

December 31, 2021

## RBL Bank Limited – Long-term and Medium-term ratings placed on watch with developing implications

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Basel III Tier II Bond Programme	800.00	800.00	[ICRA]AA- & Placed on watch with developing implication
Medium-term Fixed Deposit Programme	-	-	MAA & Placed on watch with developing implication
Short-term Fixed Deposit Programme	-	-	[ICRA]A1+ outstanding
Certificate of Deposit Programme	6,000.00	6,000.00	[ICRA]A1+ outstanding
<b>Total</b>	<b>6,800.00</b>	<b>6,800.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

### Material Event

RBL Bank Limited (RBL) announced the appointment of a Nominee Director from the Reserve Bank of India (RBI), the banking regulator, under Section 36AB of the Banking Regulation Act, 1949 via a stock exchange filing dated [December 25, 2021](#). In a [separate filing](#) on the same day, RBL announced that its board has approved the request for granting leave to its Managing Director (MD) & Chief Executive Officer (CEO; Mr. Vishwavir Ahuja) with immediate effect. Further, RBL announced the appointment of Mr. Rajeev Ahuja as the interim MD & CEO, who was serving as the Executive Director of the bank. Following these announcements, the RBI also issued a press release on [December 27, 2021](#) stating that the bank is well capitalised and its financial position remains stable and satisfactory. The RBI also clarified that an Additional Director is appointed as and when it is felt that the board of a bank needs to ensure closer support in regulatory and supervisory matters.

### Impact of Material Event

Given the above developments, ICRA has placed the long-term and medium-term ratings on watch with developing implications. ICRA will continue to monitor the developments related to the deposit levels as this could have a material impact on the liquidity position of the bank and will take appropriate rating action as may be required.

**Deposit levels and liquidity position will remain key monitorables in the near term** – RBL has seen some moderation in the share of the top 20 depositors, which stood at 15.3% of total deposits as on March 31, 2021 compared to 18.8% as on March 31, 2020. However, bulk deposits (ticket size > Rs. 2 crore) still account for a relatively high share in the overall deposits. Accordingly, the bank's ability to roll over deposits as well as demonstrate a reasonable degree of stability in its deposits base will remain critical for sustaining liquidity in the near term. ICRA takes note of the adequate liquidity surplus available with the bank, which have been expanding over the last 18-20 months, supported by the degrowth in advances during FY2021-H1 FY2022, while deposit accretion continued at a steady pace (net advances were lower by 3% while deposits were higher by ~31% during the aforementioned period). Accordingly, the bank has maintained excess statutory liquidity ratio (SLR) of Rs. 12,000-17,000 crore during April-September 2021, translating into excess SLR of 18-25% over and above the minimum regulatory ask of 18%. As a result, RBL has reported positive cumulative mismatches in all its near-term maturity buckets that are <1 year as per the structural liquidity statement as on September 30, 2021. Moreover, it has been maintaining a

comfortable liquidity coverage ratio of 153% as on December 24, 2021 (155% in Q2 FY2022 and 134% in Q1 FY2022) against the regulatory requirement of 100%. ICRA will continue to monitor the bank's deposit levels and liquidity position in the coming weeks. The deposit base will also be critical for RBL's future scale of operations and hence its profitability and internal capital generation.

**High share of unsecured high-yielding retail loans drives asset quality pain** – ICRA notes that the overall share of the high-yielding unsecured retail segments (mainly comprising credit cards and microfinance) remains relatively high at ~31-32% of advances. This has been a source of the bank's asset quality challenges following the onset of the Covid-19 pandemic. The slippages in these segments have mainly driven the fresh non-performing advances (NPA) generation to 5.54% in FY2021 and further to 8.92% (on an annualised basis) in H1 FY2022 (worsened due to the second wave of the pandemic). Despite the stress on the asset quality, the headline asset quality numbers, i.e. gross NPAs and net NPAs, saw relatively less deterioration because of the sizeable write-offs done by the bank since March 2020. As a result, RBL's overall credit costs remained elevated, which, in turn, impacted its profitability and return metrics. The standard restructured loan book stood at 3.7% of standard advances as on September 30, 2021.

**Internal capital generation has remained weak** – RBL's profitability was impacted in FY2019 and FY2020 because of the asset quality pressure in the corporate loan segment. The profitability remained weak in FY2021, because of the pandemic-induced stress in the retail segment (especially the unsecured retail), and is likely to remain so in FY2022. The threat of a third wave of Covid-19 infections, resulting in continued stress on the asset quality could potentially delay the recovery in the profitability levels.

