

BSE SENSEX	S&P CNX
35,260	10,817
Bloomberg	YES IN
Equity Shares (m)	2282.4
M.Cap.(INRb)/(USDb)	776/11.9
52-Week Range (INR)	383/265
1, 6, 12 Rel. Per (%)	4/-2/-3
Avg Val, INRm	3965
Free float (%)	79.9

Financials & Valuations (INR b)

Y/E March	2018E	2019E	2020E
NII	76.5	99.3	125.1
OP	78.6	102.5	130.3
NP	41.5	54.5	70.2
NIM (%)	3.4	3.5	3.5
EPS (INR)	18.2	23.9	30.8
EPS Gr. (%)	24.8	31.2	28.8
BV/Sh. (INR)	110.1	130.2	156.6
ABV/Sh. (INR)	105.0	125.4	151.5
RoE (%)	17.6	19.9	21.5
RoA (%)	1.7	1.7	1.8

Valuations

P/E(X)	18.7	14.2	11.0
P/BV (X)	3.1	2.6	2.2

CMP: INR340 TP: INR410 (+21%)
Buy

Loan growth accelerates further; asset quality largely stable

- YES reported robust PPOP growth of 38% YoY/5% QoQ to INR20.02b (2.5% beat), led by strong overall revenue growth of 32% YoY and controlled opex. However, higher provisions of INR4.21b – partly led by INR1b requirement toward NCLT-referred assets – led to lower 22% YoY growth in net profit.
- Advances growth accelerated to 46% YoY at INR1.71t, while deposits grew 30% YoY to INR1.72t. CASA deposits maintained strong traction, growing by 48% YoY, and thus, resulting in an 80bp QoQ increase in CASA mix to 38% (470bp improvement over FY18YTD).
- Margin shrunk 20bp QoQ to 3.5%, led by (i) INR15b/INR54.15b of Tier-2/AT-1 bond raising and (ii) sale of a standard account to ARC, which led to an INR4.2b increase in SR portfolio. However, management guided to achieve 4% margin by FY20. Core cost-income ratio declined 143bp QoQ (employee count declined by 1,656, while the bank opened only 10 branches), and management guided for a 37-38% C/I ratio in the medium term.
- GNPLs increased by 9% QoQ, but the GNPL ratio improved by 10bp QoQ. PCR ratio improved 339bp QoQ to 46.7%, and the bank guided for PCR of 60% by Sep'18E. Gross slippages stood at INR4.95b, which include slippages of INR2.45b from SDR/5:25/NCLT accounts. Sensitive sector exposure declined by 160bp QoQ to 7.7%, led by a reduction in telecom exposure. YES has total exposure of INR13.4b (9 borrowers) toward two NCLT lists.
- **Valuation view:** We believe that while YES is likely to maintain industry leading growth, an improvement in asset quality (we expect PCR to improve to 61.4% by FY19E) and consistency in operating metrics are critical for sustained re-rating of the stock. CET-1 ratio has declined to 10.7%, given strong balance sheet growth, even though the bank has raised adequate amount of Tier-2/AT-1 capital to support growth. Net stressed assets remain stable at ~2.5% of advances and equate to half yearly operating profit. We estimate earnings CAGR of 30% over FY18-21, and revise our TP to INR410 (2.7x Mar-20E ABV). Maintain **Buy**.

Quarterly Performance

	FY17				FY18E				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY17	FY18E
Net Interest Income	12,516	14,122	14,893	16,397	18,089	18,851	18,888	20,377	57,973	76,518
Other Income	9,655	9,219	10,165	12,574	11,322	12,484	14,223	16,009	41,568	54,038
Total Income	22,171	23,340	25,059	28,971	29,411	31,335	33,111	36,387	99,541	130,556
Operating Expenses	9,103	9,481	10,520	12,061	12,369	12,269	13,093	14,267	41,165	51,997
Operating Profit	13,068	13,860	14,538	16,910	17,042	19,067	20,018	22,120	58,375	78,560
% Change (Y-o-Y)	43.9	36.0	26.5	38.0	30.4	37.6	37.7	30.8	35.7	34.6
Provisions	2,066	1,617	1,154	3,097	2,858	4,471	4,213	5,004	7,934	16,545
Profit before Tax	11,001	12,243	13,384	13,813	14,184	14,596	15,805	17,116	50,441	62,014
Tax Provisions	3,683	4,228	4,558	4,671	4,529	4,569	5,036	6,331	17,140	20,465
Net Profit	7,318	8,015	8,826	9,141	9,655	10,027	10,769	10,785	33,301	41,550
% Change (Y-o-Y)	32.8	31.3	30.6	30.2	31.9	25.1	22.0	18.0	31.1	24.8
Operating Parameters										
Deposit Growth (%)	28.6	28.9	30.5	27.9	22.6	23.4	29.7	32.5	27.9	32.5
Loan Growth (%)	33.0	37.7	38.8	34.7	32.1	34.9	46.5	38.5	34.7	38.5
Asset Quality										
Gross NPA (%)	0.8	0.8	0.9	1.5	1.0	1.8	1.7	1.7	1.5	1.7
Net NPA (%)	0.3	0.3	0.3	0.8	0.4	1.0	0.9	0.9	0.8	0.9
Slippages (%)	1.5	1.5	0.6	7.8	0.8	7.2	1.2	0.3	2.3	1.8
PCR (%)	64.2	64.8	66.0	46.9	60.0	43.3	46.4	49.5	46.9	49.5

E: MOSL Estimates

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Exhibit 1: Quarterly Snapshot (INRb)

