

BSE SENSEX	S&P CNX
33,690	10,125
Bloomberg	YES IN
Equity Shares (m)	2309.3
M.Cap.(INRb)/(USD\$b)	458.0/6.5
52-Week Range (INR)	404 / 166
1, 6, 12 Rel. Per (%)	-5/-39/-41
12M Avg Val (INR M)	6071
Free float (%)	80.1

Financials & Valuations (INR b)

Y/E March	FY18	FY19E	FY20E
NII	77.4	94.2	110.5
OP	77.5	93.0	110.6
NP	42.2	46.3	56.9
NIM (%)	3.2	2.9	2.8
EPS (INR)	18.4	20.1	24.7
EPS Gr. (%)	26.3	9.0	23.0
BV/Sh. (INR)	111.8	128.1	148.5
ABV/Sh. (INR)	107.4	120.8	139.6
RoE (%)	17.7	16.7	17.9
RoA (%)	1.6	1.3	1.3

Valuations			
P/E(X)	10.8	9.9	8.0
P/BV (X)	1.8	1.5	1.3
P/ABV (X)	1.8	1.6	1.4

CMP: INR198 TP: INR270 (+36%)

Buy

Earnings impacted by higher provisions; multiple challenges ahead

- **A disappointing quarter, asset quality worries resurface:** 2QFY19 PAT declined 4% YoY to INR9.6b on account of elevated provisions/MTM losses. PPOp increased 24% YoY to INR23.7b (4% miss). Based on 1HFY19 PAT of INR22.3b, we estimate YES to deliver 2HFY19 PAT of INR24.0b – implying residual growth of 6.5%.
- NII grew 28% YoY, led by strong loan growth (61% YoY) and stable margins of 3.3%. YES has INR1.8b of unamortized MTM losses to be recognized in FY19.
- **Loan growth robust; CASA mix declines to 33.8%:** Business momentum remained strong, with loan growth of 61% YoY (to INR2.39t) and deposits growth of 41% YoY (to INR2.23t). CASA deposits grew 28% YoY, but the CASA ratio declined to 33.8% (v/s 35.1% in 1Q) on account of a fall in the CA mix.
- **Asset quality deteriorates, coverage ratio declines; guidance unchanged:** Fresh slippages increased to INR16.3b (INR6.3b is expected to be recovered by 3Q), driving a 37% QoQ increase in absolute GNPLs (1.6% as on 2QFY19). Net NPL increased 60% QoQ to INR20.2b, while PCR declined 750bp QoQ to 47.8% (YES maintained its guidance to reach 60% PCR by end-FY19). NSL increased to ~1.8% of advances (~1.5% in 1QFY19). YES has INR26.2b exposure toward ILFS Group, which remains standard (toward asset-rich subsidiaries/SPVs). O/s SMA-2 exposure stands at 0.15% of gross advances.
- **Other highlights:** (i) CET-1 ratio declined to 9% (-50bp QoQ), even as overall Tier-1 stood at 11.9%. (ii) Bank will attempt to preserve capital by down-selling the past business and lowering the amount of new loans.
- **Valuation and view:** YES has been in the midst of multiple challenges and the stock performance will be swiftly responding to the events that are likely to unfold over the next few months. We believe (i) the RBI's approval on the new CEO, (ii) divergence assessment report and (iii) ability to deliver on asset quality guidance (credit cost & PCR) along with managing the trade-off between business growth and capitalization levels are the key monitorables over the near term. We lower our FY19/20E earnings by 11%/9% and estimate FY19/20 RoE of 16.7%/17.9%. Maintain **Buy** with a revised TP of INR270 (from INR350), based on 1.8xBV, which is at a 20% discount to three-year average multiple.

