



**CMP as on 16-12-2022 : 166 INR**

52-wk high : 193.20

52-wk low : 74.15



**PEE AAR SECURITIES LTD.**

**BY: HIMANSHI KHOSLA**  
**(FUNDAMENTAL RESEARCH ANALYST)**

# Introduction

- **RBL Bank**, formerly known as **Ratnakar Bank**, is an Indian private sector bank headquartered in Mumbai.
- On August 6, 1943, Ratnakar Bank was founded as a regional bank in Maharashtra with two branches in Kolhapur and Sangli founded by Babgonda Bhujgonda Patil from Sangli & Gangappa Siddappa Chougule from Kolhapur. It mainly served **Small and medium enterprises (SMEs)** and business merchants in the Kolhapur-Sangli belt. It was incorporated in Kolhapur district on 14 June 1943 as Ratnakar Bank Limited.
- In 1959, the bank was categorized as a scheduled commercial bank as per the Reserve Bank of India Act 1934. During this decade, it was referred to as an NH4 Bank.
- In 1970, it received a banking license from the Reserve Bank of India (RBI).
- In July 2010, Vishwavir Ahuja became managing director and CEO of the bank.

- It is engaged in providing a wide range of banking and financial services including wholesale banking, retail banking, treasury operations and other banking related activities.
- In August 2014, the name of the bank was changed to RBL Bank Limited.
- In August 2016, IPO came at 224-225 price band.
- At the time of IPO 66% of their employees were covered under the ESOP program.
- This IPO was listed at 274 per share.
- The Bank commenced its operations at its International Financial Services Centre Banking Unit (IBU) in Gujarat International Finance Tec (GIFT) City, Gujarat in April 2017.
- RBL Bank share price saw a high of 716 per share in May 2019.
- As of March 2022, the price of the share is barely 88 Rs.

# Development of bank under the leadership of Vishwavir Ahuja

- In July 2010, Vishwavir Ahuja became managing director and CEO of the bank. The bank performed really well under his leadership.
- According to RBL's website, he has been instrumental in growing the bank's balance sheet close to 25 times making it one of India's fastest-growing private sector banks. He has over 35 years experience in the banking sector, also headed the Bank of America (India) from 2001 to 2009.
- The no. of employees increased from 907 in 2010-11 to 9257 in FY22
- Advances increased from 1905 cr in FY11 to 60022 cr in FY22
- Deposits increased from 2042 cr in FY11 to 79007 cr in FY22
- Under his leadership at RBL, its business grew 46-fold and advanced over 50 times, and its net profit rose from Rs 12 crore in FY11 to Rs 508 crore in FY21, while customer base has grown from just about 250,000 in FY11 to around 10 million as of January 2022.

# The share of RBL bank fell from 716 per share in May 2019 to Rs. 88 in March 2022

- Insiders went short on RBL after CCD chief's news
- Lumpy loans given to Cafe Coffee Day turned sour
- Its stressed book involving large borrowers stood at Rs 1,800 crore, up from Rs 1,000 crore.
- Bank's Rs 800 crore of slippages due to the troubles in Cafe Coffee Day, took its gross non-performing assets ratio to 2.60, almost double from 1.40, and resulting in loan provisions shooting up to Rs 539 crore from Rs 109 crore.
- In September 2021, the RBL CEO Vishwavir Ahuja went on immediate leave, causing share prices to slump sharply.

# Can New MD & CEO R. Subramaniakumar Turn Around RBL Bank's Fortunes?



**Mr. R Subramaniakumar**

*Managing Director and CEO*

*A veteran banker with 40 years of experience; Previously, associated with PNB, Indian Bank and Indian Overseas Bank*

Things began to change ever since new CEO has taken charge . Five years ago, when R. Subramaniakumar landed at Chennai-based Indian Overseas Bank (IOB), the public sector lender was fighting multiple battles: deteriorating asset quality; over-dependence on bulk deposits with a concentration of risky corporate loans; and low employee morale. But he was unfazed. In his short stint as MD & CEO, he streamlined the HR function, re-built the risk management team, corrected and created some 85 policies, kicked off a clean-up of the books, and focussed on building a diversified business model. Subramaniakumar retired from IOB in June 2019 and the mid-sized lender has started reaping the benefits now. That's not the only feather in his cap. Earlier, he was instrumental in laying the groundwork for public sector lender Indian Bank's retail-, agri- and MSME expansion.

