

Yes Bank

Performance Highlights

Particulars (₹ cr)	Q4FY19	Q4FY18	% chg (yoy)	Q3FY19	% chg (qoq)
NII	2,506	2,154	16.3	2,666	(6.0)
Pre-prov. profit	1,323	2,135	(38.0)	1,990	(33.5)
PAT	(1,506.6)	1,179	(-)	1,002	(250.4)

Source: Company, Angel Research

Provision jump: Yes Bank has reported loss of ₹1,506cr largely driven by higher provision (increased 9x yoy) and decline in fees income. Higher Provisions were driven by contingent provision for standard asset, on which management took upfront recognition, the size of the new stressed asset stands at ₹10,000cr. New MD, Mr. Ranveet Gill has laid out new strategy for the bank, which focuses on (a) liability generation to prune cost of funds, (b) more emphasis on retail and SME advances to increase transactional revenues from Retail/ TBG fees, and (c) risk normalisation.

One time reversal and conservative accounting policy for fees income: During the quarter, bank has reversed ₹280cr of fees income and adopted conservative policy for (up fronting to amortisation) fees recognition.

Loan growth moderates; NIM compressed to 3.10%: Loan book growth moderated to 18.7% yoy (declined 1% qoq), of which retail book increased by 63% yoy to constitute 17% of total advances. NIM compressed by 30bps/20bps yoy/qoq to 3.10%, led by ₹100cr of interest income reversal during quarters (higher slippages). Deposits grew moderately 13.4% yoy (2.2% qoq) largely driven by term deposit (19.4% yoy). CASA deposits barely grew at 2.8%, while the CASA ratio declined 339bps yoy to 33.1%.

Slippages & Provision jumped 9x yoy: During the quarter, two large accounts from airlines (₹552cr), residual exposure of IL&Fs (₹529cr) and lumpy real estate exposure slipped. The bank has created contingency provision of ₹2,100cr towards identified 'Stressed but Performing' accounts (₹10,000cr).

Outlook & Valuation: We have neutral view on YES Bank considering (a) low CET of 8.4%, for growth, bank will have to raise capital at current low valuation, (b) uncertainty related to newly identified stressed asset, (c) new MD strategy to move towards building a strong retail franchise and corporate governance/transparency, which will moderate balance sheet growth.

Key financials (Standalone)

Y/E March (₹ cr)	FY17	FY18	FY19	FY20E	FY21E
NII	5,797	7,737	9,809	10,816	12,183
% chg	27	33	27	10	13
Net profit	3,330	4,225	1,720	2,617	3,426
% chg	31	27	(59)	52	31
NIM (%)	3.4	3.3	3.1	3.0	2.9
EPS (Rs)	14	18	7	11	15
P/E (x)	12	9	22	15	11
P/ABV (x)	1.8	1.5	1.6	1.4	1.3
RoA (%)	1.8	1.6	0.5	0.6	0.7
RoE (%)	19	18	7	9	11

Source: Company, Angel Research, Note: CMP as of 30/04/19

Please refer to important disclosures at the end of this report

NEUTRAL

CMP	₹168
Target Price	₹

Investment Period	12 Months
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Stock Info

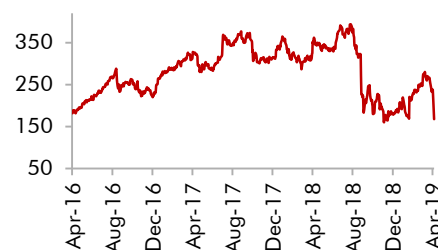
Sector	Banking
Market Cap (₹ cr)	38,909
Beta	1.1
52 Week High / Low	404 / 147
Avg. Daily Volume	29,85,114
Face Value (₹)	2
BSE Sensex	39,031
Nifty	11,748
Reuters Code	YESB.BO
Bloomberg Code	YES IN

Shareholding Pattern (%)

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

Abs. (%)	3m	1yr	3yr
Sensex	6.7	13.1	52.4
Yes Bank	(12.5)	(48.3)	(11.0)

