

BSE SENSEX	S&P CNX
36,195	10,850
Bloomberg	YES IN
Equity Shares (m)	2,306
M.Cap.(INRb)/(USDb)	494.6 / 7
52-Week Range (INR)	404 / 147
1, 6, 12 Rel. Per (%)	15/-39/-41
12M Avg Val (INR M)	7944
Free float (%)	80.2

## Financials & Valuations (INR b)

Y/E March	FY19E	FY20E	FY21E
NII	94.2	113.5	137.2
OP	87.2	105.4	128.5
NP	42.6	52.1	64.4
NIM (%)	2.9	2.9	2.9
EPS (INR)	18.5	22.6	27.9
EPS Gr. (%)	0.4	22.4	23.5
BV/Sh. (INR)	126.5	144.8	167.9
ABV/Sh. (INR)	115.8	137.5	161.1
RoE (%)	15.5	16.7	17.9
RoA (%)	1.2	1.2	1.3

Valuations			
P/E(X)	11.6	9.5	7.7
P/BV (X)	1.7	1.5	1.3
P/ABV (X)	1.8	1.6	1.3

**CMP: INR214 TP: INR270 (+26%)**
**Buy**

## Uncertainties receding; expect gradual pick-up in operating performance

- **Weak other income drags earnings:** Yes Bank's (YES) PAT declined 7% YoY to INR10.0b in 3QFY19, as lower corporate banking fees and treasury losses of INR1.6b led to a 37% YoY decline in other income. NII grew 41% YoY to INR26.7b (in-line), driven by strong retail loan growth (+83% YoY) and stable margins (at 3.3%). For 9MFY19, the bank's PAT stood at INR32.3b.
- **Healthy write-backs led to lower provisions** of INR5.5b (+31%/-41% YoY/QoQ). YES reported write-back of (a) INR2.1b on treasury portfolio and (b) INR351m on other provisions. On the IL&FS exposure, the bank made 25% provision (INR4.8b) on its slipped exposure of INR19.1b and 15% provision (INR925m) on its residual standard exposure of INR6.16b.
- **Loan growth moderates; CASA mix down to 33.3%:** Loan growth moderated to 42% YoY (+2% QoQ) in the quarter. Deposit growth, too, was restricted to 30% YoY (flattish QoQ) due to a reduction in CDs and a decline in government SA balance. CASA deposits grew 13.5% YoY, while the CASA ratio declined to 33.3%.
- **Asset quality deteriorates with downgrade of ILFS exposure; coverage ratio declines:** Fresh slippages increased 41% YoY to INR23b, as YES downgraded ILFS exposure, which drove a 33% QoQ increase in GNPLs to INR51.6b (2.1%). Net NPLs increased 42% QoQ to INR28.8b, while PCR declined 352bp QoQ to 44.2%. O/s SMA-2 stood at 0.19% of loans.
- **Other highlights:** (a) CET-1 ratio improved to 9.1% (+10bp QoQ). (b) RBI approved the appointment of Mr Ravneet Gill as MD & CEO. (c) The bank appointed two additional independent directors and recommended appointment of Mr Ashish Agarwal as executive director (subject to RBI approval). (d) A board meeting is scheduled on 29<sup>th</sup> Jan'19 to finalize the interim transition.
- **Valuation view:** With management overhang now behind, we expect YES to now focus on addressing the key issues of (a) capital raising, (ii) corporate governance on asset quality/divergence and (iii) top management continuity and employee morale. YES has been in a capital conservation mode, which is likely to impact balance sheet growth over the near term. The FY18 divergence report and the delivery on asset quality/credit cost guidance remain the key near-term monitorables. We cut our PAT estimates by ~9%/12% for FY19/20. Maintain **Buy** with a TP of INR270 (1.8x Sep'20E ABV).

