RBL Bank Ltd — Jan 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat on Margins / Inline on Asset Quality **One-line:** The thesis remains intact as the margin trough is definitively past (NIM up 12bps), but the recovery is tempered by a "long tail" of credit card slippages that won't normalize until H2 FY27.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Beat	NIM (4.63%) expanded 12bps, exceeding the "marginal" improvement guided previously.	□
Earnings Quality	Moderate	PAT (□214 Cr) was hit by a □30 Cr one-off gratuity provision but aided by a strategic investment gain.	□
Guidance Confidence	Strong	Management provided a specific "June peak" for card stress and a Q1 FY27 timeline for the Emirates NBD deal.	□
Management Credibility	Improving	Delivered on the NIM trough call; successfully stabilized the unsecured book growth (+1% QoQ).	□
Business Quality Signal	Improving	Secured Retail (+25% YoY) is now the primary growth engine; granular deposits (<□3 Cr) reached 51.5% of mix.	□
Key Q&A Exchange	Q1 & Q2: Card Stress	Mgmt admitted a specific "cohort" in fringe geographies is the pain point; recovery is now a H2 FY27 story.	□
The Street's Primary Anxiety	Card Slippage Tail	Analysts feared card stress would worsen; Mgmt signaled infra is fixed and new sourcing is "normal."	□
Capital Cycle Stage	Consolidation/ Expansion	Moving from risk-cleanup to aggressive branch expansion (targeting 200/year).	□
Margin / Return Trajectory	Improving	NIM expanded to 4.63%; Cost of Deposits fell to 6.20%.	□
Pricing Power	Stable	Successfully cut SA rates (peak to 6%) without material granular deposit flight.	□
FCF Conversion & Quality	N/A (Bank)	LCR at 125% is efficient (down from 152% in Q1); implies better liquidity utilization.	□
Competitive Moat Signals	Expanding	Branch-led sourcing reaching □400 Cr/month; reducing reliance on third-party (Bajaj) sourcing.	□
Balance Sheet Strength	Strong	CET1 at 13.45%; total CRAR at 14.94%; Emirates NBD capital infusion is a massive pending tailwind.	□
Working Capital Efficiency	N/A (Bank)	CD Ratio at 86.1%, within the target comfort zone.	□
Mgmt Guidance Track Record	Improving	Followed through on NIM expansion and JLG collection efficiency (99.5%).	□
Key Vulnerability	Transition Friction	High OpEx (66.3% C:I) due to branch expansion and collection costs remains a drag on RoA.	□
Management Tone	Confident / Specific	Shifted from "defensive cleanup" to "growth and distribution" focus.	□

Sentiment: □Positive

Key Takeaways (Positives & Negatives): * **Positives:** * **Margin Pivot:** The deep SA rate cuts (100bps total) are finally yielding results; NIM bottomed in Q1/Q2 and is now trending toward the 4.8% target. * **Secured Momentum:** Secured Retail Cohort is now profitable at an operating level; Housing/Business loans growing at 34% YoY (adj. for IBPC). * **MFI Recovery:** JLG collection efficiency reached 99.5% (historic highs); 80%+ of standard book now has CGFMU sovereign cover, providing a safety net for future cycles. * **Negatives:** * **Card Book "Hangover":** Slippages remain elevated (₹539 Cr); the "June peak" guidance suggests two more quarters of earnings drag from the unsecured legacy book. * **IBPC "Lazy Banking" Exit:** Total advances growth (14%) looks opticaly lower due to a ₹3,000 Cr sell-down of IBPC; organic growth is actually much stronger (24%+). * **High OpEx Profile:** Branch expansion (200/year) and in-house collection infra keep the C:I ratio elevated at 66%, delaying the move to 1.1%+ RoA. * **Watchpoint:** Approval of the Emirates NBD deal in Q1 FY27. This is the "Godmother" catalyst that resets capital buffers and allows for a 1,000-branch scale-up.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT as primary; Concall for commentary.

