

Ref No: PSB/HO/Shares Cell / 99 /2024-25

March 3, 2025

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: Rating by Infomerics Ratings

We hereby inform that Infomerics Ratings has reaffirmed the Rating of the Tier II Bonds issued by the Bank as detailed hereunder:

Instrument Type	Rating / Outlook
Basel III compliant Tier II Bond Series XV of Rs.237.30 crore	IVR AA / Stable (IVR Double A with Stable Outlook) (Reaffirmed)

The Press Release is enclosed for reference.

We request you to take note of the above pursuant to Regulation 30 and 51 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Yours faithfully

Saket Mehrotra
Company Secretary





Press Release

Punjab and Sind Bank (PSB)

March 03, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
BASEL III Complaint Tier II Bonds	237.30	IVR AA/ Stable (IVR Double A with Stable Outlook)	IVR AA/ Stable (IVR Double A with Stable Outlook)	Rating Reaffirmed	Highly complex
Total	237.30 (Rupees Two Hundred and Thirty-Seven Crore and Thirty Lacs only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale:

Infomerics Ratings has reaffirmed the rating assigned to the Tier II bonds of PSB which continues to derive strength from sovereign ownership with continued support, adequate capitalisation, diversified loan book and improvement in earnings profile over the years. However, the ratings are constrained by moderate asset quality albeit improving, moderate resource profile, relatively moderate size & geographically concentrated operations.

Infomerics Ratings expects outlook to remain stable on the expectations of continued support from the Government of India (GoI), growth in advances, healthy resource profile, comfortable capitalization levels and improvement in asset quality.

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. Infomerics believes



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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

- Substantial growth in advances and deposits, profitability, and capitalization levels of the bank.
- Substantial improvement in asset quality.

Downward Factors

- Any weakening of linkages with Government of India (GoI)
- Any major increase in slippage leads 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:** GoI continues hold majority with shareholding of 98.25% stake in PSB as on December 31, 2024. The GoI has consistently provided support in terms of regular capital infusion to enhance capitalization, operational efficiency, and asset quality in public sector banks (PSBs). Given the GoI's majority ownership and the significant role of PSBs in the domestic banking system, Infomerics Ratings expects PSB to receive tangible support from GoI as and when needed.
- **Adequate capitalization:** Capitalization of the bank remains adequate, with reported Common Equity Tier-1 (CET 1) ratio, Tier-I capital adequacy ratio (CAR) and overall, CAR at 14.04%, 14.04% & 15.95% respectively, as on December 31, 2024 (14.74%, 14.74% & 17.16% respectively, as on March 31, 2024). The capital level is also



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supported by regular infusion from GoI. During Q3FY25, the bank has raised ~Rs. 3000 crore through infrastructure long term bonds. Furthermore, the bank is planning to raise capital of Rs. 2000 crore during Q4FY25 through QIP which is expected to bring down the GoI holding by 3% – 4%. Infomerics Ratings expects the bank to maintain a sufficient capital cushion above the minimum regulatory requirement to meet credit growth supported by the improvement in internal accruals and expected capital raising in Q4FY25.

- **Diversified loan book:** PSB's total advances have grown y-o-y by ~15% to Rs 95,870 crore as on 31st December 2024 (31st March 2024: Rs. 85,964 crore) with the share of RAM in the total advances at ~54%. Among the RAM segment, retail has grown by 35% on y-o-y basis led by the growth of 40% in home loan portfolio followed by ~37% in vehicle loan portfolio and ~17% in MSME loan portfolio, Gold loan portfolio grew by 14% on y-o-y basis and agriculture portfolio grew by ~8%. Corporate segment which forms 46% of the total advances has grown by ~8% on y-o-y basis with exposure to industries / sectors like infrastructure, NBFC, textiles, iron and steel among others. Infomerics Ratings expects continuity in RAM segment to be a key focus area for PSB to drive credit growth over medium term.
- **Improvement in earnings profile over the years:** During FY18 to FY21, the bank faced challenges in maintaining profitability, experiencing losses attributed to poor asset quality and resulting in elevated credit costs. However, bank's earnings profile has improved significantly during FY22 – FY24 (refers to period 1st April 2023 to 31st March 2024) owing to the improvement in asset quality. Bank's net interest income has grown y-o-y by ~24% to Rs. 2662 crore as on 31st December 2024 (31st December 2023: Rs. 2152 crore) on account of the higher yield of advances which has increased by 21 bps to 8.87%. As on 31st December 2024, bank's net interest margin improved by 23 bps to 2.73% on account of higher yield on investments which led to bank's interest income from investments grow y-o-y by ~23% to Rs. 2413 crore. Bank's non-interest income has grown y-o-y by ~10% to Rs. 891 crores as on 31st December 2024 primarily on back of higher profit due to sale of investment. Bank's operating profit has improved y-o-y by ~58% to Rs. 1259 crores owing to rationalization operating



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expenses as on 31st December 2024. Going forward, PSB's ability to improve profitability and manage credit costs will remain a key rating monitorable.

