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## CARE REAFFIRMS VARIOUS OUTSTANDING DEBT INSTRUMENTS OF DENA BANK

CARE has reaffirmed the 'CARE AA' [Double A] rating assigned to Dena Bank's Lower Tier II bonds aggregating to Rs.560 crore and the 'CARE A+' [Single A Plus] rating assigned to its Perpetual Bonds of Rs.125 crore.

Instrument	Amount outstanding (Rs crore)	Ratings <sup>1</sup>
Lower Tier II Bonds- Series VII	150	CARE AA
Lower Tier II Bonds- Series VIII	210	CARE AA
Lower Tier II Bonds- Series XI	200	CARE AA
Perpetual Bonds- Series II	125	CARE A+

CARE has rated the aforesaid Perpetual Bonds two notches lower than Dena Bank's Lower Tier II Bonds in view of their increased sensitiveness to Dena Bank's capital adequacy ratio, capital raising ability and profitability during the tenure of the instruments.

The rating factors in additional risk arising due to existence of lock-in clause in these hybrid instruments. Any delay in payment of interest/ principal (as the case may be) following the invocation of the lock-in-clause would constitute as an event of default as per CARE's definition of default and as such these instruments may exhibit a somewhat sharper migration of rating as compared to conventional subordinated debt instruments.

### Rating Rationale

The rating factors in the majority ownership by Government of India (GoI) at 51.19%, the bank's long standing operations, its stable low-cost deposit base and improvement in asset quality over the last few years led by recoveries. The rating is however constrained by its relatively smaller size, concentration in western regions, its moderate profitability and operational efficiency parameters and higher slippages. The bank's ability to strengthen its capital adequacy levels, improve its margins and maintain asset quality by containing slippages from restructured assets are the key rating sensitivities.

### Bank Profile

Dena Bank is one of the mid-sized nationalised banks, with GoI shareholding of around 51.19%. As on 30th June 2010, the bank had network of 1237 branches and 421 ATMs with a major footprint in western India - the states of Maharashtra and Gujarat together accounted for around 65% of total branch network.. As on March 31, 2010, the bank had an asset size of Rs.57197 crore.

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<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

For FY10, the bank earned a Net Profit of Rs.511 crore (FY09: Rs.423 crore) on a Total income of Rs.4599 crore led by an average core earnings growth and lower provisioning. Total advances stood at Rs.35462 crore while the total deposits stood at Rs.51344 crore as on March 31, 2010.

During Q1FY11, the bank reported PAT of Rs.139 crore on total income of Rs.1222 crore led by a 43.9% growth in net interest income following a robust 34% increase in Advances. At 48.97%, Dena Bank's cost to income ratio remains on the higher side. Given the rising slippages, the gross and net NPA ratio of the bank increased to 2.11% and 1.49% as on June 30, 2010. The total restructured assets outstanding as on June 30, 2010 stood at Rs.1341 crore constituting 3.54% of net advances. The CAR as per Basel II stood at 11.87% with Tier I CAR at 7.73%.

**Analyst Contact**

Vijay Agrawal

Tel # (022) 6754 3416

E-mail: [Vijay.agrawal@careratings.com](mailto:Vijay.agrawal@careratings.com)

P. Soujanya

Tel # (022) 6754 3515

E-mail: [soujanya.pantula@careratings.com](mailto:soujanya.pantula@careratings.com)

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

**HEAD OFFICE: MUMBAI**

**Mr. D.R. Dogra**

Managing Director

Cell : +91-98204 16002

E-mail : [dr.dogra@careratings.com](mailto:dr.dogra@careratings.com)

**Mr. Rajesh Mokashi**

Dy. Managing Director

Cell : +91-98204 16001

E-mail: [rajesh.mokashi@careratings.com](mailto:rajesh.mokashi@careratings.com)

**Mr. P N Sathees Kumar**

Executive Vice President – Marketing

Mobile: +91-9820416004

mail:[sathees.kumar@careratings.com](mailto:sathees.kumar@careratings.com)

**Mr. Ankur Sachdeva**

Vice President – Marketing (SME)

Mobile: +91-9819698985

E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)

**Mr. Vivek Palan**

Manager – Banking & Finance

Mobile: +91-98206 06406

E-mail:[vivek.palan@careratings.com](mailto:vivek.palan@careratings.com)

4 Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,  
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: [www.careratings.com](http://www.careratings.com)

**OFFICES**

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, <b>Ahmedabad - 380 015.</b> Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: <a href="mailto:mehul.pandya@careratings.com">mehul.pandya@careratings.com</a></p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's Place No. 6, Raja Ram Mohan Roy Road, Richmond Circle, <b>Bangalore - 560 025.</b> Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: <a href="mailto:sundara.vathanan@careratings.com">sundara.vathanan@careratings.com</a></p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, <b>Chennai 600 002</b> Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail : <a href="mailto:Pradeep.kumar@careratings.com">Pradeep.kumar@careratings.com</a></p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar <b>Hyderabad - 500 029</b> Tel – 040 40102030 Mobile – 91766 47599 E-mail: <a href="mailto:ashwini.jani@careratings.com">ashwini.jani@careratings.com</a></p>
<p>Mr. Sukanta Nag Regional Manager 3 Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani <b>Kolkata - 700 071.</b> Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: <a href="mailto:sukanta.nag@careratings.com">sukanta.nag@careratings.com</a></p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, <b>New Delhi - 110 001.</b> Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail : <a href="mailto:swati.agrawal@careratings.com">swati.agrawal@careratings.com</a></p>