

After a miss on profitability in 3Q due to AIF provisions, RBL has bounced back with nearly inline earnings; PAT stood at Rs3.5bn/RoA@1.1% due to strong fees, lower opex and tax incidence. Despite a sharp fall in LDR (of 500bps QoQ), RBL posted only 7bps QoQ contraction in NIM at 5.45% due to better yields and portfolio mix. Net slippages moderated to Rs4.4bn/2.5% of loans, but write-off in the card portfolio led to a 47bps contraction in GNPA ratio to 2.65%. Bank continues to build contingent provision buffer on the high-risk MFI+Card+PL portfolio at Rs0.2bn which now stands at Rs2.8bn/1% of loans (0.3% of overall loans) and should thus strengthen its shock absorption capacity. Bank guides to sustaining 20% credit growth with focus on diversifying the loan portfolio, strengthening the retail liability franchisee, and building-up contingent buffers to manage asset quality. We expect RBL to report steady improvement in RoA to 1.1-1.4% over FY25-27E from 0.9% in FY24, led by better margin/fees and operational efficiency; retain BUY and TP of Rs350, implying 1.2x FY26E ABV.

RBL Bank: Financial Snapshot (Standalone)					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net profit	8,756	11,679	15,997	22,542	30,580
Loan growth (%)	17.0	19.6	20.2	21.0	22.9
NII growth (%)	24.1	20.9	20.4	18.9	20.0
NIM (%)	4.9	5.2	5.2	5.2	5.1
PPOP growth (%)	(20.0)	38.1	34.9	31.9	33.0
Adj. EPS (Rs)	14.6	19.4	26.4	37.3	50.5
Adj. EPS growth (%)	0.0	32.8	36.4	40.9	35.7
Adj. BV (INR)	216.8	237.9	259.7	290.8	335.3
Adj. BVPS growth (%)	(5.4)	8.0	9.8	9.1	12.0
RoA (%)	0.8	0.9	1.1	1.2	1.4
RoE (%)	6.7	8.2	10.3	13.0	15.5
P/E (x)	18.2	13.7	10.0	7.1	5.2
P/ABV (x)	1.2	1.1	1.0	0.9	0.8

Source: Company, Emkay Research

**Focus remains on retailization and diversification of balance sheet**

RBL Bank reported 20% YoY/5% QoQ credit growth during Q4, mainly led by strong growth in retail and SME. Within retail, the bank continues to see growth in Cards, while MFI growth has also bounced back. That said, concerns remain in a few states, given the ongoing elections. On the vehicle finance front, Bank believes that teething issues have been largely addressed and expects healthy growth momentum in FY25. Within Cards, the bank has reduced dependence on new card acquisition (@48%), while having entered 3 new partnerships with Indian Oil, TVS Credit and one fintech. Bank plans to launch Rupay card as well as enter the commercial cards space (mainly for SME and Corporate customers). On the margin front, Bank expects to remain largely stable/improve in FY25, mainly helped by a better portfolio mix.

**Higher write-offs in card portfolio lead to sharp reduction in GNPA ratio**

Gross slippages remained elevated at Rs6.8bn/3.2% of loans, but higher w-offs bunched-up in the card book led to a sharp 47bps QoQ reduction in GNPA ratio to 2.7%. The bank believes that its stress experience in the card space as well as its MFI portfolio remain better than the industry's, but it continues to build contingent provision buffers (Rs2.8bn/0.3% of overall loans/1% of the card+MFI+PLCC portfolio). Bank gave guidance that it will continue shoring-up the contingent provision buffer based on its risk assessment, while post-Covid net slippage normalization too should call for elevated credit costs. Thus, the bank expects the overall credit cost to log at ~2% in FY25.

