बैंक ऑफ महाराष्ट्र
Bank of Maharashtra
भारत सरकार का उद्यम
एक परिवार एक बैंक

बेटी बचाओ बेटी पढ़ाओ

AX1/ISD/STEX/72/2024-25

Date: 25th July, 2024

The General Manager **Department of Corporate Services,** **BSE Ltd.,** **P.J Towers,** **Dalal Street, Fort,** **Mumbai-400 001**	**The Vice President** **Listing Department,** **National Stock Exchange of India Ltd.,** **Exchange Plaza,** **Bandra Kurla Complex,** **Bandra (East), Mumbai-400 051**
BSE Scrip Code: 532525	**NSE Scrip Code: MAHABANK**

Dear Sir / Madam,

Sub: Disclosure under Regulation 30 and 51 of SEBI (LODR) Regulations, 2015- Credit Rating by CARE and ICRA

In terms of Regulation 30, 51 and other applicable Regulations of SEBI (LODR) Regulations, 2015, we submit the rating assigned on 25.07.2024 as under:

1. CARE Ratings Limited
2. ICRA Limited

Please take the above information on record

Yours faithfully,

Ritika Birla

(Ritika Birla)
Compliance Officer
Encl: As above

बैंक ऑफ महाराष्ट्र निवेशक सेवाएँ विभाग प्रधान कार्यालय, पुणे-5

Bank of Maharashtra

July 25, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Infrastructure Bonds	10,000.00	CARE AA+; Stable	Assigned
Tier II Bonds&	1,600.00	CARE AA+; Stable	Reaffirmed
Tier II Bonds&	1,000.00	CARE AA+; Stable	Reaffirmed
Tier II Bonds&	1,000.00	CARE AA+; Stable	Reaffirmed
Tier II Bonds&	1,000.00	CARE AA+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

&Tier-II Bonds under Basel-III are characterised by a 'point of non-viability' (PONV) trigger due to which the investor may suffer a loss of principal. The PONV will be determined by the Reserve Bank of India (RBI) and is a point at which the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations, and thus, enable it to continue as a going concern. In addition, the difficulties faced by a bank should be such that these are likely to result in financial losses and raising the Common Equity Tier-I (CET I) capital of the bank should be considered the most appropriate way to prevent the bank from turning non-viable.

Rationale and key rating drivers

The rating assigned to the debt instruments of Bank of Maharashtra (BOM) factors in majority ownership by Government of India (GOI) and its continued support, long track record of the bank with established franchise and strong depositor base which helps it to garner relatively lower-cost current account and saving account (CASA) deposits and comfortable liquidity profile.

The rating further factors in continued improvement in the bank's financial risk profile with sustained improvement in profitability and asset quality parameters along with adequate capitalisation levels supported by capital raise as well as internal accruals over the last four years, post coming out of the Prompt Corrective Action (PCA) framework of RBI.

The bank has witnessed significant growth in its advances over the last four years, with advances (net) increasing from ₹86,872 crore as on March 31, 2020, to (₹2,05,573 as on June 30, 2024 with major focus on retail, agriculture, and the micro, small and medium enterprise (MSME) segment (RAM segment) and has also seen growth in the corporate lending book.

The rating remains constrained due to the geographical concentration of the bank's branches in the state of Maharashtra (owing to the regional focus of the bank) and relatively small size compared to larger public sector banks. Furthermore, maintaining the asset quality of the recently originated advances will be critical for the credit profile of the bank.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Consistent improvement in profitability, leading to improvement of capitalisation along with significant improvement in the size of the bank comparable to larger public sector banks (PSBs).
- Improved asset quality parameters, with net stressed assets/tangible net worth (TNW) below 10% on a sustained basis.

Negative factors

- Material dilution in expected support from GOI or reduction in ownership below 51%.
- Decline in asset quality parameters, with net non-performing assets (NNPA) ratio of over 2.5% on a sustained basis

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

- Deterioration in the capitalisation levels, with cushion over minimum regulatory requirement less than 1%
- Deterioration in the resource profile, with decline in the CASA deposits ratio below 45%
- Decline in profitability, with ROTA return on total assets (ROTA) below 0.60% on a sustained basis

Analytical approach: Standalone

The ratings are based on the standalone profile of the bank and factor in the strong support from the GOI, which holds the majority shareholding in the bank.

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that BOM will continue to maintain its financial risk profile with improvement in profitability and maintaining stable asset quality parameters along with maintaining comfortable capitalisation while scaling up its advances.

