

## Yes Bank 3-Year Lock-in Period Coming to an end

**About the stock:** Yes Bank is a private sector bank in India with a balance sheet size of ₹ 3.4 lakh crore as on December 2022.

- The bank has a footprint of 1145 branches across India
- Retail and SME comprise ~57% of total net advances

### Key Highlights:

- As a part of RBI's Reconstruction Scheme 2020, State Bank of India initially infused capital of ₹6050 crore for a ~48% stake in Yes Bank. Under this scheme, the minimum price was ₹10 per share and **it also contained a lock-in period of 3 years till March 2023 for all investors where-in no one can sell old shares in secondary market for 3 years.** Additionally, under this scheme State Bank of India must hold at least 26% until March 2023.
- State Bank of India's original ~48% stake has reduced to ~26% as of December 2022 due to fund raising dilutions over time
- We expect Yes Bank share prices to remain volatile as the lock-in (prohibiting shares sale) ends tentatively in a week's time by 13th March 2023 as cash transfer happened on 14<sup>th</sup> March 2020.**

**Views-** Yes Bank has witnessed a gradual improvement in business growth as well as asset quality in last 6 quarters. Recently, the bank has concluded sale of stressed assets to JC Flower which has led to substantial reduction in GNPA to 2%. Going ahead, the bank is poised to pedal higher advance growth (driven by granular retail assets) as it concluded ₹8900 crore of capital raise from Carlyle and Advent. Focus on growth along with margin improvement may enable the bank to improve its RoA to guidance of ~0.9-1% in FY25. However, given Security Receipt (SR) of ₹3770 crore (from sale of stressed assets of face value of ₹6800 crore) and ageing on the same, earnings could remain volatile on quarterly basis.

The stock is currently trading at ~1.3x FY23 ABV, which seems to factor in recent development along with guidance of improvement in RoA

### Key triggers for future price performance:

- Near term risk include decision to write-down AT-1 bonds being challenged in Court which is stayed currently and supply overhang post expiry of stock lock-in around Mar'23.
- Consistent with controlled asset quality holds key for stock

**Alternate Stock Idea:** In our coverage we also like HDFC Bank.

- HDFC Bank is a leading private sector bank with consistent growth, operational performance and has maintained superior return ratios
- The bank has announced merger with HDFC Ltd and is likely to completed soon
- BUY with a target price of ₹ 1920

### Key Financial Summary

₹Crore	FY19	FY20	FY21	FY22	4 year CAGR (FY19-22)	9mFY23
NII	9809.0	6805.2	7428.6	6497.9	-10%	5812.3
PPP	8134.9	11932.5	4977.3	2916.0	-23%	2293.9
PAT	1720.3	-16418.0	-3462.2	1066.3		515.0
ABV (₹)	102.0	12.0	10.0	11.0		13.0
P/E	28.4	(3.0)	(14.1)	45.8		71.1
P/ABV	0.2	1.4	1.7	1.5		1.3
RoA	0.5	(5.1)	(1.3)	0.4		0.3
RoE	6.5	(67.5)	(12.6)	3.2		2.6

P/E,RoA & RoE annualised for FY23

Source: Company, ICICI Direct Research



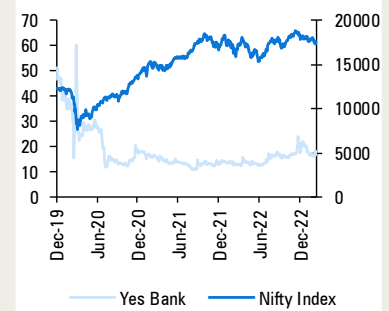
### Particulars

Particular	Amount
Market Capitalisation	₹ 48480 crore
52 week H/L	25/12
Net Worth (₹ crore)	₹ 40125 crore
Face value	₹ 2

### Shareholding pattern

(in %)	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	0.0	0.0	0.0	0.0	0.0
FII	8.2	11.0	11.4	12	23
DII	45.6	44.0	43.9	43.9	38.2
Others	46.3	45.0	44.7	43.9	38.5

### Price Chart



### Recent event & key risks

- Yes Bank raised 8900 Cr capital from Carlyle Group and Advent International
- Key Risk:** 1) Decision to write-down AT-1 bonds being challenged in Court

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