	FY16				FY17				FY18			Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
Net Interest Income	10,598	11,085	11,569	12,414	12,516	14,122	14,893	16,397	18,089	18,851	18,888	27	0
Other Income	5,452	6,181	7,461	8,028	9,655	9,219	10,165	12,574	11,322	12,484	14,223	40	14
Total Income	16,050	17,266	19,030	20,443	22,171	23,340	25,059	28,971	29,411	31,335	33,111	32	6
Operating Expenses	6,967	7,074	7,534	8,188	9,103	9,481	10,520	12,061	12,369	12,269	13,093	24	7
Employee	2,885	3,128	3,426	3,528	4,074	4,334	4,675	4,968	5,461	5,628	5,334	14	-5
Others	4,082	3,947	4,108	4,659	5,030	5,147	5,846	7,093	6,908	6,641	7,759	33	17
Operating Profits	9,083	10,191	11,496	12,255	13,068	13,860	14,538	16,910	17,042	19,067	20,018	38	5
Provisions	980	1,039	1,479	1,865	2,066	1,617	1,154	3,097	2,858	4,471	4,213	265	-6
PBT	8,103	9,152	10,016	10,390	11,001	12,243	13,384	13,813	14,184	14,596	15,805	18	8
Taxes	2,591	3,048	3,260	3,369	3,683	4,228	4,558	4,671	4,529	4,569	5,036	10	10
PAT	5,512	6,104	6,757	7,021	7,318	8,015	8,826	9,141	9,655	10,027	10,769	22	7
Balance Sheet (INR B)													
Loans	797	800	844	982	1,059	1,102	1,171	1,323	1,400	1,487	1,715	46	15
Investments	422	439	456	488	461	496	497	500	521	539	598	20	11
Deposits	953	993	1,014	1,117	1,226	1,280	1,324	1,429	1,502	1,580	1,717	30	9
CASA Deposits	223	253	270	313	363	388	441	519	552	587	653	48	11
Borrowings	253	238	267	317	319	346	369	386	383	448	563	52	26
Total Assets	1,390	1,448	1,478	1,653	1,772	1,873	1,948	2,151	2,221	2,374	2,652	36	12
Risk Weighted Assets	1,127	1,171	1,211	1,329	1,443	1,546	1,590	1,863	1,852	2,000	2,237	41	12
Asset Quality													
GNPA	3,683	4,914	5,586	7,490	8,446	9,167	10,059	20,186	13,644	27,203	29,743	196	9
NNPA	1,067	1,586	1,872	2,845	3,024	3,230	3,425	10,723	5,453	15,433	15,951	366	3
Ratios (%)												Change (bp)	
Profitability ratios												YoY	QoQ
Non Int. to Total Income	34.0	35.8	39.2	39.3	43.5	39.5	40.6	43.4	38.5	39.8	43.0	239	311
Cost to Income	43.4	41.0	39.6	40.1	41.1	40.6	42.0	41.6	42.1	39.2	39.5	-244	39
Tax Rate	32.0	33.3	32.5	32.4	33.5	34.5	34.1	33.8	31.9	31.3	31.9	-219	56
RoA	1.6	1.7	1.8	1.8	1.7	1.8	1.8	1.8	1.8	1.7	1.7	-10	0
RoE	18.4	19.4	20.5	21.1	20.7	21.4	22.3	21.8	17.4	17.5	18.0	-430	50
Business ratios													
CASA (Reported)	23.4	25.5	26.6	28.1	29.6	30.3	33.3	36.3	36.8	37.2	38.0	470	80
Loan/Deposit	83.6	80.5	83.2	87.9	86.4	86.1	88.5	92.6	93.2	94.1	99.9	1,142	577
Asset quality ratios													
GNPA (%)	0.5	0.6	0.7	0.8	0.8	0.8	0.9	1.5	1.0	1.8	1.7	87	-10
NNPA (%)	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.8	0.4	1.0	0.9	64	-11
PCR (Calculated, %)	71	68	66	62	64	65	66	47	60	43	46	-1,958	310
Margins (%) - Reported													
Yield on loans	11.9	11.6	11.5	11.2	11.1	10.9	10.9	10.7	10.4	10.2	9.8	-110	-40
Cost of funds	7.6	7.3	7.1	7.0	7.0	6.8	6.6	6.3	6.2	6.2	6.0	-60	-20
NIM	3.3	3.3	3.4	3.4	3.4	3.4	3.5	3.6	3.7	3.7	3.5	0	-20
Loan Mix (% , Non PSL)													
C&IB	68.0	68.2	67.2	65.1	67.5	67.9	68.9	67.7	68.1	67.4	67.7	-120	30
Commercial Banking	32.0	31.8	32.8	34.9	32.5	32.1	31.1	32.3	31.9	32.6	32.3	120	-30
Other Details													
Branches	662	700	750	860	900	950	964	1,000	1,020	1,040	1,050		
Employees	11,543	12,700	13,477	15,000	16,421	18,531	19,400	20,125	20,851	20,932	19,276		

Source: MOSL, Company

Exhibit 2: Actuals v/s Estimates – largely in-line performance

Y/E MARCH	3QFY18A	3QFY18E	v/s our Est	YoY Chg	QoQ Chg
Net Interest Income	18,888	19,944	-5	27	0
% Change (Y-o-Y)	26.8	33.9			
Other Income	14,223	13,144	8	40	14
Net Income	33,111	33,088	0	32	6
Operating Expenses	13,093	13,369	-2	24	7
Operating Profit	20,018	19,719	2	38	5
% Change (Y-o-Y)	37.7	35.6			
Other Provisions	4,213	3,509	20	265	-6
Profit Before tax	15,805	16,210	-2	18	8
Tax Provisions	5,036	5,268	-4	10	10
Net Profit	10,769	10,942	-2	22	7
% Change (Y-o-Y)	22.0	24.0			

