

## RBL Bank Ltd — 30 Sep 2025 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	Reaffirmed (Tier II Bonds: CARE AA-; Stable)
Outlook (Current vs Previous)	Stable vs Stable
Key Drivers of Change	<ol style="list-style-type: none"> <li><b>Capital Cushion:</b> CAR at 15.59% (CET-I: 14.05%) vs. 14% internal threshold; provides buffer for growth.</li> <li><b>Asset Quality Stress:</b> GNPA rose to 2.78% (Q1FY26) from 2.60% (FY25); slippages high at 4.59% due to MFI/Unsecured stress.</li> <li><b>Profitability Compression:</b> ROTA crashed to 0.49% in FY25 (prev. 0.92%) due to elevated credit costs (₹2,959 Cr).</li> <li><b>Deposit Mix:</b> Incremental shift to retail deposits, though CASA remains modest at 32.48% vs. peers.</li> </ol>
Rated Instruments	1. <b>Tier II Bonds:</b> ₹800 Cr
Key Observations	<p><b>Positives:</b></p> <ul style="list-style-type: none"> <li>MD &amp; CEO re-appointed for 3 years, ensuring management continuity.</li> <li>Strong liquidity: LCR at 151.61% and NSFR at 119.06%.</li> <li>Strategic shift toward secured retail (Housing/LAP) to de-risk the book.</li> </ul> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>High Unsecured Exposure: 27% of total advances (Cards, PL, MFI) are vulnerable to systemic stress.</li> <li>Bulk Deposit Concentration: Top 20 depositors hold 13.59% of total deposits.</li> <li>NIM Pressure: Expected H1FY26 squeeze due to faster repricing of advances vs. deposits.</li> </ul>
Investor Impact	<ul style="list-style-type: none"> <li><b>Growth:</b> Moderating (10% YoY) as bank cuts MFI exposure; shift to lower-yield secured loans may slow top-line growth.</li> <li><b>Margins:</b> Under pressure; high cost of funds and rising credit costs (2.08% of assets) limit PAT.</li> <li><b>Dilution Risk:</b> Low in near term due to 15.59% CAR, but weak internal accruals (ROTA &lt;0.5%) may necessitate capital raise if growth accelerates.</li> </ul>
Agency / Cross Analysis	<p><b>Same Agency:</b> Reaffirmed despite ROTA (0.49%) falling below the stated "Negative Factor" threshold of 0.50%. This suggests CARE is giving management a "grace period" for the MFI turnaround.</p> <p><b>Conclusion: Deterioration in Core Earnings.</b> While the balance sheet is solvent/liquid, the earning profile has weakened significantly YoY.</p>
Final Inference	<b>Credit-Positive, Equity-Neutral:</b> The rating reflects a "Safe" bank from a debt perspective due to capital/liquidity, but a "Struggling" bank for equity holders due to high credit costs and sub-par ROTA.