

July 24, 2025

Bank of Maharashtra: Rating reaffirmed; withdrawn for Rs. 600-crore Basel III tier II bonds

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Basel III Tier II bonds	2,000.00	2,000.00	[ICRA]AA+ (Stable); reaffirmed
Basel III Tier II bonds	600.00	-	[ICRA]AA+ (Stable); reaffirmed and withdrawn
Infrastructure bonds	10,000.00	10,000.00	[ICRA]AA+ (Stable); reaffirmed
Total	12,600.00	12,000.00	

*Instrument details are provided in Annexure I

Rationale

The long-term rating factors in the sustained improvement in Bank of Maharashtra's (BoM) earnings profile, driven by the healthy growth in the loan book, steady margins and contained slippages, keeping its credit costs at a manageable level. Additionally, it reported an improvement in its capital buffers and solvency¹ metrics, aided by healthy profitability and the capital raise in FY2025. The rating remains supported by the bank's majority sovereign ownership and its above-average resource profile, given its established retail network with a strong presence in Maharashtra. BoM has a high share of low-cost current account and savings account (CASA) deposits, which translates into a competitive cost of funds. This is expected to support its profitability even though it may moderate from the current levels, going forward.

The bank's slippage rate dipped while recoveries/upgrades and write-offs remained meaningfully adequate, helping it report a decline in the gross non-performing advances (GNPAs) ratio to 1.74% on March 31, 2025 from 1.88% on March 31, 2024. The vulnerable book (SMA-1², SMA-2³ and standard restructured book) declined to 1.01% of standard advances as on March 31, 2025 from 2.24% as on March 31, 2024. Nonetheless, the asset quality will remain monitorable as the loan book seasons, given that the bank's credit growth has been high in the recent past. Additionally, any macro-economic shock could impact the asset quality and profitability profile. In this regard, BoM continues to hold floating/prudent provisions that can absorb some of the incremental impact if the same materialises.

The capitalisation metrics remain supported by the healthy profitability and equity raising in FY2025 and are expected to stay comfortable with the planned resource raising by the bank, including the plan to raise equity to reduce the sovereign ownership to less than 75%.

The Stable outlook on the rating factors in ICRA's expectation that BoM will continue to maintain a healthy earnings profile despite the expected pressure on margins in the near term with the repricing of the loan book amid the downward revision of the policy rates by the Reserve Bank of India (RBI). It is also expected to maintain healthy asset quality, stable solvency levels and a comfortable capitalisation profile.

ICRA has withdrawn the rating assigned to the Rs. 600.00-crore Basel III Tier II bonds as they have matured and have been redeemed. The rating was withdrawn in accordance with [ICRA's policy on withdrawal](#).

¹ Solvency is defined as (Net non-performing advances + Net non-performing investments + Net security receipts)/Core capital

² SMA is defined as a special mention account (SMA), which is an account exhibiting signs of incipient stress resulting in the borrower defaulting in the timely servicing of their debt obligations though the account has not yet been classified as an NPA as per the extant RBI guidelines; SMA-1 accounts are overdue by 31-60 days while SMA-2 accounts are overdue by 61-90 days

³ The reported amount refers to SMAs with amount outstanding of Rs. 5 crore and above

Key rating drivers and their description

Credit strengths

Sovereign ownership – The rating continues to factor in BoM's majority sovereign ownership with the Government of India (GoI) holding an equity stake of 79.60% as on June 30, 2025. In the past, it had received regular capital support from the GoI with a total infusion of Rs. 9,007 crore during FY2017-FY2020, which enabled its provisions to cover the legacy stressed assets while keeping its capital ratios above the regulatory levels. Following its exit from the prompt corrective action (PCA) framework in January 2019, BoM's profitability improved steadily, driven by the strong growth in advances and benign credit costs.

Even though BoM can pursue its growth ambitions in the near to medium term, given its healthy rate of internal accruals and capitalisation metric buffers over the regulatory levels, ICRA expects the GoI to provide capital support if necessary.

Healthy capitalisation profile and solvency – BoM's capitalisation profile has remained comfortable with the CET I {as a percentage of risk-weighted assets (RWA)} at 15.62% as on June 30, 2025 (15.83% as on March 31, 2025), supported by sufficient internal capital accretion and the equity capital raise via a qualified institutional placement (QIP) of Rs. 3,500 crore in Q2 FY2025.

Furthermore, with the provision coverage on the GNPA's remaining high, BoM's overall solvency level improved to 1.63% as on March 31, 2025 (2.24% as on March 31, 2024 and 3.06% as on March 31, 2023). The bank is also holding prudent/contingency provisions of Rs. 1,200 crore, which is much higher than the stock of net NPA's (NNPA's) of Rs. 434 crore as on June 30, 2025.

