

**BUY**

TP: Rs 309 | ▲ 22%

**RBL BANK**

| Banking

| 23 January 2024

## Healthy business growth, stable asset quality; raise to BUY

- Healthy business growth led to 35% YoY (+5% QoQ) rise in Q3 PPOP; PAT grew 11% YoY but fell 21% sequentially on higher provisions
- Reported NIM held steady QoQ despite higher deposit costs and strategic decision to go slow on high-yield segments (cards, MFI)
- Raise from HOLD to BUY on stable asset quality and prudent provisioning; TP revised to Rs 309 (vs. Rs 258) on rollover

**Ajit Agrawal**

research@bobcaps.in

**Healthy credit growth....:** RBK posted healthy credit growth of 20% YoY (+5% QoQ) in Q3FY24 despite decisions to temper growth in the high-yield MFI business and make structural changes in card business sourcing to lower concentration risk from its largest co-brand partner Bajaj. Management believes the latter move can lift margins and open up cross-sell opportunities in order to sustain growth at current levels.

**...relatively broad-based across segments:** Loan growth in Q3 was supported by commercial banking (+19% YoY), credit cards (+27%), microfinance (36% vs. 48% in Q2), housing loans (+48%) and newly launched products such as rural vehicle finance. The bank aims to sustain annual credit growth of 20% YoY and achieve a 60-65% proportion of retail loans in the mix from the current 58% by FY26. Deposit mobilisation grew 13.5% YoY (+3% QoQ) for the quarter driven by term deposits.

**NIM stable QoQ:** Reported NIM was steady sequentially at 5.5% despite a 10bps rise in deposit cost and relatively lower MFI business. Management expects similar levels for FY24. Factoring in market share gains in new launches and healthy growth in existing business, we estimate that NIM will stabilise at 5.3% during FY24-FY26. Q3 PPOP grew 35% YoY (+5% QoQ) while PAT was up 11% YoY but fell 21% sequentially on higher provisions. We adjust our FY24/FY25 PAT estimates by -8%/+5%.

**Building buffer provisions:** Although the bank saw increased stress in the MFI and card businesses, GNPA/NNPA/PCR were stable QoQ at 3.1%/0.8%/75%. Credit cost, remained elevated due to a one-time provision of Rs 1.1bn towards the bank's exposure to alternate investment funds, (235bps vs. 343bps in Q2). Restructured loans declined further to 0.6% of advances vs. 0.9% in Q2.

**Raise to BUY:** Accounting for healthy business growth estimates (19% CAGR) and a growing share of high-yielding retail assets, we forecast a PPOP/PAT CAGR of 27%/29% for RBK over FY23-FY26. Considering the bank's healthy asset quality and prudent provisioning, we now value the stock at 1.1x FY26E ABV (vs. 1x on FY25E) using the Gordon Growth Model. This leads to a revised TP of Rs 309 (vs. Rs 258), which carries 22% upside and leads us to upgrade the stock from HOLD to BUY.

## Key changes

Target	Rating
▲	▲

Ticker/Price	RBK IN/Rs 253
Market cap	US\$ 1.9bn
Free float	100%
3M ADV	US\$ 36.2mn
52wk high/low	Rs 301/Rs 132
Promoter/FPI/DII	0%/28%/19%

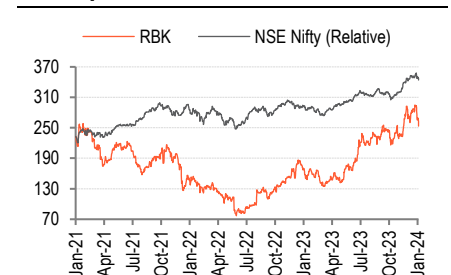
Source: NSE | Price as of 23 Jan 2024

## Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Net interest income	44,515	60,259	70,014
NII growth (%)	10.5	35.4	16.2
Adj. net profit (Rs mn)	8,827	11,055	14,774
EPS (Rs)	14.7	18.4	24.5
Consensus EPS (Rs)	14.7	20.0	26.0
P/E (x)	17.2	13.8	10.3
P/BV (x)	1.1	1.1	1.0
ROA (%)	0.8	0.9	1.0
ROE (%)	6.7	7.9	9.8

