

Indian Bank

August 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Issuer rating	-	CARE AAA; Stable	Reaffirmed
Infrastructure Bonds (Proposed)	5,000.00	CARE AAA; Stable	Assigned
Additional Tier-I perpetual bonds (Basel III) [@] - I	500.00	CARE AA+; Stable	Reaffirmed
Additional Tier-I perpetual bonds (Basel III) [@] - II	2,000.00	CARE AA+; Stable	Reaffirmed
Additional Tier-I perpetual bonds (Basel III) [@] - III	500.00	CARE AA+; Stable	Reaffirmed
Tier-II bonds (Basel III) [#] - III	2,000.00	CARE AAA; Stable	Reaffirmed
Tier-II bonds (Basel III) [#] - IV	1,000.00	CARE AAA; Stable	Reaffirmed
Tier-II bonds (Basel III) [#] - V	1,000.00	CARE AAA; Stable	Reaffirmed
Tier-II bonds (Basel III) [#] - VI	1,500.00	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

\$-Transferred from erstwhile Allahabad Bank pursuant to its amalgamation with Indian Bank.

[#]Tier-II bonds under Basel III are characterised by a 'Point of Non-Viability' (PONV) trigger due to which the investor may suffer loss of principal. PONV will be determined by the Reserve Bank of India (RBI) and is a point at which the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations, and thus, enable it to continue as a going concern. In addition, the difficulties faced by a bank should be such that these are likely to result in financial losses and raising the Common Equity Tier-I capital of the bank should be considered as the most appropriate way to prevent the bank from turning non-viable.

In CARE Ratings Limited's (CARE Ratings') opinion, the parameters considered to assess whether a bank will reach the PONV are similar to the parameters considered to assess rating of Tier-II instruments even under Basel II. CARE Ratings has rated the Tier-II bonds under Basel III after factoring in the additional feature of PONV.

[@]CARE Ratings has rated the aforesaid Basel III Compliant Tier-I Perpetual Bonds after taking into consideration its key features as below:

- The bank has full discretion at all times to cancel coupon payments.
- The coupon is to be paid out of current year profits. However, if the current year's profits are not sufficient, coupon payment may be paid subject to availability of sufficient revenue reserves and/or credit balance in profit and loss account provided the bank meets the minimum regulatory requirements for Common Equity Tier-I [CET I], Tier-I and total capital ratios at all times and subject to the requirements of capital buffer frameworks as prescribed by the Reserve Bank of India [RBI].
- The instrument may be written-down upon CET I breaching the pre-specified trigger of 5.5% before March 31, 2019, and 6.125%, on and after October 1, 2021, or written-off / converted into common equity shares on occurrence of trigger event called point of non-viability (PONV). The PONV trigger shall be determined by RBI.
- Any delay in the payment of interest/principal (as the case may be) due to invocation of any of the features mentioned above would constitute as an event of default as per CARE Ratings' definition of default and as such these instruments may exhibit a somewhat sharper migration of the rating compared with the conventional subordinated debt instruments.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications.

Rationale and key rating drivers

The ratings of various debt instruments of Indian Bank (IB) continue to derive strength from majority ownership by the Government of India (GoI), the bank's strong capital adequacy level, stable growth in advances, and the diversified resource profile with a relatively higher proportion of low-cost deposits. Ratings also take note of the improving profitability in FY24 (refers to the period from April 01 to March 31). IB is one of the largest public sector banks (PSB) with over ₹12.21 lakh crore business, 40,251 strong workforce, and over 5,851 branch network as on March 31, 2024. The ratings are, however, constrained by improving but moderate asset quality indicators.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors – Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Not applicable

Negative factors – Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Reduction in government support and GoI's stake in the bank falling below 51%
- Deterioration in capitalisation levels on a sustained basis and the inability to maintain cushion of 1% over the regulatory requirement.
- Deterioration in the asset quality parameters, with net non-performing assets (NNPA)-to-net worth ratio of over 30% on a sustained basis.
- Decline in profitability on a sustained basis.

Analytical approach: Standalone, along with expected support from the GoI.

Outlook: Stable

The stable outlook factors in majority government shareholding in the bank, which is expected to maintain stable growth in advances in the medium term, while maintaining healthy capitalisation.

