AX1/ISD/STEX/50/2024-25 **Date: 25th June, 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: Reporting under Regulation 30 and 51 of SEBI (LODR) Regulations, 2015

In terms of Regulation 30, 51 and other applicable Regulations of SEBI (LODR) Regulations, 2015, we enclose copy of the detailed rating rationale issued by **CARE Ratings Limited** on 25.06.2024.

Thanking you.

Yours faithfully,

For Bank of Maharashtra

VIJAY PRAKASH SRIVASTAVA Digitally signed by VIJAY PRAKASH SRIVASTAVA

(V P Srivastava)
Chief Financial Officer

Encl: As above

Bank of Maharashtra

June 25, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Tier II Bonds[&]	1,000.00	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

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 ₹2,00,240 crore as on March 31, 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%

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

- Decline in asset quality parameters, with net non-performing assets (NNPA) ratio of over 2.5% on a sustained basis
- 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 March 31, 2024 (March 31, 2023: 90.97%). 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.

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.

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%.
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 due to 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 in the past years, the bank is benefitting from the lower tax expenses, which is expected to continue until FY25. This helped the bank report Profit After Tax (PAT) of ₹4,056 crore for FY24 as compared to ₹2,602 crore for FY23 showing a growth of 56%. 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. 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.

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. 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 March 31, 2024, there are no negative cumulative mismatches as per the asset liability maturity (ALM) in the time buckets up to six months. However, the bank had excess statutory liquidity ratio (SLR) investments worth ₹10,918 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 90.97% as on March 31, 2023. 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, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total income	15,672	18,179	23,493
PAT	1,152	2,602	4,055
Total Assets	2,29,034	2,64,917	3,04,738
Net NPA (%)	0.97	0.25	0.20
ROTA (%)	0.54	1.05	1.42

A: Audited; 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)	-	-	-	-	2,241.00	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 (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	1)CARE AA; Stable (28-Jun-22)	1)CARE AA-; Stable

						(30-Oct-23) 2)CARE AA; Positive (27-Jun-23)		(28-Sep-21)
4	Bonds-Tier II Bonds	LT	1000.00	CARE AA+; Stable	-	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				

*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-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

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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.

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