Detailed description of the key rating drivers:

Key strengths

Majority ownership and demonstrated support by the GOI

GOI continues to be the majority shareholder in BOM holding 86.46% stake in BOM as on June 30, 2024. GOI has been supporting public sector banks (PSBs) with regular capital infusions and steps to improve capitalisation, operational efficiency and asset quality. GOI had cumulatively infused equity capital of ₹8,707 crore during FY17 to FY20 which helped the bank come out of the PCA (Prompt Corrective Action) in Q3FY20. Given the majority ownership of GOI, BOM is expected to receive timely and adequate support in the form of capital as and when required.
As the bank has been reporting profit and is sufficiently capitalised, GOI has not infused any equity capital after FY20. During FY24, the bank raised equity capital of ₹1,000 crore through Qualified Institutional Placement (QIP) of equity shares which resulted GOI's shareholding reducing from 90.97% as on March 31, 2023.
In the near term, the bank is expected to maintain its capitalisation through internal accruals as well as raising equity capital from the market. This would reduce the GOI shareholding over the medium term in line with meeting regulatory requirement of promoter shareholding. However, GOI is expected to maintain majority shareholding in the bank and expected capital support in case of requirement, is expected from GOI and continues to be a key rating sensitivity.

Long track record and established franchise helping the bank with a robust CASA base

BOM has been regionally-focused and has established a strong retail franchise in the state of Maharashtra. This has helped it raise stable CASA deposits over the years. During FY24, the bank's deposits have grown by around 16% which was higher than banking industry growth mainly due to growth in Term Deposits which increased by 17% and savings deposits which grew at a relatively slower pace of 12% during FY24.
The bank's CASA deposits increased by 14% during FY24 as compared to 16% growth in total deposits resulting in the CASA ratio to marginally deteriorate to 52.73% as on March 31, 2024 as against 53.38% as on March 31, 2023 for the corresponding previous year which still continues to be highest amongst all public sector banks. As on June 30, 2024, the CASA deposit stood at 49.86%.

Comfortable capitalisation levels

The capitalisation levels of the bank has seen improvement post multiple capital infusions from GOI, QIP of Rs.403.70 crore in FY22 and improvement in profitability post exiting the PCA. Currently, BOM's capitalisation ratios are higher compared to the median capitalisation ratios for public sector banks.
The bank reported capital adequacy ratio (CAR) of 17.38% (Tier I CAR: 13.72%) and common equity tier I (CET I) ratio of 12.50% as on March 31, 2024, as compared with CAR of 18.14% (Tier I CAR: 14.25%) and CET I Ratio of 12.66% as on March 31, 2023. The capitalisation levels have adequate cushion over the minimum regulatory requirements of CAR of 11.5% and CET I ratio of 8% (including the capital conservation buffer [CCB]). Going forward, the bank is expected to maintain CAR over 16% on a steady state basis.
As on June 30, 2024, the bank reported capital adequacy ratio (CAR) of 17.04% (Tier I CAR: 13.04%) and common equity tier I (CET I) ratio of 12.20%, as compared with CAR of 18.07% (Tier I CAR: 14.36%) and CET I Ratio of 12.85% as on June 30, 2023.

