RESULT UPDATE

YES BANK

Hitting the growth peddle

India Equity Research| Banking and Financial Services

Yes Bank continued its exemplary show, Q4FY15 PAT surging 28% YoY, which was commendable amidst the INR500mn provision for counter-cyclical buffer, adjusting for which growth would have been upwards of 35%. Key highlights were: 1) core operating performance continued to impress with NII rising 36% YoY on similar loan growth and stable NIMs; 2) though the bank's stressed assets rose to ~62bps (35bps in Q3FY15), it was more a preponement of known stress (Q4FY15 is the last quarter of the RBI dispensation) and still holds forth vis-à-vis peers; 3) the bank took an enabling resolution to raise USD1bn (though not in the near term), which reflects its confidence of scaling growth; 4) efforts to build its retail architecture have started reaping benefits as apparent in strengthening liability (CASA + retail TD), which stands at 48% (42% a year ago) and the target is to take it to 60% in the next 3 years. Adequate capital to fuel growth and beef up its business model will reduce the perceived volatility and aid further re-rating of the stock. We maintain 'BUY'.

This report also contains Q4FY15/Q3FY15 earnings call highlights

Core operating performance continues to impress

NII growth was healthy (up 36% YoY) led by higher loan growth and stable NIMs. Loan growth was driven by branch banking, which reflects the bank's focus on building granularity. Given the bank's diligent efforts, branch banking origination will start forming a meaningful slice of the overall asset pie. Further, continued traction in fee income (up 33% YoY) with retail banking making progress led to healthy operating profitability (up 38% YoY). We expect this to continue given the bank's focus on building quality retail franchise (refer our note ***"Retail franchise: Building foundation mantra to scalability")***. PAT growth was however restricted to 28%, as the bank made counter-cyclical provisions. The bank now has a buffer of 50bps versus 62bps of stress assets, which lends comfort.

Outlook and valuations: Charging ahead; maintain 'BUY'

Sound structural levers will ensure bank maintains its historical record of achieving best-in-class RoE, following RoA improvement (likely to touch new high of 1.8% following NIMs expansion of 25bps by FY17E; refer our note ***"Fortified business model to fuel surge")***. The stock is trading at 2.1x FY17E ABV. Maintain **'BUY/SO'**, with TP of INR980.

Financials (INR mn)

Year to March	Q4FY15	Q4FY14	*Growth %*	Q3FY15	*Growth %*	FY15	FY16E	FY17E
Net int. inc.	9,771	7,196	*35.8*	9,090	*7.5*	34,878	46,411	59,262
Net profit	5,510	4,303	*28.1*	5,400	*2.0*	20,054	25,790	32,173
Adj.B/V / share (INR)						278	326	386
Diluted EPS (INR)	12.9	11.8	*9.3*	13.0	*(1.0)*	48.0	61.7	77.0
Price / Adj. book (x)						2.9	2.4	2.1
Diluted P/E (x)						16.6	12.9	10.3

EDELWEISS 4D RATINGS

Absolute Rating	**BUY**
Rating Relative to Sector	Outperformer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

MARKET DATA *(R: YESB.BO, B: YES IN)*

CMP	: INR 796
Target Price	: INR 980
52-week range (INR)	: 910 / 429
Share in issue (mn)	: 417.7
M cap (INR bn/USD mn)	: 333 / 5,290
Avg. Daily Vol.BSE/NSE('000)	: 4,020.9

SHARE HOLDING PATTERN (%)

	Current	Q3FY15	Q2FY15
Promoters *	22.1	22.1	22.1
MF's, FI's & BK's	20.7	20.1	19.7
FII's	45.0	46.3	46.3
Others	12.2	11.5	11.9

** Promoters pledged shares (% of share in issue) : 1.0*

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	(5.8)	(2.3)	(2.6)
3 months	(8.4)	(4.0)	(8.5)
12 months	79.6	22.9	40.3

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Loan growth at healthy 36% mark, with focus on branch banking

During the quarter, the bank's customer assets (advances plus credit substitutes) grew 25% YoY to INR872bn. A large part of the growth was driven by advances (up 35.8% YoY). Hence, proportion of credit substitute fell to 13% (versus 20% of customer assets a year ago). We expect future growth to be tilted towards higher yielding loans versus the bond portfolio, which will in turn support yields and benefit NIMs. The quarter was marked by healthy growth in branch and business banking book, which registered healthy growth of over 27% QoQ (albeit on relatively lower base). As a result, their proportion inched up to 35% (31% in previous quarter), though it may partially correct in Q1FY16 given the priority sector and seasonally factors involved in the fourth quarter. The bank's investments in branch banking infrastructure over the past 3-4 years will start bearing fruits and reflect in even higher traction in retail assets going forward. Amid this backdrop, the bank is confident of achieving sustainable loan CAGR of mid-twenties over FY15-17 versus 17% during FY11-14.