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



**Fig 1 – Quarterly snapshot: Income statement (post-reclassification)**

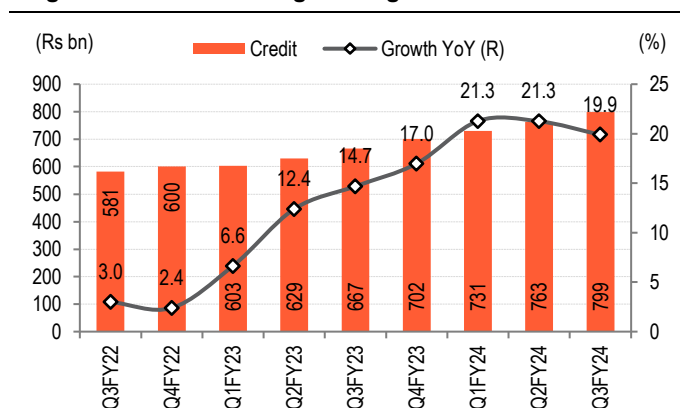
(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
<b>Income Statement</b>							
Interest Income	18,829	19,707	22,703	24,301	25,988	38.0	6.9
Income on investments	4,044	4,448	5,182	5,010	5,015	24.0	0.1
Int. on bal. with RBI & inter-bank funds & Others	813	807	673	768	911	12.1	18.6
<b>Interest income</b>	<b>23,686</b>	<b>24,962</b>	<b>28,559</b>	<b>30,080</b>	<b>31,914</b>	<b>34.7</b>	<b>6.1</b>
Interest expense	12,205	12,850	14,337	15,330	16,455	34.8	7.3
<b>Net interest income</b>	<b>11,482</b>	<b>12,112</b>	<b>14,222</b>	<b>14,750</b>	<b>15,459</b>	<b>34.6</b>	<b>4.8</b>
Growth YoY (%)	13.6	7.1	38.4	25.6	34.6	2,101bps	904bps
<b>Non-interest income</b>	<b>6,184</b>	<b>6,741</b>	<b>6,854</b>	<b>7,044</b>	<b>7,776</b>	<b>25.7</b>	<b>10.4</b>
Growth YoY (%)	(0.2)	31.8	11.7	20.8	25.7	2,597bps	497bps
<b>Net income</b>	<b>17,666</b>	<b>18,853</b>	<b>21,076</b>	<b>21,794</b>	<b>23,234</b>	<b>31.5</b>	<b>6.6</b>
Growth YoY (%)	8.4	14.8	28.4	24.0	31.5	2,316bps	752bps
Staff expenses	3,329	3,574	3,412	3,747	3,989	19.8	6.4
Other operating expenses	8,664	9,341	11,190	10,737	11,593	33.8	8.0
<b>Operating expenses</b>	<b>11,994</b>	<b>12,915</b>	<b>14,601</b>	<b>14,484</b>	<b>15,582</b>	<b>29.9</b>	<b>7.6</b>
<b>Pre-Provisioning Profit (PPoP)</b>	<b>5,672</b>	<b>5,938</b>	<b>6,475</b>	<b>7,310</b>	<b>7,653</b>	<b>34.9</b>	<b>4.7</b>
Growth YoY (%)	(10.1)	(9.7)	22.4	42.7	34.9	4,500bps	(775bps)
Provisions	2,927	2,347	2,662	6,404	4,581	56.5	(28.5)
Growth YoY (%)	(30.9)	(41.4)	5.2	165.2	56.5	8,744bps	(10,865bps)
<b>PBT</b>	<b>2,745</b>	<b>3,591</b>	<b>3,813</b>	<b>906</b>	<b>3,071</b>	<b>11.9</b>	<b>238.9</b>
Tax	655	880	932	(2,035)	740	13.0	(136.4)
<b>PAT</b>	<b>2,090</b>	<b>2,711</b>	<b>2,881</b>	<b>2,941</b>	<b>2,331</b>	<b>11.5</b>	<b>(20.7)</b>
Growth YoY (%)	33.9	37.0	43.2	45.9	11.5	(2,233bps)	(3,437bps)
<b>Per Share Data</b>							
FV	10	10	10	10	10	0.0	0.0
EPS	3	5	5	5	4	10.9	(21.0)
Book Value	212	217	222	224	228	7.6	1.8

Source: Company, BOBCAPS Research

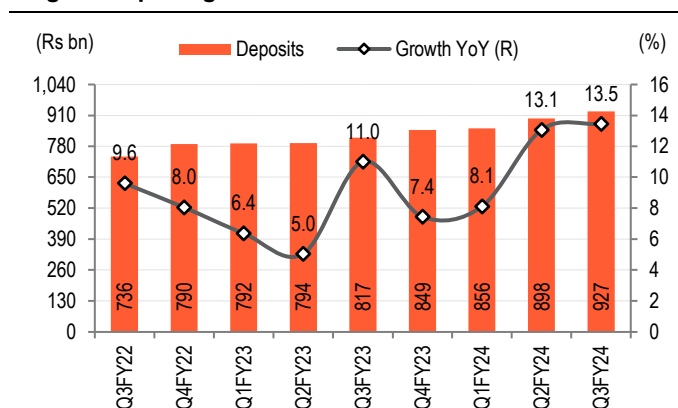
**Fig 2 – Quarterly snapshot: Balance sheet & other metrics**

(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Deposits	817,460	848,865	856,360	897,804	927,460	13.5	3.3
Growth YoY (%)	11.0	7.4	8.1	13.1	13.5	245bps	39bps
Advances	666,840	702,094	730,870	763,242	799,490	19.9	4.7
Growth YoY (%)	14.7	17.0	21.3	21.3	19.9	520bps	(137bps)
Investment	267,770	288,755	291,710	296,433	278,520	4.0	(6.0)
Equity	132,950	135,766	138,770	141,218	143,916	8.2	1.9
Assets	1,095,540	1,158,762	1,183,530	1,241,444	1,271,466	16.1	2.4
Growth YoY (%)	7.5	9.1	9.9	15.6	16.1	855bps	47bps
<b>Yield (%)</b>							
Yield on Funds	9.42	9.55	10.50	10.69	10.99	157bps	30bps
Cost of Funds	5.35	5.39	5.77	5.97	6.19	84bps	22bps
Spread	4.07	4.15	4.73	4.72	4.80	73bps	8bps
Net Interest Margin (calc.)	4.56	4.63	5.23	5.24	5.32	76bps	8bps
<b>Ratios (%)</b>							
Other Income / Net Income	35.0	35.8	32.5	32.3	33.5	(154bps)	114bps
Cost to Income ratio	67.9	68.5	69.3	66.5	67.1	(83bps)	60bps
CASA ratio	36.6	37.4	37.3	35.7	33.8	(285bps)	(195bps)
C/D ratio	81.6	82.7	85.3	85.0	86.2	463bps	119bps
Investment to Assets	24.4	24.9	24.6	23.9	21.9	(254bps)	(197bps)
<b>Assets Quality</b>							
GNPA	24,687	24,199	24,043	24,407	25,511	3.3	4.52
NNPA	7,899	7,725	7,298	5,945	6,356	(19.5)	6.9
Provision	16,788	16,473	16,745	18,462	19,154	14.1	3.8
GNPA (%)	3.61	3.37	3.22	3.12	3.12	(49bps)	0bps
NNPA (%)	1.18	1.10	1.00	0.78	0.80	(38bps)	2bps
Provision Coverage Ratio (%)	68.0	68.1	69.6	75.6	75.1	708bps	(56bps)
<b>Others</b>							
Branches	516	517	520	528	538	22	10
ATMs	413	414	414	408	388	(25)	(20)
Employees	10,771	11,032	11,497	11,980	12,316	1,545	336

