



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

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## Result update@ Dalal & Broacha

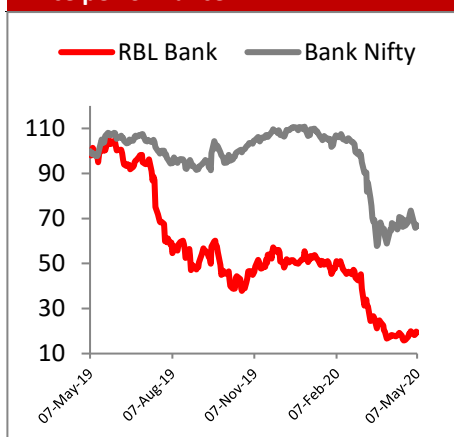
### ACCUMULATE

Current Price (Rs)	128
52 Week Range	101/717
Target Price (Rs)	160
Upside (%)	24

### Key Share Data

Market Cap (Rs.bn)	65.57
Market Cap (US\$ mn)	864.70
No of o/s shares (Cr)	508.69
Face Value	10
BSE Code	540065
NSE Code	RBLBANK
Bloomberg	RBK:IN

### Price performance



% Shareholding	Mar-20	Dec-19
Promoter	0.00	0.00
Public	100.00	100.00
Others	0.00	0.00
Total	100	100

### RBL Bank reported its Q4FY20 performance which beat our estimates mostly across all fronts.

- NII came in at INR 10210 Mn, +11% QoQ / +38% YoY and 10% above our est.
- Other Income came in at INR 5005 Mn, 3% QoQ / +22% YoY and 1% above our est.
- PPOP came in at INR 7648 Mn, +4% QoQ / +37% YoY and 5% above our est.
- Provisions came in at INR 6141 Mn, -4% QoQ / +207% YoY and 1% below our est.
- PAT came in at INR 1144 Mn, -6.6% QoQ / +17.7% YoY and 44% below our est.
- EPS stood at INR 2.2 vs INR 1.4 / INR 5.8 in Q3FY20 / Q4FY19 respectively.

### Asset Quality

- Bank's asset quality deteriorated modestly during the quarter, with GNPA's sequentially up by 30 bps at 3.62%, while NNPA's down by 2 bps to 2.05% in Q4FY20. PCR has improved by 582 bps sequentially to 44.3% in Q4FY20 and is expected to be increased further in FY21.
- Slippages declined during the quarter stood at Rs. 7.09 Bn vs Rs. 10.48 Bn QoQ, with slippage ratio of 4.9% vs QoQ 7.0% & YoY 1.5%.
- Bank saw slight increase in BB & Below book (6.5% in Q4FY20 from QoQ 6.1%); though long-term outlook is improving with a shift towards 'A' rated corporate book (On YoY basis, BBB mix has reduced from 27% to 21%, while that of A rated mix improved from 67% to 72%).

### Balance Sheet Growth

- Bank's loan growth slowed to 6.8% YoY (down 2.7% QoQ), as wholesale loans shrank 13% QoQ/16%YoY. Wholesale was adversely impacted due to deterioration in economic environment and bank's strategy to rebalance portfolio to further granularize. C&IB loans were down by 16% QoQ, while CB loans shrank 5% QoQ.
- Bank continued to witness healthy traction in its non-wholesale book as it grew by 35% YoY/7% QoQ led by Retail and DB & FI segment, which grew by 35% & 23% respectively. Amongst retail loans, Credit cards (+99% YoY) & LAP (+18% YoY) grew at a faster rate. In DB&FI segment, MSME (+25% YoY) & Micro-banking (+28% YoY) grew at a faster rate, while IFI growth was comparatively slower (+4% YoY).
- Bank's liability franchise was remained stable, with recover of almost all the deposits it had lost in March, adding Rs 25 Bn deposits in April, taking the total deposits to Rs 60,300 crore up from Rs 578 Bn at the end of March which was down 1% YoY.
- Bank saw good traction retail deposits, with improving CASA both on an overall as well as average basis, stood at 29.6% in Q4FY20 vs 26.8% QoQ, while Avg CASA stood at 26.4% vs 24.2% QoQ. CASA plus Retail TDs has increased to 59% vs. 54% QoQ.

