



AX1/ISD/STEX/2022-23

Date: August 18, 2022

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 Symbol: MAHABANK

Dear Sir / Madam,

Sub: Revision in Ratings on Bonds.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform that CRISIL Ratings Limited has upgraded its ratings on the Bank's Tier II Bonds/ Securities as below:

| ISIN | Instrument | Rated amount (Rs. Crore) | Rating Action |
|--------------|---------------------------------|-----------------------------|---|
| INE457A09199 | BASEL II Lower Tier II Bonds | 1000.00 | CRISIL AA / Stable upgraded from CRISIL AA- / Stable |
| N.A. | Certificate of Deposits | 1500.00 | CRISIL A1+ (Reaffirmed) |

Please find the enclosed Rating rationale dated August 18, 2022 issued by CRISIL Ratings Limited with respect to the ratings on above Securities.

Thanking you.

Yours faithfully,
For **Bank of Maharashtra**

(Chandrakant Bhagwat)
Company Secretary & Compliance Officer

Encl: As above

Rating Rationale

August 18, 2022 | Mumbai

Bank of Maharashtra

Long-term rating upgraded to 'CRISIL AA/Stable'; short-term rating reaffirmed

Rating Action

| | |
|--|---|
| Rs.1000 Crore Lower Tier-II Bonds (under Basel II) | CRISIL AA/Stable (Upgraded from 'CRISIL AA-Stable') |
| Rs.1500 Crore Certificate of Deposits | CRISIL A1+ (Reaffirmed) |

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale:

CRISIL Ratings has upgraded its rating to the Rs.1000 crore Lower Tier-II bonds (under Basel II) of Bank of Maharashtra (BoM) to 'CRISIL AA/Stable' from 'CRISIL AA-Stable' and reaffirmed its 'CRISIL A1+' rating on the Rs.1500 crore certificate of deposits.

The rating upgrade factors in consistent improvement in report card quality, asset and profitability, which is expected to remain healthy over the medium term. The rating also continues to factor in the support of strong support from the majority owner, Government of India (GoI) and a comfortable resource profile. These strengths are partially offset by high regional concentration in operations.

BoM's gross non-performing assets (GNPAs) stood at 3.74% as on June 30, 2022 compared with 3.94% as on March 31, 2022 and 7.23% as on March 31, 2021, supported by both write-offs as well as recoveries. The bank's slippages have also remained in range, bounded by 1% in last two years and was 2.2% for the first quarter of fiscal 2023 (2.1% for fiscal 2022 and 2021). As on June 30, 2022, the total restructuring amount stood at Rs.442 crore (3.5% of gross advances). The bank's asset quality is likely to sustain at current levels in the near-to-medium term. However, asset quality is under focus in the restructuring book and the recently scaled-up retail, agri, micro, small and medium enterprises (MSME) segments remain monitorable.

With improvement in the asset quality, profitability levels may also increase as reflected in return on assets (RoA; annualised) of 0.81% for the first quarter of fiscal 2023 (0.55% in fiscal 2022). This was supported by lower credit costs as well as lesser tax outgo as compared to previous years. The bank's credit costs stood at 1.09% (annualised) for the first quarter of fiscal 2023 as compared to 1.35% for fiscal 2022. The tax outgo for the first quarter of fiscal 2023 was at Rs.202 crore, which is 31% of profit before tax (PBT; Rs.604 crore for fiscal 2022, which was 41% of PBT).

Analytical Approach

CRISIL Ratings has considered the strategic business and financial risk profile of BoM. CRISIL Ratings has also factored in the strong support expected from the majority owner, GoI, both on an ongoing basis and in the event of distress.

Key Rating Drivers & Detailed Description

Strengths

Expectation of strong support from GoI

Inter-ratings on public sector banks (PSBs). CRISIL Ratings continues to factor in the strong support from GoI, which is both the majority shareholder 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 failure of any PSB in terms of political fallout, systemic stability, and investor confidence in public sector institutions. Majority ownership of PSBs imposes a moral obligation on the government to support PSBs including BoM.

