September 30, 2020

IDBI Bank Limited: Long-term ratings reaffirmed and Short-term rating upgraded; outlook revised to Stable from Negative

Summary of rating action

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Infrastructure Bonds	8,000.00	8,000.00	[ICRA]A reaffirmed; outlook revised to Stable from Negative
Flexi Bond Series	103.67	103.67	[ICRA]A reaffirmed; outlook revised to Stable from Negative
Flexi Bond Series	126.83	0.00	[ICRA]A reaffirmed; outlook revised to Stable from Negative and withdrawn
Senior & Basel II Lower Tier II	21,939.33	21,939.33	[ICRA]A reaffirmed; outlook revised to Stable from Negative
Senior & Basel II Lower Tier II	3,803.39	0.00	[ICRA]A reaffirmed; outlook revised to Stable from Negative and withdrawn
Subordinated Debt	20.00	20.00	[ICRA]A reaffirmed; outlook revised to Stable from Negative
Subordinated Debt	50.00	0.00	[ICRA]A reaffirmed; outlook revised to Stable from Negative and withdrawn
Basel III Tier II Bonds	5,000.00	5,000.00	[ICRA]A (Hyb) reaffirmed; outlook revised to Stable from Negative
Basel II Upper Tier II Bonds	1,000.00	1,000.00	[ICRA]BBB+ reaffirmed; outlook revised to Stable from Negative
Basel II Upper Tier II Bonds	3286.20	0.00	[ICRA]BBB+ reaffirmed; outlook revised to Stable from Negative and withdrawn
Basel II Tier I Bonds	1,708.80	0.00	[ICRA]BBB+ reaffirmed; outlook revised to Stable from Negative and withdrawn
Fixed Deposits Programme	0	0	MAA- reaffirmed; outlook revised to Stable from Negative
Certificates of Deposit	35,000.00	35,000.00	Revised to [ICRA]A1+ from [ICRA]A1
Total	**80,038.22**	**71,063.00**	

Rationale

The revision in the rating outlook of IDBI Bank Limited (IDBI) factors in its improved solvency profile, driven by the reduction in the net stressed assets and the sizeable capital infusion by Life Insurance Corporation of India (LIC) and the Government of India (GoI) during the last two years. Though the bank may face asset quality challenges because of the Covid-19-induced stress, in ICRA's view, the slippages and credit costs are expected to remain comparatively lower than in previous years. Further, ICRA also expects IDBI to largely absorb the incremental credit provisions through its core operating profits, thereby limiting its incremental capital requirement for meeting the regulatory levels.

The upgrade in the short-term rating factors in the steady decline in the bulk deposits and the steady growth in the core deposit base. The bank has also maintained high liquidity buffers in the form of excess holding of Government securities (G-Secs) over the regulatory statutory liquidity ratio (SLR) requirements. This has resulted in strong liquidity coverage ratios (LCR) as well as positive asset-liability gaps across all the maturity buckets over one year.

Notwithstanding the above positives, IDBI's loan book continues to decline because of the restrictions on corporate lending imposed under the prompt corrective action (PCA) framework of the Reserve Bank of India (RBI). This continues to pose pressure on its market position and operating profitability. The decline in the corporate loan book has been partially offset by the growth in granular segments like retail, agriculture and MSME (RAM). Further, the overall book under moratorium remained high at 58-65%, which is among the highest in the banking sector, leading to uncertainty regarding the near-term asset quality. Should the operating environment take longer to improve, IDBI's ability to contain slippages and improve its profitability could be tested, thereby leading to additional capital requirements to meet the regulatory requirement. The bank is also constrained for growth capital and has been divesting its non-core assets to raise capital, apart from raising fresh capital from the markets.

The ratings remain supported by the majority sovereign ownership of the bank with the demonstrated track record of capital infusion by LIC and the GoI to shore up the bank's capital ratios above the regulatory levels. However, the GoI (47.11% shareholding) has already announced its intention to fully divest its stake in IDBI. Furthermore, the principal shareholder's (LIC) ability to infuse capital is restricted by the regulatory constraints regarding an increase in its shareholding in the bank beyond the current level of 51%. Accordingly, the mode of future capital raising by the bank remains to be seen.