Stress assets inch up on low base, more a preponement phenomenon

Headline GNPLs remained impressive coming in at 0.41% (0.42% in Q3FY15). This, along with provision coverage at 72% (versus 76.8% in previous quarter), resulted in marginal rise in NNPLs to 12bps (versus 10bps in Q3FY15). On the other hand, the bank saw addition of INR2.1bn to its restructured book (largely driven by a road asset which had delayed the commissioning date), taking its outstanding restructured book to INR3.8bn (51bps of advances). This, we believe, is more of a preponement phenomenon where the bank seems to have availed benefits of the RBI's dispensation on restructuring (Q4FY15 is the last quarter for availing the benefits), and we expect asset quality to be benign going forward. As a culmination of these, total stressed assets (NNPLs plus restructured book) inched up to ~62bps (versus 35bps in Q3FY15). Though the rise seems to be high, it is on a low base and the bank continues to hold forth vis-à-vis peers. Further, the bank's overall countercyclical buffer (CCB) of 50bps (versus 62bps of stressed assets) provides comfort.

NIMs stable, outlook positive

NIMs were stable at 3.2%, ably supported by the 30bps improvement in funding cost (to 7.8%), a reflection of strengthening of the liability franchise. However, the benefits were offset by the 20bps decline in lending yields (to 12%).With structural benefits in liabilities coming into play and supporting cyclical factors, we expect the bank's margin will find a new base and improve by 25bps over the next 2 years to 3.25% versus 3% in FY14 (on calc. basis).

Broad based improvement in fee income

Non-interest income came in healthy at INR5.9bn, registering 32% growth - partially a function of low base set in Q4FY14 (which had lower contribution from financial markets fees). Further, QoQ growth seems to be strong at 10%, aided by transaction banking. Vindicating management's efforts (highlighted by us earlier), retail banking fees continue to hold the bank in good stead. We expect efforts of past years to build a retail franchise to improve the bank's fee income profile and provide it the much required diversity and stability.

Other highlights

- No sale to ARCs during the quarter:
- The bank took the enabling resolution to raise USD1bn through ADR/GDR/QIP; this is just an enabling resolution and the bank may not fully utilise the limits or raise funds

immediately (as seen in historical trends, post the resolution the bank bides time and does not utilise the limits immediately).

Table 1: Customer assets' (advances plus credit substitutes) growth at 25%; advances moved up 36% YoY

(%)	Q413	Q114	Q214	Q314	Q414	Q115	Q215	Q315	Q415
Advances (INR mn)	469,996	478,976	477,172	502,929	556,330	589,886	620,297	666,069	755,498
Advances growth Q-o-Q (%)	7.2	1.9	(0.4)	5.4	10.6	6.0	5.2	7.4	13.4
Advances growth Y-o-Y (%)	23.7	24.3	13.6	14.7	18.4	23.2	30.0	32.4	35.8
Deposits (INR mn)	669,556	652,448	675,751	680,599	741,920	761,028	801,309	823,700	911,759
Deposit growth Q-o-Q (%)	18.7	(2.6)	3.6	0.7	9.0	2.6	5.3	2.8	10.7
Deposit growth Y-o-Y (%)	36.2	29.9	29.2	20.7	10.8	16.6	18.6	21.0	22.9
CD ratio (%)	70.2	73.4	70.6	73.9	75.0	77.5	77.4	80.9	82.9
CASA (%)	18.9	20.2	20.4	20.9	22.0	22.3	22.5	22.6	23.1

Table 2: Loan growth driven by business and branch banking

	Q413	Q114	Q214	Q314	Q414	Q115	Q215	Q315	Q415
Corporate and institutional	65	64	67	68	63	69	71	69	65
Commercial	17	19	16	15	16	15	NA	NA	NA
Retail (Branch banking)	18	17	17	17	21	17	NA	NA	NA

Table 3: Fee income healthy – broad-based improvement

(%)	Q413	Q114	Q214	Q314	Q414	Q115	Q215	Q315	Q415
Financial markets	18.9	39.4	40.3	18.2	12.1	8.3	20.5	18.6	19.8
Financial advisory	43.7	32.5	27.8	42.0	39.5	46.4	41.8	43.4	35.3
Retail banking fees and others	12.9	8.3	11.6	11.4	18.3	12.3	11.5	13.6	18.4
Transaction banking	24.5	20.0	20.3	28.4	30.0	32.9	26.1	24.5	26.4
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 4: Non-interest income contributed 37.7% of net revenues, bank expects it to inch up further

(%)	Q413	Q114	Q214	Q314	Q414	Q115	Q215	Q315	Q415
Fees income growth Q-o-Q	21.1	16.5	0.9	(13.0)	14.9	(4.5)	18.8	6.2	10.0
Non interest income/Net revenue	37.3	40.1	39.9	36.8	38.2	36.3	37.1	37.1	37.7

