

# YES BANK Q1FY20

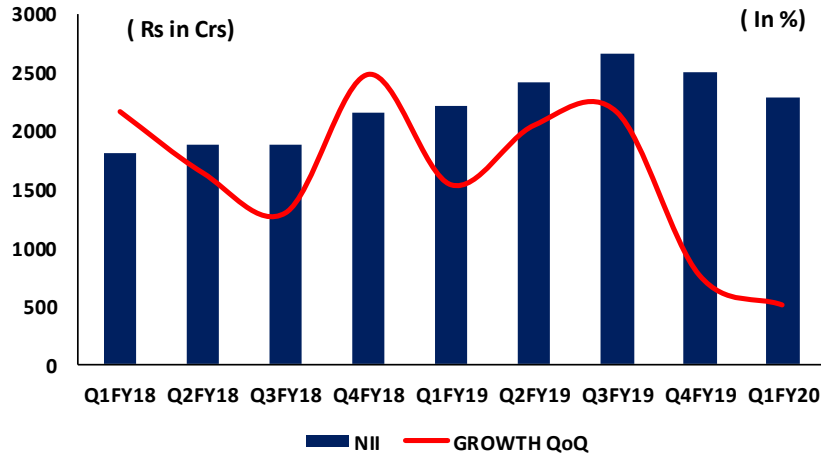
*In a dark room...*

## Financial highlights

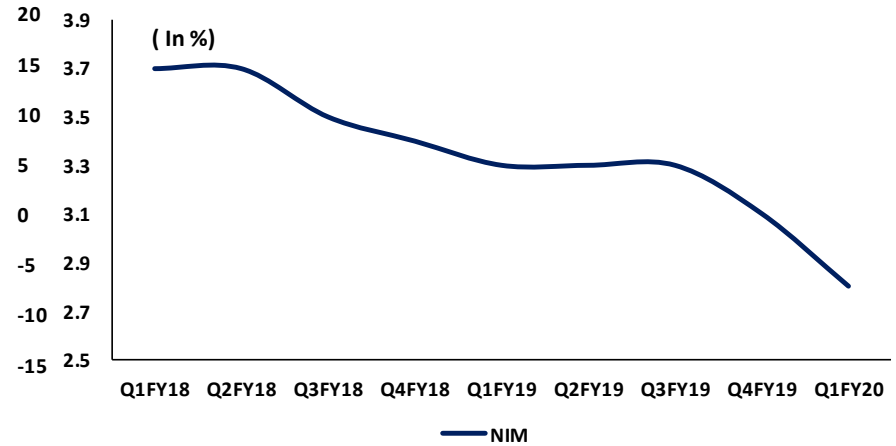
- The Bank reported a profit of Rs1.1bn in Q1, mainly due to one-off treasury gains and lower opex. However, underlying metrics, including credit growth, margins, fees, asset quality and capital ratios, have deteriorated sharply.
- Fresh NPAs were sky-high at Rs62bn (annualized ~12% of loans) leading to a sharp 180bps jump in GNPA to ~5%. The BB & below corp. stress pool has now inched up to Rs 203bn (9.1% of loans) and including bonds/NFB to Rs 295bn (13% of loans).
- The CET 1 ratio slipped 46bps QoQ to ~8%, which is now at just the minimum regulatory requirement of 8% by FY20 and marginally above the PCA threshold (~7.75%). It did not provide clarity on the capital raising plan, but hinted at raising the 10% dilution cap, if needed
- The bank remains in a consolidation and capital preservation mode with credit growth slipping to 10% YoY (down 2% QoQ) and deposit growth to 6% YoY (down 1% QoQ). Its CASA book has shrunk 9% QoQ, with the CASA ratio at a low of 30%, which coupled with interest reversal on NPAs, led to a 30bps QoQ contraction in NIMs to 2.8%. The bank had guided for aggressive branch expansion to 1,800 from 1,120 in FY19, but the start has been slow with just two branch additions in Q1. However, we believe that the bank will have to accelerate branch expansion to support its dwindling CASA base and build a sustainable retail liability base in the long run, which will entail higher costs.
- Fresh slippages were sky-high at Rs62bn, with Rs45bn from the BB & below portfolio, including NBFC from ADAG. BB & below-rated corporate stress pool now stands at Rs203bn (9.1% of loans) and including bonds/NFB exposure to stressed NBFCs at Rs 295bn (12% of loans), which the bank believes has a low probability of rising any further. It has also indicated overall stress at 25% of its real estate book of Rs240bn. The exposure to renewable power stands at 4% of loans, while the exposure to Andhra Pradesh as per management is limited. Management plans to keep PCR in FY20 around current levels, probably to remain in profit, which is not comforting.
- At CMP of Rs. 89, the stock of Yes Bank trades at 0.7x P/BV FY20E