Though the changes in the shareholding will remain a monitorable, going forward, ICRA expects that IDBI will continue to receive regulatory capital from the existing shareholders, if required. Further, the bank's ability to absorb incremental asset quality shocks has improved in ICRA's view, which drives the Stable outlook on its rating. The ability to sustain the improvement in the profitability and the solvency profile will remain a key monitorable.

ICRA has withdrawn the rating assigned to the Rs. 126.83-crore Flexi Bond series, Rs.3,803.39 crore Senior & Basel II Lower Tier II bonds, Rs.50 crore subordinate debt, Rs.3,286.20 crore Basel II Upper Tier II bonds and Rs.1,708.80 crore Basel II Tier I Bonds as these bonds are fully redeemed, and no amount is outstanding against the rated instruments. The rating was withdrawn in accordance with ICRA's policy on withdrawal and suspension (click here for the Policy)

Key rating drivers and their description

Credit strengths

Sovereign ownership by way of direct and indirect holding – The ratings continue to factor in IDBI's direct and indirect sovereign ownership. LIC remains the dominant promoter with a 51% shareholding in the bank as on June 30, 2020, while the GoI's stake stood at 47.11%. The GoI had infused Rs. 18,928 crore during FY2017-2020 to support IDBI's capitalisation. At the time of infusing capital in FY2020, the GoI had indicated that the infusion was being done on a one-time basis. This was followed by a proposal in the Union Budget in February 2020 to fully dilute its holding in the bank. Given this stance, ICRA expects the changes in the shareholding pattern could remain a monitorable. Further, LIC, which infused Rs. 4,743 crore during FY2019-20, is restricted by regulatory constraints from increasing its shareholding in the bank beyond the current level of 51%. While ICRA expects IDBI's overall capital requirement for regulatory requirements to remain limited, its ability to internally generate growth capital is likely to be weak. Accordingly, the mode of future capital raising by IDBI remains to be seen.

Steady improvement in deposit base, driven by increasing share of granular retail deposits – Though IDBI's overall deposit base witnessed a degrowth over the last few years, this was on account of the limited need to pursue deposit growth amid a declining loan book. Further, cash equity infusions by LIC in FY2019 and FY2020 helped bring down the bank's bulk deposits to ~15.6% of the total deposits as on June 30, 2020 from ~34.3% as on June 30, 2018. On the other hand, savings account (SA) deposits were higher by 13% on a YoY basis, strengthening the share of current account and savings account (CASA) deposits to 48% as on June 30, 2020 from 43% as on June 30, 2019. The top 20 depositors accounted for 8.97% of the total deposits of the bank as on March 31, 2020 compared to 12.14% as on March 31, 2018 and 13.89% as on March 31, 2017. The cost of interest-bearing funds for the bank also declined to 4.86% in Q1 FY2021 from 5.44% in Q1 FY2020 and 5.19% in FY2020 (4.65%, 5.12% and 4.93%, respectively, for public sector banks (PSBs)).

Capitalisation profile likely to remain above regulatory levels – IDBI's gross advances were lower by 6% on a YoY basis and stood at Rs. 1.66 lakh crore as on June 30, 2020 against Rs. 1.77 lakh crore as on June 30, 2019 because of restrictions on corporate lending under the PCA framework. The combination of a reduction in the risk-weighted assets (RWAs) and capital infusion helped shore up IDBI's capital metrics with CET I and Tier I at 10.59% each as on June 30, 2020 (5.90% and 6.14%, respectively, as on June 30, 2019) with the same currently above the regulatory levels. The provision coverage ratio (PCR – including write-offs) stood at ~95% with net non-performing advances (NPAs) of 3.55% as on June 30, 2020.