Source: Company, MOSL

Asset quality improves
QoQ, with decrease in
overall net stressed loans

Net stressed loans at 2.46% of advances; down 25bp QoQ

- The bank reported gross slippage of INR4.94b, including INR2.45b from SDR/S4A/5:25 book. However, recoveries and upgrades at INR2.28b (INR1.29b from a divergence account) led to net slippages of 0.9%. Absolute GNPA/NNPA increased 9.3%/3.4% to INR29.7b/15.95b with 310bp QoQ increase in PCR to 46.3%. In % terms GNPA/NNPA stood at 1.72%/0.93% (-10bp/-11bp QoQ)
- There were no incremental slippages from FY17 divergence standard accounts. The bank received repayments of INR4.5b from these accounts, of which INR3b was from standard accounts (INR2.82b from one account) and INR1.5b from NPA accounts (INR1.29b from one account)
- Standard restructured portfolio declined to INR903m (5bp of loans) from INR1.16b (8bp) in 2QFY18, while SDR portfolio declined to INR3.62b (0.21% of advances) from INR4.77b (0.32% of advances). The bank restructured one account worth INR8.76bn under Outside SDR scheme. During the quarter YES sold one standard account was sold to an ARC, taking the SR book to INR18.34b (1.06% of advances) compared to INR14.1b (0.94% of advances) in 2QFY18. Standard S4A exposure increased to INR1.54b from INR188m in 2QFY18 as the bank restructured two accounts of INR1.02b (previously an SDR account) and INR324m under the S4A route during the quarter.
- The bank has a total exposure of Rs13.42bn to nine accounts (of which INR752m is standard) within the 2 lists of stressed accounts shared by the RBI. YES carries 51% provisions on the first list, and 43% coverage on the funded exposure that figures in the second list from RBI. A single NCLT account of INR234m slipped into NPA during the quarter
- Total net stressed loans (NNPA, OSRL, SDR, S4A, SR, 5:25, std. NCLT exposure) stood at 2.46%, down from 2.71% in 2QFY18. Provision coverage ratio increased 310bp to 46.4% v/s ~43.3% in 2Q

CASA ratio at an all-time
high; retail deposits
comprise 60.9% of total
deposits

Strong CASA mobilization; CASA ratio up 80bp QoQ to 38.0%

- CASA ratio improved 80bp QoQ sequentially to 38.0%, as CASA growth of 11%/48% QoQ/YoY far outpaced overall deposits growth of 9%/30% QoQ/YoY. CASA growth was led by 53%/45% YoY growth in each of CA/SA deposits.
- 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 remained healthy at 60.9% (down 80bp sequentially as some deposits were replaced by borrowings as the bank raised INR54.1b of AT1 and INR15b of T2 bonds).

Strong loan growth; NIM shrunk QoQ to 3.5% driven by higher borrowings

- During the quarter the bank witnessed a 20bp QoQ decline in NIM to 3.5% as decline in yield on advances (40bp to 9.8%) was higher than 10bp drop in cost of funds to 6.1%. Decline in cost of funds was lower on account of change in funding mix with share of borrowings going up (32.8% of deposits compared to 28.4% in 2Q) owing to the bank raising AT1 and T2 bonds amounting to INR69.2b. Also, SRs/NPAs contributed to decline in NIM
- Loan book grew 47% YoY and 15% QoQ to INR1.72t driven by 52% YoY (+14.3% QoQ) growth in the retail and business banking book. Growth in retail and business banking was led by 19%/101% QoQ/YoY growth in consumer banking (37% of retail and business banking book)
- Corporate banking division too showed robust growth of 44% YoY (+16% QoQ)
- The management continues to be cautious on their power exposure

Other highlights

- Cost income ratio came in at 39.5% (+30bp/-250bp QoQ/YoY) as opex growth at 29% YoY trailed income growth at 34% driven by the bank's digitization efforts
- During the quarter, YES added 10 branches increasing the branch network to 1,050.



3QFY18 conference call highlights

Asset quality

- Overall sensitive sector exposure has come down to 7.1% (iron and steel is 2%; Telecom is 2.3% v/s 3.9% a quarter ago).
- The bank guided that ~30-40% of SRs will be recovered in next 15 months.
- One standard account of INR4.21b was sold to an ARC.
- Repayment on RBI divergence account has been due to change in management. In other cases, repayment has been due to improvement in operational cash flows.

P/L related

- Corporate fees in terms of IFRS: 40-50% of the fees will be subject to amortization, but also last year's amortized fees will be recognized. Net impact will thus be lower.
- Loan yields have fallen as new loans are showing lower risks, and thus, lending rates are also lower.

Balance-sheet related

- Impact on margins due to two reasons: a) About 10bp reduction in NIM due to perpetual bonds (which will be part of capital under IFRS) amounting to INR54.5b at 9%; and AT1 bonds also raised INR40b of tier 2 capital at 7.8% (market rate ~8.4%). b) ~10bp impact on NIM from SR/NPA portfolio.
- Going forward, biggest contributor to improvement in NIM will be CASA.

- The bank is working on making PSLC book self-sufficient and focusing on organic growth.
- The bank targets taking retail banking to 40% of total book by FY20. For retail growth, the focus is not just on PSLC lending, but also on organic growth. PSLC would accrete as a byproduct to normal retail lending.
- Up to 20% of growth is self-funded. The bank hinted to a discussion in April 2018 about raising capital.
- CD ratio has gone up due to high borrowings (capital planning) and that has hurt margins due to higher cost.

