

संदर्भ Ref.:नि.से.वि.ISD/105/2023-24

दिनांक Date : 27th June 2023

BSE Ltd. BSE Listing Centre Scrip Code 532 477	National Stock Exchange of India Ltd. NEAPS Scrip Symbol-UNIONBANK-EQ Security - UBI-AT/BB
---	--

महोदया Madam/महोदय Sir,

Subject: Revision in Ratings -Upgradation of Ratings by S & P Global

In terms of Regulation 30 read with point 3 of Para A of Part A of Schedule III and Regulation 55 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and SEBI circular no. CIR/CFD/CMD/4/2015 dated September 9, 2015; we wish to inform that on June 26, 2023 the rating agency has upgraded the Bank's Issuer credit Ratings as per following details:

S. No	ISIN	Name of the Credit Rating Agency	Parameter	Credit Rating assigned	Outlook (Stable /Positive/Negative /No outlook)	Rating Action (New/Upgrade/Downgrade/Reaffirm/Other)	Specify other rating action	Date of Credit Rating	Verification status of Credit Rating Agencies	Date of Verification
1	INE692A 01016	S & P Global Ratings	Issuer Credit Ratings	BBB- /Stable/A-3	Stable	Upgraded	NA	26-06-2023	Verified	26-06-2023
2			SACP	bb+			NA			
3			Anchor	bbb-			NA			

ESG credit indicators: E-2, S-1, G-3

Thanking you.

भवदीय Yours faithfully,

(सीएस एस. के. दाश CS S. K. Dash)
कंपनी सचिव Company Secretary
एफ़सीएस FCS - 4085

Cc to: IDBI Trusteeship Services Ltd.

Four Indian Financial Institutions Upgraded On Improving Economic Conditions; BICRA Revised Up To Group '5'

June 26, 2023

- A strong recovery is underway in the Indian financial sector. The banking system has unwound imbalances and sharply reduced the high stock of problem assets accumulated during the previous downturn. We expect the system to maintain this good performance.
- We believe asset quality will continue to strengthen, benefiting from structural improvements in the operating environment and India's good economic prospects.
- These changes will boost the resilience of Indian financial institutions to future downturns. We revised upward our Banking Industry Country Risk Assessment (BICRA) for India to group '5' from group '6'.
- We raised our long-term issuer credit ratings on Union Bank of India, Bajaj Finance Ltd., Shriram Finance Ltd., and Hero FinCorp Ltd. We affirmed the ratings on the other eight Indian financial institutions we rate.
- We have revised upward our assessment of the stand-alone credit profiles (SACPs) of HDFC Bank Ltd., State Bank of India (SBI), and ICICI Bank Ltd. by one notch each.

SINGAPORE (S&P Global Ratings) June 26, 2023--S&P Global Ratings today upgraded Bajaj Finance Ltd., Hero FinCorp Ltd., Shriram Finance Ltd., and Union Bank of India. This reflects our view that domestic financial institutions in India will continue to improve their asset quality, benefiting from good economic prospects and structural improvements in the operating conditions. We affirmed our ratings on the other financial institutions we rate in India. We also raised the issue rating on debt of some of these institutions. (see complete details in Ratings List).

Upgraded

	To	From
Bajaj Finance Ltd.	BBB-/Stable/A-3	BB+/Positive/B
Hero FinCorp Ltd.	BB+/Stable/B	BB/Stable/B
Shriram Finance Ltd.	BB/Stable/B	BB-/Stable/B
Union Bank of India	BBB-/Stable/A-3	BB+/Stable/B

PRIMARY CREDIT ANALYSTS

Deepali V Seth Chhabria

Mumbai
+ 912233424186
deepali.seth@spglobal.com

Nikita Anand

Singapore
+ 65 6216 1050
nikita.anand@spglobal.com

Amit Pandey

Singapore
+ 65 6239 6344
amit.pandey@spglobal.com

Shinoy Varghese

Singapore
+65 6597-6247
shinoy.varghese1@spglobal.com

Ruchika Malhotra

Singapore
+ 65 6239 6362
ruchika.malhotra@spglobal.com

SECONDARY CONTACT

Geeta Chugh

Mumbai
+ 912233421910
geeta.chugh@spglobal.com

Ratings affirmed

State Bank of India	BBB-/Stable/A-3
HDFC Bank Ltd.	BBB-/Stable/A-3
ICICI Bank Ltd.	BBB-/Stable/A-3 (foreign currency ratings only)
Axis Bank Ltd.	BBB-/Stable/A-3
Kotak Mahindra Bank	BBB-/Stable/A-3
Indian Bank	BBB-/Stable/A-3
Muthoot Finance Ltd.	BB/Stable/B
Manappuram Finance Ltd.	BB-/Stable/B

We expect India's financial institutions, especially the public-sector banks, to sustain their improvement in capital positions. Bank earnings will also likely be comparable to other emerging market peers, although margins could decline as the banks reprice deposits. We expect earnings for our rated non-bank finance companies to remain healthy despite pressure from rising cost of funds.