**Exhibit 1: Quarterly performance**

	FY18				FY19E				FY18	FY19E	3QE	V/s
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				Est
<b>Net Interest Income</b>	<b>18,089</b>	<b>18,851</b>	<b>18,888</b>	<b>21,542</b>	<b>22,191</b>	<b>24,176</b>	<b>26,664</b>	<b>21,206</b>	<b>77,371</b>	<b>94,237</b>	<b>23,528</b>	<b>3%</b>
% Change (Y-o-Y)	44.5	33.5	26.8	31.4	22.7	28.2	41.2	-1.6	33.5	21.8	24.8	
Other Income	11,322	12,484	14,223	14,210	16,941	14,735	8,909	14,266	52,238	54,850	16,163	-9%
<b>Total Income</b>	<b>29,411</b>	<b>31,335</b>	<b>33,111</b>	<b>35,752</b>	<b>39,133</b>	<b>38,910</b>	<b>35,573</b>	<b>35,472</b>	<b>129,609</b>	<b>149,087</b>	<b>39,691</b>	<b>-2%</b>
Operating Expenses	12,369	12,269	13,093	14,398	14,586	15,246	15,669	16,352	52,128	61,853	15,142	1%
<b>Operating Profit</b>	<b>17,042</b>	<b>19,067</b>	<b>20,018</b>	<b>21,354</b>	<b>24,547</b>	<b>23,664</b>	<b>19,904</b>	<b>19,120</b>	<b>77,481</b>	<b>87,235</b>	<b>24,548</b>	<b>-4%</b>
% Change (Y-o-Y)	30.4	37.6	37.7	26.3	44.0	24.1	-0.6	-10.5	32.7	12.6	28.7	
Provisions	2,858	4,471	4,213	3,996	6,257	9,400	5,502	3,428	15,538	24,587	6,968	35%
<b>Profit before Tax</b>	<b>14,184</b>	<b>14,596</b>	<b>15,805</b>	<b>17,358</b>	<b>18,291</b>	<b>14,265</b>	<b>14,401</b>	<b>15,691</b>	<b>61,943</b>	<b>62,648</b>	<b>17,580</b>	<b>-19%</b>
Tax	4,529	4,569	5,036	5,564	5,687	4,618	4,383	5,360	19,697	20,047	5,847	-21%
<b>Net Profit</b>	<b>9,655</b>	<b>10,027</b>	<b>10,769</b>	<b>11,794</b>	<b>12,604</b>	<b>9,647</b>	<b>10,019</b>	<b>10,332</b>	<b>42,246</b>	<b>42,601</b>	<b>11,733</b>	<b>-18%</b>
% Change (Y-o-Y)	31.9	25.1	22.0	29.0	30.5	-3.8	-7.0	-12.4	26.9	0.8	17.0	
<b>Operating Parameters</b>												
Deposit Growth (%)	22.6	23.4	29.7	40.5	42.0	41.0	29.7	25.0	40.5	25.0	41.1	(10)
Loan Growth (%)	32.1	34.9	46.5	53.9	53.4	61.2	42.2	26.0	53.9	26.0	61.5	(30)
Deposit (INR b)	1,502	1,580	1,717	2,007	2,134	2,228	2,228	2,509	2,007	2,509	2,230	0%
Loan (INR b)	1,400	1,487	1,715	2,035	2,147	2,396	2,439	2,565	2,035	2,565	2,401	0%
<b>Asset Quality</b>												
Gross NPA (INR B)	13.6	27.2	29.7	26.3	28.2	38.7	51.6	57.5	26.3	57.5	33.3	16%
Gross NPA (%)	1.0	1.8	1.7	1.3	1.3	1.6	2.1	2.2	1.3	2.2	1.4	23
Net NPA (INR B)	5.5	15.4	16.0	13.1	12.6	20.2	28.8	33.2	13.1	33.2	14.5	40%
Net NPA (%)	0.4	1.0	0.9	0.6	0.6	0.8	1.2	1.3	0.6	1.3	0.6	24
PCR (%)	60.0	43.3	46.4	50.0	55.3	47.8	44.2	42.2	50.0	42.2	56.5	(874)

Source: MOSL, Company

**Exhibit 2: Majority of the board constitutes of independent directors**

<b>Board of Directors</b>	<b>Designation</b>
Mr. Rana Kapoor	MD & CEO
Mr. Brahm Dutt	Non-Executive part - time Chairman
Mr.Mukesh Sabharwal	Independent Director
Dr. Pratima Sheorey	Independent Director
Mr Ajai Kumar	Non-Executive Non-Independent Director
Mr Subhash Kalia	Non-Executive Non-Independent Director
Mr. Uttam Prakash Agarwal	Additional (Independent) Director
Mr T.S Vijayan	Additional (Independent) Director
Mr. Maheshwar Sahu	Additional (Independent) Director
Mr. Anil Jaggia	Additional (Independent) Director

