



RATING RATIONALE

17 May 2024

Punjab & Sind Bank

Brickwork Ratings reaffirms the rating of the Bond instruments of Punjab & Sind Bank for Basel II Tier II bonds aggregating to Rs. 237.30 Crs.

Particulars

Instruments**	Amount Rs Crs		Tenor	Rating*	
	Previous	Present		Previous (5 May 2023)	Present
Tier II bonds (under Basel III)	237.30	237.30	Long Term	BWR AA/Negative (Reaffirmation)	BWR AA/Negative (Reaffirmation)
Total	237.30	237.30	Rupees Two Hundred Thirty-Seven Crores and Thirty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings

** Details of BLR are provided in Annexure-I

RATING ACTION/OUTLOOK

Reaffirmation of the rating for the Tier-II/Basel III bonds at BWR AA/Negative

The rating reaffirmation factors in the Government of India (GOI)'s continued equity support to the Bank. It also factors its improved asset quality in terms of its Gross Non-Performing Assets, (GNPA) reduced to 5.43% as of FY24 as against 6.97% as of FY23, and Net Non-Performing Assets (NNPA) ratio, which declined to 1.63% as of FY24 against 1.84% as of FY23. However, the Net Profit has reduced. The Outlook continues as Negative for monitoring consistency in improving asset quality, capitalization level, and improvement in profitability.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

Tier-II Instruments (under Basel III) - The distinguishing feature of Tier-II capital instruments under Basel III is the existence of the point of non-viability (PONV) trigger, and the occurrence of such a situation may result in the loss of principal to investors, entailing default on the instrument by the issuer. According to the Basel III guidelines, the PONV trigger will be determined by the RBI. BWR believes that the PONV trigger is a remote possibility in the Indian context, given the robust regulatory and supervisory framework and the systemic importance of the banking sector. The inherent risk associated with the PONV feature is adequately factored into the Rating of the instrument. BWR has relied on audited financials up to FY24, information provided by the Issuer Bank, and publicly available information.



KEY RATING DRIVERS

Credit Strengths:-

- **Continued strong support from GoI:**

The GoI's stake in the bank, which is, among the 12 public sector banks (PSBs) in India post the consolidation of many PSBs, is 98.25% as of 31 March 2024. The support is expected to continue. The Bank is one of the few regional PSBs in the count. As of 31 March 2024, the Bank has a total CAR of 17.16%.

- **Adequate Capitalization and LCR**

CRAR of the Bank stands at 17.16% for FY24 and was 17.10% in FY23. CET-I stood at 14.74% for FY24 and 14.32% as of FY23. It is comfortably placed against the regulatory requirement. The Liquidity Coverage Ratio (LCR) stands at 123.58% as of 31 Dec 2023.

Credit Risks:-

- **Improving asset quality albeit remains monitorable:**

The bank's asset quality has improved over the last year. The Gross NPA ratios improved from 6.97% in FY23 to 5.43% in FY24. The Net NPA ratio improved from 1.84% in FY23 to 1.63% in FY24. There is a technical write-off of Rs.755 Crs in FY24. PCR was 88.69% in FY24. Although the asset quality has improved YoY, given the average asset quality of the bank in the industry, an improvement in the asset quality going forward shall remain monitorable.

- **Average earnings and impact on profitability:**

The net profit for FY24 is Rs. 595 Crs. This came down from Rs. 1313 Crs in FY23 which is a decline of 54.68%. The Net Interest Income for FY24 has come down to Rs. 2841 Crs as against Rs. 2973 Crs in FY23.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR (Brickwork Ratings) has considered the company's standalone financials. BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES:

Basel III-compliant bonds are subject to guidelines/regulations of the Reserve Bank of India (RBI) and as detailed in the term sheet of respective issues. BWR considers them highly complex instruments in terms of published criteria.

BWR has rated Basel III instruments; however, any restrictions by the regulator on coupon servicing on any of the outstanding bonds due to the non-meeting of regulatory guidelines shall be a key rating sensitivity.

Upward - Banks' ability to improve its business size, its asset quality, and profitability.

Downward - Deterioration in its asset quality and profitability, which remain monitorable



LIQUIDITY: Adequate

As of 31 Mar 2024, Cash & Balances with RBI are Rs. 7313 Crore and Investments of Rs.49,599 Crore. The bank can comfortably meet any repayment requirements. Basel III leverage ratio as of 31 Dec 2023 was 5.84% which is well above the regulatory requirement of 3.5% and the Liquidity coverage ratio is 123.58% as of 31 Dec 2023. The Bank’s liquidity position seems comfortable.

COMPANY PROFILE

Punjab & Sind Bank, (PnSB or the bank) is one of the 12 Public Sector Banks (PSBs) in India post consolidation of many PSBs. As of 31 March 2024, the Government of India holds a 98.25% stake in the bank. The Bank has a network of 1564 branches as of 31 March 2024. It is one of the few regional PSBs in the country and assumes importance from its presence being majorly in the northern part of the country.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	Audited	Audited	Audited
Key parameters		31-March 2022	31-March 2023	31-March 2024
Total Assets	Rs. Crs	1,21,067	1,36,454	1,47,657
Total Business	Rs.Crs	1,72,524	1,90,647	2,05,374
Net Profits (Loss)	Rs. Crs	1039	1,313	595
ROA	%	0.85	0.98	0.41
NIM	%	2.9	2.53	2.32
Gross NPA	%	12.17	6.97	5.43
Net NPA	%	2.74	1.84	1.63
CET-I ratio	%	12.77	14.32	14.74
Tier I ratio	%	14.8	14.32	14.74
Total CAR	%	18.54	17.1	17.16

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

RATING HISTORY

Sr. No.	Instrument/Facility	Current Rating (May 24)			Rating History for the past 3 years		
		Type	Amount	Rating	5 May 2023	6 Apr 2022	17 Mar 2021
1	Basel III Tier II bonds	Long Term	237.30	BWR AA/Negative (Reaffirmation)	BWR AA/Negative (Reaffirmation)	BWR AA/Negative (Reaffirmation)	BWR AA/Negative (Reaffirmation and Revised Outlook)
2	Basel III Tier II bonds	Long Term	0.00	Withdrawn in March 2020	Withdrawn in March 2020	Withdrawn in March 2020	Withdrawn in March 2020
Total			237.30	Rupees Two Hundred Thirty-Seven Crores and Thirty Lakhs Only			



COMPLEXITY LEVELS OF THE INSTRUMENTS: Highly Complex

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Banks and Financial Institutions](#)
- [Basel III Compliant Instruments](#)

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Punjab & Sind Bank

**ANNEXURE I
INSTRUMENT (NCD/Bonds/CP/FDs) DETAILS:**

S.No	Instrument	Issue Date	Amount Rs. Crs.	Coupon rate	Maturity date	ISIN Particulars
1	Basel III Tier II Bonds	27-Jun-2019	237.30	9.50%	26-Oct-2029	INE608A08033
		Total	237.30	Rupees Two Hundred Thirty Seven Crores Thirty Lakhs Only		

**ANNEXURE II
Details of Bank Loan Facilities rated by BWR: NA**



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