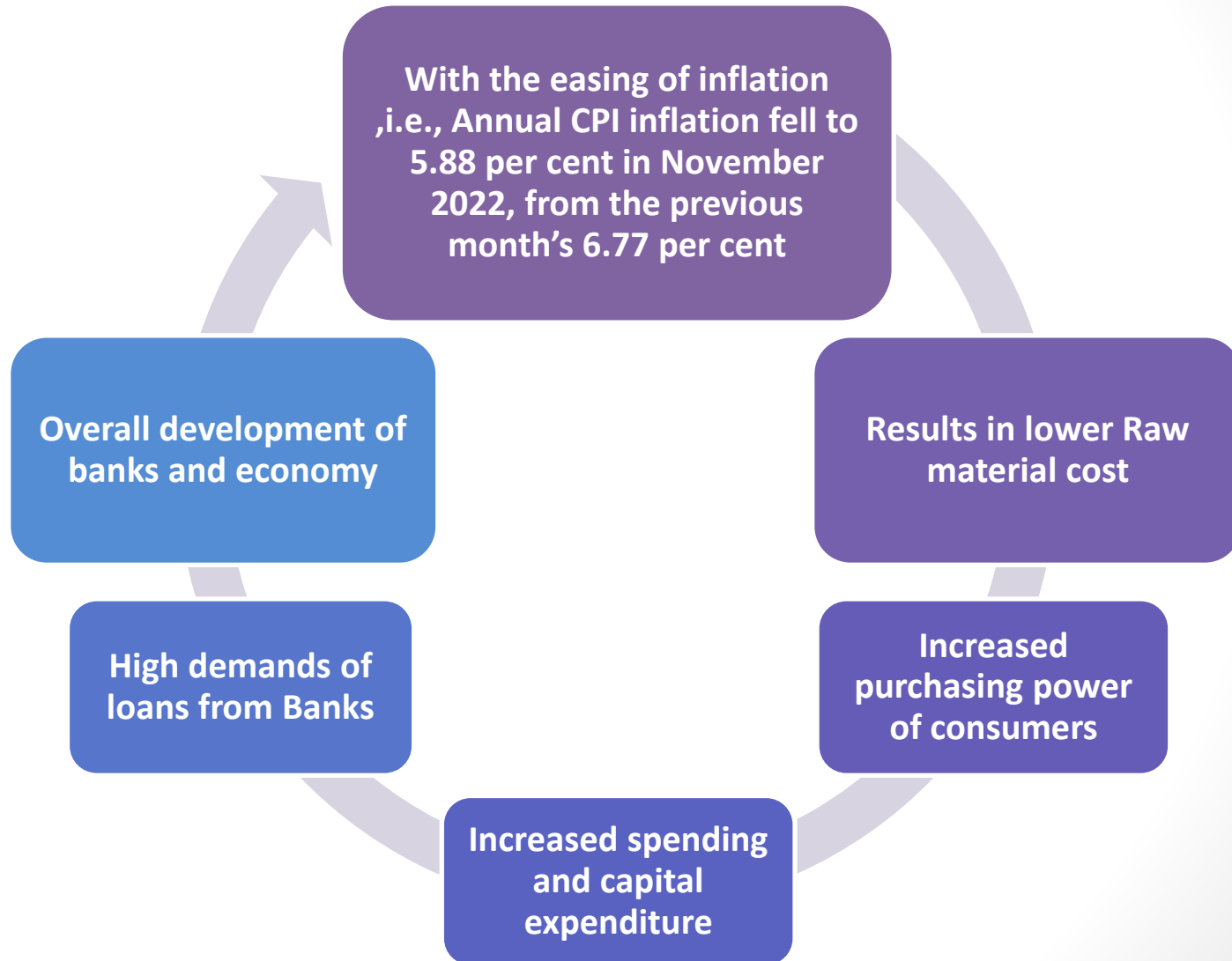
# New business plan gaining traction earlier than expected

- While its been an underperformer in the banking sector during the recent rally still things appear to be on the mend for RBL bank.
- The stock has been steadily inching up , its now climbed to about 166 rs and is at almost 10 month high. A good come back after having fallen as low as 80 in june (100% return on share price after that).

