IDBI BANK
CIN: L65190MH2004GOI148838

आईडीबीआई बैंक लिमिटेड
पंजीकृत कार्यालय : आईडीबीआई टॉवर,
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HO.DRD. OMNI Bonds/ग्रा8 /F- No.361

December 01, 2018

Vistra ITCL (India) Limited,
The Il&FS Financial Centre,
Plot C-22, G Block,
BandraKurla Complex, Bandra (E)
Mumbai-400 051

विस्ट्रा आइटीसीएल (इंडिया) लिमिटेड
आइएल एवं एफएस फाइनेंश्यल सेंटर
प्लॉट सी-22, जी ब्लॉक
बांद्रा कुर्ला कॉम्प्लेक्स,बांद्रा (ई)
मुंबई-४०००५१

Revision in rating of Debt instruments

Kind attn: Poojan Baxi

Dear In terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Schedule III, Part B A(13) & 56 1(c) issued on September 2, 2015, the revision in ratings is to be informed to the Stock Exchanges and Debenture/Bond Trustees.

CRISIL have revised the rating of various debt instruments issued by IDBI Bank Ltd. based on a recent review undertaken by them. The rating given by the rating agencies earlier and revised ratings are indicated below:

Rating Agency	Instruments rated	Earlier Rating	Revised Rating
CRISIL Ltd.	Flexi Bonds	Reaffirmed as CRISIL A+ and revised outlook to Stable	CRISIL A+ /Stable(Reaffirmed

The aforesaid revision in rating is submitted in compliance with Regulation 56 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Copy of revised rating letter issued by CRISIL in this regard is forwarded herewith. Request you to kindly register the necessary changes in your records.

भवदीय,

(मुकेश कुमार नागर)
सहायक महाप्रबंधक
देशी संसाधन विभाग

Encl: As above

CRISIL
An S&P Global Company

Rating Rationale

November 22, 2018 | Mumbai

IDBI Bank Limited

Rating on Upper Tier II Bonds and Tier-I Perpetual Bonds (Under Basel II) downgraded to 'CRISIL A-' and placed on 'watch developing'

Rating Action

Upper Tier-II Bonds Aggregating Rs.3636.20 Crore (Under Basel II)	**CRISIL A- (Downgraded from 'CRISIL A'; Placed on 'Rating Watch with Developing Implications')**
Tier-I Perpetual Bonds Aggregating Rs.2708.8 Crore (Under Basel II)	**CRISIL A- (Downgraded from 'CRISIL A'; Placed on 'Rating Watch with Developing Implications')**
Rs.2000 Crore Tier-I Bond Issue (Under Basel III)	**CRISIL BBB+/Negative (Withdrawn)**
Rs.2500 Crore Tier-I Bond Issue (Under Basel III)	**CRISIL BBB+/Negative (Withdrawn)**
Rs.2000 Crore Tier II Bonds (Under Basel III)	**CRISIL A+/Stable (Reaffirmed)**
Infrastructure Bonds Aggregating Rs.2000 Crore	**CRISIL A+/Stable (Reaffirmed)**
Infrastructure Bonds Aggregating Rs.8000 Crore	**CRISIL A+/Stable (Reaffirmed)**
Rs.3000 Crore Tier II Bonds (Under Basel III)	**CRISIL A+/Stable (Reaffirmed)**
Senior/Lower Tier-II Bonds Aggregating Rs.5000 Crore (Under Basel II)	**CRISIL A+/Stable (Reaffirmed)**
Lower Tier-II Bonds Aggregating Rs.9041.68 Crore (Under Basel II)	**CRISIL A+/Stable (Reaffirmed)**
Omni Bonds Aggregating Rs.15479.50 Crore	**CRISIL A+/Stable (Reaffirmed)**
Flexi Bonds Aggregating Rs.465.96 Crore	**CRISIL A+/Stable (Reaffirmed)**
Fixed Deposit Programme	**FAA/Stable (Reaffirmed)**
Rs.40000 Crore Certificates of Deposit Programme	**CRISIL A1+ (Reaffirmed)**

