

## RBL Bank

### Profitability improves; weak asset quality guidance

Particulars (₹ cr)	Q1FY20	Q4FY19	% chg (qoq)	Q1FY19	% chg (yoy)
NII	817	739	11	553	48
Pre-prov. profit	619	560	11	432	43
PAT	267	247	8	190	41

RBL Bank (RBL) has reported a very strong set of numbers for Q1FY2020 on profitability and growth fronts, however, on the asset quality front; the management has provided weak guidance. Key surprise was management's guidance on rise in GNPA and stressed pool (₹1,000cr), which would push back ROA target of 1.5% for Q2FY2021.

**Robust growth in advances; NIMs improve:** During Q1FY2020, the bank's advances grew by 35% yoy, out of which retail loan book increased 62% yoy to constitute 32% of the total advances. The corporate loans inched up 23% yoy. During the quarter, NIM increased by 19bps yoy to 4.23%, aided by higher yield on advances (up 120bps yoy) as against cost of funds (up 40bps yoy). Rise in yield was on account of increasing MCLR rates as well as higher proportion of high-yielding non-wholesale book. NIMs have continued to expand since last 10 quarters. However, going forward interest reversal on slippages would keep NIMs under pressure.

**Impressive deposit & fees income growth:** When other banks are struggling to garner deposits, RBL Bank has managed to report impressive growth of ~35%/4% on yoy/qoq basis. CASA deposits also witnessed healthy growth of 42%/7% on yoy/qoq basis. Increasing branch network and higher interest rates have helped the bank. Total fee income grew ~41%/5% on yoy/qoq basis. Card fees grew ~66%/21% on yoy/qoq basis, which now constitutes ~47% of fee income and grew 600bps qoq. Increase in the number of cards and POS terminals have supported jump in card fee growth.

**OPEX increased:** Opex cost increased ~52%/16% on yoy/qoq basis, largely led by other Opex (69% yoy) led by (1) expenses owing to new branch additions, (2) higher cost in cards business, and (3) processing fees for \$150mn loan raised from IFC expensed in this quarter. Management has guided for 60-80 branch additions in FY2020. Bank has planned to 2x the co-branded number of cards, which will likely keep C/I around 52% for FY2020E.

**Fresh set of stressed pool:** GNPA/NPA for the quarter remained stable at 1.38%/0.65%. However, management's guidance for next 2-3 quarters is (1) GNPA could rise to the level of 2.25-2.5% (from C&B segment), (2) additional slippages of 30-40bps, (3) new stress pool is 1.75% of advance (₹900-1,000cr).

**Outlook & Valuation:** RBL Bank's fresh set of stressed pool would push back of 1.5% to Q2FY2021. We expect RBL Bank to grow its advances at CAGR of 33% over FY2019-21E. Improvement in CASA, higher share of retail book and in-house priority sector lending will support NIM going forward. At CMP, RBL trades at 2.3x FY21E P/ABV. We maintain our Buy rating with Target Price of ₹650 (3x FY21EABV).

#### Key financials (Standalone)

Y/E March (₹ cr)	FY17	FY18	FY19	FY20E	FY21E
NII	1,221	1,766	2,539	3,434	4,635
% chg	42	27	33	34	34
Net profit	446	635	867	1,071	1,651
% chg	52.5	42.3	36.6	23.6	54.1
NIM (%)	2.9	3.4	3.7	3.8	3.9
EPS (₹)	10.4	14.8	20.3	25.1	38.6
P/E (x)	46	32	24	19	12
P/ABV (x)	4.8	3.1	2.8	2.5	2.2
RoA (%)	1.0	1.1	1.2	1.1	1.33
RoE (%)	12.2	11.5	12.2	13.4	18.0

