



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Result update@ Dalal & Broacha

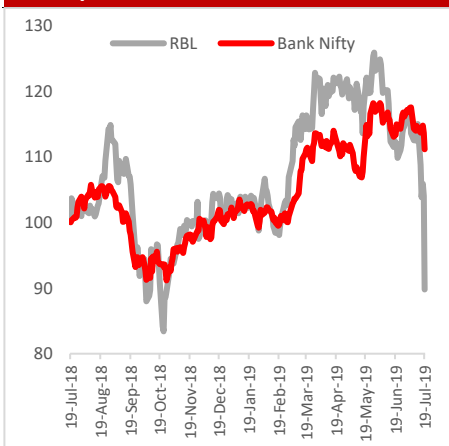
ACCUMULATE

Current Price (Rs)	467
52 Week Range	716/439
Target Price (Rs)	551
Upside (%)	18

Key Share Data

Market Cap (Rs.bn)	200
Market Cap (US\$ mn)	2898
No of o/s shares (Cr)	42.8
Face Value	10
BSE Code	540065
NSE Code	RBLBANK
Bloomberg	RBK:IN

Price performance



% Shareholding	Jun-19	Mar-19
FII	22.1	22.2
DII	21.8	21.4
Others	56.1	56.4
Total	100	100

RBL bank has reported a strong set of numbers for the Q1FY20, though management raised a concern about some of its corporate exposure, which might slip into the stressed asset category in coming quarters. According to management, Bank's credit cost may go up by 35 to 40 bps in FY20, while gross NPA level could rise to anything between 2% to 2.5%. However, the management did clarify that they are not seeing any concern about perceived sectors, including real estate, construction, infra, renewal energy, etc.

Banking business comes with an inherent risk, avoiding all those risks in today's rapidly changing economic environment might not possible, but RBL bank's disclosure about future stress assets (even before the account turns into SMA one) and its near-term implication is a good practice. We believe that going ahead financial performance of RBL bank will remain challenging over the next two to three quarters, but its long-term prospects look promising, given the improvement in CASA ratio, increasing the share of retail loan book and substantial expansion of margin. **We maintain BUY rating on the stock but reduce target price to Rs 551 (from Rs 719 earlier).**

Strong credit growth at 35% YoY

Bank has reported a strong credit growth of 35% YoY/5% QoQ, which was largely contributed by Retail and DB & FI segment, which grew by 62% YoY and 32% YoY respectively. Amongst retail loans, Credit cards (2.3x YoY) and LAP (+60% YoY) grew at a faster rate. However, retail agri loan growth was almost flat as Bank remain cautious in this portfolio. In DB&FI segment, MSME (+65% YoY) and Micro-banking (+34% YoY) grew at a faster rate, while IFI growth was comparatively slower (+13% YoY). We have factored in a 33% overall loan CAGR over FY19-21E, a conservative stance. On the liability side, Bank's deposit book grew by 35% YoY/4% QoQ in Q1FY20, with CASA growth of 43% YoY/8% QoQ taking CASA ratio at 25.8%. 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.

Healthy growth in operating profit

Bank's operating profit grew by 43% YoY and 11% QoQ to Rs 619 Cr in Q1FY20, supported by strong growth in NII and healthy traction in other income. NII grew by 48% YoY/ 11% QoQ to Rs 817 Cr, while NIM improved by 27 bps YoY to 4.31%, which was the result of better Yield on Advances (up 20 bps QoQ) & Change in loan mix towards Non-wholesale book (contributing 46% of total loan in Q1FY20 Vs 43% in Q4FY19). However, the cost-to-income ratio remains elevated at 52.3% in Q1FY20 as compared to 51.2% in Q4FY19

Asset quality remains stable in Q1FY20

Bank's Asset quality during the quarter remains stable, with the net stressed book at ~71 bps (down by 2 bps QoQ). GNPA stood at 1.38% (flat QoQ), while NNPA stood at 0.65% (down from 0.69% in Q4 FY19). In absolute terms, GNPA's increased by 5% QoQ to Rs 789 Cr. Provisions for bad loans stood at 213 Cr, which grew by 7% from Rs 200 Cr in Q4FY19. Fresh slippages increased sequential to Rs 2.25 Bn Vs Rs 2.06 Bn in Q4FY19 (mainly came from non- wholesale segment). Bank's PCR improved by 332 bps sequentially to 53.9% in Q1FY20.