Between fiscals 2018 and 2020, the government has infused around Rs.8,767 crore in the bank. BoM has additionally raised capital of Rs.403.70 crore through qualified institutional placement (QIP) in July 2021, Rs.1000 crore Tier II Bonds (under Basel II) in October 2021 as well as Rs.290 crore Tier I Bond (under Basel III) in March 2022. Supported by this, the bank's Tier 1 and total capital adequacy ratios (CARs) stood at 12.16% and 16.15% as on June 30, 2022 vis-a-vis 12.38% and 16.48% respectively, as on March 31, 2022 (10.98% and 14.49%, respectively, a year earlier).

Comfortable resource profile

The bank had a large proportion of low-cost current account and savings account (CASA) deposits, at 46.08% of total deposits as on June 30, 2022 (54.85% as on March 31, 2022). Further, total retail deposits constituted a significant proportion of overall deposits. Consequently, cost of deposits dropped down to 3.46% annualised (reported) for the quarter ended June 30, 2022 (3.70% for fiscal 2022).

Improved reported asset quality metrics and earnings profile

Asset quality metrics have improved with GNPA's declining to 3.74% as on June 30, 2022 (3.94% as on March 31, 2022 and 7.23% as on March 31, 2021). On an absolute basis, GNPA stood at Rs 526 crore as on June 30, 2022 (Rs 5,327 crore as on March 31, 2022). The improvement over the last few quarters has been supported by both write-offs as well as increased recoveries. Write-offs stood at Rs 430 crore for the first quarter of fiscal 2023 and Rs 3,118 crore for fiscal 2022. Slippage share also declined over the last few years and have been range bound at around 2.1%.

The GNPA's for large corporates improved and stood at 0.36% as on June 30, 2022 (0.5% as on March 31, 2022 and 2.9% as on March 31, 2021). While the GNPA's for agriculture sector remain high at 14.97% (15% and 112%), MSME and rural were stable at 5.2% (5.3% and 10.4%) and 0.94% (1% and 2.38%), respectively.

In line with trends seen in asset quality, the earnings profile improved, with the bank reporting a net profit of Rs 452 crore in the first quarter of fiscal 2023 (Rs 1,152 in fiscal 2022). This was supported by lower provisioning costs as compared to previous years. Credit costs declined to 1.09% annualised for the first quarter of fiscal 2023 (1.35% in fiscal 2022). The bank's FCR has also augmented and stood at 76.9% as on June 30, 2022 (74.4% as on March 31, 2022 and 67.8% as on March 31, 2021). Overall RoA further enhanced to 0.81% annualised for the first quarter of fiscal 2023 as against 0.55% for fiscal 2022. The bank's net interest margin has also shown an improvement and stood at 3.28% in the first quarter of fiscal 2023 supported by change in loan book mix and healthy growth in advances (27% year-on-year).

Notwithstanding, the bank's ability to sustain the improved asset quality and earnings profile will remain a key monitorable.

Weakness:

High regional concentration in operations

Operations are concentrated in Maharashtra, which accounted for 77% of the deposits and 50% of the advances as on June 30, 2022. While the bank has been opening branches outside the state, concentration risk is likely to reduce only in the long term.

Liquidity: Strong

Liquidity is supported by a strong retail deposit base, that forms a significant part of the total deposits. The liquidity coverage ratio was 187.15% as on June 30, 2022, much higher than the regulatory requirement. Liquidity also benefits from access to systemic sources of funds such as the liquidity adjustment facility from the Reserve Bank of India, access to the call money market, and refinancing limits from sources such as National Housing Bank and National Bank for Agriculture and Rural Development.

Outlook: Stable

CRISIL Ratings believes BoM will continue to benefit from the strong government support and maintain a comfortable resource profile.

