

IDBI Bank Limited

September 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Certificate Of Deposit	35,000.00	CARE A1+	Reaffirmed
Tier II Bonds ^{&}	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

&Tier-II Bonds under Basel-III are characterised by a 'point of non-viability' (PONV) trigger, due to which the investor may suffer a loss of principal. The 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 the Common Equity Tier-I (CET I) capital should be considered the most appropriate way to prevent the bank from turning non-viable.

Rationale and key rating drivers

Reaffirmation to short-term instruments of IDBI Bank Limited (IDBI Bank) factors in improvement in the bank's financial risk profile as reflected in its improved profitability and asset quality parameters with comfortable capitalisation levels. Ratings continue to factor in increasing focus on retail lending in the last few years and relatively high current account savings account (CASA) deposit proportion. The bank has maintained comfortable capitalisation levels with adequate cushion over the minimum regulatory requirement, supported by internal accruals in the last four years and significant amount of equity infusion by the Life Insurance Corporation of India (LIC), Government of India (GoI), and qualified institutional placement (QIP) prior to FY21.

Improvement in the asset quality parameters for IDBI Bank has been backed by recoveries of non-performing assets (NPAs), decline in incremental slippages in the last three years and high provision coverage ratio (~95% excluding technical write-offs as on March 31, 2025). IDBI Bank is expected to sustain growth in business while maintaining adequate capitalisation. However, sustenance of improvement in financial metrics is monitorable.

Going forward, the bank is expected to have some pressure on margins as advances are repriced quickly, and deposits will be repriced with a lag in line with the industry. Although the asset quality parameters have improved over the years, the management's ability to contain slippages of recently originated advances will remain monitorable.

CARE Ratings Limited (CareEdge Ratings) further notes that LIC and GoI together hold 94.72% shareholding in the bank, with a stated intent to divest their shareholding in the bank through a strategic stake sale, including handover of management control in the bank, for which, the process is underway. Extent of the respective shareholding to be divested by GoI and LIC will be decided at the time of structuring the transaction, in consultation with the RBI and other relevant regulators. CareEdge Ratings expects the bank to receive required support from GoI and LIC to enable smooth divestment of the shareholding.

CareEdge Rating has withdrawn ratings of 'CARE AA; Stable' assigned to the Tier II Bonds (ISIN: INE008A08V59) on redemption by exercise of call option with immediate effect. This action has been taken considering full redemption of Tier II Bonds and confirmation received from the debenture trustee. The rating to the proposed Tier II Bonds has been withdrawn on request received from the bank.

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:

- Deterioration in the asset quality, with the net NPA (NNPA) ratio above 1% on a sustained basis.

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

- Decline in the capital adequacy ratio (CAR), with the cushion over the minimum regulatory requirement falling below 3.5%.
- Decline in profitability, with return on total assets (ROTA) less than 0.8% on a sustained basis.

Analytical approach: Standalone

CareEdge Ratings has analysed the bank on a standalone basis.

Outlook: Not applicable

Detailed description of key rating drivers:
Key strengths
Comfortable capitalisation

IDBI Bank continues to have comfortable capitalisation with a CAR of 25.39% and Tier-I CAR of 23.71% as on June 30, 2025 (March 31, 2025: CAR – 25.05% and Tier-I CAR – 23.51%) compared to a CAR of 22.26% and Tier-I CAR of 20.11% as on March 31, 2024, due to improved internal accruals. In the past, the bank received a significant amount of equity capital from LIC (₹26,761 crore from FY18-FY20) and GoI (₹18,928 crore from FY17-FY20), which helped it improve CAR above minimum regulatory requirement, as it faced mounting losses due to asset quality issues. At current capitalisation levels, the bank has a significant cushion over minimum regulatory requirement and has seen improved profit accretion, which will help achieve its targeted credit growth in the medium term without having to raise additional capital, as internal accruals are expected to be sufficient to meet capitalisation requirements.

Robust franchise with focus on retail lending and deposit profile in last few years with stable CASA deposit base

The bank shifted its liability profile over the years to increase granularity in the business. The bank has a robust franchise with a network of over 2,100 branches as on July 30, 2025, and has been able to maintain its strong deposit base even after being converted to a private bank in 2019. The deposits profile also strengthened to some extent due to the synergies with LIC.