### Outlook & Valuation

Even though Asset Quality is likely to remain under pressure in near term, the recent correction of ~57 in the last one month /80% from its peak has made the risk reward favourable. We also take comfort from its tier-1 capital, which provide an additional buffer to cushion any adverse effect of sudden spikes in slippages. Furthermore, Bank is continuously focusing on de-risking its balance sheet and improving granular liability franchise, which also witnessed in current quarter. As confidence improves on balance sheet, we should see valuations improve from current levels. We expect the bank's RoA/RoE to moderate to 0.6%/5% in FY21 and recover back to 1%/9% in FY22. At CMP the stock trades at 0.7x its FY21E ABV and 0.6x its FY22E ABV. We maintain our ACCUMULATE rating with Target Price of Rs 160/share, valuing the stock at a target multiple of 0.8x FY22E ABV.

### Key Financials (Rs Mn)

Year	NII	PPOP	PAT	Net NPA	RoA	RoE	ABVPS	P/Abv
FY20	36.3	27.5	5.1	2.05	0.6	5.6	185	0.7
FY21e	40.9	28.6	5.3	1.98	0.6	4.9	192	0.7
FY22e	48.1	33.8	10.2	1.37	1.0	8.9	213	0.6



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### Key Concall Highlights

#### Impact of Covid-19

- Additional provisioning of Rs 1.15 Bn
- Retail disbursals were lower by Rs 8 bn
- Credit Card Spends lower by Rs 5 bn
- Fee income lower by Rs 0.15 bn due to the above & penal fee reversals.

#### Moratorium availed As on April 30, 2020

- 13% of credit card customers (24% in terms of value)
- 46% of retail customers
- 22% of wholesale customers (22%-23% in terms of value)
- Microbanking- In its agri segment Moratorium extended to all customers
- Overall, 1/3rd of its loan book was under the loan moratorium.

#### Outlook for FY21

- Overall new business expected to remain slightly flattish, with retail loan book growing at ~12%-15%. Wholesale Biz- Consolidation to continue, with further tightening its risk filter.
- Credit costs is expected to be similar to FY20 (+/- 5-10bps), with higher contribution from Retail segments.
- NIMs are expected to remain flattish

#### Other important Highlights

- Out of total stress pool of Rs 18 Bn is now marked as NPA. The remaining ~Rs. 3 Bn exposure as on Q3FY20, slipped during the quarter; Bank is keeping ~60% provision for these loans.
- Collection capacity has been increased by 2.5 times; resources shifted from other business to collection for 3 to 4 months
- Tighten the risk assessment criteria across wholesale portfolio and reduce concentration risk; with top 20 group exposure has reduced by 4% to 18%
- All essentials business requirements are fully met during the lockdown by enabling work from home for essential staff.
- 98% of overall branch network has been operational during the national wide lockdown.
- In Micro banking, 853 BC branches (78%) are already opened / nil attrition and almost all loan officers join the bank
- Digital sourcing of Savings Accounts is at 500 per month & bank intends to increase it to 1000 per month.
- Bank is holding excess liquidity of Rs 70-80bn, with LCR at 156% in April 2020.



