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पंजाब एण्ड सिंध बैंक
(भारत सरकार का उपक्रम)

Punjab & Sind Bank
(A Govt. of India Undertaking)

Ref No: PSB/HO/Shares Cell / 48 /2023-24 **August 17, 2023**

To,

BSE Limited, **Department of Corporate Services,** 25th floor, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001. **SCRIP ID : PSB** **SCRIP CODE : 533295**	**National Stock Exchange of India Ltd.,** Exchange Plaza, C – 1, Block – G, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051. **SYMBOL: PSB SERIES: EQ**

Dear Sir,

Reg: Rating by CRISIL Ratings

We hereby inform that CRISIL Ratings has revised the Rating Outlook and reaffirmed the Rating of the Tier II Bonds issued by the Bank as detailed hereunder:

Instrument Type	**Rating / Outlook**
Tier II Bond Series XIV of Rs 500 crore	CRISIL AA/Stable (outlook revised from 'Negative'; Ratings reaffirmed)
Tier II Bond Series XVI of Rs 500 crore	CRISIL AA/ Stable (outlook revised from 'Negative'; Ratings reaffirmed)

The Rating Rationale is enclosed for reference.

We request you to take note of the above pursuant to Regulation 30 and 51 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Yours faithfully

SAKET MEHROTRA
Digitally signed by SAKET MEHROTRA
Date: 2023.08.17 17:20:34 +05'30'

Saket Mehrotra
Company Secretary

Punjab & Sind Bank
H.O.
Accounts & Audit Deptt.
(Shares Cell)
(शेयर कक्ष)
Rajendra Place, New Delhi-8

CRISIL Ratings

Rating Rationale

August 17, 2023 | Mumbai

Punjab and Sind Bank

Rating outlook revised to 'Stable'; Rating Reaffirmed

Rating Action

Rs.500 Crore Tier II Bonds (Under Basel III)	**CRISIL AA/Stable (Outlook revised from 'Negative'; Rating Reaffirmed)**
Rs.500 Crore Tier II Bonds (Under Basel III)	**CRISIL AA/Stable (Outlook revised from 'Negative'; Rating Reaffirmed)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has revised its rating outlook on the tier-II bonds (under Basel III) of Punjab And Sind Bank (P&SB) to '**Stable**' from 'Negative' and reaffirmed the rating at '**CRISIL AA**'.

The revision in outlook factors in the sustained improvement in earnings and asset quality, and strengthening of capital position, which is likely to be maintained over the medium term. The bank has been profitable since the past 10 quarters owing to lower credit cost backed by less incremental stress as well as improving net interest margin (NIM). Supported by regular capital infusion, the bank was able to build a sufficient buffer for its non-performing assets (NPAs), with a provision coverage ratio (PCR) of 72% as on June 30, 2023 (75% as on March 31, 2023). With higher provisions and lower slippages, the bank is expected to maintain profitability over the medium term.

Asset quality, while weak, has seen sequential improvement with gross NPAs (GNPAs) at 6.80% as on June 30, 2023, compared with 6.97% as on March 31, 2023, and 12.17% as on March 31, 2022. This improvement was driven by higher write-offs and controlled slippages.

Besides, capital position has improved, supported by timely capital infusion and internal accrual, leading to tier 1 and overall capital adequacy ratio (CAR) improving to 14.5% and 17.2%, respectively, as on June 30, 2023, from 13.1% and 16.8%, a year earlier.

Capital position is supported by regular fund infusion and expectation of strong support from the majority stakeholder, the Government of India (GoI). In fiscals 2021 and 2022, the bank received Rs 5,500 crore and Rs 4,600 crore, respectively, from the GoI.

The rating continues to factor in the expectation of strong support from majority owner, the GoI. These strengths are partially offset by the bank's weak asset quality and modest earnings.

Analytical Approach

For arriving at the ratings, CRISIL Ratings has considered the standalone business and financial risk profiles of P&SB. CRISIL Ratings has also factored in the strong support the bank is expected to receive from its majority owner, the GoI, both on an ongoing basis and in the event of distress.

Key Rating Drivers & Detailed Description

Strengths:

Expectation of strong support from GoI

The rating continues to factor in the expectation of strong government support, both on an ongoing basis and in case of distress. This is because GoI is both majority shareholder in public sector banks (PSBs), and the guardian of India's financial system. Stability of the banking sector is of prime importance to the government, given its criticality to the economy, strong public perception of sovereign backing for PSBs, and severe implications of any PSB failure, in terms of political fallout, systemic stability, and investor confidence. The majority ownership creates a moral obligation on GoI to support PSBs, including P&SB.

As part of the Indradhanush framework, the government had pledged to infuse at least Rs 70,000 crore in PSBs over fiscals 2015 to 2019, of which Rs 25,000 crore each was infused in fiscals 2016 and 2017. Furthermore, in October 2017, the government had outlined a recapitalisation package of Rs 2.11 lakh crore over fiscals 2018 and 2019. P&SB received Rs 785 crore in fiscal 2018 under this package. Also, GoI allocated Rs 70,000 crore in fiscal 2020, of which Rs 787 crore was received by P&SB. In fiscals 2021 and 2022, the bank received Rs 5,500 crore and Rs 4,600 crore, respectively, from GoI. Thus, over the past four fiscals, GoI has infused around Rs 11,672 crore into P&SB.

The bank's tier-1 and overall CAR stood at 14.5% and 17.2%, respectively, as on June 30, 2023, (14.30% and 17.10%, respectively, as on March 31, 2023).

