

Yes Bank Ltd.

₹ 245

For everything, there is Card...!!! Accumulate

Mar 15, 2019

Company Background

Yes Bank Ltd is a private sector bank, incorporated on November 21, 2003. The bank was founded by Rana Kapoor. It obtained the certificate of commencement of business on January 21, 2004. It is engaged in providing banking services, including corporate & institutional banking, financial markets, investment banking, corporate finance, branch banking, business and transaction banking and wealth management. Its segments include Treasury, Corporate/Wholesale Banking, Retail Banking and Other Banking Operations. Its Treasury segment includes investments and financial markets activities undertaken on behalf of the Bank's customers, trading, maintenance of reserve requirements & resource mobilization. Corporate/Wholesale Banking includes lending, deposit taking and other services offered to corporate customers. Retail Banking includes lending, deposit taking and other services offered to retail customers. Other Banking Operations segment includes para-banking activities, such as third-party product distribution and merchant banking, among others. Its branch network stood at 1,100 branches and ATM network stood at 1,724 as on 31st March 2018. The branch and ATM network is spread in 29 states and 7 Union Territories.

Key Highlights

- ➔ The Bank has received RBI approval for its new MD & CEO, Mr. Ravneet Singh Gill to join on or before March 1, 2019. Previously he was the Chief Executive Officer of India at Deutsche Bank AG, since August 1, 2012.
- ➔ Bank had reported two consecutive years of divergence in Risk Assessment Report in FY16 and FY17. It is widely believed that the repeated large divergences for two consecutive years were one of the key reasons for RBI cutting short its former MD and CEO Rana Kapoor's tenure.
- ➔ Recently, Yes Bank received the Risk Assessment Report from RBI for the FY18 and it observed no divergence in its asset classification and provisioning from the central bank's norms. It is a confidence booster for investors.
- ➔ During the FY18, It has successfully financed 4.7 GW Renewable energy projects towards its green energy commitment of financing 5 GW of Renewable energy projects taken in February 2015.

Key Financials

Year Ended 31 st	Mar 16	Mar 17	Mar 18
Revenue (INR mn)	1,62,455.9	2,05,814.0	2,54,912.5
Rev. growth (%)	19.29	26.69	23.86
EBITDA (INR mn)	1,28,434.8	1,58,427.1	1,89,556.4
Net profit (INR mn)	25,393.9	33,300.9	42,253.8
Shares outstanding (mn)	2,102.7	2,282.5	2,303.0
EPS (INR)	58.4	73.0	18.3
EPS growth (%)	26.38	25.02	(74.86)
P/E (x)	2.96	4.25	16.62
RONW (%)	19.94	18.58	17.67
ROCE (%)	0.00	0.00	0.00

Nishant Chopra

nishantc@indiratrade.com

Info Codes

Reuters	: YESB.BO
Bloomberg	: YES IN
NSE	: YESBANK
BSE	: 532648

Market Data

52 Wk Range (₹)	: 147/404
Shares in Issue (mn)	: 2,303
Market. Cap (bn)	: 567
BSE 2 Wk Avg Vol	: 2,824,000

Share Holding Pattern (%)

Promoters Holding	: 19.82
Public & Others	: 17.47
Corporate Holding	: 04.09
Foreign Institution	: 37.06
Institutions	: 21.56
Govt., Holding	: 00.00

Investment Theme

Bank entered into a \$ 400 million co-financing programme with the European Investment Bank (EIB) to increase lending to renewable energy power generation across India, with a special focus on the construction of new solar plants and wind farms across the country. EIB will increase support for onshore wind investment through YES Bank and SBI. In this initiative, EIB will lend \$ 200 million to Yes Bank for 15 years for on-lending to the renewable sector is EIB's first partnership with Bank and is also EIB's first co-financing agreement for renewable energy in Asia. This demonstrates another milestone in Bank's leadership as India's pre-eminent Green Bank. Recently, it received no divergence in its asset classification and provisioning from the RBI norms and new CEO Mr. Ravneet Gill was entered into the board, both are positives.

