IndusInd Bank

August 21, 2021

National Stock Exchange of India Ltd. (Symbol: INDUSINDBK)

BSE Ltd. (Scrip Code: 532187)

India International Exchange (Scrip Code: 1100027)

Madam / Dear Sir,

Subject: Credit Ratings – CRISIL Limited

We hereby inform that CRISIL Limited have, vide their communication dated August 20, 2021, assigned/reaffirmed the Credit Ratings on the Debt instruments/Fixed Deposits / Certificates of Deposits of the Bank as mentioned in the table below:

Rs 4,000 crore Tier-II bonds (under Basel III)	CRISIL AA+/Stable (Assigned)
Rs 1,500 crore Infrastructure Bond issue	CRISIL AA+/Stable (Reaffirmed)
Rs 2,000 crore Tier-I bonds (under Basel III)	CRISIL AA/Stable (Reaffirmed)
Rs 1,000 crore Tier-I bonds (under Basel III)	CRISIL AA/Stable (Reaffirmed)
Rs 1,000 crore Tier-I bonds (under Basel III)	CRISIL AA/Stable (Reaffirmed)
Rs 40,000 crore Certificates of Deposits	CRISIL A1+ (Reaffirmed)
Short-Term Fixed Deposit Programme	CRISIL A1+ (Reaffirmed)

The communication received from the Agency is attached herewith.

In compliance with SEBI LODR, the above information is also being hosted on the Bank's website at www.indusind.com.

We request you to take the above information on record.

Thanking you,

Yours faithfully,
For IndusInd Bank Ltd.

HARESH KISHINCHAND GAJWANI
Digitally signed by HARESH KISHINCHAND GAJWANI
Date: 2021.08.21 18:08:30 +05'30'

Haresh Gajwani
Company Secretary

Encl: a/a

Ratings
CRISIL Ratings Limited (A subsidiary of CRISIL Limited)

CRISIL
An S&P Global Company

Rating Rationale

August 20, 2021 | Mumbai

IndusInd Bank Limited

Ratings reaffirmed at 'CRISIL AA+/Stable , CRISIL AA/Stable/CRISIL A1+ '; 'CRISIL AA+/Stable' assigned to Tier II Bonds (Under Basel III)

Rating Action

Rs.4000 Crore Tier II Bonds (Under Basel III)	**CRISIL AA+/Stable (Assigned)**
Rs.1000 Crore Tier I Bonds (Under Basel III)	**CRISIL AA/Stable (Reaffirmed)**
Rs.1000 Crore Tier I Bonds (Under Basel III)	**CRISIL AA/Stable (Reaffirmed)**
Rs.2000 Crore Tier I Bonds (Under Basel III)	**CRISIL AA/Stable (Reaffirmed)**
Rs.1500 Crore Infrastructure Bonds	**CRISIL AA+/Stable (Reaffirmed)**
Short Term Fixed Deposit Programme	**CRISIL A1+ (Reaffirmed)**
Rs.40000 Crore Certificate of Deposits	**CRISIL A1+ (Reaffirmed)**

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

Detailed Rationale
CRISIL Ratings has assigned its 'CRISIL AA+/Stable' rating for Tier-II Bonds (under Basel III) of IndusInd Bank (IndusInd) and reaffirmed its 'CRISIL AA+/CRISIL AA[1]/Stable/CRISIL A1+' ratings on the existing debt instruments.

The rating reflects the healthy capitalisation levels with high core equity ratio and comfortable earnings profile marked by healthy pre-provisioning profits. These strengths are partially offset due to potential challenges in asset quality largely due to Covid-19 impact, which has been an industry-wide phenomenon. The resource profile for the bank is average with relatively high share of bulk deposits, albeit, that retail deposits which has been a focus area of the Bank has been growing progressively. The Bank has comfortable liquidity buffer and has been maintaining liquidity coverage ratio (LCR) in the range of 140% to 145% since the past four quarters.

Capitalisation metrics of the bank remain healthy as reflected in CET1, Tier 1 and overall capital adequacy ratio (CAR) at 15.6%, 16.9% and 17.6% respectively as on June 30, 2021. In February 2021, the bank had raised Rs 2,021 crore of equity capital through conversion of warrants issued to promoters. This was in addition to Rs 3,288 crore raised in September 2020 through preferential allotment. The overall CAR including Q1FY22 profits was at 17.9% as on June 30, 2021.

The Bank is focused on increasing the retail book share and making corporate book more granular. Additionally, they also intend to reduce exposure to real estate segment which has been declining over last five quarters. The net advances as on June 30, 2021 stood at Rs 2,10,727 crore, a 6% growth year-on-year from June 30, 2020 (Rs 1,98,069 crore). The corporate (including business banking portfolio) and retail segments constituted around 49: 51% of the portfolio as on June 30, 2021.