We have revised upward our assessment of the SACPs of HDFC Bank Ltd., SBI, and ICICI Bank Ltd. by one notch each. However, the ratings on the banks are capped by our sovereign credit ratings on India.

S&P Global Ratings does not rate Indian banks above the sovereign because of the direct and indirect influence that the sovereign has on banks operating in the country.

The banking industry's weak loans ratio will continue to improve, in our view. The ratio was about 5.2% of gross loans as of March 31, 2023. We expect this to decline to 3%-3.5% by March 31, 2025.

Indian banks, namely the scheduled commercial banks (mainly public sector banks and private sector banks), have sharply cut their high stock of problem assets accumulated during the previous downturn. They have also reduced economic imbalances. Calibrated credit growth and a strong focus on underwriting and risk management will limit the buildup of imbalances over the next two years. Banks will benefit from India's strong economic growth and better consumer and business confidence.

We expect the asset quality of our rated Indian finance companies to improve too, with support from favorable economic prospects.

Corporate earnings will likely be better than pre-COVID levels. Indian corporates have deleveraged significantly in the past decade and have healthier balance sheets now with better capital structures. Corporate earnings improved significantly in the past few years despite rising interest rates and inflation. While the micro, small, and midsize enterprise sector and low-income households are vulnerable to rising interest rates and high inflation, we believe interest rates in India will not rise materially. This should limit risks for the country's financial sector.

India's passage of its Insolvency and Bankruptcy Code in May 2016 has tilted the balance in favor of lenders. Progress on resolutions of bad loans remains slow but is much better than before the code was passed. For instance, the average time for resolution in the fiscal year ended March 31, 2023 (fiscal 2023), was between one and two years. Although longer than the 330-day deadline for the resolution process, this was still much faster than the average of 4.3 years earlier, according to a 2019 report by the World Bank.

Additionally, banks have tightened their underwriting standards and improved their risk management practices. Digitalization and access to data (from the goods and services tax, CIBIL score provided by Credit Information Bureau [India] Ltd., etc.) have improved the availability of data for banks' underwriting and contributed to general credit discipline. The Reserve Bank of India has also tightened regulations, including on governance, and improved supervision.

That said, governance and transparency improvements remain a work in progress. Risk management improvements for a few public-sector banks and the smaller-private sector banks still lag the industry. If incremental credit growth is not accompanied by better risk management and corporate governance, another bad-loan cycle could ensue.

We see a polarization in the performance of Indian banks. SBI and the top private-sector banks have addressed their asset-quality issues. Other large public-sector banks are still saddled with a high volume of weak assets. This could result in higher credit losses and lower profitability. Although formation of new nonperforming loans (NPL) and credit cost have declined for these banks, we still expect them to perform below industry averages.

Overall, structural improvements in the operating environment should improve the resilience of the asset quality of Indian financial institutions to future downturns. We expect their weak loans to decline and credit losses to structurally trend down, after the unwinding of stresses in the system in the past five years.

Net credit costs for fiscal 2023 was 1.1% on account of high recoveries. We expect the number to normalize to about 1.2% over the next few years. The formation of new NPLs will likely remain at cyclical lows in fiscal years 2024 and 2025, despite pressure from higher interest rates.

Along with better economic conditions, Indian nonbank finance companies have also benefited from good liquidity at domestic banks. With rising interest rates and tighter liquidity conditions globally, we expect borrowing cost to increase for all the finance companies. However, the rise should be more measured for the stronger companies or those with better governance.

BICRA Score Snapshot*

	To	From
BICRA group	5	6
Economic risk	6	7
Economic resilience	4	4
Economic imbalances	2	3
Credit risk in the economy	5	5
Trend	Stable	Stable
Industry risk	5	5
Institutional framework	4	4
Competitive dynamics	4	4
Systemwide funding	2	2
Trend	Stable	Stable

Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores are on a scale from 1 (lowest risk) to 10 (highest risk). For more details on our BICRA scores on banking industries across the globe, please see "Banking Industry Country Risk Assessment Update," published monthly on RatingsDirect.

Upgrades

BAJAJ FINANCE LTD.

(Primary analyst: Shinoy Varghese)

We upgraded Bajaj Finance to reflect the company's strengthening earnings and asset quality amid an improvement in operating conditions. We believe the finance company's continuing access to low-cost (or differentiated) funding will also support its credit profile.

