

HO.DRD. OMNI Bonds/ *एफ* /F- No.361

December 01, 2018

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

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

**Revision in rating of Debt instruments***Kind attn Poojan Baxi*

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.

India Ratings & Research 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
India Ratings & Research	Flexi Bonds-Senior Debt	IND AA-/ Negative	IND A/ Rating Watch Negative

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 rating agency in this regard is forwarded herewith. Request you to kindly register the necessary changes in your records.

  
(मुकेश कुमार नागर)  
सहायक महाप्रबंधक  
देशी संसाधन विभाग

Encl: As above

## India Ratings Downgrades IDBI Bank to 'IND A'; Places on RWN

30

NOV 2018

By **Ruhi Pabari**

India Ratings and Research (Ind-Ra) has downgraded IDBI Bank Ltd's (IDBI) Long-Term Issuer Rating to 'IND A' from 'IND AA'. The Outlook was Negative. In addition, the agency has downgraded IDBI's Short-Term Issuer Rating to 'IND A1' from 'IND A1+'. The ratings have simultaneously been placed on Rating Watch Negative (RWN). The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (INR billion)	Rating/Rating Watch	Rating Action
Upper Tier II subordinated bond programme	March 2009	9.5	-	INR3.5	IND BBB-/RWN	Affirmed; Placed on RWN
Basel III compliant bonds*	-	-	-	INR20	IND A/RWN	Downgraded; placed on RWN
Omni infrastructure bonds	September 2014-February 2016	8.73-9.27	September 2024-February 2026	INR80	IND A/RWN	Downgraded; placed on RWN
Basel III-complaint Tier II bonds	December 2015-January 2016	8.62	January 2026-December 2030	INR30	IND A/RWN	Downgraded; placed on RWN
Deposit rating	-	-	-	-	IND tA/RWN	Downgraded; placed on RWN
Senior debt	August 2003-December 2012	7.00-11.30	August 2018-September 2029	INR52.22 (reduced from INR71.2)	IND A/RWN	Downgraded; placed on RWN
Lower Tier II bonds	February 2007-March 2010	8.53-10.10	February 2017-March 2020	INR37.3 (reduced from INR37.7)	IND A/RWN	Downgraded; placed on RWN
Certificates of deposits	-	-	-	INR160	IND A1	Downgraded

\*Yet to be issued

**Subsidiaries:** Ind-Ra has considered IDBI Bank's subsidiaries - IDBI Capital Markets and Securities Ltd., IDBI Intech Ltd., IDBI MF Trustee Company Ltd., IDBI Asset Management Ltd., IDBI Trusteeship Services Ltd. in its analysis.

The details of all instruments are given in annexure.

The downgrade reflects the severe weakened capitalisation of IDBI (significantly below the minimum common equity and tier 1 requirements) that could impede its operations in view of the absence of a significantly large infusion of equity, a weakened franchise and a change in Ind-Ra's expectations of sponsor support (ordinary and extraordinary over the lifetime of the bank) on account of a likely change in the ownership structure of IDBI, where Life Insurance Corporation of India (LIC) could become the majority owner.

The downgrade also reflects Ind-Ra's expectation that IDBI would continue to grapple under Reserve Bank of India's prompt corrective action framework (which would continue to weigh on its share of systemic assets and liabilities) and credit costs over corporate accounts.

The RWN reflects the possibility of a further downgrade in case the quantum and the timing of an equity infusion by either the government of India (GoI) or LIC may not be adequate in the agency's opinion.

There has been a weakening in IDBI's franchise, a continued fall in its share of systemic assets and liabilities and sharp deterioration in its asset quality. These three factors are likely to persist at least until the resolution of asset quality issues and the stabilisation of capital buffers. IDBI is currently the eight-largest government-owned bank and 12th-largest bank by asset market share (2% by advances and 2.2% by deposits at FYE18).

### KEY RATING DRIVERS

**Likely Change in Ownership:** LIC could become the majority owner of IDBI. In the proposed structure, the GoI would cease to be the majority shareholder of the bank and LIC will inject substantial equity, thereby becoming the majority shareholder. LIC will bring down its share in the bank within certain time (which is not publicly known at this point) to comply with the Insurance Regulatory and Development Authority's guidelines and specific approvals related to this proposed transaction.

