Punjab and Sind Bank

August 22, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Tier-II Bonds[&]	500.00	CARE AA; Stable	Upgraded from CARE AA-; Positive
Tier-II Bonds[&]	237.30	CARE AA; Stable	Upgraded from CARE AA-; Positive
Tier-II Bonds[&]	500.00	CARE AA; Stable	Upgraded from CARE AA-; Positive

Details of instruments/facilities in Annexure-1.

[&] Tier-II Bonds under Basel III are characterised 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 the 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.

Rationale and key rating drivers

The rating revision to the debt instruments of Punjab and Sind Bank (PSB) considers the improvement in profitability in FY25 and better asset quality aided by recoveries and lower incremental slippages. The rating continues to favourably factor in majority ownership of and demonstrated support from Government of India (GoI), comfortable capitalisation levels supported by multiple equity infusions and accretion of profits, and established presence in northern states of India. PSB is expected to sustain growth in business while maintaining adequate capitalisation and improving asset quality.

The rating continues to be constrained by moderate, albeit improving, profitability with high interest expenses and operating costs and large share of non-earning assets in the form of zero-coupon recapitalisation bonds. Going forward, the bank is expected to have some pressure on margins due as advances are repriced quickly and deposits will be repriced with a lag. The rating also factors in PSB's relatively lower proportion of low-cost current account savings account (CASA) deposit ratio and relatively higher geographical concentration in the states of northern India with major presence in New Delhi and Punjab. CARE Ratings Limited (CareEdge Ratings) notes that despite improvement in potential weak assets (SMA 1 and 2) in FY25, net stressed assets[2] of PSB remain high in relation to its net worth compared to peer public sector banks.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors - Factors that could individually or collectively, lead to positive rating action/upgrade:

- Significant improvement in the size of the bank and profitability while maintaining comfortable capitalisation and good asset quality

Negative factors - Factors that could individually or collectively, lead to negative rating action/downgrade:

- Reduction in support or its stake in the bank falling below 51%.
- Deterioration in asset quality parameters over with gross non-performing asset (GNPA) exceeding 5%.
- Significant decline in capitalisation cushion above the minimum regulatory requirement on a sustained basis.

Analytical approach: Standalone

The rating is based on standalone profile of the bank and factors in strong and continued support from GoI, which holds majority shareholding in the bank.

Outlook: Stable

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

[2] Gross Stressed Assets (Gross NPA + Gross Standard Restructured Assets + Gross Security Receipts) and Net Stressed Assets (Net NPA + Net Standard Restructured Assets and Net Security Receipts)

The ‘Stable’ outlook reflects CareEdge Ratings’ expectation of continued growth in earnings with further improvement in asset quality parameters while maintaining comfortable capitalisation levels in the near-to-medium term.

Detailed description of key rating drivers:

Key strengths

Improving asset quality

There has been significant improvement in PSB’s asset quality over the last four years. The bank reported GNPA ratio of 3.38% as on March 31, 2025, compared to 5.43% as March 31, 2024. The slippage ratio also improved to 1.01% in FY25 from 1.29% in FY24. The recovery efforts by the bank and write-offs amounting to ₹1,521 crore in FY25 have led to improvement in GNPA levels. The bank had provision coverage ratio (PCR) without technical write-offs of 68.4% as on March 31, 2025 (March 31, 2024: 69.2%) resulting in net NPA (NNPA) ratio of 0.96% as on March 31, 2025 (March 31, 2024: 1.63%). The NNPA to net worth ratio stood at ~9% as on March 31, 2025, which while improving from ~11% as on March 31, 2024, remained higher compared to peer public sector banks. In Q1FY26, the slippages stood at 0.85% (annualised) resulting in GNPA and NNPA of 3.34% and 0.90%, respectively.

Majority ownership and support by GOI

GOI continues to be the majority shareholder holding 93.85% stake in PSB. GoI has been supporting public sector banks with regular capital infusions and taking steps to improve capitalisation, operational efficiency, and asset quality. In FY22, GOI had infused equity capital of ₹4,600 crore into the bank, which helped the bank in improving the capital ratios and support growth. GOI has infused cumulative capital of ₹11,672 crore (₹785 crore in FY18, ₹787 crore in FY20, ₹5,500 crore in FY21 and ₹4,600 crore in FY22) against recapitalisation bonds (with maturities between 10 and 15 years). Given the majority ownership of GOI, CareEdge Ratings expects PSB to receive timely and adequate support in the form of capital as and when required.