# Story in charts

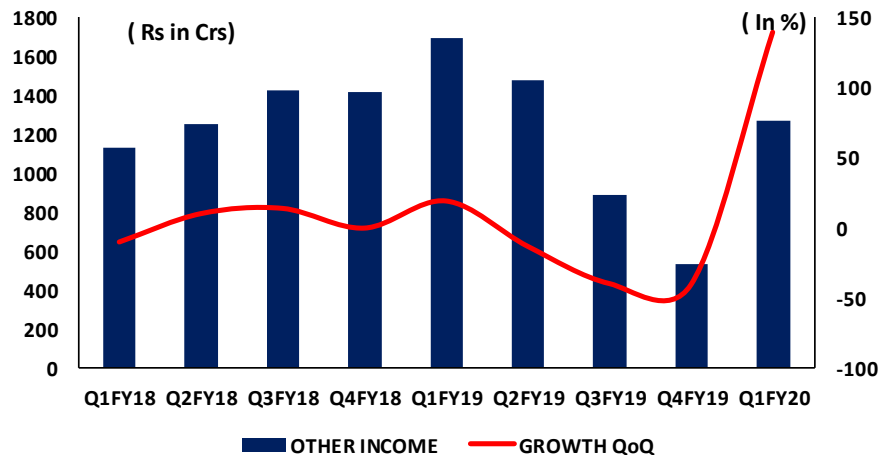
## NII tapers off.....



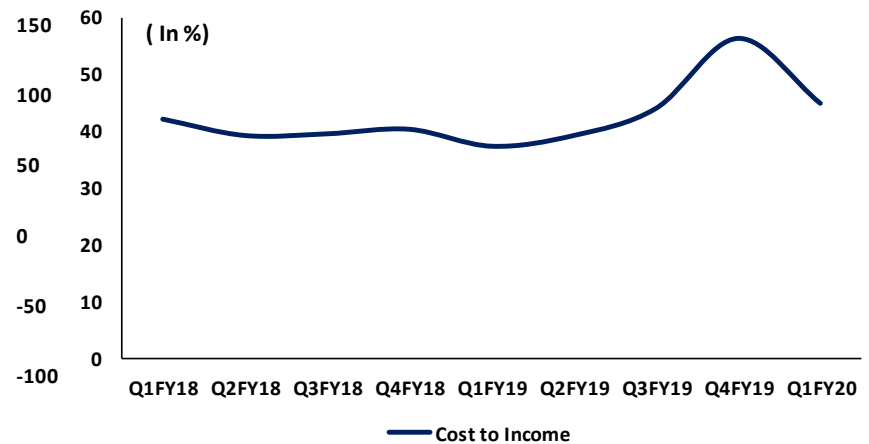
## NIMs under pressure.....