Business updates

- The bank is adding ~10m SA customers every month, which is helping with cross-sell of other products. YES Securities is also helping them cross-sell.

Reiterate Buy with a target price of INR410 (2.7x Mar 20 ABV)

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 ~10.7%), branch network has increased to 1,050 v/s 430 in FY13.
- 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 ~33%/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 32% – 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.
- The stock trades at 2.6x FY19 BV and 14.2x FY19 EPS. Reiterate Buy with a target price of INR410 (2.7x Mar 2020 ABV) – 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 our estimates

INR B	Old Est.			New Est.			% Change		
	FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20
Net Interest Income	78.3	100.8	125.7	76.5	99.3	125.1	-2.2	-1.5	-0.5
Other Income	54.9	71.3	91.7	54.0	69.2	88.5	-1.5	-3.0	-3.4
Total Income	133.1	172.1	217.4	130.6	168.5	213.6	-1.9	-2.1	-1.7
Operating Expenses	54.7	71.8	91.6	52.0	66.0	83.3	-4.9	-8.1	-9.1
Operating Profits	78.5	100.3	125.8	78.6	102.5	130.3	0.1	2.2	3.6
Provisions	17.8	19.7	23.7	16.5	21.1	25.4	-6.9	7.3	7.4
PBT	60.7	80.6	102.1	62.0	81.4	104.8	2.2	0.9	2.7
Tax	20.0	27.4	34.7	20.5	26.8	34.6	2.2	-2.1	-0.3
PAT	40.7	53.2	67.4	41.5	54.5	70.2	2.2	2.4	4.3
Loans	1,746	2,217	2,805	1,832	2,381	3,012	4.9	7.4	7.4
Deposits	1,830	2,301	2,892	1,893	2,461	3,150	3.4	7.0	8.9
Margins (%)	3.64	3.84	3.90	3.43	3.49	3.50			
Credit Cost (%)	0.60	0.65	0.75	0.60	0.65	0.75			
RoA (%)	1.70	1.82	1.87	1.68	1.73	1.78			
RoE (%)	17.26	19.51	20.82	17.61	19.88	21.46			

Source: MOSL, Company

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

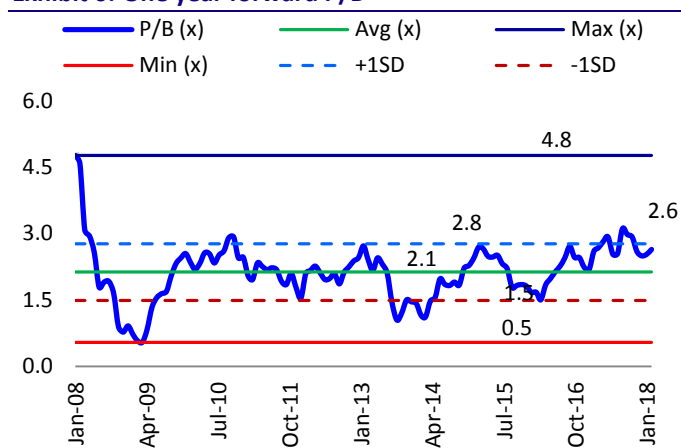
Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Net Interest Income	2.57	2.61	2.85	3.03	3.05	3.10	3.16	3.17
Core Fee Income	1.28	1.49	1.55	1.63	1.81	1.94	1.99	2.03
Non Interest income	1.46	1.65	1.67	1.80	2.19	2.19	2.20	2.24
<i>Fee to core Income (%)</i>	<i>31.7</i>	<i>35.0</i>	<i>34.4</i>	<i>33.7</i>	<i>34.6</i>	<i>36.8</i>	<i>37.1</i>	<i>37.6</i>
Core Income	3.84	4.11	4.40	4.66	4.86	5.04	5.14	5.20
Total Income	4.03	4.26	4.51	4.83	5.23	5.29	5.36	5.41
Operating Expenses	1.55	1.68	1.86	1.97	2.16	2.43	2.41	2.40
<i>Cost to Core Income (%)</i>	<i>40.2</i>	<i>41.0</i>	<i>42.4</i>	<i>42.4</i>	<i>44.5</i>	<i>48.3</i>	<i>46.9</i>	<i>46.2</i>
Employee cost	0.76	0.75	0.80	0.86	0.95	0.91	0.90	0.91
Others	0.79	0.93	1.06	1.11	1.22	1.52	1.51	1.50
Operating Profits	2.48	2.58	2.65	2.85	3.07	2.86	2.94	3.01
Core operating Profits	2.30	2.42	2.53	2.68	2.70	2.61	2.73	2.80
Provisions	0.25	0.35	0.28	0.36	0.42	0.67	0.67	0.64
NPA	0.17	0.13	0.11	0.33	0.35	0.37	0.40	0.47
Others	0.08	0.22	0.17	0.03	0.07	0.30	0.27	0.18
PBT	2.23	2.24	2.37	2.50	2.65	2.18	2.27	2.36
Tax	0.72	0.68	0.74	0.81	0.90	0.83	0.85	0.88
<i>Tax Rate (%)</i>	<i>32.5</i>	<i>30.5</i>	<i>31.1</i>	<i>32.6</i>	<i>34.0</i>	<i>37.9</i>	<i>37.6</i>	<i>37.1</i>
RoA	1.51	1.55	1.64	1.68	1.75	1.68	1.73	1.78
<i>Leverage (x)</i>	<i>16.5</i>	<i>16.1</i>	<i>13.0</i>	<i>11.8</i>	<i>10.8</i>	<i>10.6</i>	<i>11.5</i>	<i>12.1</i>
RoE	24.8	25.0	21.3	19.9	18.9	17.9	19.9	21.5

