July 21, 2026

Bank of Maharashtra: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Basel III Tier II bonds	2,000.00	2,000.00	[ICRA]AA+ (Stable); reaffirmed	SEBI
Infrastructure bonds	10,000.00	10,000.00	[ICRA]AA+ (Stable); reaffirmed	SEBI
Total	**12,000.00**	**12,000.00**		

**Instrument details are provided in Annexure I; # SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.*

Rationale

The rating continues to factor in the sustained improvement in Bank of Maharashtra's (BoM) earnings profile, aided by the healthy growth in its loan book, steady margins and increasing operating efficiency, driving its operating profitability. Additionally, it reported an improvement in its headline asset quality indicators and solvency[1] metrics. The rating remains supported by the bank's majority sovereign ownership and its above-average resource profile, given its established retail network with a strong presence in Maharashtra. BoM has a high share of low-cost current account and savings account (CASA) deposits, which translates into a competitive cost of funds, supporting its profitability.

The bank continued its practice of providing for stressed assets upfront, aided by the transfer of provisions maintained on standard assets to non-performing advances (NPAs), which helped contain net additions to NPAs during the period. Coupled with the healthy growth in advances, this supported an improvement in the gross NPA (GNPA) ratio to 1.45% as on June 30, 2026 from 1.74% as on March 31, 2025. The vulnerable book (SMA-1, SMA-2[2] and standard restructured book) declined to 0.78% of standard advances as on June 30, 2026 from 1.12% as on March 31, 2025. Nonetheless, the asset quality will remain monitorable as the loan book seasons, given that the bank's credit growth has been high in the recent past. Additionally, uncertainty around the West Asia conflict could impact the asset quality and profitability profile. In this regard, BoM continues to hold contingent provisions that can absorb some of the incremental impact if the same materialises.

Healthy profitability continued to support the capitalisation metrics in FY2026, which are expected to remain comfortable, given BoM's resource-raising plans, including its intention to raise equity in the near term. ICRA also notes that the bank expects an impact of around Rs. 2,500 crore upon its transition to the expected credit loss (ECL) framework, against which it has started creating provisions (Rs. 255 crore so far). Consequently, the impact on the reported CET I ratio, which stood at 15.56% as on June 30, 2026, is expected to remain limited at 100-110 basis points (bps).

The Stable outlook on the rating reflects ICRA's expectation that the bank will be able to maintain a steady credit profile, with stable asset quality as well as healthy profitability and capitalisation.

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[1] Solvency is defined as (Net non-performing advances + Net non-performing investments + Net security receipts)/Core capital

[2] SMA is defined as a special mention account (SMA), which is an account exhibiting signs of incipient stress resulting in the borrower defaulting in the timely servicing of their debt obligations though the account has not yet been classified as an NPA as per the extant RBI guidelines; SMA-1 accounts are overdue by 31-60 days while SMA-2 accounts are overdue by 61-90 days. The reported amount refers to SMAs with amount outstanding of Rs. 5 crore and above

Key rating drivers and their description

Credit strengths

Sovereign ownership – The rating continues to factor in BoM's majority sovereign ownership, with the Government of India (GoI) holding 73.60% as on June 30, 2026. While its stake moderated from 79.60%, following an offer for sale (OFS) in FY2026 to reduce its shareholding in the bank to meet with the regulatory requirement of minimum public shareholding, the GoI remains the dominant shareholder and is expected to retain a significant presence in the bank's ownership structure. Historically, BoM has benefited from strong sovereign support, receiving cumulative capital infusions of Rs. 9,007 crore during FY2017-FY2020, which helped it absorb legacy stressed assets while maintaining regulatory capital requirements. Following its exit from the Prompt Corrective Action (PCA) framework in January 2019, the bank has reported a sustained improvement in its profitability, supported by the healthy growth in advances and relatively lower credit costs.

BoM's strong internal capital generation, healthy capitalisation levels, and comfortable buffers over the regulatory minimum requirements are expected to support its growth plans over the near-to-medium term. Nevertheless, given the bank's strategic importance and majority sovereign ownership, ICRA expects the GoI to extend capital support, if required, to support its growth and maintain adequate capitalisation.

