Bank of Maharashtra

April 19, 2018

Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Basel III Compliant Tier I Bonds	1,000.00	0.00	[ICRA]A-(hyb)(negative); withdrawn
Basel II Compliant Lower Tier II Bonds	1,130.00	1,130.00	[ICRA]AA-(Negative); outstanding
Basel II Compliant Upper Tier II Bonds	400.00	400.00	[ICRA]A+ (Negative); outstanding
Basel II Compliant Innovative Perpetual Debt Instrument	70.00	70.00	[ICRA]A+ (Negative); outstanding
Basel III Compliant Tier II Bonds Programme	1,000.00	1,000.00	[ICRA]AA-(hyb) (Negative); outstanding
Total	**3,600.00**	**2,600.00**	

Rating action

ICRA has withdrawn the rating of [ICRA]A-(hyb) (pronounced ICRA triple B minus hybrid) for the Rs. 1,000 crore Basel III Compliant Tier I Bonds of Bank of Maharashtra (BOM)[1].

ICRA has a rating outstanding of [ICRA]AA-(hyb) (pronounced ICRA AA minus hybrid) on Rs. 1,000 crore Basel III Complaint Tier II Bonds of BOM. ICRA has rating outstanding of [ICRA]AA- (pronounced as ICRA double A minus) on Rs. 1,130 crore Basel II Compliant Lower Tier II Bonds. ICRA also has a rating outstanding of [ICRA]A+ (pronounced ICRA A plus) on Rs. 400 crore Basel II Compliant Upper Tier II Bonds Programme and Rs. 70 crore Basel II Compliant Perpetual Debt Instruments of BOM. The outlook on the ratings is negative.

The letters “hyb” in parenthesis suffixed to a rating symbol stand for “hybrid”, indicating that the rated instrument is a hybrid subordinated instrument with equity-like loss-absorption features; such features may translate into higher levels of rating transition and loss-severity vis-à-vis conventional debt instruments.

Rationale

BOM has repaid the entire amount outstanding against Basel III Compliant Tier I Bonds post exercising the early call option in March 2018. BOM has exercised the early call option under regulatory event, as the bank was placed under prompt corrective action framework by the Reserve Bank of India. Of the Rs. 1,000 crore rated by ICRA for Basel III tier I Bonds, Rs. 500 crore had been utilised and has been repaid while the balance Rs. 500 crore has not been utilised. Since there is no amount outstanding against the rated instrument, the rating for Rs. 1,000 crore Basel III Compliant Tier I Bonds has been withdrawn.

[1] For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications

Outlook: Negative

The negative outlook takes into account ICRA's weak outlook on the bank's profitability amid its high levels of NPAs and low provisioning cover as well as capital requirement to meet the Basel III regulations.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below**.**

Links to applicable criteria:
ICRA Policy on Withdrawal and Suspension of Credit Rating
ICRA Rating Methodology for Banks

About the company:

The bank was registered in 1935 at Pune, Maharashtra as a public limited company by the name, The Bank of Maharashtra Ltd. with the objective of assisting small business enterprises, traders, self-employed and other common men. Subsequently, with increasing scale of operations, it became a scheduled bank in 1944 and acquired four small banks (Bank of Konkan Ltd., Bank of Nagpur Ltd., Bharat Industrial Bank Ltd and Banthia Bank Ltd) to expand its business operations. BOM was nationalised along with 13 other banks, in July 1969.

The bank had a wide network of 1,863 branches largely spread across Maharashtra as on December 31, 2017. During FY2017, the bank reported a net loss of Rs. 1,373 crore on a total asset base of Rs. 158,118 crore as on March 31, 2017 as against a net profit of Rs. 101 crore on a total asset base of Rs. 159,067 crore as on March 31, 2016. For 9MFY2018, BOM reported a loss of Rs. 1,032 crore as compared to a loss of Rs. 917 crore in 9MFY2017. BOM's gross and net NPAs stood at 19.1% and 12.2% as on December 31, 2017. The bank reported Tier I capital of 9.07% and CRAR of 11.29% as on December 31, 2017.

