

Oriental Bank of Commerce (Revised)

September 11, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Basel III Compliant Tier II Bonds	3,000	CARE A+ [Single A Plus] (under credit watch with developing implications)	Placed on Credit Watch with Developing implications
Lower Tier II Bonds	1,025	CARE A+ [Single A Plus] (under credit watch with developing implications)	Placed on Credit Watch with Developing implications
Upper Tier II Bonds	700 [^]	CARE A [Single A] (under credit watch with developing implications)	Placed on Credit Watch with Developing implications
Perpetual Tier I Bonds	600	CARE A [Single A] (under credit watch with developing implications)	Placed on Credit Watch with Developing implications
Total	5,325 (Rupees Five Thousand Three Hundred and Twenty Five crore only)		

[^]Upper Tier II Bonds of Rs.500 crores (ISIN: INE141A09090) has been redeemed after exercising call option by the bank on February 12, 2019.

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to various instruments of Oriental Bank of Commerce have been placed on **Credit Watch with Developing Implications**. This has been done on account of the announcements made by the Ministry of Finance (MoF) GoI, with respect to the proposed amalgamation of public sector banks, up-fronting of capital infusion earmarked for fiscal 2020 and measures to improve corporate governance standards of public sector banks.

On August 30, 2019, MoF announced proposed amalgamation of ten public sector banks into four banks, under which Punjab National Bank (**PNB: CARE AA/AA-*/A+[@]/A1+[#]; under credit watch with developing implications**) will act as an anchor bank and will take over Oriental Bank of Commerce and United Bank of India (**UBI: CARE A+/CARE A-*; under credit watch with developing implications**). The proposed amalgamation plan is currently undergoing various levels of approval processes. In the long term, the banks are expected to benefit from larger scale of operations leading to higher lending capacity, potential operational and cost efficiencies; however, in the short to medium term, the banks may face some operational challenges with respect to integration process.

The MoF has also announced upfront capital infusion of Rs.55,250 crores (out of total capital infusion plans of Rs.70,000 crores earmarked for FY20) with an aim to strengthen the capital structure of public sector banks. Additionally to increase governance standards of PSBs, MoF has allowed bank boards to take decisions with respect to succession plans and has advised banks to recruit chief risk officers at market linked compensation levels to attract suitable candidates.

The Board of Punjab National Bank (PNB) on September 05, 2019 has given in-principle approval for the amalgamation of Oriental Bank of Commerce (OBC) and United Bank of India (UBI) in Punjab National Bank (PNB). On completion of amalgamation, Punjab National Bank will be the second largest public sector bank in terms of asset size.

* (For Upper Tier II Bonds & Perpetual Bonds), [@] (For BASEL III Tier I Bonds) and [#] (For Certificate of Deposits)

The detailed description of the key rating factors is contained in the [press release](#) dated May 22, 2019.

Analytical approach: Standalone, factoring in capital support and majority ownership of Government of India being a public sector bank

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

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for placing rating on credit watch](#)

[CARE's Rating Methodology for Banks](#)

[Financial Sector –Financial Ratios](#)

[Factoring Linkages in Ratings](#)

About the Company

OBC was established in Lahore on February 19, 1943, by Late Rai Bahadur Lala Sohan Lal, the first Chairman of the Bank. The registered office of the Bank was shifted to Delhi in 1950. The Bank was nationalized on April 15, 1980 and became a public sector bank. The majority stakeholder of OBC is Government of India (GoI), which held 87.58% stake in the bank as on March 31, 2019. As on March 31, 2019, the Bank is operating through a network of 2,390 branches across India.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total Income	20,181	20,537
PAT	-5,872	55
Net Advances	1,36,368	1,59,285
Net NPA (%)	10.48	5.93
ROTA (%)	-ve	0.02
Capital Adequacy Ratio (%)	10.50	12.73

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Bonds-Upper Tier II	February 12, 2009	8.75%	12-Feb-24	500.00^	CARE A (Under Credit watch with Developing Implications)
Bonds-Perpetual Bonds	December 17, 2009	9.10%	Perpetual;	300.00	CARE A (Under Credit watch with Developing Implications)
Bonds-Perpetual Bonds	September 17, 2010	9.10%	Perpetual	300.00	CARE A (Under Credit watch with Developing Implications)
Bonds-Lower Tier II	November 30, 2012	8.93%	30-Nov-22	300.00	CARE A+ (Under Credit watch with Developing Implications)
Bonds-Upper Tier II	September 20, 2010	8.68%	20-Sep-25	200.00	CARE A (Under Credit watch with Developing Implications)
Bonds-Lower Tier II	November 30, 2012	8.93%	30-Nov-22	725.00	CARE A+ (Under Credit watch with Developing Implications)
Bonds-Tier II Bonds	October 27, 2014	9.20%	27-Oct-24	1000.00	CARE A+ (Under Credit watch with Developing Implications)
Bonds-Tier II Bonds	October 26, 2015	8.34%	26-Oct-25	1000.00	CARE A+ (Under Credit watch with Developing Implications)
Bonds-Tier II	June 24, 2016	9.05%	24-Jun-26	1000.00	CARE A+ (Under Credit

Bonds					watch with Developing Implications)
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[^]Upper Tier II Bonds of Rs.500 crores (ISIN: INE141A09090) has been redeemed after exercising call option by the bank on February 12, 2019.

