

Yes Bank

Performance Highlights

Particulars (₹ cr)	1QFY19	4QFY18	% chg (qoq)	1QFY18	% chg (yoy)
NII	2,219	2,154	3.01	1,809	22.68
Pre-prov. profit	2,455	2,135	14.95	1,704	44.04
PAT	1,260	1,179	6.86	966	30.54

Source: Company, Angel Research

Yes bank delivered healthy set of numbers for Q1FY2019, with PAT growth of 30.5% yoy. On the operating front, the bank reported 22.7% yoy growth in NII, however, the NIM sequentially softened by 10bps driven by higher funding cost and stable loan book yields. The bank managed to reduce its expenses and brought down the cost/income ratio from 42.1% in Q1FY2018 to 37.3% in Q1FY2019.

Robust advance growth; NIM pressurized

During 1QFY19, the bank's advances grew by 53% yoy, of which retail loan book increased 105% yoy to constitute 14% of the total advances. The corporate loans inched up by 41% yoy. The net interest income during this period grew by 22.7% which not commensurate to advance growth. NIM compressed by 10bps sequentially owing to recent corporate lending has been in the 6-12 months MCLR re-pricing bucket, faster hike in deposits rates and growth in international business. Moreover, a slower rise in Opex aided lower cost/income by 480bps yoy to 37.3% in Q1FY19.

Total deposits surged by 42% yoy and 6% qoq in 1QFY19. CASA deposits accounted for 35.1% of the total deposits.

On asset quality front, the bank continued to maintain strong asset quality with a GNPA/NPA ratio of 1.31%/0.59% of loans. Total slippages for the quarter were at ₹560cr, Management expect ₹320cr to be recovered/upgraded by Q2FY19.

Outlook & Valuation: We expect YES Bank to grow its advances at CAGR of 32% over FY2018-20E. Improvement in CASA, rating up-gradation and in-house priority sector lending would support NIM going forward. At CMP, YES trades at 2.4x FY20E P/ABV, which we believe is attractive considering growth prospects, hence, we recommend BUY with a target price of ₹435 over the next 12 months.

Key financials (Standalone)

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
NII	4,567	5,797	7,737	10,593	13,967
% chg	31	27	33	37	32
Net profit	2,539	3,330	4,225	5,951	7,851
% chg	27	31	27	41	32
NIM (%)	3.3	3.4	3.3	3.2	3.2
EPS (₹)	11	14	18	26	34
P/E (x)	34	26	20	14	11
P/ABV (x)	6.2	4.0	3.4	2.8	2.3
RoA (%)	1.7	1.8	1.6	1.6	1.6
RoE (%)	20	19	18	21	23

Source: Company, Angel Research, Note: CMP as of 27/7/18

BUY

CMP	₹370
Target Price	₹435

Investment Period	12 Months
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Sector	Banking
Market Cap (₹ cr)	32,434
Beta	1.6
52 Week High / Low	910/ 590
Avg. Daily Volume	33,43,514
Face Value (₹)	10
BSE Sensex	24,825
Nifty	7,556
Reuters Code	YESB.BO
Bloomberg Code	YES@IN

Shareholding Pattern (%)

Promoters	22.0
MF / Banks / Indian Fls	23.6
FII / NRIs / OCBs	42.0
Indian Public / Others	12.5

Abs. (%)	3m	1yr	3yr
Sensex	(6.9)	(14.9)	25.5
Yes Bank	1.7	(10.5)	45.3

3-year price chart



Source: Company, Angel Research

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Exhibit 1: : quarterly results summary

Particulars (₹ cr)	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	% QoQ	% YoY
Interest Earned	4,060	4,213	4,349	4,654	4,800	5,070	5,743	6,578	14.5	41.3
on Advances / Bills	3,032	3,139	3,259	3,534	3,693	3,846	4,404	5,005	13.6	41.6
on investments	931	964	942	903	923	1,098	1,179	1,351	14.5	49.6
on balance with RBI	49	71	111	179	145	82	110	162	47.8	(9.7)
on others	49	39	37	37	40	44	50	60	22.1	62.4
Interest Expended	2,648	2,724	2,709	2,845	2,915	3,182	3,589	4,359	21.5	53.2
Net Interest Income	1,412	1,489	1,640	1,809	1,885	1,889	2,154	2,219	3.0	22.7
Other Income	922	1,017	1,257	1,132	1,248	1,422	1,421	1,694	19.2	49.6
Operating income	2,334	2,506	2,897	2,941	3,134	3,311	3,575	3,913	9.5	33.1
Operating Expenses	948	1,052	1,206	1,237	1,227	1,309	1,440	1,459	1.3	17.9
Employee expenses	433	467	497	546	563	533	547	591	8.0	8.2
Other Opex	515	585	709	691	664	776	893	868	(2.8)	25.6
Pre Provision Profit	1,386	1,454	1,691	1,704	1,907	2,002	2,135	2,455	15.0	44.0
Provisions & Contingencies	162	115	310	286	447	421	400	626	56.6	118.9
PBT	1,224	1,338	1,381	1,418	1,460	1,580	1,736	1,829	5.4	29.0
Provision for Taxes	423	456	467	453	457	504	556	569	2.2	25.6
Tax rate	35	34	34	32	31	32	32	31		
PAT	802	883	914	966	1,003	1,077	1,179	1,260	6.9	30.5

