

Ticking all the right boxes

RBL delivered a strong performance in 2QFY24, aligning well with our expectations. Notably, NII saw robust growth, increasing by 26% YoY and 4% QoQ, even in a challenging quarter marked by rising cost of funds, primarily due to a shift toward a more retail-oriented advances growth. The CTI ratio was impressive at 65%, indicating a 270bps sequential improvement. As a result, PPOP exhibited remarkable growth (+54%/12% YoY/QoQ), outpacing our expectations by 8%. Additionally, asset quality improved, with lower fresh slippages, as GNPA decreased to 3.1% from 3.2% in 1QFY24. During the quarter, the bank received a tax write-back of Rs2.98bn, which was prudently utilized to create a 100bps contingent buffer on Credit Card and Microfinance Advances, enhancing reserves and fortifying the balance sheet. We believe that the positive impact of strategy changes, particularly the introduction of in-house and digitally driven retail products, is yet to be fully reflected in the current market valuation. Consequently, we view RBL Bank as a strong candidate for a re-rating. Our valuation places a TP of Rs339, based on 1.25 x the ABV for the 1HFY26E.

Earnings beat, thanks to higher yielding revenue mix and lower opex

RBL's earnings performance in the 2QFY24 was better than our expectations. NII came in at Rs14.8bn, (+25.6% YoY/+3.7% QoQ) exceeded our estimated NII of Rs14.5bn even in a challenging quarter marked by rising cost of funds, primarily due to better product mix – RA (+35%/+8% YoY/QoQ) and CB (+17%/+11% YoY/QoQ). PPOP came at Rs7.7bn, (+53.6% YoY/11.8% QoQ) beat our estimates due to lower CTI (65% sequential improvement of 270bps).

Retailisation of Gross Advances further strengthened during the quarter

Gross advances showed robust growth, increasing by an impressive +22% YoY/+4.4% QoQ, reaching Rs763bn. Further, this growth was driven by retailisation of advances – RA (+35%/+8% YoY/QoQ). Moreover, in wholesale book too granularity prevailed with CB growing and QoQ decline in corporate banking.

Deposits grew by 13% led by Retail TDs; CASA under pressure (-150bps QoQ)

On the liability front, total deposits grew by +13%/+4.8% YoY/QoQ; however granular RDs grew +19%/4.1% YoY/QoQ respectively. RBL, similar to its peers, continues to experience pressure on CASA (35.8% from 37.3% as of 1QFY24). While the CDR ratio improved sequentially to 85.1% from 85.4%, it remains at comfortable levels.

Valuations provide margin of safety; BUY for 39% upside

RBL is poised for strong earnings, and a shift in its loan portfolio which could potentially drive even higher performance. With a substantial increase in the share of retail loans (58% compared to 54% in 1QFY24) and improving NIMs resulting from the reduction in the wholesale loan book, we anticipate RBL to achieve a RoA of 1.2% by FY26E, a significant jump from 0.8% in FY23. Moreover, the potential for further RoA improvements becomes evident as the proportion of retail loans exceeds initial expectations, offering a key trigger for a market re-rating. The bank's robust retail loan growth, notably outperforming the industry (35% in 2QFY24), is expected to continue without compromising asset quality.

Financial and valuation summary

| YE Mar (Rs mn) | 2QFY24A | 2QFY23A | YoY (%) | 1QFY24A | QoQ (%) | FY24E | FY25E | FY26E |
|-----------------|---------|---------|---------|---------|---------|--------|--------|--------|
| NII | 14,752 | 11,745 | 25.6 | 14,219 | 3.7 | 61,379 | 77,042 | 96,213 |
| PPOP | 7,654 | 4,983 | 53.6 | 6,844 | 11.8 | 31,748 | 42,351 | 54,153 |
| Provisions | 6,404 | 2,415 | 165.2 | 2,662 | 140.6 | 14,985 | 19,095 | 23,592 |
| Net profit | 3,311 | 1,875 | 76.6 | 3,195 | 3.6 | 14,803 | 17,442 | 22,921 |
| Loan growth (%) | 21.3 | 12.3 | 72.6 | 21.2 | 0.3 | 22.0 | 23.0 | 24.0 |
| NIM (%) | 5.9 | 5.4 | 8.7 | 5.8 | 0.2 | 5.4 | 5.6 | 5.7 |
| Cost/income (%) | 65.0 | 71.7 | (9.3) | 67.7 | (3.9) | 64.8 | 62.2 | 60.8 |
| GNPA (%) | 3.1 | 3.8 | (17.9) | 3.2 | (3.1) | 3.3 | 3.4 | 3.5 |
| RoA (%) | 1.1 | 0.7 | 61.7 | 1.1 | 1.2 | 1.2 | 1.1 | 1.2 |
| RoE (%) | 9.8 | 5.9 | 64.3 | 9.6 | 2.1 | 10.4 | 11.1 | 13.0 |
| P/ABV (x) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 1.0 | 0.9 |

Source: Company, Centum Broking

Result Update

India I BFSI

22 October, 2023

BUY

Price: Rs244

Target Price: Rs339

Forecast return: 39%

Institutional Research

Market Data

| | |
|-----------------------|-------------|
| Bloomberg: | RBK IN |
| 52 week H/L: | 257/119 |
| Market cap: | Rs147.0bn |
| Shares Outstanding: | 601.6mn |
| Free float: | 80.4% |
| Avg. daily vol. 3mth: | 1,35,35,960 |