Improvement in profitability with decline in incremental credit costs

BOM's earning profile has seen consistent improvement since FY20 after years of continuous losses (FY16 to FY19). The bank's credit to deposit (C/D) ratio stood at 75.23% as on March 31, 2024 as compared to 74.87% as on March 31, 2023. The bank saw higher than industry growth in advances resulting in interest income increasing by 29% which coupled with increase in yields in an increasing interest rate scenario. The bank was able to contain its cost of deposits which helped the bank's net interest income (NII) increase by 27% to ₹9,822 crore for FY24 from ₹7,741 crore for FY23. The bank's net interest margin (NIM) expanded to 3.43% in FY24 from 3.13% in FY23. Due to strong depositor base and focus on RAM segment, the bank expects its NIM at similar level during the current year. Supported by strong NII, the bank's total income increased to₹23,493 crore in FY24 as compared to ₹18,179 crore in FY23 registering a growth of 29%.
Operating expenses (Opex) to total assets marginally increased to 1.68% of average total assets in FY24 as compared to 1.59% for the previous year. The increase in opex is mainly due to wage revision as well as technology spend. Cost to income ratio of the bank has been coming down and stood at 37.55% for FY24 (39.14% for FY23) which was the lowest amongst mid-sized public sector banks.
The bank's pre-provision operating profit (PPOP) increased by 31.26% to Rs. 9,822 crore for FY24 from Rs. 7,741 crore for FY23. The Provision expense for the bank has increased by 37% during FY24 as compared to FY23 as the bank started making provisions for Expected Credit Loss (ECL), which will provide a cushion to the profitability in the coming years The bank's profit before tax (PBT) increased by 26.55% from ₹3,445 crore for FY23 to ₹4,360 crore for FY24.
Due to the continuous losses amounting to around ₹8,000 crore, the bank is benefitting from the lower tax expenses, which is expected to continue until FY25. The bank's return on total assets (ROTA) stood at 1.42% for FY24 as compared to 1.05% for FY23.
The bank continues to hold COVID-19 related provision of ₹1,200 crore as contingency provision as on March 31, 2024 which is expected to bring stability to the credit cost for FY25. 42% in FY24.
The total income of the Bank stood at Rs.6,769 crore for Q1FY25 as compared to Rs.5,417 crore in Q1FY24 registering a growth of 25%. Net Interest Income grew by 20% to Rs.2,799 crore in Q1FY25 as against Rs.2,340 crore in Q1FY24. NIM for the quarter stood at 3.86% (annualised). Opex to total assets decreased slightly to 1.93% for Q1FY25 as against 3.22% for Q1FY24. Cost to income ratio also marginally increased to 37.87% for Q1FY25 as compared to 37.23% for Q1FY24.
BOM's PPOP increased by 23% to Rs.2,294 crore for Q1FY25 from Rs.1,893 crore for Q1FY24. Credit cost (provisions and write-offs/ average assets) reduced significantly from 2.26% of total assets in Q1FY24 to 1.31% in Q1FY25. The Net Profit of bank rose by 47% to Rs.1,293 crore in Q1FY25 with ROTA of 1.78% (annualised).
BOM's ability to manage its asset quality and thereby credit cost and eventually profitability will be a key rating sensitivity.

Strong advance growth

BOM's advances growth have picked up from FY21 onwards after de-growth during FY16 to FY20. BOM's advances (net) grew at a compounded average growth rate (CAGR) of 16.30% from March 31, 2020 to March 31, 2024 (y-o-y) to reach ₹2,03,664 crore as on March 31, 2024. The advances growth was higher than the banking industry, largely driven by the RAM segment which grew by 24.20% whereas corporate loans grew slower by 16.30% during FY24. As on March 31, 2024, the RAM segment constituted ~61% of total advances while corporate segment constituted 39% of advances. Within retail, education loan saw the highest growth at 30.84% followed by other retail segment including personal loans, loans against property at 26.49%, housing by 21.82% and vehicle loans at 18.42%, respectively.
As on June 30, 2024, the bank's advances grew at the rate of 18.99% (Y-o-Y) to ₹2,09,031 crore from ₹1,75,676 crore as on June 30, 2023. The RAM segment constituted 61.05% of total segment while corporate segment constituted 38.95% of advances. Within retail, education loan saw the highest growth at 24.21% followed by housing by 20.66% and vehicle loans at 20.53% and other retail segment including personal loans, loans against property at 13.03%, respectively.

Improving asset quality parameters over the past few years; but remains a monitorable with significant growth in advances in recent years

The asset quality parameters have seen improvement every year since it peaked in FY18 due to lower incremental slippages and higher write-offs. Furthermore, the bank has increased its provision coverage ratio on its Gross NPAs resulting its Net NPA ratio to improve significantly. The bank's Gross NPA ratio and Net NPA ratio stood at 1.88% (P.Y.: 2.47%) and 0.20% (P.Y.: 0.25%) respectively as on March 31, 2024 while the Net NPA to Net worth ratio stood at 2.08% (P.Y.: 3.38%).
BOM has made high amount of provisioning over the years leading to provision coverage ratio (PCR (excluding TWO)) of 89.88% (P.Y. : 90.44%) as on March 31, 2024.
BOM's standard restructured assets (including the RBI Resolution Framework 1.0 and 2.0) reduced from ₹4,188 crore constituting 2.39% of gross advances as on March 31, 2023 to Rs. 2180 crore constituting 1.07% of gross advances as on March 31, 2024.

The bank's special mention accounts (SMA), i.e., SMA 1 and SMA 2 (including restructured accounts) improved to 1.16% of gross advances as on March 31, 2024 as against 2.20% of gross advances as on March 31, 2023.
The general interest rate has increased significantly in FY24, which may impact certain segment of borrowers especially retail and agriculture which may impact the asset quality.
As on June 30, 2024, the Gross NPA ratio continued to decline and stood at1.85% while Net NPA ratio stood at 0.20%.
Further, the bank has seen higher than industry advances growth over the last three years and asset quality of the advances originated in recent times needs to be monitored. Higher-than-expected slippages would further deteriorate the asset quality parameters and profitability and will be a key rating monitorable.

