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Oriental Bank to raise Rs 1,000 cr via Tier-II bonds

ICRA downgrades outlook on long term ratings to "negative"

BS Reporter | Mumbai

October 29, 2015 Last Updated at 00:16 IST



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[Oriental Bank of Commerce](#) (OBC) plans to raise capital worth Rs 1,000 crore through Basel-III-compliant Tier-II bonds to shore up its capital adequacy and support business growth.

Rating agency [ICRA](#) has assigned AA+ [rating](#) to these bonds.

Though OBC's reported Common Equity Tier-I (CET-I) capital was above the minimum requirements set by the Reserve Bank, the bank would require Rs 7,000-8,600 crore of CET-1 capital from FY16-19 to meet the enhanced Tier-I capital requirements under Basel-III, [ICRA](#) said.

[ICRA](#) took comfort from OBC's majority government ownership (59.13 per cent as on September 30, 2015). The government had proposed for equity capital infusion of Rs 70,000 crore in public sector [banks](#) during FY16-FY19. This medium-term road map for capital infusion in

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PSBs was a positive for OBC's capitalisation profile, [ICRA](#) said.

[ICRA](#) also revised the outlook for long-term ratings of the public sector lender from stable to negative, on rising share of vulnerable assets on balance sheet.

Its gross non-performing asset (GNPA) plus restructured advances rose to 14.7 per cent in June 2015 from 11.2 per cent in June 2014.

With increased portfolio vulnerability, relatively high unprovided non-performing assets, credit provisioning requirements of OBC were likely to remain elevated in the medium term.

The improvement in OBC's profitability indicators would hinge upon its ability to bring down its credit costs.

[ICRA](#) said the bank was focusing on collateral backed retail and SME lending to grow its loan book. Ability of the bank to recover NPAs, control fresh slippages and timely recovery from restructured advances would be critical for its asset quality profile, it added.

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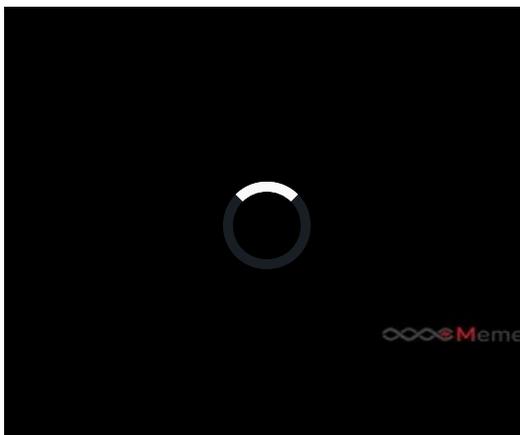


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