Source: Company, MOSL

## Exhibit 3: Quarterly snapshot

(INR m)	FY17				FY18				FY19			Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
<b>Net Interest Income</b>	12,516	14,122	14,893	16,397	18,089	18,851	18,888	21,542	22,191	24,176	26,664	41	10
<b>Other Income</b>	9,655	9,219	10,165	12,574	11,322	12,484	14,223	14,210	16,941	14,735	8,909	-37	-40
<b>Total Income</b>	22,171	23,340	25,059	28,971	29,411	31,335	33,111	35,752	39,133	38,910	35,573	7	-9
<b>Operating Expenses</b>	9,103	9,481	10,520	12,061	12,369	12,269	13,093	14,398	14,586	15,246	15,669	20	3
Employee	4,074	4,334	4,675	4,968	5,461	5,628	5,334	5,467	5,906	5,940	6,254	17	5
Others	5,030	5,147	5,846	7,093	6,908	6,641	7,759	8,931	8,680	9,306	9,416	21	1
<b>Operating Profits</b>	13,068	13,860	14,538	16,910	17,042	19,067	20,018	21,354	24,547	23,664	19,904	-1	-16
<b>Core Operating Profits</b>	11,045	10,868	11,461	14,586	13,821	15,549	17,590	19,573	19,944	21,444	19,904	13	-7
Provisions	2,066	1,617	1,154	3,097	2,858	4,471	4,213	3,996	6,257	9,400	5,502	31	-41
<b>PBT</b>	11,001	12,243	13,384	13,813	14,184	14,596	15,805	17,358	18,291	14,265	14,401	-9	1
Taxes	3,683	4,228	4,558	4,671	4,529	4,569	5,036	5,564	5,687	4,618	4,383	-13	-5
<b>PAT</b>	7,318	8,015	8,826	9,141	9,655	10,027	10,769	11,794	12,604	9,647	10,019	-7	4
<b>Balance Sheet (INR B)</b>													
<b>Loans</b>	1,059	1,102	1,171	1,323	1,400	1,487	1,715	2,035	2,147	2,396	2,439	42	2
<b>Deposits</b>	1,226	1,280	1,324	1,429	1,502	1,580	1,717	2,007	2,134	2,228	2,228	30	0
CASA Deposits	363	388	441	519	552	587	653	732	749	753	741	14	-2
<b>Total Assets</b>	1,772	1,873	1,948	2,151	2,221	2,374	2,637	3,124	3,325	3,716	3,740	42	1
<b>Risk Weighted Assets</b>	1,443	1,546	1,590	1,863	1,852	2,000	2,237	2,553	2,714	3,022	3,062	37	1
<b>Asset Quality</b>													
GNPA	8,446	9,167	10,059	20,186	13,644	27,203	29,743	26,268	28,245	38,661	51,586	73	33
NNPA	3,024	3,230	3,425	10,723	5,453	15,433	15,951	13,128	12,626	20,197	28,764	80	42
<b>Loan Mix (% , Non PSL)</b>													
Corporate Banking	67.5	67.9	68.9	67.7	68.1	67.4	67.7	67.9	67.6	68.2	67.8	10	-40
Retail & Business Banking	32.5	32.1	31.1	32.3	31.9	32.6	32.3	32.1	32.4	31.8	32.2	-10	40
<b>Other Details</b>													
Branches	900	950	964	1,000	1,020	1,040	1,050	1,100	1,105	1,110	1,115	65	5
Employees	16,421	18,531	19,400	20,125	20,851	20,932	19,276	18,238	19,597	21,024	21,182	1,906	158
<b>Ratios (%)</b>													
<b>Asset quality ratios</b>													
GNPA (%)	0.8	0.8	0.9	1.5	1.0	1.8	1.7	1.3	1.3	1.6	2.1	38	49
NNPA (%)	0.3	0.3	0.3	0.8	0.4	1.0	0.9	0.6	0.6	0.8	1.2	25	34
PCR (Calculated, %)	64	65	66	47	60	43	46	50	55	48	44	-213	-352
<b>Business ratios</b>													
CASA (Reported)	29.6	30.3	33.3	36.3	36.8	37.2	38.0	36.5	35.1	33.8	33.3	-470	-50
Loan/Deposit	86.4	86.1	88.5	92.6	93.2	94.1	99.9	101.4	100.6	107.5	109.5	961	195
Non Int. to Total Income	43.5	39.5	40.6	43.4	38.5	39.8	43.0	39.7	43.3	37.9	25.0	-1,791	-1,282
Cost to Income	41.1	40.6	42.0	41.6	42.1	39.2	39.5	40.3	37.3	39.2	44.0	451	487
Tax Rate	33.5	34.5	34.1	33.8	31.9	31.3	31.9	32.1	31.1	32.4	30.4	-143	-194
<b>Profitability ratios</b>													
RoA	1.7	1.8	1.8	1.8	1.8	1.7	1.7	1.6	1.6	1.1	1.1	-60	0
RoE	20.7	21.4	22.3	21.8	17.4	17.5	18.0	18.8	19.4	14.4	14.4	-360	0
Yield on loans	11.1	10.9	10.9	10.7	10.4	10.2	9.8	9.9	10.0	10.1	10.2	40	10
Yield On Investments	8.1	7.8	7.8	7.6	7.1	7.0	7.6	7.3	7.1	7.2	7.1	-53	-10
Yield on funds	10.2	10.4	10.3	10.0	9.9	9.7	9.3	9.1	9.2	9.2	11.1	178	188
Cost of funds	7.0	6.8	6.6	6.3	6.2	6.2	6.0	6.0	6.3	6.4	6.5	50	10
Margins	3.4	3.4	3.5	3.6	3.7	3.7	3.5	3.4	3.3	3.3	3.3	-20	0

Source: MOSL, Company

**Exhibit 4: Actuals v/s Estimates – lower other income and lower provisions led to PAT miss**

Y/E MARCH (INR m)	3QFY19A	3QFY19E	Var. (%)	Comments
<b>Net Interest Income</b>	<b>26,664</b>	<b>26,351</b>	<b>1</b>	<b>Largely in line with estimates</b>
% Change (Y-o-Y)	41	40		
Other Income	8,909	16,651	-46	Other income miss mainly due to treasury losses & decline in corporate fees
<b>Total Income</b>	<b>35,573</b>	<b>43,002</b>	<b>-17</b>	
Operating Expenses	15,669	16,382	-4	
<b>Operating Profit</b>	<b>19,904</b>	<b>26,619</b>	<b>-25</b>	<b>Miss on other income led to PPOP miss</b>
% Change (Y-o-Y)	-1	33		
Provisions	5,502	7,750	-29	Lower than expected provisions due to write-backs on the investment portfolio
<b>Profit before Tax</b>	<b>14,401</b>	<b>18,870</b>	<b>-24</b>	
Tax Provisions	4,383	6,416	-32	
<b>Net Profit</b>	<b>10,019</b>	<b>12,454</b>	<b>-20</b>	<b>PAT miss due to lower other income</b>
% Change (Y-o-Y)	-7	16		

Source: Company, MOSL

**Net stressed loan inches up to 1.98%; PCR declines 360bp QoQ to 44.2%**

- The bank's reported gross slippage rose sharply to INR22.9b (5.4% annualized), of which INR19.1b was on account of exposure to a stressed infrastructure conglomerate. YES has made a specific provision of INR4.8b (25% provision) on the same. Further, the bank has made a provision of INR925m on the balance exposure of INR6.2 (15% provision), according to the IRAC norms.
- Absolute GNPA increased 33% QoQ to INR51.6b, while NNPA increased 42% QoQ to INR28.7b along with a 360bp QoQ decrease in PCR to 44.2%. In percentage terms, GNPA/NNPA rose to 2.10%/1.18% (+50bp/+34bp QoQ).
- Standard restructured portfolio stood at INR2.1b, while SR book stands at INR17.5b (0.72% of net advances) compared to INR20.5b (0.86% of net advances) in 2QFY19. The bank redeemed INR1.2b from SRs in 3QFY19. The outstanding SMA-2 exposure stands at INR4.2b (0.19% of the net advances). Total net stress loans for the bank stand at 1.98% of advances, up from 1.79% in 2QFY19.
- The bank's total exposure to HFCs stands at 3.4%, NBFCs at 3.0% and commercial real estate at 6.5%.