With the high PCR, the incremental credit provisions are likely to remain lower compared to the past. Supported by this, IDBI reported a net profit in Q4 FY2020 and Q1 FY2021, which is likely to support its regulatory capital requirements. As per ICRA's estimates, IDBI's capital requirement is expected to remain limited as the degrowth in the RWAs is likely to continue in the near term. However, the bank has taken shareholder approval for raising equity capital up to Rs. 11,000 crore, which could support its growth requirements.

Credit challenges

Weak operating environment expected to keep slippages high and prevent meaningful improvement in capital and solvency profile – IDBI's gross NPAs (GNPAs) stood very high at 26.81% as on June 30, 2020 because of the asset quality issues faced by the bank in the past. However, supported by capital infusions, the bank has significantly provided for its stressed assets and the net NPAs were much lower at 3.55% as on June 30, 2020 compared to 8.02% as on June 30, 2019. The annualised fresh NPA generation rate for the bank moderated to ~4% in Q4 FY2020 (~8.4% for FY2020), which declined further to ~0.4% in Q1 FY2021 (partly attributable to the RBI-mandated standstill).

The SMA 1 and SMA 2 advances[1], which are a potential source of stress, were much lower at ~3.4% of the standard advances as on March 31, 2020 compared to 6.6% as on September 30, 2019. However, the overall book under moratorium for the bank remained considerably high at 58-65% and the impact of a weaker environment on the customers on the bank's asset quality remains a monitorable. ICRA expects that the overall slippages could remain high at ~4% of the standard advances in FY2021, given the weak operating environment, though the net NPA levels are expected to remain below 6% on the back of the high PCR levels. In ICRA's view, the credit provisions on incremental slippages and restructuring could largely be absorbed through the operating profits. However, these near-term asset quality challenges are likely to prevent a meaningful improvement in IDBI's asset quality, capital and solvency position. The solvency position (Net NPA/Core capital) could weaken to ~35-40% over the next few quarters from 26% as on June 30, 2020 though the same would be much better than ~109% as on June 30, 2019.

Earnings profile to remain weak – Though the interest spreads for the bank have improved, supported by the lower cost of funds, ICRA expects IDBI to remain in capital conservation mode in the near term and to continue to shrink its loan book, which could put pressure on its absolute profits. The bank, however, reported an improvement in its profitability with net profits of Rs. 135 crore in Q4 FY2020 and Rs. 144 crore in Q1 FY2021, mainly supported by trading gains on the bond portfolio and recoveries from written-off accounts. Given the near-term asset quality challenges, IDBI's internal capital generation could remain weak and could be supported by the planned divestment of non-core businesses (IDBI Federal Life Insurance and IDBI AMC) or any large recoveries from NPAs, which may provide some support to the bottom line. A sustained improvement in the profitability will depend on the bank's ability to improve the overall scale as well as lower the credit costs, both of which are unlikely to happen in the near term.

Liquidity position: Strong

Supported by the improvement in the deposits profile, the bank's liquidity remains strong with positive asset-liability mismatches (as per the structural liquidity statement as on March 31, 2020) across all short-term buckets. The daily average LCR was strong at the consolidated level at 138%[2] for Q1 FY2021 and 128% for FY2020 against the regulatory requirement of 100% as on April 1, 2021. Besides this, IDBI has an excess SLR position, which was ~9% above the regulatory levels (18%) as of March 2020 and May 22, 2020. The excess SLR holding can be utilised to avail liquidity support from the RBI (through reverse repo) apart from the marginal standing facility of the RBI in case of urgent liquidity needs.

[1] *Special mention account; SMA 1 is overdue by 31-60 days and SMA 2 is overdue by 61-90 days*
[2] *LCR at the consolidated level*

Rating sensitivities

Positive triggers – ICRA could change the outlook to Positive or upgrade the ratings if the bank is able to maintain the solvency with Net NPA/Core capital at <35% and a capital cushion of over ~100 bps over the regulatory levels. IDBI will need to demonstrate improved internal capital generation with profitable operations (RoA of >0.5%).