In line with industry trend, the proportion of CASA deposits declined to 46.56% as on March 31, 2025, against 50.43% as on March 31, 2024. The proportion of bulk deposits increased to ~21% and CASA deposits reduced to 44.65% as on June 30, 2025, with tightening overall market liquidity. The bank's net credit-to-deposit (C/D) ratio increased to 71.38% as on June 30, 2025 (March 31, 2025: 70.38% and March 31, 2024: 67.93%). Retail deposits to total deposits ratio decreased from ~85% as on March 31, 2024, to ~79% as on March 31, 2025.

Over the years, the bank increased the share of retail, agriculture, and MSME (RAM) advances, which accounted for 70% of total advances as of March 31, 2025, compared to 30% from the corporate segment. The bank continues to target growth in its retail and priority sector business to ensure a granularized and de-risked portfolio mix. Under retail advances, home loan and loan-against-property (LAP) amounted for 55% of the total RAM advances as on March 31, 2025, and the balance constitutes personal loan, education loan, gold loan, auto loan and other loans. CareEdge Ratings expects the bank to maintain the constitution of its advances book with high granularity and lower proportion of corporate lending. The bank's ability to maintain CASA percentage and granularity of retail term deposits, which would help manage its cost of deposits, with divestment of stakes by GoI and LIC, will remain monitorable.

Improvement in earnings profile backed by growth in advances

In FY25, the bank's net interest income (NII) increased marginally, supported by an increase in its net advances by 16% y-o-y and increase in the interest income on investments from ₹7,738 crore in FY24 to ₹8,255 crore for FY25. The bank's net interest margin (NIM) declined from 4.32% in FY24 to 3.95% in FY25, primarily due to impact of interest rate cuts. As advances were repriced immediately in line with the lower rates, the yield on assets dropped, while the cost of deposits, which are typically repriced with a lag have remained elevated, compressing the margin.

With lower incremental provisioning for FY25 compared to FY24, the bank reported a higher profit after taxes (PAT) of ₹7,515 crore on a total income of ₹33,826 crore in FY25 against a PAT of ₹5,634 crore on a total income of ₹30,037 crore in FY24, resulting in a ROTA of 2.03% in FY25 against 1.71% in FY24. NIM (annualised) stood at 3.11% in Q1FY26 against 3.51% in Q1FY25 and ROTA stood at 1.97% in Q1FY26 against 1.87% in Q1FY25. Going forward, CareEdge Ratings expects NIM to remain under pressure in the near term.

IDBI Bank has seen credit growth of ~16% in FY25 higher than industry growth of 11.1%. The bank changed its asset mix with a focus on the non-corporate book (consisting of RAM segments), which continued to grow moderately at a compound annual growth rate (CAGR) of 12% from FY21 to FY25, whereas corporate lending book saw a CAGR of ~2% in the period. CareEdge Ratings expects continuous growth in the advances book while maintaining high provision coverage and consequently, low credit cost.

Improvement in asset quality with high provision coverage

Gross NPA (GNPA) ratio of 2.98% as on March 31, 2025 from 4.53% as on March 31, 2024, the reduction in NPA was due to higher recoveries (₹2,195 crore) and lower slippages (₹1,924 crore) and write-offs (₹1,124 crore). The bank's provision coverage ratio (PCR), excluding technical write-offs, stood at 94.97% as on March 31, 2025, against 92.78% as on March 31, 2024, and stood at 92.98% as on June 30, 2025. The bank's slippages also reduced from ₹3,559 crore in FY24 to ₹1,924 crore in FY25 resulting slippage ratio to decrease from 2.21% as on March 31, 2024, to 1.02% as on March 31, 2025. NNPA to tangible net worth ratio of the bank stood at 0.77% as on March 31, 2025 (March 31, 2024: 1.95%). The gross stressed assets (GNPA + gross standard restructured assets + gross security receipts) to gross advances also reduced y-o-y from 7.78% as on March 31, 2024, to 6.15% as on March 31, 2025.