Source: MOSL, Company

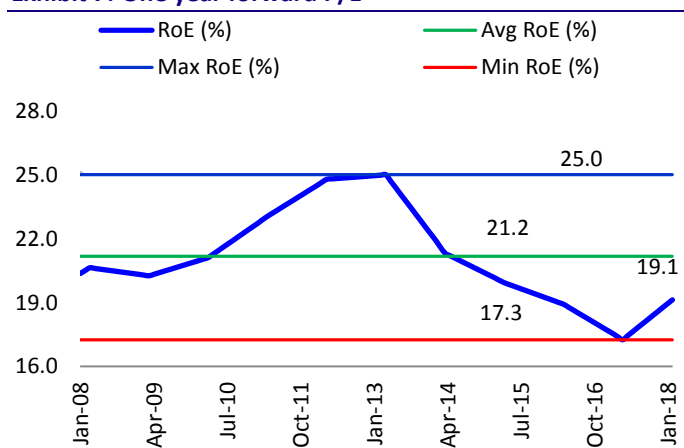
Exhibit 5: DuPont: Healthy operating profitability led by strong operating income performance and lower provisions

	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18
Interest income/avg assets (%)	8.87	8.91	8.82	8.49	8.52	8.36	8.07
Interest expenses/avg assets (%)	5.95	5.81	5.70	5.29	5.21	5.08	5.06
Net interest income	2.92	3.10	3.12	3.20	3.31	3.28	3.01
Non-interest income	2.26	2.02	2.13	2.45	2.07	2.17	2.26
Operating Income	5.18	5.12	5.25	5.65	5.38	5.46	5.27
Cost/income (%)	41.1	40.6	42.0	41.6	42.1	39.2	39.5
Operating cost	2.13	2.08	2.20	2.35	2.26	2.14	2.08
- Employee	0.95	0.95	0.98	0.97	1.00	0.98	0.85
- Others	1.17	1.13	1.22	1.38	1.26	1.16	1.23
Operating Profit	3.05	3.04	3.04	3.30	3.12	3.32	3.19
Provisions	0.48	0.35	0.24	0.60	0.52	0.78	0.67
PBT	2.57	2.69	2.80	2.70	2.60	2.54	2.52
Tax	0.86	0.93	0.95	0.91	0.83	0.80	0.80
ROAA (%)	1.71	1.76	1.85	1.78	1.77	1.75	1.71
ROAE (%)	20.7	21.4	22.3	19.1	17.4	17.5	18.0

Source: MOSL, Company

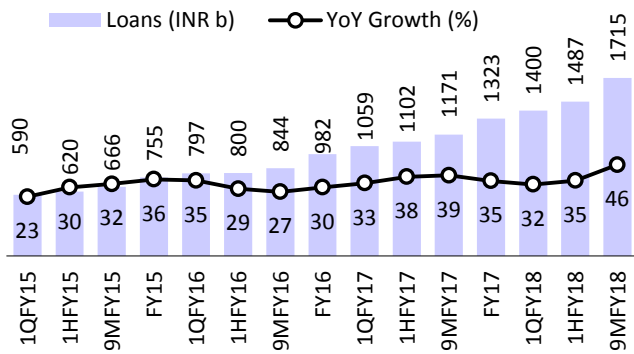
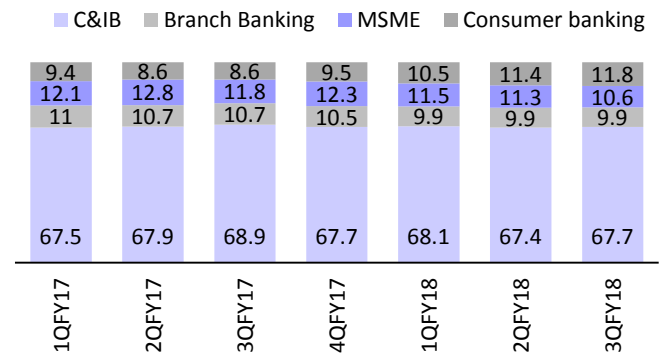
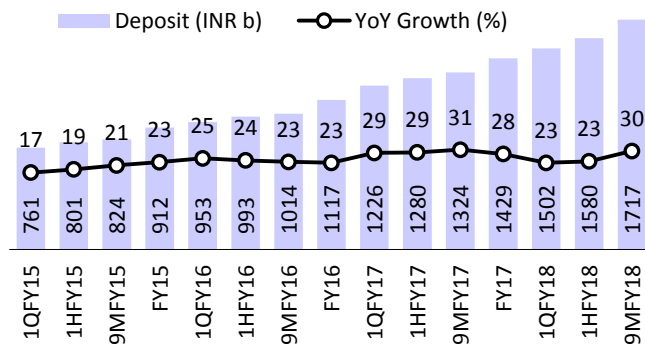
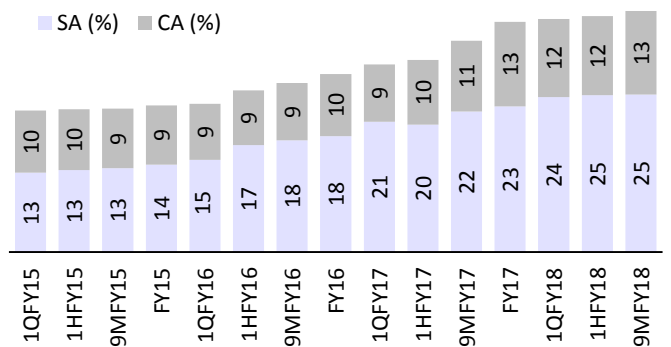
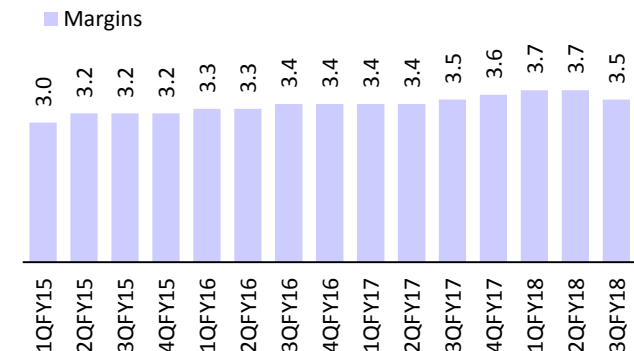
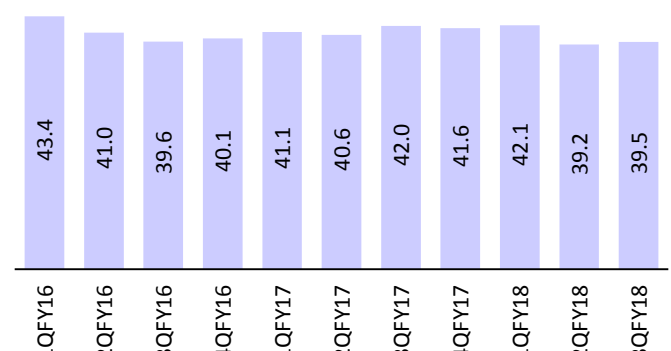
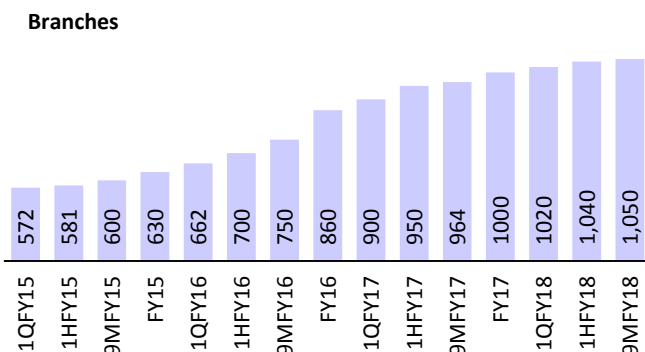
Exhibit 6: One year forward P/B