Negative triggers – ICRA could change the outlook to Negative or downgrade the ratings if the bank reports sustained losses, which are not sufficiently offset by a capital raise, leading to a continued decline in the capital or solvency position. A continued decline in the business or weakening in the deposit franchise, which could impact IDBI's profitability in the long run, will also be a credit negative. Moreover, a material decline in the combined direct and indirect holding of the GoI in the bank will be a monitorable.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA Rating Methodology for Banks ICRA Policy on Withdrawal and Suspension of Credit Rating Impact of Parent or Group Support on an Issuer's Credit Rating
Parent/Group Support[3]	The ratings factor in IDBI's direct and indirect sovereign ownership and the demonstrated track record of capital infusions by the GoI and LIC. ICRA expects the GoI and LIC to support IDBI with capital infusions, if required.
Standalone	To arrive at the ratings, ICRA has considered the standalone financials of IDBI. However, in line with ICRA's limited consolidation approach, the capital requirement of the key subsidiaries of the Group has been factored in, going forward. In ICRA's view, IDBI's subsidiaries will largely remain self-sufficient in meeting their capital requirements in the near to medium term.

About the company

IDBI Bank Limited, founded in 1964, is a private sector bank headquartered in Mumbai. IDBI was a PSB till February 2019 and was majorly owned by the GoI. In January 2019, LIC increased its stake in the bank to 51% by infusing capital of Rs. 21,624 crore, resulting in the dilution of the GoI's ownership to 46.46% as on January 24, 2019 from 85.96%. LIC maintained its holding at 51% during the subsequent capital raise of Rs. 9,300 crore in September 2020 while the GoI's share remained at similar levels of 47.11%. Given the decline in the GoI's majority shareholding, the RBI has classified IDBI as a private sector bank.

As on June 30, 2020, the bank operated through 1,891 branches and 3,680 ATMs. It reported a net loss of Rs. 12,887 crore in FY2020 on an asset base of Rs. 2.93 lakh crore as of March 2020 compared to a net loss of Rs. 15,116 crore in FY2019 on an asset base of Rs. 3.14 lakh crore as on March 31, 2019. It reported a net profit of Rs. 144 crore in Q1 FY2021 as on asset base of Rs. 2.93 lakh crore.

Key financial indicators - Standalone

For the period / At the end of	FY2019	FY2020	Q1 FY2020*	Q1 FY2021*
Net interest income	5906	6978	1458	1773
Profit before tax	-22827	-8967	-5381	438
Profit after tax	-15116	-12887	-3801	144
Net advances – Rs. lakh crore	1.47	1.30	1.37	1.26
Total assets – Rs. lakh crore	3.14	2.93	2.98	2.93
% CET	8.91%	10.54%	5.90%	10.59%
% Tier I	9.14%	10.57%	6.14%	10.59%
% CRAR	11.58%	13.31%	8.14%	13.37%
% Net interest margin / Average total assets	1.79%	2.30%	1.91%	2.42%
% Net profit / Average total assets	-4.59%	-4.25%	-4.97%	0.20%
% Return on net worth	-48.95%	-46.83%	-52.46%	2.09%
% Gross NPAs	27.49%	27.54%	29.12%	26.81%
% Net NPAs	10.11%	4.19%	8.02%	3.55%
% Provision coverage excl. technical write-offs	70%	88%	79%	90%
% Net NPA/ Core equity	89%	36%	109%	26%

Amount in Rs. crore unless mentioned otherwise; Unaudited*

Source: IDBI, ICRA research

All ratios are as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for three years