Exhibit 1: Quarterly performance

	FY18				FY19E				FY18	FY19E	FY19E	V/s
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	Est
Net Interest Income	18,089	18,851	18,888	21,542	22,191	24,176	24,206	23,613	77,371	94,185	23,528	3%
% Change (Y-o-Y)	44.5	33.5	26.8	31.4	22.7	28.2	28.2	9.6	33.5	21.7	24.8	
Other Income	11,322	12,484	14,223	14,210	16,941	14,735	16,782	16,840	52,238	65,298	16,163	-9%
Total Income	29,411	31,335	33,111	35,752	39,133	38,910	40,987	40,453	1,29,609	1,59,483	39,691	-2%
Operating Expenses	12,369	12,269	13,093	14,398	14,586	15,246	17,074	19,529	52,128	66,434	15,142	1%
Operating Profit	17,042	19,067	20,018	21,354	24,547	23,664	23,914	20,924	77,481	93,049	24,548	-4%
% Change (Y-o-Y)	30.4	37.6	37.7	26.3	44.0	24.1	19.5	-2.0	32.7	20.1	28.7	
Provisions	2,858	4,471	4,213	3,996	6,257	9,400	6,426	2,922	15,538	25,004	6,968	35%
Profit before Tax	14,184	14,596	15,805	17,358	18,291	14,265	17,488	18,002	61,943	68,045	17,580	-19%
Tax	4,529	4,569	5,036	5,564	5,687	4,618	5,596	5,874	19,697	21,774	5,847	-21%
Net Profit	9,655	10,027	10,769	11,794	12,604	9,647	11,892	12,129	42,246	46,271	11,733	-18%
% Change (Y-o-Y)	31.9	25.1	22.0	29.0	30.5	-3.8	10.4	2.8	26.9	9.5	17.0	
Operating Parameters												
Deposit (INR b)	1,502	1,580	1,717	2,007	2,134	2,228	2,399	2,529	2,007	2,529	2,230	0%
Loan (INR b)	1,400	1,487	1,715	2,035	2,147	2,396	2,417	2,544	2,035	2,544	2,401	0%
Asset Quality												
Gross NPA (INR B)	13.6	27.2	29.7	26.3	28.2	38.7	43.0	43.2	26.3	43.2	33.3	16%
Gross NPA (%)	1.0	1.8	1.7	1.3	1.3	1.6	1.8	1.7	1.3	1.7	1.4	23
Net NPA (INR B)	5.5	15.4	16.0	13.1	12.6	20.2	17.8	21.9	13.1	21.9	14.5	40%
Net NPA (%)	0.4	1.0	0.9	0.6	0.6	0.8	0.7	0.9	0.6	0.9	0.6	24
PCR (%)	60.0	43.3	46.4	50.0	55.3	47.8	58.6	49.2	50.0	49.2	56.5	(874)

Source: MOSL, Company

Exhibit 2: Quarterly Snapshot

(INR m)	FY17				FY18				FY19		Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
Net Interest Income	12,516	14,122	14,893	16,397	18,089	18,851	18,888	21,542	22,191	24,176	28	9
Other Income	9,655	9,219	10,165	12,574	11,322	12,484	14,223	14,210	16,941	14,735	18	-13
Total Income	22,171	23,340	25,059	28,971	29,411	31,335	33,111	35,752	39,133	38,910	24	-1
Operating Expenses	9,103	9,481	10,520	12,061	12,369	12,269	13,093	14,398	14,586	15,246	24	5
Employee	4,074	4,334	4,675	4,968	5,461	5,628	5,334	5,467	5,906	5,940	6	1
Others	5,030	5,147	5,846	7,093	6,908	6,641	7,759	8,931	8,680	9,306	40	7
Operating Profits	13,068	13,860	14,538	16,910	17,042	19,067	20,018	21,354	24,547	23,664	24	-4
Core Operating Profits	11,045	10,868	11,461	14,586	13,821	15,549	17,590	19,573	19,944	16,987	9	-15
Provisions	2,066	1,617	1,154	3,097	2,858	4,471	4,213	3,996	6,257	9,400	110	50
PBT	11,001	12,243	13,384	13,813	14,184	14,596	15,805	17,358	18,291	14,265	-2	-22
Taxes	3,683	4,228	4,558	4,671	4,529	4,569	5,036	5,564	5,687	4,618	1	-19
PAT	7,318	8,015	8,826	9,141	9,655	10,027	10,769	11,794	12,604	9,647	-4	-23
Balance Sheet (INR B)												
Loans	1,059	1,102	1,171	1,323	1,400	1,487	1,715	2,035	2,147	2,396	61	12
Investments	461	496	497	500	521	539	612	684	830	903	68	9
Deposits	1,226	1,280	1,324	1,429	1,502	1,580	1,717	2,007	2,134	2,228	41	4
CASA Deposits	363	388	441	519	552	587	653	732	749	753	28	0
Borrowings	319	346	369	386	383	448	563	749	788	1,017	127	29
Total Assets	1,772	1,873	1,948	2,151	2,221	2,374	2,637	3,124	3,325	3,716	57	12
Risk Weighted Assets	1,443	1,546	1,590	1,863	1,852	2,000	2,237	2,553	2,714	3,022	51	11
Asset Quality												
GNPA	8,446	9,167	10,059	20,186	13,644	27,203	29,743	26,268	28,245	38,661	42	37
NNPA	3,024	3,230	3,425	10,723	5,453	15,433	15,951	13,128	12,626	20,197	31	60
Loan Mix (% , Non PSL)												
Corporate Banking	67.5	67.9	68.9	67.7	68.1	67.4	67.7	67.9	67.6	68.2	80	60
Retail & Business Banking	32.5	32.1	31.1	32.3	31.9	32.6	32.3	32.1	32.4	31.8	-80	-60
Other Details												
Branches	900	950	964	1,000	1,020	1,040	1,050	1,100	1,105	1,110	70	5
Employees	16,421	18,531	19,400	20,125	20,851	20,932	19,276	18,238	19,597	21,024	92	1,427
Ratios (%)												
	FY17				FY18				FY19		Change (bp)	
Asset quality ratios	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
GNPA (%)	0.8	0.8	0.9	1.5	1.0	1.8	1.7	1.3	1.3	1.6	-21	30
NNPA (%)	0.3	0.3	0.3	0.8	0.4	1.0	0.9	0.6	0.6	0.8	-20	25
PCR (Calculated, %)	64	65	66	47	60	43	46	50	55	48	449	-754
Business ratios												
CASA (Reported)	29.6	30.3	33.3	36.3	36.8	37.2	38.0	36.5	35.1	33.8	-340	-130
Loan/Deposit	86.4	86.1	88.5	92.6	93.2	94.1	99.9	101.4	100.6	107.5	1,343	691
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	-197	-542
Cost to Income	41.1	40.6	42.0	41.6	42.1	39.2	39.5	40.3	37.3	39.2	3	191
Tax Rate	33.5	34.5	34.1	33.8	31.9	31.3	31.9	32.1	31.1	32.4	107	128
Profitability ratios												
RoA	1.7	1.8	1.8	1.8	1.8	1.7	1.7	1.6	1.6	1.1	-60	-50
RoE	20.7	21.4	22.3	21.8	17.4	17.5	18.0	18.8	19.4	14.4	-310	-500
Yield on loans	11.1	10.9	10.9	10.7	10.4	10.2	9.8	9.9	10.0	10.1	-10	10
Yield On Investments	8.1	7.8	7.8	7.6	7.1	7.0	7.6	7.3	7.1	7.2	25	7
Yield on funds	10.2	10.4	10.3	10.0	9.9	9.7	9.3	9.1	9.2	9.2	-51	-2
Cost of funds	7.0	6.8	6.6	6.3	6.2	6.2	6.0	6.0	6.3	6.4	20	10
Margins	3.4	3.4	3.5	3.6	3.7	3.7	3.5	3.4	3.3	3.3	-40	0