Table 5: NIMs stable at 3.2%

(%)	Q413	Q114	Q214	Q314	Q414	Q115	Q215	Q315	Q415
Spreads	4.0	4.0	3.9	4.0	4.0	4.0	3.9	4.1	4.2
NIM	3.0	3.0	2.9	2.9	3.0	3.0	3.2	3.2	3.2
COF	8.4	8.3	8.5	8.6	8.4	8.5	8.3	8.1	7.8
YoA	12.4	12.3	12.4	12.6	12.4	12.5	12.2	12.2	12.0

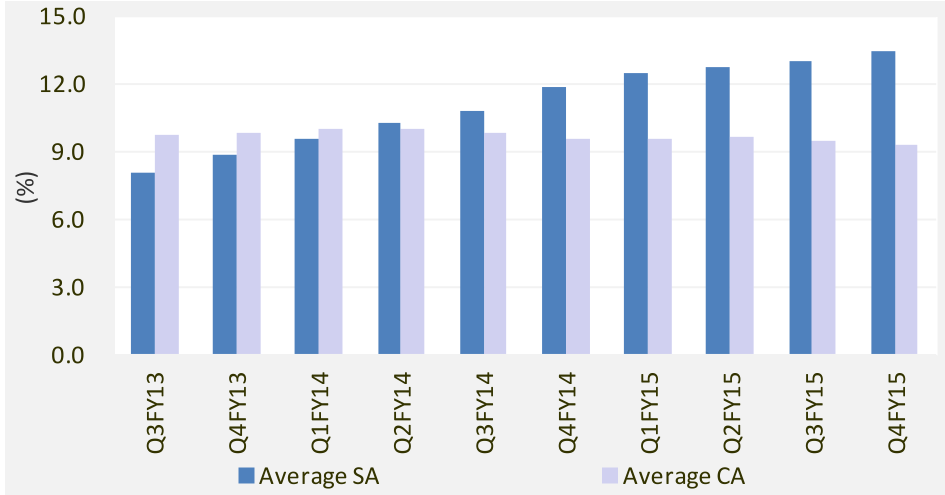
Table 6: Tier I ratio at 11.5%

(%)	Q413	Q114	Q214	Q314	Q414	Q115	Q215	Q315	Q415
Tier-I	9.5	9.7	9.5	9.9	9.8	12.6	12.2	11.8	11.5
Tier-II	8.8	8.4	6.1	6.2	4.6	5.0	4.4	4.9	4.1

Source: Company

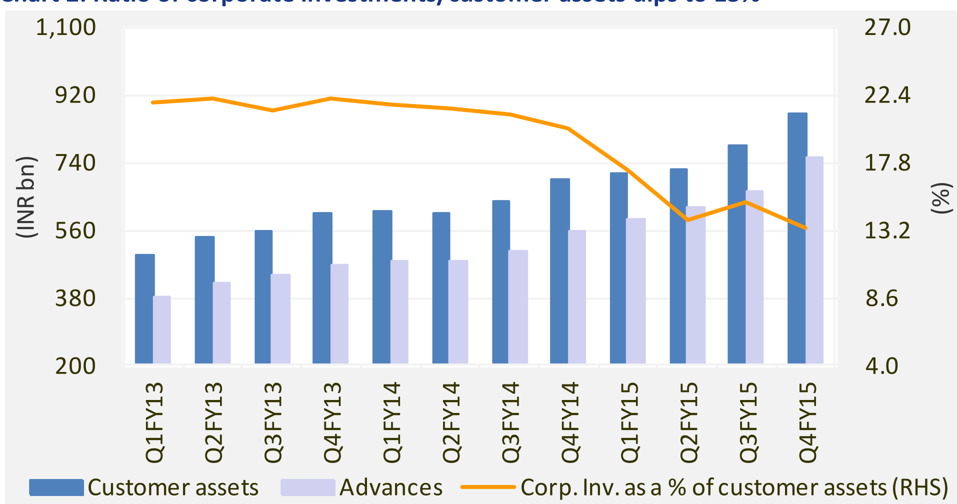
**Note figures prior to Q114 is on Basel II framework*

Chart 1: CASA accretion on track



Source: Company

Chart 2: Ratio of corporate investments/customer assets dips to 13%



Source: Company

Financial snapshot (INR mn)

