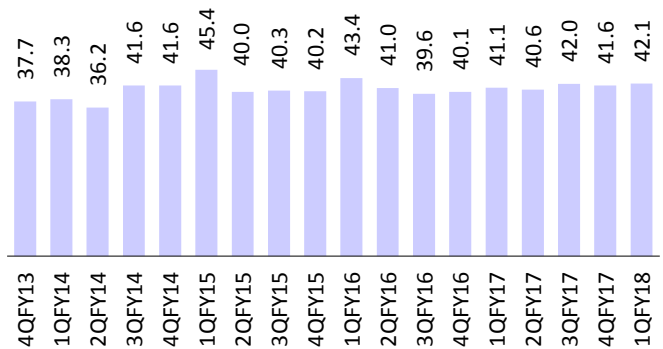
## Story in charts

**Exhibit 12: Both yields and COF trending lower**



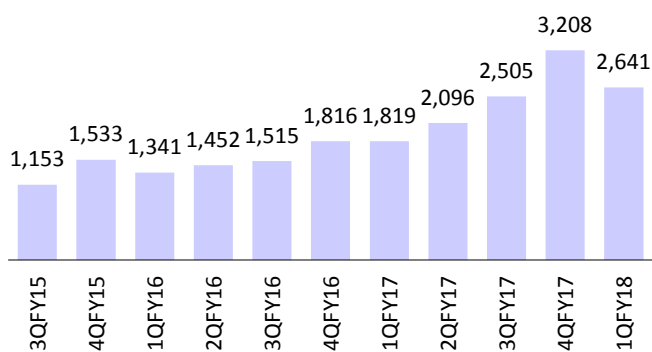
Source: Company, MOSL

**Exhibit 13: Cost to income ratio largely stable**



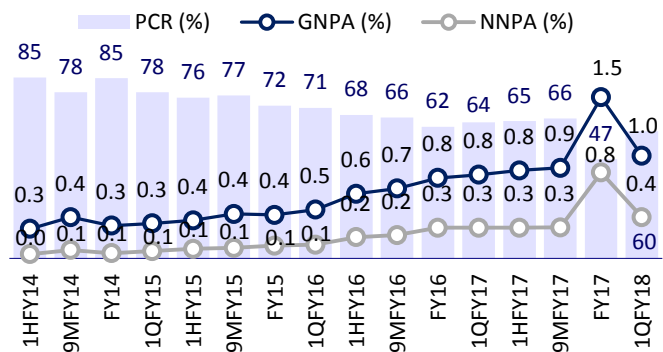
Source: Company, MOSL

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



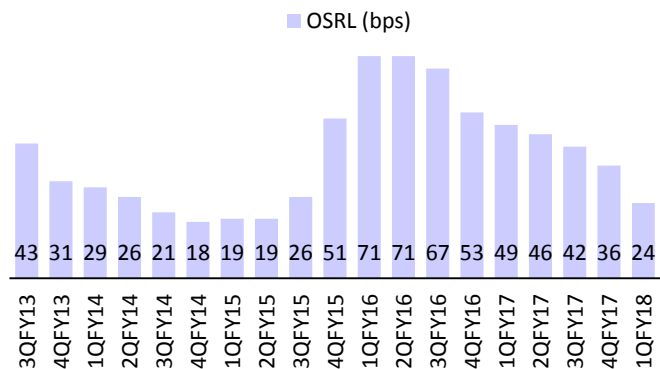
Source: Company, MOSL

**Exhibit 15: GNPA improves sequentially**



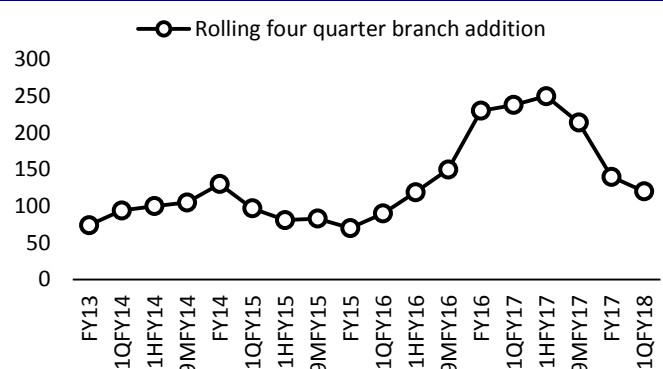
Source: Company, MOSL

**Exhibit 16: ORSL tick lower QoQ (bps)**



Source: Company, MOSL

**Exhibit 17: Added 20 branches during the quarter (nos.)**



Source: Company, MOSL

## Exhibit 18: Quarterly Snapshot (INRb)

	FY16				FY17				FY18	Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	QoQ	YoY
<b>Profit and Loss (INR m)</b>											
<b>Net Interest Income</b>	10,598	11,085	11,569	12,414	12,516	14,122	14,893	16,397	18,089	10	45
<b>Other Income</b>	5,452	6,181	7,461	8,028	9,655	9,219	10,165	12,574	11,322	-10	17
<b>Total Income</b>	16,050	17,266	19,030	20,443	22,171	23,340	25,059	28,971	29,411	2	33
<b>Operating Expenses</b>	6,967	7,074	7,534	8,188	9,103	9,481	10,520	12,061	12,369	3	36
Employee	2,885	3,128	3,426	3,528	4,074	4,334	4,675	4,968	5,461	10	34
Others	4,082	3,947	4,108	4,659	5,030	5,147	5,846	7,093	6,908	-3	37
<b>Operating Profits</b>	9,083	10,191	11,496	12,255	13,068	13,860	14,538	16,910	17,042	1	30
Provisions	980	1,039	1,479	1,865	2,066	1,617	1,154	3,097	2,858	-8	38
<b>PBT</b>	8,103	9,152	10,016	10,390	11,001	12,243	13,384	13,813	14,184	3	29
Taxes	2,591	3,048	3,260	3,369	3,683	4,228	4,558	4,671	4,529	-3	23
<b>PAT</b>	5,512	6,104	6,757	7,021	7,318	8,015	8,826	9,141	9,655	6	32
<b>Asset Quality</b>											
<b>GNPA</b>	3,683	4,914	5,586	7,490	8,446	9,167	10,059	20,186	13,644	-32	62
