

Yes Bank

Performance Highlights

Particulars (₹ cr)	Q3FY19	Q3FY18	% chg (yoy)	Q2FY19	% chg (qoq)
NII	2,666	1,889	41.17	2,418	10.29
Pre-prov. profit	1,990	2,002	-0.57	2,366	-15.89
PAT	1,002	1,077	-6.97	965	3.84

Source: Company, Angel Research

Amid a lot of uncertainties related to the search of new MD & CEO, Yes bank (YES) delivered below estimate numbers for Q3FY2019, with PAT down by 7% yoy. On the operating front, the bank reported 41% yoy growth in NII led by robust loan growth and steady NIMs. Other important updates are (1) RBI approved the appointment of Mr Ranveet Gill as MD & CEO; (2) A board meeting is scheduled on January 29, 2019 to finalize the interim transition.

Weak other income impacted PAT: Yes Bank's PAT declined primarily owing to lower other income 37%/39% yoy/qoq. Other income was impacted by treasury losses and lower corporate banking fees.

Loan growth moderates; CASA down to 33.3%: Loan book growth moderated to 42% yoy (+1.6% qoq), of which retail book increased by 83% yoy to constitute 15% of total advances. Within various segments the largest growth was driven by auto loans. Deposits also grew moderately 30% yoy (flattish on qoq) due to decline in government SA balance and lower CD. CASA deposits grew 13.5% yoy, while the CASA ratio declined to 33.3%.

Owing to IL&FS exposure, Asset quality & provisions declined: YES Bank has considered large part of IL&FS exposure as NPA, this led to increase in GNPA/NPA by 33%/42% qoq to 2.1%/1.2% respectively. PCR declined 352bps qoq to 44.2%. Downgrade of IL&FS exposure increased slippages by 40% qoq to ₹2,297cr. The RBI divergence report on asset quality would be key monitorable.

Outlook & Valuation: With induction of Mr Ranveet Gill, management overhang is behind, however, re-rating from hereon will depend on clarity regarding strategy of future business and capital raising plans. At CMP, YES trades at 1.55x FY20E P/ABV, which we believe is strong credential of new DM and superior RoE, hence, we recommend BUY with a Target Price of ₹280 over the next 12 months.

Key financials (Standalone)

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
NII	4,567	5,797	7,737	9,618	11,706
% chg	31	27	33	24	22
Net profit	2,539	3,330	4,225	4,244	4,513
% chg	27	31	27	0	6
NIM (%)	3.3	3.4	3.3	3.0	3.0
EPS (₹)	11	14	18	18	20
P/E (x)	19	15	12	12	11
P/ABV (x)	3.6	2.3	2.0	1.8	1.5
RoA (%)	1.7	1.8	1.6	1.2	1.0
RoE (%)	20	19	18	15	15

Source: Company, Angel Research, Note: CMP as of 24/01/19

Please refer to important disclosures at the end of this report

BUY

CMP	₹214
Target Price	₹280

Investment Period	12 Months
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Stock Info

Sector	Banking
Market Cap (₹ cr)	49,460
Beta	1.1
52 Week High / Low	404 / 147
Avg. Daily Volume	24,40,000
Face Value (₹)	10
BSE Sensex	36,195
Nifty	10,849
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	6.3	0.1	47.8
Yes Bank	4.8	(41.4)	57.9

3-year price chart



Source: Company, Angel Research

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Exhibit 1: 3QFY2016 performance summary (standalone)

