



Press Release
Bank of Maharashtra
December 18, 2024
Rating Reaffirmed

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---|------------------|----------------------------------|-------------------|
| BOND | 2000.00 | ACUITE AA Stable Reaffirmed | - |
| BOND | 3000.00 | ACUITE AA+ Stable Reaffirmed | - |
| Total Outstanding Quantum (Rs. Cr) | 5000.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuite has reaffirmed the long-term rating of ‘**ACUITE AA**’ (read as **ACUITE double A**) on the Rs.2000.00 Cr. Basel III Additional Tier-I Bonds of Bank of Maharashtra. The outlook is ‘**Stable**’.

Acuite has reaffirmed the long-term rating to ‘**ACUITE AA+**’ (read as **ACUITE double A plus**) on the Rs. 3000.00 Cr. Basel III Tier-II Bonds of Bank of Maharashtra. The outlook is ‘**Stable**’.

Rationale for the rating

The rating continues to take into account the strong ownership (GoI held 79.60 percent stake as on October 05, 2024) and demonstrated capital support from the Government of India. The rating also factors bank’s favourable and stable liability profile with better than industry average CASA share of 49.29 percent as on September 30, 2024 (52.73 percent as on Mar 31, 2024). The bank’s comfortable capitalization levels is marked by CAR and Tier I of 17.26 percent and 13.13 percent respectively as on September 30, 2024 (CAR:17.61 percent and Tier I :13.72 percent as on September 30 ,2023). The bank raised Rs. 3500 Cr. via QIP route on 5th October, 2024. Driven by traction in credit growth in Corporate and RAM segment and healthy margins, the bank has been reporting improvement in operating performance. The ratings further take into account improvement in asset quality due to lower slippages resulting in GNPA of 1.84 percent as on September 2024 (March 31, 2024: 1.88 percent). The Provision Coverage Ratio (PCR)(Including technical write-offs) stood at 98.31 percent as on September 2024 (98.40 percent as on September 2023) which provides adequate buffer to mitigate asset quality pressures in the near to medium term.

These strengths are partly offset by the bank’s relatively moderate scale of operations, and regional concentration in the state of Maharashtra. However, the bank is in the process of expanding their pan India presence by opening new branches. Going forward, continued GoI support, the bank’s ability to maintain improvement in credit profile are key monitorable.

About the company

Established in 1935, Bank of Maharashtra (BoM) is a public sector bank engaged in retail banking, corporate/wholesale banking, priority sector banking, treasury operations and other banking services. BoM was nationalised by the Government of India (GoI) along with 14 other major commercial banks in 1969. The bank is headquartered in Pune and operates through a network of 2508 branches across India as on September 30, 2024. GoI is a majority stakeholder with 79.60 percent stake in the bank as on October 05, 2024.

Unsupported Rating

Not applicable

Analytical Approach

Acuite has adopted a standalone approach while assessing the business and financial risk profile of Bank of

Maharashtra and considered features of AT-I Bonds viz. discretion in coupon payment, coupon omission risk and principal write down/loss absorption and in arriving at the rating.

Key Rating Drivers

Strength

Ownership and demonstrated capital support from the Government

BoM remains one of the 12 public sector banks in India subsequent to the consolidation exercise undertaken by the GoI in FY19-20. The bank operates through an extensive network of 2508 spread across both rural and urban areas with a strong regional franchise and majority branches being in Maharashtra. As of October 05, 2024 the Government holds 79.60 percent stake in the bank and demonstrated its proactive support to the bank through a regular equity infusion of funds underlining its strategic importance of the bank in furthering the objective of financial inclusion.

Acuité believes that the Government will continue to provide significant support not only for the large and consolidated public sector banks but also for the mid-size banks such as BoM which have a significant presence in particular states and play a key role in the penetration of financial services and social development therein. Nonetheless, any material dilution in stake by the Government as part of the divestment programme will be a key monitorable. In our opinion, such a likelihood is low in the near to medium term.

