



Ratnakar Bank to purchase some Indian assets of RBS

The bank will purchase the commercial loans, mortgages and loan-against-property portfolio of RBS



The portfolio is valued at between `375 crore and `425 crore and was put on the block after an agreement between HSBC and RBS fell through in November 2012. Photo: Pradeep Gaur/Mint

Mumbai: Ratnakar Bank Ltd, the smallest of India's commercial banks, agreed to buy some Indian assets of Royal Bank of Scotland Group Plc (**RBS**), including the UK bank's commercial loans, mortgages, credit card and loan-against-property portfolios, beating at least five bigger rivals that were in the race.

An agreement was signed in Delhi on Friday after months of talks between RBS and banks including **Yes Bank Ltd**, **Axis Bank Ltd**, **ING Vysya Bank Ltd**, Federal Bank Ltd and **IndusInd Bank Ltd**. The transaction is subject to the approval of the Reserve Bank of India (RBI) and the antitrust regulator, the Competition Commission of India.

IndusInd Bank and Ratnakar Bank, which is based in the town of Kolhapur, were the two banks vying for the assets in the last stage of negotiations, after the remaining four had dropped out, said a person familiar with the situation who requested anonymity.

"The portfolio is valued at less than `450 crore, the largest among which is mortgages followed by credit cards and commercial loans,"

the person said.

Started in 1942, Ratnakar Bank had a total loan book of `6,376 crore as of 31 March, making it the country's smallest commercial bank. It has 130 branches, according to its website. The bank is backed by investors including Aditya Birla Private Equity, ICICI Emerging India Fund, IDFC Spice Fund, Ascent Capital, Faering Capital, Samara Capital, TVS Capital and Norwest Venture Partners. Mortgage company Housing Development Finance Corp. Ltd is also one of the investors in the bank.

RBS is shutting 21 of its 31 branches in India and will be operating only 10 outlets in Mumbai, Kolkata, Delhi, Bangalore, Chennai, Gurgaon, Hyderabad, Noida, Pune and Vadodara by the end of 2013. The lender had put the assets on sale after a plan to sell them to Hongkong and Shanghai Banking Corp. Ltd (**HSBC**) collapsed in November.

Friday's deal includes 120,000 customers, RBS said in an emailed statement. The bank had 89,604 credit cards in its portfolio, according to latest data on the RBI website. It has about 20,000 commercial loan clients and 3,000 mortgage customers, according to the person cited earlier.

Ratnakar Bank may also absorb about 150 of RBS's employees to leverage their relationship with clients, said the person cited above.

Consulting firm PricewaterhouseCoopers advised Ratnakar Bank on the deal, while RBS was represented by Morgan Stanley. AZB and Partners represented RBS on the legal side while Luthra and Luthra Law Offices was the legal adviser to Ratnakar Bank.

RBS's asset size has fallen since the deal with HSBC fell through as many customers switched to other banks after RBS said it wasn't interested in continuing the business. The assets being sold are 40% the value of the assets offered to HSBC, the person cited above said.

The credit card business is new for Ratnakar Bank, which expects the deal to be completed in two-three months.

"We will by then have a clear idea of the exact portfolio and number of employees. This deal will also give us access to cheap current account deposits," said **Nitin Chopra**, head of retail at Ratnakar Bank.

Banks do not pay interest on current account deposits. "We are also hoping to tap increasing trade finance and foreign exchange flows from these clients, which will also help us earn fees," he said.

Ratnakar Bank's current and savings account deposits make up about 20% of the lender's total deposits, Chopra said.

A senior banker from another private sector bank that was also in the race to buy RBS's assets said the UK bank was in a hurry to sell the business because its asset book was shrinking rapidly.

"Customers were leaving them after the assets were put on the block, and so the price of the deal would not have been much. It may have been a few crores," the banker said.