

RBL Bank (RBK)

Banking | NBIE Investor Conference Update

Sell
CMP: Rs213 | Target Price (TP): Rs200 | Downside: 6%
June 4, 2025

Higher unsecured loan exposure a key concern

Key Points

- We hosted the management of RBL Bank, represented by Mr. Ramesh Ramnathan, Head - Investor Relations, at NBIE Investor Conference.
- Based on the queries put forth by institutional investors, following are the key takeaways: (1) Loan growth guidance for FY26 maintained at 15-16%. Deposits to grow 20%. (2) The NII in FY26 is expected to be a little lower than FY25, but the same will be compensated for by higher other income. PPOP is expected to be flattish in FY26. (3) The bank should exit FY26 with RoA of 1%. (4) Credit card loan growth is likely to be 10% in FY26. The credit costs in the segment are expected at 6-6.5%. (5) The X bucket collection efficiency in microfinance was 99.1% in Apr-25. If this collection efficiency holds for 1QFY26, then slippages in 2QFY26 will be incrementally lower and asset quality and credit costs will go back to normal in H2FY26.
- We have valued RBL Bank at 0.7x Mar-27E ABV (as against 0.5x Mar-27E ABV earlier) deriving a target price of Rs200 (Rs155 earlier). Our target multiple is at a 15% discount to the past 5-year average multiple of 0.82x. In our view, RBL Bank stock will see an overhang in the near-to-medium term due to its 2 major verticals, microfinance and credit cards, seeing moderation in growth and asset quality stress. We maintain a 'SELL' rating on the stock.

Credit card loan book to grow 10% in FY26: Loan growth in credit cards is expected to be 10% in FY26. The bank sources 80,000-90,000 cards per month, of which 40,000-45,000 is self-sourced, and the balance is other co-branded funds. The tie-up with Indian Oil Corporation is doing well and another tie-up with IRCTC has just started. The bank expects to add 1-1.2mn credit cards this year. Revolver rates are expected to remain stable.

In terms of segment asset quality, the slippages have neither improved nor deteriorated. They are similar to 3QFY25 and 4QFY25. Post-1QFY26, the slippages in this segment are expected to come down. The credit costs in credit card segment are expected to be 6-6.5% in FY26. The bank has started to streamline its collections in this business. It will start cutting locations, merging teams, and consolidating because of which collection costs will be higher in 1QFY26.

MFI slippages to improve from 2QFY26: The X bucket collection efficiency in microfinance was 99.1% in Apr-25. If this collection efficiency holds for 1QFY26, then slippages in 2QFY26 will be incrementally lower, and asset quality and credit costs will go back to normal in H2FY26.

In terms of geographic presence, the bank is present in 28 states. The top 5 states include Bihar, UP, Rajasthan, Madhya Pradesh, and Odisha. Except for Odisha, Karnataka and Tamil Nadu, the X bucket collection efficiency is 99%. Odisha and Karnataka X bucket collection efficiency has been at 98.7%. Tamil Nadu X bucket collection efficiency has been 98% for the past 7-8 months, much before the ordinance came into effect.

MFIN 2.0 guardrails were implemented in Nov-24. Microfinance borrowers with exposure to more than 3 lenders stood at 14% of the microfinance loan book in FY25. Major part of this book has already slipped into NPA. Around 11% of the microfinance book has a ticket size of Rs1,50,000-2,00,000.

Est Change	Upwards
TP Change	Upwards
Rating	No Change

Company Data and Valuation Summary

Reuters	RATB.BO
Bloomberg	RBK IN Equity
Market Cap (Rsbm / US\$bn)	128.5 / 1.5
52 Wk H / L (Rs)	270 / 146
ADTV-3M (mn) (Rs / US\$)	2,148.3 / 25.1
Stock performance (%) 1M/6M/1yr	5.5 / 29.7 / (19.2)
Nifty 50 performance (%) 1M/6M/1yr	0.9 / 10.9 / 12.1

Shareholding	2QFY25	3QFY25	4QFY25
Promoters	0.0	0.0	0.0
DII's	27.0	18.1	21.2
FII's	14.6	13.4	14.4
Others	58.3	68.5	64.4
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY24	FY25E	FY26E	FY27E
Net Interest Income	60,429	64,630	66,919	78,830
% growth	20.9	7.0	3.5	17.8
Net Interest Margin %	5.1	4.9	4.6	4.8
Cost/Income Ratio	66.6	64.7	65.8	63.5
Operating Profit	30,308	36,268	37,427	46,216
% growth	37.6	19.7	3.2	23.5
Adjusted PAT	11,679	6,954	11,402	16,301
% growth	32.3	(40.5)	64.0	43.0
ABVPS	236	253	267	291
P/ABV	0.9	0.8	0.8	0.7
RoA (%)	0.9	0.5	0.7	0.9
Leverage (x)	9.0	9.4	9.7	10.1
RoE (%)	8.2	4.6	7.1	9.5

Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

[Key Links – 4Q25 presentation](#)

[Press Release](#)

[4QFY25 Result Update](#)

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The bank writes off microfinance loans in 365 days. But on loans with CGFMU cover it cannot write-off till the claim is pending. 25% of Sep-24, 50% of Dec-24, and 90% of Mar-25 disbursements had CGFMU cover. In FY26, 90% of MFI disbursements are expected to have CGFMU cover.

NIM to be under pressure in H1FY26: 35% of the loan book is repo linked, which will have an impact on margins in 1QFY26. 15-20% of the book is short term in nature, but linked to other external benchmarks, which will also reprise downwards. The run off in the microfinance book is also expected to have some impact on NIM.

Major part of deposit reprising should start from 3QFY25. The bank has cut TD rates since 1-May-25 and will cut it once again if RBI cuts rates in Jun-25. The peak TD rate is 7.5%. The SA rates are 5.6% at present and the bank plans to cut it to 5.1-5.2%.

Major part of deposits are from metro and urban locations: For garnering deposits, the bank engages in local-level marketing in the catchment area. Over the last 24 months, the bank has seen traction in small ticket deposits. Majority of the deposits are from metro and urban locations. The bank is also focusing on cross sell of liability products to credit card customers.

Guidance on key parameters: Loan growth guidance for FY26 is maintained at 15-16%. The bank will grow slower in large-ticket housing and faster in small-ticket housing. Growth in tractors will be 15-20%. Microfinance book is expected to remain at 6-8% of the loan book in long term. Overall deposit growth is expected to be 20%. CASA ratio is expected to see some drop this year. The NII in FY26 is likely to be a little lower than FY25, but the same will be compensated for by higher other income. PPOP is expected to be flattish in FY26. The bank expects to exit FY26 with RoA of 1%; in FY27 the RoA should improve to 1.1-1.2%. The RoA improvement in FY26 will come from opex costs improving due to: (1) Optimization of collection infrastructure in credit card business, (2) overall improvement in credit costs due to negligible credit costs in microfinance, and (3) secured retail businesses are expected to breakeven this year. The microfinance business is expected to be at a breakeven stage. The credit cards business, which normally makes 4-4.5% RoAs, will be making 3.5-4% RoA in FY26.

Other Highlights:

- On the unsecured side, income will come from 3-line items: (1) Credit card spends, (2) More conversion of PL or spends into EMI loans, and (3) Personal loans.
- Wholesale loans are more a function of cross sell, trade, forex, CA deposits, and cash management services.
- In the microfinance industry, there is an issue of multiple voter IDs, due to which credit bureaus have some difference in data.
- The bank is doing small ticket housing and business loans in 200 locations in district/taluka headquarters. Right now the volumes are small but by end of this year it expects to disburse Rs1bn per month.
- Mid-corporate segment is growing 17-18%. By definition, loans of less than Rs15bn ticket size are mid-corporate loans. The bank is mainly doing working capital loans in this segment. The working capital loans demand is coming from service industries, engineering, auto components construction value chain etc.
- The bank does not plan to raise capital in FY26. The CRAR is expected to be 15% and CET-1 at 13.5% in FY26.

Exhibit 1: Financial summary

Y/E March (Rsmn)	FY23	FY24	FY25	FY26E	FY27E
Net interest income	49,982	60,429	64,630	66,919	78,830
Operating profit	22,024	30,308	36,268	37,427	46,216
PAT	8,827	11,679	6,954	11,402	16,301
EPS (Rs)	15	19	11	19	27
BV (Rs)	226	245	257	271	295
P/E (x)	14.4	11.0	18.6	11.3	7.9
P/BV (x)	0.9	0.9	0.8	0.8	0.7
GNPAs (%)	3.4	2.7	2.6	2.6	2.5
NNPAs (%)	1.1	0.7	0.3	0.3	0.3
RoA (%)	0.8	0.9	0.5	0.7	0.9
RoE (%)	6.7	8.2	4.6	7.1	9.5

