

Brickwork Ratings reaffirms the ratings for the Tier-II bonds aggregating to 237.30 Crores of Punjab & Sind Bank.

Particulars

Facilities/ Instrument**	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (Previous (17-Mar-2021))	Present
Tier II bonds (under basel III)	237.30	237.30	Long Term	BWR AA/Negative	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 Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I

RATING ACTION/OUTLOOK

Brickwork Ratings (BWR) reviews the rating of Basel III Tier II bonds of Punjab & Sind Bank ('P&SB' or 'the Bank'), as tabulated above.

The rating reaffirmation factors in the Government of India (GOI)'s equity stake of 97.07% as of 31 December 2021 and its continued support to the Bank. The GOI has infused capital funds amounting to Rs.5,500 Crores in the Bank during Q3FY20 and has strengthened the capital adequacy of the Bank. As of 9MFY22, the Bank had a total CAR of 17.82%, Tier I ratio of 14.41% and CET-1 Ratio of 12.34%, and is comfortably above the regulatory requirements. The Government further infused Rs. 4600 Crs in Feb 2022 and the amount was allotted on 31 March 2022. The rating however is constrained by high levels of gross non performing assets, average earnings and continued negative return on assets. The bank is reducing its exposure to corporates and infrastructure; however it continues to be higher than the comparable peers in the industry.

The Outlook has been reaffirmed to Negative factoring the continued net losses for the bank for the financial year FY21, and the continuing concerns about the GNPA levels. Further, any unexpected high levels of provisions due to incremental slippages to NPA may continue to impact the near to medium term profitability of the Bank.



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 FY21 and the bank's unaudited financials of upto 9MFY22, publicly available information and information/clarifications provided by the bank's management.

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 97.07% as of 31 December 2021. The Bank is one of the few regional PSBs in the country, and it assumes importance from its presence in the northern part of the country. The bank received capital infusion of Rs.5,500 Crs in Q3FY21 from the GoI, and the expectation of continued support of the GOI is reasonable. As of 31 December 2021, the Bank has a total CAR of 17.82%, Tier I ratio of 14.41% and CET-1 Ratio of 12.34%, and is comfortably above the regulatory requirements. The share application money pending allocation has improved the Bank's capital adequacy ratios. Further capitalization of Rs. 4,600 Crs has also taken place in FY 22.

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

As on 31 Dec 2021, the Bank's total business has increased by 7.7% on a QoQ basis. The credit deposit ratio has decreased from 71.38% as on 31 Dec 2020 to 66.48% as on 31 Dec 2021. The Bank's CASA has improved marginally and stood at 32.63% as against 32.40% as on 31 Dec. 2020. RAM to Domestic Advances account for 47% as on 31 March 2021 and 49.6% as on 31 December 2021. Retail accounts for 16.04%, agri-15.43% and MSME-18.17%. Major concentration of 24% of the total advances has been to the Infrastructure 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.

Credit Risks:

- **Average asset quality:**

The asset quality of the bank has been moderate wherein GNPA% has worsened to 14.44% for 9MFY22 from 13.14% for the corresponding period last year and 13.76% as on 31 March 2021. NNPA ratio stood at 3.01% against 2.84% as on 31 December 2020 and 4.04% as on 31st March



2021. Fresh Slippages as on 31st December 2021 stood very high at Rs.1,831 Crs as against Rs. 89 Crs as on 31st December 2020, majorly due to high fresh slippages during Q2FY22. Upgrades in 9MFY22 at Rs. 691 Crs as against Rs. 141 crs. in 9MFY21. PCR stood at 87.77%.

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

Earnings of the bank have turned profitable for the last 3 quarters and stood at Rs. 693 Crs for 9MFY22 against net loss of Rs. 2,733 Crs for FY21 and net loss of Rs. 2,894 crs for 9MFY21. Growth in profitability is marked by significant drop in provisions. Total Provision value has dropped from Rs. 2,677.90 Crs in FY21 to Rs. 980.30 Crs in 9MFY22. The provision in 9MFY21 stood at Rs. 2,657.97 Crs. NIM stood at 3.17% while ROA stood at 0.98%. Cost to Income ratio though has improved from 84.11% for 9MFY21 to 64.2% for 9MFY22 but is still considered high.

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 deterioration in the asset quality, resulting in pressure on the profits, impacting the capital adequacy ratios, shall remain a key rating monitorable.

LIQUIDITY: Adequate

As of 31 December 2021, the capital ratios have strengthened to total CAR of 17.82% (December 2020: 16.39%), Tier 1 at 14.41% (December '20:13.40%) & CET-1 ratio of 12.34% (December '20:11.45%) and are well above the regulatory requirements of 11.5%, 9.5% and 8.0% respectively with sufficient cushion.

As on 31 December 2021, Cash and balance with RBI and other banks stood at Rs. 9,035 Crs. Total Investment of Rs. 37,180 Crs include 69% SLR investments.



ABOUT THE BANK Background: Punjab & Sind Bank (P&SB) is one amongst the 12 Public Sector Banks (PSBs) in India post consolidation of many PSBs. As of 31 December 2021 the Government of India held 97.07% stake in the bank. The Bank has a network of 1531 branches as of 31 December 2021. One of the few regional PSBs in the country, the bank assumes importance from its presence being in the northern part of the country. Shri S. Krishnan is the Managing Director and Chief Executive Officer of the Bank since September 04, 2020 The two Executive Directors of the Bank are Dr. Ramjass Yadav (since 21October 2021) and Mr Raghavendra Kollegal Venkatasheshan (since 10 March 2021).

KEY FINANCIAL INDICATORS (in Rs Crs)

Key Parameters	Units	Audited	Audited	Audited
Key parameters		31-March-2019	31-March-2020	31-March-2021
Total Assets	Rs. Crs	1,08,982	1,00,503	1,10,482
Total Business	Rs.Crs	1,71,305	1,52,232	1,63,919
Net Income (Net Interest Income + Other Income)	Rs.Crs	2,280	2,058	2,262
Net Profits (Loss)	Rs. Crs	-543	-991	-2,733
ROA	%	-0.5	-0.9	-2.5
NIM	%	2.31	2.51	2.62
Gross NPA	%	11.83	14.18	13.76
Net NPA	%	7.22	8.03	4.04
CET-I ratio	%	7.80	7.59	12.05
Tier I ratio	%	9.50	9.58	13.98
Total CAR	%	10.93	12.76	17.06

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NIL

NON COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY: NIL

Rating History for the previous three years (Including withdrawal and suspended)

S.No	Instrument /Facility	Current Rating			Rating History for the past 3 years		
		Type	Amount (Rs. Crs)	Rating	2021	2020	2019
1	Basel III – Tier II –Bonds	Long Term	237.30	BWR AA/Negative (Reaffirmation)	BWR AA/ Negative (Reaffirmed and Revised Outlook)	BWR AA / Stable (Reaffirmed) (16-Mar-2020)	BWR AA / Stable (Reaffirmed and Revised Outlook) (08-Mar-2019)
Total			237.30	Rupees Two Hundred Thirty Seven Crores and Thirty Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com / download / ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf). Investors' queries can be sent to info@brickworkratings.com.

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Banks Financial Institutions](#)
- [Basel III Compliant Instruments](#)

For any other criteria obtain hyperlinks from website

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**Annexure-I
Details of Bank Loan Facilities rated by BWR :NA**

**Annexure-II
Instrument 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-III
List of entities consolidated:NA**

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