

Yes Bank

Provision remained elevated

Particulars (₹ cr)	Q1FY20	Q4FY19	% chg (qoq)	Q1FY19	% chg (yoy)
NII	2,281	2,506	(9)	2,219	3
Pre-prov. profit	1,959	1,323	48	2,455	(20)
PAT	114	(1,507)	-	1,260	(91)

Source: Company, Angel Research

Yes Bank reported a poor set of numbers for Q1FY2020. Slippages for the quarter were ₹6,232cr, up 51.5% qoq. This led to a jump in GNPA to 5.01%, up 179bps qoq and 370bpsyoy. Sharp jump of 230bps in BB & below book to ₹29,470cr was a disappointment and will likely keep the provisions exp higher for next few quarters.

Loan growth moderates; NIM compressed to 2.8%: Loan book growth moderated to 10% yoy (declined 2% qoq), of which retail book increased by 44% yoy to constitute 18% of total advances. NIM compressed by 21bps/28bps qoq/yoy to 2.8% on account higher NPA recognition and increase in COF. Henceforth advances growth will primarily depend on capital raising as banks CET-1 stands at 8.04%.

Slippages, provisions continue to remain elevated: During the quarter, slippages were ₹6,232cr of which ₹1,680cr were technical slippages, thus net slippages came in at ₹4,552cr. These net slippages were from BB & below book, ₹2,500cr were from watchlist identified (₹10,000cr) in Q4FY19, which is subset of BB & below book. Higher slippages led to higher GNPA to 5.01% i.e. 179bps/370bps jump over qoq/yoy. Bigger concern was a sharp jump of 230bps in BB & below book to 9.7% primarily led by a downgrade in Yes Bank's investment in bonds of two NBFC (exposure worth of ₹7,500 for which bank now carries provision of ₹1,500cr (₹1,109 MTM and ₹400cr writeback) which is 20%). During the quarter, bank took provisions worth ₹1,784cr, of which MTM was ₹1,109cr on bonds due to downgrades. Remaining ₹675cr was for advance provision. However, total provision for advance is ~₹2,000cr as bank used ₹1,399cr as specific provision from ₹2,100cr contingent made for identified stress book. Management has guided credit cost of 1.25% for FY20E, however, it does not include MTM of investment book.

Treasury gain, contained Opex supported pre-provision profit: NII increased 3% yoy (declined 10% qoq) led by higher interest income reversals of ₹220cr and compression in spreads. During the quarter, bank treasury gain of ₹450cr and contained operating expense helped to report healthy 48% qoq jump in pre-pro profit and (declined 20% yoy)

Outlook & Valuation: We have a neutral view on Yes Bank, considering (a) low CET of 8.04%; for growth, the bank will have to raise capital at current valuations, which is dilutive, (b) uncertainty related to BB & below book performance, (c) any fresh set of downgrade in investment/ advances will absorb CET-1 and will impact growth. Hereon, the bank's performance is more dependent on certain events viz. resolution of some large exposure and capital raising, which is contingent.

Key financials (Standalone)

Y/E March (₹ cr)	FY17	FY18	FY19E	FY20E	FY21E
NII	5,797	7,737	9,809	10,000	11,276
% chg	27	33	27	2	13
Net profit	3,330	4,225	1,720	1,325	2,798
% chg	31	27	(59)	(23)	111
NIM (%)	3.4	3.3	3.1	2.8	2.7
EPS (Rs)	14	18	7	6	12
P/E (x)	7	5	13	17	8
P/ABV (x)	1.1	0.9	0.9	0.9	0.8
RoA (%)	1.8	1.6	0.5	0.3	0.6
RoE (%)	19	18	7	5	9

- Source: Company, Angel Research, Note: CMP as of 17/07/19

Please refer to important disclosures at the end of this report

NEUTRAL

CMP	₹98.45
Target Price	₹-

Investment Period	12 Months
-------------------	-----------

Stock Info

Sector	Banking
Market Cap (₹ cr)	22,829
Beta	1.2
52 Week High / Low	404 / 85
Avg. Daily Volume	80,08,078
Face Value (₹)	2
BSE Sensex	39,216
Nifty	11,687
Reuters Code	YESB.BO
Bloomberg Code	YES@IN