The 3 key improvements that can be seen with the stability in Management

- Cleaning of the NPAs
- Bank has made adequate provisions for Non Performing Loans
- Profitable Growth

# There is huge scope of growth of Banking Industry in India





# RBL Bank is among the largest Credit Card issuers in India with 5% market share in Cards in Force

- Credit card lending as a percentage of total lending of the bank increased from just 5.57% in FY2018 to in 22.29% FY2022
- Micro Finance lending as a percentage of total lending of the bank is 8.08% in FY2022
- Credit card and MFI are top 10 and top 5 ranking in the industry.
- Small businesses loans accounts for 18.4% of the total loans.
- So, almost 43% of their total loan book only belongs to credit card, MFI and small businesses loans
- According to management they need around 3 years to build secured lending book
- Increasing Focus on Housing Loans , Vehicle Finance and Other Retail



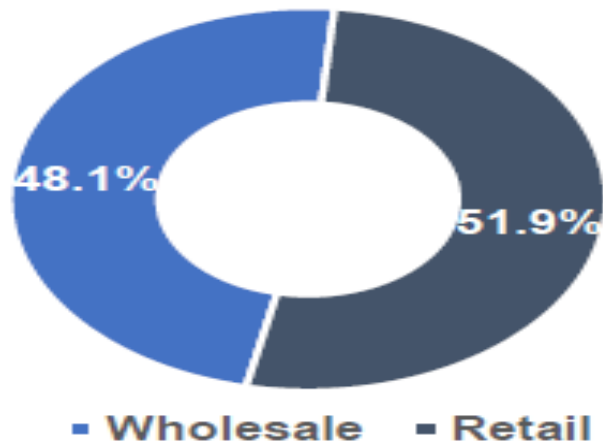
# Advances Mix; Healthy Advances Growth

	Sep 30,2022	Sep 30,2021	YoY	June 30,2022	QoQ	Yield H1 FY23	Proportion
C&IB	23,119	19,397	19%	23,111	0%	6.8% (6.6%)	48%
CB	7,137	5,828	22%	6,645	7%		
<b>Wholesale</b>	<b>30,256</b>	<b>25,224</b>	<b>20%</b>	<b>29,756</b>	<b>2%</b>	15.4% (14.7%)	52%
Business Loans	7,350	9,333	(21%)	7,547	(3%)		
Credit Cards	14,644	12,482	17%	14,036	4%		
Micro-Banking	4,584	4,959	(8%)	3,753	22%		
Housing Loans	3,450	1,548	123%	2,563	35%		
Retail Agri	1,213	1,137	7%	1,201	1%		
Rural Vehicle Finance	540	94	474%	423	28%		
Others	905	1,231	(26%)	990	(9%)		
<b>Retail</b>	<b>32,686</b>	<b>30,784</b>	<b>6%</b>	<b>30,514</b>	<b>7%</b>		
<b>Total</b>	<b>62,942</b>	<b>56,009</b>	<b>12%</b>	<b>60,270</b>	<b>4%</b>		