Comfortable capitalization levels & resources profile

The capital adequacy and Tier I ratio stood 17.26 percent and 13.13 percent respectively as on September 2024 (CAR: 17.61 percent and Tier I: 13.72 percent as on September 30, 2023) reflecting an adequate cushion to withstand incremental losses without further capital infusion. The capital position is further reinforced by a strong provision coverage of 98.31 percent (including tec write-offs) as on September 30, 2024. The resource profile derives strength from robust Current Account Savings Account (CASA) base of the bank which is highest among the PSU banks at 52.73 percent as on 31st March 2024 as against 53.38 percent as on 31st March 2023. The CASA ratio in H1FY25 saw a deterioration and stood at 49.29 percent in September 2024 in results to shift towards fixed deposits due higher interest rates on term deposits as against savings deposits. The banks total deposits grew by 15.46 percent which was higher than the industry growth, growing from Rs 2,39,298 Cr. on September 30, 2023 to Rs 2,76,289 Cr. on September 30, 2024.

Acuité believes that capital position will remain adequate in the near to medium term considering the bank's plan of raising equity through QIP, AT-I and Tier-II bonds ensuring the continuity of adequate capital position. Acuité also expects Bank of Maharashtra to continue to benefit by way of access to lower cost of funds on the back of its sovereign parentage, stable retail deposit base and robust CASA share.

Improvement in asset quality & operating performance

The bank's GNPA levels have improved to 1.84 percent as on September 30, 2024, from 2.19 percent as on September 30, 2023, due declining slippages coupled with improving recoveries. Further, the extent of the stress in the advance's portfolio has diminished in the current year, which is reflected in the low slippage ratio.

The rating continues to factor in high provision coverage (including technical write-offs) of 98.31 percent as on September 30, 2024, which provides adequate buffer to mitigate asset quality pressures in the near to medium term.

The bank has been able to improve its resources profile by focusing on CASA deposits. Healthy CASA franchise coupled with focus on improving RAM (retail, agriculture and MSME) advances has led to healthy margins. RAM (retail, agriculture and MSME) advances stood at 62.13 percent of the gross advances as on September 30, 2024. The bank has witnessed noticeable and sustained improvement in financial performance marked by profits (PAT) of Rs. 2,620 Cr. in H1FY25 (Rs. 1,802 Cr. in H1FY24). For FY2024 profit stood at Rs. 4,055.03 Cr. as compared to Rs 2,602.04 Cr. in FY2023. The yield on funds improved to 7.84 percent in September 2024 (September 2023: 7.40 percent), cost of funds stood at 4.14 percent in H1FY25 which led to improvement in NIM to 3.98 percent in H1FY25 as against 3.88 percent in H1FY24.

While Acuité take cognizance of improvement in profitable parameter it continues to remain moderate.

Weakness

Regional Concentration

While Maharashtra is one of the more economically developed states in India, BoM has a high concentration in the state in terms of advances and deposits. It is the only bank with nearly 46 percent of its branch network and more than 60 percent of its business in Maharashtra as on March 31, 2024. The high concentration may have an impact on not only asset quality but also on the growth of deposits and advances in the near term.

ESG Factors Relevant for Rating

Public sector banks play a significant role in promoting financial inclusion in the country including facilitation of banking services in unbanked areas. Healthy corporate governance practices are important for sustainability in a bank's long-term performance. Some of the critical governance factors in the banking sector include board independence and diversity, effectiveness of the board sub committees, shareholders' rights as well as policies on KMP compensation and business ethics. Further, for the financial services sector, data privacy, security of financial instruments and responsible investments are relevant social factors. Other material social factors involve employee management and talent retention given the manpower intensive nature of banking operations as also

various initiatives for community support and development. While the banking sector has low exposure to environmental risks, energy efficiency and electronic waste management carry moderate materiality.

Bank of Maharashtra's board comprises of eight directors. Bank of Maharashtra maintains adequate disclosures for business ethics which can be inferred from its policies relating to Grievance Redressal, corruption mitigation, whistle blower protection, Credit risk mitigation techniques and related party transactions. Bank has taken multiple steps towards enhancement of shareholder rights. The bank has formed a stakeholders' relationship committee for redressal of grievances of shareholders and investors. The bank has formed customers service committees at branch level. The bank board also has a committee for performance evaluation of MD & CEO, Executive Directors and General Managers; this committee is constituted as per Government of India, Ministry of Finance, Department of Financial Services directives. On the social aspect, the bank has taken initiatives towards career development of its employees such as conducting training programs and sponsoring senior employees in reputed training institutes. The bank has put in place cyber security policy and periodically carries out assessment on cyber security awareness through online tests, online surveys etc. Further, as part of Corporate Social Responsibility (CSR), Bank is undertaking various social activities through its various centers and trusts like Rural Development Centre (RDCs), Mahabank Agricultural Research and Rural Development Foundation (MARDEF) and Gramin Mahila Va Balak Vikas Mandal (GMBVM) in the areas of Agriculture, Rural development & women empowerment.