Year to March	Q4FY15	Q4FY14	% change	Q3FY15	% change	FY15	FY16E	FY17E
Interest on advances	21,306	17,363	*22.7*	20,710	*2.9*	80,161	108,481	134,232
Interest on investments	9,443	8,254	*14.4*	8,887	*6.3*	35,106	42,441	52,681
Interest on other resources	118	58	*105.2*	113	*5.0*	453	335	401
Interest income	30,884	25,681	*20.3*	29,717	*3.9*	115,720	151,257	187,314
Interest exp	21,113	18,485	*14.2*	20,626	*2.4*	80,842	104,846	128,052
Net int. inc. (INR mn)	9,771	7,196	*35.8*	9,090	*7.5*	34,878	46,411	59,262
Fee income	5,904	4,455	*32.5*	5,368	*10.0*	18,665	22,838	28,393
Other income	5,904	4,455	*32.5*	5,368	*10.0*	20,465	24,838	30,393
Operating expenses	6,300	4,847	*30.0*	5,831	*8.0*	22,847	27,825	34,398
Staff expense	2,619	2,038	*28.5*	2,541	*3.1*	9,797	11,794	14,860
Other opex	3,682	2,808	*31.1*	3,290	*11.9*	13,051	16,031	19,538
Pre prov op profit (ppop)	9,375	6,805	*37.8*	8,627	*8.7*	30,696	41,424	53,257
Provisions	1,264	723	*74.8*	699	*80.9*	3,395	4,642	6,877
Profit before tax	8,111	6,082	*33.4*	7,929	*2.3*	29,101	38,781	48,380
Provision for taxes	2,602	1,779	*46.2*	2,529	*2.9*	9,048	12,992	16,207
PAT	5,510	4,303	*28.1*	5,400	*2.0*	20,054	25,790	32,173
Diluted EPS (INR)	12.9	11.8	*9.3*	13.0	*(1.0)*	48.0	61.7	77.0
Ratios								
NII/GII (%)	31.6	28.0		30.6		30.1	30.7	31.6
Cost/income (%)	40.2	41.6		40.3		41.3	39.1	38.4
Provisions / PPOP	13.5	10.6		8.1		11.1	11.2	12.9
Tax rate (%)	32.1	29.3		31.9		31.1	33.5	33.5
Balance sheet data (INR bn)								
Advances	755	556	*35.8*	666	*13.4*	755	951	1,198
Deposits	912	742	*22.9*	824	*10.7*	912	1,108	1,376
Investments	83	75	*10.5*	81	*2.5*	83	86	87
Asset quality (INR mn)								
Gross NPA	3,134	1,749	*79.2*	2,787	*12.5*	3,134	5,783	10,550
Gross NPA (%)	0.4	0.3		0.4		0.4	0.6	0.9
Net NPA	877	261	*236.5*	645	*36.0*	877	1,407	1,889
Net NPA (%)	0.1	0.1		0.1		0.1	0.1	0.2
Provision coverage (%)	72.0	85.1		76.8		72.0	75.7	82.1

Yes Bank - Q4FY15 earnings concall key takeaways

With respect to Asset quality

- Has small increase in restructured book , ***primarily been driven by a single account (road project which have delayed in DCCO). Overall restructured book stands at 50bps.***
- No sale to ARCs was done during the quarters, bank remain averse to selling asset to ARC and will prefer booking the stress rather than selling it.
- ***Provisions composition (Q4FY15): NPA- INR126mn, general loan loss provisioning-INR470mn, CCB- INR510mn, Unhedged and residual provisioning - INR160mn***.
- Bank has been able to maintain benign asset quality for seven consecutive years-reflecting the strong risk management practices.
- ***Outstanding countercyclical buffer now stands at 50bps with a target CCB of 1%.***
- ***Expect the credit cost to be with 60-80bps in FY16.***
- Over the last two to three quarters upgrades in the internal rating for bank has been higher than downgrades. Last year indicators suggest that Q2FY15 was the bottom with improvement seen post that.
- Banks exposure to various segments
  - ***exposure to steel segment is 3.3%, and 2/3rd of the steel segment are rated AA and above.***
  - exposure to power segment - 1.7%
  - exposure to road segment - 1.3%
- NPA composition (FY15): Addition - INR3.87bn, Recovery and upgrades - INR2bn, Write-offs - INR500mn.
- Break up of provision (FY15) of INR4bn (INR3.4bn provision plus INR580mn on reversal of investment): General provisioning - INR980mn, Specific NPA provision - INR1.45bn, Excess provision (Counter cyclical) - INR1.05bn and Others - INR500mn.

With respect to growth metrics

- Growth has been higher than the recent years - benefitting from banks outlook on economy, the fact that lead indicators on asset quality are improving and the recent capital raising.
- ***Bank expect the above factors to aid the growth going forward. And expect the growth metrics of around low to mid 20 percentage points going into FY16***.
- ***The large part of the growth during the quarter was driven by retail and SME segment, however this may somewhat correct in the next quarter given the priority sector and seasonality in Q4FY15.***
- Sentiment on the retail segment continues to be good. The result of the build up on the retail liability franchise will reflect in even higher traction in retail asset and fee side going forward.

With respect margins

- ***Despite the funding cost benefit (capital raising benefit of 25bps) the margins didn't show proportionate NIMs improvement due to 1) LCR kicking in (impacting NIMs by***

15-20bps) and 2) leverage creeping on account of higher growth (6-8bps impact on NIMs). Banks expect NIMs to improve going forwards given strengthened liability franchise.