1 crore = 10 million
Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale
CRISIL has downgraded the rating on the Upper Tier II bonds (under Basel II) and Tier I Perpetual bonds (under Basel II) of IDBI Bank Limited (IDBI Bank) to **'CRISIL A-'** from 'CRISIL A' and placed the ratings on **'Rating Watch with Developing Implications'**. The ratings on the Tier II bonds (under Basel III), Infrastructure bonds, Lower Tier II bonds (under Basel II), Omni bonds and Flexi bonds have been reaffirmed at 'CRISIL A+/Stable' while the ratings on the fixed deposits programme and the certificate of deposits programme have been reaffirmed at 'FAA/Stable' and 'CRISIL A1+' respectively. The rating on the Tier I Bonds (under Basel III) have been **withdrawn** as the instruments have been redeemed. The withdrawal is in line with CRISIL's policy.

The ratings on the Upper Tier II bonds (under Basel II) and Tier I Perpetual bonds (under Basel II), hereafter referred to as hybrid instruments, have been downgraded and placed on 'Watch with Developing Implications' because of the weak capital ratios of the bank, which impedes its ability to pay coupon on these instruments. As on September 30, 2018, IDBI Bank reported a Common Equity Tier I (CET I) ratio, Tier I capital adequacy ratio (CAR) and overall CAR of 3.87%, 4.22% and 6.22%, respectively. The bank also reported a loss of Rs 3602.5 core in the second quarter of fiscal 2019. As per the terms of these instruments, the bank shall not be liable to pay either interest or principal (in the case of Upper Tier II bonds) if the bank's CAR is below the minimum regulatory requirement prescribed by RBI. Further, in case the bank has reported a loss, it may pay interest with the prior approval of RBI when the impact of such payment may result in net loss or increase the net loss provided CRAR remains above the regulatory norm. Life Insurance Corporation of India (LIC) is currently in the process of acquiring a majority stake in IDBI Bank, which would result in capital infusion of around Rs 17500-20500 crore depending on the extent to which the planned open offer is subscribed and therefore, the number of shares that would be allotted to LIC via a preferential issue. This would take the capital ratios well above the regulatory requirement. However, completion of this process is subject to satisfactory and timely resolution of the litigation pending before High Court of Delhi, wherein the All India IDBI Officers' Association has challenged the proposed deal. The next coupon dates for the hybrid instruments are December 23, 2018 and December 26, 2018. While RBI has given approval in the past for hybrid coupon payments where a bank has made losses and the CAR is marginally below regulatory requirement, this has been in cases where the capital infusion has been planned and expected shortly. In the case of IDBI Bank, the shortfall in the CAR ratio is significant and capital infusion is also subject to satisfactory resolution of the pending litigation. The Watch on the hybrid instruments will be resolved when there is greater clarity on the timing of the capital infusion and/ or RBI approval to make the coupon payment.

The ratings on the Tier II bonds (under Basel III), Infrastructure bonds, Lower Tier II bonds (under Basel II), Omni bonds, Flexi bonds, fixed deposits programme and the certificate of deposits programme have been reaffirmed as the ability to pay interest or principal on these is not linked to the bank's capital ratios. While the bank's gross non-performing assets (NPAs) and slippages remain elevated and ageing provisions will continue to impact profitability over the next few quarters, the rating on IDBI Bank's Tier II bonds is already at the floor of 'CRISIL A+' defined by CRISIL for the corporate credit rating (or Tier II bonds) for public sector banks (PSBs). The ratings also factor in the expectation of equity infusion by LIC.

Analytical Approach
For arriving at the ratings, CRISIL has factored in the support that the bank is expected to receive from its majority shareholder, GoI.

Key Rating Drivers & Detailed Description
Strengths:
* **Strong expectation of support from GoI**
The rating continues to factor in an expectation of strong government support, both on an ongoing basis and in the event of distress. This is because GoI is both the majority shareholder in public sector banks (PSBs) and the guardian of India's financial system. The stability of the banking sector is of prime importance to GoI, given the criticality of the sector to the economy, the strong public perception of sovereign backing for PSBs, and the severe implications of any PSB failure in terms of political fallout, systemic stability, and investor confidence in public sector institutions. CRISIL believes that the majority ownership creates a moral obligation on GoI to support the PSBs, including IDBI Bank.

