

AUGUST 23, 2016

CARE REAFFIRMS THE RATINGS OF LOWER TIER II AND UPPER TIER II BONDS OF CENTRAL BANK OF INDIA

Ratings

Instrument/Facility	Rated Amount (Rs. crore)	Ratings ¹	Remarks
Lower Tier II Bonds	659.1	CARE AA- [Double A Minus]	Reaffirmed
Upper Tier II Bonds	2,285.0	CARE A+ [Single A Plus]	Reaffirmed
Total Facilities	2944.1		

Rating Rationale

The ratings assigned to the facilities of Central Bank of India (CBI) factor in the majority ownership and capital support by the Government of India (GoI), long track record of operations with an extensive branch network, comfortable CASA base and average capitalisation. However, the ratings are constrained by weak asset quality, high level of restructured assets and weak profitability parameters. Continued ownership and support from GoI, capital adequacy, profitability and asset quality are the key rating sensitivities.

Background

Central Bank of India was founded on December 21, 1911, by Sir Sorabjee Pochkhanawalla. CBI is one of the major players in the Indian banking system with an asset base of Rs.305,466 crore as on March 31, 2016. Government of India (GoI) is the major shareholder with 79.94% stake as on March 31, 2016 (March 31, 2015 – 81.46%). The bank had a network of 4,728 branches and 5,254 ATMs as on March 31, 2016. All the branches are CBS enabled. About 60% of branches are in rural and semi urban areas.

During FY16 (refers to the period April 1 to March 31), the bank's profitability declined substantially & bank reported a net loss of Rs.1,419 crore. In the previous year, bank had reported a profit of Rs.606 crore due to lower provisions for NPAs and restructured assets. During the year, Bank raised Rs.165.57 crore from LIC by allotment of equity shares on preferential basis. Furthermore, the Bank has also received Rs.535 crore from Government of India on March 30, 2016, towards capital infusion by way of preferential allotment of equity. As a result, the bank's total capital adequacy ratio (as per Basel III) remained stable at 10.40% with Tier I CAR at 8.20% at the end of FY16. The bank will still require substantial capital infusion for funding future advances growth.

Bank's Asset quality parameters continue to be weak, however, with Gross NPA at 11.95% in FY16, as compared to 6.09% in FY15. Net NPA to Net worth increased to 95.7% at the end of FY16 from 43.5% at the end of FY15. The bank's outstanding standard restructured assets declined 63% to Rs.10,970 crore as on March 31, 2016, which is 6% of net advances [P.Y.: 15.7%] and 79% of net worth [P.Y.: 189%].

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

Analyst Contact

Name: Mr. Anuj Jain

Tel: 022-67543451

Cell: + 91-9892209428

Email: anuj.jain@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: + 9198209 98779

E-mail: saikat.roy@careratings.com**Mr. Amod Khanorkar**

Mobile: + 91 9819084000

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