Source: MOSL, Company

Exhibit 3: Actuals v/s Estimates – Higher-than-expected provisions led to PAT miss

Y/E MARCH (INR m)	2QFY18A	2QFY19E	Var. (%)	Comments
Net Interest Income	24,176	23,528	3	NII beat on account of strong loan growth and stable margins
<i>% Change (Y-o-Y)</i>	28	25		
Other Income	14,735	16,163	-9	Other income miss due to treasury losses
Total Income	38,910	39,691	-2	
Operating Expenses	15,246	15,142	1	In line
Operating Profit	23,664	24,548	-4	Miss on other income led to PPOP miss
<i>% Change (Y-o-Y)</i>	24	29		
Provisions	9,400	6,968	35	Provisions were significantly higher than expected
Profit before Tax	14,265	17,580	-19	
Tax Provisions	4,618	5,847	-21	
Net Profit	9,647	11,733	-18	PAT miss on account of higher provisions
<i>% Change (Y-o-Y)</i>	-4	17		

Source: Company, MOSL

Asset quality deteriorates QoQ, with increase in gross slippages

Net stressed loan inches up to ~1.8%; PCR declines 754bp QoQ to 47.8%

- The bank's reported gross slippage rose sharply to INR16.3b (4.4% annualized) of which INR6.3b relates to one account which bank expects to recover in next quarter. Absolute GNPA increased 37% QoQ to INR38.7b while NNPA increased 60% QoQ to INR20.2b along with 754bp QoQ decrease in PCR to 47.8%. In % terms GNPA/NNPA elevated to 1.60%/0.84% (+29bp/+25bp QoQ). The bank plans to raise PCR to 60% by FY19.
- Standard restructured portfolio stood at INR47m (INR51m in 1QFY19) while SR book stands at INR20.5b (0.85% of advances) compared to INR17.7b (0.82% of advances) in 1QFY19. The bank redeemed INR4.46b from SRs in 2QFY19. Standard S4A exposure decreased to INR1.05b from INR1.38b in 1QFY19.
- YES has INR26.2B of gross exposure to Infra and Financial Services Conglomerate which is standard as per the classification. The said exposure is towards asset rich subsidiaries/SPVs with Enterprise value commensurate with debt level (Nil exposure to the parent entity). The outstanding SMA-2 exposure stands at 0.15% of gross advances.
- The bank's total exposure to HFCs stands at 3.2% , NBFCs at 2.6% and commercial real estate at 5.7%.
- Total net stressed loans (NNPA, OSRL, SDR, S4A, SR, 5:25) stood at 1.77%, up from 1.52% in 1Q.

CASA ratio declines to 33.8%; CASA + Retail TD comprise 57.2% of total deposits

CASA ratio at 33.8%; CASA + Retail TD comprises 57.2% of total deposits

- CASA deposits continue to grow at 28% YoY growth, led by 32% YoY growth in CA. However, sequentially, CASA growth trailed total deposits growth of 4.4% QoQ, leading to decline in CASA ratio to 33.8% from 35.1% in 1QFY19.
- We expect continued traction on CASA deposits as the branches opened in the past 2-3 quarters ramp up to scale.
- With management efforts in building a granular liability book visible, the quarter saw an increase in total retail deposits share to 57.2%, from 56.7% in 1Q.