Source: Company, MOSL

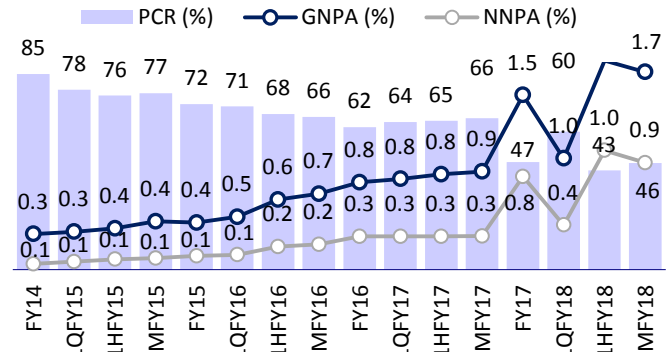
Exhibit 7: One year forward P/E

Source: Company, MOSL

Story in charts

Exhibit 8: Strong loan growth (+15% QoQ, +46% YoY)

Exhibit 9: Share of retail loans stable at 32.3%

Exhibit 10: Strong deposits growth continues

Exhibit 11: CASA growth remains strong (+48% YoY)

Exhibit 12: Reported NIM down 20bp QoQ

Exhibit 13: Cost-to-income ratio came in at 39.5%

Exhibit 14: Added 10 branches during the quarter


Source: Company, MOSL

Exhibit 15: GNPA improves 10bp sequentially


Source: Company, MOSL

Exhibit 16: Valuation metrics

EXHIBIT 20: Valuation Metrics																	
		Rating	MCap	CMP	TP	EPS (INR)		ABV (INR)		RoA (%)		RoE (%)		P/E (x)		P/ABV (x)	
			(INRb)	(INR)	(INR)	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Private Banks																	
ICICIBC*	Buy	2,199	346	370	17.0	21.8	122	141	1.20	1.35	10.5	12.4	14.3	11.1	1.9	1.7	
HDFCB	Buy	4,846	1,932	2,150	84.7	105.4	422	504	1.92	1.98	20.4	21.4	22.8	18.3	4.6	3.8	
AXSB	Buy	1,400	584	680	30.8	40.2	241	290	1.07	1.21	10.8	12.7	19.0	14.5	2.4	2.0	
KMB*	Buy	1,884	1,045	1,179	41.6	51.9	272	323	1.95	2.03	16.5	17.4	25.2	20.1	3.8	3.2	
YES	Buy	782	340	382	23.3	29.5	124	148	1.82	1.87	19.5	20.8	14.6	11.5	2.7	2.3	
IIB	Buy	991	1,680	2,076	78.9	101.4	437	522	1.89	1.93	19.1	20.7	21.3	16.6	3.8	3.2	
IDFCB	Neutral	206	58	65	3.2	3.9	46	48	0.79	0.87	6.9	7.9	18.1	14.8	1.3	1.2	
FB	Buy	181	102	149	6.5	8.2	62	69	0.84	0.89	9.8	11.3	15.7	12.4	1.7	1.5	
DCBB	Neutral	59	184	198	9.8	11.5	93	104	0.94	0.92	11.1	11.7	18.8	16.0	1.9	1.8	
JKBK	Buy	41	76	100	13.4	17.2	60	84	0.68	0.75	12.3	14.2	5.7	4.4	1.3	0.9	
SIB	Buy	58	32	38	3.8	4.9	26	30	0.76	0.87	12.7	14.8	8.4	6.4	1.2	1.1	
EQUITAS	Buy	52	151	209	5.7	9.9	69	77	1.57	1.99	8.2	12.8	26.3	15.3	2.2	1.9	
RBK	Buy	197	525	665	22.6	30.2	169	192	1.32	1.31	13.7	16.1	23.2	17.4	3.1	2.7	
PSU Banks																	
SBIN*	Buy	2,644	303	415	19.6	34.9	205	243	0.49	0.80	8.0	13.1	10.3	5.7	1.0	0.8	
PNB	Buy	373	171	250	18.9	24.1	124	165	0.47	0.54	9.0	10.4	9.0	7.1	1.4	1.0	
BOI	Neutral	174	160	175	4.9	10.3	147	191	0.08	0.15	1.8	3.6	32.6	15.6	1.1	0.8	
BOB	Buy	381	162	217	22.6	29.7	143	173	0.52	0.60	9.4	10.9	7.2	5.5	1.1	0.9	
CBK	Neutral	192	348	366	67.8	99.7	328	460	0.62	0.82	11.3	14.7	5.1	3.5	1.1	0.7	
UNBK	Neutral	97	138	153	29.4	45.0	155	203	0.41	0.56	9.1	12.6	4.7	3.1	0.9	0.6	
INBK	Buy	186	376	438	38.3	42.3	273	306	0.72	0.69	11.2	11.3	9.8	8.9	1.4	1.2	
Life Insurance																	
HDFCLIFE**	Buy	747	372	370	5.4	6.7			3.4	3.5	19.1	19.1	69.3	55.3			