Business Details (₹)

Advance	1,10,216	1,17,087	1,32,263	1,39,972	1,48,675	1,71,515	2,03,534	2,14,720	5.5	53.4
YoY				32	35	46	54	53		
Borrowing	34,589	36,921	38,607	38,302	44,830	56,302	74,894	78,790	5.2	105.7
Deposit	1,22,581	1,32,376	1,42,874	1,50,241	1,57,990	1,71,731	2,00,738	2,13,395	6.3	42.0
CA			19,192	18,773	19,966	22,604	28,826	28,333	(1.7)	50.9
SA			32,678	36,442	38,758	42,685	44,351	46,598	5.1	27.9
CASA	38,784	44,126	51,870	55,215	58,725	65,289	73,176	74,930	2.4	35.7
CASA %	32	33	36	37	37	38	36	35.1	(134)bp	(164)bp

Asset Quality

GNPA	917	1,006	2,019	1,364	2,720	2,974	2,627	2,824	7.5	107.0
NNPA	323	342	1,072	545	1,543	1,595	1,313	1,263	(3.8)	131.5
Gross NPAs (%)	1	0.85	1.52	0.97	1.82	1.72	1.28	1.31	3bp	34bp
Net NPAs (%)	0	0.29	0.81	0.39	1.04	0.93	0.64	0.59	(5)bp	20bp
PCR (Calculated, %)	65	66	47	60	43	46	50	55	527bp	(473)bp
Credit Cost (Annualised) Adv	1	0.39	0.94	0.82	1.20	0.98	0.79	1.17	38bp	35bp

Profitability ratios (%)

C/I	41	42	42	42.1	39	40	40	37.3	(300)bp	(478)bp
RoE	21	22	19	17	18	18	19	19	61bp	198bp
Yield on Advance	11	10.7	9.9	10.1	9.9	9.0	8.7	9.3	67bp	(78)bp
Cost of Fund	7	6.7	6.2	6.2	6.0	5.9	5.7	6.1	44bp	(1)bp
Spread	4	4.0	3.7	3.9	4.0	3.1	3.0	3.2	23bp	(77)bp
NIM Reported	3	3.5	3.6	3.7	3.7	3.5	3.4	3.3	(10)bp	(40)bp

Exhibit 2: Asset Quality

Particulars (₹ cr)	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Gross NPA	917	1,006	2,019	1,364	2,720	2,974	2,627	2,824
Net NPA	323	342	1,072	545	1,543	1,595	1,313	1,263
Gross NPA %	1	0.85	1.52	0.97	1.82	1.72	1.28	1.31
Net NPA %	0	0.29	0.81	0.39	1.04	0.93	0.64	0.59
Provision Coverage%	65	65.95	46.88	60.03	43.27	46.37	50.02	55.30
Restructured Advances %	0	0.42	0.36	0.24	0.08	0.05	0.04	0.00
Security Receipt (Net) %	0	0.22	0.73	0.69	0.94	1.06	0.92	0.82
Standard SDR %	0	0.17	0.24	0.20	0.32	0.21	-	-
5:25 Refinancing %	0	0.09	0.09	0.10	0.15	0.06	0.05	0.05
S4A %	-	0.01	0.01	0.01	0.01	0.09	0.07	0.07
Total Stressed asset		1.20	2.24	1.63	2.54	2.40	1.72	1.53

Source: Company, Angel Research

Asset quality stable; PCR improves:

Absolute GNPA increased 7.5% to ₹2,824cr, while NPA declined by 3.8% to ₹1,263cr with provision coverage up by 530bps to 55.3%. Management has plans to raise PCR to 60% in next 2 quarters. Total net stressed loans (NNPA, OSRL, SDR, S4A, SR, 5:25) stood at 1.53%, down from 1.72% in Q4FY2018.

On the NCLT front, the bank recovered ₹184cr from one account classified under NCLT-1. The bank's total exposure to the NCLT list 1 & 2 is ₹673cr. Bank's exposure in NCLT list 1 is worth of ₹23cr, which is classified as NPA with 50% PCR. Whereas exposure to the NCLT 2 is ₹650cr, of which ₹570cr is funded exposure and has PCR of 43%.