Rating Sensitivity Factors

Upward Factors:

- Significant increase in market position
- Substantial and sustained improvement in asset quality
- Higher profitability, leading to RoA remaining positive (above 0.75%) on a steady-state basis

Downward Factors:

- Material change in shareholding and/or expectations of support from Govt
- A decline in CAR below minimum regulatory requirement, including capital conservation buffer, which was 12.6% for Tier I and 16.15% overall as on June 30, 2022) over an extended period

About the Bank

BoM is a medium-sized PSE, with assets of Rs 2,35,866 crore and a network of 2,029 branches and 2,165 automated teller machines (ATMs) as on June 30, 2022; 50% of the branches are in rural and semi-urban areas. With deposits of Rs 1,95,909 crore and advances of Rs 1,40,511 crore, the bank had a market share of around 1% each in deposits and advances in the banking system, as on June 30, 2022. The bank's overall CAR stood at 12.16% and 16.15%, respectively, as on June 30, 2022 (12.38% and 16.48%, respectively, as on March 31, 2022).

Profit after tax was Rs 452 crore on a total income (net of interest expense) of Rs 2,002 crore for the quarter ended June 30, 2022, as against Rs 1,152 crore and Rs 8,696 crore, respectively, for fiscal 2022.

Key Financial Indicators

| As on/for the period ended June 30 | Unit | 2022 | 2021 |
|------------------------------------|----------|--------|--------|
| Total assets | Rs crore | 235056 | 200262 |

| | | | |
|--------------------------------|----------|-------|-------|
| Total income | Rs crore | 3774 | 3791 |
| PAT | Rs crore | 452 | 208 |
| Gross NPA | % | 3.74 | 6.35 |
| Overall capital adequacy ratio | % | 16.15 | 14.46 |
| Return on assets (annualised) | % | 0.81 | 0.41 |

Any other information: Not applicable

Note on complexity levels of the rated instrument

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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 |
|--------------|--------------------------------------|-------------------|-----------------|---------------|-----------------------|------------------|---------------------------------|
| INE457A09199 | Lower Tier-II bonds (under Basel II) | 31-Dec-12 | 9.00 | 31-Dec-22 | 1000.00 | Complex | CRISIL AA/Stable |
| NA | Certificates of deposit | NA | NA | 7-365 Days | 1500.00 | Simpl | CRISIL A1+ |

Annexure - Rating History for last 3 Years

| | | Current | | 2022 (History) | | 2021 | | 2020 | | 2019 | | Start of 2019 |
|---|------|--------------------|------------------|----------------|--------|----------|-------------------|----------|------------------|----------|------------------|-----------------|
| Instrument | Type | Outstanding Amount | Rating | Date | Rating | Date | Rating | Date | Rating | Date | Rating | Rating |
| Certificate of Deposits | ST | 1500.0 | CRISIL A1+ | | -- | 24-09-21 | CRISIL A1+ | 09-09-20 | CRISIL A1+ | 30-08-19 | CRISIL A1+ | CRISIL A1+ |
| Lower Tier-II Bonds (under Basel II) | LT | 1000.0 | CRISIL AA/Stable | | -- | 24-09-21 | CRISIL AA-/Stable | 09-09-20 | CRISIL A+/Stable | 30-08-19 | CRISIL A+/Stable | Withdrawn |
| Perpetual Tier-I Bonds (under Basel II) | LT | | -- | | -- | | -- | 09-09-20 | Withdrawn | 30-08-19 | CRISIL A/Stable | CRISIL A/Stable |
| Tier I Bonds (Under Basel III) | LT | | -- | | -- | | -- | | -- | | -- | Withdrawn |
| Upper Tier-II Bonds (under Basel II) | LT | | -- | | -- | | -- | 09-09-20 | Withdrawn | 30-08-19 | CRISIL A/Stable | CRISIL A/Stable |

All amounts are in Rs.Cr.

Criteria Details

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| Links to related criteria |
| Rating Criteria for Banks and Financial Institutions |
| Rating criteria for Basel III - compliant non equity capital instruments |
| Criteria for Notching up Stand Alone Ratings of Entities Based on Government Support |

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