Source: BOBCAPS Research, Company

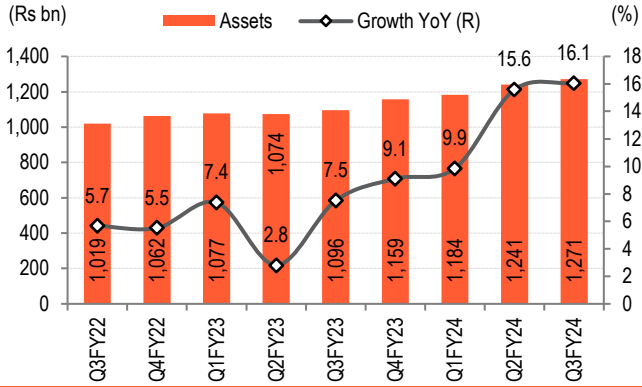
**Fig 3 – Continued strong credit growth**

Source: Company, BOBCAPS Research

**Fig 4 – Deposit growth stable YoY**

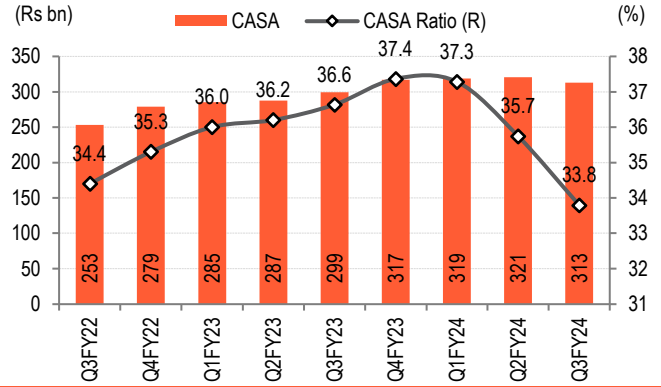
Source: Company, BOBCAPS Research

**Fig 5 – Healthy asset growth**



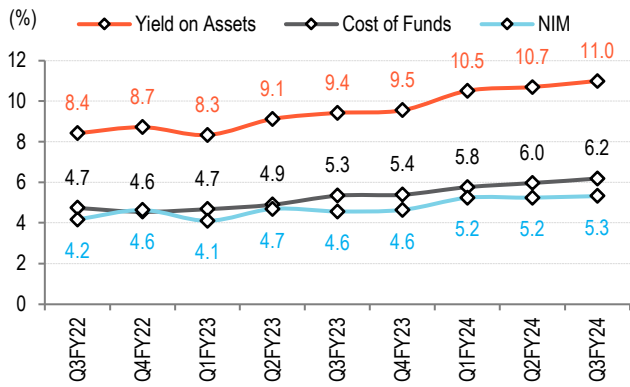
Source: Company, BOBCAPS Research

**Fig 6 – CASA ratio dips on low deposit mobilisation**



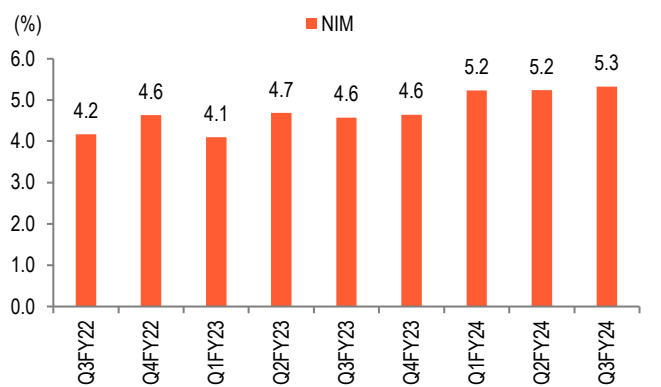
Source: Company, BOBCAPS Research

**Fig 7 – Cost of funds on the rise...**



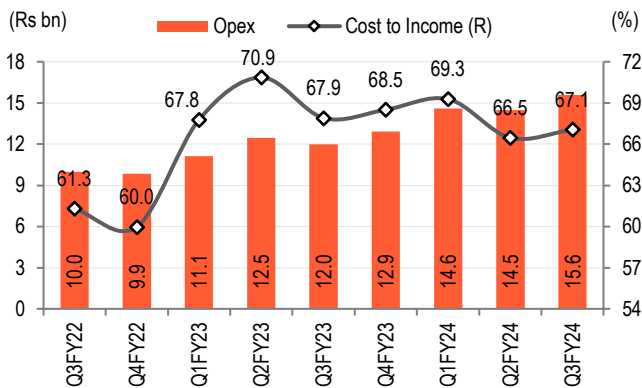
Source: Company, BOBCAPS Research

**Fig 8 – ...but NIM (calc.) stable QoQ**



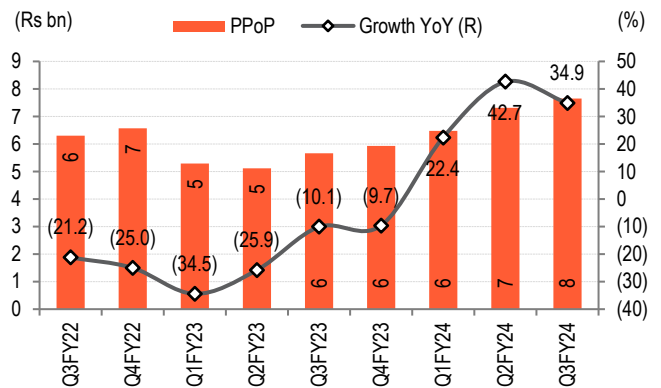
Source: Company, BOBCAPS Research

**Fig 9 – Operational cost looks sticky**



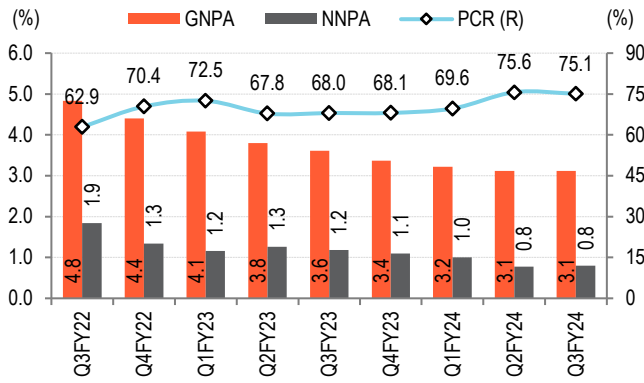
Source: Company, BOBCAPS Research

**Fig 10 – PPOP growth modest QoQ on higher cost of funds**



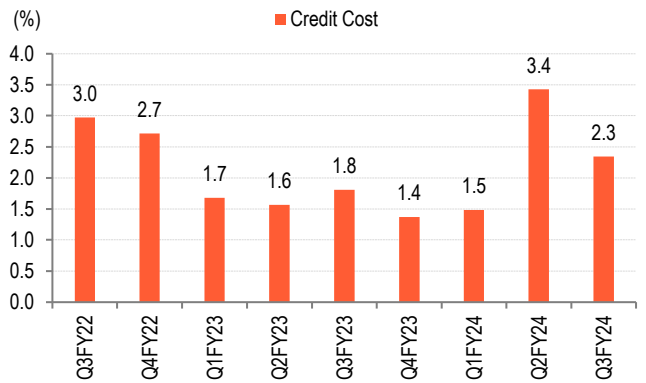
Source: Company, BOBCAPS Research

**Fig 11 – Asset quality stable**



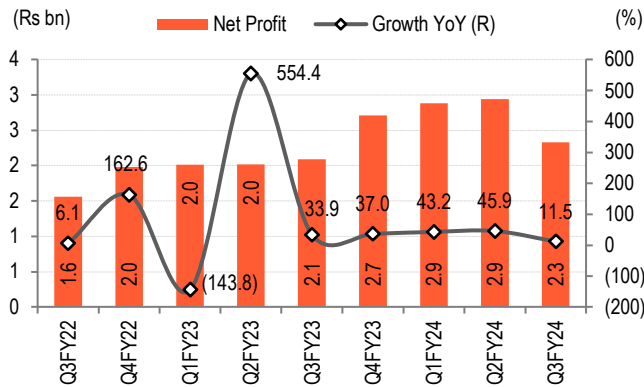
Source: Company, BOBCAPS Research

**Fig 12 – Credit cost includes one-off provision of Rs 1.1bn**



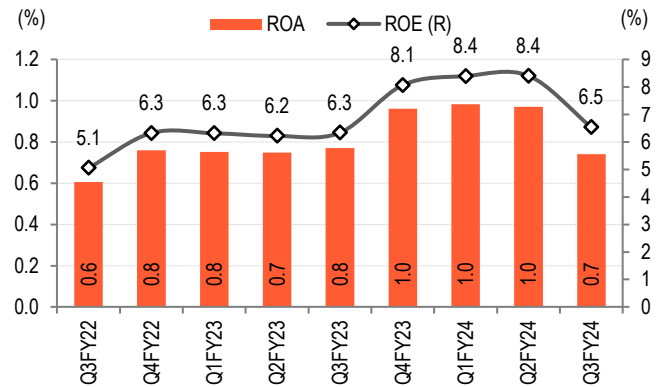
Source: Company, BOBCAPS Research

**Fig 13 – PAT subdued on higher provisions**



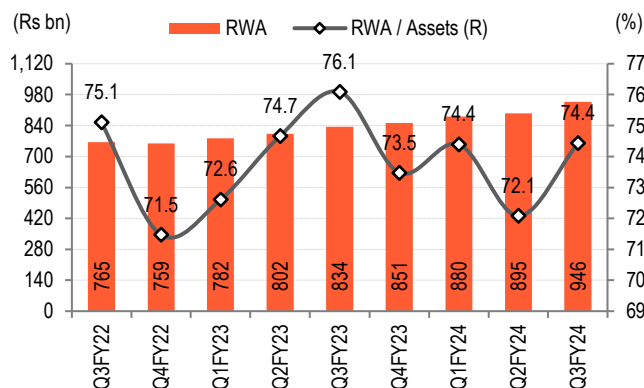
Source: Company, BOBCAPS Research

**Fig 14 – Returns decline on lower PAT QoQ**



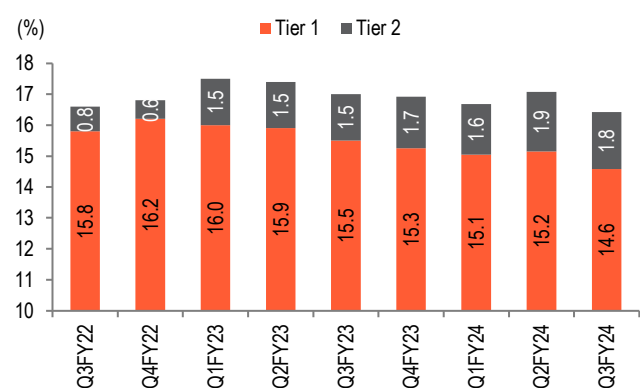
Source: Company, BOBCAPS Research

**Fig 15 – RWA/asset ratio higher post regulatory changes**



Source: Company, BOBCAPS Research

**Fig 16 – Well capitalised to fund credit demand**



Source: Company, BOBCAPS Research

## Earnings call highlights

### Guidance

- RBK maintained its guidance of +20% business growth, Retail mix of 60-65% by FY26, 5.5% NIM and 1.4-1.5% ROA for FY24-FY26, excluding one-off provisions.
