



## RATING RATIONALE

5 May 2023

### Punjab & Sind Bank

**Brickwork Ratings reaffirms the rating of the Bond instruments of Punjab & Sind Bank**

#### Particulars

Instruments**	Amount Rs Crs		Tenor	Rating*	
	Previous	Present		Previous (6 April 2022)	Present
Tier II bonds (under Basel III)	237.30	<b>237.30</b>	Long Term	BWR AA/Negative (Reaffirmation)	<b>BWR AA/Negative (Reaffirmation)</b>
<b>Total</b>	237.30	<b>237.30</b>	<b>Rupees Two Hundred Thirty Seven Crores and Thirty Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://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 T-II/Basel III bonds at BWR AA/Negative

The rating reaffirmation factors in the Government of India (GOI)'s equity stake of 98.25% as of 31 March 2023 and its continued support to the Bank. As of 4QFY23, the Bank had a total CAR of 17.10%, Tier I ratio of 14.32% and CET-1 Ratio of 14.32%, and is comfortably above the \*regulatory requirements. It has also made a significant improvement in terms of asset quality as its Gross Non Performing Assets (GNPA) reduced to 6.97% as on 31.3.2023 against 12.17% as on 31.3.2022 and Net Non-Performing Assets (NNPA) ratio declined to 1.84% as on 31.3.2023 against 2.74% as on 31.3.2022.

The Outlook has continued to be reaffirmed to Negative, to monitor consistency in its improved asset quality and capitalisation levels for the upcoming year. While reaffirming the ratings, the Q4FY23 results of the bank have also been considered.

**Note on 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 on the instrument. BWR has essentially relied on audited financials upto FY22 and the bank's unaudited financials of upto Q4FY23 and publicly available information.



**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NIL.**

## **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 2023. The Bank is one of the few regional PSBs in the coun. As of 31 March 2023, the Bank has a total CAR of 17.1%, Tier I ratio of 14.32% and CET-1 Ratio of 14.32%, and is comfortably above the regulatory requirements.

- **Increased focus on building the retail business:**

As on 31 March 2023, the Bank's Total Business has grown by 10.5% on Y-o-Y basis to Rs. 190647 Cr as on March, 2023. The CASA Deposit share has decreased by 22 bps and stands at a level of 33.59%, the Bank's Credit deposit ratio stood at 73.84% as compared to 68.91% in the previous year. RAM to Domestic Advances account for 53.20% as on 31 March 2023 and 50.7% as on 31 March 2022. Retail accounts for 17.22%, agri- 14.56% and MSME-18.35%. Major concentration of 46.8% of the total advances has been to the Corporate sector and has been increasing Y-o-Y. However, the bank is making conscious efforts to reduce the exposure to the corporate sector and expand the RAM segment.

- **Improving asset quality:** The asset quality has recently improved as Gross Non-Performing Assets (GNPA) ratio has declined to 6.97% as on 31.3.2023 against 12.17% as on 31.3.2022. The same was 8.36% as on 31.12.2022. Net Non-Performing Assets (NNPA) ratio has declined to 1.84% as on 31.3.2023 against 2.74% as on 31.3.2022. The same was 2.02% as on 31.12.2022. Fresh Slippages as on 31st March 2023 decreased by more than half at Rs.903 Crs as compared to Rs. 2061 Crs on 31 March 2022.

### **Credit Risks-:**

- **Average earnings, higher provisions and impact on profitability:**

Earnings of the bank have turned profitable for the last 3 quarters as Operating profit stood at Rs. 1450 Crs for FY23 against Rs. 1,330 Crs for FY22. Growth in profitability is marked by a significant drop in provisions whereas net profit has increased to Rs. 1313 Crs as on FY23 compared to Rs. 1039 Crs in previous year. One of the major factors resulting in this is the decline in Total Provision from Rs. 291 Crs in FY22 to Rs. 137 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 as 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:** The bank’s ability to grow its business, improve on its yield on advances and maintain its capital adequacy ratios with substantial buffers of at least 1.0% to 1.5% over the regulatory requirements shall be positives for the bank.

**Downward:** A recent improvement in the asset quality will remain monitorable to calculate consistency along with high drop in total provisions and the bank’s earnings potential, shall remain a key rating monitorable.

**LIQUIDITY:** Adequate As of 31 March 2023, Cash and balance with RBI and other banks stood at Rs. 6225 Crs. Total Investment of Rs. 44838 Crs which include 65% SLR investments. The Bank’s liquidity position seems comfortable, as the bank’s Liquidity Coverage Ratio was 206.19% as against the regulatory requirement of 100%. The capital ratios have strengthened as Capital Adequacy ratio (CRAR) at 17.1% with Common Equity Tier 1 (CET-1) ratio of 14.32% for Q4FY 2023. Tier-I is 14.32% and Tier-II is 2.78% as at March 2023.

**COMPANY PROFILE**

**Punjab & Sind Bank,** (P & SB or the bank) is one amongst the 12 Public Sector Banks (PSBs) in India post consolidation of many PSBs. As of 31 March 2023, the Government of India holds 98.25% stake in the bank. The Bank has a network of 1553 branches as of 31 March 2023. 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 2021	31-March 2022	31-March 2023
Total Assets	Rs. Crs	1,10,482	1,21,067	1,36,454
Total Business	Rs.Crs	1,63,919	1,72,524	1,90,647
Net Profits (Loss)	Rs. Crs	-2,733	346	1,313
ROA	%	-2.5	0.85	0.98
NIM	%	2.62	2.9	2.91
Gross NPA	%	13.76	12.17	6.97
Net NPA	%	4.04	2.89	4.8
CET-I ratio	%	12.05	12.77	14.32
Tier I ratio	%	13.98	14.8	14.32
Total CAR	%	17.06	18.54	17.1

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

**RATING HISTORY**

S.No	Instrument /Facility	Current Rating (April-23)			Rating History for the past 3 years		
		Type	Amt (Rs. Crs)	Rating	2022	2021	2020
1	Basel III - Tier II -Bonds	Long Term	237.30	BWR AA/Negative (Reaffirmation)	BWR AA/Negative (Reaffirmed)	BWR AA/Negative (Reaffirmed and Revised Outlook)	BWR AA/Stable (Reaffirmed) (16-Mar-2020)
2	Basel III - Tier II -Bonds	Long Term	-	-	-	-	BWR AA/Stable (Withdrawn) (16-Mar-2020) (Rs. 262.70 Crs)
Total			237.30	Rupees Two Hundred Thirty Seven Crores and Thirty Lakhs Only			

**COMPLEXITY LEVELS OF THE INSTRUMENTS: SIMPLE**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://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
		<b>Total</b>	<b>237.30</b>	<b>Rupees Two Hundred Thirty Seven Crores Thirty Lakhs Only</b>		

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

**For print and digital media** The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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