In our view, Bajaj Finance can absorb the impact of higher inflation and interest rates in India. The country's robust economic growth should support borrowers' creditworthiness. The company's adequate underwriting standards and largely mass-affluent borrowers (other than in the auto-finance business) temper the higher risk associated with a sizable unsecured consumer lending book.

In our view, the financial services business is strategically important to the ultimate parent, Bajaj Holdings & Investment Ltd. However, we do not factor any support because the SACP of Bajaj Finance is same as the sovereign credit rating on India.

Outlook

The stable outlook on Bajaj Finance reflects our view that the company will maintain its strong market position and healthy capital level over the next two years. We also expect Bajaj Finance's liquidity and funding profile to remain adequate over the period.

Downside scenario: We may downgrade Bajaj Finance if the company's asset quality weakens substantially and its credit costs rise sharply. The spike in credit costs may be the result of Bajaj Finance taking undue risks or missteps at the time when the company is growing aggressively.

Upside scenario: We do not see any upgrade potential for Bajaj Finance in the next two years. This is because an upgrade will require an improvement in the company's financial profile as well as the sovereign credit rating on India.

Ratings Score Snapshot

	To	From
Issuer Credit Rating	BBB-/Stable/A-3	BB+/Positive/B
SACP	bbb-	bb+
Anchor	bb	bb-
Business position	Strong(+1)	Strong(+1)
Capital and earnings	Strong (+1)	Strong (+1)
Risk position	Adequate (0)	Adequate (0)
Funding and liquidity	Adequate and Adequate(0)	Adequate and Adequate(0)
Comparable ratings analysis	0	0
Support	0	0
ALAC support	0	0

	To	From
Issuer Credit Rating	BBB-/Stable/A-3	BB+/Positive/B
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	0	0

HERO FINCORP LTD.

(Primary analyst: Amit Pandey)

Our upgrade reflects our view that Hero FinCorp will benefit from improved operating conditions in India. We believe the company will continue to grow its franchise from a small base and have satisfactory capitalization. Hero FinCorp's profitability is likely to further improve over the next 12-24 months as high credit costs in recent years taper gradually.

Hero FinCorp should also have relatively low funding costs due to the association with Hero MotoCorp, which has a stronger credit profile. Hero FinCorp has strategic importance to the wider Hero MotoCorp group and the associated promoters. The group's willingness and ability to support Hero FinCorp provides three notches of uplift to the rating.

Outlook

The stable outlook reflects our view that Hero FinCorp is likely to remain strategically important to, and receive support from, the Hero MotoCorp group over the next 12-18 months.

Downside scenario: We could lower the ratings if Hero FinCorp's asset quality deteriorates significantly.

Although unlikely, we would also downgrade Hero FinCorp if the group credit profile weakens or if the company's linkages with the wider group diminish. A material reduction in the group's shareholding in the company could set back the linkage.

Upside scenario: We would raise the ratings on Hero FinCorp in case of an improvement in the wider group's credit profile as well as in the finance company's stand-alone creditworthiness.

The SACP could increase if the company's risk-adjusted capital (RAC) ratio improves and stays above 10%. This could happen if we have more certainty on the conversion of the company's compulsorily convertible preference shares into common equity.

Ratings Score Snapshot

	To	From
Issuer Credit Rating	BB+/Stable/B	BB/Stable/B
SACP	b+	b
Anchor	bb	bb-
Business position	Moderate (-1)	Moderate (-1)
Capital and earnings	Adequate (0)	Adequate (0)

Four Indian Financial Institutions Upgraded On Improving Economic Conditions; BICRA Revised Up To Group '5'

	To	From
Issuer Credit Rating	BB+/Stable/B	BB/Stable/B
Risk position	Moderate (-1)	Moderate (-1)
Funding and liquidity	Adequate and Adequate (0)	Adequate and Adequate (0)
Comparable ratings analysis	0	0
Support	+3	+3
ALAC support	0	0
GRE support	0	0
Group support	+3	+3
Sovereign support	0	0
Additional factors	0	0

SHRIRAM FINANCE LTD.

(Primary analyst: Amit Pandey)

Our upgrade reflects our view that Shriram Finance will benefit from improved operating conditions in India. We believe the company will maintain its market leadership in the financing of used commercial vehicles, strong capital position, and adequate liquidity. New borrowers may face higher interest costs and debt repayment burden because central banks (globally and in India) have tightened monetary policy to curb inflation. However, healthy freight demand should continue to help commercial vehicle operators over the next nine to 12 months.

Outlook

The stable ratings outlook reflects our view that Shriram Finance will largely maintain its current financial profile over the next 12 months. We also expect the company's asset quality to be manageable over the period.