Shareholding Pattern (%)

Promoters	19.8
MF / Banks / Indian Fls	21.6
FII / NRIs / OCBs	36.2
Indian Public / Others	22.5

Abs. (%)	3m	1yr	3yr
Sensex	0.2	7.8	41.3
Yes Bank	(61.4)	(74.3)	(58.1)

3-year price chart



Source: Company, Angel Research

Jaikishan Parmar

Research Analyst

022 - 39357600 Ext: 6810

Jaikishan.parmar@angelbroking.com

Exhibit 1: Q1FY2020 performance summary (standalone)

Particulars (₹ cr)	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	% chg (qoq)	% chg (yoy)
Interest Earned	5,070	5,743	6,578	7,231	7,959	7,857	7,816	(1)	19
on Advances / Bills	3,846	4,404	5,005	5,550	6,248	6,120	6,106	(0)	22
on investments	1,098	1,179	1,351	1,561	1,604	1,533	1,539	0	14
on bal with RBI	82	110	162	58	42	136	104	(24)	(36)
on others	44	50	60	62	65	68	67	(1)	11
Interest Expended	3,182	3,589	4,359	4,814	5,293	5,351	5,535	3	27
Net Interest Income	1,889	2,154	2,219	2,418	2,666	2,506	2,281	(9)	3
Other Income	1,422	1,421	1,694	1,473	891	532	1,273	139	(25)
Retail Banking Fees	290	347	333	367	353	406	348	(14)	4
Corp Trade & cash	154	240	216	212	224	210	200	(5)	(8)
Corporate Banking Fees	243	644	683	668	472	(112)	61	(155)	(91)
Forex, DCM & Securities	723	178	460	222	(160)	11	656	5,865	43
Operating income	3,311	3,575	3,913	3,891	3,557	3,038	3,554	17	(9)
Operating Expenses	1,309	1,440	1,459	1,525	1,567	1,714	1,594	(7)	9
Employee expenses	533	547	591	594	625	660	661	0	12
Other Opex	776	893	868	931	942	1,054	933	(12)	7
Pre Provision Profit	2,002	2,135	2,455	2,366	1,990	1,323	1,959	48	(20)
Provisions	421	400	626	940	550	3,662	1,784	(51)	185
PBT	1,580	1,736	1,829	1,427	1,440	(2,338)	175	(107)	(90)
Provision for Taxes	504	556	569	462	438	(832)	61	(107)	(89)
Tax rate	32	32	31	32	30	36	35	(2)	13
PAT	1,077	1,179	1,260	965	1,002	(1,507)	114	(108)	(91)
Balance sheet									
Advance (₹ cr)	1,71,515	2,03,534	2,14,720	2,40,000	2,43,885	2,41,500	2,36,300	(2)	10
Deposit (₹ cr)	1,71,731	2,00,738	2,13,395	2,22,838	2,22,758	2,27,610	2,25,902	(1)	6
C/D Ratio (%)	1.00	1.01	1.01	1.08	1.09	1.06	1.05	(1.5)bp	4bp
CA (₹ cr)	22,604	28,826	28,333	25,941	29,538	28,500	24,800	(13)	(12)
SA (₹ cr)	42,685	44,351	46,598	49,339	44,579	46,753	44,300	(5)	(5)
CASA deposits (₹ cr)	65,289	73,176	74,930	75,279	74,117	75,253	69,100	(8)	(8)
CASA %	38	36	35	34	33	33	31	(247.4)bp	(452.5)bp
CAR (%)	20	18	17	16	17	17	16	(80)bp	(120)bp
Tier 1 CAR (%)	15	13	13	12	12	11	11	(60)bp	(210)bp

