

January 11, 2016

## CARE REAFFIRMS THE RATING ASSIGNED TO THE LOWER TIER II BONDS OF IDBI BANK LTD.

### Ratings

Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Lower Tier II Bonds <sup>\$</sup>	70.00	<b>CARE AA+ [Double A Plus]</b>	Reaffirmed

<sup>\$</sup>transferred from erstwhile IDBI Home finance Ltd.

### Rating Rationale

The rating factors in majority ownership and support by Government of India (GOI), adequate capitalization levels and large scale of operations. The rating is, however, constrained by moderate asset quality, pressure on profitability and moderate CASA deposit proportions. Continued ownership and support from GOI, asset quality and profitability are the key rating sensitivities.

### Background

Industrial Development Bank of India (IDBI) was established under the IDBI Act, 1964 as a Development Financial Institution (DFI). As on September 30, 2015, the bank had a network of 1,778 branches (which includes one overseas branch at DIFC, Dubai) and 3,203 ATMs. IDBI Bank has five subsidiaries, viz., IDBI Asset Management Co. Ltd (66.67% stake), IDBI Capital Market Services Ltd (100%), IDBI Intech Ltd (100%), IDBI Trusteeship Services Ltd (54.7%) and IDBI MF Trustee Company Ltd. (100%). The bank also has a JV, IDBI Federal Life Insurance Company Limited with the bank holding 48% stake. Mr. Kishor Kharat, former Executive Director of Union Bank of India, was appointed as Chairman and Managing Director of IDBI Bank in August 2015.

During FY15, the bank's deposits and advances clocked a y-o-y growth of 10.2% and 5.4%, respectively. In FY15, the bank reported net profit of Rs.87 crore on total income of Rs.32,162 crore as against net profit of Rs.1,121 crore on total income of Rs.29,576 crore in FY14. The gross NPA ratio and net NPA ratio stood at 5.90% and 2.88%, respectively, as on March 31, 2015. As per Basel III, IDBI Bank reported capital adequacy ratio of 11.76% (Tier I – 8.18%) as on March 31, 2015.

In H1FY16, IDBI Bank reported net profit of Rs.255 crore on a total income of Rs.15,817 crore. As on September 30, 2015, gross NPA ratio and net NPA ratio stood at 6.92% and 3.16% respectively. IDBI Bank reported a CAR of 11.66% (Tier I – 8.04%) as on September 30, 2015.

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

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor 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 in addition to the financial performance and other relevant factors.

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