

June 09, 2022

## RBL Bank Limited: Migration of the rating outstanding on the medium-term rating scale to the long-term rating scale

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Basel III Tier II Bonds	800.00	800.00	[ICRA]AA-; outstanding
Certificates of Deposit	6,000.00	6,000.00	[ICRA]A1+; outstanding
Fixed Deposit	NA	NA	[ICRA]AA-; migrated from MAA&
Short-term Fixed Deposit	NA	NA	[ICRA]A1+; outstanding
<b>Total</b>	<b>6,800.00</b>	<b>6,800.00</b>	

\*Instrument details are provided in Annexure-1; & – Rating Watch with Developing Implications

### Rationale

In compliance with the circular [SEBI/HO/MIRSD/MIRSD\_CRADT/P/CIR/2021/594] issued by the Securities and Exchange Board of India (SEBI) on July 16, 2021 and the subsequent circular (SEBI/HO/MIRSD/MIRSD\_CRADT /P/CIR/2022/43) of April 1, 2022, for standardising the rating scales used by credit rating agencies, ICRA has discontinued the medium-term rating scale which was being used to assign ratings to the fixed deposit programmes of entities.

Accordingly, ICRA has migrated the rating currently outstanding for the fixed deposits programme of RBL Bank Limited (RBL) from the medium-term rating scale to the long-term rating scale. The medium-term rating scale of ICRA was a 14-point scale, while the long-term rating scale is a 20-point scale. The migration of the rating has resulted in a change in the rating symbol; however, this is to be construed only as a recalibration of the rating from one scale to another and not as a reflection of a change in the credit risk of the fixed deposit programme.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, rating sensitivities and key financial indicators: [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	To arrive 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 bank's key subsidiary (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, following which its corporate office was shifted to Mumbai. Apart from the management change, RBL's shareholding changed 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 the National Stock Exchange (NSE) with its initial public offering (IPO) in August 2016. As on March 31, 2022, RBL had 502 branches, 260 banking outlets, 1,418 business correspondent (BC) branches (including banking outlets) and 414 ATMs.

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

### Any other information:

**Disclosure:** 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

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated	Amount Outstanding	Jun 09, 2022	FY2022		FY2021	FY2020
			(Rs. crore)	(Rs. crore)		Feb 14, 2022	Dec 31, 2021	Feb 25, 2021	Jan 17, 2020
1	Certificates of Deposit	Short Term	6,000	2,800	[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	Long Term	800	530	[ICRA]AA-&	[ICRA]AA-&	[ICRA]AA-&	[ICRA]AA-(hyb) (Stable)	[ICRA]AA-(hyb) (Stable)
4	Fixed Deposits	Long Term	-	-	[ICRA]AA-&	MAA&	MAA&	MAA (Stable)	MAA (Stable)

& – Rating Watch with Developing Implications

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Basel III Tier II Bond	Highly Complex
Certificate of Deposit	Very Simple
Fixed Deposit	Very Simple
Short Term Fixed Deposit	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	Name of instrument	Date of Issuance	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE976G08049	Basel III Tier II bonds	February 16, 2016	10.25%	May 16, 2022	200 <sup>§</sup>	[ICRA]AA-&
INE976G08056	Basel III Tier II bonds	March 31, 2016	10.25%	June 30, 2022	200	[ICRA]AA-&
INE976G08064	Basel III Tier II bonds	September 27, 2016	10.20%	April 15, 2023	330	[ICRA]AA-&
NA	Basel III Tier II bonds	Yet to be placed	-	-	70	[ICRA]AA-&
NA	Certificates of deposit	Yet to be placed	-	7-365 days	3,200 <sup>#</sup>	[ICRA]A1+
INE976G16MP1	Certificates of deposit	December 30, 2021	5.00%	June 28, 2022	500	[ICRA]A1+
INE976G16MP1	Certificates of deposit	December 30, 2021	5.00%	June 28, 2022	750	[ICRA]A1+
INE976G16MP1	Certificates of deposit	December 30, 2021	5.00%	June 28, 2022	250	[ICRA]A1+
INE976G16MP1	Certificates of deposit	December 30, 2021	5.00%	June 28, 2022	500	[ICRA]A1+
INE976G16MR7	Certificates of deposit	January 04, 2022	5.00%	July 05, 2022	400	[ICRA]A1+
INE976G16MS5	Certificates of deposit	May 27, 2022	5.30%	July 29, 2022	200	[ICRA]A1+
INE976G16MP1	Certificates of deposit	December 30, 2021	5.00%	June 28, 2022	200	[ICRA]A1+
NA	Short-term fixed deposits	NA	NA	NA	NA	[ICRA]A1+
NA	Fixed deposits	NA	NA	NA	NA	[ICRA]AA-&

Source: RBL Bank; <sup>#</sup>As on May 31, 2022; & – Rating Watch with Developing Implications; <sup>§</sup> Matured – to be withdrawn

## Key features of the rated 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 Reserve Bank of India (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 consolidated analysis

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

Source: RBL Bank and ICRA Research

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## 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.

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### Branches



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