

April 15, 2011

**CARE REAFFIRMS RATING ASSIGNED TO SUBORDINATED BONDS ISSUE OF
INDUSIND BANK LTD.**

Instruments	Amount Rated (Rs.Cr)	Ratings ¹	Remarks
Tier II Issue	450*	'CARE AA-'	Reaffirmed

** Amount outstanding is Rs.420 Crore*

CARE has reaffirmed 'CARE AA-' [Double A Minus] rating to the Subordinated Tier II Bonds of IndusInd Bank Ltd. (IBL).

Rating Rationale

The rating factors in IBL's strong foothold in the vehicle financing market, improving business volumes, improvement in profitability and productivity metrics following the proactive initiatives undertaken by the new management. It further takes into account the improved asset quality, comfortable capitalisation levels and the management's demonstrated ability to raise capital. The rating is, however, constrained by somewhat high (although declining) dependence on wholesale deposits. Further, improving CASA levels has helped the bank in improving the granularity of deposits and in posting improvement in Net Interest Margins. IBL's ability to increase its low cost-deposits mix, sustain the improvement in profitability and operational efficiency, and maintain asset quality are the key rating sensitivities.

Background

IndusInd Bank Ltd. is one of the new-generation private-sector banks in India which commenced its operations in 1994. It is promoted by a group of non-resident Indians which held 19.57% stake in the bank as on December 31, 2010. As on January 17, 2011, the Bank had branch network spread across 192 geographical locations. In addition, the Bank has Representative Offices in London and Dubai.

In 2008, a management team comprising several senior bankers from ABN AMRO led by Mr. Romesh Sobti, MD & CEO, took charge at the bank. The new management has successfully initiated a turnaround in IBL's performance and brought about structural changes within the bank.

¹Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications

IBL's total assets grew at a slower Compounded Annual Growth Rate (CAGR) of 14% y-o-y during FY06-08. The overall balance sheet size grew at a rather conservative pace mainly due to weak profitability and capital constraints. However, since FY09, IBL's assets expanded at CAGR of 24% to Rs.35,138 crore as on March 31,2010 on the back of higher-than-industry growth in advances. During FY10, IBL reported PAT of Rs.350 crore (FY09:-Rs.148 crore) on total income of Rs.3,260 crore (FY09:-Rs.2766 crore). Improvement in profitability was on account of the healthy fee income and improvement in NIMs of the bank from 1.82% in FY09 to 2.84% in FY10. IBL's asset quality has been showing consistent improvement with the bank reporting lower gross and net NPA ratios of 1.21% and 0.36% respectively, as on December 31, 2010. Timely equity raising by the bank has helped IBL in posting robust capitalisation levels at 15.61% as on December 31,2010. Tier I levels at 11.67% as on December 31,2010 provides headroom to the bank thereby enabling it to continue its growth momentum.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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