

BSE SENSEX  
 38,337

 S&P CNX  
 11,419

**CMP: INR500**
**TP: INR640 (+28%)**
**Buy**

Motilal Oswal values your support in the Asiamoney Brokers Poll 2019 for India Research, Sales and Trading team. We request your ballot.



|                       |             |
|-----------------------|-------------|
| Bloomberg             | RBK IN      |
| Equity Shares (m)     | 427         |
| M.Cap.(INRb)/(USDb)   | 214 / 3.1   |
| 52-Week Range (INR)   | 717 / 439   |
| 1, 6, 12 Rel. Per (%) | -18/-18/-15 |
| 12M Avg Val (INR M)   | 1153        |
| Free float (%)        | 100.0       |

#### Financials & Valuations (INR b)

| Y/E March         | FY19  | FY20E | FY21E |
|-------------------|-------|-------|-------|
| NII               | 25.4  | 35.2  | 48.0  |
| OP                | 19.4  | 26.6  | 35.3  |
| NP                | 8.7   | 10.4  | 14.8  |
| NIM (%)           | 3.7   | 4.0   | 4.1   |
| EPS (INR)         | 20.3  | 24.3  | 31.3  |
| EPS Gr. (%)       | 34.3  | 19.8  | 28.4  |
| BV/Sh. (INR)      | 176.9 | 197.8 | 257.5 |
| ABV/Sh. (INR)     | 168.5 | 183.3 | 242.6 |
| RoE (%)           | 12.2  | 13.0  | 14.3  |
| RoA (%)           | 1.2   | 1.1   | 1.2   |
| Payout (%)        | 10.2  | 12.0  | 15.0  |
| <b>Valuations</b> |       |       |       |
| P/E(X)            | 24.6  | 20.6  | 16.0  |
| P/BV (X)          | 2.8   | 2.5   | 1.9   |
| P/ABV (X)         | 3.0   | 2.7   | 2.1   |

## Earnings momentum to take a breather; guided for elevated slippages during FY20E

- RBK reported 1QFY20 PAT at INR2.7b (41% YoY growth, inline) though the guidance on asset quality will drive elevated credit cost and impact earnings trajectory over the coming quarters.
- GNPA increased 4.6% QoQ to INR7.9b (1.4% of loans) while NNPA stood flat at INR3.7b enabling 230bp QoQ improvement in PCR to 52.9% (69.1% including TWO). **RBK guided for: (i) Elevated stress in a few corporate accounts (exposure: INR9-10b), (ii) Incremental credit cost of ~35-40bp towards these exposures, and, (iii) GNPA ratio to increase to 2.3-2.5% by end-FY20 from 1.38% currently.**
- NII grew 48% YoY to INR8.2b, led by 35% YoY growth in advances and 8bp QoQ expansion in the margin to 4.3%. Core fees increased 41% YoY (+5% QoQ) to INR4.1b, driven by credit cards (+66% YoY; ~47% of total fees).
- Loan book grew 35% YoY, led by strong growth in retail book (+62% YoY), while wholesale book grew 23% YoY. The share of retail loans increased by 160bp QoQ to ~46%. Deposits base increased 35% YoY led by a robust 73% YoY increase in SA deposits. CASA ratio increased to 25.8% (+80bp QoQ).
- **Other highlights:** (i) Tier-1 ratio declined to 11.3% due to higher capital charge on unrated assets, (ii) **MFI book** declined 1% QoQ to INR49.7b (8.7% of total loans), (iii) **Cards portfolio** grew to 2m (1.7m in FY19), while credit card book grew 129% YoY to INR66.5b (11.7% of total loans), and, (iv) **Mix of BB and below book** increased 110bp QoQ to 7%.
- **Valuation view:** RBL has demonstrated strong momentum in business growth and earnings. However the exposure to a few stressed corporate accounts is likely to drive an increase in provisioning expenses and dent the earnings trajectory. We, thus, cut our PAT estimates by 12%/9% for FY20/21 as we factor in higher credit cost of 160bp/140bp for FY20/21 (~100bp in FY19) though robust margins and improving profitability in the cards business will still facilitate 30% earnings CAGR over FY19-21. We revise our TP to INR640 (2.5x FY21E BV). Maintain **Buy**.

## Quarterly performance

|                             | FY19         |              |               |               | FY20E         |               |               |               | FY19          | FY20E         | 1Q V/s our    |           |
|-----------------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------|
|                             | 1Q           | 2Q           | 3Q            | 4Q            | 1Q            | 2QE           | 3QE           | 4QE           |               |               | FY20E         | Est       |
| <b>Net Interest Income</b>  | <b>5,527</b> | <b>5,930</b> | <b>6,551</b>  | <b>7,387</b>  | <b>8,173</b>  | <b>8,450</b>  | <b>8,978</b>  | <b>9,608</b>  | <b>25,395</b> | <b>35,209</b> | <b>7,792</b>  | <b>5%</b> |
| % Change (Y-o-Y)            | 46.1         | 41.1         | 40.2          | 47.6          | 47.9          | 42.5          | 37.1          | 30.1          | 43.8          | 38.6          | 41.0          | 690       |
| Other Income                | 3,260        | 3,331        | 3,741         | 4,092         | 4,812         | 4,777         | 5,076         | 5,240         | 14,424        | 19,905        | 4,349         | 11%       |
| <b>Total Income</b>         | <b>8,787</b> | <b>9,261</b> | <b>10,291</b> | <b>11,480</b> | <b>12,985</b> | <b>13,227</b> | <b>14,054</b> | <b>14,847</b> | <b>39,818</b> | <b>55,114</b> | <b>12,141</b> | <b>7%</b> |
| Operating Expenses          | 4,464        | 4,770        | 5,307         | 5,880         | 6,797         | 6,835         | 7,262         | 7,584         | 20,420        | 28,477        | 6,083         | 12%       |
| <b>Operating Profit</b>     | <b>4,323</b> | <b>4,491</b> | <b>4,985</b>  | <b>5,600</b>  | <b>6,188</b>  | <b>6,393</b>  | <b>6,792</b>  | <b>7,263</b>  | <b>19,398</b> | <b>26,637</b> | <b>6,058</b>  | <b>2%</b> |
| % Change (Y-o-Y)            | 38.8         | 48.1         | 49.5          | 46.2          | 43.1          | 42.4          | 36.3          | 29.7          | 45.7          | 37.3          | 40.1          | 301       |
| Other Provisions            | 1,404        | 1,397        | 1,607         | 2,000         | 2,132         | 2,640         | 2,694         | 3,309         | 6,407         | 10,775        | 2,110         | 1%        |
| <b>Profit before Tax</b>    | <b>2,920</b> | <b>3,094</b> | <b>3,378</b>  | <b>3,600</b>  | <b>4,056</b>  | <b>3,753</b>  | <b>4,099</b>  | <b>3,954</b>  | <b>12,992</b> | <b>15,862</b> | <b>3,948</b>  | <b>3%</b> |
| Tax Provisions              | 1,019        | 1,048        | 1,126         | 1,128         | 1,386         | 1,295         | 1,414         | 1,364         | 4,322         | 5,472         | 1,362         | 2%        |
| <b>Net Profit</b>           | <b>1,900</b> | <b>2,045</b> | <b>2,252</b>  | <b>2,472</b>  | <b>2,671</b>  | <b>2,458</b>  | <b>2,685</b>  | <b>2,590</b>  | <b>8,670</b>  | <b>10,389</b> | <b>2,586</b>  | <b>3%</b> |
| % Change (Y-o-Y)            | 34.8         | 35.8         | 36.2          | 38.8          | 40.5          | 20.2          | 19.2          | 4.8           | 36.5          | 19.8          | 36.1          | 446       |
| <b>Operating Parameters</b> |              |              |               |               |               |               |               |               |               |               |               |           |
| Deposit (INR b)             | 449.5        | 477.9        | 521.9         | 583.9         | 608.1         | 623.7         | 683.2         | 782.5         | 583.9         | 782.5         | 574.2         | 6%        |
| Loan (INR b)                | 422.0        | 458.7        | 498.9         | 543.1         | 568.4         | 612.6         | 664.7         | 716.9         | 543.1         | 716.9         | 562.6         | 1%        |
| Deposit Growth (%)          | 26.9         | 30.7         | 35.1          | 33.0          | 35.3          | 30.5          | 30.9          | 34.0          | 33.0          | 34.0          | 27.7          | 755       |
| Loan Growth (%)             | 35.7         | 36.6         | 35.2          | 34.9          | 34.7          | 33.5          | 33.2          | 32.0          | 34.9          | 32.0          | 33.3          | 136       |
| <b>Asset Quality</b>        |              |              |               |               |               |               |               |               |               |               |               |           |
| Gross NPA (INR b)           | 6.0          | 6.4          | 7.0           | 7.5           | 7.9           | 10.2          | 12.6          | 17.0          | 7.5           | 17.0          | 8.2           | -4%       |
| Gross NPA (%)               | 1.4          | 1.4          | 1.4           | 1.4           | 1.4           | 1.6           | 1.9           | 2.4           | 1.4           | 2.4           | 1.5           | -7        |
| Net NPA (INR b)             | 3.2          | 3.4          | 3.6           | 3.7           | 3.7           | 4.7           | 5.7           | 8.8           | 3.7           | 8.8           | 3.9           | -6%       |
| Net NPA (%)                 | 0.8          | 0.7          | 0.7           | 0.7           | 0.7           | 0.8           | 0.9           | 1.2           | 0.7           | 1.2           | 0.7           | -5        |
| PCR (%)                     | 47.0         | 47.5         | 48.5          | 50.6          | 52.9          | 53.5          | 55.0          | 48.1          | 50.6          | 48.1          | 52.0          | 91        |

