RBL Bank Limited

September 30, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Tier II bonds	800.00	CARE AA-; Stable	Reaffirmed
Certificate of deposit	6,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Tier-II Bonds under Basel III are characterised by a point-of-non-viability (PONV) trigger, due to which investor may suffer a loss of principal. PONV will be determined by the Reserve Bank of India (RBI), and is a point at which, the bank may no longer remain a going concern on its own, unless appropriate measures are taken to revive its operations, and thus enable it to continue as a going concern. In addition, difficulties faced by a bank should be such that these are likely to result in financial losses, and raising Common Equity Tier-I capital of the bank should be considered as the most appropriate way to prevent the bank from turning non-viable.

Rationale and key rating drivers

Reaffirmation of ratings assigned to the instruments of RBL Bank Limited (RBL Bank) factors in its comfortable capitalisation levels and consistent growth in advances and deposits. Ratings also derive comfort from the bank's strategic focus on enhancing the retail portfolio, particularly the faster growth in secured retail loans, and gradual improvement in its deposit profile with rising granular retail deposits.

However, ratings remain constrained by relatively high dependence on bulk deposits, resulting in elevated cost of funds and a modest current account saving account (CASA) ratio. The bank's asset mix continues to reflect a significant proportion of unsecured loans (credit cards, personal loans, and microfinance institution [MFI] exposures), which are inherently riskier and have witnessed stress in recent times. Consequently, profitability remained moderate, driven by high cost-to-income ratio and elevated credit costs considering stress in unsecured segments.

Going forward, CARE Ratings Limited (CareEdge Ratings) expects some pressure on the bank's net interest margin (NIM) in line with the industry trend; due to faster transmission of the recent repo rate cuts in yield on advances than in cost of funds, which would impact profitability in H1FY26. The bank's ability to maintain its profitability and asset quality in the medium term remains a monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Improvement in profitability with return on total assets (ROTA) over 1.25% on a sustained basis.
- Significant increase in size of total business, along with product and geographical diversification of advances while maintaining comfortable capitalisation.

Negative factors: **Factors that could individually or collectively lead to negative rating action/upgrade:**

- Decline in capital adequacy ratio (CAR) with cushion over the minimum regulatory requirement falling below 3%.
- Weakening asset quality with net non-performing assets (NNPA) ratio remaining above 3.0% on a sustained basis.
- Deterioration in profitability with ROTA remaining below 0.5% on a sustained basis.

Analytical approach:

Standalone

Outlook: Stable

The stable outlook reflects CareEdge Ratings' expectation that RBL will maintain comfortable capitalisation levels in the near-to-medium term while diversifying its advances in favour of secured retail book and keeping its asset quality under control.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Long track record with improving franchise

RBL Bank was incorporated in 1943 at Kolhapur (Maharashtra) and was accorded scheduled commercial bank status in 1959. It has been in operation for over 70 years in Maharashtra and Karnataka. The bank's franchise is spread across the country with a network of 562 branches as on June 30, 2025. The bank's total business (advances + deposits) stood at ₹2,07,165 crore as on June 30, 2025.

The bank's Board of Directors is chaired by Chandan Sinha, a non-executive independent director (part-time Chairman) with over 35 years of experience as a career banker, who previously served as Executive Director at the Reserve Bank of India (RBI). The bank's operations are headed by R. Subramaniakumar, Managing Director & Chief Executive Officer, appointed on June 23, 2022, for a three-year term. He is re-appointed for another three years. He is a veteran banker with over 40 years of industry experience. The bank is further supported by a well-qualified and experienced management team heading key functions.

Comfortable capital adequacy

The bank has demonstrated a strong ability to raise capital over the years, enabling it to maintain comfortable capitalisation levels despite healthy growth. While the bank has not raised equity capital in recent years, the last infusion was in May 2022, when it raised Tier-II capital of ₹821 crore from the Development Finance Corporation (DFC), an arm of the US Government.

As on June 30, 2025, the bank's CAR stood at a comfortable 15.59%, with a Common Equity Tier-I (CET I) ratio of 14.05% (CAR of 15.54% and CET I ratio of 14.06% as on March 31, 2025), compared to CAR of 16.18% and CET I ratio of 14.38% as on March 31, 2024. The bank maintains an internal threshold of 14% for minimum capital requirements, ensuring adequate cushion over regulatory norms.