Key weaknesses

Geographical concentration

Being a well-established bank in Maharashtra, BOM has high concentration in the state in terms of advances and deposits, with main focus on Pune. Out of the total 2,489 branches in India, 51% of branches are located in the state of Maharashtra.
Furthermore, the west region of India contributes around 78% of the deposits and 51% of the advances for the bank as of FY24 as compared to 79% of the deposits and 52% of the advances in FY23. The bank has started growing its branch network since coming out of the PCA, with most of the incremental branches being outside Maharashtra.

Relatively moderate size

BOM is one of the relatively smaller PSB with total business of around Rs.4.74 lakh crore and asset size of Rs.3.07 lakh crore and ranks eleventh of the twelve PSB in terms of asset size and total business. Even though, the bank has the fastest growth among the PSBs it will take a reasonable amount of time for the bank to achieve scale and become competitive to larger PSBs.

Liquidity: Adequate

According to the structural liquidity statement as on June 30, 2024, there are no negative cumulative mismatches as per the asset liability maturity (ALM) in the time buckets up to two months. The bank had excess statutory liquidity ratio (SLR) investments worth ₹13,783 crore and high-quality non-statutory liquidity ratio (SLR) instruments, which can be readily used for TREPS and/or liquidated in the secondary market.
BOM reported liquidity coverage ratio (LCR) stood at 138.18% as against the regulatory requirement of 100% and Net Stable Funding Ratio (NSFR) of 143.54% for the quarter-ended March 31, 2024,
Furthermore, the bank has access to systemic liquidity like the RBI's Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) along with access to refinance from the Small Industries Development Bank of India (SIDBI), the National Housing Bank (NHB), the National Bank for Agriculture and Rural Development (NABARD), etc, and access to call money markets. Furthermore, it can also resort to Rupee borrowings in the form of Certificate of Deposits, term money, securitisation of the portfolio, and re-finance from various domestic financial institutions (FIs) like NABARD, SIDBI, -Units Development and Refinance Agency (MUDRA), NHB, and others, in case of liquidity need. Also, the bank has availability of excess priority sector lending (PSL) portfolio over and above the regulatory requirement with the optionality to capitalise on the same through the right mix of securitisation and PSLCs

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks

- The bank introduced 'Mahabank Green Financing' under retail housing, vehicle loans portfolio, and solar financing in order to promote lending to environment-friendly sectors.
- As part of the bank's ongoing efforts to adopt renewable energy, the company installed solar panels at the bank's head office and bank-owned premises.
- BOM undertook multiple tree plantation drives at over 50 locations across the country.
- The bank is focussed on waste reduction and its management in every aspect of its operations as part of its ESG strategy.
- During the year, it undertook measures to recycle e-waste in an eco-friendly manner and reduced its consumption of single-use plastic and plastic folders.
- The bank supports a wide gamut of programmes across education and skill development, science and technology, and health and wellness in order to fulfil its corporate social responsibility (CSR) objectives.

Applicable criteria

[Definition of Default](#)
Rating Outlook and Rating Watch
Bank
Financial Ratios - Financial Sector
Factoring Linkages Government Support
Rating Basel III – Hybrid Capital Instruments issued by Banks

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Banks	Public Sector Bank

BOM, incorporated in 1935, is a Pune-based mid-sized PSB. The GOI holds the majority of stake of 86.46% as on March 31, 2024. The bank had a network of 2,489 branches as on March 31, 2024 (2,203 branches as on March 31, 2023), of which 1,330 branches are in rural and semi-urban areas. All the branches of the bank are core banking solution (CBS)-enabled. The bank has a 100% subsidiary, 'The Maharashtra Executor & Trustee Company Pvt. Ltd. (METCO)', which was established in 1946 with an aim to provide services auxiliary to banking and it also has an associate regional rural bank (RRB), 'Maharashtra Gramin Bank', wherein BOM is a sponsor bank with 35% ownership, GOI with 50%, and the Government of Maharashtra with 15%.