Source: Bloomberg

Changes in the report

| | |
|---------------|------------------------------|
| Rating: | Unchanged |
| Target price: | Rs339; Changed by 2.4% |
| ABVS: | FY25E; 257.4 FY26E; 285.0 |

Source: Centum Broking

Shareholding pattern

| | Sep-23 | Jun-23 | Mar-23 | Dec-22 |
|--------------|--------|--------|--------|--------|
| Promoter | 0.0 | 0.0 | 0.0 | 0.0 |
| FIIs | 30.0 | 28.3 | 24.7 | 28.9 |
| DIIIs | 19.5 | 18.3 | 20.2 | 20.2 |
| Public/other | 50.5 | 53.4 | 55.2 | 50.9 |

Source: BSE

Centum estimates vs Actual results

| YE Mar (Rs mn) | Centum Q2FY24 | Actual Q2FY24 | Variance (%) |
|----------------|---------------|---------------|--------------|
| NII | 14,509 | 14,752 | 1.7 |
| PPOP | 7,043 | 7,654 | 8.7 |
| Provision | 2,928 | 6,404 | 118.7 |
| PAT | 3,086 | 3,311 | 7.3 |

Source: Bloomberg, Centum Broking



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Thesis Snapshot

Estimate revision

| YE Mar (Rs bn) | FY24E New | FY24E Old | % chg | FY25E New | FY25E Old | % chg |
|----------------|-----------|-----------|-------|-----------|-----------|-------|
| NII | 61.4 | 59.1 | 3.9 | 77.0 | 78.0 | -1.3 |
| PPoP | 31.8 | 27.3 | 16.5 | 42.4 | 41.1 | 3.2 |
| PAT | 14.8 | 12.0 | 23.3 | 17.4 | 16.5 | 5.5 |

Source: Centrum Broking

RBL Bank versus Nifty Midcap 100

| | 1m | 6m | 1 year |
|------------------|-------|------|--------|
| RBK IN | 5.6 | 63.4 | 89.8 |
| NIFTY Midcap 100 | (0.6) | 28.3 | 29.9 |

Source: Bloomberg, NSE

Key assumptions

| Y/E Mar | FY24E | FY25E | FY26E |
|-------------------|-------|-------|-------|
| AUM Growth | 22.0 | 23.0 | 24.0 |
| NII Growth | 26.0 | 25.5 | 24.9 |
| Other Inc./Assets | 2.2 | 2.2 | 2.2 |
| Opex/Assets | 4.6 | 4.4 | 4.4 |
| Provision Cost | 1.9 | 2.0 | 2.0 |

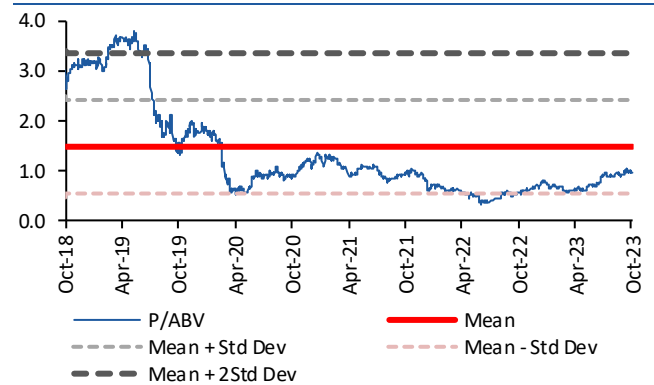
Source: Centrum Broking

Valuations

RBL is poised for strong earnings, and a shift in its loan portfolio which could potentially drive even higher performance. **With a substantial increase in the share of retail loans (58% compared to 54% in 1QFY24) and improving NIMs resulting from the reduction in the wholesale loan book, we anticipate RBL to achieve a RoA of 1.2% by FY26E, a significant jump from 0.8% in FY23.** Moreover, the potential for further RoA improvements becomes evident as the proportion of retail loans exceeds initial expectations, offering a key trigger for a market re-rating. We maintain our BUY recommendation and value stock at 1.25x ABVE for 1HFY26E, resulting in a TP of Rs339 with upside of 39%.

| Valuations | Rs/share |
|--------------------------|------------|
| 1HFY26E ABV (Rs) | 271 |
| Ascribed P/BV (x) | 1.25 |
| Target Price (Rs) | 339 |
| Upside to CMP | 39% |

P/ABV mean and standard deviation



Peer comparison

| Company | EPS (Rs) | | | | BVPS (Rs) | | | | RoAA (%) | | | | RoAE (%) | | | |
|-----------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|
| | FY23A | FY24E | FY25E | FY26E | FY23A | FY24E | FY25E | FY26E | FY23A | FY24E | FY25E | FY26E | FY23A | FY24E | FY25E | FY26E |
| City Union Bank | 12.6 | 13.3 | 15.2 | 16.7 | 100.7 | 110.6 | 124.4 | 139.2 | 1.5 | 1.4 | 2.5 | 3.3 | 13.4 | 10.6 | 11.6 | 12.7 |
| Federal Bank | 14.8 | 14.9 | 17.0 | 19.9 | 104.5 | 113.3 | 128.0 | 143.1 | 1.3 | 1.2 | 1.3 | 1.2 | 15.3 | 14.6 | 14.2 | 14.1 |
| IDFC First Bank | 4.0 | 4.9 | 6.8 | 7.5 | 39.1 | 45.2 | 51.7 | 60.5 | 1.2 | 1.2 | 1.4 | 1.5 | 10.6 | 11.6 | 13.0 | 14.2 |
| Bandhan Bank | 13.6 | 22.1 | 22.1 | 31.9 | 121.6 | 141.0 | 168.1 | 193.1 | 1.5 | 2.1 | 2.2 | 2.2 | 11.8 | 16.8 | 17.8 | 17.2 |
| Average | 11.3 | 13.8 | 15.3 | 19.0 | 91.5 | 102.5 | 118.1 | 134.0 | 1.4 | 1.5 | 1.9 | 2.1 | 12.8 | 13.4 | 14.2 | 14.6 |
| RBL Bank | 15.3 | 20.0 | 27.6 | 38.9 | 225.6 | 244.1 | 270.2 | 307.5 | 0.8 | 0.9 | 1.1 | 1.2 | 7.1 | 8.5 | 10.7 | 13.5 |

