

RBL Bank

Overall healthy Q4; NIM at all time high

Particulars (₹ cr)	Q4FY19	Q3FY19	% chg (qoq)	Q4FY18	% chg (yoy)
NII	739	655	13%	500	48%
Pre-prov. profit	560	498	12%	383	46%
PAT	247	225	10%	178	39%

Source: Company, Angel Research

RBL Bank delivered healthy set of numbers for Q4FY2019, with PAT growth of 39% yoy. On the operating front, the bank reported 48% yoy growth in NII. The NIM qoq/yoy increased by 11/25 bps, respectively, driven by a higher yield on advances. The bank managed to reduce its expenses and brought down the cost/income ratio from 52.8% in Q4FY2018 to 51.2% in Q4FY2019.

Robust growth in advances; NIM register improvement: During Q4FY2019, the bank's advances grew by 36.2% yoy, of which retail loan book increased 57.8% yoy to constitute 30% of the total advances. The corporate loans inched up by 27.3% yoy. The net interest income during this period grew by 48%, which is higher than the growth in advances. During the quarter, NIM increased by 11bps qoq and 25bps yoy to 4.23%, aided by higher yield on advances (up 140bps yoy) as against cost of funds (up 83bps yoy). Rise in yield was on account of increasing MCLR rates as well as higher proportion of high-yielding non-wholesale book. Moreover, a slower rise in Opex aided lower cost/income by 167bps yoy to 51.2% in Q4FY2019.

Strong asset quality: Total deposits surged by 33% yoy and 12% qoq in Q4FY2019. CASA deposits accounted for 25% of the total deposits. On the asset quality front, the bank continued to maintain strong asset quality with a GNPA/NPA ratio of 1.38%/0.69% of loans. Total slippages for the quarter were at ₹206cr, which declined 2.2% qoq, whereas increased 79% yoy.

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 will support NIM going forward. At CMP, RBL trades at 2.9x FY21E P/ABV, which we believe is attractive considering growth prospects, hence, we recommend BUY with a target price of ₹775 over the next 12 months.

Key financials (Standalone)

Y/E March (₹ cr)	FY17	FY18	FY19	FY20E	FY21E
NII	1,221	1,766	2,539	3,500	4,804
% chg	42	27	33	34	34
Net profit	446	635	867	1,291	1,861
% chg	52.5	42.3	36.6	48.9	44.2
NIM (%)	2.9	3.4	3.7	3.9	4.0
EPS (₹)	10.6	15.1	20.7	30.8	44.4
P/E (x)	64	45	33	22	15
P/ABV (x)	6.7	4.3	3.9	3.4	2.9
RoA (%)	1.0	1.1	1.2	1.4	1.5
RoE (%)	12.2	11.5	12.2	15.9	19.7

Source: Company, Angel Research, Note: CMP as of 19/04/19

BUY

CMP	₹676
Target Price	₹775

Investment Period 12 Months

Stock Info

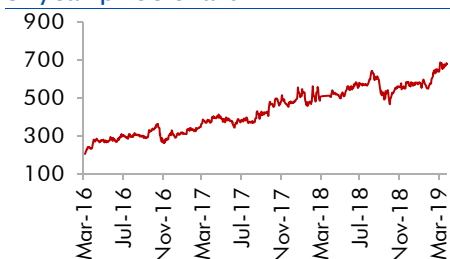
Sector	Banking
Market Cap (₹ cr)	28,822
Beta	1.1
52 Week High / Low	692/483
Avg. Daily Volume	1,17,971
Face Value (₹)	10
BSE Sensex	39,140
Nifty	11,035
Reuters Code	RATB BO
Bloomberg Code	RBK IN

Shareholding Pattern (%)

Promoters	0.0
MF / Banks / Indian Fls	24.8
FII / NRIs / OCBs	18.8
Indian Public / Others	56.4