3-year price chart



Source: Company, Angel Research

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Exhibit 1: 4QFY2016 performance summary (standalone)

Particular (₹ Cr)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	% qoq	% yoy
Interest Earned	4,654	4,800	5,070	5,743	6,578	7,231	7,959	7,857	(1)	37
on Advances / Bills	3,534	3,693	3,846	4,404	5,005	5,550	6,248	6,120	(2)	39
on investments	903	923	1,098	1,179	1,351	1,561	1,604	1,533	(4)	30
on balance with RBI & others	179	145	82	110	162	58	42	136	226	24
on others	37	40	44	50	60	62	65	68	5	38
Interest Expended	2,845	2,915	3,182	3,589	4,359	4,814	5,293	5,351	1	49
Net Interest Income	1,809	1,885	1,889	2,154	2,219	2,418	2,666	2,506	(6)	16
Other Income	1,132	1,248	1,422	1,421	1,694	1,473	891	532	(40)	(63)
Operating income	2,941	3,134	3,311	3,575	3,913	3,891	3,557	3,038	(15)	(15)
Operating Expenses	1,237	1,227	1,309	1,440	1,459	1,525	1,567	1,714	9	19
Employee expenses	546	563	533	547	591	594	625	660	6	21
Other Opex	691	664	776	893	868	931	942	1,054	12	18
Pre Provision Profit	1,704	1,907	2,002	2,135	2,455	2,366	1,990	1,323	(34)	(38)
Provisions & Contingencies	286	447	421	400	626	940	550	3,662	565	816
PBT	1,418	1,460	1,580	1,736	1,829	1,427	1,440	(2,338)	(262)	(235)
Provision for Taxes	453	457	504	556	569	462	438	(832)	(290)	(249)
Tax rate	32	31	32	32	31	32	30	36		
PAT	966	1,003	1,077	1,179	1,260	965	1,002	(1,507)	-	-
Business Details										
Advance	1,39,972	1,48,675	1,71,515	2,03,534	2,14,720	2,40,000	2,43,885	2,41,500	(1.0)	18.7
YoY	32	35	46	54	53	61	42	19		
Borrowing	38,302	44,830	56,302	74,894	78,790	1,01,660	1,07,691	1,08,424	0.7	44.8
Deposit	1,50,241	1,57,990	1,71,731	2,00,738	2,13,395	2,22,838	2,22,758	2,27,610	2.2	13.4
CA	18,773	19,966	22,604	28,826	28,333	25,941	29,538	28,500	(3.5)	(1.1)
SA	36,442	38,758	42,685	44,351	46,598	49,339	44,579	46,753	4.9	5.4
CASA	55,215	58,725	65,289	73,176	74,930	75,279	74,117	75,253	1.5	2.8
CASA %	37	37	38	36	35.1	33.8	33.3	33.1	(21)bp	(339)bp
Asset Quality										
GNPA	1,364	2,720	2,974	2,627	2,824	3,866	5,159	7,883	52.8	200.1
NNPA	545	1,543	1,595	1,313	1,263	2,019	2,876	4,485	55.9	241.6
Gross NPAs (%)	0.97	1.82	1.72	1.28	1.31	1.60	2.10	3.22	112bp	194bp
Net NPAs (%)	0.39	1.04	0.93	0.64	0.59	0.84	1.18	1.86	68bp	122bp
PCR (Calculated, %)	60	43	46	50	55	48	44	43	(114)bp	(692)bp
Credit Cost (Annualised) Adv	0.82	1.20	0.98	0.79	1.17	1.57	0.90	6.06	516bp	528bp
Slippages			490	380	560	1,630	2,297	3,481	51.5	816.1
Profitability ratios (%)										
C/I	42.1	39	40	40	37.3	39.2	44.0	56.4	1239	1616
RoE	17	18	18	19	19	14	14	(22)	(3617)	(4055)
Yield on Advance	10.4	10.2	9.6	9.4	9.6	9.8	10.3	10.1	(24)	69
Cost of Fund	6.2	6.0	5.9	5.7	6.1	6.2	6.5	6.4	(4)	72
Spread	4.2	4.3	3.7	3.7	3.4	3.5	3.9	3.7	(20)	(3)
NIM Reported	3.7	3.7	3.5	3.4	3.30	3.30	3.30	3.10	(20)	(30)
Cal NIM	3.9	3.8	3.4	3.4	3.1	3.1	3.2	3.0	(20)	(34)