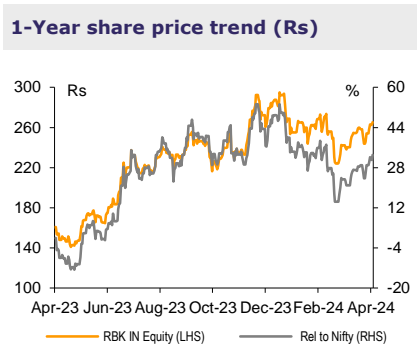
**We retain BUY and TP of Rs350/share**

We expect the bank to report a steady improvement in RoA to 1.1-1.4% over FY25-27E from 0.9% in FY24, led by better margins/fees and operational efficiency. We retain BUY on RBL and our TP of Rs350/share, implying 1.2x FY26E ABV. Key risks: The inherent asset-quality risk in Cards/business loans and the sub-par liability profile could hurt the growth/margin trajectory.

Target Price – 12M	Mar-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	31.9
CMP (26-Apr-24) (Rs)	265.4

Stock Data	Ticker
52-week High (Rs)	301
52-week Low (Rs)	139
Shares outstanding (mn)	605.7
Market-cap (Rs bn)	161
Market-cap (USD mn)	1,929
Net-debt, FY25E (Rs mn)	NA
ADTV-3M (mn shares)	9
ADTV-3M (Rs mn)	2,321.7
ADTV-3M (USD mn)	27.9
Free float (%)	99.0
Nifty-50	22,420
INR/USD	83.3
<b>Shareholding, Mar-24</b>	
Promoters (%)	-
FPIs/MFs (%)	25.1/20.5

Price Performance			
(%)	1M	3M	12M
Absolute	10.5	4.0	73.1
Rel. to Nifty	8.5	(0.9)	37.5



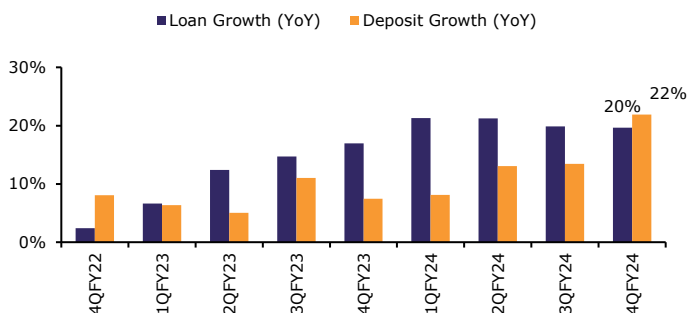
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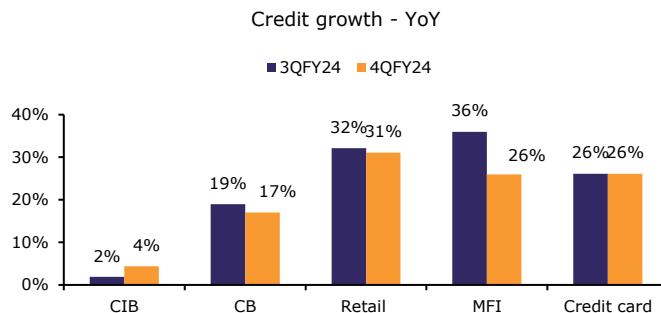
# Story in Charts