CareEdge Ratings expects the bank to continue maintaining sufficient capital buffers over regulatory requirements in the medium term, supported by its ability to raise equity capital, as required.

Consistent advances growth with focus on retail advances

The bank has built a diversified portfolio comprising Corporate & Institutional Banking (C&IB), Credit Cards, Commercial Banking (CB), Business Loans and Micro Loans, while also expanding into newer secured products such as housing loans, loans against property (LAP), rural vehicle finance. In FY25, RBL Bank recorded steady growth of 13.34% (PY: 30.09%) in the retail segment and 5.96% (PY: 7.43%) in the wholesale segment, resulting in overall advances growth of 10.28%. The bank's advances stood at ₹94,431 crore as on June 30, 2025 (₹92,618 crore as on March 31, 2025). Disbursements in the unsecured segment have been deliberately moderated due to stress in the MFI book, leading to a decline in the proportion of joint-liability group (JLG) advances to 6.21% as on March 31, 2025, from 8.94% as on March 31, 2024.

As on June 30, 2025, retail advances accounted for ~60% of the total loan book, with credit cards (including personal loans) (21%), business loans (12%), microfinance loans (6%), and housing loans (9%) forming key segments. Wholesale advances contributed 40% to total advances, with corporate & institutional banking at 27% and commercial banking at 13%. Within retail, unsecured loans—comprising credit cards, personal loans, and JLG loans—accounted for ~27% of overall advances.

CareEdge Ratings expects the bank to continue to grow its advances at a stable pace in the medium term, led by the retail segment.

Key weaknesses

Asset quality challenges persist on unsecured loans

The bank's unsecured portfolio remains sizeable, forming 45% of the retail book and 27% of overall advances. This comprises personal loans, credit cards, and microfinance loans, which were significantly impacted in the COVID-19 period, leading to an erosion in profitability. Although asset quality improved gradually year-on-year since then, the unsecured segment continues to remain vulnerable, particularly due to ongoing stress in the MFI sector.

The bank's gross non-performing asset (GNPA) ratio moderated to 2.60% as on March 31, 2025, from 2.65% as on March 31, 2024. However, gross slippages increased to 4.93% in FY25 compared to 3.52% in FY24. Asset quality witnessed some deterioration in Q1FY26, with GNPA inching up to 2.78% as on June 30, 2025, accompanied by slippages of 4.59% (annualised) for the 3 months period. The bank's provision coverage ratio (PCR; excluding technical write-offs) stood at 84% as on June 30, 2025, against 89% as on March 31, 2025.

Going forward, the bank's ability to keep its asset quality under control amidst the ongoing stress in the unsecured lending and MFI segments remains a key monitorable.

Moderate profitability

In FY25, the bank reported a total income of ₹17,845 crore and a lower profit after tax (PAT) of ₹695 crore, compared to total income of ₹15,437 crore, supported by healthy growth in non-interest income and a PAT of ₹1,168 in FY24. Non-interest income rose by 25% year-on-year to ₹3,806 crore in FY25 (FY24: ₹3,043 crore), driven by higher commission, exchange and brokerage income, credit card charges, profit on sale of investments/forex, and other miscellaneous income. However, operating expenses also increased by 10% to ₹6,642 crore in FY25 (FY24: ₹6,055 crore), reflecting the bank's continued investments in expanding its branch network, scaling up retail products, and enhancing technology. Consequently, the cost-to-income ratio moderated slightly to 64.67% in FY25 from 66.64% in FY24.

Despite improvement in income, profitability was impacted by higher credit costs, which increased to ₹2,959 crore (2.08% of average assets) in FY25 from ₹1,778 crore (1.47%) in FY24, largely considering stress in the microfinance and SME/MSME segments. Although MFI loans constituted only 6.21% of the overall portfolio (₹5,752 crore), asset quality pressures necessitated accelerated provisioning. As a result, return on total assets (ROTA) moderated to 0.49% in FY25 from 0.92% in the previous year.

