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January 31 , 2018

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प्रिय महोदय / Dear Sir,

विषय / Subject: Disclosure pursuant to Item 3 of Para A of Part A of Schedule III
read with Regulation 30 of the SEBI (LODR)Regulations, 2015

We note that Rating Agency CRISIL has revised the outlook on public sector banks from 'Negative' to 'Stable' as per the Rating Rationale dated 25/01/2018 published in its website. It is seen that in the rating action the outlook has been revised/reaffirmed in respect of the different categories of securities. The Rating Rationale as downloaded from the agency's website is attached for the information/benefit of the investors/security holders

भवदीय / Yours faithfully,



जार्ज अगस्टिन टी / GEORGE AUGUSTIN T
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Ratings

Rating Rationale

January 25, 2018 | Mumbai

CRISIL revises outlook on public sector banks to 'Stable' from 'Negative'

Recapitalisation, peaking of asset quality issues, revival in credit growth to improve outlook

CRISIL has revised its outlook on the long-term debt instruments (excluding Basel III Tier I) of 18 public sector banks (PSB) to 'Stable' from 'Negative', while reaffirming their ratings.

The revision in outlook is primarily driven by government's PSB recapitalisation programme for this fiscal, which will improve the financial risk profile of these banks and also help them meet Basel III regulatory capital norms, and provide cushion against expected rise in provisioning for non-performing assets (NPAs).

The ratings on Basel III Tier I bonds of nine PSBs have also been reaffirmed, and the outlook has been retained as 'Negative'. CRISIL is evaluating the flexibility with banks to set off any accumulated losses with the bank's balance in share premium account and its implication on the availability of eligible reserves to service AT1 coupon payments. We will revisit our ratings on AT1 instruments once there is clarity.

On October 24, 2017 after the government announced its Rs 2.11 lakh crore recapitalisation plan, CRISIL had said that it was credit positive for public sector banks and when details of the capital infusion for individual PSBs are announced, it will consider those and take appropriate rating action.

On Wednesday, the government announced details of bank-wise infusion of ~Rs 88,000 crore capital this fiscal.

CRISIL has assessed the impact of this and believes with expected capital infusion from government, PSBs are now adequately placed to meet Basel III capital norms and are also better prepared to absorb the hit from provisioning on stressed assets and also on account of migration to Ind AS (Indian Accounting Standards).

The government has also outlined its banking reforms agenda. The strengthening of prudent lending practices through responsible banking - that is, banking based on core strengths, sharper pre- and post-disbursal monitoring for large exposures, and improving NPA resolution mechanisms (including separate asset management verticals), will structurally improve credit culture at PSBs.

Says Krishnan Sitaraman, Senior Director, CRISIL Ratings, 'The recapitalisation plan while emphasising government's support, also persuades public sector banks to up the ante on responsible banking. The upshot of more accountability, governance and efficiencies is a structurally stronger banking system and improved investor sentiment towards them'.

Asset quality issues are peaking for banks with incremental slippages to NPAs expected to taper in fiscal 2018 and 2019 as credit health of corporate borrowers' are improving. However, the resolution of large corporate stressed accounts under the Insolvency and Bankruptcy Code and the potential haircuts thereof are expected to increase the provisioning burden of PSBs and impact their earnings profile and capital position in the near term.

CRISIL will continue to monitor the performance of PSBs - their asset quality and profitability performance, and the capital support from the government in future and will appropriately factor in the same in the ratings of these banks.

Annexure 1 : List of rating actions on PSBs

Bank	Tier II Bonds (Under Basel II & Basel III)/ Infrastructure Bonds	Hybrid Instruments (Under Basel II)	Fixed Deposits	Tier I Bonds (Under Basel III)	Certificate of Deposits
Allahabad Bank	CRISIL AA-/Stable (Outlook revised from Negative)	CRISIL A+/Stable (Outlook revised from Negative)			
Andhra Bank	CRISIL AA+/Stable (Outlook revised from Negative)	CRISIL AA/Stable (Outlook revised from Negative)		CRISIL AA-/Negative (Reaffirmed)	
Bank of Baroda	CRISIL AAA/Stable (Outlook revised from Negative)	CRISIL AAA/Stable (Outlook revised from Negative)		CRISIL AA+/Negative (Reaffirmed)	
Bank of India	CRISIL AA+/Stable (Outlook revised from Negative)	CRISIL AA+/Stable (Outlook revised from Negative)		CRISIL A+/Negative (Reaffirmed)	CRISIL A1+ (Reaffirmed)