Healthy capitalisation profile and solvency – BoM's capitalisation profile has remained comfortable with the CET I {as a percentage of risk-weighted assets (RWA)} at 15.56% as on June 30, 2026 (14.59% as on March 31, 2026), aided by healthy internal capital accretion and lending towards lower RWA density retail advances.

Furthermore, supported by the high provision coverage on its GNPAs, BoM's solvency improved to 1.20% as on June 30, 2026 (1.25% as on March 31, 2026 and 1.63% as on March 31, 2025). The bank maintained prudent/contingency Covid provisions of Rs. 760 crore, which remained significantly above its stock of net NPAs (NNPAs) of Rs. 405 crore as on June 30, 2026.

ICRA also notes that BoM expects an impact of around Rs. 2,500 crore upon its transition to the ECL framework, against which it has started creating provisions (Rs. 255 crore provided so far). Consequently, the impact on the reported CET I ratio is expected to remain limited at 100-110 bps. The availability of the existing contingency provisions provides additional comfort, although the manner in which these provisions may be utilised under the ECL framework remains monitorable. Nevertheless, BoM's healthy profitability and capital cushions are expected to support its ability to absorb the incremental provisioning requirements arising from the implementation of the ECL framework.

Above-average resource profile with strong share of CASA in overall deposits – BoM has an established retail franchise with a strong regional presence in Maharashtra, depicted by its network of 2,815 branches as on June 30, 2026 (~41% of branches located in Maharashtra). Its low-cost CASA deposits increased at a compound annual growth rate (CAGR) of 10.15% during the 3-year period ending June 30, 2026, accounting for 48.44% of the total deposits (52.51% as on March 31, 2026), which is higher than the CASA deposit share of public sector banks (PSBs). However, BoM's CASA deposits have a slight concentration towards large accounts from government entities.

Amid the continued pressure on deposit mobilisation across the banking system, BoM's cost of interest-bearing funds (annualised) increased to 4.44% in Q1 FY2027 from 4.36% in FY2026 as well as FY2025. This was primarily due to its growing reliance on term deposits, with the share of term deposits in the total deposit mix rising to 51.56% as on March 31, 2026 from 46.72% as on March 31, 2025. Consequently, despite the cumulative 125-bps policy rate cuts, BoM did not witness any meaningful reduction in its cost of interest-bearing funds in FY2026. In comparison, the average cost of interest-bearing funds for PSBs declined to 4.94% in FY2026 from 5.18% in FY2025. Nevertheless, BoM's cost of funds remained lower than the PSB average due to its relatively better funding profile. Despite its above-average resource profile, because of the high growth in advances, the domestic credit-to-deposit ratio rose to 86% as on June 30, 2026 from 77% as on March 31, 2025.

Earnings profile improves further – BoM's profitability metrics improved further, with the return on assets (RoA) increasing to 1.77% in FY2026 from 1.64% in FY2025. Despite cumulative policy rate cuts of 125 bps, the bank was able to largely maintain its yield on average earning assets, which declined only marginally to 7.53% in FY2026 from 7.57% in FY2025, given the large share of MCLR-linked loans and limited movement in its MCLR. Supported by the continued improvement in the operational efficiency despite branch expansion, recoveries from written-off accounts, and low credit costs, BoM reported stronger profitability in FY2026. Lower credit costs were aided by the utilisation of provisions amounting to Rs. 1,100 crore that had been maintained on standard assets and were subsequently transferred to NPAs in FY2026. Going forward, the bank's ability to keep the credit costs at the current level would remain critical for sustaining its profitability and internal capital generation.

Credit challenges

Asset quality improves but remains monitorable – The overall gross fresh NPA generation rate declined to 0.76% in FY2026 from 0.84% in FY2025 and remained significantly below the elevated levels witnessed during FY2017-FY2020 (5-11%). Coupled with the healthy growth in advances, this supported an improvement in the GNPA ratio to 1.45% as on June 30, 2026 from 1.74% as on March 31, 2025. In addition, higher write-offs (including technical write-offs) helped improve the headline asset quality indicators. Further, the stressed assets pool (SMA-1 and SMA-2 accounts along with the standard restructured book) moderated to Rs. 2,356 crore as on June 30, 2026 (0.78% of standard advances) from Rs. 2,633 crore as on March 31, 2025 (1.12%) and Rs. 2,447 crore as on March 31, 2024 (1.22%).