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Change in our estimates

	Revised Estimate		Earlier Estimate		% Revision	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Interest Income (Rsmn)	66,919	78,830	69,276	77,692	(3.4)	1.5
NIMs	4.60	4.83	4.76	4.76	-16 bps	7 bps
Operating Profit (Rsmn)	37,427	46,216	38,225	45,004	(2.1)	2.7
Profit after tax (Rsmn)	11,402	16,301	10,551	15,392	8.1	5.9
Loan Book (Rsbn)	1,037	1,176	1,037	1,176	0.0	0.0
ABVPS (Rs)	267	291	266	288	0.5	0.9

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: One-year forward P/ABV



Source: Company, Nirmal Bang Institutional Equities Research

Financials
Exhibit 4: Income statement

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	96,766	123,943	140,391	148,000	167,484
Interest expense	46,784	63,514	75,761	81,081	88,654
Net interest income	49,982	60,429	64,630	66,919	78,830
Non-interest income	24,894	30,429	38,062	42,382	47,759
Net Revenue	74,876	90,858	102,692	109,301	126,589
Operating Expense	52,852	60,550	66,424	71,874	80,373
-Employee Exp	13,403	14,922	17,344	13,951	15,599
-Other Exp	39,448	45,628	49,080	57,923	64,773
Operating profit	22,024	30,308	36,268	37,427	46,216
Provisions	10,220	17,785	29,587	22,224	24,481
PBT	11,805	12,523	6,681	15,203	21,735
Taxes	2,978	844	-272	3,801	5,434
PAT	8,827	11,679	6,954	11,402	16,301

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Balance sheet

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	5,996	6,051	6,079	6,079	6,079
Reserves & Surplus	129,770	141,913	149,989	158,552	173,223
Shareholder's Funds	135,766	147,964	156,068	164,631	179,302
Deposits	848,865	1,034,936	1,109,435	1,198,689	1,307,458
Borrowings	133,313	141,841	137,338	153,060	170,582
Other liabilities	40,818	59,581	64,413	116,561	176,250
Total liabilities	1,158,762	1,384,322	1,467,255	1,632,942	1,833,593
Cash/Equivalent	85,200	144,166	125,596	135,700	148,014
Advances	702,094	839,869	926,183	1,037,366	1,176,067
Investments	288,754	295,759	321,648	361,621	406,563
Fixed Assets	5,740	5,324	5,772	6,622	7,597
Other Assets	76,974	99,205	88,057	91,632	95,353
Total assets	1,158,762	1,384,322	1,467,255	1,632,942	1,833,593