Source: MOFSL

## Exhibit 1: Quarterly snapshot

| INR m                         | FY18         |              |              |              | FY19         |              |               |               | FY20          | Change (%) |      |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|------------|------|
|                               | 1Q           | 2Q           | 3Q           | 4Q           | 1Q           | 2Q           | 3Q            | 4Q            | 1Q            | YoY        | QoQ  |
| <b>Profit and Loss</b>        |              |              |              |              |              |              |               |               |               |            |      |
| <b>Net Interest Income</b>    | <b>3,784</b> | <b>4,202</b> | <b>4,673</b> | <b>5,005</b> | <b>5,527</b> | <b>5,930</b> | <b>6,551</b>  | <b>7,387</b>  | <b>8,173</b>  | 48         | 11   |
| <b>Other Income</b>           | <b>2,569</b> | <b>2,411</b> | <b>2,582</b> | <b>3,120</b> | <b>3,260</b> | <b>3,331</b> | <b>3,741</b>  | <b>4,092</b>  | <b>4,812</b>  | 48         | 18   |
| Trading profits               | 745          | 386          | 284          | 406          | 359          | 67           | 262           | 205           | 722           | 101        | 253  |
| Fee Income                    | 1,824        | 2,025        | 2,298        | 2,714        | 2,901        | 3,264        | 3,479         | 3,888         | 4,090         | 41         | 5    |
| <b>Total Income</b>           | <b>6,353</b> | <b>6,612</b> | <b>7,255</b> | <b>8,124</b> | <b>8,787</b> | <b>9,261</b> | <b>10,291</b> | <b>11,480</b> | <b>12,985</b> | 48         | 13   |
| <b>Operating Expenses</b>     | <b>3,239</b> | <b>3,581</b> | <b>3,921</b> | <b>4,293</b> | <b>4,464</b> | <b>4,770</b> | <b>5,307</b>  | <b>5,880</b>  | <b>6,797</b>  | 52         | 16   |
| Employee                      | 1,330        | 1,435        | 1,436        | 1,305        | 1,530        | 1,509        | 1,641         | 1,682         | 1,845         | 21         | 10   |
| Others                        | 1,909        | 2,145        | 2,485        | 2,988        | 2,934        | 3,261        | 3,666         | 4,198         | 4,952         | 69         | 18   |
| <b>Operating Profits</b>      | <b>3,114</b> | <b>3,032</b> | <b>3,334</b> | <b>3,831</b> | <b>4,323</b> | <b>4,491</b> | <b>4,985</b>  | <b>5,600</b>  | <b>6,188</b>  | 43         | 11   |
| <b>Core Operating Profits</b> | <b>3,114</b> | <b>3,032</b> | <b>3,334</b> | <b>3,831</b> | <b>4,323</b> | <b>4,491</b> | <b>4,985</b>  | <b>5,600</b>  | <b>6,188</b>  | 43         | 11   |
| Provisions                    | 945          | 749          | 823          | 1,129        | 1,404        | 1,397        | 1,607         | 2,000         | 2,132         | 52         | 7    |
| <b>PBT</b>                    | <b>2,169</b> | <b>2,283</b> | <b>2,511</b> | <b>2,702</b> | <b>2,920</b> | <b>3,094</b> | <b>3,378</b>  | <b>3,600</b>  | <b>4,056</b>  | 39         | 13   |
| Taxes                         | 759          | 776          | 858          | 921          | 1,019        | 1,048        | 1,126         | 1,128         | 1,386         | 36         | 23   |
| <b>PAT</b>                    | <b>1,410</b> | <b>1,506</b> | <b>1,653</b> | <b>1,781</b> | <b>1,900</b> | <b>2,045</b> | <b>2,252</b>  | <b>2,472</b>  | <b>2,671</b>  | 41         | 8    |
| <b>Balance Sheet</b>          |              |              |              |              |              |              |               |               |               |            |      |
| Deposits (INR b)              | 354          | 366          | 386          | 439          | 449          | 478          | 522           | 584           | 608           | 35         | 4    |
| Loans (INR b)                 | 311          | 336          | 369          | 403          | 422          | 459          | 499           | 543           | 568           | 35         | 5    |
| <b>Asset Quality</b>          |              |              |              |              |              |              |               |               |               |            |      |
| <b>GNPA</b>                   | <b>4,578</b> | <b>4,872</b> | <b>5,799</b> | <b>5,667</b> | <b>5,959</b> | <b>6,450</b> | <b>6,955</b>  | <b>7,546</b>  | <b>7,892</b>  | 32         | 5    |
| <b>NNPA</b>                   | <b>2,504</b> | <b>2,608</b> | <b>3,578</b> | <b>3,126</b> | <b>3,158</b> | <b>3,386</b> | <b>3,582</b>  | <b>3,727</b>  | <b>3,716</b>  | 18         | 0    |
| Slippages                     | 1,520        | 920          | 2,100        | 1,150        | 1,480        | 1,420        | 2,110         | 2,060         | 2,250         | 52         | 9    |
| <b>Ratios (%)</b>             |              |              |              |              |              |              |               |               |               |            |      |
|                               |              |              |              |              |              |              |               |               |               |            |      |
|                               |              |              |              |              |              |              |               |               |               |            |      |
| <b>Asset Quality Ratios</b>   |              |              |              |              |              |              |               |               |               |            |      |
| GNPA                          | 1.5          | 1.4          | 1.6          | 1.4          | 1.4          | 1.4          | 1.4           | 1.4           | 1.4           | -2         | 0    |
