IndusInd Bank Limited

April 08, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Certificate of deposit	10,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to the certificate of deposit (CD) programme of IndusInd Bank Limited (IBL) factors in comfortable capitalisation levels and growing franchise of the bank with focus on retail lending, earning higher yield on advances.

IBL historically maintained a healthy earnings track record; however, profitability declined in FY25 considering stress in microfinance segment, resulting in higher credit cost in-line with industry downturn. Correction of derivative accounting irregularities and reclassification of microfinance (MFI) exposures, reversal of interest and higher provisioning, impacted profitability. Moderation in profitability continued in 9MFY26, primarily due to deterioration in asset quality, largely from microfinance segment in-line with industry stress, which led to higher provisioning. However, profitability is expected to improve going forward, supported by improvement in net income margin (NIM) and reduced credit cost.

The rating also considers IBL's moderate resource profile, which has relatively higher proportion of bulk deposits. Current account saving account (CASA) deposits declined from 32.79% in FY25 to 30.24% in 9MFY26. However, in 9MFY26 the retail deposits increased to 48% from 47% in FY25. Increase in granular retail deposits is expected to help the bank reduce its cost of deposits.

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:

- Moderating asset quality parameters with net non-performing assets to net worth (NNPA/NW) ratio of above 10% on a sustained basis.
- Worsening deposit profile with increasing proportion of bulk deposits.
- Deteriorating capitalisation levels with cushion over the minimum regulatory requirement remaining less than 2.5% on a sustained basis.

Analytical approach: Standalone

Outlook: Not applicable

Detailed description of key rating drivers:

Key strengths

Comfortable capitalisation

The bank continues to demonstrate comfortable capitalisation levels, maintaining a healthy buffer over minimum regulatory requirements, supported by steady internal accruals and periodic equity infusions. As on December 31, 2025, the bank reported a capital adequacy ratio (CAR) of 16.94% and a Common Equity Tier-1 (CET1) ratio of 15.74%, (CAR of 16.24% and CET-I ratio 15.10%,as on March 31, 2025) compared to CAR of 17.23% and CET I ratio of 15.82% as on March 31, 2024, which is above the regulatory requirement of 11.5% and 8%, respectively.

CareEdge Ratings expects the bank to maintain sufficient capital cushions over minimum regulatory requirements, supported by internal accruals in the near term.

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

Diversified loan Book
As on December 31, 2025, IBL maintained a well-diversified loan portfolio across vehicle financing (including commercial vehicle, passenger vehicle, two-wheeler, tractor, equipment financing), loan against property (LAP), credit card, personal loans, home loans, micro loans and the wholesale segment, among others.

The advances book remained broadly stable, increasing marginally from ₹343,298 as on March 31, 2024, to ₹345,019 crore as on March 31, 2025. Subsequently, it stood at ₹317,536 crore as on December 31, 2025, due to reduction in corporate loan portfolio to augment yields and cautious approach in the unsecured segment due to microfinance stress.

As of December 31, 2025, retail advances accounted for ~65% (including 14% small and medium enterprises) of the total loan book, with vehicle finance (~31%), business loans and affordable housing loans (~16%), credit cards (including personal loans) (~6%), microfinance loans (5.5%), and housing loans (including LAP and home loans; 6%) forming key segments and wholesale advances contributed ~35% to total advances. Most retail products are predominantly high-yielding and form a significant portion of the bank's overall portfolio.

CareEdge Ratings expects the bank to maintain a balanced loan mix, with a continued focus on retail lending in the near term.

Key weaknesses

Deterioration in asset quality led to moderation in profitability
IBL's retail portfolio features a relatively higher share of cyclical and unsecured segments compared to its larger private sector peers, where borrowers are typically more vulnerable in economic downturns. The bank's asset quality witnessed deterioration with gross non-performing assets (GNPA) rising to 3.56% as on December 31, 2025, from 3.13% as on March 31, 2025, primarily due to persistent industry-wide stress in the microfinance portfolio and rising delinquencies in the credit card segment. GNPA in the microfinance segment was 22.93% as on December 31, 2025, up from 13.18% as on March 31, 2025, partly due to ~43% fall in overall microfinance exposure bringing the segment's share down to 5.56% in 9MFY26 of the loan book from 9% in FY25.

Despite these asset quality pressures, the bank maintained a healthy provision coverage ratio (PCR) of 72% (excluding technical write-offs). Its total provisions, including those for NPAs, standard assets, floating provisions, and contingency buffers—covered 2.62% of total advances as on December 31, 2025. The net NPA (NNPA) to net worth (NW) ratio stood at 4.03%, while the ratio of net stressed assets (comprising NNPA, standard restructured assets, and security receipts) to net worth was 6.15% as on December 31, 2025.

On the profitability front, the bank's NIM moderated to 3.36% in 9MFY26 (against 3.56% for FY25) due to increase in deposit cost, interest reversals, and reduction in microfinance book leading to lower interest income. Credit cost increased from 1.32% of average total assets in FY25 to 1.59% in 9MFY26 considering higher slippages in microfinance book amid ongoing stress in the segment. Resultantly, return on total assets (ROTA) slipped to 0.10% for 9MFY26 against 0.49% for FY25 and 1.84% for FY24. With improvement in collection efficiencies and reduction in the overall microfinance segment, slippages are likely to improve from current elevated levels in the near term resulting in lower credit cost going forward. The bank's ability to improve its profitability by scaling up and keeping asset quality under control will be a key monitorable.