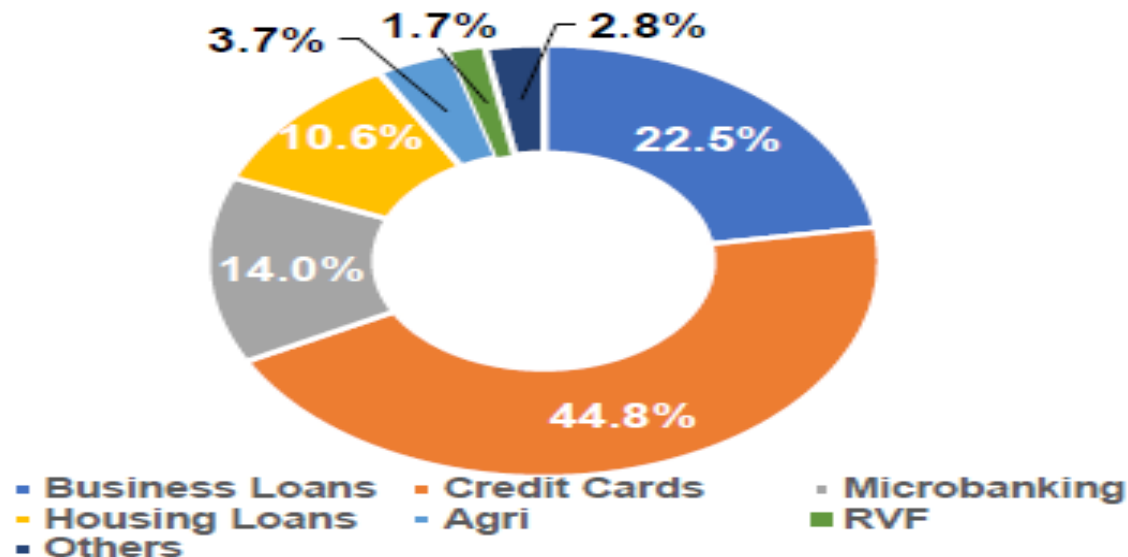
H1 FY22 yields in brackets

INR Yields for Wholesale Advances was 7.37%

## — Advances by Segment (%) —



## — Retail Advances Breakup (%) —



# CASA & Total Deposits

7% YoY growth in CASA ; Total deposits grew by 5% YoY

**CASA : 35.4%**  
**CASA : 26,734**

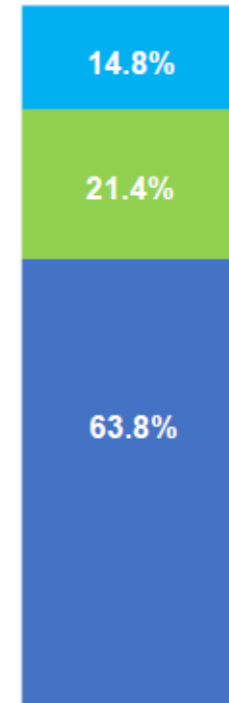
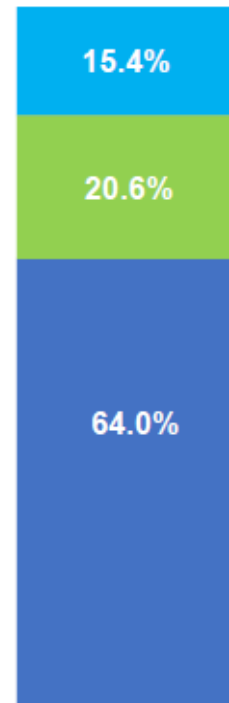
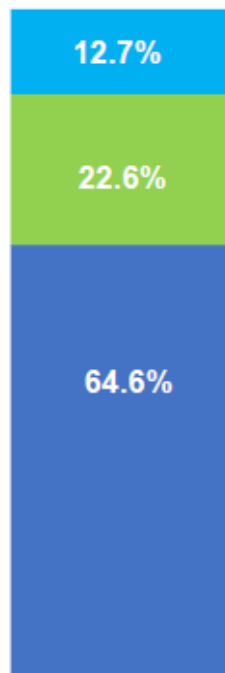
**CASA : 36.0%**  
**CASA : 28,526**

