RBL Bank

Performance Highlights

Particulars (₹ cr)	Q3FY19	Q2FY19	% chg (qoq)	Q3FY18	% chg (yoy)
NII	655	593	10%	467	40%
Pre-prov. profit	498	449	11%	333	49%
PAT	225	205	10%	165	36%

Source: Company, Angel Research

RBL bank delivered healthy set of numbers for Q3FY19, with PAT growth of 36% yoy. On the operating front, the bank reported 40% yoy growth in NII. The NIM qoq/yoy increased by 4/23 bps, respectively, driven by rise in advance yield. The bank managed to reduce its expenses and brought down the cost/income ratio from 54% in Q3FY18 to 51.6% in Q3FY19.

Robust advance growth; NIM Improved

During Q3FY19, the bank's advances grew by 35.2% yoy, of which retail loan book increased 49% yoy to constitute 29% of the total advances. The corporate loans inched up by 27% yoy. The net interest income during this period grew by 40% which is higher than advance growth. During the quarter NIM increased by 4bps QoQ and 23bps YoY to 4.12%, helped by rise in yield on advances (up 102 BPS yoy) as against cost of funds (up 55 BPS yoy). Rise in yield was on account of increasing MCLR rates as well as increasing proportion of high-yielding non wholesale book. Moreover, a slower rise in Opex aided lower cost/income by 248bps yoy to 51.6% in Q3FY19.

Total deposits surged by 35% yoy and 9.2% qoq in Q3FY19. CASA deposits accounted for 24.6% of the total deposits.

On asset quality front, the bank continued to maintain strong asset quality with a GNPA/NPA ratio of 1.38%/0.72% of loans. Total slippages for the quarter were at ₹211cr, which is 48% higher on qoq basis. Fresh slippages from agri loan book.

Outlook & Valuation: We expect RBL Bank to grow its advances at CAGR of 35% over FY2018-20E. Improvement in CASA, higher share of retail book and in-house priority sector lending would support NIM going forward. At CMP, RBL trades at 3x FY20E P/ABV, which we believe is attractive considering growth prospects, hence, we recommend BUY with a target price of ₹690 over the next 12 months.

Key financials (Standalone)

Y/E March (` cr)	FY16	FY17	FY18	FY19E	FY20E
NII	819	1,221	1,766	2,463	3,347
% chg	42	42	27	33	34
Net profit	292	446	635	882	1,279
% chg	41.2	52.5	42.3	38.9	45.0
NIM (%)	2.6	2.9	3.4	3.6	3.7
EPS (Rs)	7.0	10.6	15.1	21.0	30.5
P/E (x)	84	55	39	28	19
P/ABV (x)	8.4	5.8	3.7	3.4	3.0
RoA (%)	0.9	1.0	1.1	1.2	1.4
RoE (%)	11.2	12.2	11.5	12.5	16.0

Source: Company, Angel Research, Note: CMP as of 06/02/19

BUY

CMP	₹585
Target Price	₹690
Investment Period	12 Months

Stock Info	
Sector	Banking
Market Cap (₹ cr)	24,828
Beta	1.3
52 Week High / Low	652/439
Avg. Daily Volume	68,579
Face Value (₹)	10
BSE Sensex	36,975
Nifty	11,062
Reuters Code	RATB.NS
Bloomberg Code	RBK:IN

Shareholding Pattern (%)	
Promoters	7.8
MF / Banks / Indian Fls	20.7
FII / NRIs / OCBs	39.8
Indian Public / Others	31.7

Abs. (%)	3m	1yr	3yr
Sensex	4.9	8.5	52.2
RBL Bank	7.9	21.7	80.3

3-year price chart

Source: Company, Angel Research

Jaikishan Parmar
Research Analyst
022 – 39357600 Ext: 6810
Jaikishan.parmar@angelbroking.com