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Financials (Rs Bn)	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	YoY	QoQ	Q3FY20
Interest Earned	12.23	13.64	14.63	16.39	18.34	20.23	21.26	21.57	20%	2%	22.08
Interest Expended	7.22	8.12	8.70	9.84	10.95	12.05	12.57	12.35	8%	-4%	11.87
<b>NII</b>	<b>5.00</b>	<b>5.53</b>	<b>5.93</b>	<b>6.55</b>	<b>7.39</b>	<b>8.17</b>	<b>8.69</b>	<b>9.23</b>	<b>38%</b>	<b>11%</b>	<b>10.21</b>
Other Income	3.12	3.26	3.33	3.74	4.09	4.81	4.42	4.87	22%	3%	5.01
<b>Total Income</b>	<b>15.35</b>	<b>16.90</b>	<b>17.97</b>	<b>20.13</b>	<b>22.43</b>	<b>25.04</b>	<b>25.68</b>	<b>26.44</b>	<b>21%</b>	<b>2%</b>	<b>27.09</b>
Operating expenses	4.29	4.46	4.77	5.31	5.88	6.80	6.74	6.77	29%	12%	7.57
<b>PPoP</b>	<b>3.83</b>	<b>4.32</b>	<b>4.49</b>	<b>4.98</b>	<b>5.60</b>	<b>6.19</b>	<b>6.36</b>	<b>7.32</b>	<b>37%</b>	<b>4%</b>	<b>7.65</b>
Provisions	1.13	1.40	1.40	1.61	2.00	2.13	5.33	6.38	207%	-4%	6.14
<b>Profit Before Tax</b>	<b>2.70</b>	<b>2.92</b>	<b>3.09</b>	<b>3.38</b>	<b>3.60</b>	<b>4.06</b>	<b>1.03</b>	<b>0.94</b>	<b>-58%</b>	<b>61%</b>	<b>1.51</b>
Tax	0.92	1.02	1.05	1.13	1.13	1.39	0.48	0.24	-68%	52%	0.36
<b>Net Profit</b>	<b>1.78</b>	<b>1.90</b>	<b>2.05</b>	<b>2.25</b>	<b>2.47</b>	<b>2.67</b>	<b>0.54</b>	<b>0.70</b>	<b>-54%</b>	<b>63%</b>	<b>1.14</b>
<b>Balance sheet</b>											
Net-worth	668	689	704	728	755	784	780	1055	40%	0%	1058
Deposits	4390	4495	4779	5219	5839	6081	6283	6291	-1%	-8%	5781
Advances	4027	4220	4587	4989	5431	5684	5848	5964	7%	-3%	5802
Total assets	6185	6256	6716	7220	8036	8405	8768	9146	11%	-3%	8898
<b>Asset Quality</b>											
GNPA (%)	1.40	1.40	1.40	1.39	1.38	1.38	2.60	3.33	224 bps	30 bps	3.62
NNPA (%)	0.78	0.75	0.74	0.72	0.69	0.65	1.56	2.07	136 bps	(2 bps)	2.05
PCR (%)	45	47	48	49	51	53	41	39	(627 bps)	582 bps	44
<b>Capital adequacy</b>											
Tier 1 Capital	13.6	13.1	12.5	12.5	12.1	11.3	11.3	15.0	324 bps	32 bps	15.3
Tier 2 Capital	1.7	1.4	1.3	1.3	1.4	1.1	1.0	1.1	(25 bps)	6 bps	1.1
CRAR	15.3	14.6	13.7	13.8	13.5	12.4	12.3	16.1	299 bps	37 bps	16.4
RWA/Total Assets	77.7	81.9	83.2	78.1	74.2	78.2	76.4	74.5	149 bps	114 bps	75.7



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P&L (Rs Bn)	FY19	FY20	FY21E	FY22E
Interest Earned	63.0	85.1	91.5	104.9
Interest Expended	37.6	48.8	50.6	56.7
<b>NII</b>	<b>25.4</b>	<b>36.3</b>	<b>40.9</b>	<b>48.1</b>
Other Income	14.4	19.1	17.8	20.3
<b>Net Income</b>	<b>39.8</b>	<b>55.4</b>	<b>58.6</b>	<b>68.5</b>
Operating expenses	20.4	27.9	30.0	34.7
<b>PPoP</b>	<b>19.4</b>	<b>27.5</b>	<b>28.6</b>	<b>33.8</b>
Provisions	6.4	20.0	21.5	20.2
<b>Profit Before Tax</b>	<b>13.0</b>	<b>7.5</b>	<b>7.1</b>	<b>13.6</b>
Tax	4.3	2.5	1.8	3.4
<b>Net Profit</b>	<b>8.7</b>	<b>5.1</b>	<b>5.3</b>	<b>10.2</b>

Balance sheet (Rs Bn)	FY19	FY20	FY21E	FY22E
Equity	4	5	5	5
Reserves	71	101	105	114
Deposits	584	578	658	794
Borrowings	118	170	178	174
Other liabilities	26	36	35	39
<b>Total liabilities</b>	<b>804</b>	<b>890</b>	<b>981</b>	<b>1125</b>
Cash & Bank	66	89	115	109
Investments	168	181	192	213
Advances	543	580	632	758
Fixed Assets	4	4	5	6
Other Assets	22	35	36	39
<b>Total Assets</b>	<b>804</b>	<b>890</b>	<b>981</b>	<b>1125</b>

Ratios (%)	FY19	FY20	FY21E	FY22E
<b>Growth</b>				
NII	44	43	13	18
PPOP	46	42	4	18
PAT	37	-42	5	91
Advances	35	7	9	20
Deposits	33	-1	14	21
<b>Returns</b>				
ROA	1.2	0.6	0.6	1.0
ROE	12.2	5.6	4.9	8.9

Ratios (%)	FY19	FY20	FY21E	FY22E
<b>Asset Quality</b>				
GNPA	1.38	3.62	3.87	2.98
NNPA	0.69	2.05	1.98	1.37
PCR	51	44	50	55
<b>Per Share (Rs)</b>				
EPS	20	10	10	20
ABVPS	168	185	192	213
P/E	6	13	12	6
P/ABVPS	0.8	0.7	0.7	0.6



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