Downside scenario: We will lower our ratings on Shriram Finance if the company's asset quality deteriorates significantly. This could curtail Shriram Finance's access to funds, straining its liquidity.

Upside scenario: We could upgrade Shriram Finance if we expect the company's RAC ratio to improve and stay above 15% on sustainable basis.

Ratings Score Snapshot

	To	From
Issuer Credit Rating	BB-/Stable/B	BB-/Stable/B
SACP	bb	bb-
Anchor	bb	bb-
Business position	Strong (+1)	Strong (+1)
Capital and earnings	Strong (+1)	Strong (+1)
Risk position	Moderate (-1)	Moderate (-1)

Four Indian Financial Institutions Upgraded On Improving Economic Conditions; BICRA Revised Up To Group '5'

	To	From
Issuer Credit Rating	BB/Stable/B	BB-/Stable/B
Funding and liquidity	Moderate and Adequate (-1)	Moderate and Adequate (-1)
Comparable ratings analysis	0	0
Support	0	0
ALAC support	0	0
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	0	0

UNION BANK OF INDIA

(Primary analyst: Ruchika Malhotra)

We upgraded Union Bank to reflect our view that the bank will improve its asset quality over the next two years on the back of India's robust economic growth, better operating conditions, and the bank's improving internal risk management processes.

Union Bank's asset quality still lags the industry, though the bank will reduce the gap with peers. We expect Union Bank's weak loans, defined as NPLs and restructured loans, to fall to about 6.5% of total loans over the next 12-18 months, from about 9.8% at March 31, 2023. This will reduce the drag on earnings. We expect the bank's capital to benefit from improved earnings and lower economic risk. As such, we expect the RAC ratio to remain at about 5.5% over the next 12-18 months.

Outlook

The stable outlook on Union Bank reflects our view that the bank will maintain its financial profile over the next two years aided by India's economic recovery, and the bank's stabilizing earnings and improving asset quality. We expect Union Bank's funding and liquidity to stay strong, supported by high customer confidence in the Indian banking system. The bank will likely close its asset-quality gap with peers while maintaining a RAC ratio of more than 5%. The very high likelihood of government support if needed will also continue to underpin the ratings.

Downside scenario: We would lower the ratings by a notch if Union Bank's RAC ratio falls below 5% on a sustained basis.

Large unanticipated asset quality shocks or losses or a reversal of the improving trend could also lead us to downgrade the bank. This could happen if the economic recovery in India derails, resulting in asset quality pain for the bank.

Upside scenario: We are unlikely to raise the rating on Union Bank over the next two years because the rating is already in line with the sovereign rating on India.

Ratings Score Snapshot

	To	From
Issuer Credit Rating	BBB-/Stable/A-3	BB+/Stable/B
SACP	bb+	bb-
Anchor	bbb-	bb+
Business position	Adequate (0)	Adequate (0)
Capital and earnings	Moderate (-1)	Constrained (-1)
Risk position	Moderate (-1)	Constrained (-2)
Funding and liquidity	Strong and Strong (+1)	Strong and Strong (+1)
Comparable ratings analysis		
Support	+1	+2
ALAC support	0	0
GRE support	+1	+2
Group support	0	0
Sovereign support	0	0
Additional factors	0	0

ESG credit indicators: E-2, S-1, G-3

Revisions In SACP

HDFC BANK LTD.

(Primary analyst: Shinoy Varghese)

We revised upward our assessment on HDFC Bank's SACP to 'a-' from 'bbb+' to reflect our view that the bank will maintain its strong franchise and superior profitability over the next two years. These strengths will be further consolidated with the bank's merger with its parent HDFC Ltd.

HDFC Bank's strong management and governance structure underpin its above-average operating performance. The bank's high earnings retention and an increase in the share of low-risk mortgages in the loan book will support its strong capitalization amid above-average credit growth.

HDFC Bank's asset quality is likely to remain better than the industry average over the next two years at least. We expect the bank to not dilute its risk management standards to achieve growth, and to maintain a highly diversified portfolio

We affirmed the ratings on HDFC Bank despite the higher SACP because we do not rate Indian banks above the sovereign. This is due to the direct and indirect influence that a sovereign has on banks operating in the country.

Outlook

The stable outlook on HDFC Bank reflects that on the sovereign.

We expect HDFC Bank to maintain its solid market position, strong capitalization, and low credit costs over the next 24 months. The outlook also reflects our view that HDFC Bank's strong management will seamlessly carry out the merger with HDFC Ltd. while limiting any impact on its financial performance.

The ratings on HDFC Bank are capped by our sovereign credit ratings on India. The ratings on the bank will therefore move in tandem with that on the sovereign.