Detailed description of key rating drivers:

Key strengths

Majority ownership by Government of India

GoI has been supporting IB with equity in times of need and the last support came in FY21, post which the bank has been maintaining sufficient capital buffers. In FY24, IB raised equity aggregating to ₹4,000 crore by qualified institutional placement (QIP). GoI's shareholding stood at 73.84% as on March 31, 2024, with remaining shares held by mutual funds, and financial institutions, among others. CARE Ratings expects IB to continue to receive support from GoI, considering majority shareholding and IB's importance being one of the large-sized banks in India.

Stable growth in advances with focus on retail, agriculture and MSME

IB witnessed continuous growth in advances, largely supported by retail, agriculture and MSME (RAM) segments. The bank's total business stood at ₹12,21,773 crore as on March 31, 2024, as against ₹10,94,752 crore as on March 31, 2023. Total advances increased to ₹5,33,773 crore as on March 31, 2024, as against ₹4,73,586 crore as on March 31, 2023, representing a growth of 13% (y-o-y). As on March 31, 2024, RAM sector advances stood at 58% of gross advances aggregating to ₹3,09,918 crore representing a growth of 14% (y-o-y), whereas corporate and overseas advances stood at 42% of gross advances.

As on June 30, 2024, RAM sector advances stood at 58% of gross advances, and the share of corporate and overseas advances stood at 42% of gross advances.

Resource profile characterised by relatively higher proportion of low-cost deposits

IB's current account and savings account (CASA) deposits stood at 40.77% as on March 31, 2024 (41.99% as on March 31, 2023), translating to a growth of 8% y-o-y. Term deposits grew by 13% in FY24 and stood at ₹4,07,513 crore as on March 31, 2024, as against ₹3,60,357 crore as on March 31, 2023. The proportion of bulk term deposits and retail term deposits stood at 29% and 71% of all term deposits, respectively as on March 31, 2024. In FY24, total deposits witnessed a growth of 8% y-o-y and stood at ₹6,88,000 crore as on March 31, 2024, as against ₹621,166 crore as on March 31, 2023.

As on June 30, 2024, total deposits stood at ₹6,81,183 crore and CASA stood at 39.03%.

Relatively strong capital adequacy levels

IB is among the well-capitalised public sector banks as on March 31, 2024. The bank's total capital adequacy ratio (CAR) stood at 16.44% as on March 31, 2024, as against 16.49% as on March 31, 2023. CET 1 also continues to be relatively strong at 13.52% as on March 31, 2024 (12.89% as on March 31, 2023). The bank raised ₹4000 crore by QIP in FY24.

CAR and CET1 stood at 16.47% and 13.42%, respectively, as on June 30, 2024. CARE Ratings expects the bank's capital adequacy to remain comfortable in the medium term.

Improvement in profitability in FY24

IB reported profit after tax (PAT) of ₹8063 crore in FY24 as against ₹5,282 crore in FY23. Net interest margins (NIM) improved in FY24 from 2.95% in FY23 to 3.12% in FY24 majorly due to higher yields. Non-interest income (as a % of total assets) stood at 1.06% in FY24 as against 1.04% in FY23. Operating expenses (as a % of assets) stood at 1.92% (PY: 1.77%), majorly with increase in employee expenses. Cost to income increased to 45.92% in FY24 from 44.20% in FY23. The bank reported improvement in pre-provision operating profit (PPOP), which stood at ₹16,840 crore in FY24 as against ₹15,271 crore in FY23. Credit cost improved to 0.79% in FY24 from 1.37% in FY23, considering higher recoveries and lower slippage. Return on total assets (ROTA) improved to 1.08% in FY24 as against 0.77% in FY23.

In Q1FY25, the bank reported PAT of ₹2,403 crore as against PAT of ₹1,709 crore in Q1FY24. ROTA stood at 1.21% in Q1FY25 (0.97% in Q1FY24).

Key weaknesses

Improving but moderate asset quality

The bank's asset quality has considerably improved in FY24 considering higher recoveries and write-offs. Gross non-performing asset (GNPA) and net non-performing asset (NNPA) stood at 3.95% and 0.43% as on March 31, 2024, respectively, as against 5.95% and 0.90% as on March 31, 2023. Slippage ratio improved to 1.49% in FY24 as against 1.75% in FY23. With lower slippages and continuation of higher write-offs in FY24, asset quality parameters improved. Provision coverage ratio (PCR) stood at 89.46% as on March 31, 2024 (85.65% as on March 31, 2023). PCR% (including TWO) stood at 96.34% as on March 31, 2024 (93.82% as on March 31, 2023). Gross stressed asset (GNPA + standard restructured assets + SR) improved and stood at 6.43% as on March 31, 2024, as against 9.36% as on March 31, 2023.