Particulars (₹ cr)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	% qoq	% yoy
Interest Earned	4,654	4,800	5,070	5,743	6,578	7,231	7,959	10.1	57.0
on Advances / Bills	3,534	3,693	3,846	4,404	5,005	5,550	6,248	12.6	62.5
on investments	903	923	1,098	1,179	1,351	1,561	1,604	2.7	46.1
on balance with RBI & others	179	145	82	110	162	58	42	(28.5)	(49.5)
on others	37	40	44	50	60	62	65	4.4	48.0
Interest Expended	2,845	2,915	3,182	3,589	4,359	4,814	5,293	9.9	66.4
Net Interest Income	1,809	1,885	1,889	2,154	2,219	2,418	2,666	10.3	41.2
Other Income	1,132	1,248	1,422	1,421	1,694	1,473	891	(39.5)	(37.4)
Operating income	2,941	3,134	3,311	3,575	3,913	3,891	3,557	(8.6)	7.4
Operating Expenses	1,237	1,227	1,309	1,440	1,459	1,525	1,567	2.8	19.7
Employee expenses	546	563	533	547	591	594	625	5.3	17.2
Other Opex	691	664	776	893	868	931	942	1.2	21.4
Pre Provision Profit	1,704	1,907	2,002	2,135	2,455	2,366	1,990	(15.9)	(0.6)
Provisions & Contingencies	286	447	421	400	626	940	550	(41.5)	30.6
PBT	1,418	1,460	1,580	1,736	1,829	1,427	1,440	1.0	(8.9)
Provision for Taxes	453	457	504	556	569	462	438	(5.1)	(13.0)
Tax rate	32	31	32	32	31	32	30		
PAT	966	1,003	1,077	1,179	1,260	965	1,002	3.8	(7.0)
Business Details (₹ cr)									
Advance	1,39,972	1,48,675	1,71,515	2,03,534	2,14,720	2,40,000	2,43,885	1.6	42.2
YoY	32	35	46	54	53	61	42		
Borrowing	38,302	44,830	56,302	74,894	78,790	1,01,660	1,07,691	5.9	91.3
Deposit	1,50,241	1,57,990	1,71,731	2,00,738	2,13,395	2,22,838	2,22,758	(0.0)	29.7
CA	18,773	19,966	22,604	28,826	28,333	25,941	29,538	13.9	30.7
SA	36,442	38,758	42,685	44,351	46,598	49,339	44,579	(9.6)	4.4
CASA	55,215	58,725	65,289	73,176	74,930	75,279	74,117	(1.5)	13.5
CASA %	37	37	38	36	35.1	33.8	33.3	(51)bp	(475)bp
Asset Quality									
GNPA (₹ cr)	1,364	2,720	2,974	2,627	2,824	3,866	5,159	33.4	73.4
NNPA (₹ cr)	545	1,543	1,595	1,313	1,263	2,019	2,876	42.5	80.3
Gross NPAs (%)	0.97	1.82	1.72	1.28	1.31	1.60	2.10	50bp	38bp
Net NPAs (%)	0.39	1.04	0.93	0.64	0.59	0.84	1.18	34bp	25bp
PCR (Calculated, %)	60	43	46	50	55	48	44	(353)bp	(213)bp
Credit Cost (Annualised) Adv	0.82	1.20	0.98	0.79	1.17	1.57	0.90	(66)bp	(8)bp
Profitability ratios (%)									
C/I	42.1	39	40	40	37.3	39.2	44.0	487bp	451bp
RoE	17	18	18	19	19	14	14	(1)bp	(358)bp
Yield on Advance	10.4	10.2	9.6	9.4	9.6	9.8	10.3	57bp	72bp
Cost of Fund	6.2	6.0	5.9	5.7	6.1	6.2	6.5	22bp	56bp
Spread	4.2	4.3	3.7	3.7	3.4	3.5	3.9	35bp	16bp
NIM Reported	3.7	3.7	3.5	3.4	3.30	3.30	3.30	0bp	(20)bp
Cal NIM	3.9	3.8	3.4	3.4	3.1	3.1	3.2	17bp	(19)bp

Source: Company, Angel Research

Exhibit 2: Asset Quality

Asset Quality	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
Gross NPA	2,019	1,364	2,720	2,974	2,627	2,824	3,866	5,159
Net NPA	1,072	545	1,543	1,595	1,313	1,263	2,019	2,876
Gross NPA %	1.52	0.97	1.82	1.72	1.28	1.31	1.60	2.10
Net NPA %	0.81	0.39	1.04	0.93	0.64	0.59	0.84	1.18
Provision Coverage%	46.9	60.0	43.3	46.4	50.0	55.3	47.78	44.24
Restructured Advances %	0.36	0.24	0.08	0.05	0.04	0.00	0.08	0.09
Security Receipt (Net) %	0.73	0.69	0.94	1.06	0.92	0.82	0.85	0.71
Standard SDR	0.24	0.20	0.32	0.21	-	-		
5:25 Refinancing	0.09	0.10	0.15	0.06	0.05	0.05		
S4A	0.01	0.01	0.01	0.09	0.07	0.07		
Total Stressed asset	2.24	1.63	2.54	2.40	1.72	1.53	1.77	1.98

Owing to IL&FS exposure Asset quality & provision declined Asset qualities:

Absolute GNPA increased 33% qoq to ₹5,159cr, while NPA inched up by 42.5% to ₹2,876cr with provision coverage declining by 353bps to 44% (Calculated). Total net stressed loans (NNPA, OSRL, SDR, S4A, SR, 5:25) stood at 1.98%, increased from 1.77% in Q2FY2019.

On the NCLT front, bank has minimal exposure to accounts in NCLT List 1 (0.01% of Gross Advances) and List 2 (0.26% of Gross Advances).

Bank has aggregate funded exposure of ₹2,530cr to the IL&FS group, of which ₹1,913cr is classified as NPA with 25% provisioning and ₹617cr continues to be Standard with 15% provisioning. This led to increase in credit cost and spike in GNPA. The only concern now remains regarding asset quality is RBI divergence report.