Post the asset quality review (AQR) by the RBI, the bank saw a significant increase in its non-performing assets (NPAs), resulting in the bank having to make provisions that impacted the profitability and capital adequacy of the bank. BOM was put into the PCA framework by the RBI in June 2017 and was subsequently removed from the PCA in January 2019 after it met the parameters under the framework. The bank is headed by Mr. Nidhu Saxena, who was appointed as the Managing Director (MD) and Chief Executive Officer (CEO) of the bank w.e.f. March 27, 2024, for a period of three years.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	June 30, 2024 (UA)
Total income	18,179	23,493	6,769
PAT	2,602	4,055	1,293
Total Assets	2,64,917	3,04,738	3,05,232
Net NPA (%)	0.25	0.20	0.20
ROTA (%)	1.05	1.42	1.78

A: Audited; UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Tier II Bonds (Basel III)	INE457A08035	27-Jun-2016	9.20	27-Sep-2026	500.00	CARE AA+; Stable
Tier II Bonds (Basel III)	INE457A08050	06-Mar-2020	8.70	06-Mar-2030	600.00	CARE AA+; Stable
Tier II Bonds (Basel III)	INE457A08092	21-Oct-2021	7.86	21-Oct-2031	1,000.00	CARE AA+; Stable
Tier II Bonds (Basel III)	INE457A08159	14-Dec-2023	7.99	14-Dec-2033	259.00	CARE AA+; Stable
Tier II Bonds (Basel III) (Proposed)	-	-	-	-	1,241.00	CARE AA+; Stable
Tier II Bonds (Basel III)	INE457A08167	04-July-2024	7.89	04-July-2034	1,000	CARE AA+; Stable
Infrastructure Bonds (Proposed)	-	-	-	-	10,000	CARE AA+; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type*	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Bonds-Infrastructure Bonds	LT	-	-	-	-	1)Withdrawn (28-Jun-22)	1)CARE AA-; Stable (28-Sep-21) 2)CARE AA-; Stable (05-Aug-21)
2	Bonds-Tier II Bonds	LT	1600.00	CARE AA+; Stable	1)CARE AA+; Stable (25-Jun-24)	1)CARE AA+; Stable (30-Oct-23) 2)CARE AA; Positive (27-Jun-23)	1)CARE AA; Stable (28-Jun-22)	1)CARE AA-; Stable (28-Sep-21) 2)CARE AA-; Stable (05-Aug-21)
3	Bonds-Tier II Bonds	LT	1000.00	CARE AA+; Stable	1)CARE AA+; Stable (25-Jun-24)	1)CARE AA+; Stable (30-Oct-23) 2)CARE AA; Positive (27-Jun-23)	1)CARE AA; Stable (28-Jun-22)	1)CARE AA-; Stable (28-Sep-21)
4	Bonds-Tier II Bonds	LT	1000.00	CARE AA+; Stable	1)CARE AA+; Stable (25-Jun-24)	1)CARE AA+; Stable (30-Oct-23) 2)CARE AA; Positive (27-Jun-23)	1)CARE AA; Stable (28-Jun-22)	-

5	Bonds-Tier II Bonds	LT	1000.00	CARE AA+; Stable	1)CARE AA+; Stable (25-Jun-24)	-	-	-
6	Bonds-Infrastructure Bonds	LT	10000.00	CARE AA+; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Infrastructure Bonds	Simple
2	Bonds-Tier II Bonds	Complex

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Sanjay Agarwal Senior Director **CARE Ratings Limited** Phone: +91-22-67543500 E-mail: Sanjay.Agarwal@careedge.in
Relationship Contact Pradeep Kumar V Senior Director **CARE Ratings Limited** Phone: 914428501001 E-mail: pradeep.kumar@careedge.in	Gaurav Dixit Director **CARE Ratings Limited** Phone: +91-120-4452002 E-mail: gaurav.dixit@careedge.in Aditya R Acharekar Associate Director **CARE Ratings Limited** Phone: +91-226-7543528 E-mail: aditya.acharekar@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information,
please visit www.careedge.in

July 25, 2024

Bank of Maharashtra: [ICRA]AA+ (Stable) assigned to infrastructure bonds; Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Basel III Tier II bonds	2,600.00	2,600.00	[ICRA]AA+ (Stable); Reaffirmed
Infrastructure bonds	-	10,000.00	[ICRA]AA+ (Stable); Assigned
Total	**2,600.00**	**12,600.00**	

**Instrument details are provided in Annexure I*

Rationale

The long-term rating on Bank of Maharashtra's (BoM) bonds programmes factors in the sustained improvement in its earnings profile, driven by the healthy growth in the loan book along with contained slippages, keeping its credit costs at a manageable level. Additionally, its capital buffers and solvency[1] metrics improved, aided by the healthy profitability and capital raise in FY2024. The rating remains supported by BoM's majority sovereign ownership and its above-average resource profile, driven by its established retail network with a strong presence in Maharashtra. The bank has a high level of low-cost current account and savings account (CASA) deposits, translating into a granular deposit base and competitive cost of funds. This is expected to support its profitability, even though it may moderate from the current levels, going forward.