**Capital position is comfortable, though supported by capital raise** – RBL raised equity capital of Rs. 1,566 crore in Q3 FY2021 and Rs. 2,701 crore in Q3 FY2020. Hence, despite the weak internal capital generation, it has been able to maintain a comfortable capital position with the Tier I and CRAR at 15.54% and 16.33%, respectively, as on September 30, 2021.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position and rating sensitivities: [Click here](#)

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">ICRA's Rating Methodology for Banks</a>
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of RBL. However, in line with ICRA's limited consolidation approach, the capital requirement of the key subsidiary of the bank (i.e. RBL FinServe Limited) has been factored in.

## About the company

Maharashtra-based RBL Bank Limited is a private sector bank established in 1943. It received the status of a scheduled commercial bank in 1959. The bank underwent a management change in FY2011 with Mr. Vishwavir Ahuja joining as the MD and CEO in June 2010. Following this, RBL's corporate office shifted to Mumbai. Apart from the management change, the bank underwent a change in shareholding in FY2011 with equity infusion from various private equity funds. From its erstwhile name of Ratnakar Bank Limited, it was renamed RBL Bank Limited in mid-2014. It was listed on the BSE and NSE with its initial public offering (IPO) in August 2016. As on September 30, 2021, RBL had 445 branches, 271 banking outlets, 1,435 business correspondent (BC) branches (including banking outlets) and 386 ATMs.

## Key financial indicators (audited)

RBL Bank Limited		FY2020	FY2021	6M FY2021	6M FY2022
Net interest income	Rs. crore	3,630	3,788	1,973	1,885
Profit before tax	Rs. crore	753	689	384	-579
Profit after tax	Rs. crore	506	508	285	-429
Net advances	Rs. crore	58,019	58,623	56,162	56,009
Total assets	Rs. crore	88,978	1,00,651	93,347	1,04,474
% CET	%	15.3%	16.6%	15.1%	15.5%
% Tier I	%	15.3%	16.6%	15.1%	15.5%
% CRAR	%	16.4%	17.5%	16.5%	16.3%
% Net interest margin / Average total assets	%	4.29%	3.99%	4.33%	3.68%
% Net profit / Average total assets	%	0.60%	0.54%	0.63%	-0.84%
% Return on net worth	%	4.78%	4.01%	5.32%	-6.88%
% Gross NPAs	%	3.62%	4.34%	3.34%	5.40%
% Net NPAs	%	2.05%	2.12%	1.38%	2.14%
% Provision coverage excl. technical write-offs	%	44%	52%	59.4%	61.7%
% Net NPA/ Core capital	%	11.5%	10.1%	7.4%	10.1%

**Source:** RBL Bank Limited, ICRA Research; All ratios as per ICRA calculations

**Note:** All calculations as per ICRA Research

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

**Disclaimer:** A member of the board of directors of ICRA Limited is also an Independent Director on the board of directors of RBL. This Director was not involved in any of the discussions and processes related to the rating of the instrument(s) mentioned herein.

## Rating history for past three years

S No	Name of Instrument	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years			
		Type	Rated Amount	Amount Outstanding	Dec 31, 2021	FY2021	FY2020	FY2019	
			(Rs. crore)	(Rs. crore)		Feb 25, 2021	Jan 17, 2020	Feb 8, 2019	Aug 14, 2018
1	Certificates of Deposit	Long Term	6,000.00	4,350	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	Short-term Fixed Deposits	Short Term	-	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
3	Basel III Tier II Bonds Programme	Long Term	800.00	730.00^	[ICRA] AA-&	[ICRA] AA- (hyb) (Stable)	[ICRA] AA- (hyb) (Stable)	[ICRA] AA- (hyb) (Stable)	[ICRA] AA- (hyb) (Stable)
4	Medium-term Fixed Deposits	Medium Term	-	-	MAA&	MAA (Stable)	MAA (Stable)	MAA (Stable)	MAA (Stable)

& - Rating watch with developing implications

## Removal of (hyb) suffix from Basel III instruments

In compliance with the circular issued by the Securities and Exchange Board of India (SEBI) on July 16, 2021 for standardising the rating scales used by credit rating agencies, ICRA has discontinued its practice of affixing the (hyb) suffix alongside the rating symbols for hybrid instruments. Accordingly, ICRA has removed the (hyb) suffix that was earlier being placed alongside the rating symbol for the hybrid instruments issued by RBL. The earlier and revised denotation of the rating for various instruments can be seen in the table above. This rating action only involves the removal of the (hyb) suffix and should not be construed as a change in the credit rating.