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Key ratios

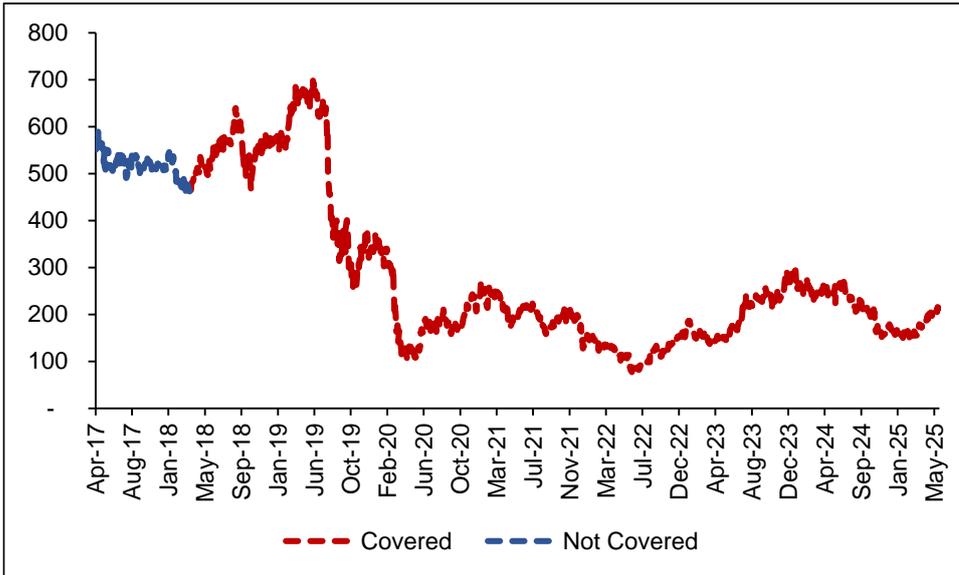
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Growth (%)					
NII growth	24.1	20.9	7.0	3.5	17.8
Pre-provision profit growth	-19.8	37.6	19.7	3.2	23.5
PAT growth	-1281.1	32.3	-40.5	64.0	43.0
Business (%)					
Deposit growth	7.4	21.9	7.2	8.0	9.1
Advance growth	17.0	19.6	10.3	12.0	13.4
CD	82.7	81.2	83.5	86.5	90.0
CASA	37.4	35.2	34.1	34.5	34.9
Operating efficiency (%)					
Cost/income	70.6	66.6	64.7	65.8	63.5
Cost-to-assets	4.8	4.8	4.7	4.6	4.6
Spreads (%)					
Yield on advances	11.8	12.9	12.7	11.9	12.0
Yield on investments	6.4	7.0	7.0	7.0	7.0
Cost of deposits	4.9	5.7	5.1	5.1	5.1
Yield on assets	9.3	10.5	10.6	10.2	10.3
Cost of funds	5.0	5.9	6.3	6.2	6.3
NIMs	4.8	5.1	4.9	4.6	4.8
Capital adequacy (%)					
Tier I	15.25	14.38	14.6	13.6	12.8
Tier II	1.67	1.80	1.7	1.5	1.3
Total CAR	16.92	16.18	16.2	15.0	14.1
Asset Quality (%)					
Gross NPA	3.37	2.65	2.6	2.6	2.5
Net NPA	1.10	0.74	0.3	0.3	0.3
PCR	68.1	72.7	89.0	89.5	90.0
Slippage	3.8	2.9	4.3	3.2	2.9
Credit cost	1.6	2.3	3.4	2.3	2.2
Return (%)					
ROE	6.7	8.2	4.6	7.1	9.5
ROA	0.8	0.9	0.5	0.7	0.9
RORWA	1.1	1.3	0.7	1.0	1.2
Per share					
EPS	15	19	11	19	27
BV	226	245	257	271	295
ABV	215	236	253	267	291
Valuation					
P/E	14.4	11.0	18.6	11.3	7.9
P/BV	0.9	0.9	0.8	0.8	0.7
P/ABV	1.0	0.9	0.8	0.8	0.7

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
26 March 2018	Buy	462	579
30 April 2018	Buy	538	628
20 July 2018	Buy	557	649
9 October 2018	Buy	495	647
24 October 2018	Buy	465	652
29 January 2019	Buy	563	675
8 April 2019	Hold	671	701
22 April 2019	Hold	677	704
8 July 2019	Hold	633	696
22 July 2019	Hold	500	559
7 August 2019	Buy	364	559
7 October 2019	Buy	303	463
23 October 2019	Buy	287	389
8 January 2020	Buy	346	397
23 January 2020	Hold	339	344
27 March 2020	Buy	164	243
9 April 2020	Buy	121	243
8 May 2020	Buy	129	188
9 July 2020	Buy	187	226
29 July 2020	Buy	181	220
23 September 2020	Buy	167	225
7 October 2020	Buy	181	231
29 October 2020	Buy	176	221
26 November 2020	Hold	227	244
08 January 2021	Hold	269	294
29 January 2021	Hold	215	237
21 February 2021	Hold	246	261
5 May 2021	Buy	183	225
03 August 2021	Hold	195	192
26 September 2021	Hold	186	203
29 October 2021	Buy	202	236
27 December 2021	Hold	173	191
28 January 2022	Sell	153	142
13 May 2022	Buy	102	138
22 July 2022	Hold	95	99
19 September 2022	Hold	124	136
24 October 2022	Hold	129	139
22 January 2023	Buy	170	204
22 March 2023	Buy	144	188
30 April 2023	Buy	161	201
24 July 2023	Buy	222	267
23 October 2023	Buy	244	303
20 January 2024	Hold	266	271
14 February 2024	Hold	251	273
29 April 2024	Hold	266	283
03 June 2024	Hold	246	283
08 June 2024	Hold	251	269
07 July 2024	Hold	263	277
22 July 2024	Hold	240	261
24 August 2024	Hold	224	247
10 October 2024	Buy	196	238
20 October 2024	Hold	205	219
06 December 2024	Hold	175	174
10 January 2025	Hold	154	172
19 January 2025	Sell	155	144
9 April 2025	Sell	170	147
27 April 2025	Sell	188	155
4 June 2025	Sell	213	200

Rating track graph



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Stock Ratings Absolute Returns

BUY > 15%

HOLD -5% to 14%

SELL < -5%

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