Abs. (%)	3m	1yr	3yr
Sensex	7.6	13.7	56.8
RBL Bank	18.6	33.1	191.0

3-year price chart



Source: Company, Angel Research

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Exhibit 1: Quarter Summary

Particular (₹ Cr)	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	YoY(%)	QoQ(%)
Interest Income	1,091	1,151	1,223	1,364	1,463	1,639	1,834	50.0	11.9
Interest Expenses	671	684	722	812	870	984	1,095	51.7	11.3
Net Interest Income (NII)	420	467	500	553	593	655	739	47.6	12.8
Other Income	241	258	312	326	333	374	409	31.2	9.4
Total Income	1,332	1,409	1,535	1,690	1,797	2,013	2,243	46.2	11.4
Net Income	661	726	812	879	926	1,029	1,148	41.3	11.5
Operating Expenses	358	392	429	446	477	531	588	36.9	10.8
Employee Expenses	144	144	131	153	150.91	164.06	168.2	28.9	2.5
Cost / Income %	54.2%	54.0%	52.8%	50.8%	51.5%	51.6%	51.2%	(162.7)	(34.6)
Operating Profit	303	333	383	432	449	498	560	46.2	12.3
Provisions	75	82	113	140	139.68	160.68	199.97	77.2	24.5
PBT	228	251	270	292	309	338	360	33.2	6.6
Provisions for Tax	78	86	92	102	104.83	112.6	112.84	22.5	0.2
Tax Rate %	34.0%	34.2%	34.1%	34.9%	33.9%	33.3%	31.3%	(274.6)	(199.2)
PAT	151	165	178	190	205	225	247	38.8	9.8
Balance Sheet									
Advances	33,576	36,890	40,268	42,198	45,873	49,893	54,308	34.9	8.8
Deposits	36,569	38,623	43,902	44,950	47,790	52,187	58,394	33.0	11.9
Savings	5,449	5,214	5,356	5,799	6,022	6,523.4	8,233.6	53.7	26.2
Current	3,218	4,055	5,356	5,214	5,687	6,314.6	6,365.0	18.8	0.8
CASA	8,667	9,270	10,712	11,013	11,709	12,838	14,599	36.3	13.7
CASA%	23.7%	24.0%	24.4%	24.5%	24.50%	24.60%	25.00%	60.0	40.0
Profitability									
Yield Advance	10.13	10.09	9.88	10.45	10.66	11.11	11.28	140.0	16.2
Cost of Fund	6.20	6.02	5.77	6.09	6.28	6.57	6.60	83.2	3.8
NIM Calculated	3.44	3.60	3.53	3.67	3.80	3.90	4.01	47.7	10.3
Spread	3.93	4.07	4.10	4.37	4.38	4.55	4.67	56.8	12.4
NIM Reported	3.74	3.89	3.98	4.04	4.08	4.12	4.23	25.0	11.0
ROE	11.2	10.4	10.8	11.2	11.7	12.6	13.3	251.3	75.6
ROA	1.19	1.23	1.22	1.22	1.26	1.29	1.30	8.1	0.3
Capital Adequacy (%)									
Tier 1	14.50	14.10	13.60	13.10	12.50	12.50	12.10	(150.0)	(40.0)
Tier 2	2.10	1.80	1.70	1.50	1.20	1.30	1.36	(34.0)	6.0
Total	16.60	15.90	15.30	14.60	13.70	13.80	13.46	(184.0)	(34.0)
Asset Quality									
GNPA%	1.40	1.60	1.40	1.40	1.42	1.38	1.38	(2.0)	-
NPA%	0.80	1.00	0.80	0.70	0.74	0.72	0.69	(11.0)	(3.0)
Restructured Asset %	0.41	0.18	0.08	0.10	0.07	0.09	0.04	(4.0)	(5.0)
PCR Calculated %	43	38	43	50	48	48	50	714.3	217.4
PCR Reported %	58	53	58	60	62	63	65	730.0	200.0
GNPA (₹)	487	580	567	596	645	696	755	33.2	8.5
NPA (₹)	261	358	313	316	339	358	373	19.2	4.0
Slippages (₹)	92	210	115	148	142	211	206	79.1	(2.4)
Slippages %	0.27	0.57	0.29	0.35	0.31	0.42	0.38	9.4	(4.4)

Source: Company, Angel Broking,

Exhibit 2: Advances trend and mix

Particular (₹ Cr)	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	YoY(%)	QoQ(%)
C&IB	13,895	15,606	16,240	17,149	18,826	19,935	21,354	31.5	7.1
CB	6,528	7,106	7,512	7,837	8,303	8,541	8,875	18.1	3.9
Wholesale	20,423	22,712	23,752	24,986	27,129	28,476	30,229	27.3	6.2
Retail Asset	8,539	9,397	10,434	11,361	12,407	14,644	16,467	57.8	12.4
DB&FI	4,614	4,781	5,684	5,851	6,337	6,773	7,611	33.9	12.4
-Micro banking	2,533	2,886	3,560	3,698	3,917	4,220	5,028	41.2	19.1
-IFI	1,616	1,358	1,543	1,503	1,669	1,685	1,579	2.3	-6.3
-MSME	465	536	581	649	751	868	1,004	72.8	15.7
Non-Wholesale	13,153	14,178	16,118	17,212	18,744	21,417	24,078	49.4	12.4
Total	33,576	36,890	39,870	42,198	45,873	49,893	54,307	36.2	8.8
Advance Mix (%)								YoY (bps)	QoQ (bps)
C&IB	41.4	42.3	40.7	40.6	41.0	40.0	39.3	(141.1)	(63.5)
CB	19.4	19.3	18.8	18.6	18.1	17.1	16.3	(249.9)	(77.6)
Wholesale	60.8	61.6	59.6	59.2	59.1	57.1	55.7	(391.0)	(141.1)
Retail Asset	25.4	25.5	26.2	26.9	27.0	29.4	30.3	415.2	97.1
DB&FI	13.7	13.0	14.3	13.9	13.8	13.6	14.0	(24.2)	44.0
-Micro banking	7.5	7.8	8.9	8.8	8.5	8.5	9.3	32.9	80.0
-IFI	4.8	3.7	3.9	3.6	3.6	3.4	2.9	(96.3)	(47.0)
-MSME	1.4	1.5	1.5	1.5	1.6	1.7	1.8	39.2	10.9
Non-Wholesale	39.2	38.4	40.4	40.8	40.9	42.9	44.3	391.0	141.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	-	-