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Basel III Compliant Tier II Bond Programme	Highly Complex
Medium-term Fixed Deposit Programme	Very Simple
Short-term Fixed Deposit Programme	Very Simple
Certificate of Deposit Programme	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [www.icra.in](http://www.icra.in)

## Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE976G08049	Basel III tier II bonds	Feb 16, 2016	10.25%	May 16, 2022	200.00	[ICRA]AA-&
INE976G08056	Basel III tier II bonds	Mar 31, 2016	10.25%	Jun 30, 2022	200.00	[ICRA]AA-&
INE976G08064	Basel III tier II bonds	Sep 27, 2016	10.20%	Apr 15, 2023	330.00	[ICRA]AA-&
NA	Basel III tier II bonds	Yet to be placed	-	-	70.00	[ICRA]AA-&
NA	Certificates of deposit	Yet to be placed	-	7-365 days	1,650.00	[ICRA]A1+
INE976G16MO4	Certificates of deposit	Nov 24, 2021	3.95%	Mar 14, 2022	100.00	[ICRA]A1+
INE976G16MN6	Certificates of deposit	Sep 20, 2021	3.91%	Mar 11, 2022	300.00	[ICRA]A1+
INE976G16MM8	Certificates of deposit	Sep 20, 2021	3.91%	Mar 16, 2022	200.00	[ICRA]A1+
INE976G16MJ4	Certificates of deposit	Sep 2, 2021	3.93%	Feb 28, 2022	100.00	[ICRA]A1+
INE976G16MJ4	Certificates of deposit	Sep 1, 2021	3.93%	Feb 28, 2022	900.00	[ICRA]A1+
INE976G16MH8	Certificates of deposit	Jul 16, 2021	3.99%	Jan 13, 2022	150.00	[ICRA]A1+
INE976G16MP1	Certificates of deposit	Dec 30, 2021	5.00%	Jun 28, 2022	200.00	[ICRA]A1+
INE976G16MQ9	Certificates of deposit	Dec 30, 2021	4.00%	Feb 14, 2022	400.00	[ICRA]A1+
INE976G16MP1	Certificates of deposit	Dec 30, 2021	5.00%	Jun 28, 2022	500.00	[ICRA]A1+
INE976G16MP1	Certificates of deposit	Dec 30, 2021	5.00%	Jun 28, 2022	750.00	[ICRA]A1+
INE976G16MP1	Certificates of deposit	Dec 30, 2021	5.00%	Jun 28, 2022	250.00	[ICRA]A1+
INE976G16MP1	Certificates of deposit	Dec 30, 2021	5.00%	Jun 28, 2022	500.00	[ICRA]A1+
NA	Short-term fixed deposits	NA	NA	NA	NA	[ICRA]A1+
NA	Medium-term fixed deposits	NA	NA	NA	NA	MAA &

Source: RBL Bank Limited, &- rating watch with developing implications

## Key features of rated debt instruments

The servicing of the Basel III Tier II Bonds is expected to absorb losses once the point of non-viability (PONV) trigger is invoked by the RBI. The Basel III Tier II Bonds have equity-like loss-absorption features. Such features may translate into higher loss severity vis-à-vis conventional debt instruments.

## Annexure-2: List of entities considered for limited consolidated analysis

Company Name	RBL Bank Ownership	Consolidation Approach
RBL FinServe Limited	100%	Limited Consolidation

Source: RBL Bank Limited

## ANALYST CONTACTS

**Karthik Srinivasan**

+91 22 6114 3444

[karthiks@icraindia.com](mailto:karthiks@icraindia.com)

**Anil Gupta**

+91 124 4545 314

[anilg@icraindia.com](mailto:anilg@icraindia.com)

**Aashay Choksey**

+91 22 6114 3430

[aashay.choksey@icraindia.com](mailto:aashay.choksey@icraindia.com)

**Samiksha Karnavat**

+91 22 6114 3471

[samiksha.karnavat@icraindia.com](mailto:samiksha.karnavat@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



### Branches



© Copyright, 2021 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.