Stellar loan growth; NIM remains stable at 3.3%

- Loan book grew 61% YoY and 11.6% QoQ to INR2.39t driven by 63% YoY (+12.6% QoQ) growth in corporate and institutional book, while retail and business banking also registered robust growth of 57%/9.5% YoY/QoQ.
- Growth in retail and business banking was led by 102%/14% YoY/QoQ growth in consumer banking (14.3% of total loan book, up from 11.4% in 2QFY18).

Other highlights

- Cost to income ratio increased to 39.2% (+191bp QoQ).
- During the quarter, YES added 5 branches increasing the branch network to 1,110.



2QFY19 conference call highlights

- About INR8b has been migrated from medium enterprise to corporate banking.
- Bank has w/o loans worth INR1.23b, whereas recoveries were INR4.67b in 2QFY19.
- **Exposure to NBFCs:**
 - “Other financial services” include MFIs and banks.
- Deposit flow has been good post September and bank is not experiencing any outflow of deposits.
- Additional account classified as NPA was based on the follow up review conducted post September and it was on the books since last five years.
- Growth in the corporate book due to
 - M&As happening due to NCLT-related cases and also in other M&As
 - Refinancing of bank loans
- Management doesn't see much impact on margins due to MCLR increase and pricing power shifting to banks in last one month.
- MTM losses on bonds have been due to a rise in yield on G-sec and corporate bonds going up. Half of the MTM provisions will be due to corporate bond of an AAA-rated manufacturing company.
- Asset sell-down usually happens in the middle of the qtr. In 2QFY19, INR100b-150b of loans were sold down.
- Retail TD rates have been raised recently. Incremental INR50b to INR60b of retail deposit would be garnered in 3QFY19.
- In the guidance of 50bp-70bp of credit cost, bank has not considered provisions for “infra group”.
- SMA – 2 for 1QFY19: 50bp including the account which slipped in 2QFY19.
- Principal loan sold INR4.40b , sold at INR3.40b and 15% received in cash
- Very less of the real estate book has external rating, as a lot of lending is done on project basis.
- Bank does not have any exposure where NBFC is a co-financier and bank is the sole lender in most of the cases as the bank does not finance land.
- **Real estate exposure:** Bank has minimum 20% hold on the Escrow and 1/3rd of the book as on March 17 has been run down.
 - Mumbai Bangalore and Delhi constitute 80% of the real estate portfolio.
- IBU will remain in single-digit as a proportion of balance sheet
 - IBU is included as part of sectoral exposure

- Business with companies which has India linkage, overseas companies of Indian corporates.
- 25 to 30% of the IBU business has been also acquisition finance.
- 70 to 80% of the sell downs will be to PSU banks

Balance-sheet related

- **Capital and growth:** Bank will make an attempt to preserve capital by down selling the past business and lowering amount of new loans.
 - Bank will sacrifice growth for preserving capital.
- Board and shareholders have already approved the plan for capital raising.

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

Valuation and view

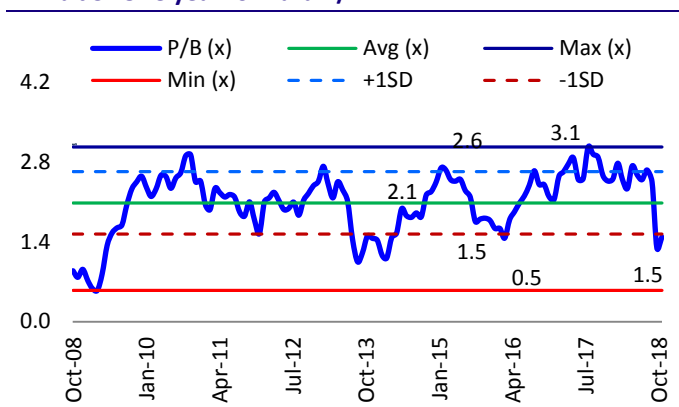
- With an incremental market share, aggressive roll-out of retail/SME products and strong corporate relationships YES is expected to register loan CAGR (FY18-20E) of 21%.
- YES has a well-laid strategy for growing small business loans (most of which qualify as priority sector loans) and cross-selling to acquired customers which would help granular retail fees growth. On balance-sheet front, initial focus of the bank will be on growing the liability side first and as customer relationships age, focus would be on cross-selling its retail assets. The bank has been constantly expanding its branch network.
- YES Bank has been in the midst of multiple challenges and the stock performance will be swiftly responding to the events that are likely to unfold over next few months. We believe (i) RBI's approval on the new CEO, (ii) divergence assessment report, and, (iii) ability to deliver on asset quality guidance (credit cost & PCR) along with managing the trade-off between business growth and capitalization levels remains important factors to watch for in the near term. We are lowering our FY19/20E earnings by 11%/9% and estimate YES to deliver FY19/20E RoE of 16.7%/17.9% respectively. Maintain Buy with revised PT of INR270 (from INR350) based on 1.8xBV, which is at 20% discount to three year average multiple.