SMA 2 outstanding exposures (accounts > ₹5cr and as per RBI CRILC reporting) as on December 31, 2018 are at 0.19% of Gross Advances.

Income statement

Y/E March (₹ cr)	FY15	FY16	FY17	FY18	FY19E	FY20E
Net Interest Income	3,488	4,567	5,797	7,737	9,618	11,706
- YoY Growth (%)	28	31	27	33	24	22
Other Income	2,046	2,712	4,157	5,224	5,724	7,276
- YoY Growth (%)	19	33	53	26	10	27
Operating Income	5,534	7,279	9,954	12,961	15,342	18,982
- YoY Growth (%)	25	32	37	30	18	24
Operating Expenses	2,285	2,976	4,117	5,213	6,464	8,086
- YoY Growth (%)	31	30	38	27	24	25
Pre - Provision Profit	3,250	4,302	5,838	7,748	8,878	10,896
- YoY Growth (%)	21	32	36	33	15	23
Prov. & Cont.	339	536	793	1,554	2,544	2,900
- YoY Growth (%)	(6)	58	48	96	64	14
Profit Before Tax	2,910	3,766	5,044	6,194	6,334	7,996
- YoY Growth (%)	25	29	34	23	2	26
Prov. for Taxation	905	1,227	1,714	1,970	2,090	2,639
- as a % of PBT	31	33	34	32	33	33
PAT	2,005	2,539	3,330	4,225	4,244	5,357
- YoY Growth (%)	24	27	31	27	0.46	26

Source: Company

Balance sheet

Y/E March (₹ cr)	FY15	FY16	FY17	FY18	FY19E	FY20E
Equity	418	421	456	461	461	461
Reserve & Surplus	11,262	13,366	21,598	25,298	28,778	33,171
Networth	11,680	13,787	22,054	25,758	29,238	33,631
Deposits	91,176	1,11,720	1,42,874	2,00,738	2,48,705	3,01,107
- Growth (%)	23	23	28	41	24	21
Borrowings	26,220	31,659	38,607	74,894	1,00,357	1,19,425
Other Liab. & Prov.	7,094	8,098	11,525	11,056	12,783	16,297
Total Liabilities	1,36,170	1,65,263	2,15,060	3,12,446	3,91,084	4,70,460
Cash Balances	5,241	5,776	6,952	11,426	14,607	17,869
Bank Balances	2,317	2,442	12,597	13,309	16,854	20,618
Investments	43,228	48,838	50,032	68,399	87,641	1,07,213
Advances	75,550	98,210	1,32,263	2,03,534	2,54,417	3,05,301
- Growth (%)	36	30	35	54	25	20
Fixed Assets	319	471	684	832	1,124	1,375
Other Assets	9,516	9,526	12,532	14,946	16,441	18,085
Total Assets	1,36,170	1,65,263	2,15,060	3,12,446	3,91,084	4,70,460
- Growth (%)	25	21	30	45	25	20

Source: Company

Ratio analysis

Y/E March (₹ cr)	FY15	FY16	FY17	FY18	FY19	FY20
Profitability ratios (%)						
NIMs	3.1	3.3	3.4	3.3	3.0	3.0
Cost to Income Ratio	41.3	40.9	41.4	40.2	42.1	42.6
RoA	1.6	1.7	1.8	1.6	1.2	1.2
RoE	21.3	19.9	18.6	17.7	15.4	17.0
B/S ratios (%)						
CASA Ratio	0.23	0.28	0.36	0.36	0.36	0.36
Credit/Deposit Ratio	0.8	0.9	0.9	1.0	1.0	1.0
Asset Quality (%)						
Gross NPAs	0.41	0.76	1.52	1.28	2.10	1.80
Gross NPAs (Amt)	313	749	2,018	2,626	5,342	5,495
Net NPAs	0.12	0.29	0.81	0.64	1.18	0.90
Net NPAs (Amt)	87	284	1,072	1,312	3,002	2,747
Credit Cost on Advance	0.45	0.55	0.60	0.76	1.00	0.95
Provision Coverage	72%	62%	47%	50%	44%	50%
Per Share Data (₹)						
EPS	8.7	11.0	14.5	18.3	18.4	23.3
BV	50.7	59.9	95.8	111.8	127.0	146.0
ABVPS (75% cover.)	50.7	59.6	93.7	109.6	120.9	141.3
DPS	1.8	2.0	2.4	2.7	3.3	4.2
Valuation Ratios						
PER (x)	24.6	19.4	14.8	11.7	11.6	9.2
P/BV	4.2	3.6	2.2	1.9	1.7	1.46
P/ABVPS (x)	4.2	3.6	2.3	2.0	1.8	1.51
Dividend Yield	0.8	0.9	1.1	1.3	1.6	2.0

Note - Valuation done on closing price of 24/01/2019

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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