

Indian Bank

February 14, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Issuer rating	0.00	CARE AAA; Stable	Reaffirmed
Infrastructure Bonds- II	5,000.00	CARE AAA; Stable	Reaffirmed
Infrastructure Bonds- I	5,000.00	CARE AAA; Stable	Reaffirmed
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	1,000.00 (Reduced from 1,500.00)	CARE AAA; Stable	Reaffirmed
Tier-II bonds (Basel III) [#] - VII	1,000.00	CARE AAA; Stable	Assigned

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, difficulties faced by a bank should be such that these are likely to result in financial losses and raising its Common Equity Tier-I capital should be considered the most appropriate way to prevent it from turning non-viable. In CARE Ratings Limited's (CARE Ratings') opinion, parameters considered for assessing whether a bank will reach PONV are similar to 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 PONV feature.

[@]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 requirements of capital buffer frameworks as prescribed by the RBI.
- The instrument may be written-down on 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 PONV, which shall be determined by RBI.
- Delays in payment of interest/principal (as the case may be) due to invocation of the features mentioned would constitute as an event of default per CARE Ratings' definition of default and as such these instruments may exhibit a somewhat sharper migration of the rating compared to conventional subordinated debt instruments.

Rationale and key rating drivers

Ratings of 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 improving profitability in FY24 (refers to April 01 to March 31) and 9MFY25. 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. However, ratings are constrained by improving but moderate asset quality indicators.

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

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 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, 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 ₹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 Limited (CARE Ratings) expects IB to continue receiving 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's continuous growth in advances is largely supported by the retail, agriculture, and MSME (RAM) segments. The bank's total business stood at ₹12,21,773 crore as on March 31, 2024, against ₹10,94,752 crore as on March 31, 2023. Total advances increased to ₹5,33,773 crore as on March 31, 2024, 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 ₹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 December 31, 2024, total gross advances stood at ₹5,59,199 crore with RAM sector advances at 60% of gross advances, and the share of corporate and overseas advances stood at 40% 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, 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 grew by 8% y-o-y and stood at ₹6,88,000 crore as on March 31, 2024, against ₹621,166 crore as on March 31, 2023. As on December 31, 2024, total deposits stood at ₹7,02,282 crore and CASA stood at 38.32%.

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, 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 15.92% and 13.28%, respectively, as on December 31, 2024. CARE Ratings expects the bank's capital adequacy to remain comfortable in the medium term.

Improvement in profitability in FY24 and 9MFY25

IB reported profit after tax (PAT) of ₹8063 crore in FY24 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 percentage of total assets) stood at 1.06% in FY24 against 1.04% in FY23. Operating expenses (as a percentage 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 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 against 0.77% in FY23.

In 9MFY25, the bank reported PAT of ₹7,962 crore against PAT of ₹5,816 crore in 9MFY24. ROTA stood at 1.32% in 9MFY25 (1.06% in 9MFY24).

Key weakness

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, against 5.95% and 0.90% as on March 31, 2023. Slippage ratio improved to 1.49% in FY24 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, 2024). 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, against 9.36% as on March 31, 2023.

GNPA and NNPA were reported at 3.26% and 0.21%, respectively, as on December 31, 2024. The bank's ability to control slippage and maintain asset quality will remain a key monitorable.

Liquidity: Strong

As per the structural liquidity statement of the bank as on December 31, 2024, it has negative cumulative mismatch in the 3–6-month bucket. The bank has maintained excess SLR of ₹53,027 crore as on December 31, 2024. These factors provide cushion to the bank's liquidity profile. IB's liquidity coverage ratio stood at 123% as on December 31, 2024 (135% as on March 31, 2024) 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) and 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. Considering the bank's stable franchise, 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 its 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 energy such as solar power, and 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](#)

[Withdrawal Policy](#)

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

About the company and industry

Industry classification

Macroeconomic 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 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, against ₹10.94 lakh crore as on March 31, 2023. GoI is majority shareholder, with 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), Universal Somp General Insurance Company Limited and ASREC (India) Limited. The bank is also the sponsor for three regional rural banks (RRBs), Tamil Nadu Grama Bank (TNGB), Saptagiri Grameena Bank, and Puduvai Bharathiar Grama Bank. As on December 31, 2024, the bank had net advances of ₹ 5,42,117 crore and deposits of ₹ 7,02,282 crore.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Standalone			
Total operating income	52,085	63,481	52,626
PAT	5,282	8,063	7,962
Total Assets	7,04,394	7,86,644	8,22,758
Net NPA (%)	0.90	0.43	0.21
ROTA (%)	0.77	1.08	1.32

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

Detailed explanation of 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-I	INE562A08099	September 13, 2024	7.24%	September 13, 2034	5000.00	CARE AAA; Stable
Bonds-Infrastructure Bonds-II	INE562A08107	October 25, 2024	7.12%	October 25, 2034	5000.00	CARE AAA; Stable
Additional Tier-I Perpetual bonds (Basel III)-I	Proposed	-	-	-	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	INE562A08065	December 14, 2020	8.44%	Perpetual	560.00	CARE AA+; Stable

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 (Basel III)-II						
Additional Tier-I Perpetual bonds (Basel III)-II	INE562A08073	December 30, 2020	8.44%	Perpetual	392.00	CARE AA+; Stable
Additional Tier-I Perpetual bonds (Basel III)-III	Proposed	-	-	-	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
Tier-II bonds (Basel III)-V	Proposed	-	-	-	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
	INE428A08028^	January 20, 2015	8.78%	January 20, 2025	0.00	Withdrawn
Tier-II bonds (Basel III)- VII	Proposed	-	-	-	1000.00	CARE AAA; Stable
Issuer Rating- Issuer Rating	-	-	-	-	0.00	CARE AAA; Stable

^ Redeemed considering repayment

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 (17-Oct-24) 2)CARE AA+; Stable (26-Aug-24) 3)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 (17-Oct-24) 2)CARE AAA; Stable (26-Aug-24) 3)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 (17-Oct-24) 2)CARE AA+; Stable (26-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 (02-Aug-24)			
7	Bonds-Tier-II Bonds	LT	1000.00	CARE AAA; Stable	1)CARE AAA; Stable (17-Oct-24) 2)CARE AAA; Stable (26-Aug-24) 3)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 (17-Oct-24) 2)CARE AA+; Stable (26-Aug-24) 3)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 (17-Oct-24) 2)CARE AAA; Stable (26-Aug-24) 3)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	1000.00	CARE AAA; Stable	1)CARE AAA; Stable (17-Oct-24) 2)CARE AAA; Stable (26-Aug-24) 3)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 (17-Oct-24) 2)CARE AAA; Stable (26-Aug-24)	-	-	-

					3)CARE AAA; Stable (02-Aug-24)			
12	Bonds- Infrastructure Bonds	LT	5000.00	CARE AAA; Stable	1)CARE AAA; Stable (17-Oct-24) 2)CARE AAA; Stable (26-Aug-24)	-	-	-
13	Bonds- Infrastructure Bonds	LT	5000.00	CARE AAA; Stable	1)CARE AAA; Stable (17-Oct-24)	-	-	-
14	Bonds-Tier-II Bonds	LT	1000.00	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

Annexure-5: Lender details

To 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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