

YES BANK (Equity Research)

Major Industry-

Banking & Financial Services

Scrip name- **YESBANK**

52 wk H/L (₹) -388/ 240.9

Business Description...

Growth Story of the Banking Player:

YESBANK is a private sector bank operational since November '04 and is among the two banks approved by RBI in the last decade. The bank has reported strong growth since its inception and has increased its asset size to Rs 364bn in FY10. It has a network of 171 branches and a license to open another 73 branches as of Sept-10.

Current valuations are attractive given YESBANK's high growth profile coupled with healthy ROEs. YESBANK's weak liability franchise (CASA at 10%) continues to be an area of concern, especially as liquidity in the system remains tight. However, with more than 95% of its asset book being floating in nature and below one year in tenure, we believe that the impact on NIMs would be limited. This is especially true if credit growth remains strong, leading to higher pricing power in the system. Moreover, a rising proportion of SME credit will aid yields. Asset quality to remain healthy: YESBANK'S has a total exposure of Rs 4.5bn to MFIs; however, only 30% of this exposure is towards Andhra Pradesh-focused MFIs where the risk of default is high. As a result, we believe that exposure at risk is much lower than overall exposure. YESBANK's Current Deposit ratio came off significantly in Q2FY11 to 76% from 87% in Q1FY11 which provides way to increase the C/D ratio and protect NIMs. We also infer from our interaction with the management that 95% of the exposure in the telecom sector is towards established telecom players. Further, loans to newer players are backed by corporate guarantees. We are already incorporating higher credit costs in FY12 (50bps as against 35-40bps in FY10-FY11). We also note that YESB's profit growth and ROE remain robust and would be able to absorb some deterioration in asset quality. Recent underperformance a good entry-point—upgrade to BUY: We expect earnings growth to remain strong at a 33% CAGR through FY13, driven by robust loan growth, stable fee income growth and low credit costs. Valuations at 2.5x FY12E earnings and 13x FY12E BV are attractive given healthy ROEs of 20-22%; we thus upgrade the stock to BUY. Slow traction in CASA and sharp deterioration in asset quality remain key risks.

The Future Performance of the Stock is Phenomenal. The Growth rate of Banking Industry is expected to move upside with the Escalating Growth of the Economy.

TECHNICAL BUZZ...

*Banking Industry

Buy Price - ₹ 324-327

Target Price - ₹ 370

Return- 12 % appox.

Technically, stock prices are trading below 20 DMA while taking a stiff support of 50 DMA. The charts are showing an Intermediate trend. Weekly charts are showing an upsurge movement with the prices having a steep rise since last two weeks and retracement from last three trading sessions. Present prices are moving within 61.8% of its Fibonacci Fans. As per Fibonacci arcs, the recommended resistance is at ₹ **350** and second resistance is at ₹ **365**. Prices of the stock are showing volatility and retracement at present levels is expected till its first support. As per the technical charts, the supports near the current levels are at ₹ **327 & ₹ 312 levels**. 200 DMA of the prices is a long term support of the Stock. The standard Deviation of the stock is ₹ **12**. The Target price of the stock is expected to be at ₹ **370**. The prices of the stock are trailing above the Moving averages. As per data analysis of the Stock, the data moved till its resistance at ₹ **350** after surging from the near present levels. The first target of the prices shall be around **350** and the next is at **370 levels**. But, before achieving the second target, the prices are expected to take a turn northwards. Stock is considered to be a High Beta stock. Beta points are stating the volatility of the prices of the stock as compared to the Index. Prices of the stock are moving in its intermediate trend with stock trailing southwards. Traders Psychology in the stock is explaining a **trader's remorse** for a very small period of time (i.e. situation where a trader thinks a support or resistance price has been broken, and he/she buys/sells on the strength of the break, only to discover that the share price rebounds to its old level shortly afterwards). Since July the prices are moving to follow its earlier price ranges. Our view is to buy the stock for Long Term Investment for earning a return of **approx 12%**.

As the Stock Prices are surging since Feb 2010, the prices may plunge for very short period of time. Charts are strong enough to take an upside move within the Horizon of one month..

FUTURE PROSPECTS...

As a whole, analyzing the stock fundamentally, seeing its quarterly results and technically showing a bullish movement in the stocks. The stock prices are undervalued and are expected to move upwards. Currently stock is trading in intermediate levels of ₹ 325. The stock is expected to move at further levels. At present the prices are trailing at 28.6% Stock is maintaining its major support at ₹ 290 (@ 50 DMA) after that at ₹ 275. Next move for the stock is of surging at higher levels with minor retracements. Traders can take positions in the stock for Long or an Intermediate term for getting a return of approx 12 %.

P.S- There can be minor retracements in the stock due to Global cues or any Macro news. Technically, stock is expected to achieve its target within a month or so. Our technical team has taken all the data from the trusted sources of the company. The numbers are on approximate basis.

RASHMI SHARMA

Research Analyst

RAP RESEARCH TEAM