Source: Company, Angel Research

Exhibit 2: Profitability ratio remain compressed

Profitability Ratios (%)	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	% chg (qoq)	% chg (yoy)
Cost of funds	5.9	5.7	6.1	6.2	6.5	6.4	6.7	26.4bp	54.5bp
Reported NIM	3.5	3.4	3.3	3.3	3.3	3.1	3	(30)bp	(50)bp
Cost-to-income ratio	39.5	40.3	37.3	39.2	44.0	56.4	45	(1156.5)bp	759.6bp
Asset quality									
Gross NPAs (₹ cr)	2,974	2,626	2,824	3,866	5,158	7,882	12,092		
Gross NPAs (%)	1.7	1.3	1.3	1.6	2.1	3.2	5.0	179bp	370bp
Net NPAs (₹ cr)	1,595	1,312	1,262	2,019	2,876	4,484	6,883		
Net NPAs (%)	0.9	0.6	0.6	0.8	1.2	1.9	2.9	105bp	232bp
PCR (%)	46.4	50.0	55.3	47.8	44.2	43.1	43.1	(2.7)bp	(1222.1)bp
Slippage ratio (%)	0.3	0.2	0.3	0.7	0.9	1.4	2.6	119.6bp	237.7bp
Credit Cost on Adv (AnnI)	1.0	0.8	1.2	1.6	0.9	6.1	3.0	(304.5)bp	185.5bp

Exhibit 3: Asset Quality deteriorated led by higher slippages (Two NBFC Bond fall into BB & below book)

Asset Quality	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	% qoq	% yoy
Gross NPA (₹ cr)	2,720	2,974	2,627	2,824	3,866	5,159	7,883	12,092	52.8	200.1
Net NPA (₹ cr)	1,543	1,595	1,313	1,263	2,019	2,876	4,485	6,883	55.9	241.6
Gross NPA %	1.82	1.72	1.28	1.31	1.60	2.10	3.22	5.01	179bp	370bp
Net NPA %	1.04	0.93	0.64	0.59	0.84	1.18	1.86	2.91	105bp	232bp
Provision Coverage %	43.3	46.4	50.0	55.3	47.78	44.24	43.11	43.08	(2.7)bp	(1222.1)bp
Restructured Advances %	0.08	0.05	0.04	0.00	0.08	0.09	0.08	0.08	0bp	7.9bp
Security Receipt (Net) %	0.94	1.06	0.92	0.82	0.85	0.71	0.71	0.71	0bp	(11)bp
Standard SDR	0.32	0.21	-	-					0bp	0bp
5:25 Refinancing	0.15	0.06	0.05	0.05					0bp	(5)bp
S4A/BBB	0.01	0.09	0.07	0.07					0bp	(7)bp
New Identified Stressed asset							4.14	3.17	(96.7)bp	317.4bp
Total Stressed asset	2.54	2.40	1.72	1.53	1.77	1.98	6.79	6.87	8.3bp	534.3bp

Source: Company, Angel Research

Exhibit 4: Sequentially Corporate Rating Profile deteriorated

Advance Rating (%)	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	% chg (qoq)	% chg (yoy)
AAA	19.7	22	23.2	22.2	21.3	21	22.3	20.5	(180)bp	(170)bp
AA	14.8	13.4	13.3	13.5	15.1	13.3	13.3	11.6	(170)bp	(190)bp
A	41	42.8	42.9	43.2	42.8	43	42.3	41.3	(100)bp	(190)bp
BBB	21.5	19	18.5	18.7	18.3	20.3	14.9	17.2	230bp	(150)bp
BB & B	2.9	2.8	2.2	2.3	2.4	2.5	7.1	9.4	230bp	710bp
Total	100	100	100.1	100	100	100	100	100		

Source: Company, Angel Research

Income statement

Y/E March (₹ cr)	FY17	FY18	FY19	FY20E	FY21E
Net Interest Income	5,797	7,737	9,809	10,000	11,276
- YoY Growth (%)	27	33	27	2	13
Other Income	4,157	5,224	4,590	3,840	4,361
- YoY Growth (%)	53	26	(12)	(16)	14
Operating Income	9,954	12,961	14,399	13,840	15,637
- YoY Growth (%)	37	30	11	(4)	13
Operating Expenses	4,117	5,213	6,264	7,263	8,351
- YoY Growth (%)	38	27	20	16	15
Pre - Provision Profit	5,838	7,748	8,135	6,576	7,287
- YoY Growth (%)	36	33	5	(19)	11
Prov. & Cont.	793	1,554	5,778	4,598	3,111
- YoY Growth (%)	48	96	272	(20)	(32)
Profit Before Tax	5,044	6,194	2,357	1,978	4,176
- YoY Growth (%)	34	23	(62)	(16)	111
Prov. for Taxation	1,714	1,970	637	653	1,378
- as a % of PBT	34	32	27	33	33
PAT	3,330	4,225	1,720	1,325	2,798
- YoY Growth (%)	31	27	(59.28)	(23)	111