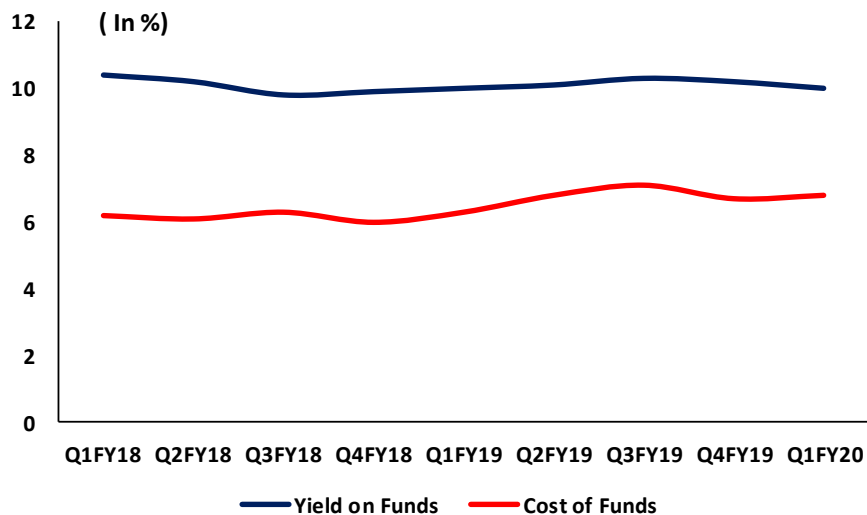
## Other income rises due to treasury gains



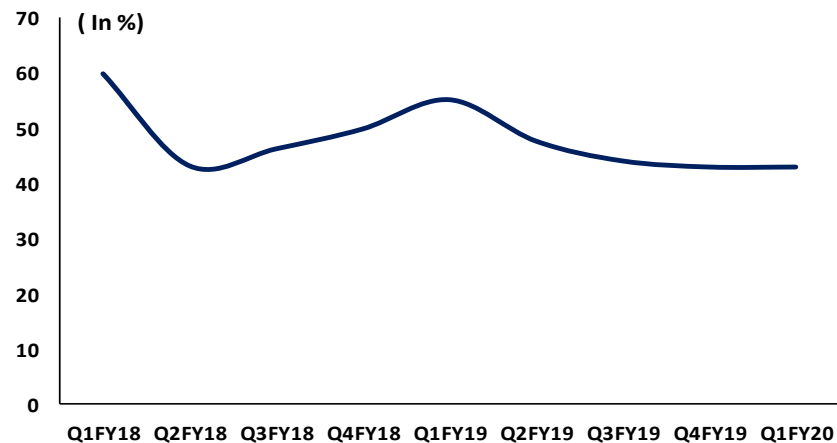
## Cost to income ratio improves



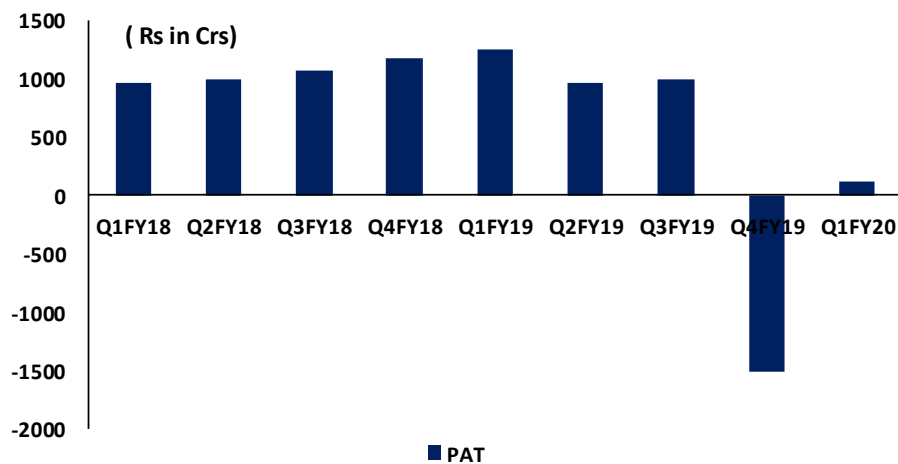
### Yield and cost of funds remains stable



