DECEMBER 29, 2016

CARE REAFFIRMS RATINGS ASSIGNED TO VARIOUS INSTRUMENTS OF CENTRAL BANK OF INDIA WITH 'NEGATIVE' OUTLOOK

Ratings

Instrument/Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Lower Tier II Bonds	659.1	**CARE AA-; Negative (Double A Minus; Outlook: Negative)**	**Reaffirmed**
Upper Tier II Bonds	2285.0	**CARE A+; Negative (Single A Plus; Outlook: Negative)**	**Reaffirmed**
Total Facilities	**2944.1 (Rupees Two Thousand Nine Hundred And Forty Four Crore Ten Lakh Only)**		

CARE has rated the aforesaid Upper Tier II Bonds after taking into consideration their increased sensitiveness to Central Bank of India's Capital Adequacy Ratio (CAR), capital raising ability and profitability during the long tenure of the instruments. The rating factors in the additional risk arising due to the existence of the lock-in clause in the hybrid instruments. Any delay in payment of interest/principal (as the case may be) following invocation of the lock-in-clause, 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 to the conventional subordinated debt instruments.

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.

Outlook: Negative

The outlook reflects expectation of continued pressure on asset quality and profitability parameters of the bank going forward. The outlook may be revised to 'Stable' in case of sustainable improvement in bank's asset quality and earning profile.

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

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

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%].

During H1FY17, bank reported net loss of Rs.1242 crore on the total income of Rs.13628 crore. During H1FY17, bank's ROTA stood at -0.84%. As on September 30, 2016, bank's gross NPA and net NPA ratio further increased to 13.7% and 8.17% respectively. As on September 30, 2016, Total CAR (as per Basel III norms) stood at 10.15% with Tier I CAR at 8.07%.

Analyst Contact

Name: Mr. Anuj Jain
Tel: 022-67543451
Cell: + 91-9892209428
Email: anuj.jain@careratings.com

****For detailedRationale 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.

CONTACT

Head Office Mumbai

Mr. Amod Khanorkar
Mobile: + 91 9819084000
E-mail: amod.khanorkar@careratings.com

Mr. Saikat Roy
Mobile: + 9198209 98779
E-mail: saikat.roy@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
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
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, PashupatiAkshatHeights, Plot No. D-91,
Madho Singh Road, NearCollectorateCircle,
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 KumarSenate,
Plot No. 970, Bhamburda, SenapatiBapat Road,
ShivajiNagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail:pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691