

Yes Bank Ltd.

CMP Rs 290.6

P/E 11.0 x

FY2012E



BUY

We initiate coverage on Yes Bank with a Strong BUY with a price target of Rs 408 (3.1x P/ Adj BV FY12E) representing an upside of 40.5% from the CMP of Rs 290.6 over a period of 15-18 months. Yes Bank has demonstrated beyond doubt its ability to execute its business plan and achieve growth much faster than its peers without compromising on asset quality. Yes Bank's strategy of Knowledge Banking and innovation led business growth coupled with its aggressive branch expansion, brand building, high proportion of fee based revenues and strict adherence to asset quality will help the Bank broad base its business momentum.

PRICE TARGET Rs 408/- (18 Months)

Index Details

Sensex	17957
Nifty	5397
BSE 200	2287
Industry	Banking

Script Details

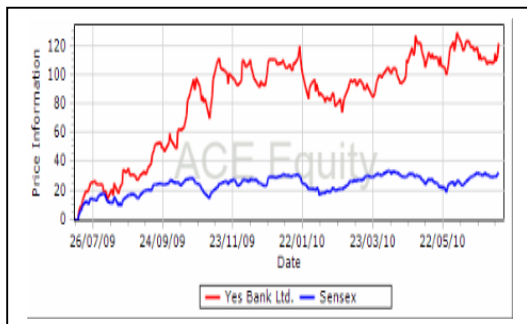
Mkt Cap (Rs in crore)	9938
Book Value (Rs)	90.9
Eq Shares O/s (Cr)	3396.7
Avg Vol (Cr)	0.23
52 Week H/L	304.7/124.1
Dividend Yield (%)	0.5
Face Value (Rs)	10

BSE Code	532648
NSE Code	YESBANK

Shareholding Pattern (31st March, 2010)

Shareholders	% holding
Promoter	27.2
FII's	42.8
DII's	18.9
Others	11.1
Total	100.00

Yes Bank vs. Sensex



Key Investment Highlights

Aggressive business expansion

Yes Bank has benchmarked itself against its peer HDFC Bank and has experienced faster business growth. Over the period FY2005-2010 its deposits and advances have grown at a CAGR of 69.6% and 96.3% respectively. With the Indian growth story resuming its uptrend, Yes Bank plans to increase its balance sheet size from the current Rs 36,383 crore to Rs 1,50,000 crore by FY2015, implying a credit and deposit CAGR growth of 35% and 36% respectively.

High margins and low costs to boost profitability while high contribution from fee income to lower earnings volatility

Yes Bank's stable margins over the last several quarters and low cost to income ratio of ~36.7% have boosted profitability. We forecast that over FY12 the margins will expand to 3.24% with a short term increase in the cost to income ratio due to the branch expansion while the fee income contribution should help lower earnings volatility.

Liability Franchise key to future growth

Yes Bank is looking to more than double its branch network from the current 150 to 375 by FY2012 and further grow it to 750 by FY2015 facilitating resource mobilization commensurate with its growth aspirations besides providing it with a more geographically diversified presense, greater brand recognition and touch points with customers. Over the forecast period through FY2012 we expect the bank to grow its deposits by 41% CAGR. While the Bank has commendably protected margins ~3%, its CASA ratio remains an abysmal 10.5% and with the branch roll out Yes Bank expects to radically improve its CASA ratio to at least 30% by FY2015. For the forecast period through FY2012 we expect the CASA ratio to improve steadily to 15.8%.

Best in class asset quality

The bank has managed to improve Gross NPA and Net NPA to 0.3% and 0.1% in FY2010 (from 0.7% and 0.3% recorded in FY09). We believe that with expansion of its loan portfolio, Gross NPA and Net NPA may rise marginally over the forecast period.

Key Financials

Y/E Mar (Rs Crore)	Net Interest Income	Non-Interest Income	PAT	EPS	Adj. BV (Rs.)	P/E (X)	P/Adj BV (X)	RoA (%)	RoE (%)
2010	788.0	575.5	477.7	14.1	90.0	20.7	3.2	1.6	20.3
2011E	1222.6	975.0	656.8	19.3	107.4	15.0	2.7	1.5	19.4
2012E	1772.5	1537.5	900.4	26.5	131.9	11.0	2.2	1.4	21.9

□Valuation

We initiate coverage on Yes Bank with a BUY recommendation and assign a price target of Rs 408.2 (for FY12 based on historical trading multiples. At the CMP of Rs 290.6, the stock is trading at 2.2 x FY12E Adj BV providing an upside of 40.5% from current levels over 18-months horizon.

We have used two methods to value Yes Bank

- Historical PE method
- Historical P/Adj. BV Method

Further we have assigned equal weights to both the methods to arrive at a blended valuation.