The bank continued to adopt a conservative provisioning approach by providing for stressed assets upfront and maintaining a high provision coverage ratio (PCR). As a result, net additions to NPAs remained limited during the period. The PCR strengthened to 90.90% as on March 31, 2026 from 89.68% as on March 31, 2025, resulting in a further decline in the NNPA ratio to 0.13% from 0.18% during this period.

ICRA notes that while the potential stress book levels have eased, the bank has seen a significantly high growth in advances compared to the PSB average. Further, slippages may rise slightly as the portfolio seasons. Moreover, the share of exposures outstanding towards state government owned entities, which have weak credit profiles, remains high. Additionally, disruptions on account of the ongoing West Asia conflict may affect the debt-servicing ability of the borrowers and the impact of the same will remain monitorable.

Environmental and social risks

While banks like BoM do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. If the entities or businesses, to which banks and financial institutions have an exposure, face business disruptions because of physical climate adversities or if such businesses face climate transition risks because of technological, regulatory or customer behaviour changes, it could translate into credit risks for banks. However, such risk is not material for BoM as it benefits from adequate portfolio diversification. Further, the lending is typically short-to-medium term, allowing it to adapt and take incremental exposure to businesses that face relatively fewer downside environmental risks.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for banks as material lapses could be detrimental to their reputation and invite regulatory censure as has been seen for other regulated entities in the recent past. Banks, including BoM, also remain exposed to fraud risks, given the operational intensity of the business and the significant level of manpower involved in providing service to the customers. BoM has not faced material lapses over the years. Customer preferences are increasingly shifting towards digital banking, which provides an opportunity to reduce the operating costs. BoM has been making the requisite investments to enhance its digital interface with its customers. While it contributes to promoting financial inclusion by lending to the underserved segments, its lending practices remain prudent as reflected in the healthy asset quality numbers in this segment compared with its peers.

Liquidity position: Strong

BoM's liquidity profile remains characterised by a liquidity coverage ratio (LCR) of 117.87% for the quarter ended June 30, 2026, against the regulatory requirement of 100%, and excess statutory liquidity ratio (SLR) holdings of ~Rs. 29,770 crore as on March 31, 2026.

Given the healthy growth in the advances book and the rising credit-deposit (CD) ratio, certain negative cumulative mismatches exist in the asset-liability mismatch (ALM) buckets for up to one year. However, given the robust liability franchise, ICRA expects BoM to roll over its deposits and maintain strong liquidity.

Rating sensitivities

Positive factors – BoM's ability to increase its scale of operations meaningfully, while maintaining healthy profitability, a comfortable solvency profile, and cushions of more than 3% over the regulatory Tier I levels (including capital conservation buffers), will be a positive factor.

Negative factors – ICRA could downgrade the rating on a material deterioration in the asset quality metrics with NNPAs of more than 2.5% or the weakening of the capitalisation profile with the Tier I cushions falling below 2%. The rating will also be reassessed in case of a significant change in the sovereign ownership.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Rating Methodology for Banks and Financial Institutions
Parent/Group support	The rating factors in BoM's sovereign ownership and the demonstrated track record of capital infusions by the GoI. ICRA expects the GoI to support the bank with capital infusions if required.
Consolidation/Standalone	To arrive at the rating, ICRA has considered the standalone financials of BoM. However, in line with ICRA's consolidation approach, the standalone assessment of the bank factors in the ordinary and extraordinary support that it is expected to extend to its subsidiary.

About the company

Bank of Maharashtra (BoM) was registered in 1935 in Pune (Maharashtra) as a public limited company (The Bank of Maharashtra Ltd.) with the objective of assisting small business enterprises, traders and self-employed individuals. With the 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 operations. BoM was nationalised, along with 13 other banks, in July 1969 and has remained a mid-sized public sector bank. As on March 31, 2026, its market share in the banking system stood at 1.4% for both advances and deposits.

As on June 30, 2026, BoM had a wide network of 2,815 branches, with Maharashtra accounting for a large share (~41%). The bank reported a net profit of Rs. 2,020 crore (annualised RoA of 1.90%) in Q1 FY2027 on a total asset base of Rs. 4.24 lakh crore as on June 30, 2026 compared to Rs. 7,019 crore (RoA of 1.77%) in FY2026 on a total asset base of Rs. 4.26 lakh crore as on March 31, 2026 {net profit of Rs. 5,520 crore (RoA of 1.64%) in FY2025 on a total asset base of Rs. 3.67 lakh crore as on March 31, 2025}.