| Company | Mcap (Rs mn) | P/E (x) | | | | P/BV (x) | | | |
|-----------------|----------------|-------------|-------------|------------|------------|------------|------------|------------|------------|
| | | FY23A | FY24E | FY25E | FY26E | FY23A | FY24E | FY25E | FY26E |
| City Union Bank | 101,030 | 10.5 | 10.2 | 9.0 | 8.2 | 1.3 | 1.2 | 1.1 | 1.0 |
| Federal Bank | 342,919 | 9.8 | 9.8 | 8.6 | 7.3 | 1.4 | 1.3 | 1.1 | 1.0 |
| IDFC First Bank | 622,177 | 22.4 | 18.1 | 13.3 | 11.8 | 2.3 | 1.9 | 1.8 | 1.5 |
| Bandhan Bank | 363,258 | 16.6 | 10.3 | 8.3 | 7.1 | 1.8 | 1.6 | 1.4 | 1.2 |
| Average | | 14.8 | 12.1 | 9.8 | 8.6 | 1.7 | 1.5 | 1.4 | 1.2 |
| RBL Bank | 147,020 | 15.9 | 12.2 | 8.8 | 6.3 | 1.1 | 1.0 | 0.9 | 0.8 |

Source: Company, Centrum Broking

Earnings concall KTAs

Summary

The bank has shown strong growth, with advances and deposits achieving a 21% and 13% YoY increase in 1HFY24. They aim to increase the retail mix from 58% to 60-65%. NIMs are expected to continue improving due to a shift in asset mix toward higher-yielding retail assets. While operating expenses have lagged behind NTI growth in 1HFY24, future plans aim to further reduce the CTI ratio by 100bps. Therefore, PPOP growth is anticipated to outpace advances growth, and credit cost guidance remains at 1.5% to 2.0%. The bank is targeting RoA/RoE of 1.4-1.5% / 14-15% by FY26, and asset quality and collection efficiency are stable. A contingent buffer of 1% has been set aside for MFI and credit card business, and reclassification of BC charges minimally impacts consolidated numbers.

Broader guidance maintained – FY23-26

- Advances 20%+ CAGR with 21% growth achieved in 1GFY24.
- Deposits 20%+ CAGR with 13% growth achieved in 1GFY24.
- Retail Mix 60-65% from current levels of 58%.
- Share of New Businesses 30%
- NIMs to be continue on improving trend given change in AUM mix in favour of higher yielding retail book.
- For 1HFY24, opex growth has lagged the NTI growth leading to reduced CTI print. Going ahead, CTI to be further reduced by 100bps as operating investments start yielding results.
- PPOP Growth: Higher than advances growth
- Credit cost guidance maintained 1.5% to 2.0%.
- **RoA/RoE - 1.4-1.5% / 14-15% by FY26 from current levels of 1%.**

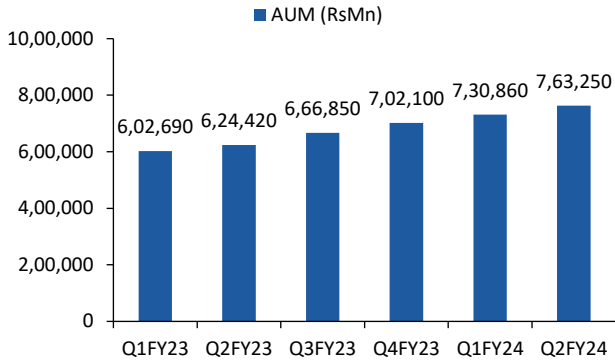
Asset Quality

- Gross slippages 541cr vs. Rs555cr in 1QFY24
- Wholesale net slippage Rs7cr
- Net slippage MFI Rs44cr in MFI
- Net slippage in Card business was RRs291cr
- Net slippage in Retail Assets were Rs33cr
- Asset quality and collection efficiency is holding up well and the management is not expecting any stress on the book.

Other Key points

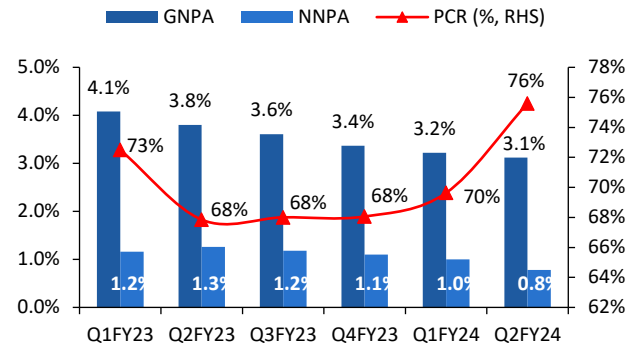
- The bank has created a contingent buffer of 1% for MFI and Credit card business for standard assets and that amount is not to be utilized for credit cost.
- Reclassification of BC charges during does not impact materially impact consolidated numbers as 90% is attributable to its 100% MFI subsidiary.
- In credit card business, the asset quality pressure has been seen in low limit card segment where RBL doesn't operate. As per the management, prime segment of the business is holding well which gives RBL the outperformance to bear the industry numbers.
- In MFI business, management expects business to be clocking steady growth like in the past.
- Large part of repricing on liability side is already in numbers.

