

RBL BANK LTD
Sep-18
Industry: Banks
Cmp Rs 592
Recommendation: Accumulate (Rs 540 -560 Levels)
Target Rs: 698
Key Data

BSE Code	540065
NSE Code	RBLBANK
52 Week High (Rs)	652
52 Week Low (Rs)	443
Market Cap (Rs Cr)	25074
Face Value	10

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 4.90 mn customers through a network of 266 Branches, 199 Banking Outlets and 369 ATMs spread across India.

Industry Snapshot

Customers	Open
Market Presence	Domestic
Govt Regulations	Medium
Msearch View	Positive

Investment Rationale:

Efficient Management the key to growth: RBL has undergone a transformation of its management team and board of directors and is now a 'new-age' bank with advanced technology and robust risk mitigation systems. The team brings substantial experience of new banking systems and all set to a robust growth plan in its 'Vision 2020'. While the bank has set aggressive growth targets, so far exceeded the same. Going ahead, we expect the bank to continue to grow at a healthy pace coupled with better-operating efficiencies. Team capabilities and strong reputation will help RBL to scale up further and build a high quality and leading franchise in the years to come.

Shareholding June 2018

Promoters	0.00%
Public	100.00%

Focus on operational quality & scalability: RBL's changing advances mix, Lower cost of funds and stable yields are helping it better the margins. RBL's Net Interest Income (NII) has registered an increase of 45% i.e Rs. 1,766 Cr in FY18 against Rs. 1,221 Cr in FY17. Bank also enjoyed a boost in Net Interest Margin (NIM) showing an improvement of 51 bps for FY18 at 3.80% against 3.29% in FY17. Its Current Accounts & Savings Accounts (CASA) ratio which is also an indicator of cost of funds has improved to 24.32% in FY18 from 21.98% in FY17. The management has target to increase the ratio by 0.75-1% per year by 2020. Cost to Income ratio for FY18 is 53.04% as against 53.46% in FY17. The management has a vision of reaching 51% by 2020.

Promoters/ Management

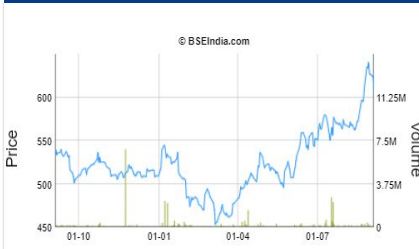
Mr. Vishwavir Ahuja	MD&CEO
Mr. Sivanandhan D	Director
Mr. Rajeev Ahuja	Ex Director
Mr. Jairaj Manohar	Director
Mr. Palepu Sudhir	Director

Core Fee income on growth phase: RBL's core fee income growth which was up 41% YoY to Rs.887 Cr from Rs. 627 Cr. Processing fee and credit card which contributes majorly to the Core fee Income consists of 28% revenue each followed by Forex Income (16%), general banking fee(14%) and distribution (4%). Non-Interest income was at healthy 37% of net total income. Bank has been delivering on its commitment to keep non-Interest income above 35% level. Initially RBL had restricted its growth to few geographies, but now it is focusing to expand into newer markets which will continue the growth momentum by increasing the total branches and banking outlets and also by spreading its ATM network. RBL's tie-up with Bajaj FinServ will enhance distribution and customer services and also increase operating leverage with good card portfolio.

Key Ratios

CASA %	24.30%
COST TO INCOME	53.00%
P/BV (FY20E)	2.96
P/E (FY20E)	26.72

Asset quality continues to remain strong: RBL have experienced growth in its advances portfolio which has grown by 37%YoY. The net advances stood at Rs. 40267 Cr FY18 as against Rs. 29449 Cr FY17 with all-round growth observed in all business segments. The growth in the Wholesale portfolio (Corporate & Institutional and Commercial Banking) was pegged at 33%, while that of other segment Non-wholesale portfolio (Retail Assets, Development Banking & Financial Inclusion and Agriculture) was 42%.

Price Chart

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 the stock is valued at 2.9x its FY2020E BV of Rs200; we feel it quite attractive given the growth prospects of the bank and hence we recommend investors to ACCUMULATE (Rs 540 -560 Levels) on the stock with a target price of Rs 698.

Research Team

022-61507123/142

CONSOLIDATED FINANCIAL OVERVIEW

Profit & Loss Statement (Rs Cr)					Balance Sheet (Rs Cr)		
Particulars	FY17	FY18	FY19E	FY20E	Particulars	FY17	FY18
Interest Earned	3713	4561	5457	6439	Capital and Liabilities		
Other income	755	1068	1194	1459	Capital	375	420
Total Income	4468	5629	6651	7898	Reserves and surplus	3961	6261
Interest Expended	2491	2740	3194	3792	Minority Interest	0	19
Operating Expenses					Deposits	34588	43883
Employee cost	446	582	599	711	Borrowings	7980	9261
Other operating expense	610	966	1141	1355	Other Liabilities and provisions	1771	2033
Total expenses	3547	4288	4934	5859	Total	48676	61877
Op. Profit before provision	920	1341	1718	2040	Assets		
provisions	238	367	521	618	Goodwill on consolidation	0	18
Profit before tax	682	974	1197	1421	Cash and Balances with RBI	2948	2589
Tax expense	235	335	413	490	Balances with Banks	1246	1721
PAT before minority int	447	639	784	931	Investments	13482	15397
minority interest	1	7	0	0	Advances	29449	40268
PAT	448	632	784	931	Fixed Assets	259	340
EPS	12.61	15.70	18.63	22.12	Other Assets	1292	1544
					Total	48676	61877

TECHNICAL OUTLOOK

RBL BANK gave break out from round bottom pattern(600). We expect the stock to move up to 698/758. Where 698 is the golden ratio of fibonacci retracement(161.8) and 758 is the theoretically target of round bottom pattern, support is near 540(61.8 fibonacci retracement). It took more than a year to form this pattern and we expect the target to be achieved with in 6-7 months.





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