	Instrument	Type	Amount Rated	Amount Outstanding	Current Rating (FY2021)	FY2020	FY2019					FY2018
					30-Sep-20	19-Sep-19	13-Mar-19	30-Aug-18	10-Jul-18	07-May-18	13-Apr-18	23-May-17
1	Basel II Upper Tier II Bonds	Long Term	1,000	1,000	[ICRA] BBB+ (Stable)	[ICRA] BBB+ (Negative)	[ICRA] BBB+ (Negative)	[ICRA] BBB+&	[ICRA] BBB+ (Negative)	[ICRA] BBB+ (Negative)	[ICRA] BBB+@	[ICRA] BBB+@
2	Basel II Upper Tier II Bonds	Long Term	3286.20	0.00	[ICRA] BBB+ (Stable) withdrawn	[ICRA] BBB+ (Negative)	[ICRA] BBB+ (Negative)	[ICRA] BBB+&	[ICRA] BBB+ (Negative)	[ICRA] BBB+ (Negative)	[ICRA] BBB+@	[ICRA] BBB+@
3	Basel II Tier I Bonds	Long Term	1,708.80	0	[ICRA] BBB+ (Stable) withdrawn	[ICRA] BBB+ (Negative)	[ICRA] BBB+ (Negative)	[ICRA] BBB+&	[ICRA] BBB+ (Negative)	[ICRA] BBB+ (Negative)	[ICRA] BBB+@	[ICRA] BBB+@
4	Basel III Tier II Bonds	Long Term	5,000.00	1,900.00	[ICRA]A (hyb) (Stable)	[ICRA]A (hyb) (Negative)	[ICRA]A (hyb) (Negative)	[ICRA]A (hyb) (Negative)	[ICRA]A (hyb) (Negative)	[ICRA]A (hyb) (Negative)	[ICRA]A (hyb)@	[ICRA]A (hyb)@
5	Infrastructure Bonds	Long Term	8,000.00	5,000	[ICRA]A (Stable)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A@	[ICRA]A@
6	Flexi Bond Series	Long Term	103.67	0.00	[ICRA]A (Stable)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A@	[ICRA]A@
7	Flexi Bond Series	Long Term	126.83	0.00	[ICRA]A (Stable) withdrawn	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A@	[ICRA]A@
8	Senior & Basel II Lower Tier II Bonds	Long Term	21,939.33	5,944.7	[ICRA]A (Stable)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A@	[ICRA]A@
9	Senior & Basel II Lower Tier II Bonds	Long Term	3,803.39	0.00	[ICRA]A (Stable) withdrawn	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A (hyb) (Negative)	[ICRA]A (hyb) (Negative)	[ICRA]A@	[ICRA]A@
10	Subordinated Debt	Long Term	20.00	0.00	[ICRA]A (Stable)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A@	[ICRA]A@

11	Subordinated Debt	Long Term	50.00	0.00	[ICRA]A (Stable) withdrawn	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A@	[ICRA]A@
12	Fixed Deposits Programme	Medium Term	-	-	MAA-(Stable)	MAA- (Negative)	MAA- (Negative)	MAA- (Negative)	MAA- (Negative)	MAA- (negative)	MAA-@	MAA-@
13	Certificates of Deposit	Short Term	35,000.00	-	[ICRA]A1+	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1@	[ICRA]A1@

Amount in Rs. crore; & Rating Watch with Developing Implications; @ Rating Watch with Negative Implications