Source: Company, Angel Research, Valuation done on closing price of 19/07/19

## BUY

CMP	₹500
Target Price	₹650

Investment Period	12 Months
-------------------	-----------

#### Stock Info

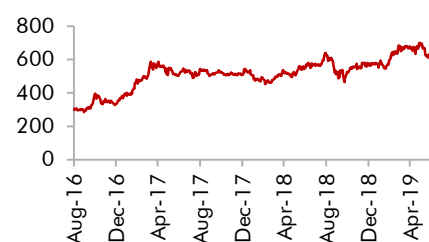
Sector	Banking
Market Cap (₹ cr)	21,401
Beta	1.1
52 Week High / Low	716 / 439
Avg. Daily Volume	1,98,787
Face Value (₹)	10
BSE Sensex	39,216
Nifty	11,687
Reuters Code	RATB BO
Bloomberg Code	RBK IN

#### Shareholding Pattern (%)

Promoters	0.0
MF / Banks / Indian Fls	25.1
FII / NRIs / OCBs	18.8
Indian Public / Others	56.1

Abs. (%)	3m	1yr	3yr
Sensex	0.6	5.0	34.7
RBL Bank	(25.8)	(13.3)	67.2

#### 3-year price chart



Jaikishan Parmar  
 Research Analyst

022 - 39357600 Ext: 6810

Jaikishan.parmar@angelbroking.com

**Exhibit 1: Quarterly Performance**

Particulars (₹ cr)	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	% chg (yoy)	% chg (qoq)
<b>Interest Earned</b>	<b>1,151</b>	<b>1,223</b>	<b>1,364</b>	<b>1,463</b>	<b>1,639</b>	<b>1,834</b>	<b>2,023</b>	<b>48</b>	<b>10</b>
on Advances / Bills	888	953	1,077	1,173	1,330	1,469	1,619	50	10
on investments	245	250	261	261	274	297	340	30	14
on bal with RBI & others	16	17	19	23	24	45	42	124	(7)
on others	1	4	7	6	10	23	22	203	(5)
<b>Interest Expended</b>	<b>684</b>	<b>722</b>	<b>812</b>	<b>870</b>	<b>984</b>	<b>1,095</b>	<b>1,205</b>	<b>49</b>	<b>10</b>
<b>Net Interest Income</b>	<b>467</b>	<b>500</b>	<b>553</b>	<b>593</b>	<b>655</b>	<b>739</b>	<b>817</b>	<b>48</b>	<b>11</b>
Other Income	258	312	326	333	374	409	481	48	18
Trading	28	41	36	7	26	29	34	(6)	18
<b>Core Fees</b>	<b>230</b>	<b>271</b>	<b>290</b>	<b>326</b>	<b>348</b>	<b>381</b>	<b>448</b>	<b>54</b>	<b>18</b>
FX	34	38	35	39	38	46	54	54	18
Proc Fees	67	65	70	75	80	88	107	54	23
gen banking	28	38	35	46	49	42	54	54	28
Distribution	9	16	12	10	10	15	18	54	18
CC	71	90	116	131	143	156	179	54	15
Trades & other	21	27	23	29	28	34	36	54	5
Operating income	726	812	879	926	1,029	1,148	1,299	48	13
Operating Expenses	392	429	446	477	531	588	680	52	16
Employee expenses	144	131	153	151	164	168	185	21	10
Other Opex	248	299	293	326	367	420	495	69	18
<b>Pre Provision Profit</b>	<b>333</b>	<b>383</b>	<b>432</b>	<b>449</b>	<b>498</b>	<b>560</b>	<b>619</b>	<b>43</b>	<b>11</b>
<b>Provisions &amp; Contingencies</b>	<b>82</b>	<b>113</b>	<b>140</b>	<b>140</b>	<b>161</b>	<b>200</b>	<b>213</b>	<b>52</b>	<b>7</b>
PBT	251	270	292	309	338	360	406	39	13
Provision for Taxes	86	92	102	105	113	113	139	36	23
Tax rate	34	34	35	34	33	31	34		
<b>PAT</b>	<b>165</b>	<b>178</b>	<b>190</b>	<b>205</b>	<b>225</b>	<b>247</b>	<b>267</b>	<b>41</b>	<b>8</b>
<b>Balance sheet</b>	<b>Q3FY18</b>	<b>Q4FY18</b>	<b>Q1FY19</b>	<b>Q2FY19</b>	<b>Q3FY19</b>	<b>Q4FY19</b>	<b>Q1FY20</b>	<b>% chg (yoy)</b>	<b>% chg (qoq)</b>
Advance (₹ cr)	36,890	40,268	42,198	45,873	49,893	54,308	56,837	35	5
Deposit (₹ cr)	38,623	43,902	44,950	47,790	52,187	58,394	60,811	35	4
Credit-to-Deposit Ratio (%)	96	92	94	96	96	93	93	(41.3)bp	46.3bp
CA (₹ cr)	4,055	5,356	5,214	5,687	6,315	6,365	5,655	8	(11)
SA (₹ cr)	5,214	5,356	5,799	6,022	6,523	8,234	10,034	73	22
CASA deposits (₹ cr)	9,270	10,712	11,013	11,709	12,838	14,599	15,689	42	7
CASA %	24.00	24.40	24.50	24.50	24.60	25.00	25.80	5	3
CAR (%)	16	15	15	14	14	13	12	(220)bp	(106)bp
Tier 1 CAR (%)	14	14	13	13	13	12	11	(180)bp	(80)bp