Moderate resource profile
IBL's liability profile continues to reflect a moderate share of retail deposits alongside a relatively high reliance on bulk deposits, resulting in an elevated cost of funds. In line with its strategic focus, the bank has been gradually increasing the proportion of retail deposits, as defined under the liquidity coverage ratio (LCR) framework, to reduce dependence on bulk funding including certificate of deposits.

The bank's total deposits de-grew to ₹393,815 crore as on December 31, 2025, from ₹411,078 crore as on March 31, 2025, due to bank reducing bulk deposits as part of balance sheet optimisation and due to slower growth in retail deposits. The credit-to-deposit ratio improved to 81% as on December 31, 2025, from 84% as on March 31, 2025, as advances grew at a slower pace compared to deposits in the period.

Share of retail deposits remained rangebound at 48% as on December 31, 2025, against 47% as on March 31, 2025. CASA deposits reduced to 32.80% as on March 31, 2025, from 37.86% as on March 31, 2024, and further declined to 30.24% as on December 31, 2025. The bank's cost of deposits witnessed upward pressure, increasing from 5.69% in FY25 to 6.09% in 9MFY26; however, it has shown improvement on a q-o-q basis in 9MFY26. The banks' ability to garner retail deposits and improvement in CASA remains a key monitorable.

Liquidity: Strong

The bank maintained high LCR of 122% as on December 31, 2025, against regulatory requirement of 100%, acting as a buffer in case of higher deposit outflow. IBL's net stable funding ratio (NSFR) stood at 115.71% as on December 31, 2025, against regulatory requirement of 100%. According to the structural liquidity statement as on December 31, 2025, there were negative cumulative mismatches in the time buckets up to six months, however, the bank has excess statutory liquidity ratio (SLR) of ₹43,909 crore as of December 31, 2025, amounting to 11% of net demand and time liabilities (NDTL), which supports liquidity. The bank also has access to systemic liquidity including RBI's liquidity adjustment facility (LAF), marginal standing facility (MSF), access to refinancing from the Small Industries Development Bank of India (SIDBI), the National Housing Bank (NHB), and the National Bank for Agriculture and Rural Development (NABARD), among others, and access to call money markets.

Environment, social, and governance (ESG) risks

Given the service-oriented nature of banking business, its direct exposure to environmental risks remains low. However, it faces implicit environmental risks through its portfolio of assets such as vehicle loans, which contributes 31% of advances. Social risks in the form of cybersecurity threat or customer data breach or mis-selling practices can affect IBL's regulatory compliance and reputation, and hence, remain a key monitorable. Governance risks factor in lapses in internal financial controls in FY25 and exits of key management personnel. IBL's Board comprises nine directors, with six independent directors and also includes two female directors.

Applicable criteria

Definition of Default
Banks
Financial Ratios - Financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Banks	Private sector bank

Established in 1994, IBL is a new-generation private-sector bank promoted by the Hinduja group. In June 2004, the Hinduja group merged its flagship company, Ashok Leyland Finance Limited, one of the largest auto and commercial vehicle financing nonbanking finance companies (NBFCs), with IBL. The merger was effective, April 01, 2003, and benefited the bank in terms of branch network, improved margins due to high-yielding retail portfolio catapulted it into one of the leading financiers of commercial vehicles, two and three-wheelers, and construction equipment. Currently, it is the fifth-largest private bank in India in terms of total assets and total business as on December 31, 2025. The bank has a pan-India presence with 3,120 bank branches, 3,602 branches of its wholly owned subsidiary, BFIL, 172 vehicle finance marketing outlets, and 3,063 ATMs as on December 31, 2025. It also has representative offices in Dubai, Abu Dhabi, and London. The bank offers a wide range of products and services for individuals and corporates, including microfinance, personal loans, personal and commercial vehicle loans, credit cards, and SME loans. BFIL (earlier known as SKS Microfinance Limited) was acquired by IBL in July 2019 and is its 100% wholly owned subsidiary. BFIL surrendered its NBFC license as NBFC-MFI post-acquisition and is working as a business correspondent (BC) of IBL offering the bank's asset and liability product solutions.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (UA)
Total income	55,136	56,352	40,756
Profit after tax (PAT)	8,950	2,643	400.62
Total assets	5,14,639	5,53,729	5,25,479
Net interest margin (NIM) (%)	4.25%	3.56%	3.36%
Return on total assets (ROTA) (%)	1.84%	0.49%	0.10%
Gross non-performing asset (GNPA) (%)	1.92%	3.13%	3.56%
Net NPA (%)	0.57%	0.95%	1.04%
Capital adequacy ratio (CAR) (%)	17.23%	16.24%	16.94%

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 and Rating Outlook
Certificate Of Deposit	Proposed	-	-	Up to one year	10,000.00	CARE A1+

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	10000.00	CARE A1+	1)CARE A1+ (15-May-25)	1)CARE A1+ (16-May-24)	1)CARE A1+ (17-May-23)	-

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	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.

Contact us

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About us:

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