Key Financials

Year	NII	Growth (%)	PPOP	Growth (%)	PAT	Growth (%)	BVPS	PB (X)	ROA
FY19	2539	44	1940	46	867	37	177	2.6	1.2
FY20E	3504	38	2628	35	997	15	196	2.4	1.1
FY21E	4742	35	3472	32	1388	39	224	2.1	1.2



Financials (Rs Bn)	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	YoY	QoQ	Q1FY20
Interest Earned	11.5	12.2	13.6	14.6	16.4	18.3	48.3%	10.3%	20.2
Interest Expended	6.8	7.2	8.1	8.7	9.8	11.0	48.5%	10.0%	12.1
NII	4.7	5.0	5.5	5.9	6.6	7.4	47.9%	10.6%	8.2
Other Income	2.6	3.1	3.3	3.3	3.7	4.1	47.6%	17.6%	4.8
Total Income	14.1	15.3	16.9	18.0	20.1	22.4	48.1%	11.6%	25.0
Operating expenses	3.9	4.3	4.5	4.8	5.3	5.9	52.3%	15.6%	6.8
PPoP	3.3	3.8	4.3	4.5	5.0	5.6	43.1%	10.5%	6.2
Provisions	0.8	1.1	1.4	1.4	1.6	2.0	51.9%	6.6%	2.1
Profit Before Tax	2.5	2.7	2.9	3.1	3.4	3.6	38.9%	12.7%	4.1
Tax	0.9	0.9	1.0	1.0	1.1	1.1	36.0%	22.8%	1.4
Net Profit	1.7	1.8	1.9	2.0	2.3	2.5	40.5%	8.0%	2.7
Balance sheet									
Net-worth	65	67	69	70	73	75	17%	8%	78
Deposits	386	439	450	478	522	584	39%	17%	608
Advances	369	403	422	459	499	543	41%	14%	568
Total assets	554	619	626	672	722	804	36%	16%	840
Asset Quality									
GNPA (%)	1.56	1.40	1.40	1.40	1.39	1.38	(2 bps)	-	1.38
NNPA (%)	0.97	0.78	0.75	0.74	0.72	0.69	(9 bps)	(3 bps)	0.65
PCR (%)	38	45	47	48	49	51	691 bps	332 bps	54
Capital adequacy									
Tier 1 Capital	14.1	13.6	13.1	12.5	12.5	12.1	(181 bps)	(77 bps)	11.3
Tier 2 Capital	1.8	1.7	1.4	1.3	1.3	1.4	(33 bps)	(27 bps)	1.1
CRAR	15.9	15.3	14.6	13.7	13.8	13.5	(215 bps)	(105 bps)	12.4
RWA/Total Assets	81.9	77.7	81.9	83.2	78.1	74.2	(365 bps)	404 bps	78.2



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P&L (Rs Bn)	FY18	FY19	FY20E	FY21E
Interest Earned	45	63	83	109
Interest Expended	27	38	48	61
NII	18	25	35	47
Other Income	11	14	19	24
Net Income	28	40	54	71
Operating expenses	15	20	27	36
PPoP	13	19	26	35
Provisions	4	6	11	13
Profit Before Tax	10	13	15	21
Tax	3	4	5	7
Net Profit	6	9	10	14

Ratios (%)	FY18	FY19	FY20E	FY21E
Growth				
NII	45	44	38	35
PPOP	45	46	35	32
PAT	42	37	15	39
Advances	37	35	29	30
Deposits	27	33	30	28
Returns				
ROA	1.1	1.2	1.1	1.2
ROE	12	12	13	15

Balance sheet (Rs Bn)	FY18	FY19	FY20E	FY21E
Equity	4	4	4	4
Reserves	63	71	80	91
Deposits	439	584	756	971
Borrowings	93	118	137	159
Other liabilities	20	26	41	58
Total liabilities	619	804	1019	1284
Cash & Bank	43	66	93	110
Investments	154	168	197	232
Advances	403	543	700	908
Fixed Assets	3	4	5	7
Other Assets	15	22	23	28
Total Assets	619	804	1019	1284

Ratios (%)	FY18	FY19	FY20E	FY21E
Asset Quality				
GNPA	1.4	1.4	2.4	1.9
NNPA	0.8	0.7	1.1	0.9
PCR	45	51	53	51
Per Share (Rs)				
EPS	15	20	23	32
ABVPS	152	168	177	204
P/E	31	23	20	14
P/ABVPS	3.1	2.8	2.6	2.3



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