ICRA notes that the bank's healthy profitability and capital cushions enable it to manage the increased provisioning requirement to comply with the expected credit loss (ECL) as and when it becomes applicable.

Above-average resource profile with strong share of CASA in overall deposits – BoM has an established retail franchise with a strong regional presence in Maharashtra, depicted by its network of 2,641 branches as on June 30, 2025 (~44% of branches located in Maharashtra). Its low-cost CASA deposits increased at a compound annual growth rate (CAGR) of 11.61% during the 3-year period ending June 30, 2025, accounting for 50.07% of the total deposits (53.28% as on March 31, 2025), which is higher than the CASA deposit share of public sector banks (PSBs).

In line with increasing interest rate trends till FY2025, BoM's cost of interest-bearing funds (annualised basis) rose to 4.56% in Q1 FY2026 from 4.36% in FY2025 (4.08% in FY2024), though it remains competitive compared to the industry average. This is driven by the bank's healthy share of CASA deposits. BoM has witnessed a sharp uptick in the depositor concentration level with the top 20 depositors contributing 14.67% to the total deposits as on March 31, 2025 compared to 10.66% as on March 31, 2024 (11.80% as on March 31, 2023).

Earnings profile improves – BoM's profitability metrics improved with a return on assets (RoA) of 1.64% in FY2025 compared to 1.42% in FY2024, with the competitive cost of funds aiding the net interest margins (NIMs) and operating profit. The NIMs improved to 3.47% in FY2025 from 3.43% in FY2024. Additionally, the profitability was supported by recoveries from written-off accounts during this period and the low rate of tax due to the write-off of carried forward losses.

Given the relatively lower proportion of the vulnerable book and the carrying of prudent provisions, the bank's overall credit cost outlook remains benign. Going forward, the ability to contain the credit cost at this level will be key for maintaining the current rate of internal capital generation.

ICRA notes the likely pressure on NIMs across the banking sector, following the policy rates cuts by the RBI. However, BoM is expected to hold on to its healthy profitability profile despite some moderation in the profitability metrics in the near term.

Credit challenges

Asset quality remains monitorable – The overall gross fresh NPA generation rate rose slightly in FY2025 to 0.84% from 0.73% in FY2024 (1.90% in FY2023), though it trended significantly below the elevated levels seen in the past (5-11% during FY2017-FY2020). Moreover, the bank continues to maintain a healthy provision cover, also witnessed by the lower NNPA ratio compared to previous periods. Besides this, BoM's stressed assets (SMA-1 and SMA-2⁴ book + standard restructured book) inched up slightly to Rs. 2,633 crore as on March 31, 2025 (1.12% of standard advances) from Rs. 2,447 crore as on March 31, 2024 (1.22%) and Rs. 4,356 crore as March 31, 2023 (2.55%), however, it later moderated to Rs. 2,567 crore as on June 30, 2025 (1.08% of standard advances).

ICRA notes that while the potential stress book levels have eased, the bank has seen a significantly high growth in advances compared to the PSB average with infrastructure sector loans accounting for the majority of this growth. Moreover, the share of exposures outstanding towards state government owned entities, which have weak credit profiles, remains high. Any macro-economic shocks due to geopolitical tensions or otherwise may affect the debt-servicing ability of such borrowers and will remain monitorable.

Environmental and social risks

While banks like BoM do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. If the entities or businesses, to which banks and financial institutions have an exposure, face business disruptions because of physical climate adversities or if such businesses face climate transition risks because of technological, regulatory or customer behaviour changes, it could translate into credit risks for banks. However, such risk is not material for BoM as it benefits from adequate portfolio diversification. Further, the lending is typically short-to-medium term, allowing it to adapt and take incremental exposure to businesses that face relatively fewer downside environmental risks.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for banks as material lapses could be detrimental to their reputation and invite regulatory censure as has been seen for other regulated entities in the recent past. BoM has not faced material lapses over the years. Customer preferences are increasingly shifting towards digital banking, which provides an opportunity to reduce the operating costs. BoM has been making the requisite investments to enhance its digital interface with its customers. While it contributes to promoting financial inclusion by lending to the underserved segments, its lending practices remain prudent as reflected in the healthy asset quality numbers in this segment compared with its peers.

Liquidity position: Strong

BoM's liquidity profile remains characterised by a high liquidity coverage ratio (LCR) of 113.63% for the year ended March 31, 2025 against the regulatory requirement of 100% and excess statutory liquidity ratio (SLR) holdings of ~Rs. 9,000 crore as of even date.

Given the strong growth in the advances book and the rising credit-deposit (CD) ratio, certain negative cumulative mismatches exist in the asset-liability mismatch (ALM) bucket for up to 1 year, though these have moderated compared to the previous year. However, given the robust liability franchise, ICRA expects BoM to roll over its deposits and maintain strong liquidity.