| NNPA                          | 0.8          | 0.8          | 1.0          | 0.8          | 0.8          | 0.7          | 0.7           | 0.7           | 0.7           | -10        | -4   |
| PCR (Cal.)                    | 45           | 46           | 38           | 45           | 47           | 48           | 48            | 51            | 53            | 590        | 230  |
| <b>PCR (Reported)</b>         | <b>58</b>    | <b>58</b>    | <b>53</b>    | <b>58</b>    | <b>60</b>    | <b>61</b>    | <b>63</b>     | <b>65</b>     | <b>69</b>     | 872        | 383  |
| <b>Business Ratios</b>        |              |              |              |              |              |              |               |               |               |            |      |
| Fees to Total Income          | 28.7         | 30.6         | 31.7         | 33.4         | 33.0         | 35.3         | 33.8          | 33.9          | 31.5          | -152       | -237 |
| Cost to Core Income           | 57.8         | 57.5         | 56.2         | 55.6         | 53.0         | 51.9         | 52.9          | 52.1          | 55.4          | 247        | 328  |
| Tax Rate                      | 35.0         | 34.0         | 34.2         | 34.1         | 34.9         | 33.9         | 33.3          | 31.3          | 34.2          | -75        | 282  |
| CASA mix                      | 22.1         | 23.7         | 24.0         | 24.3         | 24.4         | 24.5         | 24.6          | 25.0          | 25.8          | 140        | 80   |
| Loan/Deposit                  | 87.8         | 91.8         | 95.5         | 91.7         | 93.9         | 96.0         | 95.6          | 93.0          | 93.5          | -41        | 46   |
| RWA / Assets (%)              | 80.2         | 82.8         | 81.9         | 77.7         | 81.9         | 83.2         | 78.1          | 74.2          | 78.2          | -364       | 404  |
| <b>Profitability Ratios</b>   |              |              |              |              |              |              |               |               |               |            |      |
| Yield on loans                | 10.2         | 10.6         | 10.4         | 10.5         | 10.8         | 10.9         | 11.2          | 11.8          | 12.0          | 120        | 20   |
| Yield On Investments          | 7.5          | 7.6          | 7.4          | 7.0          | 7.0          | 7.5          | 7.7           | 7.5           | 8.1           | 110        | 61   |
| Yield on Funds                | 9.3          | 9.3          | 9.2          | 9.0          | 9.5          | 9.9          | 10.3          | 10.5          | 10.7          | 125        | 20   |
| Cost of funds                 | 6.2          | 6.6          | 6.0          | 6.2          | 6.4          | 6.4          | 6.60          | 6.8           | 6.8           | 40         | 0    |
| <b>Margins</b>                | <b>3.4</b>   | <b>3.6</b>   | <b>3.7</b>   | <b>3.7</b>   | <b>3.8</b>   | <b>4.0</b>   | <b>4.1</b>    | <b>4.2</b>    | <b>4.3</b>    | 49         | 9    |
| RoA                           | 1.2          | 1.2          | 1.2          | 1.3          | 1.3          | 1.3          | 1.3           | 1.3           | 1.3           | 5          | 1    |
| RoE                           | 12.8         | 10.5         | 10.2         | 10.9         | 11.2         | 11.6         | 12.4          | 13.4          | 13.8          | 262        | 37   |
| <b>Distribution reach</b>     |              |              |              |              |              |              |               |               |               |            |      |
| Branches                      | 248          | 246          | 246          | 265          | 266          | 268          | 288           | 324           | 332           | 66         | 8    |
| ATMS's                        | 0            | 388          | 0            | 388          | 369          | 382          | 390           | 388           | 376           | 7          | -12  |

Source: Company, MOSL

**Exhibit 2: Quarterly performance v/s estimates – Largely in line**

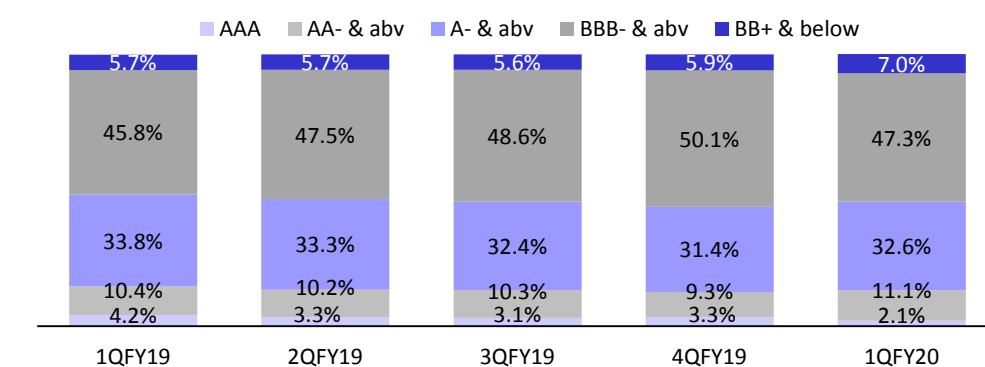
| Y/E March                  | 1QFY20A       | 1QFY20E       | Var. (%) | Comments   |
|----------------------------|---------------|---------------|----------|--|
| Interest Income            | 20,227        | 19,038        | 6        |  |
| Interest Expense           | 12,054        | 11,247        | 7        |  |
| <b>Net Interest Income</b> | <b>8,173</b>  | <b>7,792</b>  | <b>5</b> | <b>Higher than expected NII due to higher loan growth and improved margins</b> |
| % Change (YoY)             | 48            | 41            |          |  |
| Other Income               | 4,812         | 4,349         | 11       | Higher core fee income led to better other income                              |
| <b>Net Income</b>          | <b>12,985</b> | <b>12,141</b> | <b>7</b> |  |
| Operating Expenses         | 6,797         | 6,083         | 12       | Opex were higher due to fees on IFC loans and higher rent on premises          |
| <b>Operating Profit</b>    | <b>6,188</b>  | <b>6,058</b>  | <b>2</b> |  |
| % Change (YoY)             | 43            | 40            |          |  |
| Other Provisions           | 2,132         | 2,110         | 1        | In line  |
| <b>Profit before Tax</b>   | <b>4,056</b>  | <b>3,948</b>  | <b>3</b> |  |
| Tax Provisions             | 1,386         | 1,362         | 2        |  |
| <b>Net Profit</b>          | <b>2,671</b>  | <b>2,586</b>  | <b>3</b> | <b>Higher total income led to slight beat in PAT</b>                           |
| % Change (YoY)             | 41            | 36            |          |  |