Rating Sensitivity

- ✦ Ownership of GoI and continuing support by way of equity infusion.
- ✦ Significant movements in asset quality and profitability parameters.
- ✦ Movement in overall deposit base.
- ✦ Any sharp deterioration in capital position of the bank with capital adequacy coming closer to the regulatory minimum.

Liquidity Position

Strong

The bank's liquidity position is supported by robust deposit base. Its liquidity coverage ratio stood at 110.95 percent for the quarter ended September, 2024 as against minimum regulatory requirement of 100percent. Further, the Total High Quality Liquid Assets (HQLAs) for the quarter ended September, 2024 stood at Rs. 65,231.23 Cr.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

| Particulars | Unit | FY24 (Actual) | FY23 (Actual) |
|---------------------------------|---------|---------------|---------------|
| Interest Income | Rs. Cr. | 20,494.69 | 15,898.46 |
| Interest Expense | Rs. Cr. | 10,672.84 | 8,157.68 |
| Profit After Tax (PAT) | Rs. Cr. | 4,055.03 | 2,602.04 |
| Deposits | Rs. Cr. | 2,70,747.17 | 2,34,082.68 |
| Gross Advances | Rs. Cr. | 2,03,663.95 | 1,75,119.50 |
| Investments (Net) | Rs. Cr. | 68,274.12 | 68,866.95 |
| Capital Adequacy | (%) | 17.38 | 18.14 |
| Return on Average Assets (RoAA) | (%) | 1.41 | 1.04 |
| Gross NPA | (%) | 1.88 | 2.47 |

Status of non-cooperation with previous CRA (if applicable):

Not applicable

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--|-----------|-----------------|--|
| 19 Dec 2023 | Basel III AT1 Bonds | Long Term | 290.00 | ACUITE AA Stable (Reaffirmed) |
| | Basel III AT1 Bonds | Long Term | 710.00 | ACUITE AA Stable (Reaffirmed) |
| | Basel III AT1 Bonds | Long Term | 880.00 | ACUITE AA Stable (Reaffirmed) |
| | Proposed Perpetual Additional Tier I Bonds | Long Term | 120.00 | ACUITE AA Stable (Reaffirmed) |
| | Basel III Tier II Bonds | Long Term | 259.00 | ACUITE AA+ Stable (Reaffirmed) |
| | Basel III Tier II Bonds | Long Term | 515.00 | ACUITE AA+ Stable (Reaffirmed) |
| | Proposed Basel III compliant Tier II Bonds | Long Term | 146.30 | ACUITE AA+ Stable (Reaffirmed) |
| | Proposed Basel III compliant Tier II Bonds | Long Term | 1000.00 | ACUITE AA+ Stable (Reaffirmed) |
| | Basel III Tier II Bonds | Long Term | 200.70 | ACUITE AA+ Stable (Reaffirmed) |
| | Basel III Tier II Bonds | Long Term | 205.00 | ACUITE AA+ Stable (Reaffirmed) |
| | Basel III Tier II Bonds | Long Term | 100.00 | ACUITE AA+ Stable (Reaffirmed) |
| | Proposed Basel III compliant Tier II Bonds | Long Term | 226.00 | ACUITE AA+ Stable (Reaffirmed) |
| | Basel III Tier II Bonds | Long Term | 348.00 | ACUITE AA+ Stable (Reaffirmed) |
| 19 Dec 2022 | Basel III AT1 Bonds | Long Term | 290.00 | ACUITE AA Stable (Reaffirmed) |
| | Basel III AT1 Bonds | Long Term | 710.00 | ACUITE AA Stable (Reaffirmed) |
| | Proposed Perpetual Additional Tier I Bonds | Long Term | 1000.00 | ACUITE AA Stable (Assigned) |
| | Proposed Basel III compliant Tier II Bonds | Long Term | 146.30 | ACUITE AA+ Stable (Reaffirmed) |
| | Proposed Basel III compliant Tier II Bonds | Long Term | 1000.00 | ACUITE AA+ Stable (Reaffirmed) |
| | Basel III Tier II Bonds | Long Term | 200.70 | ACUITE AA+ Stable (Reaffirmed) |
| | Basel III Tier II Bonds | Long Term | 205.00 | ACUITE AA+ Stable (Reaffirmed) |
| | Basel III Tier II Bonds | Long Term | 100.00 | ACUITE AA+ Stable (Reaffirmed) |
| | Proposed Basel III compliant Tier II Bonds | Long Term | 1000.00 | ACUITE AA+ Stable (Reaffirmed) |
| | Basel III Tier II Bonds | Long Term | 348.00 | ACUITE AA+ Stable (Reaffirmed) |
| 28 Feb 2022 | Proposed Perpetual Additional Tier I Bonds | Long Term | 1000.00 | ACUITE AA Stable (Upgraded from ACUITE AA- Stable) |
| | Proposed Basel III compliant Tier II Bonds | Long Term | 1000.00 | ACUITE AA+ Stable (Upgraded from ACUITE AA Stable) |
| | Basel III Tier II Bonds | Long Term | 200.70 | ACUITE AA+ Stable (Upgraded from ACUITE AA Stable) |
| | Basel III Tier II Bonds | Long Term | 205.00 | ACUITE AA+ Stable (Upgraded from ACUITE AA Stable) |
| | Basel III Tier II Bonds | Long Term | 100.00 | ACUITE AA+ Stable (Upgraded from ACUITE AA Stable) |
| | Proposed Basel III compliant Tier II Bonds | Long Term | 1000.00 | ACUITE AA+ Stable (Assigned) |