Rating sensitivities

Positive factors – BoM's ability to increase its scale of operations meaningfully, while maintaining healthy profitability, a comfortable solvency profile, and cushions of more than 3% over the regulatory Tier I levels (including capital conservation buffers), will be a positive factor.

Negative factors – ICRA could downgrade the rating on a material deterioration in the asset quality metrics or the weakening of the capitalisation profile with the Tier I cushions falling below 2%. Further, weakening of the solvency profile with NNPA/core equity exceeding 20% and/or the RoA declining below 0.5% on a sustained basis would be negative factors. The rating will also be reassessed in case of a significant change in the sovereign ownership.

⁴ Rs. 5. crore and above

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Rating Methodology for Banks and Financial Institutions ICRA's Policy on Withdrawal
Parent/Group support	The rating factors in BoM's sovereign ownership and the demonstrated track record of capital infusions by the GoI. ICRA expects the GoI to support the bank with capital infusions if required.
Consolidation/Standalone	To arrive at the rating, ICRA has considered the standalone financials of BoM. However, in line with ICRA's consolidation approach, the standalone assessment of the bank factors in the ordinary and extraordinary support extended to its subsidiaries and associate.

About the company

Bank of Maharashtra (BoM) was registered in 1935 in Pune (Maharashtra) as a public limited company, named The Bank of Maharashtra Ltd., with the objective of assisting small business enterprises, traders and self-employed individuals. With the increasing scale of operations, it became a scheduled bank in 1944 and acquired four small banks (Bank of Konkan Ltd., Bank of Nagpur Ltd., Bharat Industrial Bank Ltd. and Banthia Bank Ltd.) to expand its operations. BoM was nationalised, along with 13 other banks, in July 1969 and has remained a mid-sized public sector bank. Its market share in the advances and deposits of the banking system stood at 1.22% and 1.32%, respectively, as on March 31, 2025.

As on June 30, 2025, BoM had a wide network of 2,641 branches, with Maharashtra accounting for a large share (~44%). The bank reported a net profit of Rs. 1,293 crore (annualised RoA of 1.74%) in Q1 FY2026 on a total asset base of Rs. 3.66 lakh crore as on June 30, 2025 compared to Rs. 5,520 crore (RoA of 1.64%) in FY2025 on a total asset base of Rs. 3.67 lakh crore as on March 31, 2025 {net profit of Rs. 4,055 crore (RoA of 1.42%) in FY2024 on a total asset base of Rs. 3.06 lakh crore as on March 31, 2024}.

Key financial indicators (standalone)

Bank of Maharashtra	FY2024	FY2025	Q1 FY2026
Total operating income [^]	12,469	14,798	4,069
Profit after tax	4,055	5,520	1,293
Total assets (Rs. lakh crore) [@]	3.06	3.67	3.66
Return on average total assets	1.42%	1.64%	1.74%*
CET I	12.50%	15.83%	15.62%
CRAR	17.38%	20.53%	20.06%
Gross NPAs	1.88%	1.74%	1.74%
Net NPAs	0.20%	0.18%	0.18%

All ratios as per ICRA's calculations; Amount in Rs. crore unless mentioned otherwise

[^]Includes net interest income and non-interest income net of trading gains or losses if any

[@]Total asset base is calculated excluding the revaluation reserves as on the reported date

*Annualised

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument		Current rating (FY2026)		Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Jul 24, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Basel III Tier II bonds	Long term	2,000.00	[ICRA]AA+ (Stable)	Jul 25, 2024	[ICRA]AA+ (Stable)	Jun 05, 2023	[ICRA]AA (Positive)	Jun-13-2022	[ICRA]AA (Stable)
				Jun 24, 2024	[ICRA]AA+ (Stable)	-	-	-	-
				May 14, 2024	[ICRA]AA+ (Stable)	-	-	-	-
Basel III Tier II bonds	Long term	600.00	[ICRA]AA+ (Stable); withdrawn	Jul 25, 2024	[ICRA]AA+ (Stable)	Jun 05, 2023	[ICRA]AA (Positive)	Jun-13-2022	[ICRA]AA (Stable)
				Jun 24, 2024	[ICRA]AA+ (Stable)	-	-	-	-
				May 14, 2024	[ICRA]AA+ (Stable)	-	-	-	-
Infrastructure bonds	Long term	10,000.00	[ICRA]AA+ (Stable)	Jul 25, 2024	[ICRA]AA+ (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Basel III Tier II bonds	Highly Complex
Infrastructure bonds	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance /Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
INE457A08035	Basel III Tier II bonds	Jun-27-2016	9.20%	Sep-27-2026	500.00	[ICRA]AA+ (Stable)
INE457A08050	Basel III Tier II bonds	Mar-06-2020	8.70%	Mar-06-2030 ^{&}	600.00	[ICRA]AA+ (Stable); withdrawn
INE457A08167	Basel III Tier II bonds	Jul-04-2024	7.89%	Jul-04-2034*	1,000.00	[ICRA]AA+ (Stable)
INE457A08175	Infrastructure bonds	05-Aug-2024	7.80%	04-Aug-2034	811.00	[ICRA]AA+ (Stable)
INE457A08183	Infrastructure bonds	18-Feb-2025	7.70%	17-Feb-2035	1,612.00	[ICRA]AA+ (Stable)
NA	Basel III Tier II bonds [#]	NA	NA	NA	500.00	[ICRA]AA+ (Stable)
NA	Infrastructure bonds [#]	NA	AN	NA	7,577.00	[ICRA]AA+ (Stable)