Exhibit 4: DuPont: Return ratios to remain under pressure

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Interest Income	9.6	9.6	9.4	9.0	8.6	7.7	8.3	8.4
Interest Expense	7.0	7.0	6.6	5.9	5.6	4.8	5.6	5.8
Net Interest Income	2.57	2.61	2.85	3.03	3.05	2.93	2.69	2.56
Core Fee Income	1.28	1.49	1.55	1.63	1.81	1.79	1.70	1.77
Trading and others	0.18	0.16	0.12	0.17	0.37	0.19	0.16	0.16
Non Interest income	1.46	1.65	1.67	1.80	2.19	1.98	1.87	1.94
Total Income	4.03	4.26	4.51	4.83	5.23	4.91	4.56	4.50
Operating Expenses	1.55	1.68	1.86	1.97	2.16	2.32	2.21	2.24
Employee cost	0.76	0.75	0.80	0.86	0.95	0.83	0.78	0.77
Others	0.79	0.93	1.06	1.11	1.22	1.49	1.43	1.47
Operating Profits	2.48	2.58	2.65	2.85	3.07	2.59	2.35	2.26
Core operating Profits	2.30	2.42	2.53	2.68	2.70	2.40	2.19	2.10
Provisions	0.25	0.35	0.28	0.36	0.42	0.59	0.71	0.62
NPA	0.17	0.13	0.11	0.33	0.35	0.34	0.36	0.43
Others	0.08	0.22	0.17	0.03	0.07	0.25	0.36	0.19
PBT	2.23	2.24	2.37	2.50	2.65	2.01	1.64	1.64
Tax	0.72	0.68	0.74	0.81	0.90	0.75	0.62	0.62
RoA	1.51	1.55	1.64	1.68	1.75	1.60	1.32	1.32
Leverage (x)	16.5	16.1	13.0	11.8	10.8	11.2	12.7	13.5
RoE	24.8	25.0	21.3	19.9	18.9	17.9	16.7	17.9

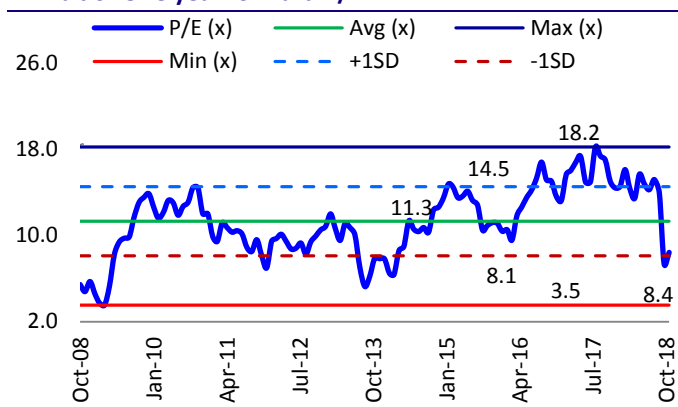
Source: MOSL, Company

Exhibit 5: One year forward P/B



Source: Company, MOSL

Exhibit 6: One year forward P/E



Source: Company, MOSL

Story in charts

Exhibit 7: Strong loan growth (+61% YoY)

