JULY 14, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE VARIOUS DEBT INSTRUMENTS OF BANK OF MAHARASHTRA

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Lower Tier II Bonds (Under Basel II)	1425 (Rupees One Thousand Four Hundred Twenty Five crore only)	CARE AA (Double A)	Reaffirmed
Upper Tier II Bonds (Under Basel II)*	850 (Rupees Eight Hundred Fifty crore only)	CARE AA- (Double A Minus)	Reaffirmed
Perpetual Bonds Series I (Under Basel II)*	225 (Rupees Two Hundred Twenty Five crore only)	CARE AA- (Double A Minus)	Reaffirmed
Long Term Infrastructure Bonds^	1,000 (Rupees One Thousand crore only)	CARE AA (Double A)	Reaffirmed
Basel III Compliant Tier I Perpetual Bonds ^^	1,000 (Rupees One Thousand crore only)	CARE A+ (Single A Plus)	Reaffirmed

**CARE has rated the aforesaid Upper Tier II Bonds and the Perpetual Bonds (under Basel II) one notch lower than the Lower Tier II Bonds in view of their increased sensitiveness to the bank Capital Adequacy Ratio (CAR), capital-raising ability and profitability during the long tenure of the instruments.*
The ratings for these hybrid instruments factor in the additional risk arising due to the existence of the lock-in clause in these instruments. Any delay in payment of interest/principal (as the case may be) following the invocation of the lock-in-clause, would constitute an event of default as per CARE's definition of default and as such, these instruments may exhibit a somewhat sharper migration of the rating compared to conventional subordinated debt instruments.
^The long-term infrastructure bonds are unsecured and would rank pari-passu along with other uninsured, unsecured creditors. These bonds are senior to the subordinated bonds of the bank.
RBI vide its circular dated July 15, 2014, has allowed banks to raise these bonds to finance their long-term loans to infrastructure as well as affordable housing with minimum regulatory pre-emption such as CRR, SLR and priority sector lending.
^^CARE has rated the aforesaid Basel III Compliant Tier-I Perpetual Bonds one notch lower than the Upper Tier II Bonds and the Perpetual Bonds (Basel II) in view of their increased sensitiveness to the bank after taking into consideration its key features as below:

- *The bank has full discretion at all times to cancel coupon payments.*
- *The coupon is to be paid out of current year's profits. However, if the current year's profits are not sufficient, ie, the payment of such coupon is likely to result in losses during the current year, the balance of coupon payment may be made out of revenue reserves and/or credit balance in profit and loss account provided the bank meets the minimum regulatory requirements for Common Equity Tier I [CET I], Tier I and Total Capital Ratios and capital buffer frameworks as prescribed by the Reserve Bank of India [RBI].*
- *The instrument may be written-down upon CET I breaching the pre-specified trigger of 5.5% before March 31, 2019, and 6.125% on and after March 31, 2019, or written-off / converted into common equity shares on occurrence of trigger event called point of non-viability (PONV). The PONV trigger shall be determined by RBI.*

Any delay in the payment of interest/principal (as the case may be) due to invocation of any of the features mentioned above would constitute as an event of default as per CARE's definition of default and as such these instruments may exhibit a somewhat sharper migration of the rating compared with the conventional subordinated debt instruments.

Rating Rationale

The ratings assigned to the debt instruments of Bank of Maharashtra (BOM) continue to derive strength from the majority ownership by the Government of India (GoI), adequate capitalisation

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

parameters, moderate operating performance and stable proportion of Current Account Saving Account (CASA) deposits.

The ratings are constrained by continued deterioration in asset quality of the bank during FY16 (refers to the period April 1 to March 31) resulting in stress on the profitability on account of increased cost of provisioning.

The continued ownership and support from the GoI, improvement in asset quality, capital adequacy and profitability are the key rating sensitivities.

Background

Bank of Maharashtra (CIN: U99999MH1935PTC002399) was incorporated in the year 1935 and is headquartered in Pune (Maharashtra). The Government of India (GOI) holds majority of stake [81.61% as on March 31, 2016] in the bank. The bank had a network of 1,895 branches and 1,861 ATMs as on March 31, 2016. Around 61% of the bank's branches are in the state of Maharashtra. All the branches of the bank are Core Banking Solution (CBS) enabled.

The bank has one wholly-owned subsidiary, The Maharashtra Executor and Trustee Company Private Limited (METCO), which is primarily in the business of managing public charitable and private trusts. The bank has sponsored 'Maharashtra Gramin Bank' (MGB) which is a Regional Rural Bank (RRB) having its head office at Aurangabad (Maharashtra). The bank is headed by Mr S. Muhnot who is the Chairman and Managing Director (CMD) of the bank.

During FY16 (refers to the period April 1 to March 31),the bank's deposits grew by 13.82% as compared to industry growth of 8.1% and its advances grew by 9.09% as compared to industry growth of 8.8%. During the year, the proportion of low cost Current Account Savings Account (CASA) remained at healthy level of 36.67% of total deposits.

BOM reported Profit After Tax (PAT) of Rs.101 crore on a total income of Rs.14,072 crore during FY16 as compared to PAT of Rs.451 crore on total income of Rs.13,671 crore during FY15. The total income for FY16 grew by 2.93% to Rs.14,072 crore as compared to Rs.1,3671 crore during FY15. The growth in Net Interest Income (NII) was almost flat registering a stagnated y-o-y growth of 0.09% with NII at Rs.3,879 crore during FY16 as compared to Rs.3,875 crore during FY15.

The asset quality of the bank saw significant deterioration during FY16 in line with the industry. The bank reported Gross NPA ratio of 9.34% (P.Y.: 6.33%) and net NPA ratio of 6.35% (P.Y.: 4.19%) as on March 31, 2016 while its Net NPA to Net worth ratio stood at 91.20% (P.Y.: 58.52%) as on March 31, 2016.

The bank reported Capital Adequacy Ratio (CAR) of 11.20% (Tier I CAR: 9.02%) (Under Basel III) as on March 31, 2016 as compared to CAR of 11.94% (Tier I CAR: 8.76%) as on March 31, 2015. Its Common Equity Tier I (CET I) ratio stood at 7.88% as on March 31, 2016 as compared to 7.48% as on March 31, 2015.

Analyst Contact
Name: Leena Marne
Tel: +91-020-40009019
Email:leena.marne@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

CONTACT

Head Office Mumbai

Mr. Saikat Roy
Mobile: + 91 98209 98779
E-mail: saikat.roy@careratings.com

Mr. Amod Khanorkar
Mobile: + 91 98190 84000
E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

CHANDIGARH
Mr. Sajan Goyal
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691