Source: MOSL, Company

Financials and valuations

Income Statement								(INR M)
Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
Net Interest Income	22,188	27,163	34,878	45,667	57,973	76,518	99,289	125,071
Change (%)	37.3	22.4	28.4	30.9	26.9	32.0	29.8	26.0
Non-Interest Income	12,574	17,216	20,465	27,121	41,568	54,038	69,168	88,536
Net Income	34,762	44,378	55,343	72,789	99,541	130,556	168,458	213,606
Change (%)	40.6	27.7	24.7	31.5	36.8	31.2	29.0	26.8
Operating Expenses	13,345	17,499	22,847	29,764	41,165	51,997	65,950	83,329
Pre Provision Profits	21,417	26,880	32,496	43,025	58,375	78,560	102,507	130,277
Change (%)	39.1	25.5	20.9	32.4	35.7	34.6	30.5	27.1
Provisions (excl tax)	2,160	3,617	3,395	5,363	7,934	16,545	21,144	25,441
PBT	19,257	23,263	29,101	37,662	50,441	62,014	81,363	104,836
Tax	6,251	7,085	9,047	12,268	17,140	20,465	26,850	34,596
Tax Rate (%)	32.5	30.5	31.1	32.6	34.0	33.0	33.0	33.0
PAT	13,007	16,178	20,054	25,394	33,301	41,550	54,513	70,240
Change (%)	33.1	24.4	24.0	26.6	31.1	24.8	31.2	28.8
Equity Dividend (Incl tax)	2,510	3,397	4,528	5,062	6,324	4,615	8,791	9,890
Core PPP*	19,860	25,218	31,075	40,419	51,263	72,514	95,857	121,964
Change (%)	32.2	27.0	23.2	30.1	26.8	41.5	32.2	27.2

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

Balance Sheet								
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
Equity 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	209,383	246,810	292,532	352,882
Net Worth	58,077	71,217	116,800	137,866	213,947	251,375	297,097	357,447
Of which Equity Network	58,077	71,217	116,800	137,866	213,947	251,375	297,097	357,447
Deposits	669,556	741,920	911,758	1,117,195	1,428,739	1,893,079	2,461,002	3,150,083
Change (%)	36.2	10.8	22.9	22.5	27.9	32.5	30.0	28.0
of which CASA Dep	126,875	163,447	210,790	313,428	518,697	728,835	996,706	1,323,035
Change (%)	71.6	28.8	29.0	48.7	65.5	40.5	36.8	32.7
Borrowings	209,221	213,143	262,204	316,590	386,067	501,057	574,923	672,099
Other Liabilities & Prov.	54,187	63,877	70,942	80,983	121,846	140,609	171,543	209,282
Total Liabilities	991,041	1,090,158	1,361,704	1,652,634	2,150,599	2,786,120	3,504,566	4,388,911
Current Assets	40,658	58,917	75,572	82,184	195,494	136,466	173,048	217,864
Investments	429,760	409,503	432,285	488,385	500,318	656,492	749,971	912,234
Change (%)	54.8	-4.7	5.6	13.0	2.4	31.2	14.2	21.6
Loans	469,996	556,330	755,498	982,099	1,322,627	1,831,838	2,381,389	3,012,458
Change (%)	23.7	18.4	35.8	30.0	34.7	38.5	30.0	26.5
Fixed Assets	2,295	2,935	3,190	4,707	6,835	8,428	10,567	13,158
Other Assets	48,332	62,473	95,160	95,259	125,325	152,896	189,591	233,197
Total Assets	991,041	1,090,158	1,361,704	1,652,634	2,150,599	2,786,120	3,504,566	4,388,911