Though BoM witnessed a slight increase in its slippage rate, recoveries/upgrades and write-offs remained meaningful, helping it report a decline in the gross non-performing advances (GNPAs). The vulnerable book (SMA-1, SMA-2[2,3] and standard restructured book) declined to 1.15% of standard advances as on June 30, 2024 (1.22% as on March 31, 2024; 2.55% as on March 31, 2023). Nonetheless, given the significant credit growth witnessed by the bank in the recent past, the asset quality will remain monitorable as the loan book seasons. Additionally, macro-economic shocks and a high interest rate environment could impact BoM's asset quality and profitability. In this regard, the bank continues to hold contingency/prudent provisions that can absorb some of the incremental impact if the same materialises.

ICRA has also taken note of the Reserve Bank of India's (RBI) recent draft circular, which, besides other changes, would lead to higher provisioning requirement, given BoM's exposure to infrastructure financing. Nevertheless, the impact on its profitability and capitalisation metrics is expected to be limited. On an overall basis, ICRA expects BoM to remain sufficiently capitalised with expected internal accruals likely to be adequate for its growth capital requirements. Nevertheless, the bank may need to raise equity to reduce the sovereign ownership to less than 75% and to offset the likely impact of the transition to provisioning based on the expected credit loss (ECL) framework.

The Stable outlook on the rating factors in ICRA's expectation that BoM will continue to maintain a healthy earnings profile despite the likely pressure on its margins in the near term, given the probability of rate cuts from H2 FY2025. It is also expected to maintain healthy asset quality, stable solvency and comfortable capitalisation.

[1] Solvency = (Net NPAs + 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
[3] 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 an equity stake of 86.46% as on June 30, 2024. Further, it had received regular capital support from the GoI in the past with infusions of Rs. 9,007 crore during FY2017-FY2020, which enabled its provision to cover the legacy stressed assets while keeping its capital ratios above the regulatory levels. Following its exit from the prompt corrective action (PCA) framework in January 2019, BoM's profitability improved steadily, driven by the strong growth in advances and lower credit costs.

Given ICRA's estimates for internal capital generation, BoM is not likely to need any capital support from the GoI in the near to medium term, although the same is expected if required. However, a dilution in the GoI's stake in the bank's shareholding may be necessitated to ensure compliance to the minimum public shareholding norms mandated by the Securities and Exchange Board of India (SEBI). Nonetheless, that would not affect the GoI's ability and willingness to support the bank.

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 12.20% as on June 30, 2024 (12.50% as on March 31, 2024; 12.66% as on March 31, 2023), supported by sufficient internal capital accretion.

Furthermore, with the decline in the GNPAs and the provision coverage remaining high, BoM witnessed lower net NPAs. Accordingly, the overall solvency level improved to 1.96% as on June 30, 2024 (2.24% as on March 31, 2024 and 3.06% as on March 31, 2023). The bank is also holding prudent/contingency provisions of Rs. 1,200 crore, which is much higher than the stock of net NPAs of Rs. 415 crore as on June 30, 2024.

Notwithstanding the sufficient internal accruals for growth, the RBI's implementation of the ECL framework for credit exposures and additional provisioning on infrastructure financing could lead to a one-time impact on the capital position. However, adequate internal accruals, supporting the creation of provisions for such transition(s), provide comfort regarding the capitalisation profile.

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 2,499 branches as on June 30, 2024 (~46% of branches located in Maharashtra).

Its low-cost CASA deposits increased at a compound annual growth rate (CAGR) of 12.97% during the 3-year period ended June 30, 2024 (14.25% in FY2024; slight decline of 7% in Q1 FY2025), accounting for 50.14% of the total deposits (52.73% as on March 31, 2024), which is significantly higher than the CASA deposit share of public sector banks (PSBs).

Despite increasing slightly to 4.43% in Q1 FY2025 from 4.34% in Q4 FY2024 (4.08% in FY2024), the cost of interest-bearing funds remains competitive compared to the industry average. This is driven by the bank's healthy share of CASA deposits and the low depositor concentration level with the top 20 depositors contributing 11.45% to the deposits as on June 30, 2024 (10.66% as on March 31, 2024, 11.80% as on March 31, 2023).