Exhibit 1: Quarter Summary

Particular (₹ cr)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	YoY	QoQ
Interest Income	1,043	1,091	1,151	1,223	1,364	1,463	1,639	*42.4*	*12.0*
Interest Expenses	664	671	684	722	812	870	984	*43.9*	*13.0*
Net Interest Income (NII)	**378**	**420**	**467**	**500**	**553**	**593**	**655**	***40.2***	***10.5***
Other Income	257	241	258	312	326	333	374	*44.9*	*12.3*
Total Income	1,300	1,332	1,409	1,535	1,690	1,797	2,013	*42.9*	*12.0*
Net Income	635	661	726	812	879	926	1,029	*41.9*	*11.1*
Operating Expenses	324	358	392	429	446	477	531	*35.3*	*11.2*
Employee Expenses	133	144	144	131	153	150	164	*14.2*	*8.7*
Other Operating Expenses	191	215	248	299	293	326	366	*47.6*	*12.4*
Cost / Income %	51.0%	54.2%	54.0%	52.8%	50.8%	51.5%	51.6%	*-247.8*	*5.4*
Operating Profit	311	303	333	383	432	449	498	*49.5*	*11.0*
Provisions	94	75	82	113	140	139	160	*95.2*	*15.0*
PBT	217	228	251	270	292	309	338	*34.5*	*9.2*
Provisions for Tax	76	78	86	92	102	104	112	*31.3*	*7.4*
Tax Rate %	35.0%	34.0%	34.2%	34.1%	34.9%	33.9%	33.3%		
PAT	**141**	**151**	**165**	**178**	**190**	**205**	**225**	**36.2**	***10.1***
Balance Sheet									
Advances	31,108	33,576	36,890	40,268	42,198	45,873	49,893	*35.2*	*8.8*
Deposits	35,428	36,569	38,623	43,902	44,950	47,790	52,187	*35.1*	*9.2*
Savings	4,641	5,449	5,214	5,356	5,799	6,022	6,523.4	*25.1*	*8.3*
Current	3188.52	3,218	4,055	5,356	5,214	5,687	6,314.6	*55.7*	*11.0*
CASA	**7,830**	**8,667**	**9,270**	**10,712**	**11,013**	**11,709**	**12,838**	*38.5*	*9.6*
CASA%	22.1%	23.7%	24.0%	24.4%	24.5%	24.50%	24.60%	*0.6*	*0.1*
Profitability								*Change*	*bps*
Yield on Advance	10.18	10.13	10.09	9.88	10.45	10.66	11.11	*102.8*	*45.5*
Yield on Investment	7.46	7.59	7.45	7.00	7.03	7.47	7.67	*22.3*	*19.8*
Yield on Call Money	8.03	5.56	4.85	4.44	4.60	6.01	6.34	*149.3*	*33.1*
Cost of Fund	6.24	6.20	6.02	5.77	6.09	6.28	6.57	*55.0*	*28.9*
NIM	3.20	3.44	3.60	3.53	3.67	3.80	3.90	*30.4*	*11.0*
Spread	3.95	3.93	4.07	4.10	4.37	4.38	4.55	*47.7*	*16.7*
NIM - Reported	3.54	3.74	3.89	3.98	4.04	4.08	4.12	*23.0*	*4.0*
ROE	12.8	11.2	10.4	10.8	11.2	11.7	12.6	*222.7*	*83.7*
ROA	1.16	1.19	1.23	1.22	1.22	1.26	1.29	*6.2*	*3.1*
Capital Adequacy								*Change*	*bps*
Tier 1	11.10	14.50	14.10	13.60	13.10	12.50	12.50	*-160.0*	*0.0*
Tier 2	2.30	2.10	1.80	1.70	1.50	1.20	1.30	*-50.0*	*10.0*
Total	13.40	16.60	15.90	15.30	14.60	13.70	13.80	*-210.0*	*10.0*
Asset Quality								*Change*	*bps*
GNPA (%)	1.50	1.40	1.60	1.40	1.40	1.42	1.38	*-22.0*	*-4.0*
NPA (%)	0.80	0.80	1.00	0.80	0.70	0.74	0.72	*-28.0*	*-2.0*
Restructured Asset (%)	0.24	0.41	0.18	0.08	0.10	0.07	0.09	*-9.0*	*2.0*
PCR Calculated (%)	47	43	38	43	50	48	48	*1032.6*	*-6.1*
PCR Reported (%)	58	58	53	58	60	62	63	*1030.0*	*180.0*
GNPA (₹ in Cr)	458	487	580	567	596	645	696	*19.9*	*7.8*
NPA (₹ in Cr)	250	261	358	313	316	339	358	*0.1*	*5.8*
Slippages (₹ in Cr)	152	92	210	115	148	142	211	*0.5*	*48.6*
Credit Cost (%)	0.49	0.27	0.57	0.29	0.35	0.31	0.42	*-14.6*	*11.3*

Source: Company, Angel Broking

Exhibit 2: Advance Trend and MIX

Particular (₹ cr)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	YoY	QoQ
C&IB	13,079	13,895	15,606	16,240	17,149	18,826	19935	27.7	5.9
CB	6,014	6,528	6,707	7,512	7,837	8,303	8,541	27.3	2.9
Wholesale	19,093	20,423	22,313	23,752	24,986	27,129	28,476	27.6	5.0
Retail Asset	7,820	8,539	9,796	10,831	11,361	12,407	14,644	49.5	18.0
DB&FI	4,196	4,614	4,781	5,684	5,851	6,337	6,773	41.7	6.9
-Micro banking	2,234	2,533	2,886	3,560	3,698	3,917	4,220	46.2	7.7
-IFI	1,577	1,616	1,358	1,543	1,503	1,669	1,685	24.1	1.0
-MSME	385	465	536	581	649	751	868	61.9	15.6
Non-Wholesale	12,016	13,153	14,577	16,515	17,212	18,744	21,417	46.9	14.3
Total	31,109	33,576	34,913	40,267	42,198	45,873	49,893	42.9	8.8
Advance MIX (%)								*Change*	*bps*
C&IB	42	41	45	40	41	41	40	-474.4	-108.4
CB	19	19	19	19	19	18	17	-209.2	-98.1
Wholesale	61	61	64	59	59	59	57	-683.6	-206.5
Retail Asset	25	25	22	27	27	27	29	695.5	230.4
DB&FI	13	14	14	14	14	14	14	-11.9	-23.9
-Micro banking	7	8	8	9	9	9	8	19.2	-8.1
-IFI	5	5	4	4	4	4	3	-51.2	-26.1
-MSME	1	1	2	1	2	2	2	20.4	10.3
Non-Wholesale	39	39	36	41	41	41	43	683.6	206.5
Total	100	100	100	100	100	100	100		