GNPA and NNPA was reported at 3.77% and 0.39%, respectively as on June 30, 2024. The bank's ability to control slippages and maintain asset quality will remain a key monitorable.

Liquidity: Strong

As per the structural liquidity statement of the bank as on March 31, 2024, the bank has no negative cumulative mismatches across all its time buckets up to 3-5 years. The bank has maintained excess SLR of ₹51,117 crore as on March 31, 2024. These factors provide cushion to the bank's liquidity profile. IB's liquidity coverage ratio stood at 135% as on March 31, 2024 (176% as on March 31, 2023) against the minimum regulatory requirement of 100%. In addition, the bank has access to borrowing from the RBI's liquidity adjustment facility (LAF) and marginal standing facility (MSF) along with an option to refinance from the Small Industries Development Bank of India (SIDBI), the National Housing Bank (NHB), and National Bank for Agriculture and Rural Development (NABARD), among others, and access to call money markets. Furthermore, considering the stable franchise of the bank, it is expected to roll over its deposits.

Environment, social, and governance (ESG) risks

The bank has adopted environment-friendly policies to promote sustainability. This includes Bank's initiatives on reducing environmental impact through digitalisation. The bank has also taken green initiatives for environment protection. This includes an eco-friendly disposal mechanism of hardware components, adopting alternative sources of energies like SOLAR power, Conduct of Energy Audits periodically for branches and offices.

In terms of social factors, the bank focusses on financial inclusion through micro credits, promotes gender diversity and female participation and focuses on well-being of vulnerable groups.

In terms of governance factors, the bank focusses on prioritising risk management practices, giving importance to transparency and adherence to regulatory compliance.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Government Support](#)

[Issuer Rating](#)

[Rating Outlook and Rating Watch](#)

[Bank](#)

[Financial Ratios - Financial Sector](#)

[Rating Basel III - Hybrid Capital Instruments issued by Banks](#)

About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Banks	Public sector bank

IB was established on August 15, 1907, as a part of Swadeshi movement. Effective from April 01, 2020, Allahabad Bank was amalgamated with IB, which is the sixth-largest PSB with a total business of ₹12.21 lakh crore as on March 31, 2024, as against ₹10.94 lakh crore as on March 31, 2023. GoI is the majority shareholder, holding 73.84% stake in the bank as on March 31, 2024. The bank also has three overseas branches in Singapore, Colombo and Jaffna. IB has three subsidiaries, Indbank Merchant Banking Services Limited, Indbank Housing Limited and Indbank Global Support Services Limited. It also has two joint ventures (JVs), namely, Universal Sompo General Insurance Company Limited and ASREC (India) Limited. The bank is also the sponsor for three RRBs, namely, Tamil Nadu Grama Bank (TNGB), Saptagiri Grameena Bank, and Puduvai Bharathiar Grama Bank. As on March 31, 2024, the bank had net advances of ₹5,14,889 crore and deposits of ₹6,88,000 crore.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	June 30, 2024 (UA)
Total operating income	52,085	63,482	16,945
PAT	5,282	8,063	2,403
Total Assets	7,04,394	7,86,644	7,96,566
Net NPA (%)	0.90	0.43	0.39
ROTA (%)	0.77	1.08	1.21