**CASA : 36.2%**  
**CASA : 28,718**

**75,588**

**79,216**

**79,404**



Sep 30, 2021

June 30, 2022

Sep 30, 2022

■ Term Deposits

■ Savings Account

■ Current Account

# Asset Quality

	Quarter Ended				
	Sep 30, 2021	Dec 31, 2021	March 31, 2022	June 30, 2022	Sep 30, 2022
<b>Movement of Gross NPAs</b>					
Opening Balance	2,911	3,131	2,902	2,728	2,537
(+) Additions during the period	1,217	766	619	653	812
(-) Upgrade	180	181	105	192	149
(-) Recoveries	290	271	222	188	164
(-) Write Offs	527	542	465	465	578
Closing Balance	3,131	2,902	2,728	2,537	2,457
Gross NPA (%)	5.40%	4.84%	4.40%	4.08%	3.80%
Net NPA	1,200	1,076	807	697	790
Net NPA (%)	2.14%	1.85%	1.34%	1.16%	1.26%
Actual PCR	61.7%	62.9%	70.4%	72.5%	67.8%
PCR incl. Technical Write-offs	76.6%	78.6%	83.4%	85.3%	84.3%
Slippage Ratio	2.15%	1.37%	1.07%	1.09%	1.35%
Net Slippages	747	313	292	273	498
Net Slippage Ratio	1.32%	0.56%	0.50%	0.46%	0.83%
Net Restructured %	3.35%	3.00%	2.69%	2.35%	1.87%

• Net Security Receipts as a percentage of total advances at 0.20%

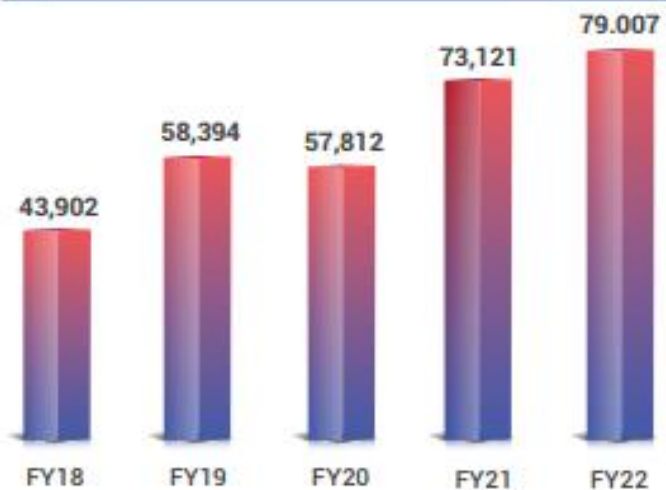
# Key Ratios

Parameter	Q2 FY23	Q2 FY22	YoY	Q1 FY23	QoQ	H1 FY23	H1 FY22
Net Interest Income	1,064	915	16%	1,028	4%	2,092	1,885
Other Income	583	593	(2%)	614	(5%)	1,197	1,246
Net Total Income	1,648	1,508	9%	1,641	0%	3,289	3,131
Operating Profit	512	691	(26%)	529	(3%)	1,041	1,457
Provisions (Other than Tax)	241	651	(63%)	253	(5%)	494	2,036
Net Profit / (Loss)	202	31	~	201	0%	403	(429)

Parameter	Q2 FY23	Q2 FY22	Q1 FY23	H1 FY23	H1 FY22
Other Income/Total Income	35.4%	39.3%	37.4%	36.4%	39.8%
Cost/Income	68.9%	54.2%	67.8%	68.3%	53.5%
Net Interest Margin	4.5%	4.1%	4.4%	4.5%	4.2%
Credit Cost/Advances (bps)*	39	118	43	82	374
RoA	0.77%	0.12%	0.75%	0.76%	(0.86%)
RoE	6.12%	0.98%	6.28%	6.20%	(6.81%)

### Deposits

₹ (in Crore)



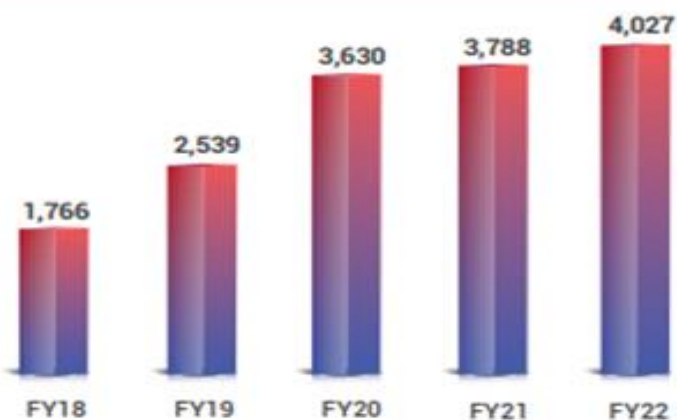
### Advances (Net)

