



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

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## Result update@ Dalal & Broacha

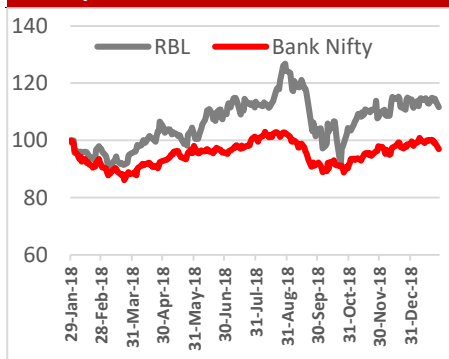
### ACCUMULATE

Current Price	563
52 Week Range	652/438

### Key Share Data

Market Cap (Rs.bn)	239.68
Market Cap (US\$ mn)	3371
No of o/s shares (Cr)	42.54
Face Value	10
Monthly Avg. vol (BSE+NSE) Nos'000	852.10
BSE Code	540065
NSE Code	RBLBANK
Bloomberg	RBK:IN

### Price performance



% Shareholding	Dec-18	Sep-18
FII	15.9	17.6
DII	24.5	20.7
Others	59.5	61.8
Total	100	100

**RBL bank has reported strong set of numbers for the quarter ended December 31, 2018.** Bank's net profit grew by 36% YoY/10% QoQ at Rs 225 Cr, supported by better margins & higher other income. NII grew by 40% YoY/ 10% QoQ to Rs 655 Cr, while NIM improved by 23 bps YoY & 4 Bps QoQ to 4.12%. The margin was supported by better Yield on Advances (up 25bps QoQ) & Change loan mix towards Non-wholesale book (contributing 43% of total loan in Q3FY19 Vs 41% in Q2FY19). Management is focusing on generating higher fees income; which was clearly visible from healthy growth core fee income (up by 50% YoY/ 6% QoQ). Large part of Fee income was generated by card business and management expect this trend to continue in the future (as most of its cards having annual fees). Bank don't expect any divergence for FY18 and has no meaningful exposure to IL&FS.

**Strong loan Growth:** Bank has registered a robust credit growth of 35% YoY, which was largely contributed by Retail and DB & FI segment, which grew by 56% and 42% respectively. In Retail business, LAP (up 49% YoY to Rs 5,659 Cr) & Credit Cards business (up 156% YoY to Rs 4,496 Cr) showed highest growth. LAP business continue to remain stable in terms of delinquencies with GNPA at 0.7%, (remain around the same level for last one year). This was mainly because of better business model adapted by bank, where loan is not given solely based on property or collateral. Bank also evaluates cash-flow and is selective on target segment & choice of collateral (97% of collateral is Self-Occupied). In case of Credit card business, festival season gave a boost to new card acquisition & bank added around 2.9 lakhs new cards during the quarter. Currently, Bank is adding around 1 lakh cards each year and is targeting around 1.7 to 1.8 million cards by the end of FY19. Card typically break even in 16-18 months. On the liability side, Bank's deposit grew by 35% in Q3FY19, with CASA growth of 38% YoY taking CASA ratio at 24.6%.

**Asset quality remains stable:** bank's asset quality was largely stable with the net stressed book at ~81bps (flat QoQ). GNPA stood at 1.38% (down from 1.40% in Q2 FY19), while NNPA stood at 0.72% (down from 0.74% in Q2 FY19). Although fresh slippages increased sequential to Rs 211 Cr Vs Rs 142 Cr in Q2FY19 (mainly came from non-wholesale segment); but it remain well within management comfort level. Bank's PCR has improved by 177 bps sequentially to 63.22%, and management plan to increase it further upto 65%. Bank is seeing some stress in Retail Agri portfolio due to general talk of farm loan waivers and poor farm gate prices. Accordingly, bank is keeping cautious approach on the same and contain this portfolio around 3% of total loan book (it is down 1% YoY to Rs 1,562 Cr in Q3).

