

June 08, 2022^(Revised)

Bank of India: Migration of the rating outstanding on the medium-term rating scale to the long-term rating scale

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fixed Deposit Programme	-	-	[ICRA]AA+ (Stable); Migrated from MAAA (Stable)
Total	-	-	

*Instrument details are provided in Annexure-1

Rationale

In compliance with the circular [SEBI/HO/MIRSD/MIRSD_CRADT/P/CIR/2021/594] issued by the Securities and Exchange Board of India (SEBI) on July 16, 2021 and the subsequent circular (SEBI/HO/MIRSD/MIRSD_CRADT /P/CIR/2022/43) of April 1, 2022, for standardising the rating scales used by credit rating agencies, ICRA has discontinued the medium-term rating scale which was being used to assign ratings to the fixed deposit programmes of entities.

Accordingly, ICRA has migrated the rating currently outstanding for the fixed deposits programme of Bank of India (BoI) from the medium-term rating scale to the long-term rating scale. The medium-term rating scale of ICRA was a 14-point scale, while the long-term rating scale is a 20-point scale. The migration of the rating has resulted in a change in the rating symbol; however, this is to be construed only as a recalibration of the rating from one scale to another and not as a reflection of a change in the credit risk of the fixed deposit programme.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, rating sensitivities and key financial indicators: [Click here](#)

Rating sensitivities

Positive factors – ICRA could revise the outlook to Positive and/or upgrade the rating if the bank is able to enhance its profitability, with an RoA of >1%, coupled with an improvement in the solvency profile with net stressed assets/core equity improving to less than 20% on a sustained basis while maintaining Tier I cushions of >2% over the regulatory Tier I levels (including capital conservation buffers).

Negative factors – The rating will be reassessed in case of a change in the sovereign ownership. ICRA could also revise the outlook to Negative and/or downgrade the rating if the asset quality or capitalisation profile deteriorates, thereby weakening the solvency profile with net stressed assets/core equity exceeding 30% on a sustained basis. Further, a sustained RoA of <0.3% and/or a decline in the capital cushions over the regulatory levels to less than 1% on a sustained basis will remain negative triggers.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA Rating Methodology for Banks and Financial Institutions Impact of Parent or Group Support on an Issuer's Credit Rating
Parent/Group Support	The rating factors in BoI's sovereign ownership and the demonstrated track record of capital infusion by the GoI.
Consolidation/Standalone	To arrive at the rating, ICRA has considered the standalone financials of BoI. However, in line with ICRA's limited consolidation approach, the capital requirement of the BoI Group's key subsidiaries/associates/joint ventures, going forward, has been factored in.

About the company

Bank of India (BoI) was incorporated in 1906 and was nationalised, along with 13 other banks, in July 1969. The Government of India's (GoI) stake in the bank was 81.41% as on March 31, 2022. As per ICRA's estimates, the bank had a market share of 3.7%, 4.1% and 3.8%, respectively, in the total advances, deposits and assets of the Indian banking sector as on December 31, 2021. As on March 31, 2022, BoI had a widespread network of 5,127 branches and 4,896 ATMs across India.

For FY2022, BoI reported a net profit of Rs. 3,405 crore on a total asset base of Rs. 7.28 lakh crore compared to a net profit of Rs. 2,160 crore in FY2021 on a total asset base of Rs. 7.20 lakh crore. BoI's asset quality indicators – gross non-performing advances (GNPA%) and net NPAs (NNPA%) – stood at 9.98% and 2.34%, respectively, as on March 31, 2022 compared to 13.77% and 3.35%, respectively, as on March 31, 2021. Its capital metrics – CET I%, Tier I% and CRAR% – stood at 14.02%, 14.44% and 17.04%, respectively, as on March 31, 2022, against 11.51%, 11.96% and 14.93%, respectively, as on March 31, 2021.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years					
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2019		
				Jun-08-2022	Apr-21-2022	Apr-29-2021	Apr-30-2020	Mar-13-2019	Jul-27-2018	Jun-13-2018
1 Fixed Deposit Programme	Long Term	-	-	[ICRA]AA+ (Stable)	MAAA (Stable)	MAA+ (Stable)	MAA+ (Stable)	MAA+ (Stable)	MAA+ (Negative)	MAA+ (Negative)

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fixed Deposit Programme	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](https://www.icra.in)

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fixed Deposit Programme	-	-	-	-	[ICRA]AA+ (Stable)

Source: Bank of India

Annexure-2: List of entities considered for consolidated analysis

Company name	Ownership*	Consolidation approach
BOI Shareholding Limited	100%	Limited consolidation
BOI Star Investment Managers Private Limited	100%	Limited consolidation
BOI Star Trustee Services Private Limited	100%	Limited consolidation
BOI Merchant Bankers Limited	100%	Limited consolidation
PT Bank of India Indonesia Tbk	76%	Limited consolidation
Bank of India (Tanzania) Limited	100%	Limited consolidation
Bank of India (New Zealand) Limited	100%	Limited consolidation
Bank of India (Uganda) Limited	100%	Limited consolidation
STCI Finance Limited	29.96%	Limited consolidation
ASREC (India) Limited	26.02%	Limited consolidation
Indo Zambia Bank Limited	20%	Limited consolidation
Star Union Dai-Ichi Life Insurance Co. Limited	28.96%	Limited consolidation
Madhya Pradesh Gramin Bank	35%	Limited consolidation
Vidharbha Konkan Gramin Bank	35%	Limited consolidation
Aryavart Bank (erstwhile Gramin Bank of Aryavart)	35%	Limited consolidation

Source: BoI; *As on December 31, 2021

Corrigendum

Document dated June 08, 2022 has been corrected with revision as detailed below:

Rating sensitivities section added on page 1

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About ICRA Limited:

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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Branches



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