



Farsight

## MORNING FARSIGHT

Wednesday, October 24, 2018

**RBL BANK**

**CMP:RS 465**

**TRGT:RS 530**

**TIME HORIZON: 1 YEAR**

RBL Bank, one of India's fastest growing private sector bank, with network of 268 branches, has posted good earnings for Q2FY19, with industry leading loan growth of 37% YoY and 9% QoQ to Rs. 45,873 cr, while Deposits grew by more than 31% YoY / 6% QoQ to Rs. 47,790 cr. While almost all the private banks saw NIM contraction in Q2FY19, RBL Bank reported improved NIM of 4.08% against 4.04% QoQ, and NII growth was strong at 7% QoQ and 41% YoY at Rs. 593 crs. Despite higher provisions at Rs. 140 cr against Rs. 113 cr QoQ and Rs. 95 cr YoY, PAT rose by 8% QoQ and 36% YoY to Rs. 204 cr, leading to an EPS of Rs. 4.84 for Q2FY19 and Rs. 9.36 for H1FY19. On the asset quality front, GNA and Net NPA ratios remained exactly at similar levels as seen in Q1FY19, at 1.4% and 0.74%, respectively. The Bank's capital adequacy ratio as at September 30, 2018 was at 13.12% and Tier-1 capital adequacy ratio was at 11.84%, significantly higher than the regulatory requirements. On an estimated BV of Rs. 170 for FY19 and Rs. 191 for FY20, which are likely to sustain, as RBL Bank is India's fastest growing private sector bank (59% loan CAGR over FY10-17) and offers great degree of comfort from Corporate Governance perspective. Beyond its corporate focus, RBL Bank has selectively ventured into retail segments with high growth potential. With an increasing focus on Retail/SME loans, granularity of the book is set to improve. Share ruling at Rs. 465 can move to Rs. 530 in 1 year Buy as an investor only.

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Disclosure of interest statement – • Analyst interest of the stock / Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.