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE008A08N67	Senior Bonds	23-Sep-07	10.07%	23-Sep-22	4.2	[ICRA]A(Stable)
INE008A08R30	Senior Bonds	13-Jun-09	9.56%	13-Jun-29	1	[ICRA]A(Stable)
INE008A08R71	Senior Bonds	26-Sep-09	9.67%	26-Sep-29	2	[ICRA]A(Stable)
INE008A08U27	Senior Bonds	13-Mar-12	9.33%	13-Mar-22	300	[ICRA]A(Stable)
INE008A08U35	Senior Bonds	30-May-12	9.03%	30-May-22	250	[ICRA]A(Stable)
INE008A08U68^	Senior Bonds	26-Dec-12	9.40%	Perpetual (Call: 26-Dec-2022)	850	[ICRA]A(Stable)
Proposed	Infrastructure Bonds	NA	NA	NA	3,000.00	[ICRA]A(Stable)
INE008A08U76	Infrastructure Bonds	12-Sep-14	9.27%	12-Sep-24	1,000.00	[ICRA]A(Stable)
INE008A08U92	Infrastructure Bonds	21-Jan-15	8.73%	21-Jan-25	3,000.00	[ICRA]A(Stable)
INE008A08V26	Infrastructure Bonds	09-Feb-16	8.80%	09-Feb-26	1,000.00	[ICRA]A(Stable)
INE008A08S88	Lower Tier II Bonds	08-Jul-10	8.57%	08-Jul-25	302	[ICRA]A(Stable)
INE008A08S96	Lower Tier II Bonds	29-Sep-10	8.63%	29-Sep-20	40	[ICRA]A(Stable)
INE008A08T20	Lower Tier II Bonds	20-Jan-11	9.04%	20-Jan-26	856.1	[ICRA]A(Stable)
INE008A08T61	Lower Tier II Bonds	04-Aug-11	9.38%	04-Aug-21	484.4	[ICRA]A(Stable)
INE008A08T79	Lower Tier II Bonds	26-Nov-11	9.72%	26-Nov-21	250	[ICRA]A(Stable)
INE008A08T87	Lower Tier II Bonds	30-Nov-11	9.70%	30-Nov-21	500	[ICRA]A(Stable)
INE008A08T95	Lower Tier II Bonds	13-Dec-11	9.45%	13-Dec-21	600	[ICRA]A(Stable)
INE008A08U19	Lower Tier II Bonds	15-Mar-12	9.25%	15-Mar-22	1000	[ICRA]A(Stable)
INE008A08U50	Lower Tier II Bonds	13-Dec-12	8.99%	13-Dec-27	505	[ICRA]A(Stable)
INE008A08T46	Upper Tier II Bonds	25-Mar-11	9.40%	25-Mar-26 (Call: 25-Mar-2021)	1000	[ICRA]BBB+(Stable)
Proposed	Basel III Tier II Bonds	NA	NA	NA	3,100.00	[ICRA]A(hyb)(Stable)
INE008A08V00	Basel III Tier II Bonds	31-Dec-15	8.62%	31-Dec-30	1,000.00	[ICRA]A(hyb)(Stable)
INE008A08V18	Basel III Tier II Bonds	02-Jan-16	8.62%	02-Jan-26	900	[ICRA]A(hyb)(Stable)
NA	Medium Term Deposits	NA	NA	NA	-	MAA-(Stable)
NA	Certificates of Deposit	NA	-	7-365 days	-	[ICRA]A1+
INE008A08UA8	Senior Bonds	12-Jan-04	7.00%	12-Jan-19	25	[ICRA]A(Stable) withdrawn
INE008A08Q07	Senior Bonds	26-Sep-08	11.00%	26-Sep-18	895.8	[ICRA]A(Stable) withdrawn
INE008A08Q72	Senior Bonds	15-Dec-08	11.30%	15-Dec-18	1439.9	[ICRA]A(Stable) withdrawn
INE008A08PO9	Senior Bonds	01-Aug-03	8.00%	01-Aug-18	0.45	[ICRA]A(Stable) withdrawn
8006	Senior Bonds	01-Aug-03	8.00%	01-Aug-18	499.55	[ICRA]A(Stable) withdrawn
INE008A08PU6	Senior Bonds	18-Aug-03	7.75%	18-Aug-18	0.19	[ICRA]A(Stable) withdrawn
INE008A09885	Flexi Bonds	12-Jan-04	7.00%	12-Jan-19	107.45	[ICRA]A(Stable)