Source: Company, Angel Research

Exhibit 2: Asset Quality deteriorated led by higher slippages (Airline Co and IL&FS)

Asset Quality	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	% qoq	% yoy
Gross NPA	1,364	2,720	2,974	2,627	2,824	3,866	5,159	7,883	52.8	200.1
Net NPA	545	1,543	1,595	1,313	1,263	2,019	2,876	4,485	55.9	241.6
Gross NPA %	0.97	1.82	1.72	1.28	1.31	1.60	2.10	3.22	112bp	194bp
Net NPA %	0.39	1.04	0.93	0.64	0.59	0.84	1.18	1.86	68bp	122bp
Provision Coverage%	60.0	43.3	46.4	50.0	55.3	47.78	44.24	43.11	(114)bp	(692)bp
Restructured Advances %	0.24	0.08	0.05	0.04	0.00	0.08	0.09	0.08	(1)bp	4bp
Security Receipt (Net) %	0.69	0.94	1.06	0.92	0.82	0.85	0.71	0.71	0bp	(21)bp
Standard SDR	0.20	0.32	0.21	-	-				0bp	0bp
5:25 Refinancing	0.10	0.15	0.06	0.05	0.05				0bp	(5)bp
S4A/BBB	0.01	0.01	0.09	0.07	0.07				0bp	(7)bp
New Identified Stressed asset								4.14	414bp	414bp
Total Stressed asset	1.63	2.54	2.40	1.72	1.53	1.77	1.98	6.79	481bp	507bp

Provisions jumped 9x yoy and Slippages also spiked by 9x yoy.

During the quarter, two large accounts from airlines (₹552cr), residual exposure of IL&Fs (₹529cr) and lumpy real estate exposure slipped. Along with this, bank has taken contingent provision to the tune of ₹2,100cr on standard assets, which are not stressed assets.

Absolute GNPA increased 52% qoq to ₹7,883cr, while NPA inched up by 55% qoq to ₹4,485cr with provision coverage declining by 114bps to 43% (Calculated). Total net stressed loans (NNPA, OSRL, identified stressed advance) stood at 6.79%, increased from 1.98% in Q3FY2019.

The bank has an aggregate outstanding funded exposure of ₹2,528cr as of March 31, 2019 (IL&FS), of which ₹2,442cr has been classified as NPA. Further, ₹86cr continues to be classified as 'Standard' in-line with the NCLAT order dated February 25, 2019. The bank has a provision of 15% against this Standard exposure.

Further, SMA 2 outstanding exposures (accounts >₹5cr and as per RBI CRILC reporting) as on March 31, 2019 stood at 0.98% of Gross Advances.

Outlook & Valuation: We have neutral view on YES Bank considering (a) low CET of 8.4%, for growth, bank will have to raise capital at current low valuation, (b) uncertainty related to newly identified stressed asset, (c) new MD strategy to move towards building a strong retail franchise and corporate governance/transparency, which will moderate balance sheet growth.

Income statement

Y/E March (₹ cr)	FY16	FY17	FY18	FY19	FY20E	FY21E
Net Interest Income	4,567	5,797	7,737	9,809	10,816	12,183
- YoY Growth (%)	31	27	33	27	10	13
Other Income	2,712	4,157	5,224	4,590	3,894	4,478
- YoY Growth (%)	33	53	26	(12)	(15)	15
Operating Income	7,279	9,954	12,961	14,399	14,710	16,662
- YoY Growth (%)	32	37	30	11	2	13
Operating Expenses	2,976	4,117	5,213	6,264	7,333	8,514
- YoY Growth (%)	30	38	27	20	17	16
Pre - Provision Profit	4,302	5,838	7,748	8,135	7,377	8,148
- YoY Growth (%)	32	36	33	5	(9)	10
Prov. & Cont.	536	793	1,554	5,778	3,472	3,034
- YoY Growth (%)	58	48	96	272	(40)	(13)
Profit Before Tax	3,766	5,044	6,194	2,357	3,905	5,114
- YoY Growth (%)	29	34	23	(62)	66	31
Prov. for Taxation	1,227	1,714	1,970	637	1,289	1,687
- as a % of PBT	33	34	32	27	33	33
PAT	2,539	3,330	4,225	1,720	2,617	3,426
- YoY Growth (%)	27	31	27	(59.28)	52	31