Historical Trading Multiples method:

In this method, we value Yes Bank on the basis of average of last 5 years historical average P/E and P/Adj. BV and assume a discount of 20% to account for market inefficiencies.

	FY10	FY11E	FY12E
EPS	14.1	19.3	26.5
Adj .BV/share	90.0	107.4	131.9
PE	18.1	23.0	23.0
P/Adj. BV	2.8	3.1	3.1
Price of stock			
P/E method	254.9	445.1	610.2
Discount 20%	203.9	356.1	488.2
P/Adj. BV	254.9	334.0	410.4
Discount 20%	203.9	267.2	328.3

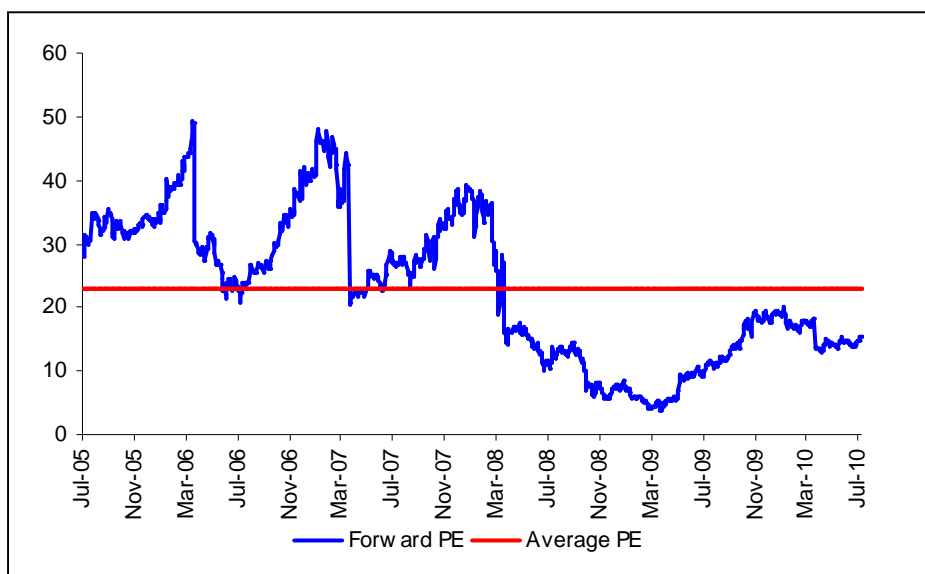
Blended Valuation:

The blended valuation of the stock applying the pre determined weights comes to Rs. 408.2 for FY2012

Year	Hist. P/E	Hist. P/Adj.BV	Final Fair Value of Stock(Rs.)
FY12E	488.2	328.3	408.2

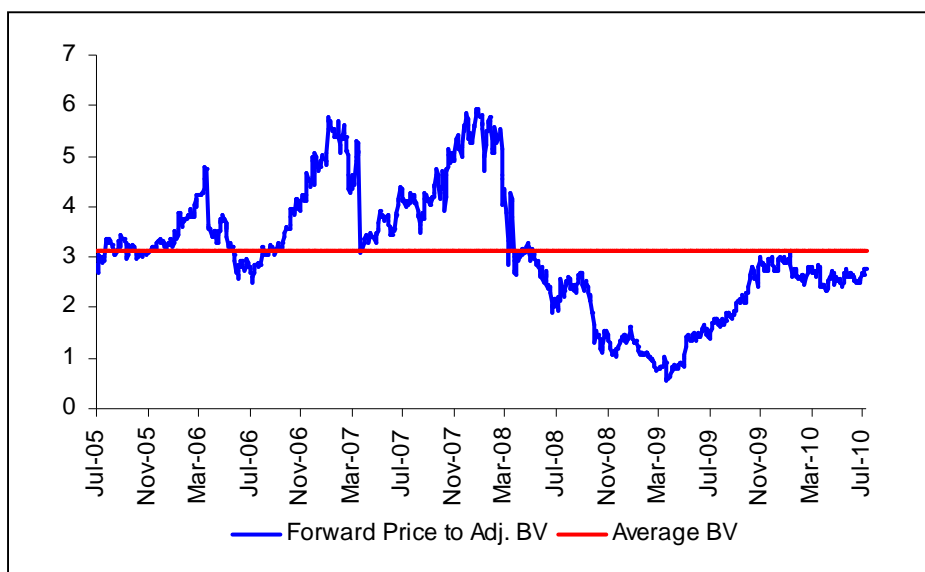
Stock Pointer

1 Year Forward PE



Source: Ventura estimates

1 Year Forward Price/Adj. BV



Source: Ventura estimates