Metric	Current Qtr (Q3FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII Growth (%)	5%	↑	7%	↑	Driven by margin expansion and organic loan growth.
NIM (AUM basis %)	4.63%	↓ 27bps	↑ 12bps	↑	Q2 was the trough; benefit of SA rate cuts now flowing.
Cost of Funds %	6.15%	↓ 48bps	↓ 8bps	↑	Benefit of repo cuts and SA repricing.
Cost of Deposits %	6.20%	↓ 37bps	↓ 6bps	↑	Granular deposit focus reducing high-cost reliance.
CASA Ratio (period end %)	30.9%	↓ 160bps	↓ 160bps	↓	Industry-wide pressure; some SA churn to Bank TDs.
CASA Ratio (avg %)	28.5%	↓ 100bps	↑ 50bps	→	Stable average CASA despite rate cuts.
Credit-Deposit Ratio %	86.1%	↑ 230bps	→	→	Targeted range 83-87% maintained.
Loans Growth (% YoY)	14%	↑	3%	□	Organic growth at 24% excluding IBPC sell-down.
Deposits Growth (% YoY)	12%	↑	3%	□	Granular <□3 Cr deposits grew faster at 15%.
GNPA %	1.88%	↓ 104bps	↓ 44bps	↑	Sharp improvement; JLG and Wholesale aiding reduction.
NNPA %	0.55%	↑ 2bps	↓ 2bps	→	Marginal uptick YoY but stable QoQ.
Slippage Ratio %	0.91%	↓ 59bps	↓ 7bps	↑	Gross slippages □932 Cr; Net slippages □711 Cr.
Credit Cost (bps)	64 bps	↓ 20bps	↓ 12bps	↑	Improving JLG performance offsetting card stress.
Capital Adequacy (CET1 %)	13.45%	↓ 23bps	↓ 6bps	→	Consumed for growth; infusion pending.
PAT (□Cr)	□214 Cr	↑ 20%	↑ 18%	□	Sequential growth despite □30 Cr gratuity hit.
Fee Income Growth %	10%	↑	3%	□	Core fee improving; cards activity stabilizing.

2B. SEGMENT BREAKDOWN

Segment	Advances (₹ Cr)	YoY Growth	Yield (Sourcing)	Trend	vs Co Avg	Key Development
Wholesale	₹42,475	21%	N/A	↑	Lower	Comm. Banking (+30%) is the star; very low credit cost.
Credit Cards	₹16,690	-3%	N/A	↓	Higher	Focus on 100-150 locations only; legacy book cleanup.
JLG (MFI)	₹6,692	2%	N/A	→	Higher	Monthly disbursals hit ₹700 Cr; collection 99.5%.
Secured Retail	₹34,407	25%	N/A	↑	Moderate	Now 33% of total book; driving granular de-risking.
Housing Loan	₹8,619	9%	8.8%	→	Lower	Yielding 8.1% (portfolio); prime focused.
Business Loan	₹15,137	53%	13.7%	↑	Higher	Fast-growing engine via RFL and branches.
Gold Loan	₹2,587	148%	10.4%	↑	Lower	Disbursal run-rate ₹225-250 Cr per month.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	NIM	Exit Q4 FY26 at 4.8%.	Requires 17bps expansion in one quarter.	Missed Q1; On track Q3.	Moderate
Guidance	RoA	1% Exit RoA by Q4 FY26.	Current 0.53%; needs PAT to double in Q4.	Weak	High
Guidance	Branch Expansion	800 branches by March '27; 1,000 by FY28.	Needs ~50 branches per quarter.	On track (18 in Q3).	Low
Guidance	Card Growth	10-15% sustainable growth.	Needs sequential card adds of ~1.5 Lakh/month.	Improving (1 Lakh in Dec).	Moderate
Strategy	Asset Quality	Card slippages to peak by June '26.	2 more quarters of ₹500 Cr+ slippages.	New Guidance	High
Strategy	Capital	Emirates NBD infusion in Q1 FY27.	Dependent on RBI/CCI/Govt approvals.	In-progress	High
Strategy	Liability Gap	Narrow cost of deposit gap vs peers.	Cut SA rates to 6%; exit cost down 100bps.	Delivered	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Rikin Shah (IIFL)	Balance Sheet / Liquidity	Financials	"Balance with other banks jumped to INR 12,000 crores... will this buildup continue?"	Management clarified this was a tactical, single-day phenomenon rather than a structural buildup of idle liquidity. High liquidity is usually a drag on NIMs, so its deployment into loans/G-Secs is a future margin tailwind.	None	4.0	Tactical outlier
2	4.5	Rikin Shah (IIFL)	Provisioning	Financials	"PCR has come down to 71%... how do you expect PCR to settle in the next 1 year?"	Management stated PCR is a mathematical outcome of board-approved policies (100% provisioning on cards/MFI over 1 year) and they are comfortable at the 70%+ level. Sufficient provisioning on high-risk books remains the "buffer" against legacy card stress.	Target PCR %	4.0	Policy-driven
3	5.0	Rikin Shah (IIFL)	Card Slippages	Financials	"Why has [card slippage] not normalized yet? What is it keeping at elevated levels?"	Management identified a "specific cohort" in fringe geographies (from old Bajaj partnership) and estimated stress will peak in June, normalizing by Sept '26. This	Specific cohort loss %	3.5	Longer tail