- Bank use marginal cost to calculate base rate, thus this will not impact banks.
- ***Cost of SA can be lower by 20-25bps given the recent change in SA buckets which is effective from April,2015.***
- Reduction of savings bank rates should continue to go on till we are at 35%+ CASA and closer to 25% + SA
- Average savings account rate 7%
- Yields on credit substitute (excluding NABARD, etc) should be ~ 10%

With respect to fee income

- ***Credit profile of fee income business is even better than the loan profile.***
- Of the overall pie 45% is non-credit related.
- Transaction banking has been showing good traction, retail banking has been growing at very steady pace, treasury was stable (INR210mn of bond gains).
- Cross sell has seen traction and should build up granularly. Trade FX was cross sold aggressively during this year. Existing cross sale ratio is about 2, which should go upto 3.

Other Highlights

- Bank was able to achieve many of the quantitative and qualitative milestones of version 2.0, as a result was able to emerge as prominent mid-sized bank despite so many headwinds. ***Bank is now kick-starting next version where bank aims to become one of the large banking players. Just to give broad numbers, our loan book should grow at a 5 yr CAGR of 20-25%, and CASA should settle in 30 - 40% handle by the end of version 3.***
- Have taken enabling resolution to raise USD1bn via ADR/GDR/QIP - this is just and enabling resolution and will enable bank to raise when need arise. Bank is keenly pursuing the ADR rate. Threshold tier-1 of 9%.
- Have not bought any new priority sector portfolio, the outstanding PSL bought out portfolio stands at 10% (of the overall requirement of priority sector) which is gradually running down.
- Off balance sheet RWA - INR175bn (versus 130bn in FY14).
- Credit cards to be launched within course of this year.
- ***Branch expansion in FY16 should be ~ 150.***

Yes Bank - Q3FY15 earnings concall key takeaways

With respect to retail asset/liability

- ***Retail consumption lending accounts for 3-4% of loan book, 2-3% micro-lending, 6-7% of CV/CE/medical equipment financing, 3-4% to supply chain finance and 7-8% to SMEs (working capital, term loans etc)*** have grown the proportion of retail/business banking to 31%. Growth is largely driven by SMEs.
- Not more than 6-7% would be bought-out portfolio.
- Very positive on consumption lending, SHG lending. Neutral on SME and commercial banking part.
- ***CASA is just short of 23% (compared to 21% in Q3FY14). 45% of term deposits coming from retail***.
- In SA, idea is to get more transaction account with higher account balances - hence accretion in 9MFY15 is lower compared to last 2 years.

With respect to business growth

- Lead indicators getting better in terms of economic outlook.
- Loan book grew 32.4% to INR 666 bn - Corporate banking book little less than 69%.
- Growth opportunities from sector witnessing lower slowdown: agri, IT/telecom, auto component, healthcare etc. Tepid outcomes in infra, construction, metal etc. New licensing on telecom and coal should give more opportunities to existing clients.
- 21% growth in deposits to INR 824 bn.

With respect to other income

- ***Non-interest income grew 38% with financial markets and financial advisory businesses growth at >40%, retail banking fees growing at 65% and transaction banking at 20%.***
- Earlier swaps used to be only for G-sec. With rate environment changing they sold G-sec and these swaps were covering corporate investment. However, now they have build up G-sec portfolio as well as swaps with swaps now being used to cover up G-sec and not corporate bonds. So corporate investment book has now latent gains which will be first utilized.

With respect to asset quality

- Cost of funds has seen 20bps reduction due to falling wholesale rates and comfortable liquidity position.
- Break-up of provisions: INR 500-550 mn NPL provisioning,

With respect to NIMs

- ***Added INR 670 mn of fresh slippages (lower than INR 1 bn in Q2FY15). Small increase in restructured to 0.26% (from 0.18% in Q2FY15) as one account got restructured this quarter***.
- ***Has added significantly to SLR book to meet new Basel norms on LCR: now carries 6% excess SLR***

Other highlights

- Added 19 branches to take total tally to 600.
- Duration of credit substitute is 2.5x years and AFS portfolio is 1x.
- ***Average yield on credit substitute: 10.75% (80-90% AA+ or is a Tata Group company). Will take atleast one and half year to sell the book, if it decides to do so - it is not as liquid as G-sec.***
- Credit substitute book should be increasing as a % of loan book as there are continuous issuances from corporate.
- Average savings deposit cost is 7.0-7.1%
- ***RWA INR 967.6 bn***

Company Description

Yes Bank is a private Indian bank promoted by Rana Kapoor with financial support from Rabobank Nederland, and global institutional private equity investors –AIF Capital, and ChrysCapital. It is operational since November 2004 and is the only greenfield bank approved by RBI in last decade. It has market cap of INR333bn and balance sheet of ~INR1.36tn. It has branch network of 630 at the end of Q4FY15 and a CASA ratio of >23%. Corporate lending forms 65% of advances, commercial / retail ~35%.

Investment Theme

Yes Bank is one of the few private sector banks with product depth, sustainable competitive edge, and strong growth. Given the underlying credit demand and small asset book, the loan book is expected to grow at more than 20% for the next two years. Bank has over a period demonstrated its ability to navigate challenging times (interest risk - July 13 + economic moderation) with limited impact on their earnings profile and continue to deliver best in class return ratios with ROEs of ~ 19% . We believe as benefits of building granularity in business model (retails – fees, liability) kicks in coupled with gradual improvement in macro environment- (absence of asset quality baggage), we expect bank well placed to capitalize on the opportunity and regain lost ground.