**Long Tail of Credit Costs to Delay Profitability:** IDBI's operating metrics sharply deteriorated in the last few quarters owing to the pressure on its asset quality that affected the strength of its earning profile. Ind-Ra expects IDBI's credit costs (1HFY19: 12% annualised; FY18: 11%; FY17: 6.1%) to remain significantly high in the medium term, in view of the provisioning requirements for the current stock of stressed corporates. The slippages in the corporate book that has witnessed disproportionate slippages have almost peaked. However, the stress on small and medium-sized enterprises and the agriculture segment could weigh on incremental slippages and consequently credit costs. Ind-Ra estimate a 200-300bp credit cost for 2HFY19.

IDBI's provisions on assets under National Company Law Tribunal are marginally higher than those of peers. Its pre-provision profitability and capitalisation levels remain weak owing to the impact of interest rate reversals on its margins. Moreover, weak capitalisation restricts the bank's ability to grow its credit book and aid its operating performance. Ind-Ra expects IDBI's pre-provision profitability to be inadequate to absorb the elevated levels of stress and the bank to continue to report losses going through 3QFY19 and 4QFY19. In absence of equity infusion, the losses will bring common equity tier 1 below 3.625% and the prompt corrective action framework threshold 3 could be breached, which entails resolution through amalgamation, reconstruction, winding up and others.

**Asset Quality Overhang to Persist:** IDBI's stressed advances/total advances ratio was stressed at over 32% at end-September 2018 (FY18: 32%; FY17: 27.1%; FY16: 17.1%). The addition of non-fund-based exposure and special mention account categories takes the total stress loan portfolio to over 36% at end-September 2018, with the probability of incremental slippages from these stressed assets to start slipping into the non-performing category. IDBI's higher share of exposure to stressed sectors (such as infrastructure), along with sizeable single name concentration

towards highly levered corporate groups, made it more vulnerable to asset quality challenges than a few of its peers.

Also, its legacy concentrations will remain an overhang in the near term, given the regulator's circular on the resolution of stressed assets and the sluggish pace of economic recovery. Higher-than-expected deterioration in the bank's profitability in the short term, along with its inability to shore up adequate capital, could further strain the standalone profile and attract a further negative rating action.

**Large Capital Requirement through FY19:** IDBI's capitalisation deteriorated to the lowest among all public sector banks. Its 1HFY19 common equity tier 1 ratio was about 3.8% compared with 7.42% at FYE18 (FYE17: 5.64%; FYE16: 7.98%) due to the losses. Considering the bank's capitalisation level and structural weakness, it could remain under pressure in the absence of substantial equity infusion by either the government or LIC. Ind-Ra estimates a minimum capital infusion of INR55 billion, of which INR21 billion was infused by LIC in 3QFY19, is required to raise IDBI's common equity tier ratio to 5.5% by FYE19 and absorb the losses expected in 2HFY19.

**Modest Liquidity:** As a percentage of assets, IDBI's cumulative one-year funding gap deteriorated to about 16.7% in FY18 from 11.5% in FY17. The proportion of bulk funding is also among the highest at about 32% at end-September 2018; the bank's liquidity coverage ratio was 107.16%, higher than the current regulatory requirement of 90.00%.

## RATING SENSITIVITIES

The RWN indicates a higher probability of a downgrade in case the bank does not receive adequate and timely equity infusion to maintain the minimum regulatory capital in Ind-Ra's opinion. The agency will take appropriate rating action depending on the quantum and timing of equity infusion or the absence of the infusion.

## COMPANY PROFILE

IDBI is a public sector bank in India with pan-India presence. The GoI had a shareholding of 80.96% in IDBI at end-March 2018. At end-March 2018, the bank had 1,916 branches and 3,276 ATMs across India.