**Exhibit 1: Deposit growth surpasses credit growth, leading to lower LDR**



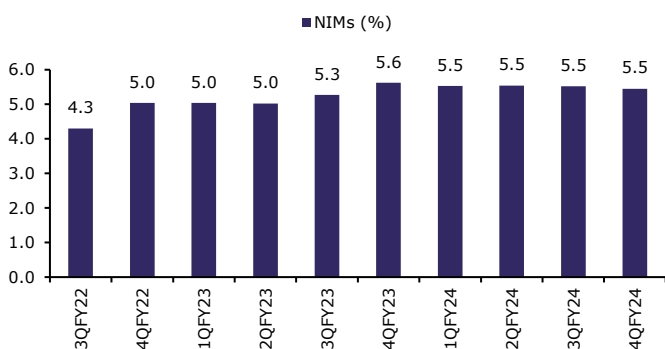
Source: Company, Emkay Research

**Exhibit 2: Retail, CB growth remain healthy**



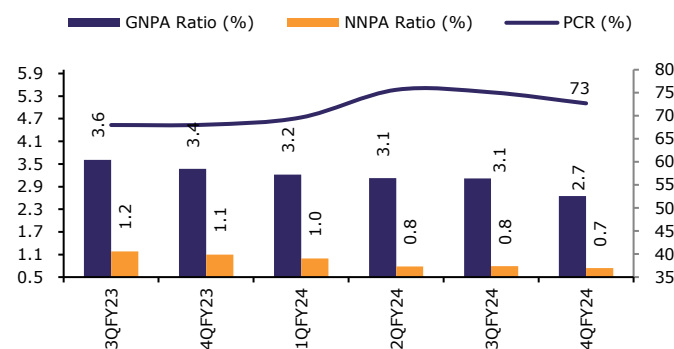
Source: Company, Emkay Research

**Exhibit 3: NIMs contract QoQ due to lower LDR**



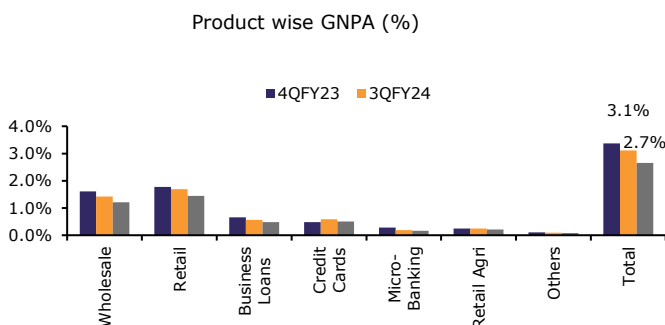
Source: Company, Emkay Research

**Exhibit 4: Headline NPAs improve sharply due to heavy w-offs**



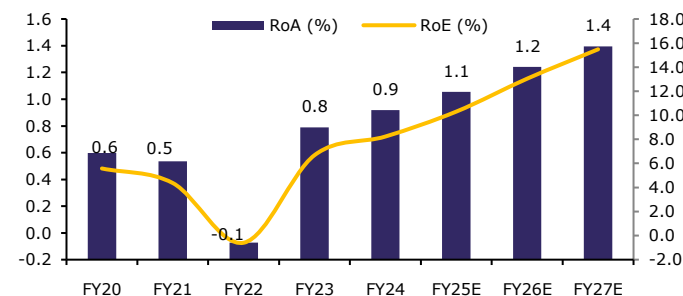
Source: Company, Emkay Research

**Exhibit 5: Cards, MFI portfolio exhibit normal stress levels**



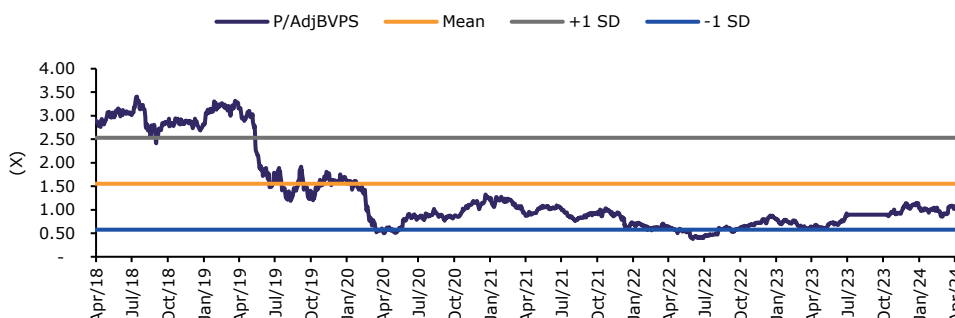
Source: Company, Emkay Research

**Exhibit 6: We expect better fees, operating leverage to drive RoA/RoE improvement**



Source: Company, Emkay Research

**Exhibit 7: The stock currently trades at reasonable valuations**



Source: Bloomberg, Emkay Research

**Exhibit 8: Actuals vs Estimates(Q4FY24)**

(Rs mn)	Actuals	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net income	24,753	24,091	24,007	3%	3%	Higher other income led to a beat
PPOP	8,870	7,874	8,078	13%	10%	Lower opex led to a strong beat
PAT	3,526	3,601	3,221	-2%	9%	Higher provisions partly offset by lower tax led to a miss on PAT