Exhibit 1: Advances growth pick up pace with...



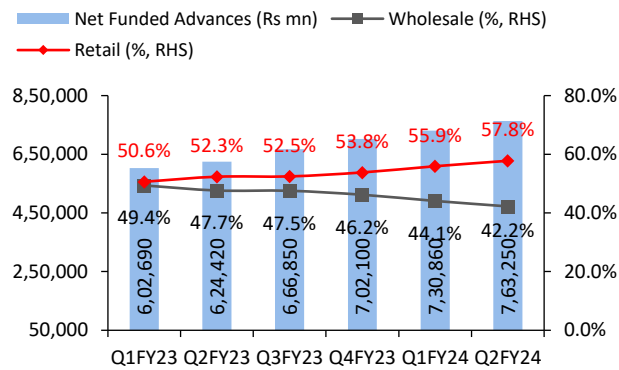
Source: Company, Centrum Broking

Exhibit 3: ...improvement in Asset quality



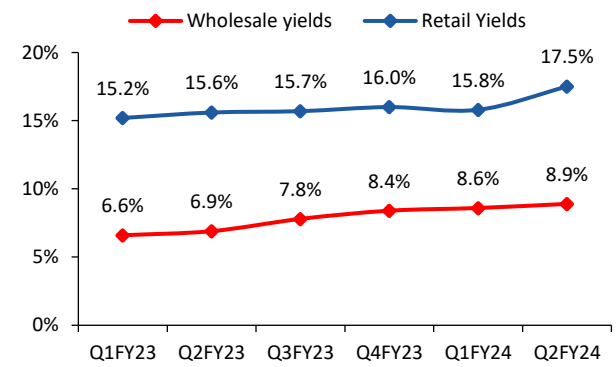
Source: Company, Centrum Broking

Exhibit 2: Advances with increasing share of RA...



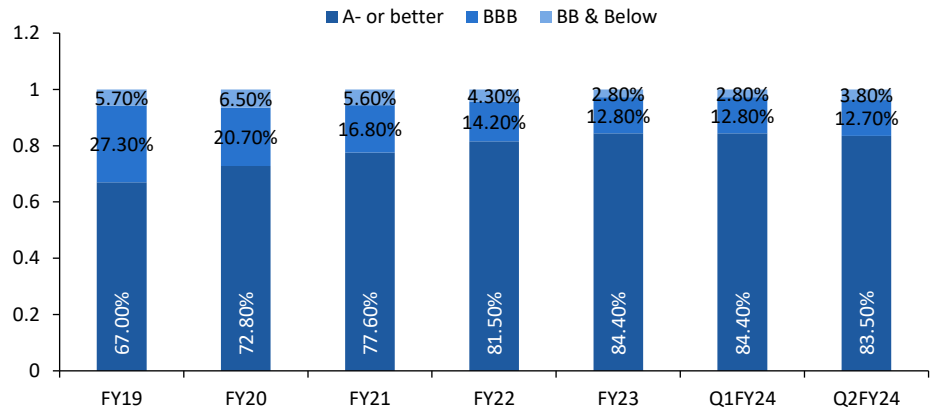
Source: Company, Centrum Broking

Exhibit 4: ...which enjoy higher yields



Source: Company, Centrum Broking

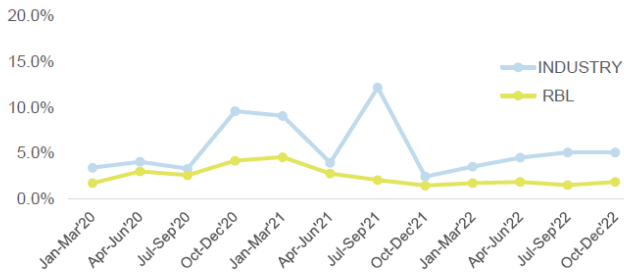
Exhibit 5: Wholesale book rating trend



Source: Company, Centrum Broking

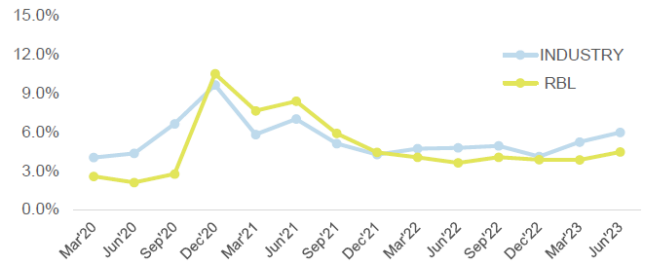
Credit Cards –tighter control on new bookings resulting in delinquencies in line with industry