Key financial indicators

	FY2016	FY2017	9MFY2017	9MFY2018
Net interest income	3,879	3,175	2,411	2,509
Profit before tax	418	-2,143	-736	-1,772
Profit after tax	101	-1,373	-917	-1,032
Net advances	105,673	95,515	97,089	87,666
Total assets^	159,067	158,118	160,614	149,084
% CET I	7.88%	7.28%	7.19%	7.23%
% Tier I	9.02%	9.01%	9.00%	9.07%
% CRAR	11.20%	11.18%	11.28%	11.29%
% Net interest margin / Average total assets	2.6%	2.0%	2.0%	2.2%
% Net profit / Average total assets	0.1%	-0.9%	-0.8%	-0.9%
% Return on net worth	1.4%	-20.1%	-17.4%	-23.2%
% Gross NPAs	9.5%	16.9%	15.1%	19.1%
% Net NPAs	6.5%	11.8%	10.7%	12.2%
% Provision coverage excl. technical write offs	34.2%	34.7%	32.8%	41.1%
% Net NPA/ Net worth	91.2%	181.9%	157.6%	187.3%

All ratios as per ICRA calculations
^Net of revaluation reserves
Amount is Rs. crore
Source: Bank; ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Current Rating (FY2019)				Chronology of Rating History for the past 3 years				
						FY2018		FY2017		FY2016
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	April 2018	Aug 2017	Jun 2017	Nov 2016	Feb 2016	Nov 2015
1	Basel III Compliant Tier I Bonds	Long Term	1,000	0.00	Rating withdrawn	ICRA]A- (hyb) (Negative)	ICRA]A- (hyb) (Negative)	[ICRA]A(hyb) (Negative)	-	-
2	Basel II compliant Lower Tier II Bonds	Long Term	1,130	1,130	[ICRA]AA- (Negative)	[ICRA]AA- (Negative)	[ICRA]AA- (Negative)	[ICRA]AA (Negative)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
3	Basel II compliant Upper Tier II Bonds	Long Term	400	400	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]AA- (Negative)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
4	Basel II compliant Innovative Perpetual Debt Instrument	Long Term	70	70	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]AA- (Negative)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
5	Basel III Compliant Tier II Bonds Programme*	Long Term	1,000	500	[ICRA]AA- (hyb) (Negative)	[ICRA]AA- (hyb) (Negative)	[ICRA]AA- (hyb) (Negative)	[ICRA]AA(hyb) (Negative)	[ICRA]AA(hyb) (Stable)	-

*Balance amount unutilised

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE457A09140	Basel II compliant Lower Tier II Bonds	30-Sep-2009	8.74%	30-Apr-2019	130.00	[ICRA]AA-(negative)
INE457A09199	Basel II compliant Lower Tier II Bonds	31-Dec-2012	9.00%	31-Dec-2022	1000.00	[ICRA]AA-(negative)
INE457A09157	Basel II compliant Upper Tier II bonds	30-Sep-2009	8.95%	30-Sep-2024 (Call: 30-Sep-2019)	100.00	[ICRA]A+(negative)
INE457A09173	Basel II compliant Upper Tier II bonds	01-Feb-2010	8.65%	01-Feb-2025 (Call: 01-Feb-2020)	300.00	[ICRA]A+(negative)
INE457A09165	Basel II compliant Innovative Perpetual Debt Instrument	30-Sep-2009	9.25%	Perpetual (Call: 30-Sep-2019)	70.00	[ICRA]A+(negative)
INE457A08035	Basel III compliant Tier II bonds	27-Jun-2016	9.20%	27-Sep-2026	500.00	[ICRA]AA-(hyb)(negative)

Source: BOM

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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