A: Audited; UA: Unaudited Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Bonds-Infrastructure Bonds	Proposed	-	-	-	5000.00	CARE AAA; Stable
Proposed additional Tier-I Perpetual bonds (Basel III)-I	-	-	-	-	500.00	CARE AA+; Stable
Additional Tier-I Perpetual bonds (Basel III)-II	INE562A08057	December 8, 2020	8.44%	Perpetual	1048.00	CARE AA+; Stable
Additional Tier-I Perpetual bonds (Basel III)-II	INE562A08065	December 14, 2020	8.44%	Perpetual	560.00	CARE AA+; Stable
Additional Tier-I Perpetual bonds (Basel III)-II	INE562A08073	December 30, 2020	8.44%	Perpetual	392.00	CARE AA+; Stable
Proposed additional Tier-I Perpetual bonds (Basel III)-III	-	-	-	-	500.00	CARE AA+; Stable
Tier-II bonds (Basel III)-III	INE562A08081	January 13, 2021	6.18%	January 13, 2031	2000.00	CARE AAA; Stable
Tier-II bonds (Basel III)-IV	INE428A08051	January 25, 2017	8.15%	January 25, 2027	1000.00	CARE AAA; Stable
Proposed Tier-II bonds (Basel III)-V	-	-	-	-	1000.00	CARE AAA; Stable
Tier-II bonds (Basel III)-VI	INE428A08044	December 21, 2015	8.64%	December 21, 2025	1,000.00	CARE AAA; Stable
Tier-II bonds (Basel III)-VI	INE428A08028	January 20, 2015	8.78%	January 20, 2025	500.00	CARE AAA; Stable
Issuer Rating-Issuer Ratings	-	-	-	-	0.00	CARE AAA; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Bonds-Tier II Bonds	LT	-	-	-	1)Withdrawn (22-Nov-23)	1)CARE AAA; Stable (23-Nov-22)	1)CARE AAA; Stable (24-Nov-21) 2)CARE AAA; Stable (30-Aug-21)
2	Bonds-Tier I Bonds	LT	500.00	CARE AA+; Stable	1)CARE AA+; Stable (02-Aug-24)	1)CARE AA+; Stable (22-Nov-23)	1)CARE AA+; Stable (23-Nov-22)	1)CARE AA+; Stable (24-Nov-21) 2)CARE AA; Stable (30-Aug-21)
3	Bonds-Infrastructure Bonds	LT	-	-	-	-	-	1)Withdrawn (01-Apr-21)
4	Bonds-Tier II Bonds	LT	-	-	1)Withdrawn (02-Aug-24)	1)CARE AAA; Stable (22-Nov-23)	1)CARE AAA; Stable (23-Nov-22)	1)CARE AAA; Stable (24-Nov-21) 2)CARE AAA; Stable (30-Aug-21)
5	Bonds-Tier II Bonds	LT	2000.00	CARE AAA; Stable	1)CARE AAA; Stable (02-Aug-24)	1)CARE AAA; Stable (22-Nov-23)	1)CARE AAA; Stable (23-Nov-22)	1)CARE AAA; Stable (24-Nov-21) 2)CARE AAA; Stable (30-Aug-21)
6	Bonds-Tier I Bonds	LT	2000.00	CARE AA+; Stable	1)CARE AA+; Stable (02-Aug-24)	1)CARE AA+; Stable (22-Nov-23)	1)CARE AA+; Stable (23-Nov-22)	1)CARE AA+; Stable (24-Nov-21) 2)CARE AA; Stable (30-Aug-21)
7	Bonds-Tier II Bonds	LT	1000.00	CARE AAA; Stable	1)CARE AAA; Stable (02-Aug-24)	1)CARE AAA; Stable (22-Nov-23)	1)CARE AAA; Stable (23-Nov-22)	1)CARE AAA; Stable (24-Nov-21) 2)CARE AAA; Stable (30-Aug-21)

8	Bonds-Tier I Bonds	LT	500.00	CARE AA+; Stable	1)CARE AA+; Stable (02-Aug-24)	1)CARE AA+; Stable (22-Nov-23)	1)CARE AA+; Stable (23-Nov-22)	1)CARE AA+; Stable (24-Nov-21) 2)CARE AA; Stable (30-Aug-21) 3)CARE AA; Stable (11-May-21)
9	Bonds-Tier II Bonds	LT	1000.00	CARE AAA; Stable	1)CARE AAA; Stable (02-Aug-24)	1)CARE AAA; Stable (22-Nov-23)	1)CARE AAA; Stable (23-Nov-22)	1)CARE AAA; Stable (24-Nov-21) 2)CARE AAA; Stable (30-Aug-21) 3)CARE AAA; Stable (11-May-21)
10	Bonds-Tier II Bonds	LT	1500.00	CARE AAA; Stable	1)CARE AAA; Stable (02-Aug-24)	1)CARE AAA; Stable (22-Nov-23)	1)CARE AAA; Stable (23-Nov-22)	-
11	Issuer Rating-Issuer Ratings	LT	0.00	CARE AAA; Stable	1)CARE AAA; Stable (02-Aug-24)	-	-	-
12	Bonds-Infrastructure Bonds	LT	5000.00	CARE AAA; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Infrastructure Bonds	Simple
2	Bonds-Tier I Bonds	Complex
3	Bonds-Tier II Bonds	Complex
4	Bonds-Tier II Bonds	Simple
5	Issuer Rating-Issuer Ratings	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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