

Yes Bank

Balance sheet trends have been encouraging

Over the past three quarters, Yes Bank's customer assets growth has picked up materially, asset mix has improved and share of savings and branch banking deposits has increased. These trends are manifestation of impressive execution on the strategy of accelerating growth and adding granularity to business. Substantial investment in branch network (has increased by 50% over past 24 months) has played a pivotal role here. Improvement in network productivity (widening distribution of retail asset/liability products), addition of new branches, recovery in corporate lending environment and benign wholesale funding rates are likely to drive a robust 27% CAGR in advances over FY14-17. Yes Bank is well capitalized (Tier-1 ratio at 11.8%) to pursue brisk growth.

Revenue growth outlook is robust

NIM outlook for the bank is strong with bulk deposits rates heading south, persistent improvement in CASA ratio and expected increase in the share of retail (including MSME and business banking) loans which are better yielding and have longer duration. Growth in non-interest income has been robust driven by impressive traction in financial advisory, branch banking and transaction banking fees and this trend is likely to continue. Additionally, declining interest rate should drive substantial gains on the corporate bond portfolio for Yes Bank.

Asset quality to remain solid; credit cost to decline

In the ongoing credit cycle, Yes Bank's asset quality has remained steady. The current stock of Net NPLs and standard restructured assets stands at just 0.4% of advances and 2% of networth (much lower than most peers). While in current quarter the restructuring activity could increase (due to end of regulatory forbearance from FY16), medium term asset quality outlook remains sanguine given an improving macro. So the credit cost is expected to moderate.

Valuation has room to re-rate further

A combination of high loan growth, NIM expansion and lower credit cost would drive a strong 26% earnings CAGR for Yes Bank over FY14-17. During the period, average RoA and RoE is estimated to be at impressive 1.7% and 21% respectively. Valuation is attractive at 2.3x FY17 P/ABV in the context of robust fundamentals and improving operating environment.

Financial summary

Y/e 31 Mar (Rs m)	FY14E	FY15E	FY16E	FY17E
Total operating income	44,378	54,933	68,921	86,876
Yoy growth (%)	27.7	23.8	25.5	26.1
Operating profit (pre-provisions)	26,880	32,360	40,705	51,605
Net profit	16,178	20,116	25,341	32,281
yoy growth (%)	24.4	24.3	26.0	27.4
EPS (Rs)	44.9	48.5	61.1	77.8
Adj. BVPS (Rs)	196.8	280.1	329.0	391.7
P/E (x)	19.7	18.2	14.4	11.3
P/Adj.BV (x)	4.5	3.1	2.7	2.3
ROE (%)	25.0	21.4	19.9	21.4
ROA (%)	1.6	1.7	1.7	1.7

Source: Company, India Infoline Research

Rating:	BUY
Target (1-3months):	Rs1,005
CMP:	Rs878
Upside:	14.5%
Exit Trigger*:	Rs820

* Exit trigger is the price level below which investor should exit position

Sector:	Banking
Sector view:	Positive
Sensex:	29593
52 Week h/l (Rs):	895/302
Market cap (Rscr) :	36,835
6m Avg vol ('000Nos):	3,111
Bloomberg code:	YES IN
BSE code:	532648
NSE code:	YESBANK
FV (Rs):	10

Prices as on March 03, 2015

Company rating grid

	Low → High				
	1	2	3	4	5
Earnings Growth					5
RoA Progression					5
B/S Strength				4	
Valuation appeal				4	
Risk			3		

Share price trend



Share holding pattern

(%)	Jun-14	Sep-14	Dec-14
Promoter	22.2	22.1	22.1
Insti	65.7	66.0	66.4
Others	12.2	11.9	11.5

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'Best Broker of the Year' – by Zee Business for contribution to broking

Nirmal Jain, Chairman, IIFL, received the award for The Best Broker of the Year (for contribution to broking in India) at India's Best Market Analyst Awards 2014 organised by the Zee Business in Mumbai. The award was presented by the guest of Honour Amit Shah, president of the Bharatiya Janata Party and Piyush Goel, Minister of state with independent charge for power, coal new and renewable energy.

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IIFL was awarded the 'Best Equity Broker of the Year' at the recently held Bloomberg UTV Financial Leadership Award, 2011. The award presented by the Hon'ble Finance Minister of India, Shri Pranab Mukherjee. The Bloomberg UTV Financial Leadership Awards acknowledge the extraordinary contribution of India's financial leaders and visionaries from January 2010 to January 2011.

'Best Broker in India' – Finance Asia, 2011

IIFL has been awarded the 'Best Broker in India' by Finance Asia. The award is the result of Finance Asia's annual quest for the best financial services firms across Asia, which culminated in the Country Awards 2011

Other awards



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