Source: Company, Angel Broking

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

Particular	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	YoY(%)	QoQ(%)
Other Income	241	258	312	326	333	374	409	31.2	9.4
Trading	39	28	41	36	7	26	29	(29.4)	9.4
Core Fees	202	230	271	290	326	348	381	40.2	9.4
FX	34	34	38	35	39	38	42	9.9	9.1
Proc Fees	57	67	65	70	75	80	80	22.8	0.0
gen banking	30	28	38	35	46	49	38	0.7	(21.4)
Distribution	6	9	16	12	10	10	14	(14.6)	33.3
CC	55	71	90	116	131	143	143	59.2	0.0
Trades & other	20	21	27	23	29	28	31	15.4	12.5
Total	202	230	274	290	330	348	348	26.9	0.0

Source: Company, Angel Broking

Income Statement

Y/E March (₹ cr)	FY17	FY18	FY19	FY20E	FY21E
Net Interest Income	1,221	1,766	2,539	3,500	4,804
- YoY Growth (%)	49	45	44	38	37
Other Income	755	1,068	1,442	1,914	2,498
- YoY Growth (%)	54	41	35	33	31
Operating Income	1,977	2,834	3,982	5,415	7,302
- YoY Growth (%)	51	43	40	36	35
Operating Expenses	1,056	1,504	2,042	2,726	3,591
- YoY Growth (%)	38	42	36	33	32
Pre - Provision Profit	920	1,331	1,940	2,689	3,711
- YoY Growth (%)	70	45	46	39	38
Prov. & Cont.	239	365	641	733	891
- YoY Growth (%)	109	53	76	14	22
Profit Before Tax	681	966	1,299	1,956	2,820
- YoY Growth (%)	59	42	34	51	44
Prov. for Taxation	235	331	432	665	959
- as a % of PBT	35	34	33	34	34
PAT	446	635	867	1,291	1,861
- YoY Growth (%)	53	42	37	49	44

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	8,218	9,800
Networth	4,336	6,684	7,547	8,645	10,227
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	15,855	21,246
Other Liab. & Prov.	1,785	2,003	2,585	4,925	7,971
Total Liabilities	48,689	61,851	80,359	1,07,819	1,44,715
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	73,316	98,977
- Growth (%)	39	37	35	35	35
Fixed Assets	259	334	402	616	826
Other Assets	1,306	1,517	2,206	2,426	2,669
Total Assets	48,689	61,851	83,959	1,07,819	1,44,715

Key Ratios

Y/E March	FY16	FY17	FY18	FY19E	FY20E	FY21E
Profitability ratios (%)						
NIMs	2.6	2.9	3.4	3.7	3.9	4.0
Cost to Income Ratio	58.6	53.4	53.0	51.3	50.3	49.2
RoA	0.9	1.0	1.1	1.2	1.4	1.5
RoE	11.2	12.2	11.5	12.2	15.9	19.7
B/S ratios (%)						
CASA Ratio	0.19	0.22	0.24	0.25	0.26	0.26
Credit/Deposit Ratio	0.9	0.9	0.9	0.9	0.9	0.9
Asset Quality (%)						
Gross NPAs	0.98	1.21	1.41	1.33	1.25	1.25
Gross NPAs (Amt)	208.1	356.8	566.7	722.3	916.5	1,237.2
Net NPAs	0.59	0.64	0.78	0.73	0.73	0.73
Net NPAs (Amt)	124.4	189.9	314.0	396.5	535.2	722.5
Credit Cost on Advance	0.54	0.81	0.91	1.18	1.00	0.90
Provision Coverage	60%	53%	55%	55%	58%	58%
Per Share Data (₹)						
EPS	7.0	10.6	15.1	20.7	30.8	44.4
BV	71.2	103.3	159.3	179.8	206.0	243.7
ABVPS (70% cover.)	69.8	101.3	155.8	175.6	199.8	235.3
DPS	1.5	1.8	2.3	3.1	4.6	6.7
Valuation Ratios						
PER (x)	97.1	63.7	44.8	32.8	22.0	15.3
P/BV	9.5	6.6	4.3	3.8	3.3	2.8
P/ABVPS (x)	9.7	6.7	4.3	3.9	3.4	2.9
Dividend Yield	0.2	0.3	0.3	0.5	0.7	1.0

Note - Valuation done dosing price of 19/04/19

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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