On August 8, 2018, IDBI Bank Limited (IDBI Bank) filed with the stock exchanges that the Government of India (GoI) has conveyed its no-objection to reduction of its stake in the Bank to below 50%, relinquishment of management control and acquisition of controlling stake in the bank by Life Insurance Corporation of India (LIC) as Promoter through preferential issue/open offer of equity, subject to requisite regulatory approvals and compliance with laws. In Q2 fiscal 2019, LIC infused Rs 2098 crore in IDBI Bank, taking its stake to 14.90% as on September 30, 2018 from 7.98% as June 30, 2018 and has also started the process of tendering an open offer to minority shareholders; the open offer will run from December 3,, 2018 to December 14, 2018. Post the open offer, a preferential allotment is likely to be made to LIC to take the stake to 51%. While the proposed stake acquisition is subject to resolution of the pending litigation, CRISIL believes that even once finalized, the acquisition of majority stake by LIC does not impact the expectation of support from GoI for IDBI Bank. This is because LIC is a 100% GoI-owned entity and has supported the GoI in its recapitalisation programmes for public sector banks in the past. Even if LIC were to be the majority shareholder, CRISIL believes that GoI will continue to be involved in matters relating to IDBI Bank. However, in this case, CRISIL will continue to monitor LIC's plans, likely over a 5-7 year period, to bring down its stake in IDBI Bank to below 51%.

* **Established market position, supported by a large asset base**
The bank had an asset base of Rs 326,018 crore as on September 30, 2018. Advances of Rs 157,793 crore accounted for around 1.8% of the banking system advances. While the bank has been de-growing over the past few quarters, it is still among one of the large banks in India.

Weaknesses
* **Weak capitalisation ratios**
The banks capitalization remains weak with CET 1, Tier 1 and overall CAR of 3.87%, 4.22% and 6.22%, respectively, as on September 30, 2018. These ratios remain below the regulatory requirement of 5.50%, 7.00% and 9.00%.The capital position of the bank has remained weak on account of high provisioning requirement which in turn, resulted in higher and continued losses. However, if the LIC-IDBI deal were to go through, it would result in a capital infusion of around Rs 17,500- Rs 20,500 crore in the bank, resulting in a significant improvement in the capital ratios of the bank.

* **Weak asset quality; continued pressure expected**
Asset quality has continued to deteriorate sharply over the past few quarters as reflected in the steep increase in gross NPAs to 31.78% as on September 30, 2018 (27.95% as on March 31, 2018), from 21.25% as on March 31, 2017. While the increase in the gross NPA ratio is partly on account of de-growth in advances, absolute quantum has also increased over this period. Slippages to NPAs (as a percentage of opening net advances) remained high, at around 15.1% (annualised) in the first half of fiscal 2019 (20.1% in fiscal 2018 and 12.8% in fiscal 2016.) Containing deterioration in asset quality, and hence profitability, remains a key monitorable.

* **Weak earnings profile**
The sharp deterioration in asset quality has significantly impacted profitability. Net loss and return on assets (annualised) stood at Rs 6012 crore and negative 3.6%, respectively, for the first half of fiscal 2019 (Rs 8238 crore and a negative 1.6%, respectively, for fiscal 2018). The net interest margin (NIM*; net interest income to average total assets) improved to 1.74% for the first half of fiscal 2019 as against 1.58% for fiscal 2018 due to the impact of interest reversal on the NIM being offset by the decline in cost of deposits (5.4% in the first half of fiscal 2019); however, it still remains low.

However, provisioning costs continue to remain high at 7.0% for the first half of fiscal 2019 (5.8% in fiscal 2018), and are expected to remain high over the next few quarters, given continued slippages and increasing provisioning requirements on stressed assets. The provisioning coverage ratio (PCR; excluding technical write offs) remained average at 55% as on September 30, 2018. However, the PCR on cases admitted in NCLT of Rs.31850 crore was higher at 81%. Ability to contain further deterioration in asset quality and thereby return to profitability and manage earnings remains a key sensitivity factor.