- Management believes the bank is adequately capitalised to fund growth for the next 6-8 quarters.

### Asset quality

- Provisions increased during Q3FY24 due to a one-off sum of Rs 1.1bn set aside towards the bank's exposure to alternate investment funds (AIF) worth Rs 115bn.
- Excluding the one-off provision, credit cost stood at 47bps in Q3 vs. 54bps in Q2FY24.
- Slippages during the quarter totalled Rs 6.7bn vs. Rs 5.4bn in Q2, whereas upgrades and recovery stood at Rs 5.6bn vs. Rs 5bn. With increased provisioning, both GNPA and NNPA ratios were flat.
- Most of the slippages came from microfinance (in select states as the recovery rate was lower ahead of elections) and credit cards.
- RBK's restructured book stood at 0.63% of loans, down from 0.89% in Q2FY24.

### Deposits

- Deposits grew 13% YoY (+3% QoQ) in Q3 and RBK clocked strong 23% YoY (+5% QoQ) growth in accounts below Rs 20mn. These stand at 45% of total deposits (vs. 43-44% in Q2), which the bank plans to ramp up closer to 50%.
- Average LCR stood at 132% vs. 120-125% in Q2.

### Advances

- Advances grew 20% YoY and 5% QoQ for the quarter.
- Wholesale banking was up 6% YoY (+4% QoQ), within which commercial banking increased 19% YoY (+7% QoQ). Retail business increased at a strong 33% YoY (+5% QoQ) and the bank expects the pace of growth to continue, with a target retail share of 60-65% in the loan mix by FY26 from 58% in Q3.
- Robust growth in retail lending was mainly driven by the commercial banking, housing loan, rural vehicle finance and retail agri loan segments.
- RBK issued 0.57mn credit cards during Q3 vs. 0.59mn in Q2
- The bank is in the advanced stage of finalising a new co-brand partner in the credit card business and is aiming for a 50:50 share between current partner Bajaj Finance and others (including self-sourcing).

