IDBI Bank Limited

August 26, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Certificate of deposit	RBI	35,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to the short-term instruments of IDBI Bank Limited (IDBI Bank) continues to factor in improved asset quality and profitability supported by reduction in credit costs. The rating further factors in the bank's comfortable capitalisation levels, its increasing focus on retail lending in the last few years and healthy, though declining, 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 five 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. IDBI Bank is expected to sustain growth in business while maintaining adequate capitalisation. However, sustenance of improvement in financial metrics and ability to contain slippages of recently originated advances remain key monitorable.

In FY26, the pass-through of repo rate cuts compressed the bank's net interest margin (NIM), as yields on advances declined faster than deposit costs. Consequently, the bank's pre-provisioning operating profit (PPOP) declined by ~2%. However, reversal of provisions, supported profit after tax (PAT) growth of ~27% in FY26.

In FY19, LIC acquired majority shareholding in the bank post which GoI became the second major shareholder in the bank and the bank was classified as a 'Private Sector Bank' by RBI from January 21, 2019, consequent to GoI's direct shareholding in the bank reducing below 51%. CARE Ratings Limited (CareEdge Ratings) notes that LIC and GoI together hold 94.72% shareholding in the bank, with a stated intent to divest their shareholding of up to 60.72% in the bank through a strategic stake sale, including handover of management control in the bank, for which, the process is underway. CareEdge Ratings expects the bank to receive required support from GoI and LIC to enable smooth divestment of the shareholding.

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 non-performing asset (NNPA) ratio above 1% on a sustained basis.
- 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

Outlook: Not applicable

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority
[2]Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Detailed description of key rating drivers

Key strengths

Comfortable capitalisation

IDBI Bank continues to have comfortable capitalisation with a capital adequacy ratio (CAR) of 26.92% and Tier-I (entirely Common Equity Tier-I Capital) CAR of 26.38% as on June 30, 2026 (March 31, 2026: CAR – 26.65% and Tier-I CAR – 25.56%) compared to a CAR of 25.05% and Tier-I CAR of 23.51% as on March 31, 2025, 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, thereby achieving 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. Further, the capitalisation levels provide cushion to transition to the Expected Credit Loss (ECL) based provisioning w.e.f. April 01, 2027.

Strong franchise with focus on retail lending and a stable deposit profile and CASA deposit base over last few years

The bank shifted its liability profile over the years to increase granularity in the business. The bank has a strong franchise with a network of over 2,200 branches as on June 30, 2026, and has been able to maintain its healthy deposit base even after being converted to a private bank in 2019. The deposit profile also strengthened to some extent due to the synergies with LIC as it became the major shareholder in the bank.

In line with industry trend, the proportion of CASA deposits declined to 44.59% as on March 31, 2026, against 46.56% as on March 31, 2025, despite growth in CASA deposits by ~7% in absolute terms. The proportion of bulk deposits (deposits of ₹3 crore and above) increased to ~24% of total deposits as on March 31, 2026 against 21% of total deposits as on March 31, 2025. CASA proportion decreased to 43.64% as on June 30, 2026. The bank's credit-to-deposit (C/D) ratio increased to 79.50% as on June 30, 2026 (March 31, 2025: 70.38%).

Over the years, the bank increased the share of retail, agriculture, and MSME (RAM) advances, which accounted for ~70% of total advances as on March 31, 2026, while corporate advances constituted the remaining 30%. The bank continues to target growth in its retail and priority sector business to ensure a granularised and de-risked portfolio mix. Under retail advances, home loans and loan-against-property (LAP) constituted the major proportion at 53% of the total RAM advances as on March 31, 2026.

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 mobilise deposits while keeping cost of deposits under control, with divestment of stakes by GoI and LIC, will remain monitorable.

Improvement in earnings profile backed by growth in advances, NIM to be monitorable in the near term

In FY26, although the bank witnessed an advance growth of ~16%, the interest income remained muted due to immediate repricing of advances considering pass on of the Repo rate cuts, while interest expenses remained elevated due to lag in repricing of deposits. Thus, the net interest income (NII) decreased by ~8% which resulted in NIM to decrease from 3.95% in FY25 to 3.18% in FY26. The bank's non-interest income increased by ~37% in FY26 supported by fee-based income and recoveries from written-off accounts. The treasury income was supported by gain on sale of the bank's stake in National Securities Depository Limited (NSDL).

As a result of decline in NII, the bank reported a marginal decrease in pre provisioning operating profit (PPOP) by ~2%. Supported by a high provision coverage ratio (PCR), the bank reported a negative credit cost in FY26, driven by provision reversals and NPA recoveries. As a result, the bank's PAT increased by ~27% from ₹7,515 crore in FY25 to ₹9,513 crore in FY26, which resulted to an increase in ROTA from 2.03% in FY25 to 2.24% in FY26.