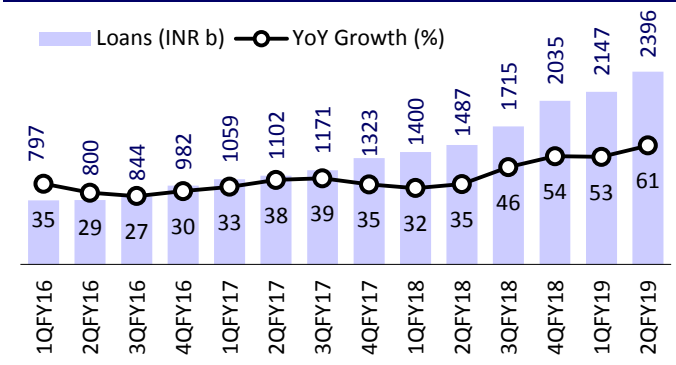


Exhibit 8: Retail/business banking loans form ~32% of total

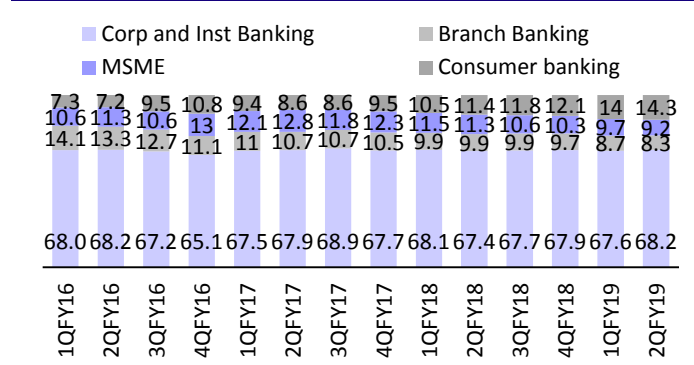


Exhibit 9: Strong deposits growth continues

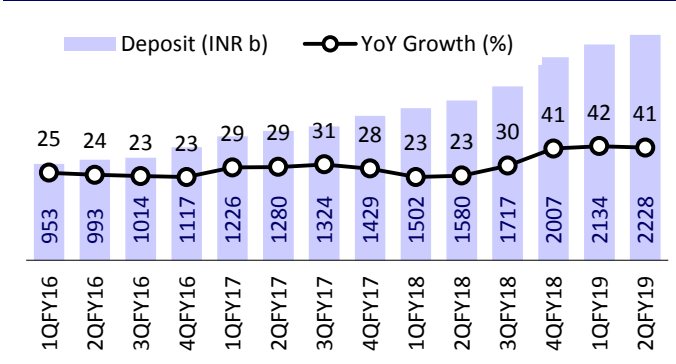


Exhibit 10: CASA mix declines marginally to ~34%

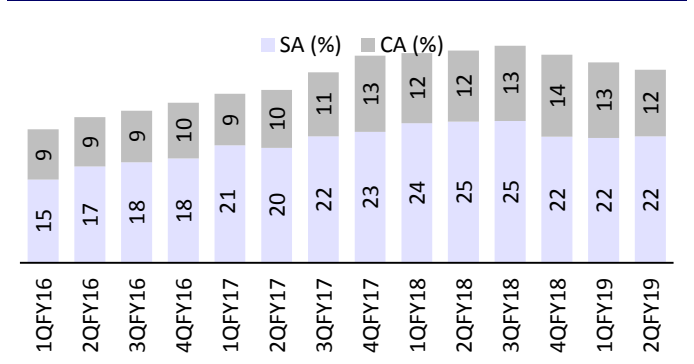


Exhibit 11: Reported NIM remains stable at 3.3%

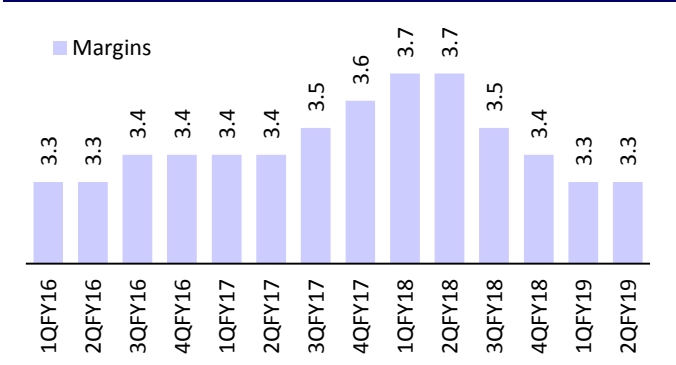


Exhibit 12: Cost-to-income ratio came in at 39.2%

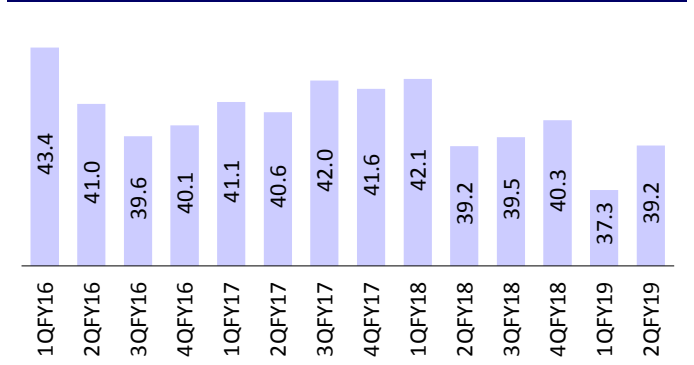


Exhibit 13: YES added five branches during the quarter

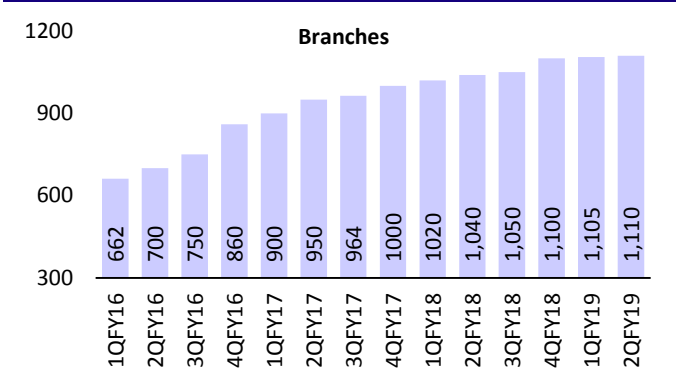
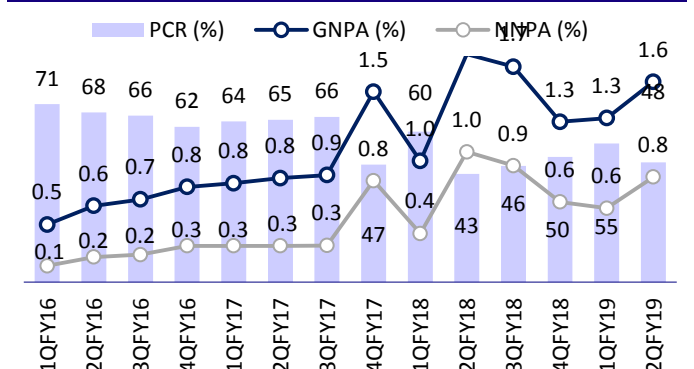