Balance sheet

Y/E March (₹ cr)	FY17	FY18	FY19	FY20E	FY21E
Equity	456	461	463	463	463
Reserve & Surplus	21,598	25,298	26,441	27,700	30,358
Net worth	22,054	25,758	26,904	28,163	30,821
Deposits	1,42,874	2,00,738	2,27,610	2,61,467	3,01,762
- Growth (%)	28	41	13	15	15
Borrowings	38,607	74,894	1,08,424	1,20,351	1,37,200
Other Liab. & Prov.	11,525	11,056	17,888	15,635	18,670
Total Liabilities	2,15,060	3,12,446	3,80,826	4,25,615	4,88,454
Cash Balances	6,952	11,426	10,798	15,895	18,305
Bank Balances	12,597	13,309	16,092	18,340	21,121
Investments	50,032	68,399	89,522	95,370	1,09,830
Advances	1,32,263	2,03,534	2,41,500	2,70,480	3,11,051
- Growth (%)	35	54	19	12	15
Fixed Assets	684	832	817	1,223	1,408
Other Assets	12,532	14,946	22,098	24,308	26,739
Total Assets	2,15,060	3,12,446	3,80,826	4,25,615	4,88,454
- Growth (%)	30	45	22	12	15

Ratio analysis

Y/E March (₹ cr)	FY16	FY17	FY18	FY19	FY20E	FY21E
Profitability ratios (%)						
NIMs	3.3	3.4	3.3	3.1	2.8	2.7
Cost to Income Ratio	40.9	41.4	40.2	43.5	52.5	53.4
RoA	1.7	1.8	1.6	0.5	0.3	0.6
RoE	19.9	18.6	17.7	6.5	4.8	9.5
B/S ratios (%)						
CASA Ratio	0.28	0.36	0.36	0.33	0.33	0.33
Credit/Deposit Ratio	0.9	0.9	1.0	1.1	1.0	1.0
Asset Quality (%)						
Gross NPAs	0.76	1.52	1.28	3.22	4.50	3.50
Gross NPAs (₹ cr)	749	2,019	2,627	7,883	12,172	10,887
Net NPAs	0.29	0.81	0.64	1.86	2.30	1.50
Net NPAs (₹ cr)	284	1,072	1,313	4,485	6,221	4,666
Credit Cost on Advance	0.55	0.60	0.76	2.39	1.70	1.00
Provision Coverage	62%	47%	50%	43%	49%	57%
Per Share Data (₹)						
EPS	11.0	14.5	18.3	7.5	5.8	12.1
BV	59.9	95.8	111.8	116.8	122.3	133.8
ABVPS (75% cover.)	59.6	93.7	109.6	107.6	111.1	127.8
DPS	2.0	2.4	2.7	1.3	0.3	0.6
Valuation Ratios						
PER (x)	8.9	6.8	5.4	13.2	17.1	8.1
P/BV	1.6	1.0	0.9	0.8	0.81	0.74
P/ABVPS (x)	1.7	1.1	0.9	0.9	0.89	0.77
Dividend Yield	2.0	2.4	2.7	1.4	0.3	0.6

Note - Valuation done on closing price of 17/07/2019

Research Team Tel: 022 - 39357800

 E-mail: research@angelbroking.com

 Website: www.angelbroking.com

Angel Broking Limited (hereinafter referred to as "Angel") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, Metropolitan Stock Exchange Limited, Multi Commodity Exchange of India Ltd and National Commodity & Derivatives Exchange Ltd. It is also registered as a Depository Participant with CDSL and Portfolio Manager and Investment Adviser with SEBI. It also has registration with AMFI as a Mutual Fund Distributor. Angel Broking Limited is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000000164. Angel or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market. Angel or its associates/analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months.

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals. Investors are advised to refer the Fundamental and Technical Research Reports available on our website to evaluate the contrary view, if any.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Limited endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Neither Angel Broking Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

Disclosure of Interest Statement

Yes Bank

1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No