



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Avinash Tanawade (022) 67141449

Result update@ Dalal & Broacha

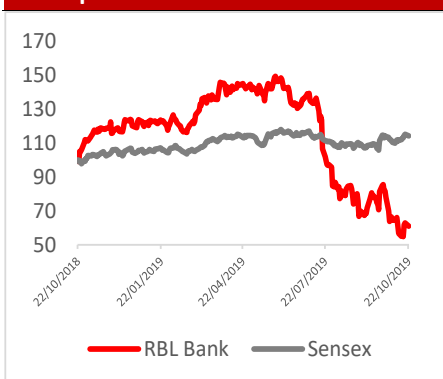
SELL

Current Price (Rs)	259
52 Week Range	230/717
Target Price (Rs)	234
Upside (%)	-9%

Key Share Data

Market Cap (Rs.bn)	113.36
Market Cap (US\$ mn)	1596.61
No of o/s shares (Cr)	42.8
Face Value	10
BSE Code	540065
NSE Code	RBLBANK
Bloomberg	RBK:IN

Price performance



% Shareholding	Sep-19	Jun-19
FII	21.91	22.1
DII	21.60	21.8
Others	56.49	56.1
Total	100	100

RBL Bank has reported net profit Rs 0.54 Bn, down by 73% YoY/ 80% QoQ, for the quarter ended September 30, 2019, mainly due to increased provision of Rs 5.3 Bn (+282% YoY/ 150% QoQ). while Bank's operating performance was strong (NII +46% YoY/+6% QoQ & PPOP +42% YoY/3% QoQ), its asset quality deteriorated significantly during the quarter, with rise (QoQ) in gross NPA's by 123 bps and net NPA's by 91 bps at 2.6% and 1.56% respectively.

Sharp increase in stress pool

Bank disclosed stressed pool of Rs 18b (earlier maintained at Rs 9-10b), which includes four groups (East based group, diversified media group, south based coffee group and west based plastics group plus a buffer). Out of this stressed pool, around Rs 8b has slipped during the quarter, while the remaining would be recognized in coming quarters. SMA 1 for Bank is 0.45% and SMA2 is 0.39% of total Standard Advances as of September 30, 2019. Out of which, net of stressed names SMA 1 is 0.15% and SMA 2 is 0.17%. In absolute terms, GNPA's increased by 104% QoQ to Rs 15.4 Bn, while fresh slippages increased sequential to Rs 13.8 Bn Vs Rs 2.25 Bn in Q2FY20 (mainly came from wholesale segment). Bank's PCR deteriorated by 1218 bps sequentially to 40.7% in Q2FY20. Besides, mix of BB & below book has also increased to 9.8% from 7.0% in Q1 FY20.

Strong credit growth at 27% YoY

Bank has reported a strong credit growth of 27 % YoY/3% QoQ, which was largely contributed by Retail and DB & FI segment, which grew by 62% YoY and 24% YoY respectively. Amongst retail loans, Credit cards (2.2x YoY) and LAP (+61% YoY) grew at a faster rate. In DB&FI segment, MSME (+52% YoY) and Micro-banking (+31% YoY) grew at a faster rate, while IFI de-grew by 6% YoY. We have factored in a 27% overall loan CAGR over FY19-21E.

On the liability side, Bank's deposit book grew by 45% YoY/14% QoQ in Q2FY20, with CASA growth of 42% YoY/6% QoQ taking CASA ratio at 26.5%. We believe RBL will continue to mobilize deposits at a faster pace given the differential rates, expansion into new geographies and improvement in productivity of existing branches. During the quarter, NIM improved by 27 bps YoY to 4.35%, which was the result of better Yield on Advances (up 10 bps QoQ) & Change in loan mix towards Non-wholesale book (contributing 48% of total loan in Q2FY20 Vs 46% in Q1FY20).

Outlook & Valuation

We expect credit cost to be elevated in the near future due to sharp deterioration in asset quality caused by higher slippages and increasing stress book. Key things to watch out for is the expected capital raising in H2FY20, if done; it can provide some relief to the stock. At CMP the stock trades at 1.6x its FY20E ABV and 1.3x its FY21E ABV. We value RBL Bank at 1.2x of FY21E ABV and downgrade to **SELL** from **BUY** earlier with a revised target price of Rs 234.