Exhibit 6: 6MOB\$30+ Comparison with Industry



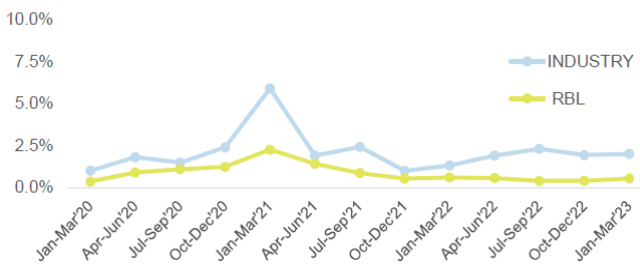
Source: Company, Centrum Broking

Exhibit 8: \$30+ Comparison with Industry



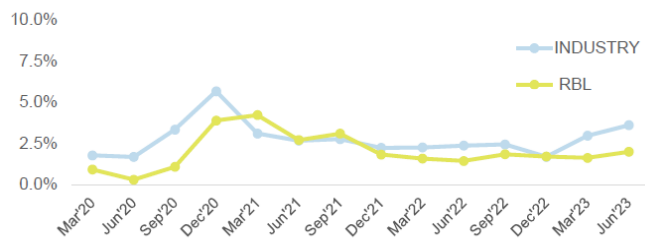
Source: Company, Centrum Broking

Exhibit 7: 3MOB\$30+ Comparison with Industry



Source: Company, Centrum Broking

Exhibit 9: \$90+ Comparison with Industry



Source: Company, Centrum Broking

Exhibit 10: Quarterly Financials Snapshot

| | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 |
|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Interest earned | 20,341 | 21,066 | 22,008 | 22,026 | 22,858 | 24,674 | 26,162 | 28,554 | 30,078 |
| Interest expended | 10,590 | 10,338 | 9,997 | 10,617 | 11,113 | 12,206 | 12,851 | 14,335 | 15,326 |
| Net Interest Income | 9,751 | 10,727 | 12,011 | 11,409 | 11,745 | 12,468 | 13,312 | 14,219 | 14,752 |
| Other income | 5,950 | 5,838 | 5,129 | 6,140 | 5,849 | 6,243 | 6,837 | 6,940 | 7,128 |
| Total Income | 15,701 | 16,566 | 17,140 | 17,548 | 17,594 | 18,711 | 20,149 | 21,159 | 21,880 |
| Operating Expenses | 9,002 | 10,603 | 10,896 | 12,182 | 12,612 | 12,881 | 13,898 | 14,315 | 14,226 |
| Employees | 3,096 | 3,364 | 3,612 | 3,900 | 4,199 | 4,069 | 4,367 | 4,285 | 4,612 |
| Others | 5,906 | 7,239 | 7,284 | 8,282 | 8,413 | 8,813 | 9,531 | 10,029 | 9,615 |
| Operating profit | 6,699 | 5,963 | 6,244 | 5,366 | 4,983 | 5,830 | 6,251 | 6,844 | 7,654 |
| Provisions | 6,515 | 4,239 | 4,007 | 2,530 | 2,415 | 2,927 | 2,347 | 2,662 | 6,404 |
| Profit before tax | 184 | 1,724 | 2,237 | 2,836 | 2,568 | 2,903 | 3,904 | 4,182 | 1,250 |
| Taxes | 87 | 508 | 589 | 750 | 693 | 655 | 919 | 987 | -2,061 |
| Net Profit | 97 | 1,216 | 1,648 | 2,087 | 1,875 | 2,248 | 2,986 | 3,195 | 3,311 |
| Balance sheet | | | | | | | | | |
| Shareholders funds | 1,22,523 | 1,23,580 | 1,26,182 | 1,28,520 | 1,29,757 | 1,32,170 | 1,35,766 | 1,38,580 | 1,41,393 |
| Borrowings | 1,29,391 | 1,19,750 | 1,10,930 | 1,18,710 | 1,07,808 | 1,06,280 | 1,33,313 | 1,47,760 | 1,53,023 |
| Deposits | 7,55,877 | 7,36,370 | 7,90,065 | 7,92,160 | 7,94,045 | 8,17,450 | 8,48,865 | 8,56,040 | 8,97,303 |
| Other liabilities | 36,950 | 38,990 | 34,908 | 37,930 | 41,937 | 39,130 | 40,818 | 40,530 | 49,363 |
| Total liabilities | 10,44,741 | 10,18,710 | 10,62,086 | 10,77,320 | 10,73,550 | 10,95,030 | 11,58,762 | 11,82,910 | 12,41,081 |
| Cash & bank | 2,08,333 | 1,44,810 | 1,75,477 | 1,29,440 | 1,09,818 | 80,720 | 85,200 | 76,380 | 93,268 |
| Advances | 5,60,086 | 5,81,410 | 6,00,218 | 6,02,700 | 6,29,211 | 6,66,560 | 7,02,094 | 7,30,660 | 7,63,242 |
| Investments | 2,17,727 | 2,28,380 | 2,22,744 | 2,75,370 | 2,56,680 | 2,66,320 | 2,88,755 | 2,90,250 | 2,94,982 |
| Fixed assets | 5,321 | 63,700 | 5,481 | 69,810 | 6,173 | 81,020 | 5,740 | 85,210 | 5,939 |
| Other assets | 53,274 | - | 58,166 | - | 71,258 | - | 76,974 | - | 83,244 |
| Total assets | 10,44,741 | 10,18,710 | 10,62,086 | 10,77,320 | 10,73,550 | 10,95,030 | 11,58,762 | 11,82,910 | 12,41,081 |
| Balance sheet (%) | | | | | | | | | |
| Loan growth | -0.3 | 3.0 | 2.4 | 6.6 | 12.4 | 14.7 | 17.0 | 21.3 | 21.3 |
| Deposit growth | 17.3 | 9.6 | 8.1 | 8.4 | 5.0 | 11.0 | 7.4 | 8.1 | 13.0 |
| Loans / Deposits | 74.1 | 79.0 | 76.0 | 76.1 | 79.2 | 81.5 | 82.7 | 85.4 | 85.1 |
| Investment / Deposits | 28.8 | 31.0 | 28.2 | 34.8 | 32.3 | 32.6 | 34.0 | 33.9 | 32.9 |
| Capital Adequacy | | | | | | | | | |
| Tier-1 | 15.5 | 15.8 | 16.2 | 16.0 | 15.9 | 15.5 | 15.3 | 15.1 | 15.2 |
| Tier-2 | 0.8 | 0.8 | 0.9 | 1.5 | 1.5 | 1.5 | 1.7 | 1.6 | 1.9 |
| CRAR | 16.3 | 16.6 | 17.1 | 17.5 | 17.4 | 17.0 | 17.0 | 16.7 | 17.1 |
| Profitability (%) | | | | | | | | | |
| Yield on assets | 11.2 | 11.4 | 11.6 | 11.7 | 12.0 | 12.7 | 12.8 | 13.6 | 14.0 |
| Cost of funds | 5.1 | 5.0 | 4.6 | 4.8 | 5.0 | 5.5 | 5.5 | 6.0 | 6.3 |
| NIM | 4.8 | 5.1 | 5.5 | 5.2 | 5.4 | 5.5 | 5.7 | 5.8 | 5.9 |
| Other income / Assets | 0.6 | 0.6 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Cost / Income | 57.3 | 64.0 | 63.6 | 69.4 | 71.7 | 68.8 | 69.0 | 67.7 | 65.0 |
| Employees | 19.7 | 20.3 | 21.1 | 22.2 | 23.9 | 21.7 | 21.7 | 20.3 | 21.1 |
| Others | 37.6 | 43.7 | 42.5 | 47.2 | 47.8 | 47.1 | 47.3 | 47.4 | 43.9 |
| Cost / Assets | 0.9 | 1.1 | 1.1 | 1.2 | 1.2 | 1.2 | 1.3 | 1.3 | 1.2 |
| RoA | 0.0 | 0.5 | 0.6 | 0.8 | 0.7 | 0.9 | 1.1 | 1.1 | 1.1 |
| RoE | 0.3 | 3.9 | 5.2 | 6.5 | 5.9 | 7.0 | 9.1 | 9.6 | 9.8 |
| Asset quality (%) | | | | | | | | | |
| GNPA | 5.0 | 4.8 | 4.4 | 4.1 | 3.8 | 3.6 | 3.4 | 3.2 | 3.1 |
| NNPA | 2.1 | 1.9 | 1.3 | 1.2 | 1.3 | 1.2 | 1.1 | 1.0 | 0.8 |
| PCR | 61.7 | 62.9 | 70.4 | 72.5 | 67.8 | 68.0 | 68.1 | 69.6 | 75.6 |
| Credit Cost on Gross AUM | 4.6 | 2.9 | 2.7 | 1.7 | 1.6 | 1.9 | 1.4 | 1.6 | 3.7 |
| Credit/deposit | 74.1 | 79.0 | 76.0 | 76.1 | 78.6 | 81.6 | 82.7 | 85.4 | 85.1 |