Key Rating Weaknesses:

- **Moderate asset quality albeit improving:** Asset quality of the bank is moderate though has shown significant improvement over the years, with reported gross NPAs of 3.83% as on December 31, 2024 (FY21: 13.76%, FY22: 12.17%, FY23: 6.97%, FY24: 5.43%). The Net NPA has improved to 1.25% as on December 31, 2024 (FY21: 4.04%, FY22: 2.74%, FY23: 1.84%, FY24: 1.63%). As on December 31, 2024 out of the total Gross NPAs, agriculture contributes 9.30% followed by MSME 8.68%, retail 1.78% and corporate 1.16%. Bank's provision coverage ratio stood at a comfortable 89.53% as on 31st December 2024. Infomerics Ratings expects further improvement in asset quality over the medium term on account of lower slippage, better recovery and growth in advances.
- **Moderate resource profile:** Resource profile of the Bank has remained moderate with the proportion of low-cost CASA deposits at 31.16% as on December 31, 2024 (32.42% as on March 31, 2024) with a deposit base of Rs. 1,27,397 crore as on 31st December 2024. Additionally, the share of retail deposits has largely remained stable at ~42%, which provides additional comfort on the liabilities side as the probability of premature withdrawal is remote. The cost of deposits and cost of funds have increased to 5.74% & 5.80% as on December 31, 2024 (5.49% & 5.58% as on December 31, 2023) as post rate hikes in FY23, banking industry is experiencing challenges in raising CASA deposits as the depositors' preferences have shifted towards term deposits with attractive rates. Going forward, PSB's ability to mobilize CASA deposits will remain a key rating monitorable.
- **Relatively moderate size & geographically concentrated operations:** With a total business of about Rs. 2.23 lakh crore and an asset size of Rs. 1.55 lakh crore as on 31st December 2024, PSB is one of the moderately sized public sector banks. It will take some time for the bank to reach scale and become competitive with the larger public sector banks. Also, bank's operations are moderately concentrated in the



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northern parts of India which accounts for ~61% of the total branches. While the bank has been opening branches outside the region, concentration risk is likely to reduce only in the long term.

Analytical Approach: Standalone

We have considered the standalone approach while assessing the financial and business risk profile of PSB. The approach also factors in the support that the bank is expected to receive from GoI, both on an ongoing basis and in the event of distress.

Applicable Criteria:

[Rating Methodology for Banks](#)

[Financial Ratios & Interpretation: Financial Sector](#)

[Criteria for Government Support](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Strong

PSB'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 133.99% as on 31 December 2024, as against minimum regulatory requirement of 100%. The Bank had cash and cash equivalents amounting to Rs. 6,269 crores and investments of Rs. 46,072 crores as on December 31, 2024. 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

PSB established in 1908, is a mid-sized corporate-focused public sector bank based out of New Delhi that operates through a network of 1,584 branches as on December 31, 2024 with branch concentration in north India. It was nationalised in the year 1980. In December 2010,



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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, 2024.

Financials (Standalone):

For the year ended* / As on	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Income	8932.69	10915.44
PAT	1313.03	595.41
Total Advances	80981.73	85964.47
Total Deposits	109665.49	119409.55
Total Assets	136454.52	147656.53
Ratios		
NIM (%)	2.91	2.45
ROTA (%)	0.98	0.41
CET I CRAR (%)	14.32	14.74
Overall CAR (%)	17.10	17.16
Gross NPA (%)	6.97	5.43
Net NPA (%)	1.84	1.63
PCR (%)	89.06	88.69
CASA (%)	33.59	32.42

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None



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Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024 - 25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023 - 24	Date(s) & Rating(s) assigned in 2022 - 23	Date(s) & Rating(s) assigned in 2021 - 22
				--	March 05, 2024	March 09, 2023	--
1.	BASEL III Complaint Tier II Bonds - INE608A08033	Long Term	237.30	IVR AA / Stable (Mar 03, 2025)	IVR AA / Stable	IVR AA / Stable	--

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.



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Annexure 1: Instrument/Facility Details

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

Annexure 2: Facility wise lender details : Not Applicable

Annexure 3: Detailed explanation of covenants of the rated Security/facilities:

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



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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

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Name of the company/Entity	Consolidation/Combined Approach

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.