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ਸੰਦਰਬ /Ref. No. PSB/HO/Shares Cell / 113 /2022-23

ਦਿਨਾਂਕ /Dated: March 09, 2023.....

To,

BSE Limited, Department of Corporate Services, 25 th floor, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001. SCRIP ID : PSB SCRIP CODE : 533295	National Stock Exchange of India Ltd., Exchange Plaza, C – 1, Block – G, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051. SYMBOL: PSB SERIES: EQ
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Dear Sir,

Reg: Credit Rating by Infomeric Ratings

It is hereby informed that Infomeric Ratings vide its rating action dated 09.03.2023 has assigned the Rating of IVR AA/Stable to our existing Tier II Bond Series XV of Rs.237.30 crore. The details are as under:

Instrument	Rated Amount (Rs. crore)	Rating	Rating Action
Basel III Tier II Bonds	237.30	IVR AA/Stable	Assigned
Total	237.30		

The Rating Rationale has also been enclosed for reference.

We request you to take note of the above pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Yours faithfully,

Saket Mehrotra
Company Secretary





Press Release

Punjab and Sind Bank (PSB)

March 09, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
BASEL III Compliant Tier II Bonds - INE608A08033	237.30	IVR AA/ Stable (IVR Double A with Stable Outlook)	Assigned	Highly Complex
Total		237.30 (Rupees Two Hundred Crores only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The assignment of ratings to the BASEL III Compliant Tier II bonds of Punjab and Sind Bank (PSB) has taken into consideration sovereign ownership with continued support, comfortable capitalisation, and its healthy resource profile. However, the ratings are constrained by average asset quality and geographically concentrated operations.

Note on Basel-III Compliant Tier-II Instruments

The distinguishing feature of Tier-II capital instruments under Basel III is the existence of the point of non-viability (PONV) trigger, the occurrence of such situation might result in loss of principal to the investors and, henceforth, to default on the instrument by the issuer. According to the Basel III guidelines, the PONV trigger will be determined by the RBI. IVR believes 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.

Key Rating Sensitivities:

Upward Factors



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- Substantial growth in advances and deposits, profitability, and capitalisation levels of the bank.

Downward Factors

- Material declines in GoI Shareholding and/or expectation of support from Government of India.
- Any major increase in slippages leading to weakening of asset quality, thereby impacting the earnings profile.
- Any material Decline in overall capital adequacy ratios below the current level.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Sovereign ownership with continued support

The Government of India (GoI) holds 98.25% stake in the Bank as of 31 December 2022. The Bank is one of the major public sector banks (PSBs) of the country. The Bank has received regular capital support from the Government of India. The Bank received capital support aggregating to Rs. 11,672 crore over FY18- FY22 (Rs. 785 crores in FY18, Rs. 787 crores in FY20, Rs. 5,500 Crores in FY21 and Rs. 4,600 crores in FY22) from GoI. The GoI is expected to continue to provide significant support to large public sector banks like the Punjab and Sind bank as it plays an important role in penetration of economic and social development.

Comfortable capitalisation

Capitalisation of the bank is comfortable, with Common Equity Tier-1 (CET 1) ratio, Tier-II capital adequacy ratio (CAR) and overall CAR at 12.79%, 2.78% and 15.57%, respectively, as on December 31, 2022 (12.77%, 3.74% and 18.54%, respectively, as on March 31, 2022). The bank has flexibility to raise additional equity from the market, with the GoI stake at 98.25% as on December 31, 2022. The capital level is also supported by regular infusion from GoI.

Healthy resource profile



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Resource profile of the Bank has continued healthy with the proportion of low-cost CASA deposits at 33.30% as on December 31, 2022. The proportion remains below the industry average, however, the same is expected to improve over years. Bank's cost of deposits and Net interest margin remains comfortable at 4.40% and 3.40% as on 31 December 2022.

Key Rating Weaknesses

Average, albeit improving, asset quality

Asset quality of the Bank, with reported gross NPAs of 8.36% as on December 31, 2022 (12.17% as on March 31, 2022, improving from 13.76% in FY21), remains modest, albeit with an improving trend. The Net NPA has improved from 4.04% in FY21 to 2.74% in FY22 and further to 2.02% in 9MFY23. As on December 31, 2022, Gross NPAs from the corporate segment stood at 9.76%, followed by MSME (10.58%), agriculture (7.48%) and retail (3.37%). The provision coverage ratio of the bank remained above industry average at 89.31% as on December 31, 2022.