Source: Company, Emkay Research

**Exhibit 9: Quarterly summary (Q4FY24)**

(Rs mn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY23A	FY24E	YoY (%)
Interest Earned	26,422	28,559	30,080	31,914	33,391	11	5	96,764	123,943	28
Interest Exp	12,850	14,337	15,330	16,455	17,392	13	6	46,784	63,514	36
Net Interest Income	13,572	14,222	14,750	15,459	15,999	8	3	49,980	60,429	21
Global NIMs (reported)	5.62	5.53	5.54	5.52	5.45	-17bps	-7bps	4.86	5.16	31bps
Non-interest Income	6,741	6,854	7,044	7,776	8,755	24	13	24,823	30,429	23
Operating Expenses	14,380	14,600	14,484	15,582	15,883	10	2	52,850	60,549	15
Pre Provisioning Profit	5,933	6,476	7,310	7,653	8,870	21	16	21,954	30,308	38
Provision & Contingencies	2,347	2,662	6,404	4,581	4,138	-35	-10	10,219	17,785	74
PBT	3,586	3,814	906	3,071	4,732	422	54	11,734	12,524	7
Income Tax Expense (Gain)	880	932	-2,035	740	1,206	-159	63	2,978	844	-72
Net Profit/(Loss)	2,706	2,882	2,941	2,331	3,526	20	51	8,756	11,680	33
Gross NPA (%)	3.37	3.22	3.12	3.12	2.65	-72bps	-47bps	3.37	2.65	-72bps
Net NPA (%)	1.10	1.00	0.78	0.80	0.74	-36bps	-6bps	1.10	0.74	-36bps
Deposits (Rs bn)	849	856	898	927	1,035	15	12	849	1,035	22
Net Advances (Rs bn)	702	731	763	799	840	10	5	702	840	20

Source: Company, Emkay Research

**Exhibit 10: Revision in Estimates**

Y/E Mar (Rs mn)	FY25E			FY26E		
	Earlier	Revised	Change	Earlier	Revised	Change
Net income	110,548	109,545	-0.9%	136,266	131,789	-3.3%
PPOP	40,828	40,876	0.1%	56,605	53,917	-4.7%
PAT	17,926	15,997	-10.8%	24,436	22,542	-7.7%
EPS (Rs)	29.9	26.4	-11.6%	40.8	37.3	-8.6%
BV (Rs)	273.5	268.5	-1.8%	311.2	302.7	-2.7%

Source: Emkay Research

**Exhibit 11: Key Assumptions**

(%)	FY24A	FY25E	FY26E	FY27E
Loan Growth	19.6	20.2	21.0	22.9
Deposit Growth	21.9	23.2	25.4	24.6
NIM	5.2	5.2	5.2	5.1
GNPA	2.7	2.5	2.6	2.6
Credit Cost	1.8	2.0	2.1	2.2