Outlook: Stable (for all instruments except hybrid instruments under Basel II)
CRISIL believes that IDBI Bank will continue to benefit from strong support from GoI, or LIC if the deal were to fructify. The bank's asset quality and earnings profile are however, expected to remain under pressure over the medium term.

Upside Scenario:
* The outlook may be revised to 'Positive' if there is a significant and sustained improvement in profitability and asset quality.

Downside Scenario:
* The outlook may be revised to 'Negative' in case of further significant deterioration in its asset quality or earnings profile.

About the Bank
Industrial Development Bank of India Ltd (IDBI) was constituted by GoI under the Industrial Development Bank of India Act, 1964, and was reconstituted as a banking company on October 1, 2004, to undertake commercial banking and development banking activities. The erstwhile IDBI Bank Ltd, IDBI's subsidiary, was merged with IDBI in 2005. In 2006, IDBI acquired United Western Bank. In 2008, it got its present name.

In fiscal 2018, net loss was Rs 8238 crore and total income (net of interest expense) Rs 12650 crore, against a net loss and total income (net of interest expenses) of Rs 5158 crore and Rs 9719 crore, respectively, in fiscal 2017. For the first half of fiscal 2019, net loss was Rs 6012 crore and total income (net of interest expense) Rs 4389 crore, against a PAT of Rs 1051 crore and total income (net of interest expense) of Rs 5623 crore in the first half of fiscal 2017.

Key Financial Indicators

As on/for the half year ended September 30	Unit	2018	2017
Total Assets	Rs crore	326018	333088
Total income	Rs crore	12565	15000
Loss	Rs crore	6012	1051
Gross NPA	%	31.78	24.98
Overall capital adequacy ratio	%	6.22	11.98
Return on assets (Annualised)	%	-3.6	-0.6

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Note on Tier-II Instruments (Under Basel III)

The distinguishing feature of Tier-II capital instruments under Basel III is the existence of the point of non-viability (PoNV loss of principal to investors, and hence, to default on the instrument by the issuer. As per the Basel III guidelines, the F by RBI. CRISIL believes that the PoNV trigger is a remote possibility in the Indian context, given the robust regulatory a the systemic importance of the banking sector. The inherent risks associated with the PoNV feature have, nevertheless the rating on the instrument.

Note on Hybrid Instruments (Under Basel II)

Given that hybrid capital instruments (Tier-I perpetual bonds and Upper Tier-II bonds; under Basel II) have characteristi Tier-II bonds (under Basel II), the ratings on the two instruments may not necessarily be identical. The factors that coul instruments include: the bank breaching the regulatory minimum capital requirement, or the regulator's denial of permis payments of interest and principal if it reports losses. Hence, the transition from one rating category to another may be instruments than in the case of Lower Tier-II bonds; this is because debt servicing on hybrid instruments is far more se adequacy levels and profitability.

Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Cr)	Rating (
INE008A08UA8	Bond	12-Jan-04	7.00	12-Jan-19	25.00	
INE008A08N67	Bond	23-Sep-07	10.07	23-Sep-22	4.20	
INE008A08Q72	Bond	15-Dec-08	11.30	15-Dec-18	1439.90	
INE008A08Q98	Bond	14-Mar-09	11.25	14-Mar-29	2.00	
INE008A08R30	Bond	13-Jun-09	9.56	13-Jun-29	1.00	
INE008A08R71	Bond	26-Sep-09	9.67	26-Sep-29	2.00	
INE008A08U68#	Bond	26-Dec-12	9.40	Perpetual	850.00	
INE008A08S13	Bond	23-Nov-09	8.53	23-Nov-19	302.50	
INE008A08S62	Bond	23-Mar-10	9.05	23-Mar-20	600.00	
INE008A08S88	Bond	8-Jul-10	8.57	8-Jul-25	302.00	
INE008A08S96	Bond	29-Sep-10	8.63	29-Sep-20	40.00	
INE008A08T20	Bond	20-Jan-11	9.04	20-Jan-26	856.10	
INE008A08T61	Bond	4-Aug-11	9.38	4-Aug-21	484.40	
INE008108U43	Bond	26-Nov-11	9.72	26-Nov-21	250.00	
INE008A08T87	Bond	30-Nov-11	9.70	30-Nov-21	500.00	
INE008A08T95	Bond	13-Dec-11	9.45	13-Dec-21	600.00	
INE008A08U19	Bond	15-Mar-12	9.25	15-Mar-22	1000.00	
INE008108U43	Bond	25-Oct-12	9.25	25-Oct-37	1000.00	
INE008A08U50	Bond	13-Dec-12	8.99	13-Dec-27	505.00	
INE008A08U76	Bond	12-Sep-14	9.27	12-Sep-24	1000.00	
INE008A08U92	Bond	21-Jan-15	8.725	21-Jan-25	3000.00	
INE008A08V26	Bond	9-Feb-16	8.80	9-Feb-26	1000.00	
INE008A09885	Bond	12-Jan-04	7.00	12-Jan-19	107.44	
INE008A09AM3	Bond	20-Apr-04	6.75	20-Apr-19	19.38	
INE008A08R14	Bond	31-Mar-09	9.50	31-Mar-24	350.00	CRIS
INE008A08R55	Bond	26-Jun-09	8.95	26-Jun-24	500.00	CRIS
INE008A08R63	Bond	25-Sep-09	9.00	25-Sep-24	500.00	CRIS
INE008A08R97	Bond	19-Nov-09	8.90	19-Nov-24	285.00	CRIS
INE008A08S47	Bond	3-Feb-10	8.65	3-Feb-25	501.20	CRIS
INE008A08T46	Bond	25-Mar-11	9.40	25-Mar-26	1000.00	CRIS
INE008A08Q80	Bonds	26-Mar-09	9.50	Perpetual	332.00	CRIS
INE008A08S21	Bonds	23-Dec-09	9.20	Perpetual	275.50	CRIS
INE008A08S39	Bonds	29-Jan-10	9.25	Perpetual	306.20	CRIS
INE008A08S54	Bonds	10-Mar-10	9.65	Perpetual	550.00	CRIS
INE008A08S70	Bonds	22-Jun-10	9.15	Perpetual	245.10	CRIS
INE008A08V00	Bond	31-Dec-15	8.62	31-Dec-30	1000.00	
INE008A08V18	Bond	2-Jan-16	8.62	2-Jan-26	900.00	
NA	Bond**	NA	NA	NA	30696.22	CRISIL A+/Sta
NA	Fixed Deposit Programme	NA	NA	NA	NA	
NA	Certificate of Deposit Programme	NA	NA	7 to 365 days	40000.00	

***Unutilised/utilised and redeemed; awaiting third-party verification/details from company*
#Instruments were issued as Innovative Perpetual Debt instruments in December 2012. In 2013, they were derecognised as Tier I ir bonds as per RBI instructions. Given that the features of the instrument are now akin to senior bonds, the rating is the same as that on to call the instrument in December 2022.