High dependency on bulk deposits

The total deposits for the bank stood at ₹1,12,734 crore as on June 30, 2025, compared to ₹1,01,352 crore as on June 30, 2024, witnessing growth of 11% in the deposit base in Q1FY26 on y-o-y basis. The bank's deposit base is fairly concentrated considering higher reliance on bulk deposits, compared to larger peers, with top 20 depositors accounting for 13.59% of total deposit as on March 31, 2025 (as on March 31, 2024: 17.44%).

The bank has been increasing the proportion of retail deposits share in the overall deposits. Further, with granularisation in deposits, dependence on bulk deposits is expected to gradually reduce in the medium term. The proportion of CASA deposits stood at 32.48% as on June 30, 2025 (34.15% as on March 31, 2025) and remains lower than some of its peer private sector banks.

Liquidity: Adequate

According to the structural liquidity statement as on June 30, 2025, there were no negative cumulative mismatches in the time buckets up to six months. The bank manages its deposit maturities in a particular time bucket by appropriately modifying deposit rates. The bank also has access to systemic liquidity, including RBI's liquidity adjustment facility (LAF), marginal standing facility (MSF), and access to refinancing from the SIDBI, NHB, and NABARD, among others, and access to call money markets. Average liquidity coverage ratio (LCR) for Q1 FY26 stood at a comfortable 151.61%, well-above the regulatory minimum of 100%, while the net stable funding ratio (NSFR) stood at 119.06%.

Environment, social, and governance (ESG) risks

Although RBL's service-oriented business model limits its direct exposure to environmental risks, credit risk may arise if operations of asset class of the portfolio are adversely impacted by environmental factors. The bank has a well-articulated Board approved ESG policy. Accordingly, bank also conducts a detailed Environmental & Social (E&S) risk assessment for large corporate lending and project financing transactions, screening them against 'exclusion list,' which prohibits funding for activities related to weapons, alcoholic beverages (except beer and wine), tobacco, gambling, and similar sectors.

Social risks in the form of cybersecurity threat or customer data breach or mis-selling practices can affect RBL banks regulatory compliance and reputation and hence remain a key monitorable. To address cybersecurity and fraud risk, RBL runs awareness campaigns (such as "RahoCyberSafe") and maintains 24×7 transaction monitoring teams to detect suspicious/fraudulent transactions.

The bank's Board consists of 11 Directors, with seven Independent Directors, including one female Director.

Applicable criteria

[Definition of Default]
[Rating Outlook and Rating Watch]
[Banks]
[Rating Basel III- Hybrid Capital Instruments issued by Banks]
[Financial Ratios - Financial Sector]
[Short Term Instruments]

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Banks	Private sector bank

RBL Bank Limited (erstwhile Ratnakar Bank) is a mid-sized private sector bank, incorporated in 1943. The bank gained the status of a scheduled commercial bank in 1959. The bank is headed by R Subramaniakumar, who was appointed as Managing Director & CEO of the Bank for three years effective June 23, 2022. Its total business book stands at ₹2,07,165 crore as on June 30, 2025. As on June 30, 2025, its operations are spread across 562 branches with 75% branches solely in metro cities. The banks business correspondence branches stood at 1,474 as on June 30, 2025, of which majority branches were of RBL Finserve Limited (RFL), a wholly owned subsidiary of RBL Bank.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	15,437	17,845	4,511
PAT	1,168	695	200
Interest coverage (times)	NA	NA	NA
Total Assets*	1,37,859	1,45,416	1,48,175
Net NPA (%)	0.74	0.29	0.45
ROTA (%)	0.92	0.49	0.54

A: Audited UA: Unaudited; Note: these are latest available financial results, NA: Not applicable
*All the values are as per CareEdge Rating calculations.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Bonds-Tier II Bonds-Proposed	-	-	-	-	800.00	CARE AA-; Stable
Certificate Of Deposit-Proposed	-	-	-	-	6000.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Bonds-Tier II Bonds	LT	800.00	CARE AA-; Stable	-	1)CARE AA-; Stable (07-Oct-24)	1)CARE AA-; Stable (21-Mar-24) 2)CARE AA-; Stable (27-Sep-23)	1)CARE AA-; Stable (03-Oct-22)
2	Certificate Of Deposit	ST	6000.00	CARE A1+	-	1)CARE A1+ (07-Oct-24)	1)CARE A1+ (21-Mar-24)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Tier II Bonds	Complex
2	Certificate Of Deposit	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:
Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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