Source: Emkay Research

## Exhibit 12: Key Ratios and Trends

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Loans (Rs mn)	6,00,218	6,02,700	6,29,417	6,66,840	7,02,094	7,30,870	7,63,242	7,99,490	839,869
Loans YoY (%)	2.4	6.6	12.4	14.7	17.0	21.3	21.3	19.9	19.6
Loans QoQ (%)	3.2	0.4	4.4	5.9	5.3	4.1	4.4	4.7	5.1
<b>Liability Profile (%)</b>									
CASA	35.3	36.0	36.2	36.6	37.3	37.3	35.7	33.8	35.2
CA	14.6	15.4	14.8	15.7	17.4	17.7	16.5	15.0	17.4
SA	20.7	20.6	21.4	20.9	19.9	19.6	19.2	18.8	17.8
No. of Branches	502	502	507	516	517	520	528	538	545
NIM	5.04	5.04	5.02	5.27	5.62	5.53	5.54	5.52	5.45
Yield on Advances	12.22	11.22	11.46	11.96	12.60	12.80	14.03	14.00	14.12
Cost of Deposits	4.75	4.84	5.19	5.55	5.85	6.15	6.21	6.31	6.39
<b>Asset Quality</b>									
GNPA (%)	4.4	4.1	3.8	3.6	3.4	3.2	3.1	3.1	2.7
NNPA (%)	1.3	1.2	1.3	1.2	1.1	1.0	0.8	0.8	0.7
PCR (%)	70.4	72.5	67.8	68.0	68.1	69.6	75.6	75.1	72.7
Slippages (Rs mn)	6,190	6,530	8,120	6,080	6,810	5,550	5,410	6,660	6,800
Slippages - annualized (%)	4.2	4.6	5.8	4.2	4.5	3.7	3.4	4.0	3.9
CAR (%)	16.8	17.5	17.4	17.0	17.0	16.7	16.5	15.7	16.2
Tier I (%)	16.2	16.0	15.9	15.5	15.3	15.1	15.2	14.6	14.4
<b>ROE Decomposition % (on total assets)</b>									
NII	4.3	4.4	4.4	4.7	4.8	4.9	4.9	4.9	4.8
Other Income (Ex Treasury)	2.0	2.0	2.0	2.2	2.3	2.2	2.2	2.3	2.5
Treasury	(0.0)	0.3	0.1	0.1	0.0	0.2	0.1	0.2	0.1
Opex	3.8	4.8	4.6	4.9	5.1	5.0	4.8	5.0	4.8
PPOP	2.5	2.0	1.9	2.1	2.1	2.2	2.4	2.4	2.7
Provisioning Cost	1.5	0.9	0.9	1.1	0.8	0.9	2.1	1.5	1.2
PBT	1.0	1.0	1.0	1.0	1.3	1.3	0.3	1.0	1.4
Tax	0.2	0.3	0.3	0.2	0.3	0.3	(0.7)	0.2	0.4
ROA	0.8	0.7	0.8	0.8	1.0	1.0	1.0	0.7	1.1
ROE	6.3	6.3	6.2	6.3	8.1	8.4	8.4	6.5	9.7

Source: Company, Emkay Research

## RBL Bank: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	96,764	123,943	148,137	174,708	207,065
Interest Expense	46,784	63,514	75,400	88,245	103,295
<b>Net interest income</b>	<b>49,980</b>	<b>60,429</b>	<b>72,736</b>	<b>86,462</b>	<b>103,770</b>
NII growth (%)	24.1	20.9	20.4	18.9	20.0
Other income	24,823	30,429	36,809	45,327	56,116
<b>Total Income</b>	<b>74,803</b>	<b>90,858</b>	<b>109,545</b>	<b>131,789</b>	<b>159,886</b>
Operating expenses	52,850	60,550	68,669	77,872	88,191
<b>PPOP</b>	<b>21,954</b>	<b>30,307</b>	<b>40,876</b>	<b>53,917</b>	<b>71,694</b>
PPOP growth (%)	(20.0)	38.1	34.9	31.9	33.0
<b>Core PPOP</b>	<b>20,732</b>	<b>28,108</b>	<b>37,797</b>	<b>50,068</b>	<b>66,883</b>
Provisions & contingencies	10,219	17,785	19,498	23,793	30,829
<b>PBT</b>	<b>11,734</b>	<b>12,523</b>	<b>21,378</b>	<b>30,125</b>	<b>40,866</b>
Extraordinary items	0	0	0	0	0
Tax expense	2,978	844	5,381	7,582	10,286
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>8,756</b>	<b>11,679</b>	<b>15,997</b>	<b>22,542</b>	<b>30,580</b>
PAT growth (%)	(1,270.0)	33.4	37.0	40.9	35.7
<b>Adjusted PAT</b>	<b>8,756</b>	<b>11,679</b>	<b>15,997</b>	<b>22,542</b>	<b>30,580</b>
<b>Diluted EPS (Rs)</b>	<b>14.6</b>	<b>19.4</b>	<b>26.4</b>	<b>37.3</b>	<b>0.0</b>
Diluted EPS growth (%)	(1,268.5)	32.8	36.4	40.9	(100.0)
<b>DPS (Rs)</b>	<b>1.5</b>	<b>2.0</b>	<b>2.5</b>	<b>3.0</b>	<b>3.0</b>
<b>Dividend payout (%)</b>	<b>10.3</b>	<b>10.4</b>	<b>9.5</b>	<b>8.1</b>	<b>5.9</b>
Effective tax rate (%)	25.4	6.7	25.2	25.2	25.2
Net interest margins (%)	4.9	5.2	5.2	5.2	5.1
Cost-income ratio (%)	70.7	66.6	62.7	59.1	55.2
Shares outstanding (mn)	599.6	605.1	605.1	605.1	605.1