Be all you can be...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 16	Mar 17	% Chg	Mar 18	% Chg
INCOME					
Interest Income	1,35,334.4	1,64,246.4	21.4	2,02,674.2	23.4
Other Income	27,121.5	41,567.6	53.3	52,238.3	25.7
EXPENDITURE					
Interest Expended	89,667.2	1,06,273.4	18.5	1,25,303.6	17.9
Cost of Employees	12,968.0	18,050.4	39.2	21,889.2	21.3
Depreciation	1,105.6	1,712.4	54.9	2,309.7	34.9
Operating Expenses	5,564.9	7,031.4	26.4	8,427.8	19.9
Provision of Tax	13,487.6	18,395.5	36.4	22,385.2	21.7
Deferred Tax	(1,220.1)	(1,255.3)	2.9	(2,687.8)	114.1
Other Provisions	15,488.3	22,305.2	44.0	35,039.1	57.1
Extraordinary Items	0.5	0.1	(80.0)	(8.1)	(8,200.0)
Net Profit/Loss	25,393.9	33,300.9	31.1	42,253.8	26.9

4 Years Balance Sheet

(₹ mn)

Sheet as on 31 st	Mar 15	Mar 16	Mar 17	Mar 18
SOURCES OF FUNDS				
	13,61,704.2	16,52,634.3	21,50,599.2	31,24,456.1
Equity Share Capital	4,177.4	4,205.5	4,564.9	4,605.9
Reserves and Surplus	1,12,622.5	1,33,660.7	2,15,975.7	2,52,976.9
Deposits	9,11,758.5	11,17,195.3	14,28,738.6	20,07,381.5
Borrowings	2,62,204.0	3,16,589.8	3,86,066.7	7,48,935.8
Other Liabilities and Provisions	70,941.8	80,983.0	1,15,253.3	1,10,556.0
USES OF FUNDS				
	13,61,704.2	16,52,634.3	21,50,599.2	31,24,456.1
Balances with RBI	52,406.5	57,761.7	69,520.7	1,14,257.5
Money at Call and Short Notice	23,165.0	24,422.6	1,25,973.7	1,33,086.2
Investments	4,32,284.9	4,88,384.7	5,00,318.0	6,83,989.4
Advances	7,55,498.2	9,82,099.3	13,22,626.8	20,35,338.6
Fixed Assets	3,189.8	4,707.2	6,835.4	8,324.0
Other Assets	95,159.8	95,258.8	1,25,324.6	1,49,460.4
NOTE				
Gross NPA	3,134.0	7,489.9	20,185.6	26,268.0
Net NPA	0.1	2,844.7	10,722.7	13,127.5
Contingent Liabilities	33,72,645.7	33,11,402.8	37,93,977.5	58,15,359.8
Dividend (%)	90.0	100.0	120.0	135.0
SCALE				
Number of Branches	630	860	1,000	1,100
Number of Employees	9,275	15,000	20,125	18,238

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 18	Jun18	Sep 18	Dec 18
INCOME				
Interest Income	57,429.8	65,780.4	72,312.3	79,589.4
Other Income	14,209.7	16,941.4	14,734.5	8,908.7
EXPENDITURE				
Interest Expended	35,887.4	43,589.0	48,136.8	52,925.3
Employees Cost	5,466.7	5,906.2	5,939.7	6,253.6
Other Expenses	8,931.1	8,679.5	9,305.9	9,415.6
Operating Profit	21,354.3	24,547.1	23,664.4	19,903.6
Provisions And Contingencies	3,996.4	6,256.5	9,399.8	5,502.3
Profit Before Tax	17,357.9	18,290.6	14,264.6	14,401.3
Tax	5,563.5	5,687.0	4,617.6	4,382.8
Net Profit For the Period	11,794.4	12,603.6	9,647.0	10,018.5

52 Week Index Relative Percentage Appreciation



Yes Bank vs SENSEX

Risks Associated

- ➔ During the Q4FY19, Reserve Bank of India has imposed a fine of ₹ 1 crore on the Yes Bank for non-compliance of directions on Swift messaging software.
- ➔ Asset quality is under tremendous pressure due to the continued economic slowdown and increases in the rise of the levels of Gross nonperforming advances and NPA's and a Government decision to wavering to all farmers loans, this decision also increases the NPAs of the Banks.