<b>NNPA</b>	1,067	1,586	1,872	2,845	3,024	3,230	3,425	10,723	5,453	-49	80
GNPA (%)	0.5	0.6	0.7	0.8	0.8	0.8	0.9	1.5	1.0	-55	18
NNPA (%)	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.8	0.4	-42	10
PCR (Calculated, %)	71	68	66	62	64	65	66	47	60	1,315	-416
<b>Ratios (%)</b>											
Non Int. to Total Income	34.0	35.8	39.2	39.3	43.5	39.5	40.6	43.4	38.5		
Cost to Income	43.4	41.0	39.6	40.1	41.1	40.6	42.0	41.6	42.1		
Tax Rate	32.0	33.3	32.5	32.4	33.5	34.5	34.1	33.8	31.9		
CASA (Reported)	23.4	25.5	26.6	28.1	29.6	30.3	33.3	36.3	36.8		
Loan/Deposit	83.6	80.5	83.2	87.9	86.4	86.1	88.5	92.6	93.2		
RoA	1.6	1.7	1.8	1.8	1.7	1.8	1.8	1.8	1.8		
RoE	18.4	19.4	20.5	21.1	20.7	21.4	22.3	21.8	17.4		
<b>Margins (%) - Reported</b>											
Yield on loans	11.9	11.6	11.5	11.2	11.1	10.9	10.9	10.7	10.4	-30	-70
Cost of funds	7.6	7.3	7.1	7.0	7.0	6.8	6.6	6.3	6.2	-10	-80
<b>Margins</b>	3.3	3.3	3.4	3.4	3.4	3.4	3.5	3.6	3.7	10	30
<b>Balance Sheet (INR B)</b>											
<b>Loans</b>	797	800	844	982	1,059	1,102	1,171	1,323	1,400	6	32
Investments	422	439	456	488	461	496	497	500	521	4	13
<b>Deposits</b>	953	993	1,014	1,117	1,226	1,280	1,324	1,429	1,502	5	23
CASA Deposits	223	253	270	313	363	388	441	519	552	6	52
Borrowings	253	238	267	317	319	346	369	386	383	-1	20
<b>Total Assets</b>	1,390	1,448	1,478	1,653	1,772	1,873	1,948	2,151	2,221	3	25
<b>Risk Weighted Assets</b>	1,127	1,171	1,211	1,329	1,443	1,546	1,590	1,863	1,852	-1	28
<b>Loan Mix (% , Non PSL)</b>											
C&IB	68.0	68.2	67.2	65.1	67.5	67.9	68.9	67.7	68.1	40	60
Commercial Banking	32.0	31.8	32.8	34.9	32.5	32.1	31.1	32.3	31.9	-40	-60
Branch Banking	14.1	13.3	12.7	11.1	11.0	10.7	10.7	10.5	9.9	-60	-110
<b>Other Details</b>											
Branches	662	700	750	860	900	950	964	1,000	1,020		
Employees	11,543	12,700	13,477	15,000	16,421	18,531	19,400	20,125	20,851		