### FINANCIAL SUMMARY

Particulars	FY18	FY17
Total assets (INR million)	3,503,136	3,617,679
Total equity (INR million)	212,097	225,636
Net profit (INR million)	-82,379	-51,581
Return on assets (%)	-2.46	-1.38
Common equity tier 1 ratio (%)	7.42	5.64
Capital adequacy ratio (%)	10.41	10.7
Net interest income	56,403	57,517
Source: IDBI's annual report		

## RATING HISTORY

Instrument Type	Current Rating/Rating Watch			Historical Rating/Outlook			
	Rating Type	Rated Limits (billion)	Rating	5 June 2018	26 July 2017	17 May 2017	16 January 2017
Issuer rating	Long-/short-term	-	IND A/RWN/IND A1	IND AA-/Negative/IND A1+	IND AA/Negative/IND A1+	IND AA/Negative/IND A1+	IND AA+/Stable/IND A1+
Upper Tier II subordinated bond program	Long-term	INR3.5	IND BBB-/RWN	IND BBB-/Negative	IND BBB+/Negative	IND A-/Negative	IND A+/Negative
Basel III compliant bonds	Long-term	INR20	IND A/RWN	IND AA-/Negative	IND AA/Negative	IND AA/Negative	IND AA+/Stable
Omni infrastructure bonds	Long-term	INR80	IND A/RWN	IND AA-/Negative	IND AA/Negative	IND AA/Negative	IND AA+/Stable
Basel III-complaint Tier II bonds	Long-term	INR30	IND A/RWN	IND AA-/Negative	IND AA/Negative	IND AA/Negative	IND AA+/Stable
Deposit rating	Long-term	-	IND tA/RWN	IND tAA-/Negative	IND tAA+/Negative	IND tAA+/Negative	IND tAAA/Stable
Senior debt	Long-term	INR52.22	IND A/RWN	IND AA-/Negative	IND AA/Negative	IND AA/Negative	IND AA+/Stable
Lower Tier II bonds	Long-term	INR37.3	IND A/RWN	IND AA-/Negative	IND AA/Negative	IND AA/Negative	IND AA+/Stable
Certificates of deposits	Short-term	INR160	IND A1	IND A1+	IND A1+	IND A1+	IND A1+

## ANNEXURE

Instrument Type	ISIN	Date of Allotment	Tenor (years)	Maturity Date	Issue size (billion)	Amount outstanding (billion)	Coupon rate (%)	Put/Call option	Rating/Rating Watch	Rating Action
<b>Senior Debt</b>										
Omni Bond Sr.I	INE008A08P09	1 August	15	1 August	INR5.00	-	8.00	-	WD	Withdrawn (paid in full)