Exhibit 14: GNPA/NNPA ratios increased 29/25bp QoQ



Source: Company, MOSL

Source: Company, MOSL

Financials and valuations

Income Statement

	(INR m)							
Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Interest Income	82,940	99,814	1,15,720	1,35,334	1,64,246	2,02,674	2,89,262	3,60,637
Interest Expense	60,752	72,651	80,842	89,667	1,06,273	1,25,304	1,95,077	2,50,151
Net Interest Income	22,188	27,163	34,878	45,667	57,973	77,371	94,185	1,10,486
Growth (%)	37.3	22.4	28.4	30.9	26.9	33.5	21.7	17.3
Non Interest Income	12,574	17,216	20,465	27,121	41,568	52,238	65,298	83,581
Total Income	34,762	44,378	55,343	72,789	99,541	1,29,609	1,59,483	1,94,068
Growth (%)	40.6	27.7	24.7	31.5	36.8	30.2	23.0	21.7
Operating Expenses	13,345	17,499	22,847	29,764	41,165	52,128	66,434	83,494
Pre Provision Profits	21,417	26,880	32,496	43,025	58,375	77,481	93,049	1,10,574
Growth (%)	39.1	25.5	20.9	32.4	35.7	32.7	20.1	18.8
Core PPP	19,860	25,218	31,075	40,419	51,263	72,346	87,401	1,03,514
Growth (%)	32.2	27.0	23.2	30.1	26.8	41.1	20.8	18.4
Provisions (excl tax)	2,160	3,617	3,395	5,363	7,934	15,538	25,004	26,906
PBT	19,257	23,263	29,101	37,662	50,441	61,943	68,045	83,668
Tax	6,251	7,085	9,047	12,268	17,140	19,697	21,774	26,774
Tax Rate (%)	32.5	30.5	31.1	32.6	34.0	31.8	32.0	32.0
PAT	13,007	16,178	20,054	25,394	33,301	42,246	46,271	56,894
Growth (%)	33.1	24.4	24.0	26.6	31.1	26.9	9.5	23.0

Balance Sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Equity Share Capital	3,586	3,606	4,177	4,205	4,565	4,606	4,606	4,606
Reserves & Surplus	54,490	67,611	1,12,622	1,33,661	2,09,383	2,52,977	2,90,378	3,37,293
Net Worth	58,077	71,217	1,16,800	1,37,866	2,13,947	2,57,583	2,94,984	3,41,899
Deposits	6,69,556	7,41,920	9,11,758	11,17,195	14,28,739	20,07,381	25,29,301	31,11,040
Growth (%)	36.2	10.8	22.9	22.5	27.9	40.5	26.0	23.0
of which CASA Dep	1,26,875	1,63,447	2,10,790	3,13,428	5,18,697	7,31,762	8,80,197	11,41,752
Growth (%)	71.6	28.8	29.0	48.7	65.5	41.1	20.3	29.7
Borrowings	2,09,221	2,13,143	2,62,204	3,16,590	3,86,067	7,48,936	9,16,236	11,34,592
Other Liabilities & Prov.	54,187	63,877	70,942	80,983	1,21,846	1,10,556	1,34,878	1,64,551
Total Liabilities	9,91,041	10,90,158	13,61,704	16,52,634	21,50,599	31,24,456	38,75,399	47,52,082
Current Assets	40,658	58,917	75,572	82,184	1,95,494	2,47,344	2,79,088	3,65,124
Investments	4,29,760	4,09,503	4,32,285	4,88,385	5,00,318	6,83,989	8,75,506	10,94,383
Growth (%)	54.8	-4.7	5.6	13.0	2.4	36.7	28.0	25.0
Loans	4,69,996	5,56,330	7,55,498	9,82,099	13,22,627	20,35,339	25,44,173	30,02,124
Growth (%)	23.7	18.4	35.8	30.0	34.7	53.9	25.0	18.0
Fixed Assets	2,295	2,935	3,190	4,707	6,835	8,324	10,488	13,110
Other Assets	48,332	62,473	95,160	95,259	1,25,325	1,49,460	1,66,142	2,77,340
Total Assets	9,91,041	10,90,158	13,61,704	16,52,634	21,50,599	31,24,456	38,75,399	47,52,082

Asset Quality

GNPA (INR m)	943	1,749	3,134	7,490	20,186	26,268	43,168	53,004
NNPA (INR m)	70	261	877	2,845	10,723	13,127	21,944	26,670
GNPA Ratio	0.20	0.31	0.41	0.76	1.52	1.29	1.70	1.77
NNPA Ratio	0.01	0.05	0.12	0.29	0.81	0.64	0.86	0.89
Slippage Ratio	0.64	0.85	0.70	1.21	2.68	4.89	2.00	1.60
Credit Cost	0.34	0.26	0.20	0.57	0.58	0.93	0.80	0.90
PCR (Excl Tech. write off)	92.6	85.1	72.0	62.0	46.9	50.0	49.2	49.7