Source: MOSL, Company



## Exhibit 19: 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
ICICI* <sup>*</sup>	Buy	310	30.3	15.6	17.9	14.2	11.5	146.6	159.2	1.51	1.30	1.23	1.23	9.4	10.1
HDFCB	Buy	1,750	69.3	68.2	82.1	25.6	21.3	388	451	4.51	3.88	1.84	1.84	18.8	19.6
AXSB	Neutral	529	20.3	21.8	38.1	24.2	13.9	243	274	2.18	1.93	0.81	1.19	9.3	14.7
KMB*	Buy	987	28.1	32.4	41.0	30.4	24.0	232	272	4.25	3.63	1.84	1.99	15.0	16.3
YES	Buy	1,713	11.4	90.7	114.6	18.9	14.9	541	632	3.17	2.71	1.75	1.80	18.0	19.5
IIB	Buy	1,580	14.3	61.9	76.8	25.5	20.6	383	446	4.13	3.54	1.90	1.95	17.3	18.5
IDFC Bk	Neutral	60	3.2	3.5	4.2	17.2	14.5	46	49	1.31	1.23	0.93	0.91	7.9	8.8
FB	Buy	115	3.2	5.5	6.8	21.0	16.9	62	68	1.84	1.70	0.83	0.85	10.2	10.5
DCBB	Neutral	198	0.9	8.4	10.4	23.7	19.1	83	93	2.38	2.14	0.95	0.96	11.4	11.8
JKBK	Neutral	87	0.7	3.8	8.2	22.7	10.6	112	118	0.78	0.74	0.23	0.44	3.5	7.2
SIB	Buy	31	0.6	2.9	3.7	10.7	8.3	28	30	1.11	1.01	0.65	0.74	10.8	12.7
Equitas	Buy	169	0.9	4.8	7.4	34.9	22.7	70	77	2.39	2.18	1.66	2.16	7.1	10.1
RBL	Under Review	528	3.1	18.0	23.7	29.3	22.3	160	180	3.29	2.93	1.34	1.35	13.6	13.9
Private Aggregate															
SBIN (cons)*	Buy	296	39.7	17.9	23.3	14.7	11.2	230	249	1.15	1.05	0.44	0.50	8.7	10.0
PNB	Buy	159	5.4	10.3	14.5	15.5	11.0	187	199	0.85	0.80	0.29	0.37	5.6	7.5
BOI	Neutral	161	2.7	13.7	22.0	11.7	7.3	233	255	0.69	0.63	0.22	0.33	6.1	9.0
BOB	Buy	163	5.9	18.4	22.5	8.9	7.3	162	179	1.01	0.91	0.59	0.66	11.9	13.2
CBK	Neutral	357	3.0	30.1	47.0	11.9	7.6	498	540	0.72	0.66	0.29	0.41	6.2	9.1
UNBK	Neutral	160	1.7	24.6	34.5	6.5	4.6	315	345	0.51	0.46	0.37	0.47	8.1	10.5
OBC	Neutral	152	0.8	17.1	21.4	8.9	7.1	382	404	0.40	0.38	0.22	0.26	4.6	5.4
INBK	Buy	315	2.4	34.4	38.3	9.1	8.2	327	357	0.96	0.88	0.73	0.72	10.9	11.2
Public Aggregate															
Banks Aggregate															
HDFC*	Under Review	1,633	39.9	41.4	47.0	21.8	16.9	228	287	3.95	2.77	1.79	1.82	18.3	17.4
LICHF	Neutral	737	5.7	47.9	53.8	15.4	13.7	252	295	2.93	2.50	1.64	1.63	20.6	19.7
IHFL	Buy	1,187	7.8	86.3	108.4	13.8	11.0	324	368	3.67	3.22	3.28	3.24	28.2	31.3