Source: Company, Emkay Research

Asset quality and other metrics					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Asset quality</b>					
Gross NPLs	24,198.5	22,708.5	25,380.4	32,095.1	40,354.2
Net NPLs	7,725.4	6,199.4	7,106.5	9,628.5	12,106.3
GNPA ratio (%)	3.4	2.7	2.5	2.6	2.6
NNPA ratio (%)	1.1	0.7	0.7	0.8	0.8
Provision coverage (%)	68.1	72.7	72.0	70.0	70.0
Gross slippages	27,547.0	24,420.0	26,719.0	33,573.5	41,295.3
Gross slippage ratio (%)	3.8	2.9	2.6	2.7	2.7
LLP ratio (%)	4.6	1.3	1.8	2.0	2.1
NNPA to networth (%)	6.1	5.5	4.0	4.1	5.0
<b>Capital adequacy</b>					
Total CAR (%)	16.9	15.4	14.2	13.3	12.6
Tier-1 (%)	15.3	13.9	12.9	12.1	11.6
CET-1 (%)	15.3	13.9	12.9	12.1	11.6
RWA-to-Total Assets (%)	73.5	74.0	74.0	74.0	74.0
<b>Miscellaneous</b>					
Total income growth (%)	15.6	27.0	19.8	19.0	19.6
Opex growth (%)	45.9	14.6	13.4	13.4	13.3
Core PPOP growth (%)	(16.9)	35.6	34.5	32.5	33.6
PPOP margin (%)	18.1	19.6	22.1	24.5	27.2
PAT/PPOP (%)	39.9	38.5	39.1	41.8	42.7
LLP-to-Core PPOP (%)	49.3	63.3	51.6	47.5	46.1
Yield on advances (%)	11.9	13.1	13.2	13.0	12.7
Cost of funds (%)	5.0	5.9	5.8	5.6	5.3

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	5,996	6,051	6,051	6,051	6,051
Reserves & surplus	129,770	141,913	156,405	177,133	205,898
<b>Net worth</b>	<b>135,766</b>	<b>147,964</b>	<b>162,456</b>	<b>183,184</b>	<b>211,949</b>
Deposits	848,865	1,034,936	1,275,248	1,599,142	1,992,075
Borrowings	133,313	141,841	149,718	143,497	137,637
<b>Interest bearing liab.</b>	<b>982,178</b>	<b>1,176,777</b>	<b>1,424,966</b>	<b>1,742,639</b>	<b>2,129,713</b>
<b>Other liabilities &amp; prov.</b>	<b>40,818</b>	<b>59,581</b>	<b>58,582</b>	<b>57,237</b>	<b>61,147</b>
<b>Total liabilities &amp; equity</b>	<b>1,158,762</b>	<b>1,384,322</b>	<b>1,646,004</b>	<b>1,983,061</b>	<b>2,402,808</b>
Net advances	702,094	839,869	1,009,380	1,220,995	1,501,209
Investments	288,754	295,759	358,332	438,371	536,283
Cash, other balances	85,200	144,166	156,746	182,977	202,323
<b>Interest earning assets</b>	<b>1,076,048</b>	<b>1,279,793</b>	<b>1,524,458</b>	<b>1,842,342</b>	<b>2,239,815</b>
Fixed assets	5,740	5,324	6,548	8,010	9,760
Other assets	76,974	99,205	114,998	132,708	153,233
<b>Total assets</b>	<b>1,158,762</b>	<b>1,384,322</b>	<b>1,646,004</b>	<b>1,983,061</b>	<b>2,402,808</b>
BVPS (Rs)	226.4	245.7	268.5	302.7	350.3
Adj. BVPS (INR)	216.8	237.9	259.7	290.8	335.3
Gross advances	718,567	856,378	1,027,654	1,243,461	1,529,457
Credit to deposit (%)	82.7	81.2	79.2	76.4	75.4
CASA ratio (%)	35.3	37.4	35.2	34.3	35.5
Cost of deposits (%)	4.9	5.8	5.8	5.7	5.4
Loans-to-Assets (%)	60.6	60.7	61.3	61.6	62.5
Net advances growth (%)	17.0	19.6	20.2	21.0	22.9
Deposit growth (%)	7.4	21.9	23.2	25.4	24.6
Book value growth (%)	7.5	8.5	9.3	12.8	15.7