Key Risks

Lower CASA can be a negative for the bank at this point of time when most banks are banking on their franchise network.

In the event of demand for credit dying down as in the current scenario, lack of pricing power can impact its margins adversely (due to nascent deposit franchise).

Financial Statements

Key Assumptions

Year to March	FY14	FY15	FY16E	FY17E
Macro				
GDP(Y-o-Y %)	6.9	7.4	8.0	8.7
Inflation (Avg)	9.5	6.7	5.0	5.0
Repo rate (exit rate)	8.0	7.5	6.8	6.5
USD/INR (Avg)	60.5	61.0	62.0	62.0
Sector				
Credit growth	14.0	11.0	14.0	16.0
Deposit growth	15.0	12.0	15.0	15.0
CRR	4.0	4.0	4.0	4.0
SLR	23.0	21.5	21.0	20.0
G-sec yield	8.5	7.8	7.3	7.0
Company				
Operating metric assumptions (%)				
Yield on advances	12.7	12.2	12.7	12.5
Yield on investments	8.2	8.0	8.0	8.0
Yield on asset	10.2	10.0	10.3	10.2
Net interest margins	2.8	3.0	3.2	3.2
Cost of funds	7.4	7.1	7.5	7.4
Cost of deposits	8.0	7.4	7.8	7.6
Cost of borrowings	7.8	8.1	8.3	8.0
Spread	2.7	2.8	2.8	2.8
Tax rate (%)	30.5	31.1	33.5	33.5
Balance sheet assumption (%)				
Credit growth	15.0	31.4	24.6	23.6
Deposit growth	10.8	22.9	21.5	24.3
SLR ratio	25.3	26.0	25.0	25.0
Low-cost deposits	22.0	23.1	26.0	27.0
Gross NPA ratio	0.3	0.4	0.6	0.9
Provision coverage	85.1	72.0	75.7	82.1
Incremental slippage	0.8	1.0	1.0	1.0
Net NPA / Equity	0.4	0.8	1.0	1.2
Capital adequacy	14.4	15.6	14.9	14.2

Income statement (INR mn)

Year to March	FY14	FY15	FY16E	FY17E
Interest income	99,814	115,720	151,257	187,314
Interest expended	72,651	80,842	104,846	128,052
Net interest income	27,163	34,878	46,411	59,262
Non interest income	17,217	20,465	24,838	30,393
- Fee & forex income	14,594	17,512	21,427	26,639
- Misc. income	961	1,153	1,411	1,754
- Investment profits	1,662	1,800	2,000	2,000
Net revenue	44,379	55,343	71,248	89,655
Operating expense	17,499	22,847	27,825	34,398
- Employee exp	7,844	9,797	11,794	14,860
- Other opex	9,655	13,051	16,031	19,538
Preprovision profit	26,881	32,496	43,424	55,257
Provisions	3,617	3,395	4,642	6,877
Loan loss provisions	2,637	2,595	4,042	5,577
Investment depreciation	860	800	600	1,300
Other provisions	120	-	-	-
Profit Before Tax	23,264	29,101	38,781	48,380
Less: Provision for Tax	7,086	9,048	12,992	16,207
Profit After Tax	16,178	20,054	25,790	32,173
Reported Profit	16,178	20,054	25,790	32,173
Diluted EPS (INR)	44.9	48.0	61.7	77.0
Dividend per share (DPS)	8.0	9.0	11.5	13.5
Dividend Payout Ratio (%)	20.6	21.6	21.5	20.2

Growth ratios (%)

Year to March	FY14	FY15	FY16E	FY17E
NII growth	22.4	28.4	33.1	27.7
Fees growth	27.7	20.0	22.4	24.3
Opex growth	31.1	30.6	21.8	23.6
PPOP growth	26.9	21.7	34.9	28.6
PPP growth	25.5	20.9	33.6	27.3
Provisions growth	18.7	(1.6)	55.8	38.0
Adjusted Profit	24.3	24.0	28.6	24.8

Operating ratios

Year to March	FY14	FY15	FY16E	FY17E
Yield on advances	12.7	12.2	12.7	12.5
Yield on investments	8.2	8.0	8.0	8.0
Yield on assets	10.2	10.0	10.3	10.2
Net interest margins	2.8	3.0	3.2	3.2
Cost of funds	7.4	7.1	7.5	7.4
Cost of deposits	8.0	7.4	7.8	7.6
Cost of borrowings	7.8	8.1	8.3	8.0
Spread	2.7	2.8	2.8	2.8
Cost-income	39.4	41.3	39.1	38.4
Tax rate	30.5	31.1	33.5	33.5