Downside scenario: We will lower the ratings on HDFC Bank if we downgrade India.

We will revise downward our assessment of the bank's SACP if we believe executing the merger has become tougher than we expected, significantly affecting profitability. We may also assess that HDFC Bank has a weaker SACP if we expect the bank's capitalization to come under pressure, with its RAC ratio dropping sustainably below 10%, or the bank to not be able to maintain its superior asset quality compared with peers. This could be due to significantly above-average growth than our expectation.

Upside scenario: We will raise our ratings on HDFC Bank if we upgrade the sovereign.

Ratings Score Snapshot

	To	From
Issuer Credit Rating	BBB-/Stable/A-3	BBB-/Stable/A-3
SACP	a-	bbb+
Anchor	bbb-	bb+
Business position	Strong (+1)	Very Strong (+2)
Capital and earnings	Strong (+1)	Adequate (0)
Risk position	Strong (+1)	Strong (+1)
Funding and liquidity	Adequate and Strong (0)	Adequate and Strong (0)
Comparable ratings analysis	0	0
Support	0	0
ALAC support	0	0
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	-3	-2

ESG credit indicators: E-2, S-2, G-2

ICICI BANK LTD.

(Primary analyst: Nikita Anand)

We revised upward our assessment of ICICI's SACP to 'bbb' from 'bbb-' to reflect our view that the bank will continue to gain market share over the next two years and maintain its strong competitive position in the Indian banking sector. ICICI Bank's capitalization is comfortable, in our view, supported by strong earnings to fund above-average growth. We expect the bank's asset quality to remain better than the industry, though we expect credit costs to normalize after a solid performance in fiscal 2023.

We affirmed the ratings on ICICI despite the higher SACP because we do not rate Indian banks above the sovereign. This is due to the direct and indirect influence that a sovereign has on banks operating in the country.

Outlook

The stable outlook on ICICI reflects that on the sovereign.

We expect ICICI to maintain its strong market position in the Indian banking sector. The bank's asset quality is likely to remain better than the Indian sector average and comparable to that of similar rated international peers. In our view, ICICI will maintain good capitalization over the next 12-18 months, supported by healthy earnings.

Downside scenario: We could lower the ratings on ICICI if we downgrade India. We will revise downward our assessment of ICICI's SACP if the bank's asset quality deteriorates. This could happen if the bank's above-average credit growth results in a buildup of credit risk.

Upside scenario: We could upgrade ICICI if we raise our sovereign rating on India.

Ratings Score Snapshot

	To	From
Issuer Credit Rating	BBB-/Stable/A-3	BBB-/Stable/A-3
SACP	bbb	bbb-
Anchor	bbb-	bb+
Business position	Strong (+1)	Strong (+1)
Capital and earnings	Adequate (0)	Adequate (0)
Risk position	Adequate (0)	Adequate (0)
Funding and liquidity	Adequate and Adequate (0)	Adequate and Adequate (0)
Comparable ratings analysis	0	0
Support	0	0
ALAC support	0	0
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	-1	0

ESG credit indicators: E-2, S-2, G-3

STATE BANK OF INDIA

(Primary analyst: Nikita Anand)

We revised upward our assessment of SBI's SACP to 'bbb' from 'bbb-' to reflect the bank's lower credit risks and improving earnings. The bank's risk-adjusted capital ratio should therefore stay above 5% over the next 12-24 months. We forecast SBI's return on assets will stay at 0.9%-1.0% over next two years, supported by contained credit costs amid a benign credit cycle in India.

We affirmed the ratings on SBI despite the higher SACP because we do not rate Indian banks above the sovereign. This is due to the direct and indirect influence that a sovereign has on banks operating in the country.

Outlook

The stable outlook on SBI reflects that on the sovereign.

We expect the bank to maintain its market leadership in India's banking sector over the next two years. SBI's funding and liquidity will stay strong, supported by high customer confidence. In our view, the bank's asset quality should remain better than the Indian sector average and comparable to that of similar rated international peers. SBI's capitalization is likely to stay weaker than for Indian private sector banks. We continue to factor in a very high likelihood of government support for SBI in our ratings.

Downside scenario: A downgrade of SBI is unlikely, in our view. Our assessment of SBI's SACP will need to weaken by several notches for that to happen.

Upside scenario: We could upgrade SBI if we raise our sovereign ratings on India over the next two years.