In Q1FY27, the bank reported marginal decrease of NIM from 3.11% (annualised) in Q1FY26 to 3.06% (annualised) in Q1FY27. With a continued trend of decreasing NIM and reversal of provisions, the bank reported PAT of ₹2,115 crore on a total income of ₹8,573 crore in Q1FY27 against a PAT of ₹2,007 crore on a total income of ₹8,458 crore in Q1FY26. Thus, ROTA decreased marginally to 1.86% (annualised) in Q1FY27 from 1.97% (annualised) in Q1FY26.

CareEdge Ratings expects the bank to focus on higher yielding products to protect its profitability, which would also be supported by high PCR and lower incremental provisioning.

Improvement in asset quality with high provision coverage

IDBI Bank's asset quality improved over the last few years post significant write-offs and recoveries. The bank reported gross NPA (GNPA) ratio of 2.32% as on March 31, 2026 from 2.98% as on March 31, 2025, primarily driven by lower incremental slippages. The bank's provision PCR, excluding technical write-offs, stood at 93.02% as on June 30, 2026, against 94.97% as on March 31, 2025.

The bank's slippages ratio decreased from 1.02% for FY25, to 0.78% for FY26. The bank's NNPA to tangible net worth ratio of the bank stood at 0.68% as on March 31, 2026 (March 31, 2025: 0.77%). The gross stressed assets (GNPA + gross standard restructured assets + gross security receipts) to gross advances also reduced y-o-y from 6.15% as on March 31, 2025, to 4.75% as on March 31, 2026. GNPA ratio and NNPA ratio stood at 2.30% and 0.16%, respectively, as on June 30, 2026.

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 due to legacy corporate book, which has since come down. The bank started focusing on RAM segment and calibrated its growth on corporate segment. The bank witnessed significant growth in advances in the last three years, primarily driven by the growth in RAM segment, with moderate growth in the corporate portfolio. While the bank's slippage ratio has remained in the range of 0.78-2.21% in the last three 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 at a compound annual growth rate (CAGR) of 15% over the last three years. Over time, the bank has focused the RAM segment now constituting ~70% of total advances against ~36% as on March 31, 2016. In FY27, banking net interest margins (NIMs) are expected to bottom out and gradually recover as peak deposit repricing pressures subside. Banks' move towards higher yielding advances in the corporate segment would also support NIMs going forward. Thus, the IDBI Banks' ability to maintain margins while keepings cost of deposits under control will be monitorable.

Liquidity: Strong

IDBI Bank maintained a healthy liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) of 120.87% and 115.61% respectively for the quarter-ended June 30, 2026, against a minimum requirement of 100%. As on June 30, 2026, the asset liability maturity (ALM) profile 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 had excess statutory liquidity ratio (SLR) investments of ~₹29,600 crore as on June 30, 2026 (constituting 9.57% of Net Demand and Time Liabilities).

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 the bank's business model limits its direct exposure to environmental risks, credit risk may arise if operations of asset class of the portfolio are adversely impacted by environmental factors.

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

As on June 30, 2026, IDBI Bank's Board comprises 11 Directors, with six Independent Directors, and one female Director.

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
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 1964, IDBI Bank is a private sector bank headquartered in Mumbai. In 1976, IDBI Bank's ownership 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, 2026, the bank had a network of over 2,200 branches. The bank is headed by Rakesh Sharma who is the Managing Director and Chief Executive Officer (MD & CEO).

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)	Q1FY27(UA)
Total income	33,826	35,744	8,573
Profit after tax (PAT)	7,515	9,513	2,115
Total assets	395,168	454,796	444,504#
Net interest margin (NIM) (%)	3.95	3.18	3.06^
Gross non-performing assets (NPA) (%)	2.98	2.32	2.30
Net NPA (%)	0.15	0.15	0.16
Capital adequacy ratio (CAR) (%)	25.05	26.65	26.92

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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of the regulators:
A list of facilities / instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	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)	RBI	Simple	-	-	-	-	35000.00	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 2026-2027	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
1	Certificate Of Deposit	ST	35000.00	CARE A1+	-	1)CARE A1+ (02-Sep-25)	1)CARE A1+ (06-Sep-24) 2)CARE A1+ (04-Apr-24)	1)CARE A1+ (05-Dec-23)
2	Bonds-Tier II Bonds	LT	-	-	-	1)Withdrawn (02-Sep-25)	1)CARE AA; Stable (06-Sep-24) 2)CARE AA-; Stable (04-Apr-24)	1)CARE AA-; Stable (05-Dec-23)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: 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:
Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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