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Yield and Cost Ratios (%)								
Avg. Yield-Earning Assets	10.5	10.6	10.6	10.0	9.5	8.1	8.7	8.8
Avg. Yield on loans	12.7	12.7	12.2	11.2	10.6	9.2	10.1	10.4
Avg. Yield on Investments	8.1	8.1	8.0	7.6	7.7	7.0	7.3	7.2
Avg. Cost-Int. Bear. Liab.	8.0	7.9	7.6	6.9	6.5	8.1	8.7	8.8
Avg. Cost of Deposits	7.9	8.0	7.9	7.1	6.4	5.5	5.9	6.1
Interest Spread	2.5	2.7	3.0	3.1	3.0	2.6	2.4	2.3
Net Interest Margin	2.8	2.9	3.2	3.4	3.4	3.2	2.9	2.8

Capitalisation Ratios (%)

CAR	18.3	14.4	15.6	16.5	17.0	18.4	17.0	18.8
Tier I	9.5	9.8	11.5	10.7	13.3	13.2	12.0	11.6
Tier II	8.8	4.6	4.1	5.8	3.7	5.2	5.0	7.1

Business & Efficiency Ratios (%)

Loans/Deposit Ratio	70.2	75.0	82.9	87.9	92.6	101.4	100.6	96.5
CASA Ratio	18.9	22.0	23.1	28.1	36.3	36.5	34.8	36.7
Cost/Assets	1.3	1.6	1.7	1.8	1.9	1.7	1.7	1.8
Cost/Total Income	38.4	39.4	41.3	40.9	41.4	40.2	41.7	43.0
Cost/Core Income	40.2	41.0	42.4	42.4	44.5	41.9	43.2	44.6
Int. Expense/Int.Income	73.2	72.8	69.9	66.3	64.7	61.8	67.4	69.4
Fee Income/Total Income	31.7	38.8	37.0	37.3	41.8	40.3	40.9	43.1
Non Int. Inc./Total Income	36.2	38.8	37.0	37.3	41.8	40.3	40.9	43.1
Empl. Cost/Total Expenses	49.1	44.8	42.9	43.6	43.8	42.0	40.9	40.0
Investment/Deposit Ratio	64.2	55.2	47.4	43.7	35.0	34.1	34.6	35.2

Profitability Ratios and Valuation

RoE	24.8	25.0	21.3	19.9	18.9	17.7	16.7	17.9
RoA	1.5	1.6	1.6	1.7	1.8	1.6	1.3	1.3
RoRWA	2.2	2.2	2.2	2.1	2.1	1.7	1.5	1.6
Book Value (INR)	32.4	39.5	55.9	65.6	96.6	111.8	128.1	148.5
Growth (%)	22.2	21.9	41.6	17.3	47.4	15.8	14.5	15.9
Price-BV (x)	6.1	5.0	3.5	3.0	2.1	1.8	1.5	1.3
Adjusted BV (INR)	32.4	39.3	55.5	64.4	93.1	107.4	120.8	139.6
Price-ABV (x)	6.1	5.0	3.6	3.1	2.1	1.8	1.6	1.4
EPS (INR)	7.25	9.0	9.6	12.1	14.6	18.43	20.1	24.7
Growth (%)	31.0	23.7	7.0	25.8	20.8	26.3	9.0	23.0
Price-Earnings (x)	27.3	22.1	20.7	16.4	13.6	10.8	9.9	8.0
Dividend Per Share (INR)	1.2	1.6	1.8	2.0	2.4	3.2	3.9	4.3
Dividend Yield (%)					1.2	1.6	1.9	2.2

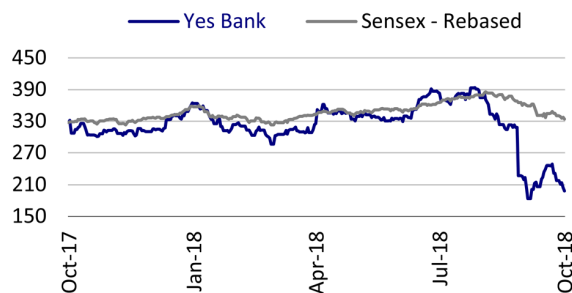
E: MOSL Estimates

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 1,110 and 1,781 respectively.

Exhibit 1: Sensex rebased



Source: MOSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Sep-18	Jun-18	Sep-17
Promoter	19.9	20.0	20.1
DII	23.0	25.2	24.6
FII	39.5	42.5	45.5
Others	17.6	12.3	9.8

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
Ashok Chawla	Non-Executive Independent Chairman
Rana Kapoor	Managing Director & CEO
Shivanand R Shettigar	Company Secretary

Source: Capitaline

Exhibit 5: Directors

Name	Name
Brahm Dutt	Mukesh Sabharwal
Subhash Kalia	Vasant V Gujarathi
Ajai Kumar	Pratima Sheorey
Rentala Chandrashekhar	

*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	20.1	22.7	-11.5
FY20	24.7	28.5	-13.4

Source: Bloomberg

NOTES

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

*In case the recommendation given by the Research Analyst becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

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