GRHF	Neutral	458	2.6	9.9	12.1	46.1	38.0	33	40	13.82	11.33	2.43	2.43	33.0	32.8
REPCO	Buy	781	0.8	35.8	42.5	21.8	18.4	214	253	3.64	3.08	2.25	2.21	18.1	18.2
DEWH	Buy	460	2.2	37.7	47.1	12.2	9.8	282	321	1.63	1.43	1.25	1.33	14.1	15.6
Housing Finance															
RECL	Neutral	176	5.5	35.0	40.4	5.0	4.4	196	227	0.90	0.77	3.10	3.12	19.1	19.1
POWF	Neutral	123	5.1	27.2	30.2	4.5	4.1	169	191	0.72	0.64	2.76	2.72	17.0	16.8
Infra Finance															
SHTF	Buy	983	3.5	78.5	98.5	12.5	10.0	564	646	1.74	1.52	2.60	2.91	14.7	16.3
MMFS	Buy	396	3.5	13.9	17.8	28.6	22.3	120	131	3.30	3.03	1.73	1.90	12.0	14.2
BAF	Buy	1,686	13.8	47.6	62.9	35.4	26.8	216	270	7.80	6.25	3.51	3.51	24.3	25.9
CIFC	Buy	1,145	2.8	55.0	66.4	20.8	17.2	322	380	3.56	3.02	2.74	2.78	18.5	18.9
SCUF	Buy	2,279	2.4	132.8	171.2	17.2	13.3	874	1,019	2.61	2.24	3.63	3.96	16.2	18.1
MUTH	Buy	478	2.9	41.0	43.3	11.7	11.0	189	217	2.52	2.20	4.99	4.61	23.2	21.4
SKSM	Neutral	789	1.7	41.3	53.0	19.1	14.9	219	272	3.61	2.90	4.49	4.26	20.9	21.6
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	57,973	75,662	94,438	1,21,097
Change (%)	37.3	22.4	28.4	30.9	26.9	30.5	24.8	28.2
Non Interest Income	12,574	17,216	20,465	27,121	41,568	47,647	58,965	73,090
Net Income	34,762	44,378	55,343	72,789	99,541	1,23,309	1,53,403	1,94,186
Change (%)	40.6	27.7	24.7	31.5	36.8	23.9	24.4	26.6
Operating Expenses	13,345	17,499	22,847	29,764	41,165	52,937	64,583	78,219
Pre Provision Profits	21,417	26,880	32,496	43,025	58,375	70,372	88,819	1,15,967
Change (%)	39.1	25.5	20.9	32.4	35.7	20.6	26.2	30.6
Provisions (excl tax)	2,160	3,617	3,395	5,363	7,934	8,428	11,941	19,355
PBT	19,257	23,263	29,101	37,662	50,441	61,944	76,878	96,612
Tax	6,251	7,085	9,047	12,268	17,140	19,822	24,601	30,916
Tax Rate (%)	32.5	30.5	31.1	32.6	34.0	32.0	32.0	32.0
PAT	13,007	16,178	20,054	25,394	33,301	42,122	52,277	65,696
Change (%)	33.1	24.4	24.0	26.6	31.1	26.5	24.1	25.7
Equity Dividend (Incl tax)	2,510	3,397	4,528	5,062	6,324	8,588	10,658	13,394
Core PPP*	19,860	25,218	31,075	40,419	51,263	63,259	81,707	1,08,855
Change (%)	32.2	27.0	23.2	30.1	26.8	23.4	29.2	33.2