The gross NPA of the bank increased marginally to 2.9% as on June 30, 2021 against 2.7% as on March 31, 2021, which is one of the lowest in the industry. Provision coverage is strong at 72% as on June 30, 2021 on the gross NPA. However, within retail segment, the slippages have increased in segments like two wheelers, small commercial vehicles and credit cards, where segmental NPAs as on June 30, 2021 were 9.78%, 7.62% and 4.38% respectively. These advances forms around 6% of overall advances of the Bank. The Bank has restructured only 2.7% of advances as on June 30, 2021. CRISIL Ratings also understands that the restructuring in the corporate segment primarily comprises of two large loans to conglomerates. The other major restructuring segment is vehicle finance space. Further, in Q2 of fiscal 2022, due to the impact of 2nd wave of Covid, CRISIL Ratings expects restructuring requests from Vehicle Finance and microfinance portfolio.

CRISIL Ratings' rating on the Tier I bonds (under Basel III) of IndusInd Bank is as per the criteria 'CRISIL Ratings rating criteria for BASEL III-compliant instruments of banks'. CRISIL Ratings evaluates the bank's (i) reserves position (adjusted for any medium-term stress in profitability) and (ii) cushion over regulatory minimum CET1 (including CCB) capital ratios. Also evaluated is the demonstrated track record and management philosophy regarding maintaining sufficient CET1 capital cushion above the minimum regulatory requirements. The bank's eligible reserves to total assets remains comfortable at over 4%. Additionally, the bank has maintained healthy capitalization metrics with total capital ratio ranging above 14.0%-17.4% from March 31, 2016 till March 31, 2021 leading to an average CET1 capital buffer of 6.4% during the same period. The cushion over regulatory capital ratio along with high eligible reserves places the Bank in a comfortable position for servicing its Tier I bonds. A material reduction in this cushion would be a rating sensitivity factor for Tier I bonds.

[1] For Tier I bonds under Basel III

Analytical Approach
For arriving at the ratings, CRISIL Ratings has evaluated the standalone business and financial risk profile of IndusInd Bank.

Key Rating Drivers & Detailed Description
Strengths:
*** Healthy Capitalisation**
Capitalisation metrics of the bank remain healthy as reflected in CET1, Tier 1 and overall capital adequacy ratio (CAR) at 15.6%, 16.9% and 17.6% respectively as on June 30, 2021. In February 2021, the bank also raised Rs 2,021 crore of equity capital through conversion of warrants issued to promoters. This was in addition to Rs 3,288 crore raised in September 2020 through preferential allotment. The overall CAR including Q1FY22 profits was at 17.9% as on June 30, 2021.

*** Comfortable earnings profile with healthy pre-provisioning profits**
The earnings profile of the bank is comfortable marked by healthy pre-provisioning profits. The bank has continuously reported return on assets (ROA) of around 1.8% in the five fiscals between fiscal 2014 and fiscal 2018. Since fiscal 2019 the ROA has been impacted because of higher provisioning expense. The bank reported ROA of 0.9% for fiscal 2021 and annualised ROA of 1.1% for first three months of fiscal 2022. The profitability in fiscal 2021 has been impacted by provisioning expense of Rs 7,334 crore of which Rs 3,589 crore was on account of prudent additional provisioning for Covid -19 related stress. The banks pre-provisioning profits is one of the highest in the industry and has remained comfortable which stood at Rs 11,782 crore for the fiscal 2021 at 3.5% of average assets and was at 3.7% (annualised) of average assets for Q1 of fiscal 2022. Historically the credit cost has been moderate and in the range of 0.4% to 0.7%

between fiscal 2014 to fiscal 2018. Since fiscal 2019, credit cost has been impacted due to slippage in the corporate book. The credit cost for fiscal 2021 was 2.4% including Covid-19 provision against 1.6% for previous fiscal. However, in Q1-2022 the credit cost improved marginally to 2.1% (annualised). NIMs have been supported by the high yields in microfinance and vehicle finance segments. Additionally, the bank had a strong fee income of about 1.9% in fiscal 2021 which has remained steady in the range of 2.4-2.6% in the past five fiscals and has supported the earnings profile. Amidst the expectation of slippages, while credit costs could inch up, the banks pre-provisioning profits are healthy and should be able to absorb the increase in credit costs in the near term. The provisioning cover ratio (PCR) of the bank was 72% against gross NPA basis as on June 30, 2021. Overall loan related provisions are at 3.6% of advances or 123% of GNPA. CRISIL Ratings expects Indusind to maintain a PCR of over 70% in the medium term.

