

Details of the Issue

Price Band	₹ 12 - ₹ 13
Issue Size	₹15,000 cr
Opening Date	Jul 15, 2020
Closing Date	Jul 17, 2019
Face Value	₹2
Bid Lot	1,000
Listing on	BSE, NSE

Objects of the Issue

The objects of the Offer are to

- (i) Ensuring adequate capital to support growth and expansion, including enhancing the Bank's solvency and capital adequacy ratio
- (ii) General corporate purposes

Lead Managers

Axis Capital, Kotak Mahindra Capital, SBI Capital Markets, Citigroup Global, DSP ML, HSBC Securities, ICICI Securities, Yes Securities

Registrar

KFIn Technologies Pvt. Ltd.

Investment Details

No. of shares at cut-off	15,000
Max. Amount to be paid (₹)	1,95,000

Source: RHP, GEPL Capital Research

Company Background

On March 5, 2020, the Central Government, based on the RBI's application, imposed a moratorium effective from March 5, 2020 up to and inclusive of April 3, 2020. The RBI superseded the board of directors of the Bank on March 5, 2020. Subsequently, on March 6, 2020, the RBI proposed a draft reconstruction scheme. Further on March 13, 2020, the Government of India notified the Yes Bank Ltd Reconstruction Scheme 2020 ("Reconstruction Scheme"). Among other things, the Reconstruction Scheme provided for cessation of the imposed moratorium with effect from March 18, 2020. The Board was reconstituted with 8 eminent professionals. Since the implementation of the Reconstruction Scheme, they have formulated new strategic objectives which aim at augmenting deposit base and liquidity buffers, optimizing operating costs, building stronger governance and underwriting framework and focusing on stressed assets resolution over the next 6 to 12 months.

State Bank of India and other investors in the Scheme, including HDFC, ICICI Bank, Axis Bank, Kotak Mahindra Bank, The Federal Bank, Bandhan Bank and IDFC First Bank invested an amount aggregating to ₹ 10,000 crore in the Bank.

The Bank has a network of 1,135 branches and 1,423 ATMs. Its' extensive network of branches include 250 hub branches, 850 spoke branches, and with approximately 85% of their branches with more than 3 years vintage.

Competitive Strengths

- Simplified organisation structure backed by marquee institutions and experienced leadership team
- Differentiated technology platform leading to digital leadership
- Well-established granular banking platform with a strong focus on retail and SME advances
- Diverse and scalable revenue streams
- Strong governance and underwriting framework
- Knowledge - based approach to banking enabling cross -selling
- Wide Pan India Presence
- Award winning quality of service with customer centric approach

Financial Snapshot

Particulars (₹ cr)	FY20	FY19	FY18
Share Capital	2,510	463	461
Reserves	19,184	26,424	25,291
Deposits	105,311.17	227,557.90	200,688.60
Gross NPA (%)	16.80%	3.22%	1.28%
EPS	-56.11	7.40	18.46
RONW (%)	-81.94%	6.49%	17.72%

Valuation & Recommendation

Yes Bank's capital raise augments its CET-1 ratio to 9.9% from 6.3%, which can further give positive outlook to credit fundamentals. An improvement in provision coverage to 74% (comparable to other private banks) indicates that the legacy stress in assets has been well provided for. The offer is priced at a discount to its book value priced at ~0.7 x its book value as on Mar FY20, which captures the lockdown induced stress risk on collections, and existing loans.

We assign a Subscribe rating to the FPO.

Source: RHP, GEPL Capital Research