Ratings Score Snapshot

	To	From
Issuer Credit Rating	BBB-/Stable/A-3	BBB-/Stable/A-3
SACP	bbb	bbb-
Anchor	bbb-	bb+
Business position	Strong (+1)	Strong (+1)
Capital and earnings	Moderate (-1)	Constrained (-1)
Risk position	Adequate (0)	Adequate (0)
Funding and liquidity	Strong and Strong (+1)	Strong and Strong (+1)
Comparable ratings analysis	0	0
Support	0	0
ALAC support	0	0
GRE support	0	0
Group support	0	0

	To	From
Issuer Credit Rating	BBB-/Stable/A-3	BBB-/Stable/A-3
Sovereign support	0	0
Additional factors	-1	0

ESG credit indicators: E-2, S-1, G-3

Affirmations (No Change In SACP)

AXIS BANK LTD.

(Primary analyst: Nikita Anand)

We affirmed our ratings on Axis to reflect the bank's strong market position in India and comfortable capitalization.

Axis' funding profile is improving on the back of its increasing distribution network, focus on growth in granular retail deposits, and opportunities to deepen market share of corporate salary accounts following the acquisition of Citigroup Inc.'s consumer portfolio in India.

The share of wholesale borrowings in Axis' funding base, and the bank's deposit concentration are higher than for Indian banks with a 'bbb' SACP. This results in Axis having lower profitability when compared with other large Indian private sector banks.

Outlook

The stable outlook on Axis reflects our view that the bank will maintain its strong market position in India's banking sector over the next two years. Axis' capitalization should stay comfortable, notwithstanding a hit from the acquisition of Citigroup Inc.'s retail portfolio in India. Steady growth in Axis' retail deposit base as well as the bank's good access to capital markets should support its funding profile.

Downside scenario: We see limited downside risks to our rating on Axis over the next one to two years.

Upside scenario: An upgrade of Axis is unlikely over the next one to two years. An upgrade will require an improvement in the bank's financial profile as well as the sovereign credit rating on India.

We could revise our assessment of Axis Bank's SACP upward by a notch to 'bbb' if the bank's funding profile and earnings improve sustainably and are commensurate with similar rated Indian private sector banks.

Ratings Score Snapshot

Four Indian Financial Institutions Upgraded On Improving Economic Conditions; BICRA Revised Up To Group '5'

	To	From
Issuer Credit Rating	BBB-/Stable/A-3	BBB-/Stable/A-3
SACP	bbb-	bbb-
Anchor	bbb-	bb+
Business position	Strong (+1)	Strong (+1)
Capital and earnings	Adequate (0)	Adequate (0)
Risk position	Adequate (0)	Adequate (0)
Funding and liquidity	Adequate and Adequate (0)	Adequate and Adequate (0)
Comparable ratings analysis	-1	0
Support	0	0
ALAC support	0	0
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	0	0

ESG credit indicators: E-2, S-2, G-3

INDIAN BANK

(Primary analyst: Shinoy Varghese)

We affirmed our ratings on Indian Bank to reflect our expectation of a very high likelihood of government support for the bank.

Indian Bank's funding benefits from its highly sticky and stable deposit base. We also expect the bank's asset quality to improve gradually with only a limited impact of high inflation and interest rates. Indian Bank's earnings should improve on the back of increased growth and a gradual reduction in credit costs. The bank also has the flexibility to raise additional capital, if needed, to support its capitalization.

Outlook

The stable outlook reflects our expectation that the likelihood of government support for Indian Bank will remain very high over the next 24 months.

We believe Indian Bank's financial profile will gradually improve owing to an improvement in operating conditions. In our view, the bank will maintain its solid funding and liquidity profile over the next two years.

Downside scenario: We could lower the ratings by one notch if the improvement in Indian Bank's asset quality slows down, leading to a significant divergence when compared to peers'.

Upside scenario: An upgrade of Indian Bank is unlikely in the next two years because that would require both an improvement in the SACP to 'bbb-' from the current 'bb+' and a higher sovereign credit rating on India.

Our assessment of Indian Bank's SACP may improve if the bank's asset quality strengthens to levels in line with international peers' or if its capital position sustainably improves above 7%.

Ratings Score Snapshot

	To	From
Issuer Credit Rating	BBB-/Stable/A-3	BBB-/Stable/A-3
SACP	bb+	bb+
Anchor	bbb-	bb+
Business position	Adequate (0)	Adequate (0)
Capital and earnings	Moderate(-1)	Moderate(0)
Risk position	Moderate(-1)	Moderate (-1)
Funding and liquidity	Strong and Strong(+1)	Strong and Strong(+1)
Comparable ratings analysis	0	0
Support	+1	+1
ALAC support	0	0
GRE support	+1	+1
Group support	0	0
Sovereign support	0	0
Additional factors	0	0

ESG credit indicators: E-2, S-1, G-3

KOTAK MAHINDRA BANK

(Primary analyst: Nikita Anand)

We affirmed our ratings on Kotak to reflect the bank's strong capitalization, solid risk management, and growing franchise in India. Kotak's strong earnings, high profit retention, and timely equity raisings have ensured the bank has the highest capitalization among its peers in India.