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Bonds-Lower Tier II	LT	-	-	-	-	-	1)Withdrawn (06-Sep-16)
2.	Bonds-Upper Tier II	LT	-	-	-	-	-	1)Withdrawn (06-Sep-16)
3.	Bonds-Lower Tier II	LT	-	-	-	-	1)Withdrawn (18-Aug-17)	1)CARE AA; Negative (20-Dec-16) 2)CARE AA (06-Sep-16)
4.	Bonds-Upper Tier II	LT	500.00	CARE A (Under Credit watch with Developing Implications)	1)CARE A; Stable (22-May-19)	1)CARE A; Negative (25-Sep-18) 2)CARE A+; Negative (22-May-18)	1)CARE A+; Negative (18-Aug-17)	1)CARE AA-; Negative (20-Dec-16) 2)CARE AA- (06-Sep-16)
5.	Bonds-Perpetual Bonds	LT	-	-	-	-	-	1)Withdrawn (20-Dec-16) 2)CARE AA- (06-Sep-16)
6.	Bonds-Perpetual Bonds	LT	300.00	CARE A (Under Credit watch with Developing Implications)	1)CARE A; Stable (22-May-19)	1)CARE A; Negative (25-Sep-18) 2)CARE A+; Negative (22-May-18)	1)CARE A+; Negative (18-Aug-17)	1)CARE AA-; Negative (20-Dec-16) 2)CARE AA- (06-Sep-16)
7.	Bonds-Perpetual Bonds	LT	300.00	CARE A (Under Credit watch with Developing Implications)	1)CARE A; Stable (22-May-19)	1)CARE A; Negative (25-Sep-18) 2)CARE A+; Negative (22-May-18)	1)CARE A+; Negative (18-Aug-17)	1)CARE AA-; Negative (20-Dec-16) 2)CARE AA- (06-Sep-16)
8.	Bonds-Lower Tier II	LT	300.00	CARE A+ (Under Credit watch with Developing Implications)	1)CARE A+; Stable (22-May-19)	1)CARE A+; Negative (25-Sep-18) 2)CARE AA-; Negative (22-May-18)	1)CARE AA-; Negative (18-Aug-17)	1)CARE AA; Negative (20-Dec-16) 2)CARE AA (06-Sep-16)
9.	Bonds-Upper	LT	200.00	CARE A	1)CARE	1)CARE A;	1)CARE A+;	1)CARE AA-;

	Tier II			(Under Credit watch with Developing Implications)	A; Stable (22-May-19)	Negative (25-Sep-18) 2)CARE A+; Negative (22-May-18)	Negative (18-Aug-17)	Negative (20-Dec-16) 2)CARE AA- (06-Sep-16)
10.	Bonds-Lower Tier II	LT	725.00	CARE A+ (Under Credit watch with Developing Implications)	1)CARE A+; Stable (22-May-19)	1)CARE A+; Negative (25-Sep-18) 2)CARE AA-; Negative (22-May-18)	1)CARE AA-; Negative (18-Aug-17)	1)CARE AA; Negative (20-Dec-16) 2)CARE AA (06-Sep-16)
11.	Bonds-Tier II Bonds	LT	1000.00	CARE A+ (Under Credit watch with Developing Implications)	1)CARE A+; Stable (22-May-19)	1)CARE A+; Negative (25-Sep-18) 2)CARE AA-; Negative (22-May-18)	1)CARE AA-; Negative (18-Aug-17)	1)CARE AA; Negative (20-Dec-16) 2)CARE AA (06-Sep-16)
12.	Bonds-Tier I Bonds	LT	-	-	-	1)Withdrawn (22-May-18)	1)CARE A (Under Credit watch with Developing Implications) (06-Feb-18) 2)CARE A; Negative (18-Aug-17)	1)CARE A+; Negative (20-Dec-16) 2)CARE A+ (30-Sep-16) 3)CARE A+ (06-Sep-16)
13.	Bonds-Tier II Bonds	LT	1000.00	CARE A+ (Under Credit watch with Developing Implications)	1)CARE A+; Stable (22-May-19)	1)CARE A+; Negative (25-Sep-18) 2)CARE AA-; Negative (22-May-18)	1)CARE AA-; Negative (18-Aug-17)	1)CARE AA; Negative (20-Dec-16) 2)CARE AA (06-Sep-16)
14.	Bonds-Tier II Bonds	LT	1000.00	CARE A+ (Under Credit watch with Developing Implications)	1)CARE A+; Stable (22-May-19)	1)CARE A+; Negative (25-Sep-18) 2)CARE AA-; Negative (22-May-18)	1)CARE AA-; Negative (18-Aug-17)	1)CARE AA; Negative (20-Dec-16) 2)CARE AA (06-Sep-16) 3)CARE AA (23-Jun-16)
15.	Bonds-Tier I Bonds	LT	-	-	-	1)Withdrawn (22-May-18)	1)CARE A (Under Credit watch with Developing Implications) (06-Feb-18) 2)CARE A; Negative (18-Aug-17)	-

Note on complexity levels of the rated instrument: 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.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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