Bank of Maharashtra	CRISIL A+/Stable (Outlook revised from Negative)	CRISIL A/Stable (Outlook revised from Negative)		CRISIL BBB+/Negative (Reaffirmed)	CRISIL A1+ (Reaffirmed)
Canara Bank	CRISIL AAA/Stable (Outlook revised from Negative)	CRISIL AAA/Stable (Outlook revised from Negative)		CRISIL AA/Negative (Reaffirmed)	CRISIL A1+ (Reaffirmed)
Central Bank of India	CRISIL A+/Stable (Outlook revised from Negative)	CRISIL A/Stable (Outlook revised from Negative)			
Corporation Bank	CRISIL AA-/Stable (Outlook revised from Negative)	CRISIL A+/Stable (Outlook revised from Negative)	FAA+/Stable (Outlook revised from Negative)	CRISIL A-/Negative (Reaffirmed)	
Dena Bank	CRISIL AA-/Stable (Outlook revised from Negative)	CRISIL A+/Stable (Outlook revised from Negative)		CRISIL A-/Negative (Reaffirmed)	CRISIL A1+ (Reaffirmed)
IDBI Bank Ltd.	CRISIL A+/Stable (Outlook revised from Negative)	CRISIL A/Stable (Outlook revised from Negative)	FAA/Stable (Outlook revised from Negative)	CRISIL BBB+/Negative (Reaffirmed)	CRISIL A1+ (Reaffirmed)
Indian Overseas Bank	CRISIL A+/Stable (Outlook revised from Negative)	CRISIL A-/Stable (Outlook revised from Negative)	FAA/Stable (Outlook revised from Negative)		CRISIL A1+ (Reaffirmed)
Oriental Bank of Commerce			FAA+/Stable (Outlook revised from Negative)		CRISIL A1+ (Reaffirmed)
Punjab & Sind Bank	CRISIL AA/Stable (Outlook revised from Negative)				
Punjab National Bank	CRISIL AAA/Stable (Outlook revised from Negative)	CRISIL AAA/Stable (Outlook revised from Negative)		CRISIL AA/Negative (Reaffirmed)	
Syndicate Bank	CRISIL AA/Stable (Outlook revised from Negative)	CRISIL AA/Stable (Outlook revised from Negative)			
UCO Bank	CRISIL A+/Stable (Outlook revised from Negative)	CRISIL A/Stable (Outlook revised from Negative)			CRISIL A1+ (Reaffirmed)
Union Bank of India	CRISIL AA+/Stable (Outlook revised from Negative)	CRISIL AA+/Stable (Outlook revised from Negative)			
United Bank of India	CRISIL AA-/Stable (Outlook revised from Negative)	CRISIL A/Stable (Outlook revised from Negative)		CRISIL BBB+/Negative (Reaffirmed)	CRISIL A1+ (Reaffirmed)

Any other information: Not applicable

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Annexure - Rating History for last 3 Years

Instrument	Type	Current		2018 (History)		2017		2016		2015		Start of 2015
		Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	
Certificate of Deposits	ST	20000	CRISIL A1+		No Rating Change		No Rating Change		No Rating Change		No Rating Change	CRISIL A1+
Lower Tier-II Bonds (under Basel II)	LT	1025	CRISIL AAA/Stable		No Rating Change		No Rating Change	10-03-16	CRISIL AAA/Negative		No Rating Change	CRISIL AAA/Stable
Perpetual Tier-I Bonds (under Basel II)	LT	1589.6	CRISIL AAA/Stable		No Rating Change		No Rating Change	10-03-16	CRISIL AAA/Negative		No Rating Change	CRISIL AAA/Stable
Tier I Bonds (Under Basel III)	LT	2500	CRISIL AA/Negative		No Rating Change		No Rating Change	04-11-16	CRISIL AA/Negative		--	--
Tier II Bonds	LT	7900	CRISIL		No		No	10-03-16	CRISIL		No	CRISIL

1/30/2018

Rating Rationale

(Under Basel II)			AAA/Stable	Rating Change	Rating Change		AAA/Negative	Rating Change	AAA/Stable
Upper Tier-II Bonds (under Basel II)	LT	1000	CRISIL AAA/Stable	No Rating Change	No Rating Change	10-03-16	CRISIL AAA/Negative	No Rating Change	CRISIL AAA/Stable

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

Links to related criteria

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Criteria for Notching up Stand Alone Ratings of Entities Based on Government Support

Rating criteria for Basel III - compliant non-equity capital instruments

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Last updated: April 2016

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