Kotak's funding profile has steadily improved over the past several years and benefits from increasing digitalization in the Indian banking industry. That said, the bank's market share is only about 2% of sector loans and deposits.

We expect Kotak Bank to maintain its diversified deposit franchise over the next 12-18 months. The bank is likely to take advantage of increasing adoption of digital channels and improving branch network to maintain one of the highest share of low-cost deposits in the industry.

However, the share of wholesale borrowings in Kotak's funding base, and the bank's deposit concentration are higher than for Indian banks with a 'bbb' SACP.

Outlook

The stable outlook on Kotak reflects our view that the bank's capitalization will stay strong, and

the bank will maintain its superior risk management over the next two years. We believe Kotak Mahindra Bank's market share will continue to improve gradually.

Downside scenario: We see limited downside risks to Kotak's rating over the next one to two years.

Upside scenario: An upgrade of Kotak is unlikely over the next one to two years. This is because that will require an improvement in the bank's financial profile as well as the sovereign credit rating on India.

We could revise our assessment of Kotak's SACP upward by a notch to 'bbb' if the bank's funding profile and market position improve sustainably and are commensurate with similar rated Indian banks.

Ratings Score Snapshot

	To	From
Issuer Credit Rating	BBB-/Stable/A-3	BBB-/Stable/A-3
SACP	bbb-	bbb-
Anchor	bbb-	bb+
Business position	Adequate (0)	Adequate (0)
Capital and earnings	Strong (+1)	Strong (+1)
Risk position	Adequate (0)	Adequate (0)
Funding and liquidity	Adequate and Adequate (0)	Adequate and Adequate (0)
Comparable ratings analysis	-1	0
Support	0	0
ALAC support	0	0
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	0	0

ESG credit indicators: E-2, S-2, G-2

MANAPPURAM FINANCE LTD.

(Primary analyst: Shinoy Varghese)

The affirmed ratings on Manappuram are driven by the company's excellent capitalization, supported by low leverage and very high profitability. Manappuram's RAC ratio is at about 30%. The company also has strong brand recognition and a track record in gold-backed financing.

We believe Mannapuram will benefit from India's economic buoyancy and an improvement in operating conditions. However, the company's earnings are unlikely to expand because banks are getting aggressive in the lucrative gold-backed financing segment.

Mannapuram's assets and liabilities are well matched. However, the company needs to

continually refinance its funding to meet its lending needs, given the short-term nature of its borrowings.

Outlook

The stable outlook on Manappuram reflects our view that the company will largely maintain its financial profile over the next 12 months, despite intense competition.

Downside scenario: We could downgrade Manappuram if the company's credit costs increase substantially more than we expect, particularly in microfinance loans.

Upside scenario: We see limited rating upside for Manappuram over the next 12 months. We would upgrade the company if we believe its funding profile has become more stable. Increased access to longer-term funding that reduces the rollover risk associated with short-term wholesale funding could indicate such improvement.

Ratings Score Snapshot

	To	From
Issuer Credit Rating	BB-/Stable/B	BB-/Stable/B
SACP	bb-	bb-
Anchor	bb	bb-
Business position	Moderate(-1)	Moderate(-1)
Capital and earnings	Very Strong(+2)	Very Strong(+2)
Risk position	Moderate(-1)	Moderate(-1)
Funding and liquidity	Moderate and Adequate(-1)	Moderate and Adequate(-1)
Comparable ratings analysis	0	+1
Support	0	0
ALAC support	0	0
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	0	0

MUTHOOT FINANCE LTD.

(Primary analyst: Shinoy Varghese)

We affirmed our ratings on Muthoot because we expect the company to maintain its very strong capital and earnings over the next 12 months.

We believe Muthoot will benefit from India's economic buoyancy and an improvement in operating conditions. The company is among the largest players in loans against household gold jewelry (gold loans), though it is small in the overall financial sector in India. However, Muthoot's earnings are unlikely to expand because banks are getting aggressive in the lucrative gold loan segment.

The company's assets and liabilities are well matched. However, Muthoot needs to continually

refinance its funding to meet lending needs, given the short-term nature of its borrowings.

Outlook

Our stable outlook on Muthoot reflects our view that the company will maintain its capitalization and robust market position in gold loans over the next 12 months. This is despite intense competition.

Downside scenario: We could lower the ratings if competition intensifies such that Muthoot's market position in the gold loan segment deteriorates.

