



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Result update@ Dalal & Broacha

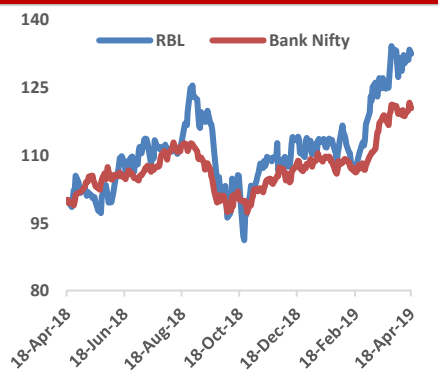
ACCUMULATE

Current Price	563
52 Week Range	652/438
Target Price	719
Upside (%)	6

Key Share Data

Market Cap (Rs.bn)	288
Market Cap (US\$ mn)	4160
No of o/s shares (mn)	4267
Face Value	10
Monthly Avg. vol (BSE+NSE) Nos'000	634
BSE Code	540065
NSE Code	RBLBANK
Bloomberg	RBK:IN

Price performance



% Shareholding	Mar-18	Sep-18
FII	22.2	15.9
DII	21.4	24.5
Others	56.4	59.5
Total	100	100

RBL Bank (RBL) posted robust net profit of Rs 24.7 Bn (+39% YoY/+10% QoQ) vs. our estimate of Rs 24.4 bn. Bank's NII came at Rs 73.9 bn (+48% YoY/+13% QoQ) on account of higher credit growth of 35% YoY led by strong retail loan growth of 58% YoY driven by Credit Cards and LAP business. Non- interest income registered growth of 31% YoY (9% QoQ) at Rs 40.9 bn driven by strong core fee income (+43% YoY). Large part of Fee income was generated by card business & management expect this trend to continue in the future (as most of its cards having annual fees).

The steady uptrend in yields (11.8% vs 10.5% YoY) and better control on cost of funds (6.8% vs 6.2% YoY) drove up NIM to 4.23% (+25bps YoY) in Q4 FY19. Management expects margins to remain at same levels, supported by change loan in mix towards non-wholesale book and better funding mix. RWA growth (up 24% YoY and 6% QoQ) is much lower than total Assets growth (up 30% and 11%), which gives us comfort. RWA/Total Assets Ratio improved yet again to 74.2% (vs 78.1% in Q3FY18).

On the liability side, Bank's deposit grew by 33% YoY/12% QoQ in Q4FY19 led by CASA growth of 37% YoY/14% QoQ taking CASA ratio at 25% (Vs 24.3% YoY). We believe RBL will continue to mobilize deposits at a faster pace given the differential rates & focus on digital offerings. Besides, expansion into new geographies coupled with improvement in productivity of existing branches will improve strength of the liability franchise.

Asset quality continues to remain strong: Bank continued to maintain strong asset quality with a GNPA/NPA ratio of 1.38%/0.69% of loans in Q4 FY19. In absolute terms, GNPA's increased by 8% QoQ to Rs 7.5 Bn and NNPA's increased by 4% QoQ to Rs 3.7 Bn. Provisions for bad loans stood at Rs 20 Bn, which grew by 24% from Rs 16.1 Bn in Q3FY19. Fresh slippages declined sequential to Rs 2.06 Bn Vs Rs 2.11 Bn in Q3FY19 (mainly came from non- wholesale segment). Bank's PCR has improved by 208 bps sequentially to 65.3% in Q4FY19.

Better operating efficiency: Bank's operating efficiency improved during the quarter, with Cost-to-income (C/I) ratio for the quarter declined by 163 bps YoY/ 35 bps QoQ to 51.2%, mainly due to lower opex growth of 37% YoY vs. 41% YoY Net revenue (NII + other income) growth. Management indicates this ratio (C/I) could remain in the similar range for the next few quarters, on account of incremental investment into technology and branch expansion (planning to add 60-80 branches in FY20 mainly in Tier 1 and Tier 2 cities). Bank's operating profit is consistently growing at a faster pace, increased by 46% YoY to Rs 56 Bn in Q4FY19.

Retail loans continued to fuel growth momentum: Bank continued to witness healthy traction in its loan book as it grew by 35% YoY/9% QoQ led by robust growth of 49% in non-wholesale loan book. Within the non-wholesale book, retail segment grew by 58% YoY, while DB&FI loan book grew by 34% YoY. In Retail business, LAP (up 55% YoY) & Credit Cards business (up 135% YoY) showed highest growth. Wholesale loans grew 25% YoY mainly led by 31% YoY growth in the C&IB segment and 12% YoY growth in commercial banking (CB) segment. We have factored in a 31% overall loan CAGR over FY19-21E, a conservative stance.