**CASA ratio at 33.3%; CASA + Retail TD comprises 57.5% of total deposits**

- CASA deposits grew at 13% YoY, led by 31% YoY growth in CA deposits and 4% YoY growth in SA deposits. However, sequentially, CASA growth trailed total deposits growth, leading to a decline in the CASA ratio to 33.3% from 33.8% in 2QFY19.
- With management efforts in building a granular liability book visible, the quarter saw an increase in total retail deposits share to 57.5%.

**Loan growth moderates to 1.8%/42% QoQ/YoY; NIM stable at 3.3%**

- Loan book grew 1.8%/42.2% QoQ/YoY to INR2.44t, driven by 42.4% YoY (+1.2% QoQ) growth in corporate and institutional book, while retail and business banking also registered robust growth of 3.1%/41.8% QoQ/YoY.
- Growth in retail and business banking was majorly led by 8.2%/83.2% QoQ/YoY growth in consumer banking (15.2% of total loan book, up from 11.8% in 3QFY18).



### 3QFY19 conference call highlights

#### General Update

- The board has recommended Mr. Ashish Agarwal (Chief Risk officer & Group president) as executive director, subject to RBI approval.
- The bank scheduled another board meeting on 29th Jan 2019 to take some important decisions and finalize the interim transition.
- Non-executive director (non-independent director) does not require RBI approval and the board meet on 29th Jan 2019 will decide on the Mr. Rana Kapoor's role going forward in the bank.

#### Balance sheet and P&L related

- NIM improved marginally by ~5bp in Q3FY19 but not to the extent to report 3.4%.
- Corporate banking fees declined due to slowdown in the corporate growth portfolio.
- The corporate portfolio growth has seen some rebalancing, while retail growth remains robust.
- The liquidity situation is improving for the bank, with daily LCR improving to 102-103%. Quarter ended at 114% as of Dec-18.
- Term deposits grew well both at corporate and retail deposits.
- Saving accounts growth has slowed down due to rundown in government deposits. CA growth has picked up due to one-off gain. Non-government savings growth is flattish QoQ and 20% YoY.
- Certification of deposits (CD) has dropped from INR130b to INR60b, which led to flattish sequential growth in deposits.
- Retail deposits growth slowed in the month of October, but started normalizing from November; expect deposits growth to improve in the coming quarter.
- Treasury losses made on account of swaps, hedging on the investment position due to a fall in interest rates. The bank sold some portion of the corporate bond book and therefore reflects some additional write-backs. Also, the bank took some additional treasury losses on the overseas investment portfolio due to rupee appreciation.
- The bank made a loss of INR3b on the corporate bond portfolio and another INR1.5b on the interest swaps product.
- Retail growth has come maximum in the auto segment.
- The bank earnings yields are similar on the corporate portfolio; expect the retail yields to improve due to an increase in the share of unsecured lending portfolio. The bank will focus on the quality of the portfolio. The bank expects margins improvement in the coming quarter.

#### Asset quality

- IL&FS exposure of INR19bn slipped into NPA and remaining INR6b remains standard (fund based exposure). The bank made a provision of 25% on the NPA portion of this exposure and 15% provisioning on the standard ILFS exposure. The bank believes it has made adequate provisioning on this exposure.
- Net stressed assets stand at 1.98% of the total advances, including IL&FS exposure.
- The bank expects slippages run-rate to normalize going forward.
- The bank increased exposure in the HFC & NBFC sector marginally. There is no meaningful increase in exposure in both the sectors.

#### Others

- The off balance sheet exposure has come down for the bank.

- The bank signed MOU with FADA (Federation of Automobile dealers) and will be the preferred financier.

### Valuation and view

Maintain Buy with a target price of INR270 (1.8x Sep-20E BV)

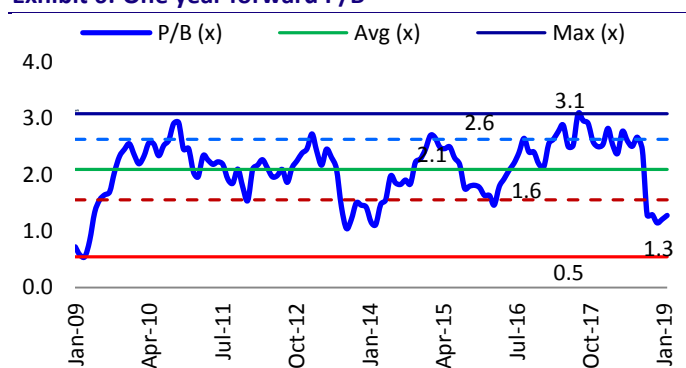
- YES Bank's stock has corrected significantly since the RBI disapproved Mr. Rana Kapoor's continuity as the MD & CEO of the bank. We believe that with this appointment, the concerns surrounding the bank would gradually get resolved and the focus would return to the operating performance of the bank. The manner in which the bank under its new leadership addresses key issues and reverts to normalized operating performance will determine the stock performance in the near-to-medium term.
- With management overhang now behind, we expect YES to now focus on addressing the key issues of (a) capital raising, (ii) corporate governance on asset quality/divergence and (iii) top management continuity and employee morale. YES has been in a capital conservation mode, which is likely to impact balance sheet growth over the near term. The FY18 divergence report and the delivery on asset quality/credit cost guidance remain the key near-term monitorables. We cut our PAT estimates by ~9%/12% for FY19/20. Maintain **Buy** with a TP of INR270 (1.8x Sep'20E ABV).