Earnings profile improves – BoM's operating profit improved further to 2.92% of average total assets (ATA) in Q1 FY2025 (2.82% in FY2024 and 2.50% in FY2023). This was supported by the healthy net interest margin due to the competitive cost of funds. Driven by the decline in the GNPAs, the credit cost moderated to 0.77% of ATA in Q1 FY2025 from 0.79% in FY2024 (0.91% in FY2023 and 1.30% in FY2022), resulting in an improvement in the return on assets (RoA) to 1.69% (1.42% in FY2024; 1.05% in FY2023). Additionally, the profitability was supported by recoveries from written-off accounts during this period and low taxes due to write-off of carried forward losses.

Given the relative decline in the vulnerable book and the carrying of prudent provisions, the bank's overall credit cost outlook remains benign. Going forward, the ability to contain the credit cost at this level will be key for maintaining the current level of internal capital generation as the tight liquidity environment may constrain the expansion in net interest income as well as the operating profit.

Credit challenges

Asset quality remains monitorable – The overall gross fresh NPA generation improved to 1.19% in Q1 FY2025 from 1.34% in FY2024 (1.25% in FY2023 and 2.64% in FY2022), trending significantly below the elevated levels seen in the past (~5-11% during FY2017-FY2020). Further, the bank continues to maintain a healthy provision cover, also witnessed by the lower net NPAs compared to previous periods. Besides this, BoM's stressed assets (SMA-1 and SMA-2[4] book + standard restructured book) moderated to Rs. 2,359 crore as on June 30, 2024 (1.15% of standard advances) from Rs. 2,447 crore as on March 31, 2024 (1.22%) and Rs. 4,356 crore as March 31, 2023 (2.55%).

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 with infrastructure sector loans accounting for the majority of this growth. Moreover, the share of exposures outstanding towards state government owned entities, which have weak credit profiles, remains high. Any macro-economic shocks due to geopolitical tensions, high interest rates or otherwise may affect the debt-servicing ability of such borrowers and 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. 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 high liquidity coverage ratio (LCR) of 121.25% for the quarter ended June 30, 2024 against the regulatory requirement of 100% and excess statutory liquidity ratio (SLR) holdings of roughly Rs. 15,000 crore as of even date.

Given the strong growth in the advances book and the rising credit-deposit (CD) ratio, negative cumulative mismatches in the asset-liability mismatch (ALM) bucket for up to 1 year have widened to a certain extent. 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 or the weakening of the capitalisation profile with the Tier I cushions falling below 2%. Further, weakening of the solvency profile with net NPA/core equity exceeding 20% and/or the RoA declining below 0.5% on a sustained basis would be negative factors. The rating will also be reassessed in case of a significant change in the sovereign ownership.

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[4] *Rs. 5. crore and above*

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Rating Methodology for Banks and Financial Institutions Rating Approach – Implicit Parent or Group Support Rating Approach – Consolidation
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 capital requirement of BoM's subsidiary and associate has been factored in.

About the company

Bank of Maharashtra (BoM) was registered in 1935 in Pune (Maharashtra) as a public limited company, named 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. Its market share in the advances and deposits of the banking system stood at 1.22% and 1.32%, respectively, as on March 31, 2024.

As on June 30, 2024, BoM had a wide network of 2,499 branches, with Maharashtra accounting for a large share (~46%). The bank reported a net profit of Rs. 1,293 crore (annualised RoA of 1.69%) on a total asset base of Rs. 3.05 lakh crore compared to Rs. 4,055 crore (RoA of 1.42%) in FY2024 on a total asset base of Rs. 3.05 lakh crore as on March 31, 2024 {Rs. 2,602 crore (RoA of 1.05%) on a total asset base of Rs. 2.66 lakh crore as on March 31, 2023}.

Key financial indicators (standalone)

Bank of Maharashtra	FY2023	FY2024	Q1 FY2025
Total operating income^	9,915	12,469	3,631
Profit after tax	2,602	4,055	1,293
Total assets (Rs. lakh crore)	2.66@	3.05@	3.05
Return on average total assets	1.05%	1.42%	1.69%*
CET I	12.66%	12.50%	12.20%
CRAR	18.14%	17.38%	17.04%
Gross NPAs	2.47%	1.88%	1.85%
Net NPAs	0.25%	0.20%	0.20%

Source: Bank of Maharashtra, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore unless mentioned otherwise;

**Annualised; ^ Includes net interest income and non-interest income; @total asset base is calculated excluding the revaluation reserves as on the reported date.*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

			Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years		
Instrument	Type	Amount Rated (Rs. crore)	Date & Rating in FY2025			Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
			Jul-25-2024	Jun-24-2024	May-14-2024	Jun-05-2023	Jun-13-2022	Aug-02-2021
1 Basel III Tier II bonds	Long term	2,600	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA (Positive)	[ICRA]AA (Stable)	[ICRA]AA- (Stable)
2 Infrastructure bonds	Long term	10,000	[ICRA]AA+ (Stable)	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Basel III Tier II bonds	Highly Complex
Infrastructure bonds	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]

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE457A08035	**Basel III Tier II bonds**	Jun-27-2016	9.20%	Sep-27-2026	500.00	[ICRA]AA+ (Stable)
INE457A08050	**Basel III Tier II bonds**	Mar-06-2020	8.70%	Mar-06-2030[&]	600.00	
INE457A08167	**Basel III Tier II bonds**	Jul-04-2024	7.89%	Jul-04-2034*	1,000.00	
-	**Basel III Tier II bonds[#]**	-	-	-	500.00	
-	**Infrastructure bonds[#]**	-	-	-	10,000.00	[ICRA]AA+ (Stable)

Source: Bank of Maharashtra; [#] Yet to be placed
[&] First call option on March 06, 2025, and then annually on coupon payment dates
** First call option on July 04, 2029, and then annually on coupon payment dates*

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 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

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

Sachin Sachdeva
+91 124 4545 307
sachin.sachdeva@icraindia.com

Sohil Mehta
+91 22 6114 3449
sohil.mehta@icraindia.com

Anil Gupta
+91 124 4545 314
anilg@icraindia.com

Varun Dhapade
+91 22 6114 3461
varun.dhapade@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

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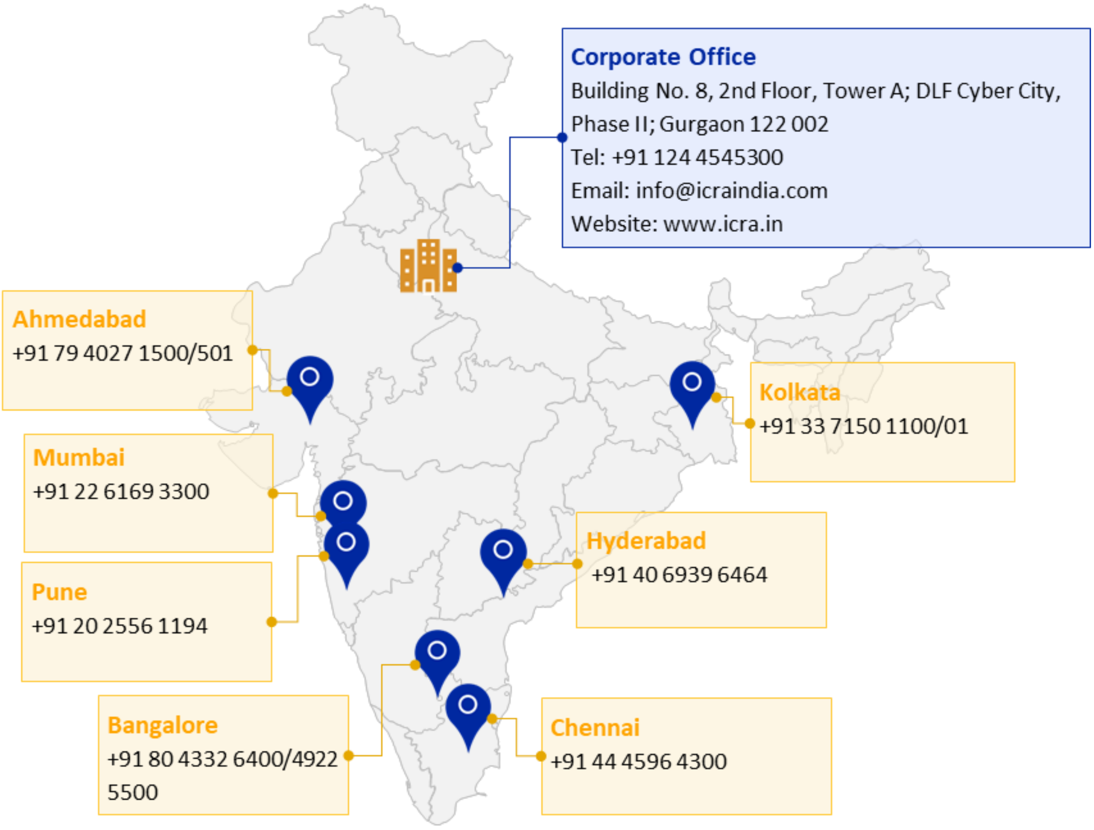

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