



IDEA2ACT : RBL Bank

Reco Price	12-months Target Price
BUY @ ₹ 229-237	₹ 273

RBL Bank (erstwhile The Ratnakar Bank Limited) is one of India's fastest growing private sector banks with an expanding presence across the country. RBL offers wholesale and retail banking services. In wholesale banking, it caters to large and mid-size corporates and offers working capital, transaction banking and financial advisory services. In retail, it caters to individuals and small businesses in semi-urban and rural areas.

Several crises have led to a tighter business model: Three consecutive crises forced RBL to focus on i) reducing concentration in its corporate portfolio, ii) the need to build its retail deposit franchise more aggressively, iii) provisioning aggressively and recognising stress sooner than later and iv) re-orienting its business model towards more profitable asset portfolios like credit cards, MFI, affordable housing and MSE. The bank has further tightened risk mitigation measures.

Several drivers would ensure more resilient profitability: A change in loan mix towards ~65% retail from 59% currently will boost RoA. This, along with a higher CASA ratio, an eventual decline in deposit rates and lower balance sheet liquidity will drive NIM in the medium term. Credit costs will likely normalise to ~1.6% by FY23ii (3.5% in FY21ii), driving substantial RoA expansion.

Attractive Valuations: As compared to the period before YES Banks' restructuring, RBL has fortified itself with ~230bps of additional capital, built additional provisions of ~6% of its 2QFY21 Networth and has reduced the concentration in its corporate portfolio. Estimates of stress from MFI, credit cards and BB & below portfolio in our/Street estimates remain more conservative than management commentary. Despite significant de-risking, it's discount to peers like IIB/CUBK/AUBANK and larger banks like AXSB/ICICIBC has widened considerably versus historic averages. A shift in the business mix is likely to drive RoA/RoE to 1.6/12.8% by FY23ii. At 1x FY22ii BVPS, the stock does not price in these positives, making it an attractive investment. We recommend a BUY on RBL Bank with a target price of Rs273.

Technically, RBL has given a strong recovery from its recent low and has given a price breakout above its crucial 89/200 DEMA. On daily chart, the stock has restarted trading in a higher top higher bottom chart structure and has given a consolidation breakout. If the current rally accentuates the way it should, we expect RBL to trend higher and test our immediate target price of Rs273.



Scalping Opportunity: RBL is also providing a scalping opportunity for the high-frequency algo traders. Traders can initiate the scalping trade on Blitz Master Scalping Algo format which is an Alpha seeking Algo Format. It supports a designed trade wherein the Entry and Exit points are pre-defined. This format is designed to take advantage of the market swings. We recommend a "Buy on Dips & Sell on rise" Scalping Strategy only to high-frequency traders with Rs 5 Gap on the buying trade & Rs 10 Gap on the selling trade.

[Click here](#) You can also understand the report by watching this video.

Previous Recommendations:

Date	Stock Name	Reco Price	Target Price	P & L %	Status
26-May-20	Emami Limited	205	241	18%	Target Achieved
2-Jul-20	ITC	201	235	11%	Open (Dividend Rs10.15 exdate 6th Jul 2020)
2-Jul-20	NHPC	19.5	24	23%	Target Achieved
15-Jul-20	HCL Tech	610	695	14%	Target Achieved
30-Jul-20	INDIGO	920	1074	17%	Target Achieved
11-Aug-20	JB Chemicals & Pharmaceuticals	750	867	16%	Target Achieved
13-Aug-20	UPL	480	555	-6%	Open
18-Aug-20	Crompton Consumer	256	299	17%	Target Achieved
28-Aug-20	Sudarshan Chemical	474	557	2%	Open
14-Sep-20	Apollo Tyres	114.5	138	21%	Target Achieved
1-Oct-20	Manappuram Finance Ltd	155.5	186	12%	Open
16-Oct-20	Cyient Ltd	370	440	19%	Target Achieved
28-Oct-20	Amara Raja Batteries	770	898	17%	Target Achieved
2-Nov-20	SIS (I) Ltd	363	423	17%	Target Achieved
3-Dec-20	Bharat Electronics	112	139	6%	Open



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