Source: MOFSL

RBK guided for elevated stress in few corporate accounts; credit cost likely to increase by 35-40bp

**Asset quality outlook concerning; slippages likely to increase in near term**

- During 1QFY20, absolute GNPA's increased 4.6% QoQ as annualized slippages came in at 2.1% (INR2.2b), while recoveries and write-offs were at INR360m and INR1.5b, respectively. In percentage terms, GNPA stood flat QoQ at 1.4%, whereas NNPA declined to 0.7% (-4bp QoQ) as calculated PCR improved 230bps QoQ to 52.9% (69.1% including TWO).
- However management's guidance on asset quality poses concerns and is likely to drive higher credit cost and incremental slippages over FY20. **RBK guided for: (i) Elevated stress in a few corporate accounts (exposure: INR9-10b), (ii) Incremental credit cost of ~35-40bp towards these exposures, and, (iii) GNPA ratio to increase to 2.3-2.5% by end-FY20 from 1.38% currently.**
- Further the **mix of BB and below book has increased by 110bp QoQ to 7.0% vs 5.9% in 4QFY19.**

**Exhibit 3: Mix of BB and below book increased to 7.0% (+110bp QoQ)**

Source: MOFSL, Company

Exposure towards NBFC increased 29% QoQ

**Exhibit 4: Top 10 industry exposure (Fund + Non fund)**

| INRb                  | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | YoY (%) | QoQ (%) |
|-----------------------|--------|--------|--------|--------|--------|---------|---------|
| Retail / distribution | 34.1   | 36.9   | 36.8   | 32.0   | 31.4   | -8%     | -2%     |
| Construction          | 43.2   | 35.2   | 33.8   | 35.5   | 42.0   | -3%     | 18%     |
| Pharmaceuticals       | 25.9   | 21.8   | 25.0   | 25.9   | 25.9   | 0%      | 0%      |
| Power                 | 28.1   | 21.7   | 22.4   | 27.3   | 23.1   | -18%    | -15%    |
| NBFC                  | 0.0    | 26.1   | 25.2   | 28.2   | 36.3   | NA      | 29%     |
| Engineering           | 36.1   | 27.7   | 34.0   | 39.0   | 37.1   | 3%      | -5%     |
| Real Estate           | 24.4   | 22.9   | 24.0   | 26.2   | 24.3   | 0%      | -7%     |
| Professional Services | 26.5   | 21.8   | 21.2   | 25.2   | 21.8   | -18%    | -13%    |
| Metals                | 23.7   | 19.6   | 21.7   | 20.8   | 20.0   | -16%    | -4%     |
| Logistics             | 13.8   | 0.0    | 0.0    | 14.1   | 13.7   | -1%     | -3%     |

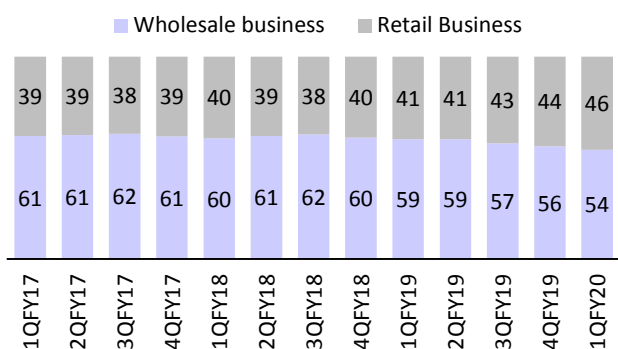
Source: MOFSL, Company

Robust loan growth of ~35% YoY was driven by non-wholesale loan growth of ~52% YoY.

**Well-diversified loan growth; retail mix increases by ~160bp QoQ**

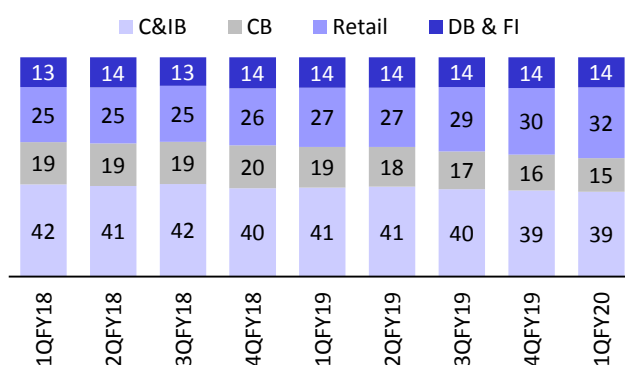
- Loan growth of ~35% YoY was primarily led by non-wholesale growth of ~52% YoY, while wholesale grew by ~23% YoY, taking the retail book share to 46% from 40.8% a year ago. Within the non-wholesale book, the retail segment grew ~62% YoY, while the DB&FI segment grew 32.2% YoY.
- Wholesale loans grew ~23% YoY (1.6% QoQ), led by 28.2% YoY (+2.9% QoQ) growth in the C&IB segment and 11.4% YoY growth in the CB segment.

**Exhibit 5: Share of retail business increased to 46%**



Source: MOFSL, Company

**Exhibit 6: Loan mix composition moves in favor of retail**



Source: MOFSL, Company

Cards portfolio grew to 2.02m (1.71m in FY19) and retail spend per card remained healthy at INR10k.

**Exhibit 7: Credit card book grew robustly to 11.7% of total book in 1QFY20 v/s 9.7% QoQ**

| INRm                 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | YoY  | QoQ |
|----------------------|--------|--------|--------|--------|--------|------|-----|
| Total Spends         | 32,340 | 42,080 | 44,030 | 47,120 | 59,360 | 84%  | 26% |
| Credit card book     | 29,010 | 36,130 | 44,960 | 52,830 | 66,530 | 129% | 26% |
| As a % of total book | 6.9%   | 7.9%   | 9.0%   | 9.7%   | 11.7%  |      |     |

Source: MOFSL, Company

Present in 19 states across the country with maximum state exposure capped at 15%.