### Margins

- Reported NIM was steady sequentially at 5.5%. Management indicated that most of the growth in high-yielding assets was back-ended during Q3 and the benefits could spill over to Q4. This coupled with normalisation of MFI business is expected to help the bank maintain NIM at current levels in FY24.

**Fig 17 – Loan book trend**

(Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Corporate Banking	209,010	221,500	231,110	231,190	242,140	246,430	247,190	238,880	246,660	1.9	3.3
CB	63,400	65,430	66,450	71,370	74,930	77,880	75,020	83,450	89,120	18.9	6.8
<b>Wholesale</b>	<b>272,410</b>	<b>286,930</b>	<b>297,560</b>	<b>302,560</b>	<b>317,070</b>	<b>324,310</b>	<b>322,210</b>	<b>322,330</b>	<b>335,780</b>	<b>5.9</b>	<b>4.2</b>
Housing Loan	16,510	24,630	25,630	34,500	41,420	45,830	45,410	49,410	61,460	48.4	24.4
Business Loan	86,760	80,580	75,470	73,500	73,420	72,520	80,580	83,150	74,330	1.2	(10.6)
Rural Vehicle Finance Loan	1,880	3,140	4,230	5,400	7,770	10,290	12,420	14,420	19,970	157.0	38.5
Personal Loan	-	-	-	-	32,250	34,190	35,710	36,990	35,470	10.0	(4.1)
Credit Card	131,890	133,830	140,360	146,440	124,080	133,110	142,080	149,690	159,640	28.7	6.6
MFIs	48,270	48,520	37,530	45,840	50,210	59,630	65,170	67,850	68,270	36.0	0.6
Others	11,970	10,700	9,900	9,050	8,030	8,640	13,770	25,810	28,260	251.9	9.5
Retail Agri	11,720	11,890	12,010	12,130	12,600	13,570	13,510	13,600	16,310	29.4	19.9
<b>Retail</b>	<b>309,000</b>	<b>313,290</b>	<b>305,130</b>	<b>326,860</b>	<b>349,780</b>	<b>377,780</b>	<b>408,650</b>	<b>440,920</b>	<b>463,710</b>	<b>32.6</b>	<b>5.2</b>
<b>Total Loan</b>	<b>581,410</b>	<b>600,220</b>	<b>602,690</b>	<b>629,420</b>	<b>666,850</b>	<b>702,090</b>	<b>730,860</b>	<b>763,250</b>	<b>799,490</b>	<b>19.9</b>	<b>4.7</b>