**Exhibit 5: DuPont: Return ratios to improve gradually over FY19-21E**

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Interest Income	9.6	9.4	9.0	8.6	7.7	8.3	8.5	8.4
Interest Expense	7.0	6.6	5.9	5.6	4.8	5.6	5.8	5.7
<b>Net Interest Income</b>	<b>2.61</b>	<b>2.85</b>	<b>3.03</b>	<b>3.05</b>	<b>2.93</b>	<b>2.70</b>	<b>2.68</b>	<b>2.69</b>
Core Fee Income	1.49	1.55	1.63	1.81	1.79	1.41	1.43	1.48
Trading and others	0.16	0.12	0.17	0.37	0.19	0.16	0.15	0.13
<b>Non Interest income</b>	<b>1.65</b>	<b>1.67</b>	<b>1.80</b>	<b>2.19</b>	<b>1.98</b>	<b>1.57</b>	<b>1.58</b>	<b>1.62</b>
<b>Total Income</b>	<b>4.26</b>	<b>4.51</b>	<b>4.83</b>	<b>5.23</b>	<b>4.91</b>	<b>4.27</b>	<b>4.26</b>	<b>4.31</b>
<b>Operating Expenses</b>	<b>1.68</b>	<b>1.86</b>	<b>1.97</b>	<b>2.16</b>	<b>2.25</b>	<b>2.04</b>	<b>2.03</b>	<b>0.66</b>
Employee cost	0.75	0.80	0.86	0.95	0.83	0.70	0.67	0.66
Others	0.93	1.06	1.11	1.22	1.42	1.34	1.36	0.00
<b>Operating Profits</b>	<b>2.58</b>	<b>2.65</b>	<b>2.85</b>	<b>3.07</b>	<b>2.67</b>	<b>2.24</b>	<b>2.23</b>	<b>3.65</b>
Core operating Profits	2.42	2.53	2.68	2.70	2.47	2.07	2.09	3.51
<b>Provisions</b>	<b>0.35</b>	<b>0.28</b>	<b>0.36</b>	<b>0.42</b>	<b>0.59</b>	<b>0.70</b>	<b>0.68</b>	<b>0.67</b>
NPA	0.13	0.11	0.33	0.35	0.41	0.54	0.53	0.52
Others	0.22	0.17	0.03	0.07	0.18	0.16	0.15	0.15
<b>PBT</b>	<b>2.24</b>	<b>2.37</b>	<b>2.50</b>	<b>2.65</b>	<b>2.08</b>	<b>1.53</b>	<b>1.55</b>	<b>2.98</b>
Tax	0.68	0.74	0.81	0.90	0.75	0.57	0.58	0.59
<b>RoA</b>	<b>1.55</b>	<b>1.64</b>	<b>1.68</b>	<b>1.75</b>	<b>1.60</b>	<b>1.22</b>	<b>1.23</b>	<b>1.26</b>
Leverage (x)	16.1	13.0	11.8	10.8	11.2	12.7	13.6	14.2
<b>RoE</b>	<b>25.0</b>	<b>21.3</b>	<b>19.9</b>	<b>18.9</b>	<b>17.9</b>	<b>15.5</b>	<b>16.7</b>	<b>17.9</b>