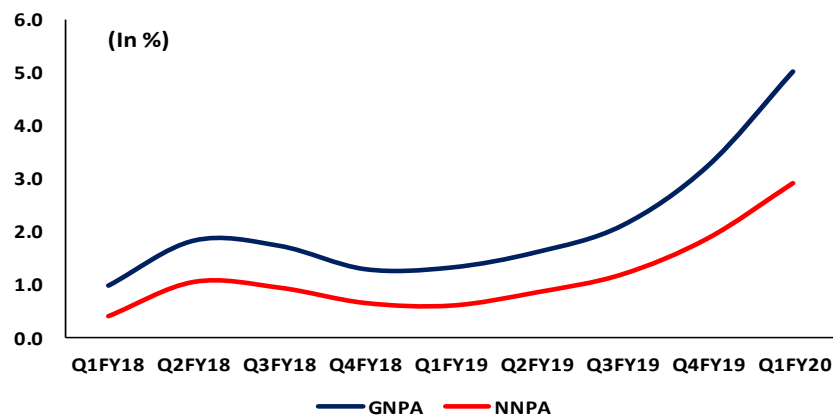
### PCR remains flat QoQ



### Marginally profitable in Q1

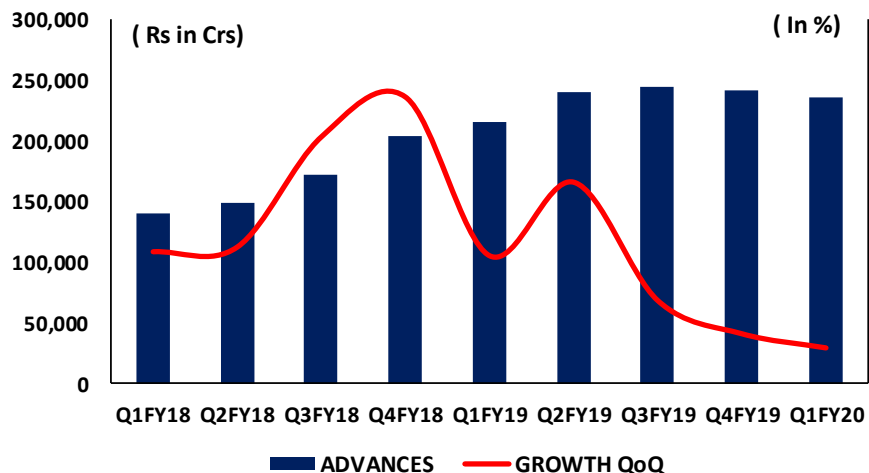


### Asset quality worsens

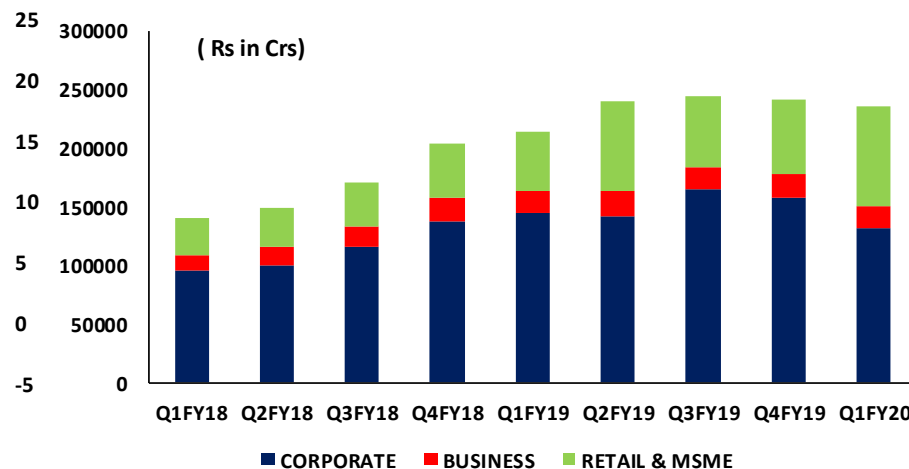


# Story in charts

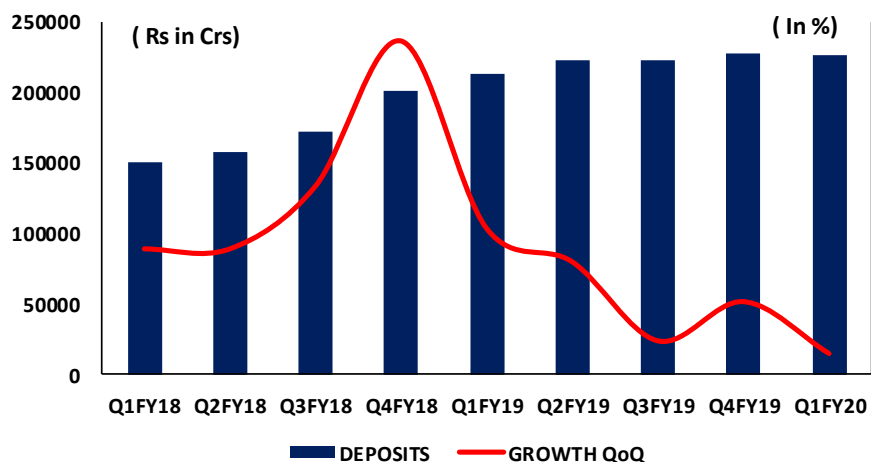
### Slight fall in growth of Advances



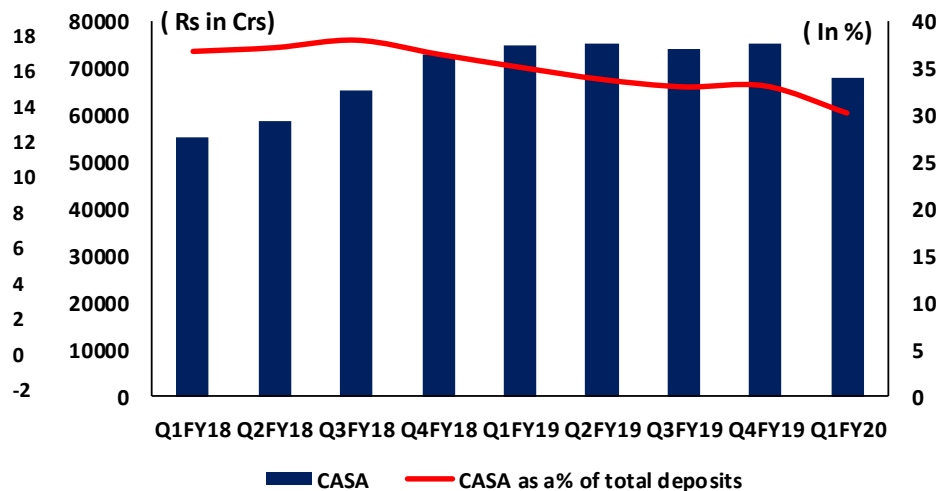
### Share of retail to rise going ahead



### Deposits fall QoQ

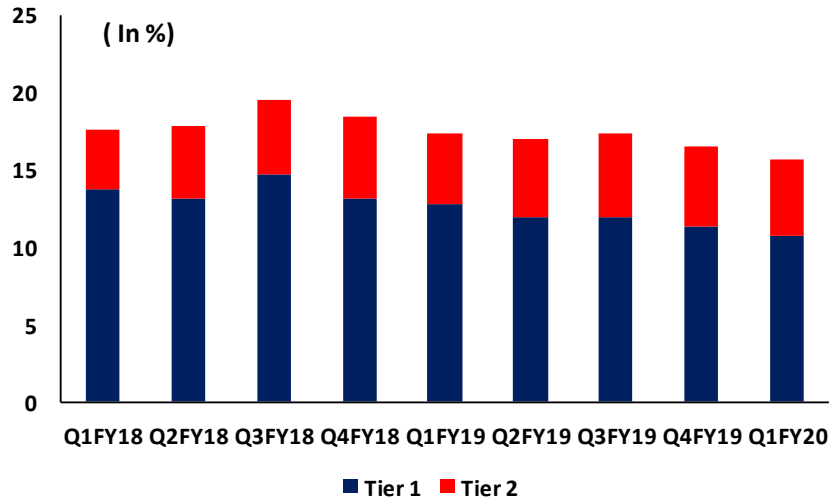


### CASA deteriorates

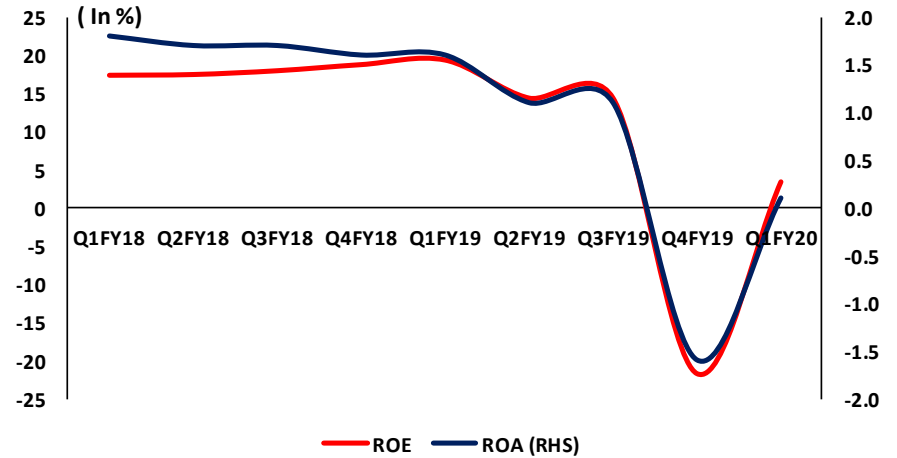


# Story in charts

## In need of capital



## Return ratios remain lackluster



# Quarterly financials

(Rs in Crs)

DESCRIPTION	Dec-17	Growth	Mar-18	Growth	Jun-18	Growth	Sep-18	Growth	Dec-18	Growth	Mar-19	Growth	Jun-19	Growth
