Brickwork for Informed Investment Decisions RATINGS

Draft Rating Rational

Brickwork Ratings reaffirms "BWR AA+" for Yes Bank Limited's Upper Tier II Bonds, Lower Tier II Bonds, Hybrid Tier I Bonds and IPDI issue

Issue Rating: BWR AA+ | **Outlook: Stable**

Brickwork Ratings has reaffirmed the rating of BWR AA+ (Pronounced BWR Double A+) with a stable outlook for the following ratings of Yes Bank:

Type of Instrument	Amount Rated (in crore)	Amount Raised By Bank	Assigned/ Reaffirmed	Rating History
IPDI	230	225	Reaffirmed	BWR AA+ (Stable) August 2011
Upper Tier II Bonds	450	440	Reaffirmed	BWR AA+ (Stable) June 2011
Hybrid Tier I	90	82	Reaffirmed	BWR AA+ (Stable) June 2011
Lower Tier II	260	260	Reaffirmed	BWR AA+ (Stable) June 2011
Lower Tier II	300	300	Reaffirmed	BWR AA+ (Stable) June 2011

The rating 'BWR AA+' stands for an instrument that is considered to have HIGH degree of safety regarding timely serving of financial obligations. Such instruments carry very low credit risk. The rating has been reaffirmed taking into account the financial performance of the bank and other publicly available information.

The rating factors inter aila strong capitalization levels, satisfactory operating performance, lowest non-performing assets amongst peers and technological superiority of bank as compared to its peers; however, rating is constrained by lack of seasonality as the portfolio has grown aggressively in past few years, weak liability profile with low CASA ratio, and current economic scenario which may be unfavorable to corporate focused banks.

The total business of Yes Bank grew by 9% from Rs 80303 Cr to Rs 87141 Cr in FY 12 while in FY 11 it grew by 63.91%. The, bank's advances grew by 11% as compared to FY 11 growth of 54.84%, similarly deposits grew by 7% as compared to FY 11 growth of 71.43%. The low growth in advances was substituted by growth in Credit substitute's i.e investment in corporate bonds, CP's etc. These credit substitutes were largely in AA rating category and as per bank inclusive of these credit substitutes their customer assets (loans + credit substitutes) grew 20%.

On absolute basis, CASA deposits grew by 55.6% to Rs 7,392.1 crore taking the CASA ratio to 15.0% as at March 31, 2012 up from 10.3% as at March 31, 2011 on account of an increasing branch franchise, higher savings rate offerings & increase in productivity. In FY12, bank added 142 branches as against 64 in FY11, taking total branch network to 356. Bank has given guidance of 30% CASA ratio by FY15 with guidance for overall branch network to be at 900 branches

For FY12, the bank's interest income grew by 56% from Rs 4041.74 Cr in FY11 to Rs 6307.36 Cr in FY12. The interest expense grew by 68% from Rs 2794.8 Cr in FY11 to Rs 4691.7 Cr in FY12. This resulted in operating profit growth of 29%, from Rs 1190.4 Cr to Rs 1540.2 Cr. However, due to comparatively less provisions, profit after tax grew from Rs 727.13 Cr to Rs 977 Cr representing a growth of 34%. The cost to income ratio was seen at 37.7% for FY12 as against 36.3% for FY11. The Net interest margins (NIM) were almost flat YoY, from 2.9% in FY11 to 2.8% in FY12. Similarly Return on Assets (RoA) was flat at 1.5% for FY12 and FY11.

As on March 2012, the bank has reported a capital adequacy ratio of 17.9% as against CRAR of 16.50% for FY11. Of this Tier I capital adequacy ratio stood at 9.9%, while Tier II was at 8%. Bank also raised a Rs 150 crore by way of Tier I perpetual bonds, US $ 75 Million by way of Upper Tier II capital and Rs 864.5 crore by way of Lower Tier II subordinated bonds during the FY 12.

Bank reported Gross NPA ratio of 0.22% and Net NPA ratio of 0.05% for FY12 as against 0.23% and 0.03% respectively for FY11. Bank reported provision coverage ratio of 79.2% for FY12 as against 88.6% for FY11. Bank faces liquidity deficit in short term buckets i.e from 1 day upto 1 year. Bank is largely funded with term deposits, with average maturity for most deposits as less than year and average maturity of advances as close to two years.

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Annexure I – Profit & Loss Statement

Yes bank				**(Rs Cr)**
	2009	**2010**	**2011**	**2012**
Interest Income	2,003	2,370	4,042	6,307
Interest Expended	1,492	1,582	2,795	4,692
Net Interest Income	**511**	**788**	**1,247**	**1,616**
Change (%)	*54.6*	*54.1*	*58.2*	*29.6*
Other Income	435	576	623	857
Net Income	**946**	**1,363**	**1,870**	**2,473**
Change (%)	*36.9*	*44.1*	*37.2*	*32.2*
Operating Expenses	419	500	680	933
Operating Income	**528**	**863**	**1,190**	**1,540**
Change (%)	*50.7*	*63.6*	*37.9*	*29.4*
Other Provisions	62	137	98	90
PBT	**466**	**726**	**1,092**	**1,450**
Tax	162	249	365	473
Tax Rate %	*35*	*34*	*33*	*33*
PAT	**304**	**478**	**727**	**977**
Change (%)	*51.9*	*57.2*	*52.2*	*34.4*

Annexure II – Balance Sheet

BALANCE SHEET				
Y/E MARCH	**2009**	**2010**	**2011**	**2012**
Capital	297	340	347	353
Reserves & Surplus	1,327	2,750	3,447	4,324
Net Worth	**1,624**	**3,090**	**3,794**	**4,677**
Deposits	**16,169**	**26,799**	**45,939**	**49,152**
Change (%)	*21.8*	*65.7*	*71.4*	*7.0*
CASA Deposits	**1,412**	**2,818**	**4,751**	**7,392**
Borrowings	2,189	4,749	6,691	14,156
Other Liab & Provisions	2,918	1,745	2,583	5,677
Total Liabilities	**22,901**	**36,383**	**59,007**	**73,662**
Current Assets	1,923	2,673	3,496	3,586
Investments	**7,117**	**10,210**	**18,829**	**27,757**
Change (%)	*39.7*	*43.5*	*84.4*	*47.4*
Loans	**12,403**	**22,193**	**34,364**	**37,989**
Change (%)	*31.5*	*78.9*	*54.8*	*10.5*
Net Fixed Assets	131	115	132	177
Other Assets	1,327	1,191	2,186	4,153
Total Assets	**22,901**	**36,383**	**59,007**	**73,662**