Upside scenario: We could raise the ratings on Muthoot if the company is able to diversify its funding profile to more long-term and stable sources.

Ratings Score Snapshot

	To	From
Issuer Credit Rating	BB/Stable/B	BB/Stable/B
SACP	bb	bb
Anchor	bb	bb-
Business position	Adequate (0)	Adequate (0)
Capital and earnings	Very Strong(+2)	Very Strong(+2)
Risk position	Moderate(-1)	Moderate(-1)
Funding and liquidity	Moderate and Adequate(-1)	Moderate and Adequate(-1)
Comparable ratings analysis	0	+1
Support	0	0
ALAC support	0	0
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	0	0

WEBINAR:

Please join S&P Global Ratings analysts for a live interactive webinar on Wednesday, June 28, when they will share their views on the recent rating actions on the Indian financial institutions.

<https://event.on24.com/wcc/r/4272611/B14C1EAC43E278150E11E556A8C7B987?partnerref=MR>

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9,

2021

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Economic Outlook Asia-Pacific Q3 2023: Domestic Demand, Inflation Relief Support Asia's Outlook, June 26, 2023
- India Banks' Strong Performance Set To Continue, May 25, 2023
- Indian Banks Have Manageable Exposure To Contagion And Unrecognized Losses, March 21, 2023
- Indian Finance Company Outlook, March 13, 2023
- India Banks Poised For IFRS 9, Feb. 28, 2023

Ratings List

***** Axis Bank Ltd. *****

Ratings Affirmed

Axis Bank Ltd.

Issuer Credit Rating BBB-/Stable/A-3

Axis Bank Ltd. (Dubai International Financial Centre Branch)

Senior Unsecured BBB-

Axis Bank Ltd. (GIFT City Branch)

Senior Unsecured BBB-

***** Bajaj Finance Ltd. *****

Upgraded

	To	From
--	----	------

Bajaj Finance Ltd.

Issuer Credit Rating	BBB-/Stable/A-3	BB+/Positive/B
----------------------	-----------------	----------------

***** HDFC Bank Ltd. *****

Ratings Affirmed

HDFC Bank Ltd.

Issuer Credit Rating BBB-/Stable/A-3

HDFC Bank Ltd.

Senior Unsecured BBB-

HDFC Bank Ltd. (GIFT-City Branch)

Senior Unsecured BBB-

***** Hero FinCorp Ltd. *****

Upgraded

	To	From
Hero FinCorp Ltd.		
Issuer Credit Rating	BB+/Stable/B	BB/Stable/B

Hero FinCorp Ltd.

Issuer Credit Rating BB+/Stable/B BB/Stable/B

***** ICICI Bank Ltd. *****

Ratings Affirmed

ICICI Bank Ltd.

Issuer Credit Rating

Foreign Currency BBB-/Stable/A-3

ICICI Bank Ltd. (Dubai Branch)

Senior Unsecured BBB-

ICICI Bank Ltd. (New York Branch)

Senior Unsecured BBB-

***** Indian Bank *****

Ratings Affirmed

Indian Bank

Issuer Credit Rating BBB-/Stable/A-3

***** Kotak Mahindra Bank *****

Ratings Affirmed

Kotak Mahindra Bank

Issuer Credit Rating BBB-/Stable/A-3

***** Manappuram Finance Ltd. *****

Ratings Affirmed

Manappuram Finance Ltd.

Issuer Credit Rating BB-/Stable/B

***** Muthoot Finance Ltd. *****

Ratings Affirmed

Muthoot Finance Ltd.

Issuer Credit Rating BB/Stable/B

Four Indian Financial Institutions Upgraded On Improving Economic Conditions; BICRA Revised Up To Group '5'

Muthoot Finance Ltd.

Senior Secured	BB
----------------	----

*******Shriram Finance Ltd.*******

Upgraded

	To	From
--	----	------

Shriram Finance Ltd.

Senior Secured	BB	BB-
----------------	----	-----

Shriram Finance Ltd.

Issuer Credit Rating	BB/Stable/B	BB-/Stable/B
----------------------	-------------	--------------

*******State Bank of India*******

Ratings Affirmed

State Bank of India

Issuer Credit Rating	BBB-/Stable/A-3
----------------------	-----------------

State Bank of India

Senior Unsecured	BBB-
------------------	------

State Bank Of India (Dubai Branch)

Junior Subordinated	BB-
---------------------	-----

State Bank of India (London Branch)

Senior Unsecured	BBB-
------------------	------

*******Union Bank of India*******

Upgraded

	To	From
--	----	------

Union Bank of India

Issuer Credit Rating	BBB-/Stable/A-3	BB+/Stable/B
----------------------	-----------------	--------------

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2023 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.