Annexure - Rating History for last 3 Years

	Current	2018 (History)	2017	2016

Ratings

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Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating
Certificate of Deposits	ST	40000.00	CRISIL A1+	16-08-18	CRISIL A1+	21-08-17	CRISIL A1+	04-08-16	CRISIL A1+
				25-01-18	CRISIL A1+	23-05-17	CRISIL A1+	02-02-16	CRISIL A1+
						04-05-17	CRISIL A1+		
Fixed Deposits	FD	0.00	FAA/Stable	16-08-18	FAA/Stable	21-08-17	FAA/Negative	04-08-16	FAAA/Negativ e
				25-01-18	FAA/Stable	23-05-17	FAA/Watch Negative	10-03-16	FAAA/Negativ e
						04-05-17	FAA+/Negativ e	02-02-16	FAAA/Stable
Flexi Bonds	LT	465.96 22-11-18	CRISIL A+/Stable	16-08-18	CRISIL A+/Stable	21-08-17	CRISIL A+/Negative	04-08-16	CRISIL AA/Negative
				25-01-18	CRISIL A+/Stable	23-05-17	CRISIL A+/Watch Negative	10-03-16	CRISIL AA/Negative
						04-05-17	CRISIL AA- /Negative	02-02-16	CRISIL AA+/Negative
Infrastructure Bonds	LT	10000.00 22-11-18	CRISIL A+/Stable	16-08-18	CRISIL A+/Stable	21-08-17	CRISIL A+/Negative	04-08-16	CRISIL AA/Negative
				25-01-18	CRISIL A+/Stable	23-05-17	CRISIL A+/Watch Negative	10-03-16	CRISIL AA/Negative
						04-05-17	CRISIL AA- /Negative	02-02-16	CRISIL AA+/Negative
Lower Tier-II Bonds (under Basel II)	LT	14041.68 22-11-18	CRISIL A+/Stable	16-08-18	CRISIL A+/Stable	21-08-17	CRISIL A+/Negative	04-08-16	CRISIL AA/Negative
				25-01-18	CRISIL A+/Stable	23-05-17	CRISIL A+/Watch Negative	10-03-16	CRISIL AA/Negative
						04-05-17	CRISIL AA- /Negative	02-02-16	CRISIL AA+/Negative
Omni Bonds	LT	15479.50 22-11-18	CRISIL A+/Stable	16-08-18	CRISIL A+/Stable	21-08-17	CRISIL A+/Negative	04-08-16	CRISIL AA/Negative
				25-01-18	CRISIL A+/Stable	23-05-17	CRISIL A+/Watch Negative	10-03-16	CRISIL AA/Negative
						04-05-17	CRISIL AA- /Negative	02-02-16	CRISIL AA+/Negative
Perpetual Tier-I Bonds (under Basel II)	LT	2708.80 22-11-18	CRISIL A- /Stable	16-08-18	CRISIL A/Stable	21-08-17	CRISIL A/Negative	04-08-16	CRISIL AA- /Negative
				25-01-18	CRISIL A/Stable	23-05-17	CRISIL A/Watch Negative	10-03-16	CRISIL AA- /Negative
						04-05-17	CRISIL A+/Negative	02-02-16	CRISIL AA/Negative
Tier I Bonds (Under Basel III)	LT	4500.00 22-11-18	Withdrawal	16-08-18	CRISIL BBB+/Negativ e	21-08-17	CRISIL BBB+/Negativ e	04-08-16	CRISIL A/Negative
				25-01-18	CRISIL BBB+/Negativ e	23-05-17	CRISIL BBB+/Watch Negative	10-03-16	CRISIL A/Negative
						04-05-17	CRISIL A- /Negative	02-02-16	CRISIL AA- /Negative
Tier II Bonds (Under Basel III)	LT	5000.00 22-11-18	CRISIL A+/Stable	16-08-18	CRISIL A+/Stable	21-08-17	CRISIL A+/Negative	04-08-16	CRISIL AA/Negative
				25-01-18	CRISIL A+/Stable	23-05-17	CRISIL A+/Watch Negative	10-03-16	CRISIL AA/Negative
						04-05-17	CRISIL AA- /Negative	02-02-16	CRISIL AA+/Negative
Upper Tier-II Bonds (under Basel II)	LT	3636.20 22-11-18	CRISIL A- /Stable	16-08-18	CRISIL A/Stable	21-08-17	CRISIL A/Negative	04-08-16	CRISIL AA- /Negative

				25-01-18	CRISIL A/Stable	23-05-17	CRISIL A/Watch Negative	10-03-16	CRISIL AA-/Negative
						04-05-17	CRISIL A+/Negative	02-02-16	CRISIL AA/Negative

All amounts are in Rs.Cr.

Links to related criteria
Rating Criteria for Banks and Financial Institutions
CRISILs Criteria for rating short term debt
Criteria for Notching up Stand Alone Ratings of Entities Based on Government Support
Rating Criteria for Hybrid Capital instruments issued by banks under Basel II guidelines
Rating criteria for Basel III - compliant non-equity capital instruments

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