Geographically concentrated operations

PSBs operations are highly concentrated in the northern states of India, which accounted for ~72% of the deposits and ~55% of the advances as on 31 December 2022. While the bank has been opening branches outside the state, concentration risk is likely to reduce only in the long term. Bank plans to open ~50 branches outside north India in next 12 months as part of risk mitigation and to reduce the regional concentration.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Banks](#)

[Criteria for assigning rating outlook](#)

[Criteria for Government support](#)



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Liquidity –Adequate

The Punjab and Sind bank's liquidity position is supported by the strength of its liabilities franchise and its sovereign ownership. The Bank is having a sizeable retail deposit base that forms a significant part of the total deposits. Its liquidity coverage ratio stood at 244.80% as on 30 September 2022, as against minimum regulatory requirement of 100%. The Bank had cash and cash equivalents amounting to Rs. 7,559.98 Crores and investments of Rs. 46127.63 Crores as on December 31, 2022. Liquidity is further supported by the Bank's access to systemic sources of funds, such as the liquidity adjustment facility from RBI and access to the call money market.

About the Bank

Punjab and Sind Bank (PSB), established in 1908, is a mid-sized corporate-focused public sector bank based out of New Delhi that operates through a network of 1,528 branches as on December 31, 2022, with branch concentration in north India. It was nationalised in the year 1980. In December 2010, the Government of India (GOI) divested 17.93% stake through an initial public offer (IPO). However, post many capital infusions over the subsequent years (FY18 onwards), the GOI shareholding had steadily risen and stood at 98.25% as on December 31, 2022. One of the few regional PSBs in the country, the bank assumes importance from its presence being in the northern part of the country.

Financials (Standalone)*:

Rs in Crores

For the year ended/As on*	31-03-2020	31-03-2021	31-03-2022
	(Audited)	(Audited)	(Audited)
Total Income	8826.92	7877.53	8055.19
PAT	-990.80	-2732.90	1039.05
Advances	62564.20	67811.17	70387.09
Deposits	89667.55	96108.18	102137.01
Total Business	152231.75	163919.35	172524.10
Total Assets	100503.81	110481.89	121067.55



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NIM (%)	2.28	2.62	2.80
ROTA (%)	-0.95	-2.59	0.90
CET I CRAR (%)	7.59	12.05	12.77
Overall CRAR (%)	12.76	17.06	18.54
Gross NPA (%)	14.18	13.76	12.17
Net NPA (%)	8.03	4.04	2.74
CASA (%)	29.57	32.81	33.81

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	BASEL III Complaint Tier II Bonds	Long Term	237.30	IVR AA/ Stable	-	-	-

Name and Contact Details of the Rating Analyst:

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.



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Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities/Instrument:

Name of Instrument	ISIN	Date of Issuance	Coupon Rate/ IRR (%)	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
BASEL III Compliant Tier II Bonds	INE608A08033	27 June 2019	9.50	26 October 2029	237.30	IVR AA/Stable
Total					237.30	

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details – Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

Security Name	Punjab & Sind Bank, BASEL III Tier II Bonds – Series XV
Issuer/Bank	Punjab and Sind Bank



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Type of Instrument	Listed, rated, Unsecured, Subordinated, Taxable, Non-Convertible, fully paid -up Basel III Compliant Tier II Bonds, (Series XV) in the nature of Debentures eligible for inclusion in Tier II Capital ("Bonds")
Issue Size	Aggregate total issue size not exceeding Rs.500 crore, with a base issue size of Rs.200crore and a Green shoe option to retain oversubscription up to Rs.300 crore.
Amount raised	Rs 237.30 Crores
Option to retain oversubscription	Green shoe option to retain oversubscription up to Rs 300 crores in single or multiple tranches
Objects of the issue	Augmenting Tier II capital and overall capital of the bank
Security	Unsecured and Subordinated
ISIN	INE608A08033
Issue date	June 27, 2019
Maturity date	October 26, 2029
Coupon (%)	9.50% Subject to Loss absorbency, "Permanent Principal Write down" on PONV trigger event and other events
Coupon payment frequency	Annual

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.