						withdrawn
INE008A09AM3	Flexi Bonds	12-Jan-04	6.75%	20-Apr-19	19.38	[ICRA]A(Stable) withdrawn
INE008A08R89	Lower Tier II Bonds	29-Sep-09	9.37%	29-Sep-18	40	[ICRA]A(Stable) withdrawn
INE008A08S13	Lower Tier II Bonds	23-Nov-09	8.53%	23-Nov-19	302.5	[ICRA]A(Stable) withdrawn
INE008A08S62	Lower Tier II Bonds	23-Mar-10	9.05%	23-Mar-20	600	[ICRA]A(Stable) withdrawn
INE979F08037	Subordinated Debt	28-Mar-09	10.50%	27-Mar-19	50	[ICRA]A(Stable) withdrawn
INE008A08Q15	Upper Tier II Bonds	29-Sep-08	11.15%	29-Sep-23	650	[ICRA]BBB+(Stable) withdrawn
INE008A08Q56	Upper Tier II Bonds	29-Oct-08	11.40%	29-Oct-23	500	[ICRA]BBB+(Stable) withdrawn
INE008A08R63	Upper Tier II Bonds	25-Sep-09	9.00%	25-Sep-24	500	[ICRA]BBB+(Stable) withdrawn
INE008A08R97	Upper Tier II Bonds	19-Nov-09	8.90%	19-Nov-24	285	[ICRA]BBB+(Stable) withdrawn
INE008A08S47	Upper Tier II Bonds	03-Feb-10	8.65%	03-Feb-25	501.2	[ICRA]BBB+(Stable) withdrawn
INE008A08R14	Upper Tier II Bonds	31-Mar-09	9.50%	31-Mar-24	350	[ICRA]BBB+(Stable) withdrawn
INE008A08R55	Upper Tier II Bonds	26-Jun-09	8.95%	26-Jun-24	500	[ICRA]BBB+(Stable) withdrawn
INE008A08Q80	Basel II Compliant Perpetual Bonds	26-Mar-09	9.50%	Perpetual	332	[ICRA]BBB+(Stable) withdrawn
INE008A08S21	Basel II Compliant Perpetual Bonds	23-Dec-09	9.20%	Perpetual	275.5	[ICRA]BBB+(Stable) withdrawn
INE008A08S39	Basel II Compliant Perpetual Bonds	29-Jan-10	9.25%	Perpetual	306.2	[ICRA]BBB+(Stable) withdrawn
INE008A08S54	Basel II Compliant Perpetual Bonds	10-Mar-10	9.65%	Perpetual	550	[ICRA]BBB+(Stable) withdrawn
INE008A08S70	Basel II Compliant Perpetual Bonds	22-Jun-10	9.15%	Perpetual	245.1	[ICRA]BBB+(Stable) withdrawn

Source: IDBI; ^ Converted into a Senior Bond from a Basel II Compliant Tier I Bond and, therefore, does not qualify for CRAR

Key features of the rated instruments

The servicing of the Basel II Lower Tier II Bonds and infrastructure bonds is not subject to any capital ratios and profitability. However, the Basel III Tier II Bonds are expected to absorb losses once the point of non-viability (PONV) trigger is invoked. The letters 'hyb' in parenthesis, suffixed to a rating symbol, stand for hybrid, indicating that the rated instrument is a hybrid subordinated instrument with equity-like loss-absorption features. Such features may translate into higher loss severity vis-à-vis conventional debt instruments.

The Basel II Upper Tier II Bonds and Basel II Tier I Bonds have specific features wherein the debt servicing is linked to the bank meeting the profitability and regulatory norms for capitalisation. As per the regulatory norms for these instruments, approval from the RBI is required for coupon payments (including redemption) in case the bank reports a loss and is not liable to service the debt if it breaches the minimum regulatory capitalisation norms, i.e. CRAR of 9.0%. The coupon, if missed on the Basel II Tier I Bonds, is non-cumulative, while that on the Basel II Upper Tier II Bonds is cumulative, if not paid.

Annexure-2: List of companies where limited consolidation has been used to arrive at the ratings

Company Name	Ownership	Consolidation Approach
IDBI Asset Management Limited	66.67%	Limited Consolidation
IDBI MF Trustee Company Limited	100%	Limited Consolidation
IDBI Intech Limited	54.7%	Limited Consolidation
IDBI Capital Markets & Securities	100%	Limited Consolidation
IDBI Federal Life Insurance Company Limited	49%	Limited Consolidation

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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