

### RBL BANK LTD

May-19

Industry: Banks

Cmp Rs 655

Recommendation: Hold/Buy

Target Rs: 790

#### Key Data

BSE Code	540065
NSE Code	RBLBANK
52 Week High (Rs)	692
52 Week Low (Rs)	438
Market Cap (Rs Cr)	27947
Face Value	10

#### Result Update:

**Asset quality continues to remain strong:** RBL's asset quality has improved. Its GNPA stood at 1.38% of total advances as on FY19 which decreased from 1.40% as on FY18. The net stressed assets of the Bank have decreased to 0.73% as on FY19 from 0.86% as on FY18. The net NPA ratio has decreased to 0.69% as on FY19 from 0.78% as on FY18. RBL's provisioning coverage ratio (including technical write-offs), improved to and stood at 65.30% as on FY19 as compared to 57.57% as on FY18. MCLR re-pricing resulted in an increase in wholesale yields. RBL has continued to post a healthy advance growth of 35% on a YoY basis mainly driven by non-wholesale loan growth of 49% YoY. The non-wholesale portfolio constituted about 44% of the loan portfolio of the Bank as on FY19. The net advances as on FY19 were 54,308 Cr as against 40,267 Cr as on FY18, with all-round growth observed in all business segments. RBL's ROA stands at 1.27% for FY19 which remained stable. ROA is expected to be driven by margins expansion (improvement in yields and change in loan mix), cost efficiency across all business verticals and lower provisioning going forward.

#### Industry Snapshot

Customers	Open
Market Presence	Domestic
Govt Regulations	Medium
Msearch View	Positive

**Robust continuous operational performance:** RBL has continued to consistently maintain its strong growth momentum and improvement in operating metrics while maintaining robust asset quality. Its deposits grew 33% YoY basis with CASA growing faster at 37%. Deposits grew to 58,394 Cr as on FY19 as against 43,902 Cr as on FY18. While CASA ratio was at 25% as on FY19 compared to 24.32% as on FY18. The optimization of retail deposits across CA, SA & term deposits helped improve the cost of funds in the quarter. Thus Cost to Income ratio is expected to remain in the range of 52%-53% over the next few quarters on the back of continues branch expansion plans. NIMs continue to improve due to MCLR re-pricing and increasing proportion of high-yielding assets. We expect a strong trajectory of NIMs going forward. The improving margins on the account of improving asset mix and the continued asset re-pricing will gradually increase the operating leverage.

#### Shareholding March 2019

Promoters	0.00%
Public	100.00%

#### Promoters/ Management

Mr. Vishwavir Ahuja	MD&CEO
Mr. Sankarson Banerjee	CIO
Mr. Sivanandhan D	Director
Mr. Rajeev Ahuja	Ex Director
Mr. Jairaj Manohar	Director
Mr. Palepu Sudhir	Director

**Core Fee income on growth trajectory:** Core fees income continued to steal the spotlight. In FY19, RBL's core fee income grew by 52% and stood at Rs 1,348 Cr as against Rs 887 in FY18. This was led by processing fee & credit card business. Credit card business of RBL bank is top 5 in the industry in terms of spend and new cards. The robust growth was led by card fees which accounts for Rs 539 Cr (40% of total fees) and processing fees at Rs 310 Cr showing a YoY growth turning into double and 25% respectively. RoA in credit card stands above the overall RoA of the bank. RBL thus continues to grow at a rapid pace towards reaching market leadership.

#### Key Ratios

CASA %	25.00%
COST TO INCOME	51.30%
NIM	4.10%
P/BV x (FY21E)	2.88

#### Mview:

We believe RBL bank would be best in class private banking space and has high potential to grow big in the next 2-3 years considering resourceful team driving growth, focus on operational quality & scalability and target strategy of increasing retail advances which will bring in growth and margin expansion and good asset quality. On valuation parse RBL is trades at 2.8x FY21E P/BV. We feel the current valuation is quite attractive given the growth prospects of the bank and hence we maintain Buy recommendation for our investors after result review we have revised target from Rs 698 to 790.

#### Price Chart



#### About the company:

RBL Bank Ltd (RBL) is one of India's fastest growing private sector banks with an expanding presence across the country. The Bank offers specialized services under six business verticals namely: Corporate & Institutional Banking, Commercial Banking, Branch & Business Banking, Agri Business Banking, Development Banking and Financial Inclusion, Treasury & Financial Markets Operations. In the past five years, the bank has focused on building a comprehensive product suite, improving risk management, upgrading technology by implementing a new-age core banking system platform and expanding its distribution network. It currently services over 6.50 mn customers through a network of 324 Branches, 226 Banking Outlets and 341 ATMs spread across 21 states.

#### Research Team

022-61507123/142

### FINANCIAL OVERVIEW

#### Profit & Loss Statement (Rs Cr)

Particulars	Q4FY19	Q4FY18	YoY	Q3FY19	QoQ		FY19	FY18	YoY
Interest Earned	1834	1223	50%	1639	12%		6302	4561	38%
Other income	409	312	31%	374	9%		1441	1069	35%
<b>Total Income</b>	<b>2243</b>	<b>1535</b>	<b>46%</b>	<b>2013</b>	<b>11%</b>		<b>7743</b>	<b>5630</b>	<b>38%</b>
Interest Expended	1095	722	52%	984	11%		3761	2741	37%
<b>Operating Expenses</b>	<b>588</b>	<b>429</b>	<b>37%</b>	<b>531</b>	<b>11%</b>		<b>2044</b>	<b>1548</b>	<b>32%</b>
Employee cost	168	131	29%	164	3%		752	582	29%
Other operating expense	420	299	40%	367	14%		1292	966	34%
<b>Total expenses</b>	<b>1683</b>	<b>1152</b>	<b>46%</b>	<b>1515</b>	<b>11%</b>		<b>5805</b>	<b>4289</b>	<b>35%</b>
<b>Op. Profit before provision</b>	<b>560</b>	<b>383</b>	<b>46%</b>	<b>499</b>	<b>12%</b>		<b>1939</b>	<b>1341</b>	<b>45%</b>
provisions	200	113	77%	161	24%		641	367	74%
<b>Profit before tax</b>	<b>360</b>	<b>270</b>	<b>33%</b>	<b>338</b>	<b>7%</b>		<b>1298</b>	<b>974</b>	<b>33%</b>
Tax expense	113	92	22%	113	0%		436	335	30%
<b>PAT</b>	<b>247</b>	<b>178</b>	<b>39%</b>	<b>225</b>	<b>10%</b>		<b>858</b>	<b>632</b>	<b>36%</b>
<b>EPS</b>	<b>5.79</b>	<b>4.24</b>		<b>5.30</b>			<b>20.10</b>	<b>15.05</b>	

### TECHNICAL OUTLOOK





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**Msearch's Recommendation (Absolute Performance)**

**Buy : > 20% within the next 12 Months**

**Accumulate : 5% to 20% within the next 12 Months**

**Sell : < -20% within the next 12 Months**

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