Adequate capitalisation levels

PSB has received significant amount of equity capital against zero coupon recapitalisation bonds in FY21 and FY22 (₹5,500 crore in FY21 and ₹4,600 crore in FY22) from GoI. The bank’s profitability improved over the last four years leading to accretion to net worth, which has helped the capitalisation level of the bank. In line with the RBI amendment to ‘Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021’ dated March 31, 2022, PSB had fair valued the investments in recapitalisation bonds of ₹10,100 crore received in FY21 and FY22; however, the difference was not adjusted through P&L as required by the notification as the bank was given special exemption by RBI to not do so.

The bank reported an improvement in capital adequacy parameters as Tier-I ratio increased from 14.74% as on March 31, 2024 to 15.59% as on March 31, 2025 and capital adequacy ratio (CAR) from 17.16% as on March 31, 2024 to 17.41% as on March 31, 2025, supported by internal accruals and capital infusion ~₹1,219 crore via qualified institutional placement (QIP). As on June 30, 2025, Tier-I ratio and CAR stood at 16.02% and 17.90%, respectively. The bank has significant cushion over the minimum regulatory requirement, which would help the bank to achieve its targeted credit growth in the near term. CareEdge Ratings expects the bank to maintain sufficient capital cushion to meet the targeted credit growth supported by improvement in internal accruals, capital raise and unwinding of discount on recapitalisation bonds.

Established franchise in northern states of India

PSB has an established presence and franchise in northern states of India with 962 branches out of its pan India network of 1,607 branches as on June 30, 2025. The bank witnessed deposit growth of ~9% in FY25 with CASA deposits growth of over 5%. The proportion of CASA stood at 31.43% as on March 31, 2025 against 32.42% as on March 31, 2024 and 30.59% as on June 30, 2025, which was lower than average for peer public sector banks resulting in comparatively higher cost of deposits.

Key weaknesses

Moderate, albeit improving profitability

CareEdge Ratings observes that after being under pressure in FY18-FY21, PSB’s earnings profile has improved significantly in the last four years owing to improvement in asset quality parameters. In FY25, the bank’s advances growth was higher compared to the industry growth. The interest income of the bank has increased to ₹11,481 crore in FY25 from ₹9,694 crore in FY24 registering a growth of ~18%, while its interest expense also increased by ~12% from ₹6,853 crore in FY24 to ₹7,698 crore in FY25. As a result, the bank’s net interest income witnessed an increase of ~33%, from ₹2,841 crore in FY24 to ₹3,784 crore in FY25. The bank’s net interest margin (NIM) increased from 2.04% in FY24 to 2.49% in FY25.

The bank's non-interest income grew by ~28% from ₹1,221 crore in FY24 to ₹1,568 crore in FY25 supported by increase treasury income, fee income and recovery from written-off accounts. The total income of the bank demonstrated a growth of 20% in FY25 from ₹10,915 crore in FY24 to ₹13,049 crore in FY25. The bank's operating expenses increased by ~12% in FY25. The cost to income ratio of the bank has also decreased from ~72% in FY24 to ~61% in FY25, as the bank had provided for wage revision in FY24. The credit cost of the bank increased from 0.14% in FY24 to 0.48% in FY25. The bank made provisions of ₹737 crore in FY25 compared to provisions of ₹194 crore in FY24. The bank's profit after tax (PAT) increased by ~71% to ₹1,016 crore for FY25 from ₹595 crore for FY24 translating into a return on total assets (ROTA) of 0.67% in FY25 against 0.43% in FY24. In Q1FY26, the bank witnessed decrease in net interest income due to low yield on advances due to impact of rate cuts, lower treasury income resulting in decrease in PPOP from ₹816 crore in Q4FY25 to ₹540 crore in Q1FY26. Credit cost reduced from 0.95% (annualised) in Q4FY25 to 0.54% (annualised). Thus, PAT reduced from ₹313 crore in Q4FY25 to ₹269 crore in Q1FY26. The bank's ROTA for Q1FY26 (annualised) was at 0.67%.

CareEdge Ratings notes that despite improvement, PSB's profitability remains lower than peer public sector banks because of a large share of non-earning assets and lower share of CASA deposits, resulting in higher cost of funds. Going forward, the bank is expected to have some pressure on margins due as advances are repriced quickly and deposits will be repriced with a lag.

Relatively large proportion of stressed portfolio

PSB's standard restructured assets (including the RBI Resolution Framework 1.0 and 2.0) stood at ₹1,194 crore constituting 1.2% of gross advances as on March 31, 2025. The bank's special mention accounts (SMA), SMA 1 and SMA 2 accounts stood at 2.79% of gross advances as on March 31, 2025 (June 2025: 3.42%). The bank has witnessed decrease in SMA 2 exposure in FY25 from ₹1,615 crore (1.88% of gross advances) as on March 31, 2024, to ₹233 crore (0.23% of gross advances) as on March 31, 2025. The net stressed assets (NNPA + Net Standard Restructured assets + Net Security Receipts) stood at ~22% of net worth on March 31, 2025 (March 31, 2024: ~23% of net worth), indicating high portion of stressed portfolio in relation to peer public sector banks. The bank's ability to manage its slippages in the stressed assets and improve its asset quality parameters continues to be a key monitorable.

