

FEBRUARY 29, 2016

## CARE ASSIGNS 'CARE AA-' RATING TO BASEL III COMPLAINT TIER II BONDS OF RBL BANK LIMITED

### Ratings

Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Tier II Bonds (Basel III)	100.0 (Rupees One hundred crore only)	CARE AA- (Double A Minus)	Assigned

Tier II Bonds under Basel III are characterized by a 'Point of Non-Viability' (PONV) trigger due to which the 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, the difficulties faced by a bank should be such that these are likely to result in financial losses and raising the Common Equity Tier I capital of the bank should be considered as the most appropriate way to prevent the bank from turning non-viable.

### Rating Rationale

The rating takes into account the experienced management, comfortable capital adequacy, long track record of operations, adequate profitability and good asset quality of RBL Bank Limited. CARE also notes the bank's plan of coming up with an initial public offer which would improve its capitalization. The rating is however constrained, by the small scale of operations & geographical concentration, high operating cost, unseasoned loan book given the robust growth in last few years, low CASA proportion & reliance on bulk deposits leading to moderate liquidity profile and depositor concentration. Capital adequacy levels in light of the proposed IPO, asset quality, profitability, granularity in deposit base and liquidity profile are the key rating sensitivities.

### Background

RBL Bank Limited (formerly known as The Ratnakar Bank Limited) is a Kolhapur-based small sized private sector bank which was incorporated in 1943 by Shri Babgonda Patil, an advocate from Sangli and Shri Gangaram Chougule, a merchant from Kolhapur. The bank gained the status of a scheduled commercial bank in 1959. In FY11, the bank underwent a radical transformation in areas like ownership, management and organization structure. Mr. Vishwvir Ahuja, ex-CEO and MD of Bank of America for Indian sub-continent, took over as MD and CEO of RBL in June 2010. In FY11, the shareholding structure underwent a change with capital infusion of Rs.727 crore from a host of private equity funds. There has been regular capital infusion in the bank with an equity capital infusion of Rs.376 crore and Rs.328 crore in FY13 and FY14, respectively. There was also a capital infusion of Rs.487.5 crore in Q3FY16 by some marquee investors. As on March 31, 2015, the bank had a network of 183 branches and 348 ATMs. The bank has a corporate office in Mumbai and it has a head office in Kolhapur.

As on March 31, 2015, advances and deposits stood at Rs.14,450 crore and Rs.17,099 crore, respectively. Gross and Net NPA ratio stood at 0.77% and 0.27%, respectively with Net NPA to tangible network at 1.7%. Total CAR and Tier I CAR stood at 13.13% and 12.74% (Common Equity Tier I: 12.74%) at the end of FY15. The bank earned a total income of Rs.2,356 crore (FY14: Rs.1,613 crore) and generated a PAT of Rs.207 crore (FY14: Rs.93 crore) in FY15.

During 9MFY15, total income and PAT stood at Rs.2,330 crore and Rs.208 crore, respectively. Gross and Net NPA ratios stood at 1.08% and 0.69%, respectively at the end of December 2015.

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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