**Exhibit 8: State-wise exposure of MFI book**

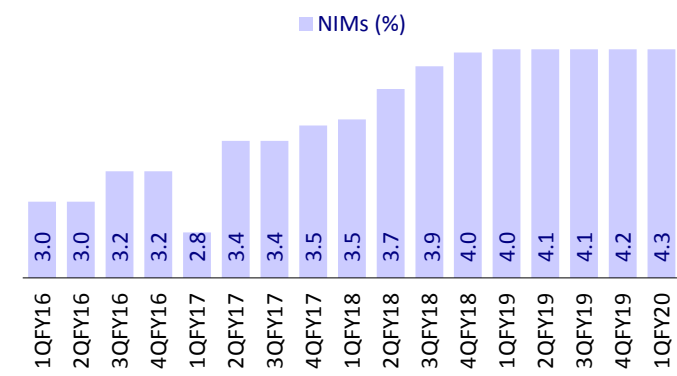
| State Name  | 1QFY20 |
|-------------|--------|
| Tamil Nadu  | 14%    |
| Bihar       | 14%    |
| Maharashtra | 12%    |
| Karnataka   | 9%     |
| Odisha      | 7%     |
| Others      | 44%    |

Source: MOFSL, Company

**Margins improve 8bp QoQ to 4.3% due to increase in yields by 20bp QoQ**

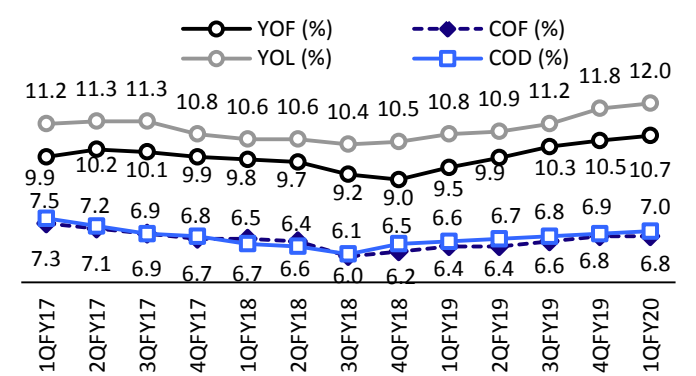
- The bank reported an 8bp QoQ improvement in margins to 4.3% (+27bp YoY). This was led by an improvement in yields on advances (+20bp QoQ), driven by a higher share of high-yielding book.
- CASA deposits increased 42.5% YoY (7.5% QoQ), led by robust 73% (+21.9% QoQ) increase in SA deposits, while CA deposits increased by 8.5% YoY (-11% QoQ). The, CASA ratio improved by 80bp YoY to 25.8%.

**Exhibit 9: NIM improved 8bp QoQ to 4.3%**



Source: MOFSL, Company

**Exhibit 10: Yield on loans improved 20bp QoQ to 12.0%**



Source: MOFSL, Company



## 1QFY20 conference call highlights

### Balance sheet and P/L related

- Improvement in yields was largely due to changing loan mix.
- Bank is experiencing a fall in cost of deposits due to easing liquidity conditions in the system.
- Retail fees constitute ~70% of total fee income.
- **Credit cards:** Retail spends remained well diversified across categories of regular use.
  - Card sourcing is done through 60 locations with plans to add more locations.
- 93% of MSME book is originated by RBL Finserve.
- MFI: ATS on new disbursal is INR33K whereas on outstanding basis it is INR19K.
- Consumption of capital was high due to higher capital toward unrated exposure (15bp to 17bp) and also due to provision toward operational risk.
- Exposure to eastern state is ~35% of total MFI book.
  - Ticket sizes are lower than industry ticket size (INR42K).
- Opex was higher due to fees on IFC loan, higher rent on premises and acquisition cost on cards.
- SA ticket sizes: INR80K to INR1 lac.
  - 70% of the TD are under INR10m and are one year old.
- MSME loans (INR3 lac to INR5lac) are done through RBL Finserve.

### Asset quality

- Management believes that it will have higher credit cost and GNPA's over the coming quarters.
- Credit cost will go up to 1.5-1.6% (taking into account the LGDs).
- GNPA could rise to 2.5% by FY20.
- Overall quantum would be less than 1.75% of overall book (INR9b to INR10b). Bank is not expecting the entire exposure to slip.
  - The number of accounts is in low single digit (not included in BB & below).
- Bank doesn't foresee stress in any of other sectors.
- Write-offs mainly from credit card book.
- NPA in retail : 1.8%
  - LAP: 1%
  - Cards: 1.15%
  - Others: 2.8%
- Credit cost in the cards business: 4.3% to 4.4% (unchanged).

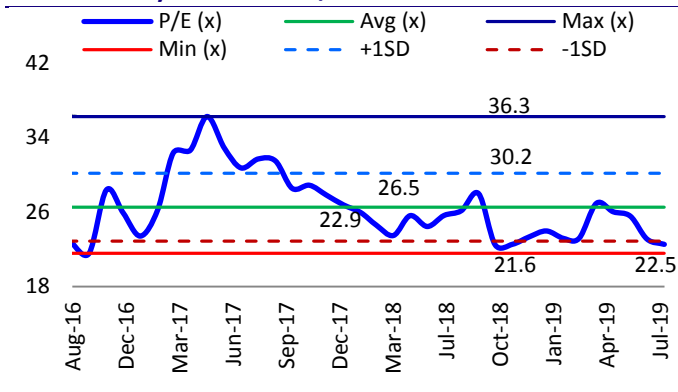
### Guidance

- C/I ratio will be 51%-52%.
- Plan is to add ~60 to 80 branches this year.
- PAT growth in mid-to-high 20s and loan growth between 30% and 35%.
- FY20 ROA target (1.4% to 1.5%) may get pushed by a quarter or two.
- Opex growth for FY20 should be ~40%.

### Valuation and view

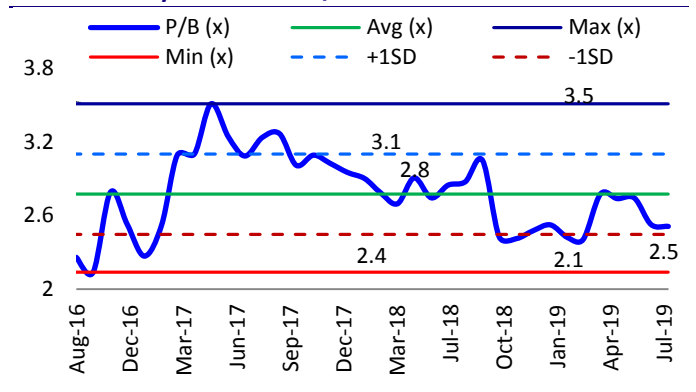
- RBL has adopted a unique business model – (a) adopting a linkage-based approach to agricultural lending, (b) using large corporate accounts as an entry strategy to gain access to their supply chain ecosystem and (c) strategically acquiring business banking clients in the emerging sectors (primary bankers to gain lion’s share of the wallet).
- The bank’s business transformation has coincided with significant investments in human capital (senior management), service offerings (product suite), customer acquisition (including inorganic portfolios), technology and brand building (branch expansion and re-branding). With significant capacity already in place, RBL is now primed to sweat its investments and benefit from improving operating efficiencies.
- We expect strong benefits to accrue to RBL from its partnership with Bajaj Finance in co-branded credit cards. The bank has already issued around ~2.02m cards since launch. RBL aims to be amongst the top five credit card payers in the next three years and strives to achieve 4m+ cards by FY21. We expect the bank to leverage on BAF’s vast customer base (~26m; 60% don’t have credit cards), strong distribution scale, excellent risk and analytics infrastructure. This would enable fast-paced credit card customer acquisition at lower operating costs and lower credit costs (as these are tested customers of BAF).
- RBL has demonstrated strong momentum in business growth and earnings. However the exposure to a few stressed corporate accounts is likely to drive an increase in provisioning expenses and dent the earnings trajectory. We, thus, cut our PAT estimates by 12%/9% for FY20/21 as we factor in higher credit cost of 160bp/140bp for FY20/21 (~100bp in FY19) though robust margins and improving profitability in the cards business will still facilitate 30% earnings CAGR over FY19-21. We build in capital raise of INR25b in FY21, which will be essential to support ongoing momentum in business growth. We revise our TP to INR640 (2.5x FY21E BV). Maintain **Buy**.