Balance sheet				(INR mn)
As on 31st March	**FY14**	**FY15**	**FY16E**	**FY17E**
Share capital	3,606	4,177	4,177	4,177
Reserves & Surplus	67,611	112,623	132,866	158,528
Net worth	71,217	116,800	137,043	162,706
Sub bonds/pref cap	67,714	77,714	97,714	127,714
Deposits	741,920	911,759	1,107,575	1,376,365
Total Borrowings	145,429	184,490	269,490	334,490
Other liabilities	63,878	70,942	68,136	78,621
Total liabilities	**1,090,158**	**1,361,704**	**1,679,957**	**2,079,895**
Loans	556,330	755,498	951,128	1,198,421
Investments				
Gilts	224,290	248,916	344,266	427,714
Others	185,214	217,136	255,989	288,665
Cash and cash equivalents	58,917	75,572	85,494	106,788
Fixed assets	2,935	3,190	3,051	2,824
Other Assets	62,473	61,392	40,029	55,484
Total assets	**1,090,158**	**1,361,704**	**1,679,957**	**2,079,895**
Credit growth	15.0	31.4	24.6	23.6
Deposit growth	10.8	22.9	21.5	24.3
EA growth	9.0	26.6	26.2	23.5
SLR ratio	25.3	26.0	25.0	25.0
C-D ratio	88.9	95.0	97.5	97.0
Low-cost deposits	22.0	23.1	26.0	27.0
Gross NPA ratio	0.3	0.4	0.6	0.9
Net NPA ratio	-	0.1	0.1	0.2
Provision coverage	85.1	72.0	75.7	82.1
Incremental slippage	0.8	1.0	1.0	1.0
Net NPA / Equity	0.4	0.8	1.0	1.2
Capital adequacy	14.4	15.6	14.9	14.2
- Tier 1	9.8	11.5	10.8	10.1

RoE decomposition (%)

Year to March	FY14	FY15	FY16E	FY17E
Net interest income/assets	2.8	3.0	3.2	3.2
Fees/Assets	1.6	1.6	1.6	1.6
Investment profits/Assets	0.2	0.2	0.1	0.1
Net revenues/assets	4.5	4.8	4.9	4.9
Operating expense/assets	(1.8)	(2.0)	(1.9)	(1.9)
Provisions/assets	(0.4)	(0.3)	(0.3)	(0.4)
Taxes/assets	(0.7)	(0.8)	(0.9)	(0.9)
Total costs/assets	(2.9)	(3.0)	(3.1)	(3.1)
ROA	1.6	1.7	1.8	1.8
Equity/assets	6.6	8.1	8.7	8.2
Return on Average Equity (ROAE)	25.0	21.3	20.3	21.5

Valuation parameters

Year to March	FY14	FY15	FY16E	FY17E
Adjusted Diluted EPS (INR)	44.9	48.0	61.7	77.0
Y-o-Y growth (%)	*23.6*	*7.0*	*28.6*	*24.8*
Book value per share (INR)	197.5	279.6	328.1	389.5
Adjusted book value per share	197.0	278.1	325.7	386.3
Diluted Price to Earnings Ratio	17.7	16.6	12.9	10.3
Price/ Adj. BV (x)	4.0	2.9	2.4	2.1
Dividend Yield (%)	1.0	1.1	1.4	1.7

Peer comparison valuation

	Market cap	Diluted Price to Earnings		Price/ Adj. BV (X)		Return on Average Equity	
Name	**(USD mn)**	**FY16E**	**FY17E**	**FY16E**	**FY17E**	**FY16E**	**FY17E**
Yes Bank	5,278	12.9	10.3	2.4	2.1	20.3	21.5
Axis Bank	20,323	13.9	11.6	2.5	2.1	18.8	19.1
Federal Bank	1,738	8.7	6.7	1.3	1.1	15.2	17.3
HDFC Bank	40,302	20.2	16.9	3.6	3.1	18.7	19.3
ICICI Bank	28,796	14.0	11.8	2.4	2.1	15.0	15.9
IndusInd Bank	7,112	19.7	15.5	3.6	3.0	19.6	21.0
Karnataka Bank	382	4.9	3.9	0.7	0.6	14.1	15.6
Kotak Mahindra Bank	19,708	31.7	26.3	4.5	3.9	15.3	15.9
South Indian Bank	535	4.8	3.9	0.9	0.7	18.0	18.9
Median	-	13.9	11.6	2.4	2.1	18.0	18.9
AVERAGE	-	14.5	11.9	2.4	2.1	17.2	18.3

Source: Edelweiss research

Additional Data

Directors Data

Radha Singh	Part Time Chairperson	Rana Kapoor	Managing Director & CEO
Ajay Vohra	Director	Mukesh Sabharwal	Director
M. R. Srinivasan	Director	Ravish Chopra	Director
Diwan Arun Nanda	Director	Brahm Dutt	Director
Vasant Gujarathi	Director	Saurabh Srivastava	Director