Scope of Growth

- ➔ During the Q4FY19, bank partnered with Government of Maharashtra to onboard PDS shops. Yes Bank will empower more than 20,000 ration shops which can offer last mile basic banking services to more than seven lakh beneficiaries. The bank will cover almost 40% of all the PDS shops across locations like Palghar, Thane, Kolhapur, Latur and Pune.
- ➔ Yes Bank has sanctioned credit for setting up Renewable energy projects of capacity 1,264.96 MW during FY18. Solar projects has a major portion at 73.7% of capacity and Wind projects followed by 26.18% and rest of 0.12% by Hydro Power Projects.
- ➔ The Bank was the first bank in India to commence operations at International Financial Services Center (IFSC) at GIFT City, Gujarat, in October 2015 and continues to be the largest Bank in terms of volumes at GIFT IFSC with balance sheet size crossing \$ 2.5 billion as on March 31, 2018.
- ➔ The Bank is the leader of the New Age Payments in; IMPS-1st rank by NPCI, UPI-highest market share of 30% in UPI Merchant payments as evaluated by NPCI and NEFT & RTGS-market share of 2.92% by volume as on November 2018.
- ➔ For FY18, it has pan India presence across all 29 states and 7 Union Territories in India with 1,100 branches and 1,724 ATMs. The Bank is targeting to reach 1,250 branches by 2020.



Yes Bank

In a Nutshell

Yes Bank Ltd is a private sector bank. Its segments include Treasury, Corporate/Wholesale Banking, Retail Banking and Other Banking Operations. Treasury segment includes investments and financial markets activities undertaken on behalf of the Bank's customers. Corporate/Wholesale Banking includes lending, deposit taking and other services offered to corporate customers. Retail Banking includes lending, deposit taking and other services offered to retail customers. Other Banking Operations segment includes para-banking activities, such as third-party product distribution. Yes Bank Q3FY19 performance was mixed. Advances of the bank sharply jumped by 42% YoY at ₹ 2,43,885 cr, leading to higher NII growth of 41% to at ₹ 2,666 cr. Other income of the bank fell by 37.4% at ₹ 891 cr predominantly on account of loss in its treasury portfolio and lower corporate banking fees. Operating profit for the quarter stood at ₹ 1990 cr, registering de-growth of 1% over the corresponding quarter of the previous year. Its profit for the quarter de-grew by 7% YoY at ₹ 1002 cr, impacted by lower non-interest income and provisioning made on account of IL&FS. Assets quality of the bank become worse due to exposure towards IL&FS but other than this exposure, the bank's asset quality has improved. Bank has a total exposure of ₹ 2,530 cr out of which ₹ 1,913 cr was declared as NPA and rest ₹ 617 cr continues to be standard for which bank has made a provision of 25% & 15% respectively. New CEO entry into the board and robust credit growth are positives for the Company and decline in Other Income and slowdown in deposits are remained a concern.

Indira Group Offices

Registered Office : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224202 **Fax** : 022-66224201 **Email** : im@indiratrade.com

Administrative Office : 204-205 “Amardarshan” 28/2 Old Palasia, Indore (MP) 452018

Tel : 0731-4097170 **Fax** : 0731-4215999 **Email** : customercare@indiratrade.com

Institutional Dealing Unit : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224209 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

Disclaimer

This document has been prepared by Indira Group of Companies (Indira). Indira and its associate companies are a full fledged retail and institutional broking group. Our research analysts and sales persons provide important input into our investment broking activities. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Indira or any of its affiliates shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors. We and our affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or have other potential conflict of interest with respect to any recommendation and related information and opinions. This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Indira and affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. Indira reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Indira is under no obligation to update or keep the information current. Nevertheless, Indira is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Indira nor any of its affiliates, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. The Analyst does not have any holding in this stock.