\*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	1,12,622	1,33,661	2,09,383	2,42,917	2,84,536	3,36,339
Net Worth	58,077	71,217	1,16,800	1,37,866	2,13,947	2,47,482	2,89,101	3,40,904
Of which Equity Network	58,077	71,217	1,16,800	1,37,866	2,13,947	2,47,482	2,89,101	3,40,904
Deposits	6,69,556	7,41,920	9,11,758	11,17,195	14,28,739	17,43,061	22,48,549	29,00,628
Change (%)	36.2	10.8	22.9	22.5	27.9	22.0	29.0	29.0
of which CASA Dep	1,26,875	1,63,447	2,10,790	3,13,428	5,18,697	6,46,325	8,56,551	11,17,306
Change (%)	71.6	28.8	29.0	48.7	65.5	24.6	32.5	30.4
Borrowings	2,09,221	2,13,143	2,62,204	3,16,590	3,86,067	4,37,427	5,10,982	6,00,491
Other Liabilities & Prov.	54,187	63,877	70,942	80,983	1,21,846	1,46,136	1,75,401	2,10,672
Total Liabilities	9,91,041	10,90,158	13,61,704	16,52,634	21,50,599	25,74,105	32,24,033	40,52,695
Current Assets	40,658	58,917	75,572	82,184	1,95,494	1,29,695	1,63,043	2,15,140
Investments	4,29,760	4,09,503	4,32,285	4,88,385	5,00,318	6,00,382	7,20,458	8,64,549
Change (%)	54.8	-4.7	5.6	13.0	2.4	20.0	20.0	20.0
Loans	4,69,996	5,56,330	7,55,498	9,82,099	13,22,627	16,92,962	21,66,992	27,73,749
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	6,943	7,798	8,653
Other Assets	48,332	62,473	95,160	95,259	1,25,325	1,44,123	1,65,742	1,90,603
Total Assets	9,91,041	10,90,158	13,61,704	16,52,634	21,50,599	25,74,105	32,24,033	40,52,695

Asset Quality								(%)
GNPA (INR m)	943	1,749	3,134	7,490	20,186	14,016	19,399	28,635
NNPA (INR m)	70	261	877	2,845	10,723	4,927	7,186	7,315
GNPA Ratio	0.20	0.31	0.41	0.76	1.52	0.82	0.89	1.02
NNPA Ratio	0.01	0.05	0.12	0.29	0.81	0.29	0.33	0.26
Slippage Ratio	0.64	0.85	0.70	1.21	2.68	1.20	1.30	1.30
Credit Cost	0.34	0.26	0.20	0.57	0.58	0.60	0.65	0.75
PCR (Incl Tech. Write off)	92.6	85.1	72.0	62.0	46.9	64.8	63.0	74.5

E: MOSL Estimates

## Financials and Valuations

### Ratios

Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
<b>Spreads Analysis (%)</b>								
<b>Avg. Yield-Earning Assets</b>	<b>10.5</b>	<b>10.6</b>	<b>10.6</b>	<b>10.0</b>	<b>9.5</b>	<b>9.1</b>	<b>8.9</b>	<b>8.9</b>
Avg. Yield on loans	12.7	12.7	12.2	11.2	10.6	10.0	9.5	9.5
Avg. Yield on Investments	8.1	8.1	8.0	7.6	7.7	6.8	6.7	6.7
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>8.0</b>	<b>7.9</b>	<b>7.6</b>	<b>6.9</b>	<b>6.5</b>	<b>5.9</b>	<b>5.6</b>	<b>5.6</b>
Avg. Cost of Deposits	7.9	8.0	7.9	7.1	6.4	5.6	5.4	5.4
<b>Interest Spread</b>	<b>2.5</b>	<b>2.7</b>	<b>3.0</b>	<b>3.1</b>	<b>3.0</b>	<b>3.1</b>	<b>3.2</b>	<b>3.3</b>
<b>Net Interest Margin</b>	<b>2.8</b>	<b>2.9</b>	<b>3.2</b>	<b>3.4</b>	<b>3.4</b>	<b>3.5</b>	<b>3.6</b>	<b>3.7</b>

### Profitability Ratios (%)

RoE	24.8	25.0	21.3	19.9	18.9	18.3	19.5	20.9
RoA	1.5	1.6	1.6	1.7	1.8	1.8	1.8	1.8
RoRWA	2.2	2.2	2.2	2.1	2.1	2.1	2.2	2.2
Int. Expense/Int. Income	73.2	72.8	69.9	66.3	64.7	60.9	59.6	59.0
Fee Income/Net Income	31.7	38.8	37.0	37.3	41.8	38.6	38.4	37.6
Non Int. Inc./Net Income	36.2	38.8	37.0	37.3	41.8	38.6	38.4	37.6