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						extends the credit-cost overhang for two more quarters, delaying the RoA recovery.			
5	4.5	Jayant Kharote (Axis)	Card Strategy	Management Commentary	"Why is RBL card portfolio lagging the industry over here?"	Management argued they are pivoting from stand-alone card growth to cross-selling to existing savings/ secured customers (1.5 Lakh card acquisition target). Lowering card concentration reduces portfolio volatility, even if it hurts short-term growth optics.	Comparison to peers	4.0	De-risking focus
6	4.0	Jayant Kharote (Axis)	Distribution	Strategy	"How do you lay out the branch expansion strategy over the next 1 or 2 years?"	The bank plans to hit 800 branches by March '27 and 1,000 by FY28, with each branch turning profitable in 18 months. This clarifies the "J-curve" on OpEx; near-term costs will rise but distribution moat will widen.	Absolute OpEx ceiling	4.0	Clear roadmap
10	4.0	Kunal Shah (Citi)	Credit Cost	Financials	"How should we see the credit cost settling? run	Management expects H1 FY27 to remain in the	Precise FY27 credit cost	3.5	Two-half story

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					rate of 2.3% to 2.5% continue?"	current range, with a significant improvement in H2 FY27 as card stress fades. This confirms FY26 remains a "trough" year for bottom-line earnings.			
11	4.5	Kunal Shah (Citi)	Deposit Costs	Financials	"When do we see this eventually cost of deposits benefit to flow in?"	Management expects another 30-35bps of room for TD cost reduction over the next 3 quarters as old high-cost deposits reprice. This provides a clear bridge to the 4.8% NIM target despite repo rate cuts.	None	4.5	NIM tailwind
13	4.0	Jai Mundhra (ICICI Sec)	Capital / Approvals	Management Commentary	"Are these 2 separate approval [infusion and amalgamation] or one?"	Management confirmed three concurrent but independent approvals are required (Infusion, Amalgamation, and Two-entity operation). The complexity of this deal is the primary risk to the FY27 growth timeline.	Regulator timeline	3.0	Regulatory risk
15	4.0	Jai Mundhra (ICICI Sec)	IBPC Sell-down	Strategy	"Why sell down IBPC when... you may have to	Management termed IBPC as "lazy banking" and wants to	None	4.5	Organic pivot

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					again do IBPC only?"	transition to organic "hard work banking" via branches. Organic growth of 24% is the real strength of the franchise; IBPC was just a temporary crutch.			

PATTERN FLAGS & SENTIMENT Analyst concern has shifted from **"Is the bank shrinking?"** to **"How long is the cleanup?"** The legacy card book is the primary source of friction. Management's tone was notably more granular—calling out specific "cohorts" and "pin codes"—which suggests they finally have a handle on the data, even if the P&L impact hasn't fully vanished. The "lazy banking" (IBPC) comment was a sharp defensive pivot to justify lower optical loan growth.

Analyst Sentiment Verdict: Analysts remain cautiously optimistic but impatient. The NIM expansion was a major credibility win, but the "two more quarters of card stress" guidance was a disappointment. The Emirates NBD deal is viewed as the "ultimate safety net," and any delay there would likely trigger a de-rating.

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5. WHAT CHANGED vs PRIOR QUARTER (Q1 FY26)

What Changed	Prior Quarter (Q1 FY26)	This Quarter (Q3 FY26)	Direction
NIM	4.50% (Trough)	4.63%	↑ Improving
Cost of Deposits	6.53%	6.20%	↑ Improving
GNPA	2.78%	1.88%	↑ Improving
MFI Collection	Recovering	99.5% (Steady State)	↑ Improving
Card Acquisition	Slow/Declining	1 Lakh/month (Inflection)	↑ Improving
Liquidity (LCR)	152%	125%	↑ Efficient
Loan Growth Basis	IBPC-heavy	Organic-led (IBPC Sell-down)	☐Thesis Delivery
CASA Ratio	32.5%	30.9%	↓ Deteriorating
Capital Catalysts	Internal accrual	Emirates NBD Infusion (Active)	☐Thesis Upgrade

STOP HERE.