Weakness:
*** Asset Quality remains monitorable**
In the past, the reported asset quality metrics for both corporate and retail segments have been range bound with overall GNPA between 1.0%-1.2% during March 31, 2014 to December 31, 2018. Since fiscal 2019, due to slippage of some corporate accounts and with COVID 19 related stress in the past fiscal, the gross NPA has increased steadily and was 2.9% as on June 30, 2021., CRISIL Ratings analysis of the top exposures comprising around 65% of the loan book indicate that the GNPA levels may marginally go up as result of Covid-19 impact. In the corporate segment, the Bank has exposure to Real Estate developers, Hospitality sector and Gems & Jewellery segments, which are inherently vulnerable to an economic downturn and Covid-19 linked challenges. However, the Bank has reported lower NPAs in these sectors so far. Additionally, vulnerability of the microfinance (MFI) and vehicle finance book due to Covid-19 and associated weaker economic activity remains a key monitorable.

Despite Covid-19 challenges, the Bank has done of only 2.7% of portfolio as on June 30, 2021. CRISIL Ratings also understands that the restructuring in the corporate segment primarily comprises of two large loans to conglomerates. The other major restructuring segment is vehicle finance space. CRISIL Ratings understands that there has been no restructuring invoked in the Gems & Jewellery and marginal for microfinance segments so far. Due to the impact of the 2nd wave of Covid-19, CRISIL Ratings expects additional restructuring of 1-1.5% is expected to be done in Q2 of fiscal 2022 primarily to come from the vehicle finance and microfinance segments. However, at an industry level, CRISIL Ratings notes that collection efficiency in these segments has bounced back in July 2021. The ability of these sectors to bounce back is strong once the normalcy returns which may facilitate good traction in collections.

However, CRISIL Ratings notes that the Bank has managed recoveries from stressed accounts in the past. Therefore, while there could be slippages and the bank's overall GNPA may go up, the ability to get recoveries from the stressed/slipped accounts will be a key monitorable.

*** Moderate resource profile**
The bank has tried to shore up the resource profile with increasing share of retail deposits. As per LCR disclosure of June 2021, the retail and small business component in total deposits has shown a significant increase of 56% year-on-year as on June 30, 2021 and stands at about 36% of total deposits. Overall, the deposit base for the bank increased to Rs 2,67,233 crore as on June 30, 2021 from Rs 2,11,265 crores as on June 30, 2020. However, the reliance on bulk deposits remains moderately high, albeit declining. The CASA ratio of the bank stood at 42.0% as on June 30, 2021. Concentration in top 25 depositors is also high at 21% but has been progressively declining with growth in retail and small business deposits. The Bank continues to focus on ramping up the deposit base by tapping other customer segments.

The average cost of deposits of the bank was 5.0% for fiscal 2021 and was higher than that of similar rated peers. However, CRISIL Ratings notes that the cost of deposits has been on an improving trend and has decreased by about 120-130 bps from that of fiscal 2020. Nevertheless, the Bank's ability to sustain its retail deposit base as it steadily optimises the deposit rates will be a key monitorable.

Liquidity: Strong
The bank's liquidity position is comfortable with liquidity coverage ratio at 146% as on June 30, 2021, against the regulatory requirement of 100%. As per LCR disclosure of June 2021, the retail and small business component in total deposits has shown an increase of 56% year-on-year as on June 30, 2021 and stands at about 36% of total deposits. The Bank continues to focus on ramping up the deposit base by tapping other customer segments. The Bank is also maintaining significant excess liquidity comprising of excess SLR and other liquid investments of Rs 64,818 crore as on June 30, 2021.

Outlook Stable
CRISIL Ratings believes IndusInd Bank will maintain its healthy capitalisation and comfortable pre-provisioning profitability.

Rating Sensitivity factors
Upward factors
- Improvement in resource profile with a higher share of retail deposits and lower cost of deposits in comparison to peers
- Continued growth momentum with asset quality metrics remaining comfortable and capital position remaining strong with CET1 ratio (including CCB) remaining above 13% on a sustained basis

Downward factors
- Higher than expected deterioration in asset quality or earnings profile
- Decline in capital adequacy ratios (including CCB) with CET I remaining below 11% on sustained basis
- Sustained outflow in deposits

About the Bank
IndusInd Bank is a new-generation private-sector bank; it commenced operations in 1994. The bank has a pan-India presence, with around 5221 branches (including 2385 branches of BFIL) and 2870 automated teller machines (ATMs) as on June 30, 2021. It also has representative office in Dubai, Abu Dhabi and London. The bank has multilateral ties with other banks, ensuring access to more than 95,000 ATMs for its customers. It has four divisions: corporate and commercial banking, consumer banking, global markets group, and transaction banking.