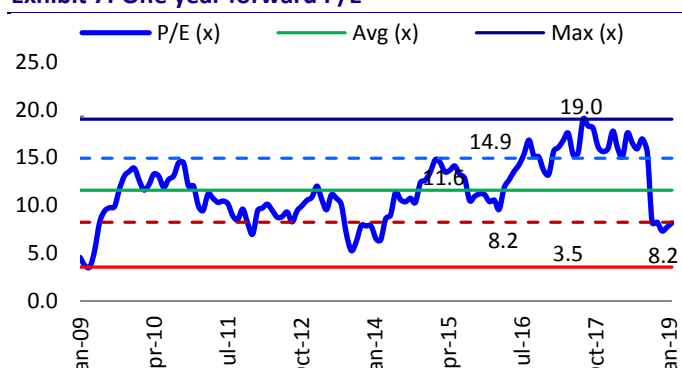
Source: MOSL, Company

**Exhibit 6: One year forward P/B**



Source: Company, MOSL

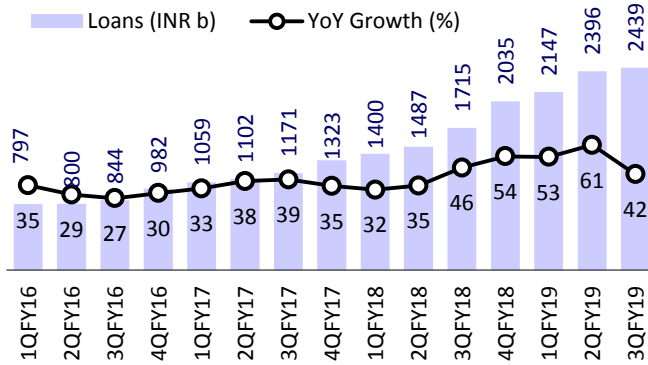
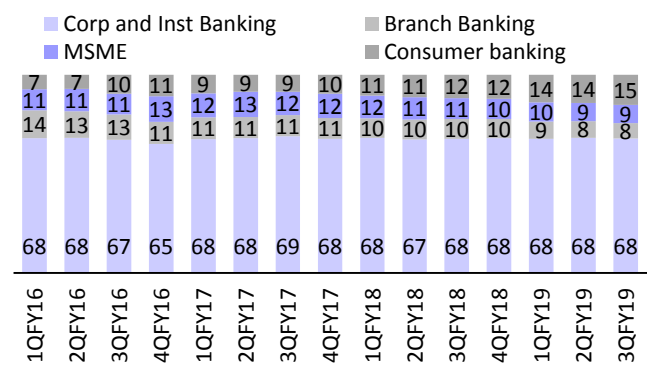
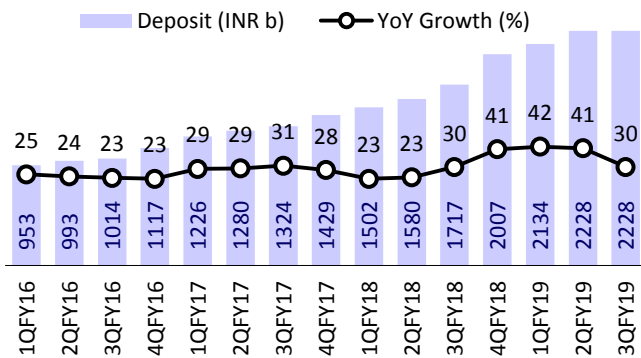
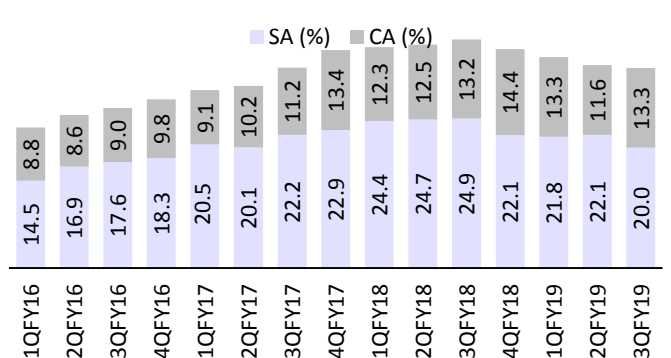
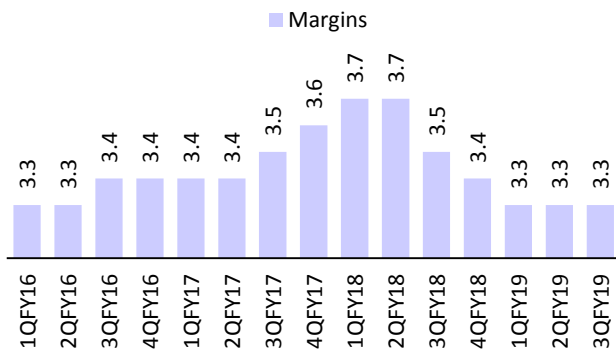
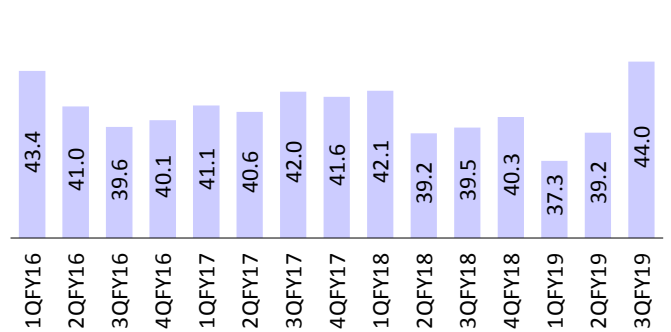
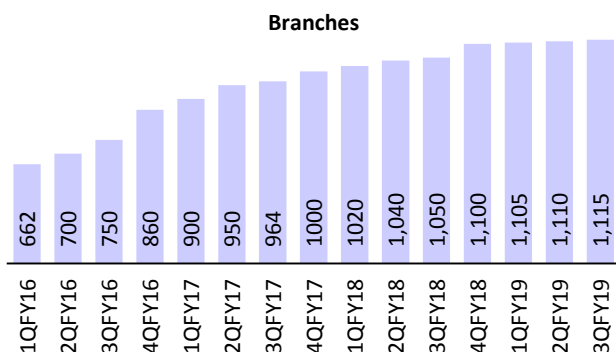
**Exhibit 7: One year forward P/E**