Source: Company

Balance sheet

Y/E March (` cr)	FY16	FY17	FY18	FY19	FY20E	FY21E
Equity	421	456	461	463	463	463
Reserve & Surplus	13,366	21,598	25,298	26,441	28,587	31,396
Networth	13,787	22,054	25,758	26,904	29,050	31,859
Deposits	1,11,720	1,42,874	2,00,738	2,27,610	2,64,089	3,06,508
- Growth (%)	23	28	41	13	16	16
Borrowings	31,659	38,607	74,894	1,08,424	1,23,603	1,40,908
Other Liab. & Prov.	8,098	11,525	11,056	17,888	16,819	19,481
Total Liabilities	1,65,263	2,15,060	3,12,446	3,80,826	4,33,562	4,98,757
Cash Balances	5,776	6,952	11,426	10,798	15,980	18,544
Bank Balances	2,442	12,597	13,309	16,092	18,439	21,397
Investments	48,838	50,032	68,399	89,522	95,881	1,11,266
Advances	98,210	1,32,263	2,03,534	2,41,500	2,77,725	3,19,383
- Growth (%)	30	35	54	19	15	15
Fixed Assets	471	684	832	817	1,229	1,426
Other Assets	9,526	12,532	14,946	22,098	24,308	26,739
Total Assets	1,65,263	2,15,060	3,12,446	3,80,826	4,33,562	4,98,757
- Growth (%)	21	30	45	22	14	15

Source: Company

Ratio analysis

Particular	FY16	FY17	FY18	FY19	FY20E	FY21E
Profitability ratios (%)						
NIMs	3.3	3.4	3.3	3.1	3.0	2.9
Cost to Income Ratio	40.9	41.4	40.2	43.5	49.9	51.1
RoA	1.7	1.8	1.6	0.5	0.6	0.7
RoE	19.9	18.6	17.7	6.5	9.4	11.2
B/S ratios (%)						
CASA Ratio	0.28	0.36	0.36	0.33	0.34	0.34
Credit/Deposit Ratio	0.9	0.9	1.0	1.1	1.1	1.0
Asset Quality (%)						
Gross NPAs	0.76	1.52	1.28	3.22	3.22	3.00
Gross NPAs (Amt)	749	2,018	2,626	7,882	8,942	9,581
Net NPAs	0.29	0.81	0.64	1.86	1.75	1.50
Net NPAs (Amt)	284	1,072	1,312	4,484	4,860	4,790
Credit Cost on Advance	0.55	0.60	0.76	1.10	1.25	0.95
Provision Coverage	62%	47%	50%	43%	46%	50%
Per Share Data (₹)						
EPS	11.0	14.5	18.3	7.5	11.4	14.9
BV	59.9	95.8	111.8	116.8	126.1	138.3
ABVPS (70% cover.)	59.6	93.7	109.6	107.6	116.7	130.0
DPS	2.0	2.4	2.7	1.3	2.0	2.7
Valuation Ratios						
PER (x)	15.1	11.5	9.1	22.4	14.7	11.2
P/BV	2.8	1.7	1.5	1.4	1.32	1.21
P/ABVPS (x)	2.8	1.8	1.5	1.6	1.43	1.28
Dividend Yield	1.2	1.4	1.6	0.8	1.2	1.6

Note - Valuation done on closing price of 30/04/2019

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Disclosure of Interest Statement

Yes Bank

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|---|----|
| 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 |