Key Financials (Rs Mn)

Year	NII	Growth (%)	PPOP	Growth (%)	PAT	Growth (%)	ABVPS	PB (X)
FY19	25395	44	19380	46	8651	36	168	1.6
FY20E	34408	35	25886	34	7827	(10)	162	1.6
FY21E	45402	32	33669	30	14206	81	195	1.3



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Financials (Rs Bn)	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	YoY	QoQ	Q2FY20
Interest Earned	12.2	13.6	14.6	16.4	18.3	20.2	45%	5%	21.3
Interest Expended	7.2	8.1	8.7	9.8	11.0	12.1	44%	4%	12.6
NII	5.0	5.5	5.9	6.6	7.4	8.2	46%	6%	8.7
Other Income	3.1	3.3	3.3	3.7	4.1	4.8	33%	-8%	4.4
Total Income	15.3	16.9	18.0	20.1	22.4	25.0	43%	3%	25.7
Operating expenses	4.3	4.5	4.8	5.3	5.9	6.8	41%	-1%	6.7
PPoP	3.8	4.3	4.5	5.0	5.6	6.2	42%	3%	6.4
Provisions	1.1	1.4	1.4	1.6	2.0	2.1	282%	150%	5.3
Profit Before Tax	2.7	2.9	3.1	3.4	3.6	4.1	-67%	-75%	1.0
Tax	0.9	1.0	1.0	1.1	1.1	1.4	-54%	-65%	0.5
Net Profit	1.8	1.9	2.0	2.3	2.5	2.7	-73%	-80%	0.5
Balance sheet									
Net-worth	67	69	70	73	75	78	11%	0%	78
Deposits	439	450	478	522	584	608	31%	3%	628
Advances	403	422	459	499	543	568	27%	3%	585
Total assets	619	626	672	722	804	840	31%	4%	877
Asset Quality									
GNPA (%)	1.40	1.40	1.40	1.39	1.38	1.38	121 bps	123 bps	2.60
NNPA (%)	0.78	0.75	0.74	0.72	0.69	0.65	82 bps	91 bps	1.56
PCR (%)	45	47	48	49	51	53	(678 bps)	(1218 bps)	41



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P&L (Rs Bn)	FY18	FY19	FY20E	FY21E
Interest Earned	45	63	82	105
Interest Expended	27	38	47	60
NII	18	25	34	45
Other Income	11	14	18	23
Net Income	28	40	53	69
Operating expenses	15	20	27	35
PPoP	13	19	26	34
Provisions	4	6	15	15
Profit Before Tax	10	13	11	19
Tax	3	4	4	5
Net Profit	6	9	8	14

Balance sheet (Rs Bn)	FY18	FY19	FY20E	FY21E
Equity	4	4	4	4
Reserves	63	71	77	90
Deposits	439	584	748	950
Borrowings	93	118	137	159
Other liabilities	20	26	45	62
Total liabilities	619	804	1012	1266
Cash & Bank	43	66	104	122
Investments	154	168	195	228
Advances	403	543	684	883
Fixed Assets	3	4	5	7
Other Assets	15	22	23	27
Total Assets	619	804	1012	1266

Ratios (%)	FY18	FY19	FY20E	FY21E
Growth				
NII	45	44	35	32
PPOP	45	46	34	30
PAT	42	36	-10	81
Advances	37	35	26	29
Deposits	27	33	28	27
Returns				
ROA	1.1	1.2	0.9	1.2
ROE	12	12	10	16

Ratios (%)	FY18	FY19	FY20E	FY21E
Asset Quality				
GNPA	1.4	1.4	3.0	2.2
NNPA	0.8	0.7	1.8	1.2
PCR	45	51	40	45
Per Share (Rs)				
EPS	15	20	18	33
ABVPS	152	168	162	195
P/E	17	13	14	8
P/ABVPS	1.7	1.6	1.6	1.3



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Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms.Charulata Gaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Ms. Abhilasha Satale	abhilasha.satale@dalal-broacha.com	022 67141439	Midcaps
Mr. Mayank Babla	Mayank.babla@dalal-broacha.com	022 67141412	I.T.
Mr. Avinash Tanawade	avinash.tanawade@dalal-broacha.com	022 67141449	BFSI
Mr. Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate
Ms. Nidhi Babaria	Nidhi.babaria@dalal-broacha.com	022 67141450	Associate
Mr. Tanush Mehta	tanush.mehta@dalal-broacha.com	022 67141432	Associate

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021
Tel: 91-22- 2282 2992, 2287 6173, (D) 6630 8667 Fax: 91-22-2287 0092
E-mail: research@dalalbroachaindia.com, equity.research@dalal-broacha.com