Exhibit 11: 1-year forward P/E



Source: Company, MOFSL

Exhibit 12: 1-year forward P/B



Source: Company, MOFSL



**Exhibit 13: DUPONT Analysis - Return ratios to remain under pressure in near term**

| Y/E MARCH                    | FY15        | FY16        | FY17        | FY18        | FY19        | FY20E       | FY21E       |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Interest Income              | 8.62        | 8.28        | 8.45        | 8.16        | 8.86        | 9.32        | 9.38        |
| Interest Expense             | 6.17        | 5.81        | 5.67        | 4.96        | 5.29        | 5.50        | 5.40        |
| <b>Net Interest Income</b>   | <b>2.46</b> | <b>2.47</b> | <b>2.78</b> | <b>3.20</b> | <b>3.57</b> | <b>3.82</b> | <b>3.98</b> |
| Fee income                   | 1.53        | 1.30        | 1.45        | 1.63        | 1.92        | 2.06        | 2.05        |
| Trading and others           | 0.25        | 0.18        | 0.27        | 0.30        | 0.11        | 0.10        | 0.09        |
| <b>Non-Interest income</b>   | <b>1.78</b> | <b>1.48</b> | <b>1.72</b> | <b>1.93</b> | <b>2.03</b> | <b>2.16</b> | <b>2.15</b> |
| <b>Total Income</b>          | <b>4.24</b> | <b>3.95</b> | <b>4.50</b> | <b>5.13</b> | <b>5.60</b> | <b>5.98</b> | <b>6.12</b> |
| <b>Operating Expenses</b>    | <b>2.65</b> | <b>2.32</b> | <b>2.41</b> | <b>2.72</b> | <b>2.87</b> | <b>3.09</b> | <b>3.20</b> |
| Employee cost                | 1.33        | 1.12        | 1.02        | 1.00        | 0.89        | 0.86        | 0.82        |
| Others                       | 1.32        | 1.20        | 1.39        | 1.72        | 1.98        | 2.23        | 2.38        |
| <b>Operating Profit</b>      | <b>1.59</b> | <b>1.64</b> | <b>2.10</b> | <b>2.41</b> | <b>2.73</b> | <b>2.89</b> | <b>2.92</b> |
| <b>Core Operating Profit</b> | <b>1.33</b> | <b>1.46</b> | <b>1.82</b> | <b>2.11</b> | <b>2.62</b> | <b>2.79</b> | <b>2.83</b> |
| <b>Provisions</b>            | <b>0.27</b> | <b>0.35</b> | <b>0.54</b> | <b>0.66</b> | <b>0.90</b> | <b>1.17</b> | <b>1.06</b> |
| NPA                          | 0.16        | 0.24        | 0.35        | 0.47        | 0.66        | 1.09        | 0.98        |
| Others                       | 0.11        | 0.10        | 0.20        | 0.19        | 0.24        | 0.08        | 0.08        |
| <b>PBT</b>                   | <b>1.32</b> | <b>1.29</b> | <b>1.55</b> | <b>1.75</b> | <b>1.83</b> | <b>1.72</b> | <b>1.86</b> |
| Tax                          | 0.41        | 0.41        | 0.54        | 0.60        | 0.61        | 0.59        | 0.64        |
| <b>RoA</b>                   | <b>0.91</b> | <b>0.88</b> | <b>1.02</b> | <b>1.15</b> | <b>1.22</b> | <b>1.13</b> | <b>1.22</b> |
| Leverage (x)                 | 10.7        | 12.7        | 12.1        | 10.1        | 10.0        | 11.5        | 11.7        |
| <b>RoE</b>                   | <b>9.8</b>  | <b>11.2</b> | <b>12.3</b> | <b>11.6</b> | <b>12.2</b> | <b>13.0</b> | <b>14.3</b> |

Source: MOFSL, Company

**Exhibit 14: We cut our estimates by 12%/9% for FY20/21 factoring in higher credit cost**

| INRb                     | Old Estimates |             | Revised Estimates |             | Change (%) /bps |             |
|--------------------------|---------------|-------------|-------------------|-------------|-----------------|-------------|
|                          | FY20          | FY21        | FY20              | FY21        | FY20            | FY21        |
| Net Interest Income      | 34.6          | 46.1        | 35.2              | 48.0        | 1.7             | 4.0         |
| Other Income             | 19.3          | 26.1        | 19.9              | 25.9        | 3.0             | -0.8        |
| <b>Total Income</b>      | <b>54.0</b>   | <b>72.2</b> | <b>55.1</b>       | <b>73.9</b> | <b>2.1</b>      | <b>2.3</b>  |
| Operating Expenses       | 27.0          | 35.5        | 28.5              | 38.6        | 5.3             | 8.7         |
| <b>Operating Profits</b> | <b>26.9</b>   | <b>36.7</b> | <b>26.6</b>       | <b>35.3</b> | <b>-1.1</b>     | <b>-3.9</b> |
| Provisions               | 8.8           | 11.9        | 10.8              | 12.8        | 22.5            | 7.7         |
| <b>PBT</b>               | <b>18.1</b>   | <b>24.8</b> | <b>15.9</b>       | <b>22.5</b> | <b>-12.5</b>    | <b>-9.5</b> |
| Tax                      | 6.3           | 8.5         | 5.5               | 7.7         | -12.5           | -9.5        |
| <b>PAT</b>               | <b>11.9</b>   | <b>16.3</b> | <b>10.4</b>       | <b>14.8</b> | <b>-12.5</b>    | <b>-9.5</b> |
| Loans                    | 739           | 997         | 717               | 968         | -2.9            | -2.9        |
| Deposits                 | 788           | 1,072       | 782               | 1,041       | -0.7            | -2.9        |
| Margins (%)              | 3.88          | 3.92        | 3.97              | 4.14        | 9               | 23          |
| Credit Cost (%)          | 1.25          | 1.25        | 1.60              | 1.40        | 35              | 15          |
| <b>RoA (%)</b>           | <b>1.25</b>   | <b>1.29</b> | <b>1.13</b>       | <b>1.22</b> | <b>-13</b>      | <b>-7</b>   |
| <b>RoE (%)</b>           | <b>12.5</b>   | <b>13.4</b> | <b>13.0</b>       | <b>14.3</b> | <b>54</b>       | <b>96</b>   |
| EPS                      | 25.3          | 34.7        | 24.3              | 31.3        | -3.7            | -10.0       |
| BV                       | 245.5         | 274.1       | 197.8             | 257.5       | -19.4           | -6.1        |
| ABV                      | 238.8         | 265.7       | 183.3             | 242.6       | -23.3           | -8.7        |