Source: Company, BOBCAPS Research | CB: Commercial Banking

**Fig 18 – Loan book distribution**

Segment (%)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Corporate Banking	35.9	36.9	38.3	36.7	36.3	35.1	33.8	31.3	30.9	(546bps)	(45bps)
CB	10.9	10.9	11.0	11.3	11.2	11.1	10.3	10.9	11.1	(9bps)	21bps
<b>Wholesale</b>	<b>46.9</b>	<b>47.8</b>	<b>49.4</b>	<b>48.1</b>	<b>47.5</b>	<b>46.2</b>	<b>44.1</b>	<b>42.2</b>	<b>42.0</b>	<b>(555bps)</b>	<b>(23bps)</b>
<b>Housing Loan</b>	<b>2.8</b>	<b>4.1</b>	<b>4.3</b>	<b>5.5</b>	<b>6.2</b>	<b>6.5</b>	<b>6.2</b>	<b>6.5</b>	<b>7.7</b>	<b>148bps</b>	<b>121bps</b>
Business Loan	14.9	13.4	12.5	11.7	11.0	10.3	11.0	10.9	9.3	(171bps)	(160bps)
Rural Vehicle Finance Loan	0.3	0.5	0.7	0.9	1.2	1.5	1.7	1.9	2.5	133bps	61bps
Personal Loan	0.0	0.0	0.0	0.0	4.8	4.9	4.9	4.8	4.4	(40bps)	(41bps)
Credit Card	22.7	22.3	23.3	23.3	18.6	19.0	19.4	19.6	20.0	136bps	36bps
MFIs	8.3	8.1	6.2	7.3	7.5	8.5	8.9	8.9	8.5	101bps	(35bps)
Others	2.1	1.8	1.6	1.4	1.2	1.2	1.9	3.4	3.5	233bps	15bps
Retail Agri	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	2.0	15bps	26bps
<b>Retail</b>	<b>53.1</b>	<b>52.2</b>	<b>50.6</b>	<b>51.9</b>	<b>52.5</b>	<b>53.8</b>	<b>55.9</b>	<b>57.8</b>	<b>58.0</b>	<b>555bps</b>	<b>23bps</b>
<b>Total Loan</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-</b>	<b>-</b>

Source: Company, BOBCAPS Research

## Valuation methodology

RBK has retained its focus on high-yielding retail assets, aiding strong credit growth of 20% YoY in Q3FY24. We increase our FY24/FY25 NII estimates by 10%/11% to bake in an improving asset mix but raise PPOP by a slower 1%/8% to factor in an increasing cost of funds and sticky operating costs. We also introduce FY26 estimates for the bank. Baking in steady market share gains in newly launched products, we estimate NIM at 5.3% over FY24-FY26 vs. 4.3% in FY23.

Given one-off provisions, we now expect credit costs to stabilise at 2.2%/1.8%/1.8% over FY24/FY25/FY26 vs. earlier estimates of 1.7-1.8% over FY24/FY25, leading to an -8%/+5% change in our PAT estimates. GNPA/NNPA/PCR are projected to improve to 2.7%/0.7%/75% in FY26 from the 3.3%/1.1%/68% levels reported in FY23.

Accounting for healthy business growth estimates (19% CAGR) and a growing share of high-yielding retail assets, we forecast a PPOP/PAT CAGR of 27%/29% for RBK over FY23-FY26. Considering the bank's healthy asset quality and prudent provisioning, we now value the stock at 1.1x FY26E ABV (vs. 1x on FY25E) using the Gordon Growth Model. This leads to a revised TP of Rs 309 (vs. Rs 258), which carries 22% upside and leads us to upgrade the stock from HOLD to BUY. Sustained asset quality remains a key monitorable for the stock.

**Fig 19 – Revised estimates**

(Rs mn)	New		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Loan	843,214	1,003,425	839,002	994,217	0.5	0.9
Deposits	967,706	1,112,862	973,648	1,119,696	(0.6)	(0.6)
Assets	1,324,063	1,538,099	1,325,611	1,542,089	(0.1)	(0.3)
NII	60,259	70,014	54,957	63,111	9.6	10.9
PPOP	28,978	36,477	28,628	33,769	1.2	8.0
Provision	17,343	16,620	12,483	14,849	38.9	11.9
PAT	11,055	14,774	12,038	14,076	(8.2)	5.0