Source: Company

**Exhibit 2: NIMs have continued to expand since last 10 quarters**

Profitability Ratios (%)	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	% chg (yoy)	% chg (qoq)
Yield on Adv Reported	10.4	10.5	10.8	10.9	11.2	11.8	12.0	120bp	20bp
Cost of funds Reported	6.2	6.2	6.4	6.4	6.6	6.8	6.8	40bp	0bp
NIM Reported	3.9	4.0	4.0	4.1	4.1	4.2	4.2	19bp	0bp
Cost-to-income ratio	0.54	0.53	0.51	0.52	0.52	0.51	0.52	1.5bp	1.1bp
<b>Asset quality</b>									
Gross NPAs (₹ cr)	580	567	596	645	696	755	789	32	5
Gross NPAs (%)	1.60	1.40	1.40	1.42	1.38	1.38	1.38	(2)bp	0bp
Net NPAs (₹ cr)	358	313	316	339	358	373	372	18	(0)
Net NPAs (%)	1.0	0.8	0.7	0.7	0.7	0.7	0.7	(5)bp	(4)bp
PCR (%)	38	43	50	48	48	50	53	289.9bp	289.9bp
PCR Reported (%)	53	58	60	62	63	65	69	910bp	380bp
Slippage ratio (%)	0.6	0.3	0.4	0.3	0.4	0.4	0.4	4.5bp	1.7bp
Credit Cost on Adv (AnnI)	0.9	1.1	1.3	1.2	1.3	1.5	1.5	17bp	2.7bp
<b>Corporate Rating (%)</b>									
AAA	2.3	3.8	4.2	-	3.1	3.3	2.1	(210)bp	(120)bp
AA- & Above	13.2	11.4	10.4	-	10.3	9.3	11.1	70bp	180bp
A- & Above	30.6	32.3	33.8	46.8	32.4	31.4	32.6	(120)bp	120bp
BBB- & Above	47.6	47.0	45.8	47.5	48.6	50.1	47.3	150bp	(280)bp
bb+ & Below	6.2	5.5	5.7	5.7	5.6	5.9	7.0	130bp	110bp
<b>Advance Mix (₹ cr)</b>									
C&IB	15,606	16,240	17,149	18,826	19,935	21,354	21,980	28	3
CB	7,106	7,512	7,837	8,303	8,541	8,875	8,733	11	(2)
Wholesale	22,712	23,752	24,986	27,129	28,476	30,229	30,713	23	2
Retail Asset	9,397	10,434	11,361	12,407	14,644	16,467	18,391	62	12
LAP	3,791	4,161	4,339	-	5,659	6,453	6,945	60	8
Credit Card	1,579	2,244	2,901	-	4,496	5,283	6,653	129	26
Retail Agri	1,578	1,538	1,525	-	1,562	1,571	1,523	(0)	(3)
BIL	984	1,049	1,160	-	1,358	1,459	1,504	30	3
Others	1,285	1,442	1,435	-	1,569	1,701	1,766	23	4
DB&FI	4,781	5,684	5,851	6,337	6,773	7,611	7,733	32	2
-Micro banking	2,886	3,560	3,698	3,917	4,220	5,028	4,969	34	(1)
-IFI	1,358	1,543	1,503	1,669	1,685	1,579	1,696	13	7
-MSME	536	581	649	751	868	1,004	1,068	65	6
Non-Wholesale	14,178	16,118	17,212	18,744	21,417	24,078	26,124	52	8
Total	36,890	39,870	42,198	45,873	49,893	54,307	56,837	35	5