Source: Bank of Maharashtra; [#] Yet to be placed

[&] First call option was due on March 06, 2025, and the bank exercised the same and redeemed the instrument

* First call option on July 04, 2029, and then annually on coupon payment dates

Key features of rated debt instruments

The servicing of the infrastructure bonds is not subject to any capital ratios or profitability. However, the Basel III Tier II bonds are expected to absorb losses once the point of non-viability (PONV) trigger is invoked by the RBI. These bonds have equity-like loss-absorption features. Such features may translate into higher loss severity vis-à-vis conventional debt instruments.

Annexure II: List of entities considered for consolidated analysis

Company name	BoM ownership	Consolidation approach
The Maharashtra Executor & Trustee Co. Pvt. Limited	100%	Full consolidation
Maharashtra Gramin Bank	35%	Full consolidation

Source: Bank of Maharashtra

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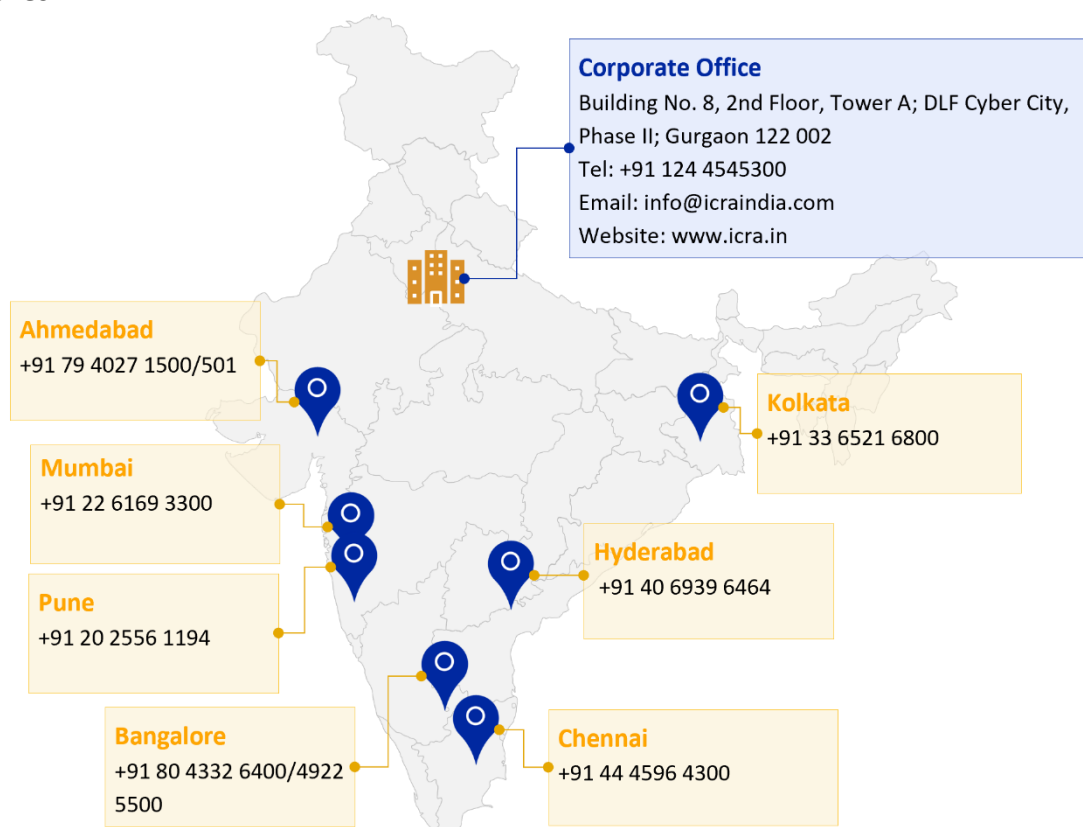


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