Interest Earned	5,070		5,743		6,578		7,231		7,959		7,857		7,816	
Interest Expended	3,182		3,589		4,359		4,814		5,293		5,350		5,535	
<b>Net interest Income</b>	<b>1,889</b>	<b>0%</b>	<b>2,154</b>	<b>14%</b>	<b>2,219</b>	<b>3%</b>	<b>2,418</b>	<b>9%</b>	<b>2,666</b>	<b>10%</b>	<b>2,507</b>	<b>-6%</b>	<b>2,281</b>	<b>-9%</b>
Other Income	1,422		1,421		1,694		1,473		891		532		1,273	
<b>Total Income</b>	<b>3,311</b>		<b>3,575</b>		<b>3,913</b>		<b>3,891</b>		<b>3,557</b>		<b>3,038</b>		<b>3,554</b>	
Operating Expenses	1,309		1,440		1,459		1,525		1,567		1,715		1,594	
<b>Cost to Income Ratio</b>	<b>40%</b>		<b>40%</b>		<b>37%</b>		<b>39%</b>		<b>44%</b>		<b>56%</b>		<b>45%</b>	
<b>Operating Profit before Prov.&amp; Cont.</b>	<b>2,002</b>	<b>5%</b>	<b>2,135</b>	<b>7%</b>	<b>2,455</b>	<b>15%</b>	<b>2,366</b>	<b>-4%</b>	<b>1,990</b>	<b>-16%</b>	<b>1,323</b>	<b>-34%</b>	<b>1,959</b>	<b>48%</b>
Exceptional Items	0		0		0		0		0		0		0	
Provisions and Contingencies	421		400		626		940		550		3,662		1,784	
<b>PBT</b>	<b>1,580</b>	<b>8%</b>	<b>1,736</b>	<b>10%</b>	<b>1,829</b>	<b>5%</b>	<b>1,426</b>	<b>-22%</b>	<b>1,440</b>	<b>1%</b>	<b>(2,339)</b>	<b>-262%</b>	<b>175</b>	
Tax	504		556		569		462		438		(832)		61	
<b>Profit After Tax</b>	<b>1,077</b>	<b>7%</b>	<b>1,179</b>	<b>10%</b>	<b>1,260</b>	<b>7%</b>	<b>965</b>	<b>-23%</b>	<b>1,002</b>	<b>4%</b>	<b>(1,507)</b>	<b>-250%</b>	<b>114</b>	