Source: Company

### Income Statement

Particular (₹)	FY17	FY18	FY19	FY20E	FY21E
<b>Net Interest Income</b>	<b>1,221</b>	<b>1,766</b>	<b>2,539</b>	<b>3,434</b>	<b>4,635</b>
- YoY Growth (%)	49	45	44	35	35
<b>Other Income</b>	<b>755</b>	<b>1,068</b>	<b>1,442</b>	<b>1,961</b>	<b>2,524</b>
- YoY Growth (%)	54	41	35	36	29
<b>Operating Income</b>	<b>1,977</b>	<b>2,834</b>	<b>3,982</b>	<b>5,396</b>	<b>7,159</b>
- YoY Growth (%)	51	43	40	36	33
<b>Operating Expenses</b>	<b>1,056</b>	<b>1,504</b>	<b>2,042</b>	<b>2,689</b>	<b>3,553</b>
- YoY Growth (%)	38	42	36	32	32
<b>Pre - Provision Profit</b>	<b>920</b>	<b>1,331</b>	<b>1,940</b>	<b>2,707</b>	<b>3,606</b>
- YoY Growth (%)	70	45	46	40	33
<b>Prov. &amp; Cont.</b>	<b>239</b>	<b>365</b>	<b>641</b>	<b>1,083</b>	<b>1,105</b>
- YoY Growth (%)	109	53	76	69	2
<b>Profit Before Tax</b>	<b>681</b>	<b>966</b>	<b>1,299</b>	<b>1,623</b>	<b>2,502</b>
- YoY Growth (%)	59	42	34	25	54
<b>Prov. for Taxation</b>	<b>235</b>	<b>331</b>	<b>432</b>	<b>552</b>	<b>851</b>
- as a % of PBT	35	34	33	34	34
<b>PAT</b>	<b>446</b>	<b>635</b>	<b>867</b>	<b>1,071</b>	<b>1,651</b>
- YoY Growth (%)	53	42	37	24	54

### Balance sheet

Y/E March (₹ cr)	FY17	FY18	FY19	FY20E	FY21E
Equity	375	420	427	427	427
Reserve & Surplus	3,960	6,264	7,121	8,031	9,435
Net worth	4,336	6,684	7,547	8,458	9,862
Deposits	34,588	43,902	58,394	78,395	1,05,272
- Growth (%)	42	27	33	34	34
Borrowings	7,980	9,261	11,832	15,618	20,616
Other Liab. & Prov.	1,785	2,003	2,585	4,262	6,055
<b>Total Liabilities</b>	<b>48,689</b>	<b>61,851</b>	<b>80,359</b>	<b>1,06,733</b>	<b>1,41,804</b>
Cash Balances	2,948	2,589	8,440	4,788	6,428
Bank Balances	1,246	1,695	1,763	2,736	3,673
Investments	13,482	15,448	16,840	23,938	32,142
Advances	29,449	40,268	54,308	72,230	96,066
- Growth (%)	39	37	35	33	33
Fixed Assets	259	334	402	616	826
Other Assets	1,306	1,517	2,206	2,426	2,669
<b>Total Assets</b>	<b>48,689</b>	<b>61,851</b>	<b>83,959</b>	<b>1,06,733</b>	<b>1,41,804</b>
- Growth (%)	24	27	36	27	33