Source: Company, Angel Broking

Exhibit 3: Core fee growing at healthy rate supported by credit card fees

Other income Analysis	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	YoY	QoQ
Other Income	257	241	258	312	326	333	374	44.9	12.3
Trading	75	39	28	41	36	7	26	-7.8	293.0
Core Fees	182	202	230	271	290	326	348	51.4	6.6
FX	35	34	34	38	35	39	38	11.0	-2.3
Proc Fees	57	57	67	65	70	75	80	20.1	6.6
gen banking	27	30	28	38	35	46	49	76.6	6.6
Distribution	5	6	9	16	12	10	10	13.5	6.6
CC	42	55	71	90	116	131	143	100.2	9.2
Trades & other	16	20	21	27	23	29	28	34.6	-5.3
Total Core Fees	182	202	230	274	290	330	348	51.4	5.5

Source: Company, Angel Broking

Income Statement

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
Net Interest Income	819	1,221	1,766	2,463	3,347
- YoY Growth (%)	47	49	45	39	36
Other Income	491	755	1,068	1,419	1,852
- YoY Growth (%)	22	54	41	33	31
Operating Income	1,310	1,977	2,834	3,882	5,200
- YoY Growth (%)	36	51	43	37	34
Operating Expenses	767	1,056	1,504	1,975	2,601
- YoY Growth (%)	28	38	42	31	32
Pre - Provision Profit	542	920	1,331	1,907	2,598
- YoY Growth (%)	51	70	45	43	36
Prov. & Cont.	114	239	365	571	660
- YoY Growth (%)	90	109	53	57	16
Profit Before Tax	428	681	966	1,336	1,938
- YoY Growth (%)	43	59	42	38	45
Prov. for Taxation	136	235	331	454	659
- as a % of PBT	32	35	34	34	34
PAT	292	446	635	882	1,279
- YoY Growth (%)	41	53	42	39	45

Balance Sheet

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
Equity	325	375	420	420	420
Reserve & Surplus	2,665	3,960	6,264	7,014	8,101
Networth	2,989	4,336	6,684	7,433	8,521
Deposits	24,349	34,588	43,902	58,325	78,303
- Growth (%)	42	42	27	33	34
Borrowings	10,536	7,980	9,261	12,410	16,630
Other Liab. & Prov.	1,330	1,785	2,003	3,878	3,809
Total Liabilities	39,204	48,689	61,851	82,047	1,07,263
Cash Balances	1,340	2,948	2,589	3,578	4,782
Bank Balances	1,110	1,246	1,695	2,045	2,733
Investments	14,436	13,482	15,448	19,934	23,910
Advances	21,229	29,449	40,268	54,362	73,388
- Growth (%)	47	39	37	35	35
Fixed Assets	177	259	334	460	615
Other Assets	912	1,306	1,517	1,669	1,836
Total Assets	39,204	48,689	61,851	82,047	1,07,263

Exhibit 4: Key Ratio

Y/E March	FY16	FY17	FY18	FY19E	FY20E
Profitability ratios (%)					
NIMs	2.6	2.9	3.4	3.6	3.7
Cost to Income Ratio	58.6	53.4	53.0	50.9	50.0
RoA	0.9	1.0	1.1	1.2	1.4
RoE	11.2	12.2	11.5	12.5	16.0
B/S ratios (%)					
CASA Ratio	0.19	0.22	0.24	0.25	0.26
Credit/Deposit Ratio	0.9	0.9	0.9	0.9	0.9
Asset Quality (%)					
Gross NPAs	0.98	1.21	1.41	1.33	1.25
Gross NPAs (₹ in Cr)	208.1	356.8	566.7	723.0	917.4
Net NPAs	0.59	0.64	0.78	0.73	0.73
Net NPAs (₹ in Cr)	124.4	189.9	314.0	396.8	535.7
Credit Cost on Advance	0.54	0.81	0.91	1.05	0.90
Provision Coverage	60%	53%	55%	55%	58%
Per Share Data (₹)					
EPS	7.0	10.6	15.1	21.0	30.5
BV	71.2	103.3	159.3	177.1	203.0
ABVPS (75% cover.)	69.8	101.3	155.8	172.8	196.8
DPS	1.5	1.8	2.3	3.2	4.6
Valuation Ratios					
PER (x)	83.8	54.9	38.6	27.8	19.2
P/BV	8.2	5.7	3.7	3.3	2.9
P/ABVPS (x)	8.4	5.8	3.7	3.4	3.0
Dividend Yield	0.3	0.3	0.4	0.5	0.8

Source: Note - Valuation done closing price of 07/02/19

Research Team Tel: 022 - 39357800 E-mail: research@angelbroking.com Website: www.angelbroking.com

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1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No