Source: Company, Centrum Broking

We have baked in increase in calculated CoF for FY24E and marginal respite in FY25E/FY26E

NIMs are expected to improve YoY with change in product mix offerings in favor of retail loans

Exhibit 11: ROAE Tree

| | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
|---|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total Assets | 6,18,773 | 8,03,978 | 8,89,835 | 10,06,188 | 10,61,626 | 11,58,057 | 14,13,320 | 17,21,782 | 21,15,359 |
| <i>Average total assets</i> | 5,52,764 | 7,11,375 | 8,46,906 | 9,48,011 | 10,33,907 | 11,09,842 | 12,85,689 | 15,67,551 | 19,18,570 |
| Equity | 66,806 | 75,348 | 1,05,649 | 1,26,662 | 1,25,305 | 1,35,257 | 1,49,160 | 1,65,702 | 1,87,724 |
| <i>Average Equity</i> | 55,084 | 71,077 | 90,499 | 1,16,156 | 1,25,984 | 1,30,281 | 1,42,208 | 1,57,431 | 1,76,713 |
| Interest Income on term loans/ <i>Average total assets</i> | 6.3% | 7.1% | 8.5% | 7.2% | 6.4% | 6.8% | 7.4% | 7.4% | 7.6% |
| Income on investments/money with RBI/other banks/ <i>Average total assets</i> | 1.9% | 1.7% | 1.8% | 1.7% | 1.7% | 1.7% | 2.0% | 1.8% | 1.7% |
| Non-Interest Income/ <i>Average total assets</i> | 1.9% | 2.0% | 2.3% | 2.0% | 2.3% | 2.3% | 2.2% | 2.2% | 2.2% |
| Total Income/ <i>Average total assets</i> | 10.2% | 10.8% | 12.6% | 11.0% | 10.3% | 10.8% | 11.6% | 11.5% | 11.4% |
| Interest on Deposits, borrowings and debt securities / <i>Average total assets</i> | 5.0% | 5.3% | 5.8% | 4.8% | 4.0% | 4.2% | 4.8% | 4.4% | 4.3% |
| Net Interest Income / <i>Average total assets</i> | 3.3% | 3.6% | 4.6% | 4.4% | 4.2% | 4.4% | 4.8% | 4.9% | 5.0% |
| Net Total Income/ <i>Average total assets</i> | 5.2% | 5.6% | 6.9% | 6.3% | 6.4% | 6.6% | 7.0% | 7.1% | 7.2% |
| Operating Expenses / <i>Average total assets</i> | 2.8% | 2.9% | 3.7% | 3.2% | 3.9% | 4.6% | 4.6% | 4.4% | 4.4% |
| PPOP/<i>Average total assets</i> | 2.4% | 2.7% | 3.2% | 3.1% | 2.6% | 2.0% | 2.5% | 2.7% | 2.8% |
| Provision Cost / <i>Average total assets</i> | 0.7% | 0.9% | 2.3% | 2.4% | 2.8% | 0.9% | 1.2% | 1.2% | 1.2% |
| Profit before tax / <i>Average total assets</i> | 1.8% | 1.8% | 0.9% | 0.8% | -0.2% | 1.1% | 1.3% | 1.5% | 1.6% |
| Tax expense/ <i>Average total assets</i> | 0.6% | 0.6% | 0.3% | 0.2% | 0.0% | 0.3% | 0.2% | 0.4% | 0.4% |
| One-time tax adjustment/ <i>Average Total Assets</i> | 0.0% | 0.0% | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| RoAA | 1.2% | 1.2% | 0.5% | 0.6% | -0.2% | 0.8% | 1.2% | 1.1% | 1.2% |
| Leverage (<i>Average total assets/average Equity or average Net-worth</i>) | 10.03 | 10.01 | 9.36 | 8.16 | 8.21 | 8.52 | 9.04 | 9.96 | 10.86 |
| RoAE | 11.6% | 12.1% | 4.7% | 4.6% | -1.3% | 7.1% | 10.4% | 11.1% | 13.0% |