### Efficiency Ratios (%)

Cost/Income*	40.2	41.0	42.4	42.4	44.5	45.6	44.1	41.8
Empl. Cost/Op. Exps.	49.1	44.8	42.9	43.6	43.8	44.3	44.3	43.9
Busi. per Empl. (INR m)	143.1	138.5	137.2	125.6	120.5	128.7	140.7	159.0
NP per Empl. (INR lac)	18.5	18.4	18.6	16.9	16.5	17.5	18.7	20.7

\* ex treasury

### Asset-Liability Profile (%)

Loans/Deposit Ratio	70.2	75.0	82.9	87.9	92.6	97.1	96.4	95.6
CASA Ratio	18.9	22.0	23.1	28.1	36.3	37.1	38.1	38.5
Investment/Deposit Ratio	64.2	55.2	47.4	43.7	35.0	34.4	32.0	29.8
G-Sec/Investment Ratio	54.8	54.8	69.4	72.0	70.9	79.9	84.3	89.1
CAR	18.3	14.4	15.6	16.5	17.0	16.7	15.1	13.7
Tier 1	9.5	9.8	11.5	10.7	13.3	13.2	12.1	11.2

### Valuation

Book Value (INR)	161.9	197.5	279.6	327.8	468.7	542.1	633.3	746.8
Change (%)	22.2	21.9	41.6	17.3	43.0	15.7	16.8	17.9
<b>Price-BV (x)</b>	<b>10.6</b>	<b>8.7</b>	<b>6.2</b>	<b>5.3</b>	<b>3.7</b>	<b>3.2</b>	<b>2.7</b>	<b>2.3</b>
Adjusted BV (INR)	161.8	197.0	278.2	323.4	453.4	535.1	623.1	736.4
<b>Price-ABV (x)</b>	<b>10.6</b>	<b>8.7</b>	<b>6.2</b>	<b>5.3</b>	<b>3.8</b>	<b>3.2</b>	<b>2.8</b>	<b>2.3</b>
EPS (INR)	36.3	44.9	48.0	60.4	73.0	92.3	114.5	143.9
Change (%)	31.0	23.7	7.0	25.8	20.8	26.5	24.1	25.7
<b>Price-Earnings (x)</b>	<b>47.5</b>	<b>38.4</b>	<b>35.9</b>	<b>28.5</b>	<b>23.6</b>	<b>18.7</b>	<b>15.0</b>	<b>12.0</b>
Dividend Per Share (INR)	6.0	8.0	9.0	10.0	12.0	16.1	20.0	25.2
<b>Dividend Yield (%)</b>	<b>0.3</b>	<b>0.5</b>	<b>0.5</b>	<b>0.6</b>	<b>0.7</b>	<b>0.9</b>	<b>1.2</b>	<b>1.5</b>

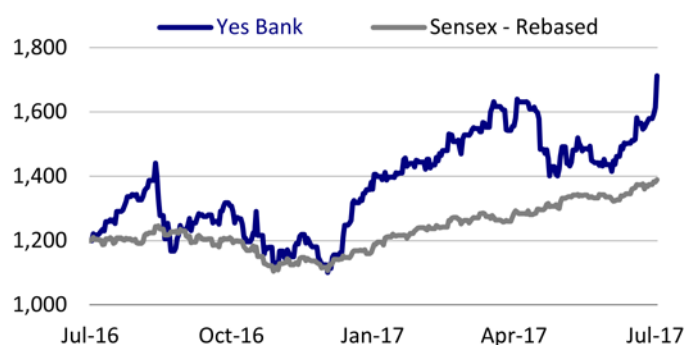
E: MOSL Estimates

## 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 (%)

	Jun-17	Mar-17	Jun-16
Promoter	20.1	20.2	21.9
DII	22.9	23.3	24.0
FII	45.8	46.7	42.2
Others	11.2	9.9	12.0

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	2.1
Franklin Templeton Mutual Fund along with its various schemes	2.1
FRANKLIN TEMPLETON INVESTMENT FUNDS	2.0
NOMURA INDIA INVESTMENT FUND MOTHER FUND	1.5

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	92.3	89.9	2.7
FY19	114.5	116.3	-1.5
FY20	143.9	147.6	-2.5

Source: Bloomberg

NOTES

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