Relatively low share CASA deposits

The low-cost CASA of PSB registered a growth of ~5% (y-o-y) to ₹40,790 crore as on March 31, 2025, compared to ₹38,708 crore as on March 31, 2024. However, the share of CASA deposits in total deposits has been declining in line with the industry trend and remained relatively low at ~31.43% as on March 31, 2025 (March 31, 2024: 32.42%) and 30.59% as on June 30, 2025 compared to other public sectors banks which is ~40%. This has also kept PSB's cost of funds high.

Liquidity: Adequate

According to structural liquidity statement as on June 30, 2025, there are no negative cumulative mismatches in time buckets up to 30-days time buckets. The bank has an excess SLR of ~₹9,866 crore as on June 30, 2025, providing additional comfort. The bank manages its deposit maturities in a particular time bucket by appropriately modifying deposit rates. The bank has access to systemic liquidity such as RBI's LAF and MSF facility and access to refinance from SIDBI, NHB, and NABARD, among others, and access to call money markets. The liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) for the bank stood at 138.23% and 132.69%, respectively, for the quarter ended June 30, 2025, which is above the regulatory requirement of 100%.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks

Although PSB's service-oriented business model limits its direct exposure to environmental risks, credit risk may arise if operations of asset class of the portfolio are adversely impacted by environmental factors. The bank continues to integrate environmental and social responsibility into its operations by financing green and sustainable initiatives, promoting digital banking to minimise its carbon footprint, and actively participating in ESG awareness campaigns.

Social risks in the form of cybersecurity threat or customer data breach or mis-selling practices can affect PSB's regulatory compliance and reputation and hence remain a key monitorable. The Bank conducts awareness SMSs, newsletters, mock phishing drills, and publishes cyber fraud posters online to safeguard customer data and privacy.

PSB's Board comprises seven Directors, with two Independent Directors and a female Director.

Applicable criteria

Definition of Default
Factoring Linkages Government Support

Rating Outlook and Rating Watch
Banks
Financial Ratios - Financial Sector
Rating Basel III - Hybrid Capital Instruments issued by Banks

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Banks	Public sector bank

Established in 1908, PSB is a mid-sized corporate-focused public sector bank based out of New Delhi that operates through a network of 1,607 branches as on June 30, 2025, with branch concentration in north India. It was nationalised in 1980. However, post many capital infusions over the subsequent years (FY18 onwards), the GoI shareholding had stood at 93.85% as on June 30, 2025.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total income	10,915	13,049	3,379
PAT	595	1,016	269
Total assets	1,44,970	1,59,453	1,61,528*
Net NPA (%)	1.63	0.96	0.91
ROTA (%)	0.43	0.67	0.67^

A: Audited UA: Unaudited; Note: these are latest available financial results, *reported and ^annualised.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Bonds-Tier-II Bonds	INE608A08017	19-Oct-2016	7.99	19-Oct-2026	500.00	CARE AA; Stable
Bonds-Tier-II Bonds	INE608A08033	27-Jun-2019	9.50	26-Oct-2029	237.30	CARE AA; Stable
Bonds-Tier-II Bonds	INE608A08041	04-Nov-2019	8.67	03-Dec-2029	500.00	CARE AA; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Bonds-Lower Tier-II	LT	-	-	-	-	-	1)Withdrawn (30-Sep-22)
2	Bonds-Tier-II Bonds	LT	500.00	CARE AA; Stable	-	1)CARE AA-; Positive (05-Sep-24)	1)CARE AA-; Positive (29-Sep-23)	1)CARE AA-; Stable (30-Sep-22)
3	Bonds-Tier-II Bonds	LT	237.30	CARE AA; Stable	-	1)CARE AA-; Positive (05-Sep-24)	1)CARE AA-; Positive (29-Sep-23)	1)CARE AA-; Stable (30-Sep-22)
4	Bonds-Tier-I Bonds	LT	-	-	-	-	-	1)Withdrawn (30-Sep-22)
5	Bonds-Tier-II Bonds	LT	500.00	CARE AA; Stable	-	1)CARE AA-; Positive (05-Sep-24)	1)CARE AA-; Positive (29-Sep-23)	1)CARE AA-; Stable (30-Sep-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Tier-II Bonds	Complex

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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