Key financial indicators (standalone)

Bank of Maharashtra	FY2025	FY2026	Q1 FY2027
Total operating income^	14,798	17,004	4,533
Profit after tax	5,520	7,019	2,020
Total assets (Rs. lakh crore)@	3.67	4.26	4.24
Return on average total assets	1.64%	1.77%	1.90%*
CET I	15.83%	14.59%	15.56%
CRAR	20.53%	18.64%	18.36%
Gross NPAs	1.74%	1.45%	1.45%
Net NPAs	0.18%	0.13%	0.13%

All ratios as per ICRA's calculations; Amount in Rs. crore unless mentioned otherwise
^Includes net interest income and non-interest income net of trading gains or losses, if any
*@Total asset base is calculated excluding the revaluation reserves as on the reported date; *Annualised*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current (FY2027) Jul 21, 2026	FY2026 Date	FY2026 Rating	FY2025 Date	FY2025 Rating	FY2024 Date	FY2024 Rating
Basel III Tier II bonds	Long term	2,000.00	[ICRA]AA+ (Stable)	Jul 24, 2025	[ICRA]AA+ (Stable)	Jul 25, 2024	[ICRA]AA+ (Stable)	Jun 05, 2023	[ICRA]AA (Positive)
						Jun 24, 2024	[ICRA]AA+ (Stable)	-	-
						May 14, 2024	[ICRA]AA+ (Stable)	-	-
Basel III Tier II bonds	Long term	-	-	Jul 24, 2025	-	Jul 25, 2024	[ICRA]AA+ (Stable)	Jun 05, 2023	[ICRA]AA (Positive)
						Jun 24, 2024	[ICRA]AA+ (Stable)	-	-
						May 14, 2024	[ICRA]AA+ (Stable)	-	-
Infrastructure bonds	Long term	10,000.00	[ICRA]AA+ (Stable)	Jul 24, 2025	[ICRA]AA+ (Stable)	Jul 25, 2024	[ICRA]AA+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Basel III Tier II bonds	Highly Complex
Infrastructure bonds	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

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance /Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook	Financial sector regulator$
INE457A08035	**Basel III Tier II bonds**	Jun-27-2016	9.20%	Sep-27-2026	500.00	[ICRA]AA+ (Stable)	SEBI
INE457A08167	**Basel III Tier II bonds**	Jul-04-2024	7.89%	Jul-04-2034*	1,000.00	[ICRA]AA+ (Stable)	SEBI
INE457A08175	**Infrastructure bonds**	Aug-05-2024	7.80%	Aug-04-2034	811.00	[ICRA]AA+ (Stable)	SEBI
INE457A08183	**Infrastructure bonds**	Feb-18-2025	7.70%	Feb-17-2035	1,612.00	[ICRA]AA+ (Stable)	SEBI
NA	**Basel III Tier II bonds#**	NA	NA	NA	500.00	[ICRA]AA+ (Stable)	SEBI
NA	**Infrastructure bonds#**	NA	AN	NA	7,577.00	[ICRA]AA+ (Stable)	SEBI

Source: Bank of Maharashtra; # Yet to be placed
** First call option on July 04, 2029, and then annually on coupon payment dates*
$SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments that fall under the regulatory purview of FSRs other than SEBI

Key features of rated debt instruments

The servicing of the infrastructure bonds is not subject to any capital ratios or profitability. However, the Basel III Tier II bonds are expected to absorb losses once the point of non-viability (PONV) trigger is invoked by the Reserve Bank of India (RBI). These bonds have equity-like loss-absorption features. Such features may translate into higher loss severity vis-à-vis conventional debt instruments.

Annexure II: List of entities considered for consolidated analysis

Company name	BoM ownership*	Consolidation approach
The Maharashtra Executor & Trustee Co. Pvt. Limited	100%	Full consolidation
Maharashtra Gramin Bank	35%	Full consolidation

*Source: Bank of Maharashtra; * As on June 30, 2026*

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