



## Bank of Bahrain and Kuwait B.S.C. (Indian Operations)

### Rating History

	Amount Outstanding*	Maturity Date	Rating Outstanding	Previous Ratings
			Nov-11	Oct-10
Rs. 50 crore Certificate of Deposits Programme			A1+	A1+

ICRA has reaffirmed the A1+ (pronounced A one plus) rating to the Rs. 50 crore Certificates of Deposit Programme\* of Bank of Bahrain and Kuwait B.S.C (Indian Operations) (BBK-I). The highest-credit-quality rating is primarily based on the strong parentage of Bank of Bahrain and Kuwait B.S.C., Bahrain (rated at D+ for bank financial strength rating and Baa2 for bank deposits by Moody's Investors Service). The rating also takes into account the high capitalization levels and comfortable liquidity with favourable asset-liability profile.

Currently having only two branches in India (Mumbai and Hyderabad), BBK-I is planning to open more branches in India and increase its scale of operations. To support the Indian Operations, the parent has infused USD 30 million equity capital YTD FY12 into the bank. Also with the necessity to support the increasing scale of operations, profits are being retained in India. However, in ICRA's view, the ability of the bank to build significant deposit base remains limited owing to its limited franchise.

Advances base of BBK-I is diversified across industries, marked by progressive shift in profile to non-bill discounting portfolio FY11 onwards. Net advances base of the bank stood at Rs. 486 crore as on Sep 30, 2011 as compared to Rs. 383 crore as on March 31, 2011. With focus on improving its Net Interest Margins, there has been a continued focus on increasing non-bill discounting portfolio (non bill discounting portfolio forms 69% of the net advances as on September 30, 2011, as compared to 68% and 47% as on March 31, 2011 and March 31, 2010 respectively. Further, with the increase in the net worth of the bank, the single and the group exposure limit will increase which will enable to grow its business in a sustainable manner.

The focus of treasury activities in India is in the fixed income and forex markets. This also helps the operations to generate non-interest income and continue to maintain corporate client relationships. The bank typically maintains SLR in excess of statutory norms to the extent of 3-4% (current excess SLR of ~Rs. 30 crore). The bank intends to continue with the strategy maintaining a moderate excess SLR.

The regulatory capital adequacy of the bank has remained comfortable in comparison with the minimum regulatory requirement 9%. On account of a moderate growth in risk weighted assets, the capital adequacy ratio of the bank stood at 23.28% as on March 31, 2011 (Tier 1: 22.89%) as on March 31, 2011. The parent bank has strong focus on India and is evident from commitment of infusion of equity capital of USD 45 mn (USD 30 mn has come in YTD), resulting in overall capital of 32.81% (Tier 1: 32.41%) as on September 30, 2011. BBK-I expects higher business growth and better client accounts as the increase in capital base has resulted in the higher single and group borrower limits.

### Bank Profile

Bank of Bahrain and Kuwait B.S.C. is a Bahrain based bank. It commenced operations in India with its first branch in Mumbai in 1986. Further the bank has set-up another branch in Hyderabad. Bank of Bahrain and Kuwait B.S.C. (Indian Operations) [BBK-I] is engaged primarily in corporate banking activities and have a small retail presence in India. BBK-I reported a net profit of Rs. 14.30 crore on a

\* For complete rating scale and definitions please refer to ICRA's Website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



total income of Rs. 61.57 crore in FY10-11 as compared to Rs. 2.41 crore on a total income of Rs.50.71 crore in FY09-10. Total assets of the bank stood at Rs. 745.83 crore as on March 31, 2011 as compared to Rs. 692.33 crore as on March 31, 2010, thereby showing a growth of 7.7%.

### **Key Financial Indicators**

	Mar-11	Mar-10	Mar-09
Total Assets	745.83	692.33	609.80
Deposits	514.77	514.99	471.90
Advances	382.90	386.61	286.82
Equity Capital	58.40	58.40	58.40
Net Worth	106.08	100.23	89.36
Total Income	61.57	50.71	63.41
Net Profit	14.30	2.41	17.41
Net Interest Margins	3.93%	2.15%	4.13%
Core Fee based Income/Operating income	1.02%	1.15%	1.53%
Operating Expenses/Avg. Total Assets	2.40%	2.60%	3.05%
Operating Profits/Avg. Total Assets	2.85%	0.87%	3.58%
Profit after Tax / Average Total Assets	1.99%	0.37%	3.14%
Net Non-Performing Assets (NPA)/Loans (%)	0.52%	1.95%	0.09%
Capital/Risk Assets (%)	23.28%	25.01%	25.58%
Total Deposits/Total Liabilities (%)	69.02%	74.39%	77.39%
Loans/Deposits (%)	74.38%	75.07%	60.78%
Investment/Deposits (%)	45.30%	42.75%	31.61%
Savings Deposits/Total Deposits (%)	12.15%	11.46%	9.81%
Term Deposits/Total Deposits (%)	65.81%	68.08%	80.08%
<i>Note: Amounts In Rs. crore</i>			

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*For further details please contact:*

#### Analyst Contacts:

**Mr. Karthik Srinivasan** (Tel No. +91-22-30470028)  
karthiks@icraindia.com

#### Relationship Contacts:

**Mr. L. Shivakumar**, (Tel. No. +91-22-30470005)  
shivakumar@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**Mobile: **9871221122**Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91-124-4545350

**Mumbai****Mr. L. Shivakumar**Mobile: **91-22-30470005/9821086490**Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion, Appasaheb Marathe Marg,  
Prabhadevi, Mumbai - 400 025  
Ph : +91-22-2433 1046/ 1053/ 1062/ 1074/ 1086/ 1087  
Fax : +91-22-2433 1390

**Kolkata****Ms. Anuradha Ray**Mobile: **91-33-22813158/9831086462**Email: [anuradha@icraindia.com](mailto:anuradha@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna, 234/ 3A, A.J.C. Bose  
Road, Kolkata-700020.  
Tel: +91-33-2287 6617/ 8839/ 2280 0008  
Fax: +91-33-2287 0728

**Chennai****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre, 498 Anna Salai, Nandanam,  
Chennai-600035.  
Tel: +91-44-2433 3293/ 94, 2434 0043/ 9659/ 8080, 2433  
0724, Fax:91-44-24343663

**Bangalore****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

2 nd Floor. ,Vayudhoot Chambers, Trinity Circle, 15-16  
M.G.Road, Bangalore-560001.  
Tel:91-80-25597401/ 4049 Fax:91-80-25594065

**Ahmedabad****Mr. L. Shivakumar**Mobile: **9821086490**Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585494, 26582008,26585049, 26584924  
TeleFax:+91-79- 2648 4924

**Pune****Mr. L. Shivakumar**Mobile: **9821086490**Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills  
Road, Shivajinagar,Pune-411 020  
Tel : (91 20) 2556 1194 -96; Fax : (91 20) 2556 1231

**Hyderabad****Mr. M.S.K. Aditya**Mobile: **9963253777**Email: [adityamsk@icraindia.com](mailto:adityamsk@icraindia.com)

301, CONCOURSE, 3rd Floor, No. 7-1-58, Ameerpet,  
Hyderabad 500 016.  
Tel: +91-40-2373 5061 /7251 Fax: +91-40- 2373 5152