Key weaknesses

Asset quality of the recently originated book remains a monitorable

Historically, the bank experienced elevated levels of NPAs, primarily attributable to its legacy corporate book. Over the years, asset quality has improved, supported by sizeable write-offs and a decline in incremental slippages. The elevated NPAs were on account of legacy corporate book which has since come down. Furthermore, the bank started focusing on RAM segment and calibrated its growth on corporate segment. The bank witnessed significant growth in advances in the last two years, primarily driven by the growth in RAM segment, with moderate growth in the corporate portfolio, while performance has improved in the last few years, the bank's ability to contain slippages from the recently originated book remains monitorable.

Sustenance of improved financial metrics remain monitorable

The bank witnessed significant growth in gross advances, increasing by ~14% in each of the last two years. Over time, the bank has focused the RAM segment now constituting ~70% of total advances. With interest rate cuts, advances are repriced immediately, while deposit repricing occurs with a lag, exerting pressure on NIM, the bank's ability to sustain profitability under these conditions will remain monitorable.

Liquidity: Strong

IDBI Bank maintained a healthy liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) of 128.11% and 119.26% respectively for the quarter-ended June 30, 2025, against a minimum LCR requirement of 100%. As on June 30, 2025, the asset liability mismatch (ALM) statement of the bank remained comfortable, with positive cumulative mismatches till the one-year time bucket. The bank manages its deposit maturities in a particular time bucket by appropriately modifying the deposit rates. The bank has access to systemic liquidity including the RBI's liquidity adjustment facility (LAF) and marginal standing facility (MSF) and access to refinance from 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.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks

While IDBI Bank's business model limits its direct exposure to environmental risks, credit risk may arise if operations of any asset class of the portfolio are adversely impacted by environmental factors. The bank has formulated ESG policy and incorporated it in its operations and lending activities. The Bank's Credit Policy incorporates environmental safeguards by restricting exposure to industries that produce or consume ozone-depleting substances.

Social risks in the form of cybersecurity threat or customer data breach or mis-selling practices can affect IDBI Bank's regulatory compliance and reputation and hence remain a key monitorable.

IDBI Bank's Board comprises 14 Directors, with seven Independent Directors and also includes one female Director.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)
[Banks](#)
[Financial Ratios - Financial Sector](#)
[Withdrawal Policy](#)
[Short Term Instruments](#)
[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	Private sector bank

Established in 1964, IDBI Bank is a private sector bank headquartered in Mumbai. In 1976, the ownership of IDBI Bank was transferred to GoI. In 2016, GoI decided to reduce its stake in IDBI Bank. Taking note of this and taking approval of the Insurance Regulatory and Development Authority of India (IRDAI) and other approvals, LIC acquired 51% controlling stake in IDBI Bank. Consequently, IDBI Bank was categorised by the RBI as a private sector bank on January 21, 2019. As on March 31, 2025, the bank had a network of 2,128 branches. The bank is headed by Rakesh Sharma who is the Managing Director and Chief Executive Officer (MD & CEO).

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	30,037	33,826	8,458
PAT	5,634	7,515	2,007
Total assets	3,46,297	3,95,168	4,03,080*
Net NPA (%)	0.34	0.15	0.21
ROTA (%)	1.71	2.03	1.97^

A: Audited UA: Unaudited; Note: these are latest available financial results, * reported and ^ annualised,

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 and Rating Outlook
Bonds-Tier II Bonds (proposed)	-	-	-	-	0.00	Withdrawn
Bonds-Tier II Bonds	INE008A08V59	03-Feb-2020	9.50	03-Feb-2030 [^]	0.00	Withdrawn
Certificate Of Deposit (proposed)	-	-	-	-	35000.00	CARE A1+

[^]The bank has redeemed the bond by exercise of call option on February 03, 2025

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 2025-2026	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
1	Certificate Of Deposit	ST	35000.00	CARE A1+	-	1)CARE A1+ (06-Sep-24) 2)CARE A1+ (04-Apr-24)	1)CARE A1+ (05-Dec-23)	1)CARE A1+ (19-Dec-22)
2	Bonds-Tier II Bonds	LT	-	-	-	1)CARE AA; Stable (06-Sep-24) 2)CARE AA-; Stable (04-Apr-24)	1)CARE AA-; Stable (05-Dec-23)	1)CARE A+; Positive (19-Dec-22)

LT: Long term; ST: Short 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-Tier II Bonds	Complex
2	Certificate Of Deposit	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge 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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