Key Financials

Year	NII	Growth (%)	PPOP	Growth (%)	PAT	Growth (%)	BVPS	PB (X)	ROA
FY18	18	45	13	45	6	42	159	4.2	1.1
FY19	25	44	19	46	9	37	177	3.8	1.2
FY20E	34	33	26	35	12	35	243	2.8	1.3
FY21E	45	32	35	33	16	33	271	2.5	1.4



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Financials (Rs Bn)	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	YoY	QoQ	Q4FY19
Interest Earned	11.5	12.2	13.6	14.6	16.4	50%	12%	18.3
Interest Expended	6.8	7.2	8.1	8.7	9.8	52%	11%	11.0
NII	4.7	5.0	5.5	5.9	6.6	48%	13%	7.4
Other Income	2.6	3.1	3.3	3.3	3.7	31%	9%	4.1
Total Income	14.1	15.3	16.9	18.0	20.1	46%	11%	22.4
Operating expenses	3.9	4.3	4.5	4.8	5.3	37%	11%	5.9
PPoP	3.3	3.8	4.3	4.5	5.0	46%	12%	5.6
Provisions	0.8	1.1	1.4	1.4	1.6	77%	24%	2.0
Profit Before Tax	2.5	2.7	2.9	3.1	3.4	33%	7%	3.6
Tax	0.9	0.9	1.0	1.0	1.1	0%	0%	1.1
Net Profit	1.7	1.8	1.9	2.0	2.3	39%	10%	2.5
Balance sheet								
Net-worth	65	67	69	70	73	13%	4%	75
Deposits	386	439	450	478	522	33%	12%	584
Advances	369	403	422	459	499	35%	9%	543
Total assets	554	619	626	672	722	30%	11%	804
Asset Quality								
GNPA (%)	1.56	1.40	1.40	1.40	1.39	(2 bps)	(1 bps)	1.4
NNPA (%)	0.97	0.78	0.75	0.74	0.72	(9 bps)	(3 bps)	0.7
PCR (%)	38	45	47	48	49	576 bps	204 bps	51
Capital adequacy								
Tier 1 Capital	14.1	13.6	13.1	12.5	12.5	(152 bps)	(42 bps)	12.1
Tier 2 Capital	1.8	1.7	1.4	1.3	1.3	(35 bps)	9 bps	1.4
CRAR	15.9	15.3	14.6	13.7	13.8	(187 bps)	(33 bps)	13.5
RWA/Total Assets	81.9	77.7	81.9	83.2	78.1	(356 bps)	(395 bps)	74.2

Outlook & Valuation

We believe that bank is consistently performing well on operating level with improvement in cost-income ratio at 51.2%, strong traction in CASA at 25%, margin expansion by maintaining its strong growth profile coupled with relatively stable asset quality despite having large exposure to corporate sector. We expect RBL to deliver 31%/35% loan book/PAT CAGR over FY19-21E. At CMP the stock trades at 2.9x its FY20E ABV & 2.6x its FY21E ABV. We maintain our accumulate rating on RBL Bank and roll forward our fair value to Rs 719 (from Rs 636 earlier), valuing the bank at 2.8X adj. book.



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P&L (Rs Bn)	FY18	FY19	FY20E	FY21E
Interest Earned	45	63	84	111
Interest Expended	27	38	50	66
NII	18	25	34	45
Other Income	11	14	20	26
Net Income	28	40	53	71
Operating expenses	15	20	27	36
PPoP	13	19	26	35
Provisions	4	6	8	11
Profit Before Tax	10	13	18	24
Tax	3	4	6	8
Net Profit	6	9	12	16

Balance sheet (Rs Bn)	FY18	FY19	FY20E	FY21E
Equity	4	4	5	5
Reserves	63	71	111	125
Deposits	439	584	756	973
Borrowings	93	118	124	131
Other liabilities	20	26	39	53
Total liabilities	619	804	1036	1286
Cash & Bank	43	66	89	86
Investments	154	168	203	231
Advances	403	543	715	934
Fixed Assets	3	4	6	7
Other Assets	15	22	23	28
Total Assets	619	804	1036	1286

Ratios (%)	FY18	FY19	FY20E	FY21E
Growth				
NII	45	44	33	32
PPOP	45	46	35	33
PAT	42	37	35	36
Advances	37	35	32	31
Deposits	27	33	29	29
Returns				
ROA	1.1	1.2	1.3	1.4
ROE	12	12	12	13

Ratios (%)	FY18	FY19	FY20E	FY21E
Asset Quality				
GNPA	1.4	1.4	1.5	1.5
NNPA	0.8	0.7	0.7	0.7
PCR	45	51	51	52
Per Share (Rs)				
EPS	15	20	24	33
ABVPS	152	168	232	257
P/E	45	33	28	20
P/ABVPS	4.5	4.0	2.9	2.6



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