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|--|--|-----------|--------|--|
| | Proposed Basel III compliant Tier II Bonds | Long Term | 494.30 | ACUITE AA+ Stable (Upgraded from ACUITE AA Stable) |
|--|--|-----------|--------|--|

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Complexity Level | Rating |
|----------------|----------------------|--|----------------------|----------------------|----------------------|-------------------|------------------|---|
| Not Applicable | INE457A08100 | Basel III AT1 Bonds | 24 Mar 2022 | 8.75 | 31 Dec 9999 | 290.00 | Highly Complex | ACUITE AA Stable Reaffirmed |
| Not Applicable | INE457A08118 | Basel III AT1 Bonds | 08 Sep 2022 | 8.74 | 31 Dec 9999 | 710.00 | Highly Complex | ACUITE AA Stable Reaffirmed |
| Not Applicable | INE457A08134 | Basel III AT1 Bonds | 26 Dec 2022 | 8.74 | 31 Dec 9999 | 880.00 | Highly Complex | ACUITE AA Stable Reaffirmed |
| Not Applicable | INE457A08142 | Basel III Tier II Bonds | 18 Sep 2023 | 7.98 | 18 Sep 2033 | 515.00 | Highly Complex | ACUITE AA+ Stable Reaffirmed |
| Not Applicable | INE457A08068 | Basel III Tier II Bonds | 14 Dec 2020 | 7.75 | 13 Dec 2030 | 200.70 | Highly Complex | ACUITE AA+ Stable Reaffirmed |
| Not Applicable | INE457A08076 | Basel III Tier II Bonds | 11 Feb 2021 | 8 | 11 Feb 2031 | 205.00 | Highly Complex | ACUITE AA+ Stable Reaffirmed |
| Not Applicable | INE457A08084 | Basel III Tier II Bonds | 23 Mar 2021 | 8 | 23 Mar 2031 | 100.00 | Highly Complex | ACUITE AA+ Stable Reaffirmed |
| Not Applicable | INE457A08126 | Basel III Tier II Bonds | 07 Dec 2022 | 8 | 07 Dec 2032 | 348.00 | Highly Complex | ACUITE AA+ Stable Reaffirmed |
| Not Applicable | INE457A08159 | Basel III Tier II Bonds | 14 Dec 2023 | 7.99 | 14 Dec 2033 | 259.00 | Highly Complex | ACUITE AA+ Stable Reaffirmed |
| Not Applicable | Not avl. / Not appl. | Proposed Basel III compliant Tier II Bonds | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 146.30 | Highly Complex | ACUITE AA+ Stable Reaffirmed |
| Not Applicable | Not avl. / Not appl. | Proposed Basel III compliant Tier II Bonds | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 1000.00 | Highly Complex | ACUITE AA+ Stable Reaffirmed |
| Not Applicable | Not avl. / Not appl. | Proposed Basel III compliant Tier II Bonds | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 226.00 | Highly Complex | ACUITE AA+ Stable Reaffirmed |
| Not Applicable | Not avl. / Not appl. | Proposed Perpetual Additional Tier I Bonds | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 120.00 | Highly Complex | ACUITE AA Stable Reaffirmed |

Contacts

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About Acuité Ratings & Research

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