Conference call highlights

- Benefit of re-pricing of loan to accrue in subsequent quarters and recent corporate (Q1& Q2 FY2018) lending has been in the 6-12 months MCLR re-pricing bucket.
- Forex, debt capital market and securities fee income: ₹70cr on account of SR redemption, ₹100cr gain owing to portfolio shuffle and balance was largely from forex and derivatives.
- Corporate fees largely pertain to loan related fees.
- W/o for the quarter were ₹131cr.
- Corporate loan: 30-40% growth from working capital loans and 60-70% growth from term loans.
- Majority of the loan book is on MCLR.
- Traction in MSME loan to pick up in H2FY2019.
- Average SA of ₹1.6-1.7lakh.
- C/I ratio expected to be 39-40%.

Income Statement

Y/E March (₹ cr)	FY15	FY16	FY17	FY18	FY19E	FY20E
Net Interest Income	3,488	4,567	5,797	7,737	10,593	13,967
- YoY Growth (%)	28	31	27	33	37	32
Other Income	2,046	2,712	4,157	5,224	7,414	9,796
- YoY Growth (%)	19	33	53	26	42	32
Operating Income	5,534	7,279	9,954	12,961	18,007	23,763
- YoY Growth (%)	25	32	37	30	39	32
Operating Expenses	2,285	2,976	4,117	5,213	7,202	9,545
- YoY Growth (%)	31	30	38	27	38	33
Pre - Provision Profit	3,250	4,302	5,838	7,748	10,805	14,218
- YoY Growth (%)	21	32	36	33	39	32
Prov. & Cont.	339	536	793	1,554	1,923	2,500
- YoY Growth (%)	(6)	58	48	96	24	30
Profit Before Tax	2,910	3,766	5,044	6,194	8,882	11,718
- YoY Growth (%)	25	29	34	23	43	32
Prov. for Taxation	905	1,227	1,714	1,970	2,931	3,867
- as a % of PBT	31	33	34	32	33	33
PAT	2,005	2,539	3,330	4,225	5,951	7,851
- YoY Growth (%)	24	27	31	27	41	32

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	30,177	36,615
Net worth	11,680	13,787	22,054	25,758	30,638	37,076
Deposits	91,176	1,11,720	1,42,874	2,00,738	2,66,370	3,53,319
- Growth (%)	23	23	28	41	33	33
Borrowings	26,220	31,659	38,607	74,894	1,00,357	1,29,461
Other Liab. & Prov.	7,094	8,098	11,525	11,056	18,797	21,198
Total Liabilities	1,36,170	1,65,263	2,15,060	3,12,446	4,16,163	5,41,053
Cash Balances	5,241	5,776	6,952	11,426	15,181	20,140
Bank Balances	2,317	2,442	12,597	13,309	17,517	23,238
Investments	43,228	48,838	50,032	68,399	91,086	1,20,839
Advances	75,550	98,210	1,32,263	2,03,534	2,74,771	3,57,202
- Growth (%)	36	30	35	54	35	30
Fixed Assets	319	471	684	832	1,168	1,549
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	4,16,163	5,41,053
- Growth (%)	25	21	30	45	33	30

Key Ratio

Y/E March (₹ cr)	FY15	FY16	FY17	FY18	FY19	FY20
Profitability ratios (%)						
NIMs	3.1	3.3	3.4	3.3	3.2	3.2
Cost to Income Ratio	41.3	40.9	41.4	40.2	40.0	40.2
RoA	1.6	1.7	1.8	1.6	1.6	1.6
RoE	21.3	19.9	18.6	17.7	21.1	23.2
B/S ratios (%)						
CASA Ratio	0.23	0.28	0.36	0.36	0.38	0.39
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	1.25	1.25
Gross NPAs (Amt)	313	749	2,018	2,626	3,434	4,465
Net NPAs	0.12	0.29	0.81	0.64	0.55	0.50
Net NPAs (Amt)	87	284	1,072	1,312	1,511	1,786
Credit Cost on Advance	0.45	0.55	0.60	0.76	0.70	0.70
Provision Coverage	72%	62%	47%	50%	56%	60%
Per Share Data (₹)						
EPS	8.7	11.0	14.5	18.3	25.8	34.1
BV	50.7	59.9	95.8	111.8	133.0	161.0
ABVPS (75% cover.)	50.7	59.4	93.3	109.0	130.2	158.1
DPS	1.8	2.0	2.4	2.7	4.7	6.1
Valuation Ratios						
PER (x)	42.5	33.6	25.6	20.2	14.3	10.9
P/BV	7.3	6.2	3.9	3.3	2.8	2.3
P/ABVPS (x)	7.3	6.2	4.0	3.4	2.8	2.34
Dividend Yield	0.5	0.5	0.6	0.7	1.3	1.7

Note - Valuation done on closing price of 27/07/2018

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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