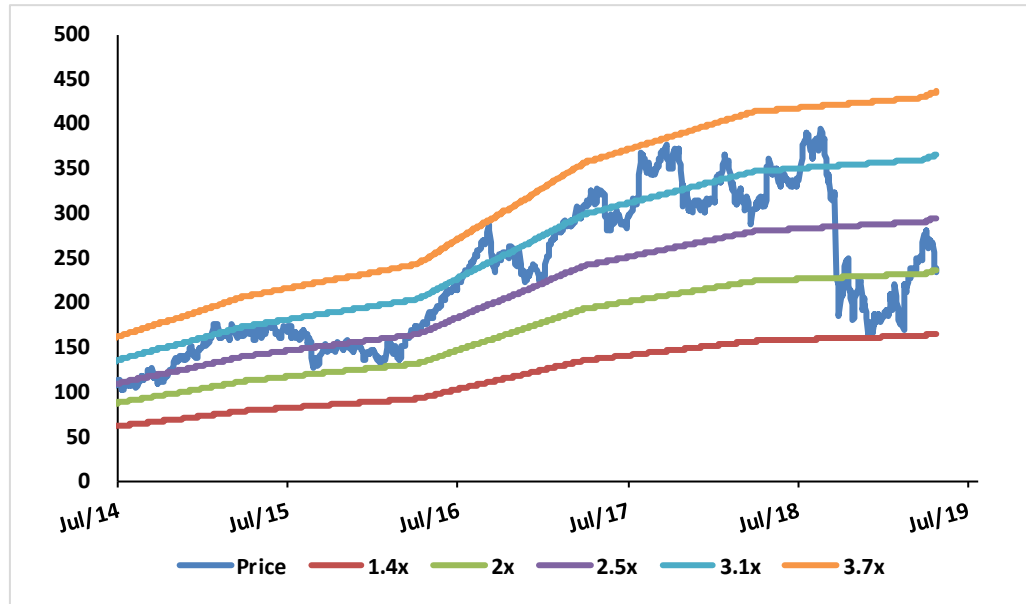
# Yearly financials

(Rs in Crs)

DESCRIPTION	FY16	Growth	FY17	Growth	FY18	Growth	FY19	Growth
Interest Earned	13,533		16,425		20,267		29,625	
Interest Expended	8,967		10,627		12,530		19,815	
<b>Net interest Income</b>	<b>4,566</b>	<b>31%</b>	<b>5,797</b>	<b>27%</b>	<b>7,737</b>	<b>33%</b>	<b>9,810</b>	<b>27%</b>
Other Income	2,712		4,157		5,224		4,590	
<b>Total Income</b>	<b>7,278</b>		<b>9,954</b>		<b>12,961</b>		<b>14,400</b>	
Operating Expenses	2,975		4,117		5,213		6,265	
<b>Cost to Income Ratio</b>	<b>65%</b>		<b>41%</b>		<b>40%</b>		<b>44%</b>	
<b>Operating Profit before Prov.&amp; Cont.</b>	<b>4,303</b>	<b>32%</b>	<b>5,838</b>	<b>36%</b>	<b>7,748</b>	<b>33%</b>	<b>8,135</b>	<b>5%</b>
Exceptional Items	0		0		0		0	
Provisions and Contingencies	536		793		1,554		5,778	
<b>PBT</b>	<b>3,767</b>	<b>29%</b>	<b>5,044</b>	<b>34%</b>	<b>6,194</b>	<b>23%</b>	<b>2,357</b>	<b>-62%</b>
Tax	905		1,714		1,970		637	
<b>Profit After Tax</b>	<b>2,862</b>	<b>70%</b>	<b>3,330</b>	<b>16%</b>	<b>4,225</b>	<b>27%</b>	<b>1,720</b>	<b>-59%</b>



# 1 year forward P/B trend





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