Asset Quality								
GNPA (INR m)	943	1,749	3,134	7,490	20,186	31,418	37,347	43,567
NNPA (INR m)	70	261	877	2,845	10,723	15,867	14,404	15,363
GNPA Ratio	0.20	0.31	0.41	0.76	1.52	1.72	1.57	1.45
NNPA Ratio	0.01	0.05	0.12	0.29	0.81	0.87	0.60	0.51
Slippage Ratio	0.64	0.85	0.70	1.21	2.68	1.80	1.40	1.20
Credit Cost	0.34	0.26	0.20	0.57	0.58	0.97	0.90	0.85
PCR (Excl Tech. write off)	92.6	85.1	72.0	62.0	46.9	49.5	61.4	64.7

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	9.0	9.0	9.1
Avg. Yield on loans	12.7	12.7	12.2	11.2	10.6	10.1	9.9	9.9
Avg. Yield on Investments	8.1	8.1	8.0	7.6	7.7	7.1	7.0	7.0
Avg. Cost-Int. Bear. Liab.	8.0	7.9	7.6	6.9	6.5	9.0	9.0	9.1
Avg. Cost of Deposits	7.9	8.0	7.9	7.1	6.4	6.1	5.9	5.7
Interest Spread	2.5	2.7	3.0	3.1	3.0	3.1	3.2	3.3
Net Interest Margin	2.8	2.9	3.2	3.4	3.4	3.4	3.5	3.5
Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
Profitability Ratios (%)								
RoE	24.8	25.0	21.3	19.9	18.9	17.6	19.9	21.5
RoA	1.5	1.6	1.6	1.7	1.8	1.7	1.7	1.8
RoRWA	2.2	2.2	2.2	2.1	2.1	1.7	1.8	1.8
Int. Expense/Int.Income	73.2	72.8	69.9	66.3	64.7	61.9	61.4	61.4
Fee Income/Net Income	31.7	38.8	37.0	37.3	41.8	41.4	41.1	41.4
Non Int. Inc./Net Income	36.2	38.8	37.0	37.3	41.8	41.4	41.1	41.4
Efficiency Ratios (%)								
Cost/Income*	40.2	41.0	42.4	42.4	44.5	41.8	40.8	40.6
Empl. Cost/Op. Exps.	49.1	44.8	42.9	43.6	43.8	43.4	43.1	43.0
* ex treasury								
Asset-Liability Profile (%)								
Loans/Deposit Ratio	70.2	75.0	82.9	87.9	92.6	96.8	96.8	95.6
CASA Ratio	18.9	22.0	23.1	28.1	36.3	38.5	40.5	42.0
Investment/Deposit Ratio	64.2	55.2	47.4	43.7	35.0	34.7	30.5	29.0
G-Sec/Investment Ratio	54.8	54.8	69.4	72.0	70.9	70.9	70.9	70.9
CAR	18.3	14.4	15.6	16.5	17.0	18.2	16.2	15.0
Tier 1	9.5	9.8	11.5	10.7	13.3	13.7	12.4	11.7

Valuation

Book Value (INR)	32.4	39.5	55.9	65.6	93.7	110.1	130.2	156.6
Change (%)	22.2	21.9	41.6	17.3	43.0	17.5	18.2	20.3
Price-BV (x)					3.7	3.1	2.6	2.2
Adjusted BV (INR)	32.3	39.0	54.6	61.2	78.5	105.0	125.4	151.5
Price-ABV (x)					4.4	3.3	2.7	2.3
EPS (INR)	7.3	9.0	9.6	12.1	14.6	18.2	23.9	30.8
Change (%)	31.0	23.7	7.0	25.8	20.8	24.8	31.2	28.8
Price-Earnings (x)					23.6	18.9	14.4	11.2
Dividend Per Share (INR)	1.2	1.6	1.8	2.0	2.4	2.0	3.9	4.3
Dividend Yield (%)					0.7	0.6	1.1	1.3

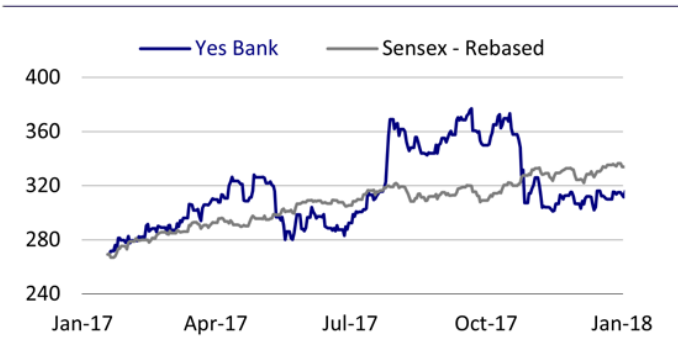
E: MOSL Estimates

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 (%)

	Sep-16	Jun-16	Sep-15
Promoter	21.9	21.9	22.0
DII	23.1	24.0	23.2
FII	42.6	42.2	41.3
Others	12.4	12.0	13.6

Note: FII Includes depository receipts

Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
Life Insurance corporation of India alongwith its various schemes	8.3
Birla sun life trustee company private limited alongwith its various schemes	2.1
Franklin Templeton mutual fund alongwith its various schemes	2.1
Franklin Templeton investment funds	2.0
Nomura India investment fund mother fund	1.8

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	18.2	18.2	-0.1
FY19	23.9	23.0	3.8
FY20	30.8	28.5	7.9

Source: Bloomberg

NOTES

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Pending Regulatory Enquiries against Motilal Oswal Securities Limited by SEBI:

SEBI pursuant to a complaint from client Shri C.R. Mohanraj alleging unauthorized trading, issued a letter dated 29th April 2014 to MOSL notifying appointment of an Adjudicating Officer as per SEBI regulations to hold inquiry and adjudge violation of SEBI Regulations; MOSL requested SEBI to provide all documents, records, investigation report relied upon by SEBI which were referred in Show Cause Notice and also sought personal hearing. The matter is currently pending.

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