Source: MOFSL, Company

## Financials and Valuations

| Income Statement             |              |               |               |               |               |               | (INR m)       |
|------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March                    | FY15         | FY16          | FY17          | FY18          | FY19          | FY20E         | FY21E         |
| Interest Income              | 19,531       | 27,443        | 37,132        | 45,076        | 63,007        | 85,933        | 1,13,154      |
| Interest Expense             | 13,967       | 19,251        | 24,918        | 27,413        | 37,612        | 50,724        | 65,177        |
| <b>Net Interest Income</b>   | <b>5,564</b> | <b>8,192</b>  | <b>12,213</b> | <b>17,663</b> | <b>25,395</b> | <b>35,209</b> | <b>47,977</b> |
| Growth (%)                   | 62.9         | 47.2          | 49.1          | 44.6          | 43.8          | 38.6          | 36.3          |
| Non-Interest Income          | 4,034        | 4,905         | 7,555         | 10,682        | 14,424        | 19,905        | 25,876        |
| <b>Total Income</b>          | <b>9,598</b> | <b>13,097</b> | <b>19,768</b> | <b>28,345</b> | <b>39,818</b> | <b>55,114</b> | <b>73,853</b> |
| Growth (%)                   | 59.3         | 36.5          | 50.9          | 43.4          | 40.5          | 38.4          | 34.0          |
| Operating Expenses           | 5,997        | 7,673         | 10,564        | 15,034        | 20,420        | 28,477        | 38,596        |
| <b>Pre Provision Profits</b> | <b>3,601</b> | <b>5,424</b>  | <b>9,204</b>  | <b>13,311</b> | <b>19,398</b> | <b>26,637</b> | <b>35,257</b> |
| Growth (%)                   | 101.5        | 50.6          | 69.7          | 44.6          | 45.7          | 37.3          | 32.4          |
| <b>Core PPP</b>              | <b>2,880</b> | <b>4,818</b>  | <b>7,965</b>  | <b>11,645</b> | <b>18,615</b> | <b>25,696</b> | <b>34,129</b> |
| Growth (%)                   | 116.0        | 67.3          | 65.3          | 46.2          | 59.8          | 38.0          | 32.8          |
| Provisions (excl. tax)       | 602          | 1,144         | 2,389         | 3,645         | 6,407         | 10,775        | 12,796        |
| <b>PBT</b>                   | <b>2,999</b> | <b>4,280</b>  | <b>6,815</b>  | <b>9,665</b>  | <b>12,992</b> | <b>15,862</b> | <b>22,461</b> |
| Tax                          | 928          | 1,355         | 2,354         | 3,315         | 4,322         | 5,472         | 7,704         |
| Tax Rate (%)                 | 30.9         | 31.7          | 34.5          | 34.3          | 33.3          | 34.5          | 34.3          |
| <b>PAT</b>                   | <b>2,072</b> | <b>2,925</b>  | <b>4,460</b>  | <b>6,351</b>  | <b>8,670</b>  | <b>10,389</b> | <b>14,757</b> |
| Growth (%)                   | 123.6        | 41.2          | 52.5          | 42.4          | 36.5          | 19.8          | 42.0          |

| Balance Sheet                                      |                 |                 |                 |                 |                 |                  |                  |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|
| Y/E March  | FY15            | FY16            | FY17            | FY18            | FY19            | FY20E            | FY21E            |
| Equity Share Capital                               | 2,935           | 3,247           | 3,752           | 4,197           | 4,267           | 4,267            | 4,722            |
| Reserves & Surplus                                 | 19,370          | 26,645          | 38,791          | 62,643          | 71,206          | 80,137           | 1,16,849         |
| <b>Net Worth</b>                                   | <b>22,304</b>   | <b>29,892</b>   | <b>42,543</b>   | <b>66,840</b>   | <b>75,473</b>   | <b>84,404</b>    | <b>1,21,571</b>  |
| <b>Deposits</b>                                    | <b>1,70,993</b> | <b>2,43,487</b> | <b>3,45,881</b> | <b>4,39,023</b> | <b>5,83,944</b> | <b>7,82,485</b>  | <b>10,40,705</b> |
| Growth (%)   | 47.4            | 42.4            | 42.1            | 26.9            | 33.0            | 34.0             | 33.0             |
| <b>of which CASA Dep.</b>                          | <b>31,574</b>   | <b>45,378</b>   | <b>76,027</b>   | <b>1,06,783</b> | <b>1,45,875</b> | <b>2,07,359</b>  | <b>2,89,316</b>  |
| Growth (%)   | 33.2            | 43.7            | 67.5            | 40.5            | 36.6            | 42.1             | 39.5             |
| Borrowings   | 69,627          | 1,05,362        | 79,798          | 92,614          | 1,18,321        | 1,40,525         | 1,69,670         |
| Other Liabilities & Prov.                          | 8,123           | 12,870          | 18,526          | 20,031          | 25,850          | 32,313           | 40,391           |
| <b>Total Liabilities</b>                           | <b>2,71,047</b> | <b>3,91,611</b> | <b>4,86,748</b> | <b>6,18,508</b> | <b>8,03,588</b> | <b>10,39,727</b> | <b>13,72,337</b> |
| Cash & Balances with RBI                           | 14,557          | 13,397          | 29,479          | 25,893          | 48,395          | 55,381           | 66,571           |
| Balances with Banks & money at Call & Short Notice | 7,147           | 11,102          | 12,457          | 16,951          | 17,626          | 17,133           | 19,763           |
| <b>Investments</b>                                 | <b>97,923</b>   | <b>1,44,360</b> | <b>1,34,817</b> | <b>1,54,475</b> | <b>1,68,404</b> | <b>2,10,505</b>  | <b>2,65,236</b>  |
| Growth (%)   | 51.2            | 47.4            | -6.6            | 14.6            | 9.0             | 25.0             | 26.0             |
| <b>Loans</b>                                       | <b>1,44,498</b> | <b>2,12,291</b> | <b>2,94,490</b> | <b>4,02,678</b> | <b>5,43,082</b> | <b>7,16,869</b>  | <b>9,67,773</b>  |
| Growth (%)   | 46.9            | 46.9            | 38.7            | 36.7            | 34.9            | 32.0             | 35.0             |
| Fixed Assets                                       | 1,644           | 1,773           | 2,587           | 3,340           | 4,025           | 5,281            | 7,733            |
| Other Assets                                       | 5,278           | 8,688           | 12,917          | 15,170          | 22,056          | 34,559           | 45,262           |
| <b>Total Assets</b>                                | <b>2,71,047</b> | <b>3,91,611</b> | <b>4,86,748</b> | <b>6,18,508</b> | <b>8,03,588</b> | <b>10,39,727</b> | <b>13,72,337</b> |