Source: Company, Centrum Broking

We have factored in credit cost in line with management guidance

As RBL starts posting improvement in return profile we expect re-rating in the stock

| P&L | | | | | |
|----------------------------|----------------|---------------|---------------|-----------------|-----------------|
| YE Mar (Rs mn) | FY22A | FY23A | FY24E | FY25E | FY26E |
| Interest earned | 84,449 | 95,496 | 1,22,589 | 1,46,265 | 1,78,702 |
| Interest expended | 41,482 | 46,786 | 61,211 | 69,223 | 82,489 |
| Net Interest Income | 42,966 | 48,709 | 61,379 | 77,042 | 96,213 |
| Other income | 23,515 | 25,069 | 28,915 | 34,995 | 41,916 |
| Total Income | 66,481 | 73,779 | 90,294 | 1,12,038 | 1,38,129 |
| Operating Expenses | 39,942 | 51,348 | 58,545 | 69,687 | 83,976 |
| Employees | 13,100 | 16,535 | 18,879 | 22,797 | 27,320 |
| Others | 26,842 | 34,813 | 39,666 | 46,890 | 56,656 |
| PPoP | 26,539 | 22,431 | 31,748 | 42,351 | 54,153 |
| Provisions | 28,604 | 10,220 | 14,985 | 19,095 | 23,592 |
| Profit before tax | (2,065) | 12,211 | 16,763 | 23,256 | 30,561 |
| Taxes | (404) | 3,016 | 1,961 | 5,814 | 7,640 |
| Net Profit | (1,662) | 9,195 | 14,803 | 17,442 | 22,921 |

| Ratios | | | | | |
|---------------------------|--------------|------------|------------|------------|------------|
| YE Mar | FY22A | FY23A | FY24E | FY25E | FY26E |
| Growth (%) | | | | | |
| Loans | 2.4 | 17.0 | 22.0 | 23.0 | 24.0 |
| Deposits | 8.1 | 7.4 | 20.1 | 20.1 | 21.2 |
| RWA growth | 2.7 | 12.2 | 22.9 | 22.6 | 23.7 |
| NII | 3.9 | 13.4 | 26.0 | 25.5 | 24.9 |
| Other income | 25.4 | 6.6 | 15.3 | 21.0 | 19.8 |
| Opex | 30.1 | 28.6 | 14.0 | 19.0 | 20.5 |
| PPoP | (9.7) | (15.5) | 41.5 | 33.4 | 27.9 |
| Provisions | 28.4 | (64.3) | 46.6 | 27.4 | 23.6 |
| Net profit | nm | nm | 61.0 | 17.8 | 31.4 |
| Profitability (%) | | | | | |
| Yield on assets | 9.6 | 10.2 | 10.9 | 10.6 | 10.5 |
| Cost of funds | 4.8 | 5.0 | 5.6 | 5.1 | 5.0 |
| NIM | 4.9 | 5.2 | 5.4 | 5.6 | 5.7 |
| Other income / Total inc. | 35.4 | 34.0 | 32.0 | 31.2 | 30.3 |
| Other inc. / avg assets | 2.3 | 2.3 | 2.2 | 2.2 | 2.2 |
| Cost/Income | 60.1 | 69.6 | 64.8 | 62.2 | 60.8 |
| Employee | 19.7 | 22.4 | 20.9 | 20.3 | 19.8 |
| Other | 40.4 | 47.2 | 43.9 | 41.9 | 41.0 |
| Opex/ Avg assets | 3.9 | 4.6 | 4.6 | 4.4 | 4.4 |
| Provisioning cost | 4.8 | 1.6 | 1.9 | 2.0 | 2.0 |
| Tax rate | 19.5 | 24.7 | 11.7 | 25.0 | 25.0 |
| RoE | (1.3) | 7.1 | 10.4 | 11.1 | 13.0 |
| RoA | (0.2) | 0.8 | 1.2 | 1.1 | 1.2 |
| RoRWA | (0.2) | 1.1 | 1.6 | 1.5 | 1.6 |
| Du-pont (%) | | | | | |
| Interest income | 8.2 | 8.6 | 9.5 | 9.3 | 9.3 |
| Interest expenses | 4.0 | 4.2 | 4.8 | 4.4 | 4.3 |
| NII | 4.2 | 4.4 | 4.8 | 4.9 | 5.0 |
| Other income | 2.3 | 2.3 | 2.2 | 2.2 | 2.2 |
| Total income | 6.4 | 6.6 | 7.0 | 7.1 | 7.2 |
| Operating expenses | 1.5 | 4.6 | 4.6 | 4.4 | 4.4 |
| Employee | 1.3 | 1.5 | 1.5 | 1.5 | 1.4 |
| Other | 0.2 | 3.1 | 3.1 | 3.0 | 3.0 |
| PPOP | 2.6 | 2.0 | 2.5 | 2.7 | 2.8 |
| Provisions | 2.8 | 0.9 | 1.2 | 1.2 | 1.2 |
| PBT | (0.2) | 1.1 | 1.3 | 1.5 | 1.6 |
| Tax | 0.0 | 0.3 | 0.2 | 0.4 | 0.4 |
| RoA | (0.2) | 0.8 | 1.2 | 1.1 | 1.2 |