₹ (in Crore)



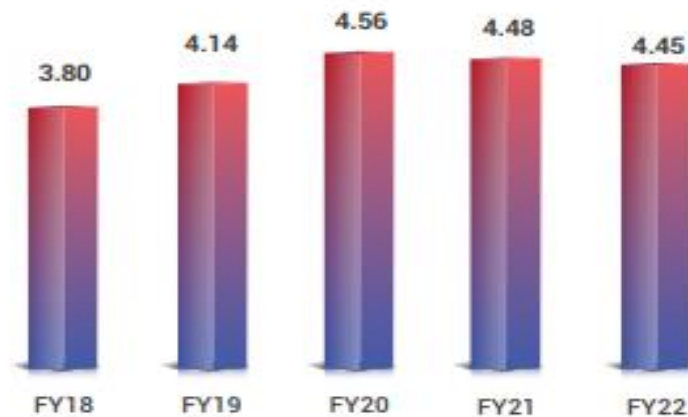
### Net Interest Income

₹ (in Crore)



### Net Interest Margin

%



### Net Profit

₹ (in Crore)



### Return on Assets

%



### Earnings Per Share

₹



### CASA Ratio

%





# RBL Bank Q2 FY23

## Improving Financial Metrics

- NIM at 4.5%, improved by 19bps sequentially
- Other Income 35.4% of Total Income
- Core Fee Income 33% of Total Income at Rs. 544 crore
- Net Profit grew 7 times YoY to Rs. 202 crore

## Diversified Advances with Growing Retail

- Total Advances of Rs. 62,942 crore growing at 12% YoY and 4% QoQ
- 52:48 Retail:Wholesale Mix

## Diversifying Retail Mix

- Credit Cards : 23% of advances
- Microfinance : 7% of advances
- Housing Loans, Rural Vehicles & Small Business Loans : 6% of Advances

## Healthy Capitalisation and Liquidity Levels

- CRAR at 17.4% and CET 1 at 15.9%
- Average LCR at 156% for the quarter

## **Growing Granular Deposits**

- Total Deposits grew 5% YoY to Rs. 79,404 crore
- CASA grew 7% YoY
- CASA ratio at 36.2%
- Retail Deposits (as per LCR definition) was 41.3% of total deposits
- Cost of Deposits at 5.1%
- Bank Continues to maintain excess liquidity of ~ Rs. 7,500 crore
  
- **Improving Asset Quality**
- GNPA reduced 28bps sequentially to 3.80%; NNPA at 1.26%
- Net Slippages at Rs. 498 crore
- PCR at 67.8%
- Net Restructured Advances reduced 48bps sequentially to 1.87%
  
- **Continued Increase in customer base and distribution network**
- Customer base at 11.77 mn increase of 0.47 million QoQ
- Distribution network of 507 branches, 413 ATMs and 1204 BC branches/Banking Outlets

# Conclusion

Buy

- The new management will have to bring stability and improve compliance and risk management to bring credibility into the balance sheet. Post successful implementation, the bank could be on a growth path in two to three years.
- The financials of the bank are improving.
- Bank's asset quality has been improving. Net NPA reduced from 2.12% in FY21 to 1.34% in FY22.
- The bank's key profit comes from the credit card and microfinance business. Any change to this loan mix will hurt the near-term prospects on growth and profitability.
- It should also diversify and grow in other areas that they have guided, like housing, vehicles, cars and rural loans.
- Hence, there are strong growth opportunities for RBL Bank going forward but they need to have NPAs under control.

**Disclaimer :** We are not accountable for any loss or gains that might occur to you from this or any analysis on the website. The information should not be construed as investment advice. Both Thesis and Anti-thesis points are mentioned about the company. Do your own research before investing.