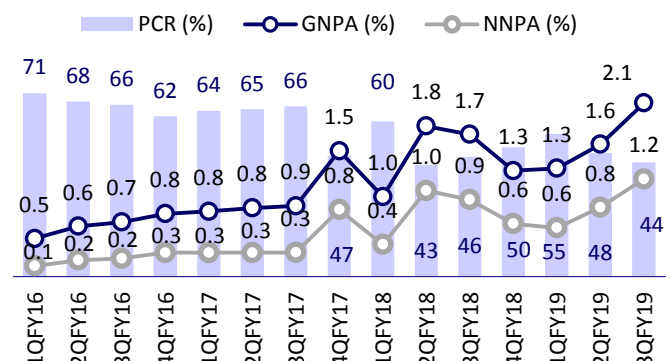
Source: Company, MOSL



## Story in charts

**Exhibit 8: Loan growth moderates to 42% YoY**

**Exhibit 9: Retail/business banking loans form ~32% of total**

**Exhibit 10: Deposit growth moderates to 30% YoY**

**Exhibit 11: CASA mix declines by 50bp QoQ to 33.3%**

**Exhibit 12: Reported NIM remains stable at 3.3%**

**Exhibit 13: Cost-to-income ratio increases by 487bp to 44%**

**Exhibit 14: YES added 5 branches during the quarter**


Source: Company, MOSL

**Exhibit 15: GNPA/NNPA ratios increased 50/34bp QoQ**


Source: Company, MOSL

## Financials and valuations

### Income statement

Y/E March	FY16	FY17	FY18	FY19E	FY20E	FY21E
Interest Income	135,334	164,246	202,674	290,286	358,683	429,153
Interest Expense	89,667	106,273	125,304	196,049	245,223	291,985
<b>Net Interest Income</b>	<b>45,667</b>	<b>57,973</b>	<b>77,371</b>	<b>94,237</b>	<b>113,460</b>	<b>137,169</b>
Growth (%)	30.9	26.9	33.5	21.8	20.4	20.9
Non-Interest Income	27,121	41,568	52,238	54,850	66,917	82,308
<b>Total Income</b>	<b>72,789</b>	<b>99,541</b>	<b>129,609</b>	<b>149,087</b>	<b>180,377</b>	<b>219,477</b>
Growth (%)	31.5	36.8	30.2	15.0	21.0	21.7
Operating Expenses	29,764	41,165	52,128	61,853	75,005	90,947
<b>Pre Provision Profits</b>	<b>43,025</b>	<b>58,375</b>	<b>77,481</b>	<b>87,235</b>	<b>105,372</b>	<b>128,530</b>
Growth (%)	32.4	35.7	32.7	12.6	20.8	22.0
<b>Core PPP</b>	<b>40,419</b>	<b>51,263</b>	<b>72,346</b>	<b>81,587</b>	<b>99,159</b>	<b>121,696</b>
Growth (%)	30.1	26.8	41.1	12.8	21.5	22.7
Provisions (excl tax)	5,363	7,934	15,538	24,587	28,718	33,896
<b>PBT</b>	<b>37,662</b>	<b>50,441</b>	<b>61,943</b>	<b>62,648</b>	<b>76,654</b>	<b>94,634</b>
Tax	12,268	17,140	19,697	20,047	24,529	30,283
Tax Rate (%)	32.6	34.0	31.8	32.0	32.0	32.0
<b>PAT</b>	<b>25,394</b>	<b>33,301</b>	<b>42,246</b>	<b>42,601</b>	<b>52,125</b>	<b>64,351</b>
Growth (%)	26.6	31.1	26.9	0.8	22.4	23.5

### Balance Sheet

Y/E March	FY16	FY17	FY18	FY19E	FY20E	FY21E
Equity Share Capital	4,205	4,565	4,606	4,606	4,606	4,606
Reserves & Surplus	133,661	209,383	252,977	286,708	328,854	382,117
<b>Net Worth</b>	<b>137,866</b>	<b>213,947</b>	<b>257,583</b>	<b>291,313</b>	<b>333,460</b>	<b>386,723</b>
<b>Deposits</b>	<b>1,117,195</b>	<b>1,428,739</b>	<b>2,007,381</b>	<b>2,509,227</b>	<b>2,985,980</b>	<b>3,583,176</b>
Growth (%)	22.5	27.9	40.5	25.0	19.0	20.0
<b>of which CASA Dep</b>	<b>313,428</b>	<b>518,697</b>	<b>731,762</b>	<b>845,609</b>	<b>1,068,981</b>	<b>1,311,442</b>
Growth (%)	48.7	65.5	41.1	15.6	26.4	22.7
Borrowings	316,590	386,067	748,936	916,236	1,134,592	1,403,140
Other Liabilities & Prov.	80,983	121,846	110,556	134,878	164,551	200,753
<b>Total Liabilities</b>	<b>1,652,634</b>	<b>2,150,599</b>	<b>3,124,456</b>	<b>3,851,655</b>	<b>4,618,583</b>	<b>5,573,792</b>
Current Assets	82,184	195,494	247,344	277,463	337,887	408,878
<b>Investments</b>	<b>488,385</b>	<b>500,318</b>	<b>683,989</b>	<b>875,506</b>	<b>1,094,383</b>	<b>1,335,147</b>
Growth (%)	13.0	2.4	36.7	28.0	25.0	22.0
<b>Loans</b>	<b>982,099</b>	<b>1,322,627</b>	<b>2,035,339</b>	<b>2,564,527</b>	<b>3,026,141</b>	<b>3,570,847</b>
Growth (%)	30.0	34.7	53.9	26.0	18.0	18.0
Fixed Assets	4,707	6,835	8,324	10,488	13,110	15,732
Other Assets	95,259	125,325	149,460	123,671	147,061	243,188
<b>Total Assets</b>	<b>1,652,634</b>	<b>2,150,599</b>	<b>3,124,456</b>	<b>3,851,655</b>	<b>4,618,583</b>	<b>5,573,792</b>

### Asset Quality

GNPA (INR m)	7,490	20,186	26,268	57,498	47,839	52,448
NNPA (INR m)	2,845	10,723	13,127	33,212	21,449	19,462
GNPA Ratio	0.76	1.52	1.29	2.24	1.58	1.47
NNPA Ratio	0.29	0.81	0.64	1.30	0.71	0.55
Slippage Ratio	1.21	2.68	4.89	2.50	1.30	1.30
Credit Cost	0.57	0.58	0.93	0.82	0.80	0.80
PCR (Excl Tech. write off)	62.0	46.9	50.0	42.2	55.2	62.9