		2003		2018						
Omni Bond Sr.I	INE008A08PU6	18 August 2003	15	18 August 2018	INR0.0019	-	7.75	-		
Omni 2003 G	INE008A08UA8	12 January 2004	15	12 January 2019	INR0.25	INR0.25	7.00	12 January 2016	IND A/RWN	Downgraded; Placed on RWN
FLEXI-19 RIB E	INE008A09885	12 January 2004	15	12 January 2019	INR1.07	INR1.07	7.00	12 January 2016	IND A/RWN	Downgraded; Placed on RWN
FLEXI-21 RIB D	INE008A09AV3	20 April 2004	15	20 April 2019	INR0.19	INR0.19	7.00	20 April 2016	IND A/RWN	Downgraded; Placed on RWN
IDBI Omni Bonds 2007 Sr.VI	INE008A08N67	23 September 2007	15	23 September 2022	INR0.04	INR0.04	10.07	-	IND A/RWN	Downgraded; Placed on RWN
IDBI Omni Bonds 2008 Tier II Sr.I	INE008A08O33	1 January 2008	10	1 January 2018	INR5.00	-	9.35	-	WD	Withdrawn (paid in full)
IDBI Omni Bonds 2008 Sr.II	INE008A08O58	16 February 2008	10	16 February 2018	INR0.02	-	9.41	-		
IDBI Omni Bonds 2008 Sr.IX RRB II	INE008A08Q07	26 September 2008	10	26 September 2018	INR8.96	-	11.00	-		
IDBI Omni Bonds 2008 Sr.XV RRB II	INE008A08Q72	15 December 2008	10	15 December 2018	INR14.40	INR14.40	11.30	-	IND A/RWN	Downgraded; Placed on RWN
IDBI Omni Bonds 2008-09 Sr.XVII	INE008A08Q98	14 March 2009	20	14 March 2029	INR0.02	INR0.02	11.25	-	IND A/RWN	Downgraded; Placed on RWN
IDBI Omni Bonds 2009-10 Sr.IV	INE008A08R71	26 September 2009	20	26 September 2029	INR0.02	INR0.02	9.67	-	IND A/RWN	Downgraded; Placed on RWN
		Total unutilised					INR36.23			
		Total					INR52.22			
<b>Omni Infrastructure Bond</b>										
Omni 2014-2015 Infrastructure Bond Series I	INE008A08U76	12 September 2014	10	12 September 2024	INR10.00	INR10.00	9.27	-	IND A/RWN	Downgraded; Placed on RWN
Omni 2014-2015 Infrastructure Bond Series III	INE008A08U92	21 January 2015	10	21 January 2025	INR30.00	INR30.00	8.725	-	IND A/RWN	Downgraded; Placed on RWN
Omni Infrastructure Bond 2015-2016 Series III	INE008A08V26	9 February 2016	10	9 February 2026	INR10.00	INR10.00	8.80	-	IND A/RWN	Downgraded; Placed on RWN
		Total unutilised					INR30			
		Total					INR80			
<b>Lower Tier II Bond</b>										
IDBI Omni Bonds 2009-10 Tier II Sr.V	INE008A08R89	29 September 2009	9	29 September 2018	INR0.40	-	9.37	-	WD	Withdrawn (paid in full)
IDBI Omni Bonds 2009-10 Tier II Sr.VI	INE008A08S13	23 November 2009	10	23 November 2019	INR3.03	INR3.03	8.53	-	IND A/RWN	Downgraded; Placed on RWN
IDBI Omni Bonds 2009-10 Tier II Sr.XII	INE008A08S62	23 March 2010	10	23 March 2020	INR6.00	INR6.00	9.05	-	IND A/RWN	Downgraded; Placed on RWN
		Total unutilised					INR28.27			
		Total					INR37.30			
<b>Upper Tier II Bond</b>										
IDBI Omni Bonds 2008-09 Upper Tier II Sr.XIX	INE008A08R14	31 March 2009	15	31 March 2024	INR3.50	INR3.50	9.5	Call - 31 March 2019	IND BBB-/RWN	Affirmed; Placed on RWN
		Total unutilised					-			
		Total					INR3.50			
<b>Basel III Compliant Tier II Bond</b>										
Omni Tier 2 2015-2016 Series I	INE008A08V00	31 December 2015	15	31 December 2030	INR10.00	INR10.00	8.62	Call - 31 December 2025	IND A/RWN	Downgraded; Placed on RWN
Omni Tier 2 2015-2016	INE008A08V18	2 January 2016	10	2 January 2026	INR9.00	INR9.00	8.62	None	IND A/RWN	Downgraded; Placed on RWN

Series II									
		Total unutilised		INR11					
		Total		INR30					

## COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity levels of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

## SOLICITATION DISCLOSURES

Additional information is available at [www.indiaratings.co.in](http://www.indiaratings.co.in). The ratings above were solicited by or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

## ABOUT INDIA RATINGS AND RESEARCH

**About India Ratings and Research:** India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit [www.indiaratings.co.in](http://www.indiaratings.co.in).

## DISCLAIMER

ALL CREDIT RATINGS ASSIGNED BY INDIA RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://WWW.INDIARATINGS.CO.IN/RATING-DEFINITIONS](https://www.indiaratings.co.in/rating-definitions). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE [WWW.INDIARATINGS.CO.IN](http://WWW.INDIARATINGS.CO.IN). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. INDIA RATINGS' CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE.

## Applicable Criteria

[Financial Institutions Rating Criteria](#)  
[Rating of Bank Legacy Hybrids and Sub-Debt](#)  
[Rating Bank Subordinated and Hybrid Securities](#)

## Analyst Names

[Primary Analyst](#)

**Ruhi Pabari**

Analyst

India Ratings and Research Pvt Ltd Wockhardt Towers, 4th floor, West Wing Plot C-2, G Block. Bandra Kurla Complex Bandra (East), Mumbai 400051  
+91 22 40001757

[Secondary Analyst](#)

**Jindal Haria**

Associate Director

+91 22 40001750

[Committee Chairperson](#)

**Prakash Agarwal**

Director and Head Financial Institutions

+91 22 40001753

[Media Relation](#)

**Namita Sharma**

Manager – Corporate Communication

+91 22 40356121 >

---