Source: BOBCAPS Research

**Fig 20 – Key operational assumptions**

Parameter (%)	FY23A	FY24E	FY25E	FY26E
Advances Growth	17.0	20.1	19.0	18.0
NII Growth	10.5	35.4	16.2	18.1
PPoP Growth	(19.8)	31.6	25.9	24.0
PAT Growth	(1,281.1)	25.2	33.6	28.7
NIM	4.3	5.3	5.3	5.3
GNPA	3.3	3.0	2.9	2.7
CAR	16.9	16.4	15.4	14.6

Source: Company, BOBCAPS Research



**Fig 21 – Key valuation assumptions**

Gordon growth model	(%)
Return on Equity (RoE)	13.2
Cost of Equity (Ke)	12.9
Growth (Period 1)	10.6
Growth (Long Term)	5.3
Initial High Growth Period (yrs)	10.0
Dividend Payout (Period 1)	20.0
Dividend Payout (Long Term)	60.0
Factor 1	1.8
Factor 2	6.7
Justified P/BV Multiple	1.1

Source: Company, BOBCAPS Research

## Key risks

- An inability of the bank to manage a higher cost of funds amid deposit repricing would represent a key downside risk to our estimates.

## Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Axis Bank	AXSB IN	40.8	1,089	1,155	BUY
Bandhan Bank	BANDHAN IN	4.4	224	276	BUY
DCB Bank	DCBB IN	0.5	142	144	BUY
Federal Bank	FB IN	4.2	140	189	BUY
HDFC Bank	HDFCB IN	130.9	1,427	1,896	BUY
ICICI Bank	ICICIBC IN	87.5	1,029	1,090	BUY
Indusind Bank	IIB IN	13.7	1,442	1,952	BUY
Kotak Mahindra Bank	KMB IN	43.1	1,785	2,007	BUY
RBL Bank	RBK IN	1.9	253	309	BUY
State Bank of India	SBIN IN	65.7	605	747	BUY

Source: BOBCAPS Research, NSE | Price as of 23 Jan 2024

## Glossary

Glossary of Abbreviations			
<b>AUCA</b>	Advance Under Collection Account	<b>LCR</b>	Liquidity Coverage Ratio
<b>ARC</b>	Asset Reconstruction Company	<b>MCLR</b>	Marginal Cost of Funds-based Lending Rate
<b>BRDS</b>	Bills Rediscounting Scheme	<b>MFI</b>	Microfinance Institution
<b>CASA</b>	Current Account and Savings Account	<b>MTM</b>	Mark to Market
<b>C&amp;IB</b>	Corporate and Institutional Banking	<b>NII</b>	Net Interest Income
<b>CAR</b>	Capital Adequacy Ratio	<b>NIM</b>	Net Interest Margin
<b>CB</b>	Commercial Banking	<b>NNPA</b>	Net Non-Performing Assets
<b>CET1</b>	Common Equity Tier 1	<b>PCR</b>	Provision Coverage Ratio
<b>CD</b>	Credit-Deposit Ratio	<b>PPOP</b>	Pre-Provision Operating Profit
<b>C/I</b>	Cost-Income Ratio	<b>PSU</b>	Public Sector Unit
<b>EBLR</b>	External Benchmark-based Lending Rate	<b>RWA</b>	Risk-Weighted Assets
<b>ECL</b>	Expected Credit Loss	<b>SLR</b>	Statutory Liquidity Ratio
<b>GNPA</b>	Gross Non-Performing Assets	<b>SMA</b>	Special Mention Account
<b>IBPC</b>	Interbank Participation Certificate	<b>SME</b>	Small and Medium-sized Enterprises
<b>LAP</b>	Loans against Property		

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Net interest income</b>	<b>40,267</b>	<b>44,515</b>	<b>60,259</b>	<b>70,014</b>	<b>82,683</b>
NilI growth (%)	6.3	10.5	35.4	16.2	18.1
Non-interest income	23,405	24,894	29,623	34,775	40,933
Total income	63,673	69,409	89,882	104,789	123,616
Operating expenses	36,220	47,384	60,905	68,312	78,372
PPOP	27,453	22,025	28,978	36,477	45,244
PPOP growth (%)	(5.9)	(19.8)	31.6	25.9	24.0
Provisions	28,604	10,220	17,343	16,620	19,687
PBT	(1,151)	11,805	11,635	19,857	25,557
Tax	(404)	2,978	580	5,083	6,543
<b>Reported net profit</b>	<b>(747)</b>	<b>8,827</b>	<b>11,055</b>	<b>14,774</b>	<b>19,015</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>(747)</b>	<b>8,827</b>	<b>11,055</b>	<b>14,774</b>	<b>19,015</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Equity capital	5,995	5,996	6,026	6,026	6,026
Reserves & surplus	120,187	129,770	139,167	151,725	167,887
Net worth	126,182	135,766	145,194	157,751	173,914
Deposits	790,065	848,865	967,706	1,112,862	1,285,356
Borrowings	110,930	133,313	186,638	215,194	248,118
Other liab. & provisions	34,908	40,818	24,525	52,293	95,999
<b>Total liab. &amp; equities</b>	<b>1,062,086</b>	<b>1,158,762</b>	<b>1,324,063</b>	<b>1,538,099</b>	<b>1,803,386</b>
Cash & bank balance	175,477	85,200	85,282	93,626	107,920
Investments	222,744	288,755	290,989	342,571	394,891
Advances	600,218	702,094	843,214	1,003,425	1,184,042
Fixed & Other assets	63,647	82,714	104,577	98,478	116,534
<b>Total assets</b>	<b>1,062,086</b>	<b>1,158,762</b>	<b>1,324,063</b>	<b>1,538,099</b>	<b>1,803,386</b>
Deposit growth (%)	8.0	7.4	14.0	15.0	15.5
Advances growth (%)	2.4	17.0	20.1	19.0	18.0

### Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
EPS	(1.2)	14.7	18.4	24.5	31.6
Dividend per share	0.0	14.0	2.8	3.7	4.7
Book value per share	210.5	226.4	240.9	261.8	288.6

### Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
P/E	(203.0)	17.2	13.8	10.3	8.0
P/BV	1.2	1.1	1.1	1.0	0.9
Dividend yield (%)	0.0	5.5	1.1	1.5	1.9

### DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Net interest income	3.9	4.0	4.9	4.9	4.9
Non-interest income	2.3	2.2	2.4	2.4	2.5
Operating expenses	3.5	4.3	4.9	4.8	4.7
Pre-provisioning profit	2.7	2.0	2.3	2.5	2.7
Provisions	2.8	0.9	1.4	1.2	1.2
PBT	(0.1)	1.1	0.9	1.4	1.5
Tax	0.0	0.3	0.0	0.4	0.4
ROA	(0.1)	0.8	0.9	1.0	1.1
Leverage (x)	8.2	8.5	8.8	9.4	10.1
ROE	(0.6)	6.7	7.9	9.8	11.5

### Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
<b>YoY growth (%)</b>					
Net interest income	6.3	10.5	35.4	16.2	18.1
Pre-provisioning profit	(5.9)	(19.8)	31.6	25.9	24.0
EPS	(113.6)	(1279.6)	24.9	33.3	28.7
<b>Profitability &amp; Return ratios (%)</b>					
Net interest margin	4.1	4.2	5.2	5.2	5.2
Fees / Avg. assets	0.5	0.5	0.5	0.5	0.5
Cost-Income	56.9	68.3	67.8	65.2	63.4
ROE	(0.6)	6.7	7.9	9.8	11.5
ROA	(0.1)	0.8	0.9	1.0	1.1
<b>Asset quality (%)</b>					
GNPA	4.3	3.3	3.0	2.9	2.7
NNPA	1.3	1.1	0.8	0.7	0.7
Slippage ratio	6.7	4.6	3.5	3.3	3.0
Credit cost	4.8	1.6	2.2	1.8	1.8
Provision coverage	69.1	67.0	74.2	74.3	74.3
<b>Ratios (%)</b>					
Credit-Deposit	76.0	82.7	87.1	90.2	92.1
Investment-Deposit	28.2	34.0	30.1	30.8	30.7
CAR	16.8	16.9	16.4	15.4	14.6
Tier-1	16.2	15.3	14.2	13.2	12.4

Source: Company, BOBCAPS Research

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

## Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**  
 Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**  
 SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**  
 Brand Name: **BOBCAPS**  
 Trade Name: **www.barodaetrade.com**  
 CIN: **U65999MH1996GOI098009**

Logo: 

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.  
 Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

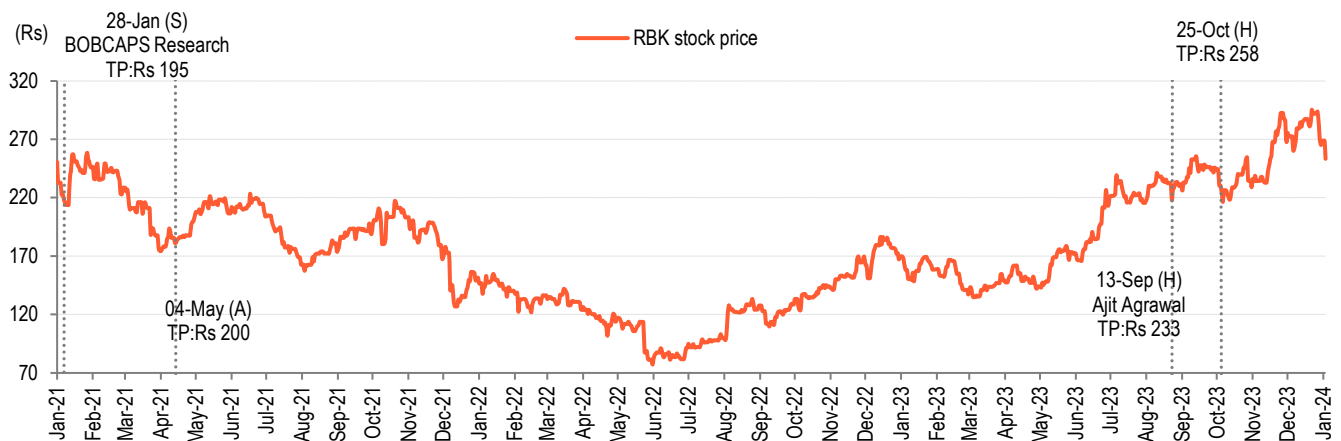
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): RBL BANK (RBK IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

### Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

### General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS’s prior written consent.

#### **Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014**

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS’s associates may have financial interest in the subject company. BOBCAPS’s associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

#### **Other disclaimers**

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an “as is” basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS’s judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the “Losses”) which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

#### **Distribution into the United Kingdom (“UK”):**

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd (“MSL”) who is authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom (MSL and its affiliates are collectively referred to as “MAYBANK”). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK’s legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the “Order”), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as “relevant persons”).

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

#### **No distribution into the US:**

This report will not be distributed in the US and no US person may rely on this communication.

#### **Other jurisdictions:**

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.