Source: Company, MOSL



## Financials and valuations

### Key Ratios

Y/E March	FY16	FY17	FY18	FY19E	FY20E	FY21E
<b>Yield and Cost Ratios (%)</b>						
<b>Avg. Yield-Earning Assets</b>	<b>10.0</b>	<b>9.5</b>	<b>8.1</b>	<b>8.7</b>	<b>8.8</b>	<b>8.8</b>
Avg. Yield on loans	11.2	10.6	9.2	10.1	10.3	10.4
Avg. Yield on Investments	7.6	7.7	7.0	7.3	7.2	7.1
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>6.9</b>	<b>6.5</b>	<b>8.1</b>	<b>8.7</b>	<b>8.8</b>	<b>8.8</b>
Avg. Cost of Deposits	7.1	6.4	5.5	6.0	6.1	6.0
<b>Interest Spread</b>	<b>3.1</b>	<b>3.0</b>	<b>2.6</b>	<b>2.3</b>	<b>2.3</b>	<b>2.4</b>
<b>Net Interest Margin</b>	<b>3.4</b>	<b>3.4</b>	<b>3.2</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>

### Capitalization Ratios (%)

CAR	16.5	17.0	18.4	16.2	16.6	15.9
Tier I	10.7	13.3	13.2	11.4	10.2	9.6
Tier II	5.8	3.7	5.2	4.8	6.4	6.3

### Business & Efficiency Ratios (%)

Loans/Deposit Ratio	87.9	92.6	101.4	102.2	101.3	99.7
CASA Ratio	28.1	36.3	36.5	33.7	35.8	36.6
Cost/Assets	1.8	1.9	1.7	1.6	1.6	1.6
Cost/Total Income	40.9	41.4	40.2	41.5	41.6	41.4
Cost/Core Income	42.4	44.5	41.9	43.1	43.1	42.8
Int. Expense/Int.Income	66.3	64.7	61.8	67.5	68.4	68.0
Fee Income/Total Income	37.3	41.8	40.3	36.8	37.1	37.5
Non Int. Inc./Total Income	37.3	41.8	40.3	36.8	37.1	37.5
Empl. Cost/Total Expenses	43.6	43.8	42.0	39.6	37.9	36.9
Investment/Deposit Ratio	43.7	35.0	34.1	34.9	36.7	37.3

### Profitability Ratios and Valuation

RoE	19.9	18.9	17.7	15.5	16.7	17.9
RoA	1.7	1.8	1.6	1.2	1.2	1.3
RoRWA	2.1	2.1	1.7	1.3	1.3	1.3
Book Value (INR)	65.6	96.6	111.8	126.5	144.8	167.9
Growth (%)	17.3	47.4	15.8	13.1	14.5	16.0
<b>Price-BV (x)</b>	<b>3.3</b>	<b>2.2</b>	<b>1.9</b>	<b>1.7</b>	<b>1.5</b>	<b>1.3</b>
Adjusted BV (INR)	64.4	93.1	107.4	115.8	137.5	161.1
<b>Price-ABV (x)</b>	<b>3.3</b>	<b>2.3</b>	<b>2.0</b>	<b>1.8</b>	<b>1.6</b>	<b>1.3</b>
EPS (INR)	12.1	14.6	18.43	18.5	22.6	27.9
Growth (%)	25.8	20.8	26.3	0.4	22.4	23.5
<b>Price-Earnings (x)</b>	<b>17.7</b>	<b>14.7</b>	<b>11.6</b>	<b>11.6</b>	<b>9.5</b>	<b>7.7</b>
Dividend Per Share (INR)	2.0	2.4	3.2	3.9	4.3	4.8
<b>Dividend Yield (%)</b>		<b>1.1</b>	<b>1.5</b>	<b>1.8</b>	<b>2.0</b>	<b>2.2</b>

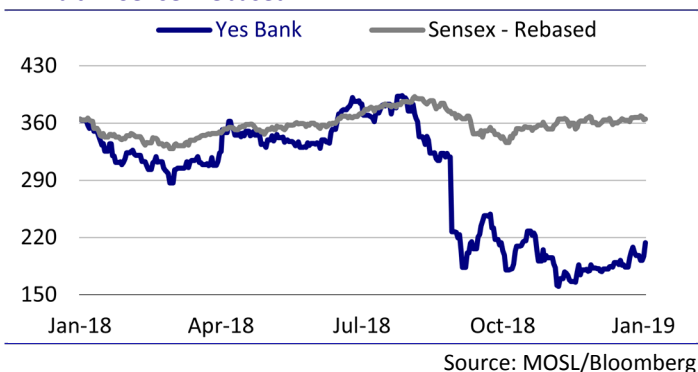
Source: Company, MOSL

## 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 1,115 and 1,714 respectively.

### Exhibit 1: Sensex rebased



### Exhibit 2: Shareholding pattern (%)

	Dec-18	Sep-18	Dec-17
Promoter	19.8	19.9	20.0
DII	21.6	23.0	23.8
FII	36.2	39.5	43.2
Others	22.5	17.6	12.9

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	1.9
FRANKLIN TEMPELTON MUTUAL FUND ALONGWITH ITS VARIOUS SCHEMES	1.6
UTI ALONGWITH ITS VARIOUS SCHEMES	1.4

Source: Capitaline

### Exhibit 4: Top management

Name	Designation
Brahm Dutt	Non-Executive Chairman part-time
Rana Kapoor	Managing Director & CEO
Shivanand R Shettigar	Company Secretary

Source: Capitaline

### Exhibit 5: Directors

Name	Name
Subhash Kalia	Mukesh Sabharwal*
Ajai Kumar	T.S. Vijayan*
Uttam Prakash Agarwal*	Dr. Pratima Sheorey*
Maheswar Sahu*	Anil Jaggia*

\*Independent

### Exhibit 6: Auditors

Name	Type
BSR & Co LLP	Statutory
BNP & Associates	Secretarial Audit

Source: Capitaline

### Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY19	18.5	20.2	-8.3
FY20	22.6	25.5	-11.5
FY21	27.9	32.1	-13.1

Source: Bloomberg

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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