**Aggressive branch expiation:** Bank has added 20 branches and 56 business correspondence branches in this quarter, taking total tally to around 288 branches and 956 BC branches (of which 221 accounted as banking outlets). Bank is planning to add around 60 to 70 branches in FY20, mainly in metro and urban areas. This Branch expansion will lead to sustained accretion in CASA.

### Key Financials

Year	NII	Growth (%)	PPOP	Growth (%)	PAT	Growth (%)	BVPS	PB (X)	ROA
FY16	819	47	542	51	292	41	92	6.1	0.9
FY17	1221	49	920	70	446	53	116	4.9	1.0
FY18	1766	45	1331	45	635	42	159	3.5	1.1
FY19E	2444	38	1857	40	842	33	174	3.2	1.2
FY20E	3235	32	2415	30	1176	40	198	2.8	1.4



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<b>Financials (Rs Cr)</b>	<b>Q3 FY19</b>	<b>YoY (%)</b>	<b>QoQ (%)</b>	<b>Q2 FY19</b>	<b>Q1 FY19</b>	<b>Q4 FY18</b>	<b>Q3 FY18</b>	<b>Q2 FY18</b>	<b>Q1 FY18</b>
Interest Earned	1,639	42	12	1463	1364	1223	1151	1091	1043
Interest Expended	984	44	13	870	812	722	684	671	664
<b>NII</b>	<b>655</b>	<b>40</b>	<b>10</b>	<b>593</b>	<b>553</b>	<b>500</b>	<b>467</b>	<b>420</b>	<b>378</b>
Other Income	374	45	12	333	326	312	258	241	257
<b>Total Income</b>	<b>2,013</b>	<b>43</b>	<b>12</b>	<b>1797</b>	<b>1690</b>	<b>1535</b>	<b>1409</b>	<b>1332</b>	<b>1300</b>
Operating Expenses	531	35	11	477	446	429	392	358	324
-Employees Exp	164	14	9	151	153	131	144	144	133
-Other Operating Exp	367	48	12	326	293	299	248	215	191
<b>PPoP (Operating Profit before Prov)</b>	<b>498</b>	<b>49</b>	<b>11</b>	<b>449</b>	<b>432</b>	<b>383</b>	<b>333</b>	<b>303</b>	<b>311</b>
Provisions and Contingencies	161	95	15	140	140	113	82	75	94
<b>PBT</b>	<b>338</b>	<b>35</b>	<b>9</b>	<b>309</b>	<b>292</b>	<b>270</b>	<b>251</b>	<b>228</b>	<b>217</b>
Tax	113	31	7	105	102	92	86	78	76
<b>PAT (Net Profit)</b>	<b>225</b>	<b>36</b>	<b>10</b>	<b>205</b>	<b>190</b>	<b>178</b>	<b>165</b>	<b>151</b>	<b>141</b>
<b>Earnings Ratios</b>									
NIM (%)	4.12	23 bps	4 bps	4.08	4.04	3.98	3.89	3.74	3.54
ROA (%)	1.27	5 bps	1 bps	1.26	1.26	1.25	1.22	1.19	1.19
ROE (%)	12.38	217 bps	80 bps	11.58	11.16	10.9	10.21	10.49	12.68
<b>Efficiency Ratios</b>									
GNPA (%)	1.38	(18 bps)	(2 bps)	1.40	1.40	1.40	1.56	1.44	1.46
NNPA (%)	0.72	(25 bps)	(2 bps)	0.74	0.75	0.78	0.97	0.78	0.81
PCR (%)	63.2	1068 bps	(177 bps)	61.5	60.4	57.6	52.5	58.3	58.0
C/I ratio (%)	51.6	(248 bps)	(5 bps)	51.5	50.8	52.8	54.0	54.2	51.0
CASA (%)	24.6	54 bps	(6 bps)	24.5	24.4	24.3	24.0	23.7	22.1
Wholesale (%)	57	(449 bps)	(207 bps)	59	59	59	62	61	61
Non-Wholesale (%)	43	(449 bps)	(207 bps)	41	41	41	38	39	39
<b>Other Ratios</b>									
Yield on Advances	11.2	80 bps	30 bps	10.9	10.8	10.5	10.4	10.6	10.6
Cost of deposits	6.8	60 bps	40 bps	6.4	6.4	6.2	6.2	6.4	6.7
Cost of Funds	6.6	20 bps	(10 bps)	6.7	6.6	6.5	6.4	6.6	6.5