Weakness:

Weak asset quality, albeit improving

Asset quality has been under stress, with GNPAs at 12.17% as on March 31, 2022, and 13.76% as on March 31, 2021. However, it improved in fiscal 2023 to 6.97%, and stood at 6.80% as on June 30, 2023. The improvement was largely driven by higher upgradations and write-offs during the fiscal. In absolute terms, GNPAs decreased to Rs 5,464 crore as on June 30, 2023 (Rs 5,648 crore as on March 31, 2023, and Rs 8,565 crore as on March 31, 2022). Slippages reduced to 1.4% in fiscal 2023 compared to 3.4% in fiscal 2022. The pace of deterioration in asset quality is expected to slow down over the medium term with decrease in slippages and higher recoveries owing to pick-up in economic activities.

Under the Reserve Bank of India's August 2020 and May 2021 resolution framework for Covid-19-related stress, the bank implemented restructuring on around 2.8% of gross advances as on June 30, 2023. The performance of the restructured portfolio and the ability of the bank to manage collections and asset quality will remain key monitorables.

Weak, albeit improving, earnings profile

Earnings have remained impacted by weak asset quality. The bank reported a profit of Rs 1,313 crore for fiscal 2022 against a profit of Rs 1,039 crore for the previous fiscal. Profitability has been majorly supported by lower credit cost and improved NIM during fiscal 2023. The bank witnessed reversal in credit cost in fiscal 2023 compared with 0.1% for the previous fiscal. The provision coverage ratio (PCR) remained healthy and stood at 75% as on March 31, 2023, and 72.7% as on June 30, 2023.

The bank's pre-provisioning profits (as a proportion of average assets) remained at a similar level of 1.1% in fiscal 2023 compared with the previous fiscal; however, it remains lower than industry average. For the quarter ended June 30, 2023, P&SB reported a profit of Rs 153 crore. Profitability was impacted by a one-time charge of Rs 42 crore on profits related to wage revisions.

Ability to improve asset quality, and hence profitability, will remain a key monitorable.

Liquidity: Strong

Liquidity coverage ratio was 113.6% for the quarter ended March 31, 2023, and was higher than the regulatory requirement. The excess statutory liquidity ratio was Rs 2,553 crore (2.31% of net demand and time liabilities) as on same date. Liquidity also benefits from access to systemic sources of funds such as the liquidity adjustment facility from the RBI, access to the call money market, and refinance limits from sources such as the National Housing Bank and National Bank for Agriculture and Rural Development.

Outlook: Stable

CRISIL Ratings believes P&SB will continue to benefit from the strong government support. The bank's asset quality and profitability, though, will remain under pressure over the medium term.

Rating Sensitivity Factors

Upward Factors

- Significant improvement in overall market position over the medium term
- Substantial and sustained improvement in asset quality (GNPA ratio less than 3%) and the bank reporting net profits on a continuous basis

Downward Factors

- Continuous losses and further deterioration in asset quality, with GNPAs rising above 10%
- Decline in capital adequacy ratios below minimum regulatory requirements over an extended period of time.

About the bank

P&SB is a relatively small PSB, founded in 1908 in New Delhi. The bank had 1,543 branches and 802 ATMs as on June 30, 2023, primarily in northern India. GoI's ownership stood at 98.25% as on June 30, 2023.

For fiscal 2023, the bank reported a profit of Rs 1,313 crore and total income (net of interest expenses) of Rs 3,913 crore, against a profit of Rs 1,039 crore and total income (net of interest expenses) of Rs 3,611 crore previous fiscal.

For the quarter ended June 30, 2023, net profit was Rs 153 crore and total income (net of interest expense) was Rs 916 crore, against a net profit of Rs 205 crore and total income (net of interest expense) of Rs 824 crore for the corresponding period previous fiscal.

Key Financial Indicators

As on / for the year ended March 31,	Unit	2023	2022
Total assets	Rs crore	136454	121068
Total income (net of interest expense)	Rs crore	3913	3611
Profit after tax (PAT)	Rs crore	1313	1039
GNPA	%	6.97	12.17
Overall capital adequacy ratio	%	17.10	18.54
Return on assets	%	1.02	0.90

As on/for the quarter ended June 30,	Unit	2023	2022
Total assets	Rs crore	140933	124477

Total income (net of interest expense)	Rs crore	916	824
PAT	Rs crore	153	205
GNPA	%	6.80	11.34
Overall capital adequacy ratio	%	17.19	16.79
Return on assets (annualized)	%	0.46	0.69

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Outstanding rating with outlook
INE608A08017	Debentures/Bonds	19-Oct-16	7.99	19-Oct-26	500	Simple	CRISIL AA/Stable
INE608A08041	Debentures/Bonds	04-Nov-19	8.67	03-Dec-29	500	Simple	CRISIL AA/Stable

Annexure - Rating History for last 3 Years

	Current			2023 (History)		2022		2021		2020		Start of 2020
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Lower Tier-II Bonds (under Basel II)	LT		--		--	26-08-22	Withdrawn	31-08-21	CRISIL AA/Negative	31-08-20	CRISIL AA/Negative	CRISIL AA/Stable
Tier II Bonds (Under Basel III)	LT	1000.0	CRISIL AA/Stable		--	26-08-22	CRISIL AA/Negative	31-08-21	CRISIL AA/Negative	31-08-20	CRISIL AA/Negative	CRISIL AA/Stable

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria
Rating Criteria for Banks and Financial Institutions
Criteria for Notching up Stand Alone Ratings of Entities Based on Government Support

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