Auditors - S R Batliboi & Co., LLP

**as per last annual report*

Holding - Top10

	Perc. Holding		Perc. Holding
Morgan Stanley Asia/Singapore	2.8	Goldman Sachs Asia LLC	2.8
Templeton Asset Management	2.7	DB International Asia	2.5
Franklin Templeton Investments	2.4	Swiss Fin Corp Mauritius	2.0
Bajaj Allianz Life Insurance	2.0	Fidelity Management & Research	1.9
Credit Suisse/Singapore	1.4	William Blair & Co.	1.2

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
17 Sep 2014	Blackrock Real Asset Equity Trust	Sell	3940967	586.84

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
No Data Available			

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Allahabad Bank	BUY	SP	M	Axis Bank	BUY	SO	M
Bajaj Finserv	BUY	SO	L	Bank of Baroda	BUY	SP	M
DCB Bank	BUY	SO	M	Dewan Housing Finance	BUY	SO	M
Federal Bank	BUY	SO	L	HDFC	HOLD	SU	L
HDFC Bank	BUY	SO	L	ICICI Bank	BUY	SO	L
IDFC	BUY	SO	L	Indiabulls Housing Finance	BUY	SO	M
IndusInd Bank	BUY	SO	L	ING Vysya	BUY	SO	L
Karnataka Bank	BUY	SP	M	Kotak Mahindra Bank	HOLD	SU	M
LIC Housing Finance	BUY	SO	M	Magma Fincorp	BUY	SO	M
Mahindra & Mahindra Financial Services	HOLD	SU	M	Manappuram General Finance	BUY	SP	H
Max India	BUY	SO	L	Multi Commodity Exchange of India	BUY	SO	M
Muthoot Finance	BUY	SO	M	Oriental Bank Of Commerce	BUY	SP	L
Power Finance Corp	BUY	SO	M	Punjab National Bank	BUY	SP	M
Reliance Capital	BUY	SP	M	Repco Home Finance	BUY	SO	M
Rural Electrification Corporation	BUY	SO	M	Shriram City Union Finance	BUY	SP	M
Shriram Transport Finance	BUY	SO	L	South Indian Bank	BUY	SP	M
State Bank of India	BUY	SO	L	Union Bank Of India	BUY	SP	M
Yes Bank	BUY	SO	M				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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Coverage group(s) of stocks by primary analyst(s): Banking and Financial Services

Allahabad Bank, Axis Bank, Bajaj Finserv, Bank of Baroda, DCB Bank, Dewan Housing Finance, Federal Bank, HDFC, HDFC Bank, ICICI Bank, IDFC, Indiabulls Housing Finance, IndusInd Bank, Karnataka Bank, Kotak Mahindra Bank, LIC Housing Finance, Max India, Multi Commodity Exchange of India, Manappuram General Finance, Magma Fincorp, Mahindra & Mahindra Financial Services, Muthoot Finance, Oriental Bank Of Commerce, Punjab National Bank, Power Finance Corp, Reliance Capital, Rural Electrification Corporation, Repco Home Finance, State Bank of India, Shriram City Union Finance, Shriram Transport Finance, South Indian Bank, Union Bank Of India, ING Vysya, Yes Bank

Recent Research

Date	Company	Title	Price (INR)	Recos
20-Apr-15	**LIC Housing Finance**	In tune with growth notes; NIMs hum a soothing pitch; *Result Update*	442	Buy
16-Apr-15	**IndusInd Bank**	Core stable; sale to ARC keeps headline asset quality intact; *Result Update*	934	Buy
15-Apr-15	**DCB Bank**	Gaining palpable momentum; *Result Update*	120	Buy

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	155	45	8	208

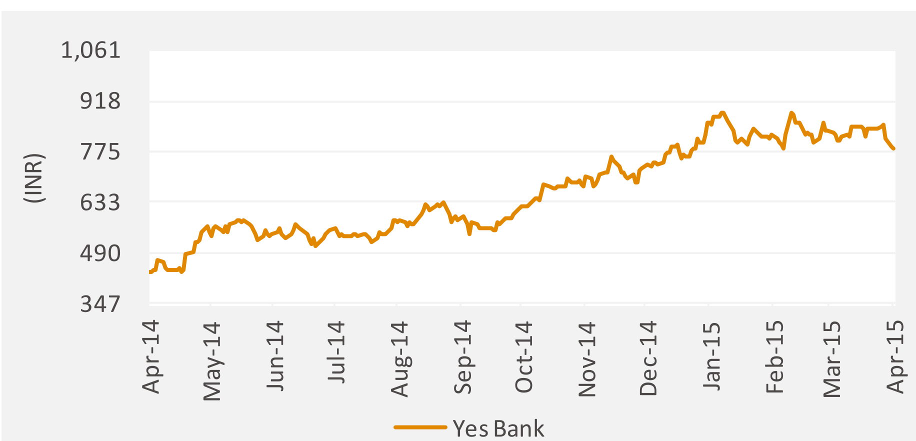
* stocks under review

	> 50bn	Between 10bn and 50 bn	< 10bn
Market Cap (INR)	151	54	3

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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