## Outlook & Valuation

We believe that the bank is consistently performing well on almost all parameters with higher traction in CASA at 24.6%, strong loan growth coupled with relatively stable asset quality. At CMP the stock trades at 3.4x its FY19E ABV & 3.0 x its FY20E ABV. We maintain our BUY rating on the stock with P/ABV multiple of 3.4 x on FY20E adj.book value to arrive target price to Rs 639 per share.



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### RBL Bank

<b>P&amp;L (Rs Cr)</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>Balance sheet (Rs Cr)</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>
Interest Earned	2744	3713	4508	6036	7972	Capital +	325	375	420	425	425
Interest Expended	1925	2492	2741	3593	4737	Reserves and Surplus +	2665	3960	6264	6984	8000
<b>NII</b>	<b>819</b>	<b>1221</b>	<b>1766</b>	<b>2444</b>	<b>3235</b>	Deposits +	24349	34588	43902	55999	72006
Other Income	491	755	1068	1393	1774	Borrowings +	10536	7980	9261	10235	11486
<b>Total Income</b>	<b>3235</b>	<b>4469</b>	<b>5576</b>	<b>7430</b>	<b>9746</b>	Other Liabilities	1287	1771	2003	2765	3619
Operating Expenses	767	1056	1503	1980	2595	<b>TOTAL</b>	<b>39161</b>	<b>48675</b>	<b>61851</b>	<b>76409</b>	<b>95536</b>
-Employees Exp	369.9	446.1	550.7	661	787	<b>ASSETS</b>					
-Other Operating Exp	397	610	953	1319	1808	Cash & Bank	2450	4194	4284	3709	4315
<b>PPoP (Operating Profit before Prov)</b>	<b>542</b>	<b>920</b>	<b>1331</b>	<b>1857</b>	<b>2415</b>	Investments +	14436	13482	15447	16596	17580
Provisions and Contingencies	114.4	238.9	364.5	573.3	622.9	Advances +	21229	29449	40268	53838	70921
<b>PBT</b>	<b>428</b>	<b>681</b>	<b>967</b>	<b>1284</b>	<b>1792</b>	Fixed Assets +	177	259	334	418	537
Tax	136	235	331	442	616	Other Assets +	869	1292	1517	1847	2182
<b>PAT (Net Profit)</b>	<b>292</b>	<b>446</b>	<b>635</b>	<b>842</b>	<b>1176</b>	<b>TOTAL</b>	<b>39161</b>	<b>48675</b>	<b>61851</b>	<b>76409</b>	<b>95536</b>
<b>Ratios (%)</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>Ratios (%)</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>
<b>Growth</b>						Advance Yield	10.9	10.4	9.8	10.3	10.7
NII	47	49	45	38	32	Cost of funds	6.5	6.4	5.7	6.0	6.3
Operating profit	51	70	45	40	30	NIM	2.7	3.1	3.6	3.9	4.1
Net profit	41	53	42	33	40	C/l ratio (%)	59	53	53	52	52
<b>Returns</b>						CASA (%)	19	22	24	26	27
ROE	11.2	12.2	11.5	11.9	14.9	EPS (Rs)	9	12	15	20	28
ROA	0.9	1	1.1	1.2	1.4	P/E (X)	62	47	37	28	20
<b>Asset quality</b>						ABVPS (Rs)	88	110	152	165	187
GNPA	1	1.2	1.4	1.4	1.3	P/ABV (X)	6.4	5.1	3.7	3.4	3.0
NNPA	0.6	0.6	0.8	0.8	0.7						



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