Source: Company, Centrum Broking

| Balance sheet | | | | | |
|--------------------------|------------------|------------------|------------------|------------------|------------------|
| YE Mar (Rs mn) | FY22A | FY23A | FY24E | FY25E | FY26E |
| Share capital | 5,995 | 5,996 | 5,996 | 5,996 | 5,996 |
| Reserves & surplus | 1,19,310 | 1,29,261 | 1,43,164 | 1,59,707 | 1,81,728 |
| Deposits | 7,90,064 | 8,48,747 | 10,19,374 | 12,24,672 | 14,84,079 |
| Borrowings | 1,10,978 | 1,33,317 | 1,91,829 | 2,62,565 | 3,54,059 |
| Other Liabilities | 35,280 | 40,736 | 52,956 | 68,843 | 89,496 |
| Total liabilities | 10,61,626 | 11,58,057 | 14,13,320 | 17,21,782 | 21,15,359 |
| Cash balances with RBI | 1,31,111 | 62,381 | 71,356 | 85,727 | 1,03,886 |
| Balances with banks | 44,462 | 22,891 | 30,581 | 36,740 | 44,522 |
| Investments | 2,21,292 | 2,87,303 | 3,56,781 | 4,28,635 | 5,19,428 |
| Advances | 6,00,046 | 7,01,864 | 8,56,274 | 10,53,218 | 13,05,990 |
| Fixed Assets | 5,784 | 5,985 | 6,583 | 7,242 | 7,966 |
| Other Assets | 58,932 | 77,633 | 91,744 | 1,10,220 | 1,33,567 |
| Total assets | 10,61,626 | 11,58,057 | 14,13,320 | 17,21,782 | 21,15,359 |

| Ratios | | | | | |
|---------------------------------|--------|--------|--------|--------|--------|
| YE Mar (Rs mn) | FY22A | FY23A | FY24E | FY25E | FY26E |
| Balance Sheet (%) | | | | | |
| Loans / Deposits | 75.9 | 82.7 | 84.0 | 86.0 | 88.0 |
| Investments / Deposits | 28.0 | 33.9 | 35.0 | 35.0 | 35.0 |
| CASA | 35.3 | 37.4 | 38.0 | 39.0 | 40.0 |
| Assets/equity (x) | 8.5 | 8.6 | 9.5 | 10.4 | 11.3 |
| RWA / Total assets | 71.5 | 73.5 | 74.0 | 74.5 | 75.0 |
| Capital ratios (%) | | | | | |
| CET-1 | 16.2 | 15.3 | 13.7 | 12.5 | 11.5 |
| Tier-1 | 16.2 | 15.3 | 13.7 | 12.5 | 11.5 |
| Tier-2 | 0.6 | 1.7 | 1.4 | 1.1 | 0.9 |
| CRAR | 16.8 | 16.9 | 15.1 | 13.6 | 12.4 |
| Asset quality ratios (%) | | | | | |
| GNPA (Rs mn) | 27,284 | 24,199 | 27,683 | 34,913 | 45,153 |
| NNPA (Rs mn) | 8,066 | 7,726 | 7,278 | 11,344 | 16,854 |
| GNPA | 4.4 | 3.4 | 3.3 | 3.4 | 3.5 |
| NNPA | 1.3 | 1.1 | 0.8 | 1.1 | 1.3 |
| PCR | 70.4 | 68.1 | 73.7 | 67.5 | 62.7 |
| Slippage | 6.6 | 4.2 | 4.0 | 4.0 | 4.0 |
| NNPA / Equity | 6.4 | 5.7 | 4.9 | 6.8 | 9.0 |
| Per share | | | | | |
| EPS | (2.8) | 15.3 | 24.7 | 29.1 | 38.2 |
| BVPS | 209.0 | 225.6 | 248.8 | 276.4 | 313.1 |
| ABVPS | 195.6 | 212.7 | 236.6 | 257.4 | 285.0 |
| Valuation (x) | | | | | |
| P/E | nm | 16.2 | 10.0 | 8.5 | 6.5 |
| P/BV | 1.2 | 1.1 | 1.0 | 0.9 | 0.8 |
| P/ABV | 1.3 | 1.2 | 1.0 | 1.0 | 0.9 |

Source: Company, Centrum Broking

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RBL Bank



Source: Bloomberg

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