### DuPont Analysis

Y/E March (%)	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Interest Income	8.91	8.72	8.68	8.62	8.28	8.45	8.16	8.86	9.02	9.04
Interest Expenses	5.33	6.17	6.48	6.17	5.81	5.67	4.96	5.29	5.35	5.31
NII	3.58	2.55	2.19	2.46	2.47	2.78	3.20	3.57	3.67	3.73
- Prov	0.36	0.22	0.30	0.27	0.35	0.54	0.66	0.90	1.16	0.89
Adj NII	3.22	2.33	1.90	2.19	2.13	2.24	2.54	2.67	2.51	2.84
Total Other Income	1.29	1.25	1.68	1.78	1.48	1.72	1.93	2.03	2.10	2.03
Total Income	4.51	3.58	3.57	3.97	3.61	3.95	4.47	4.70	4.61	4.87
Opex	2.68	2.22	2.72	2.65	2.31	2.40	2.72	2.87	2.87	2.86
PBT	1.83	1.36	0.85	1.32	1.29	1.55	1.75	1.83	1.74	2.01
TAX	0.58	0.44	0.26	0.41	0.41	0.54	0.60	0.61	0.59	0.68
<b>RoA</b>	<b>1.25</b>	<b>0.92</b>	<b>0.59</b>	<b>0.91</b>	<b>0.88</b>	<b>1.02</b>	<b>1.15</b>	<b>1.22</b>	<b>1.15</b>	<b>1.33</b>
Leverage	4.69	7.34	8.61	10.68	12.71	12.00	10.03	9.99	11.69	13.57
<b>RoE</b>	<b>5.85</b>	<b>6.76</b>	<b>5.12</b>	<b>9.77</b>	<b>11.21</b>	<b>12.18</b>	<b>11.52</b>	<b>12.18</b>	<b>13.39</b>	<b>18.03</b>

### Ratio analysis

Y/E March (₹ Cr)	FY17	FY18	FY19E	FY20E	FY21E
<b>Profitability ratios (%)</b>					
NIMs	2.9	3.4	3.7	3.8	3.9
Cost to Income Ratio	53.4	53.0	51.3	49.8	49.6
RoA	1.0	1.1	1.2	1.15	1.33
RoE	12.2	11.5	12.2	13.4	18.0
<b>B/S ratios (%)</b>					
CASA Ratio	0.22	0.24	0.25	0.26	0.26
Credit/Deposit Ratio	0.9	0.9	0.9	0.9	0.9
<b>Asset Quality (%)</b>					
Gross NPAs	1.21	1.41	1.33	2.25	2.00
Gross NPAs (₹ cr)	356.8	566.7	722.3	1,625	1,921.3
Net NPAs	0.64	0.78	0.73	1.10	1.10
Net NPAs (₹ cr)	189.9	314.0	396.5	794.5	1,056.7
Credit Cost on Advance	0.81	0.91	1.18	1.50	1.15
Provision Coverage	53%	55%	55%	49%	55%
<b>Per Share Data (₹)</b>					
EPS	10.4	14.8	20.3	25.1	38.6
BV	101.4	156.3	176.5	197.8	230.6
ABVPS (70% cover)	99.4	152.9	172.3	190.6	219.3
DPS	1.8	2.3	3.0	3.8	5.8
<b>Valuation Ratios</b>					
PER (x)	47.9	33.7	24.7	20.0	13.0
P/BV	4.9	3.2	2.8	2.5	2.2
P/ABVPS (x)	5.0	3.3	2.9	2.6	2.28
Dividend Yield	0.4	0.5	0.6	0.8	1.2

Note – Valuation done on closing price of 19/07/2019

Research Team Tel: 022 - 39357800

 E-mail: [research@angelbroking.com](mailto:research@angelbroking.com)

 Website: [www.angelbroking.com](http://www.angelbroking.com)

Angel Broking Limited (hereinafter referred to as "Angel") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, Metropolitan Stock Exchange Limited, Multi Commodity Exchange of India Ltd and National Commodity & Derivatives Exchange Ltd. It is also registered as a Depository Participant with CDSL and Portfolio Manager and Investment Adviser with SEBI. It also has registration with AMFI as a Mutual Fund Distributor. Angel Broking Limited is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000000164. Angel or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market. Angel or its associates/analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months.

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals. Investors are advised to refer the Fundamental and Technical Research Reports available on our website to evaluate the contrary view, if any

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Limited endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Neither Angel Broking Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

#### Disclosure of Interest Statement

Disclosure of Interest Statement	Yes Bank
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