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	18.2	13.7	10.0	7.1	5.2
P/B (x)	1.2	1.1	1.0	0.9	0.8
P/ABV (x)	1.2	1.1	1.0	0.9	0.8
P/PPOP (x)	7.2	5.3	3.9	3.0	2.2
Dividend yield (%)	0.6	0.8	0.9	1.1	1.1
<b>DuPont-RoE split (%)</b>					
NII/avg assets	3.9	4.5	4.8	4.8	4.8
Other income	2.2	2.4	2.4	2.5	2.6
Fee income	1.4	1.5	1.5	1.6	1.6
Opex	4.8	4.8	4.5	4.3	4.0
<b>PPOP</b>	<b>2.0</b>	<b>2.4</b>	<b>2.7</b>	<b>3.0</b>	<b>3.3</b>
Core PPOP	1.9	2.2	2.5	2.8	3.0
Provisions	0.9	1.4	1.3	1.3	1.4
Tax expense	0.3	0.1	0.4	0.4	0.5
<b>RoA (%)</b>	<b>0.8</b>	<b>0.9</b>	<b>1.1</b>	<b>1.2</b>	<b>1.4</b>
Leverage ratio (x)	8.2	8.5	9.0	9.8	10.5
<b>RoE (%)</b>	<b>6.7</b>	<b>8.2</b>	<b>10.3</b>	<b>13.0</b>	<b>15.5</b>
<b>Quarterly data</b>					
Rs mn, Y/E Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
NII	13,572	14,222	14,750	15,459	15,999
NIM(%)	5.6	5.5	5.5	5.5	5.4
PPOP	5,933	6,476	7,310	7,653	8,870
PAT	2,704	2,880	2,937	2,328	3,526
EPS (Rs)	4.51	4.80	4.90	3.88	5.88

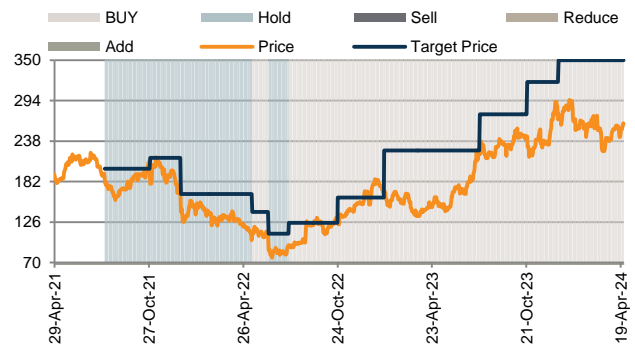
Source: Company, Emkay Research

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
21-Jan-24	269	350	Buy	Anand Dama
21-Dec-23	276	350	Buy	Anand Dama
30-Nov-23	235	320	Buy	Anand Dama
26-Oct-23	216	320	Buy	Anand Dama
22-Oct-23	244	320	Buy	Anand Dama
23-Jul-23	220	275	Buy	Anand Dama
23-May-23	146	225	Buy	Anand Dama
01-May-23	161	225	Buy	Anand Dama
09-Mar-23	159	225	Buy	Anand Dama
21-Jan-23	169	225	Buy	Anand Dama
24-Oct-22	126	160	Buy	Anand Dama
22-Aug-22	98	125	Buy	Anand Dama
22-Jul-22	92	125	Buy	Anand Dama
13-Jun-22	87	110	Hold	Anand Dama
13-May-22	110	140	Buy	Anand Dama
28-Jan-22	147	165	Hold	Anand Dama
27-Dec-21	140	165	Hold	Anand Dama
29-Oct-21	179	215	Hold	Anand Dama
03-Aug-21	185	200	Hold	Anand Dama

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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