| Asset Quality               |       |       |       |       |       |        |        |
|-----------------------------|-------|-------|-------|-------|-------|--------|--------|
| GNPA                        | 1,112 | 2,081 | 3,569 | 5,667 | 7,546 | 17,047 | 21,738 |
| NNPA                        | 386   | 1,244 | 1,900 | 3,126 | 3,728 | 8,843  | 10,041 |
| GNPA Ratio                  | 0.77  | 0.98  | 1.20  | 1.40  | 1.38  | 2.35   | 2.22   |
| NNPA Ratio                  | 0.27  | 0.59  | 0.65  | 0.78  | 0.69  | 1.23   | 1.04   |
| Slippage Ratio              | 0.48  | 1.38  | 2.51  | 1.93  | 1.76  | 3.00   | 2.20   |
| Credit Cost                 | 0.29  | 0.45  | 0.60  | 0.74  | 0.99  | 1.60   | 1.40   |
| PCR (Excl. Tech. write off) | 65.3  | 40.2  | 46.8  | 44.8  | 50.6  | 48.1   | 53.8   |

## Financials and Valuations

### Ratios

| Y/E March                         | FY15       | FY16       | FY17       | FY18       | FY19       | FY20E      | FY21E      |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Yield and Cost Ratios (%)</b>  |            |            |            |            |            |            |            |
| <b>Avg. Yield-Earning Assets</b>  | <b>9.0</b> | <b>8.5</b> | <b>8.7</b> | <b>8.4</b> | <b>9.2</b> | <b>9.7</b> | <b>9.8</b> |
| Avg. Yield on loans               | 11.6       | 10.9       | 10.4       | 9.8        | 10.7       | 11.1       | 11.1       |
| Avg. Yield on Investments         | 6.4        | 6.2        | 7.1        | 7.0        | 6.9        | 7.4        | 7.3        |
| <b>Avg. Cost-Int. Bear. Liab.</b> | <b>7.1</b> | <b>6.5</b> | <b>6.4</b> | <b>5.7</b> | <b>6.1</b> | <b>6.2</b> | <b>6.1</b> |
| Avg. Cost of Deposits             | 7.6        | 7.3        | 6.7        | 6.0        | 6.3        | 6.5        | 6.3        |
| <b>Interest Spread</b>            | <b>1.9</b> | <b>2.0</b> | <b>2.3</b> | <b>2.7</b> | <b>3.1</b> | <b>3.4</b> | <b>3.7</b> |
| <b>Net Interest Margin</b>        | <b>2.7</b> | <b>2.7</b> | <b>3.0</b> | <b>3.3</b> | <b>3.7</b> | <b>4.0</b> | <b>4.1</b> |

### Capitalization Ratios (%)

|         |      |      |      |      |      |      |      |
|---------|------|------|------|------|------|------|------|
| CAR     | 13.1 | 12.9 | 13.7 | 15.3 | 13.5 | 11.7 | 13.0 |
| Tier I  | 12.7 | 11.1 | 11.4 | 13.6 | 12.1 | 10.6 | 12.0 |
| Tier II | 0.4  | 1.8  | 2.3  | 1.7  | 1.4  | 1.1  | 0.9  |

### Business & Efficiency Ratios (%)

|                          |      |      |      |      |      |      |      |
|--------------------------|------|------|------|------|------|------|------|
| Loans/Deposit Ratio      | 84.5 | 87.2 | 85.1 | 91.7 | 93.0 | 91.6 | 93.0 |
| CASA Ratio               | 18.5 | 18.6 | 22.0 | 24.3 | 25.0 | 26.5 | 27.8 |
| Cost/Assets              | 2.2  | 2.0  | 2.2  | 2.4  | 2.5  | 2.7  | 2.8  |
| Cost/Total Income        | 62.5 | 58.6 | 53.4 | 53.0 | 51.3 | 51.7 | 52.3 |
| Cost/Core Income         | 66.5 | 61.4 | 56.9 | 56.4 | 52.3 | 52.6 | 53.1 |
| Int. Expense/Int. Income | 71.5 | 70.1 | 67.1 | 60.8 | 59.7 | 59.0 | 57.6 |
| Fee Income/Net Income    | 26.8 | 26.7 | 26.2 | 26.5 | 30.2 | 29.9 | 29.2 |
| Non Int. Inc./Net Income | 42.0 | 37.5 | 38.2 | 37.7 | 36.2 | 36.1 | 35.0 |
| Emp. Cost/Total Expense  | 50.2 | 48.2 | 42.2 | 36.6 | 31.2 | 27.9 | 25.5 |
| Investment/Deposit Ratio | 57.3 | 59.3 | 39.0 | 35.2 | 28.8 | 26.9 | 25.5 |

### Profitability & Valuation Ratios

|                           |             |             |             |             |             |             |             |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| RoE                       | 9.8         | 11.2        | 12.3        | 11.6        | 12.2        | 13.0        | 14.3        |
| RoA                       | 0.9         | 0.9         | 1.0         | 1.1         | 1.2         | 1.1         | 1.2         |
| RoRWA                     | 1.3         | 1.3         | 1.4         | 1.5         | 1.6         | 1.5         | 1.7         |
| Book Value (INR)          | 76.0        | 92.0        | 113.4       | 159.3       | 176.9       | 197.8       | 257.5       |
| Growth (%)                | 2.6         | 21.1        | 23.2        | 40.5        | 11.1        | 11.8        | 30.2        |
| <b>Price-BV (x)</b>       | <b>6.6</b>  | <b>5.4</b>  | <b>4.4</b>  | <b>3.1</b>  | <b>2.8</b>  | <b>2.5</b>  | <b>1.9</b>  |
| Adjusted BV (INR)         | 75.1        | 89.4        | 109.8       | 152.8       | 168.5       | 183.3       | 242.6       |
| <b>Price-ABV (x)</b>      | <b>6.7</b>  | <b>5.6</b>  | <b>4.6</b>  | <b>3.3</b>  | <b>3.0</b>  | <b>2.7</b>  | <b>2.1</b>  |
| EPS (INR)                 | 7.1         | 9.0         | 11.9        | 15.1        | 20.3        | 24.3        | 31.3        |
| Growth (%)                | 107.3       | 27.6        | 32.0        | 27.3        | 34.3        | 19.8        | 28.4        |
| <b>Price-Earnings (x)</b> | <b>70.9</b> | <b>55.5</b> | <b>42.1</b> | <b>33.1</b> | <b>24.6</b> | <b>20.6</b> | <b>16.0</b> |
| Dividend Per Share (INR)  | 1.2         | 1.5         | 1.8         | 2.3         | 2.1         | 2.9         | 4.7         |
| <b>Dividend Yield (%)</b> | <b>0.2</b>  | <b>0.3</b>  | <b>0.4</b>  | <b>0.5</b>  | <b>0.4</b>  | <b>0.6</b>  | <b>0.9</b>  |

NOTES

| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | < - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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