Key Financial Indicators

As on / for the period ended	Unit	44348	44256
Total Assets	Rs crore	372996	362903
Total income	Rs crore	9363	35501
Profit after tax	Rs crore	1016	2929
Gross NPA	%	2.88	2.67
Overall capital adequacy ratio**	%	17.9	17.4
Return on assets*	%	1.1	0.9

**annualised*
*** including 3 months profitability*

Any other information:
Note on Tier-I instruments (under Basel III)
The distinguishing features of non-equity Tier-I capital instruments (under Basel III) are the existence of coupon discretion at all times, high capital thresholds for likely coupon non-payment, and principal write-down (on breach of a pre-specified trigger). These features increase the risk attributes of non-equity Tier-I instruments over those of Tier-II instruments under Basel III, and capital instruments under Basel II. To factor in these risks, CRISIL Ratings notches down the rating on these instruments from the bank's corporate credit rating. The rating on the bank's Tier-I Bonds (under Basel III) is lower by one notch from the bank's corporate credit rating, in line with CRISIL Rating's criteria *(refer to 'CRISIL's rating criteria for Basel III-compliant instruments of banks')*.

The factors that could trigger a default event for non-equity Tier-I capital instruments (under Basel III), resulting in non-payment of coupon, include: i) the bank exercising coupon discretion, ii) inadequacy of eligible reserves to honour coupon payment if the bank reports low profit or a loss, or iii) the bank breaching the minimum regulatory common equity Tier (CET) I ratio. Moreover, given their additional risk attributes, the rating transition for non-equity Tier-I capital instruments (under Basel III) can potentially be higher than that for Tier-II instruments.

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

Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Cr)	Rating Outstanding with Outlook
NA*	Tier-II Bonds (under Basel III)	NA	NA	NA	4000	CRISIL AA+/Stable
INE095A08058	Bond	09-Dec-16	0.076	09-Dec-26	1500	CRISIL AA+/Stable
INE095A08066	Tier-I bonds (under Basel III)	22-Mar-17	0.095	Perpetual	1000	CRISIL AA/Stable
INE095A08074	Tier-I bonds (under Basel III)	18-Apr-17	0.095	Perpetual	1000	CRISIL AA/Stable
INE095A08082	Tier-I bonds (under Basel III)	28-Mar-19	0.105	Perpetual	2000	CRISIL AA/Stable
NA	Short-Term Fixed Deposit Programme	NA	NA	NA	-	CRISIL A1+
NA	Certificates of Deposit	NA	NA	7-365	40000	CRISIL A1+

**Yet to be issued*

Annexure - Rating History for last 3 Years

	Current			2021 (History)		2020		2019		2018		Start of 2018
Instrument	**Type**	**Outstanding Amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Certificate of Deposits	ST	40000.0	CRISIL A1+	31-03-21	CRISIL A1+	27-03-20	CRISIL A1+	20-03-19	CRISIL A1+	09-03-18	CRISIL A1+	CRISIL A1+
			--		--		--	26-02-19	CRISIL A1+		--	--
Infrastructure Bonds	LT	1500.0	CRISIL AA+/Stable	31-03-21	CRISIL AA+/Stable	27-03-20	CRISIL AA+/Stable	20-03-19	CRISIL AA+/Stable	09-03-18	CRISIL AA+/Stable	CRISIL AA+/Stable
			--		--		--	26-02-19	CRISIL AA+/Stable		--	--
Short Term Fixed Deposit Programme	ST	0.0	CRISIL A1+	31-03-21	CRISIL A1+	27-03-20	CRISIL A1+	20-03-19	CRISIL A1+	09-03-18	CRISIL A1+	CRISIL A1+
			--		--		--	26-02-19	CRISIL A1+		--	--
Tier I Bonds (Under Basel III)	LT	4000.0	CRISIL AA/Stable	31-03-21	CRISIL AA/Stable	27-03-20	CRISIL AA/Stable	20-03-19	CRISIL AA/Stable	09-03-18	CRISIL AA/Stable	CRISIL AA/Stable
			--		--		--	26-02-19	CRISIL AA/Stable		--	--
Tier II Bonds (Under Basel III)	LT	4000.0	CRISIL AA+/Stable		--		--		--		--	--

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria
Rating Criteria for Banks and Financial Institutions
CRISILs Criteria for rating short term debt
Rating criteria for Basel III - compliant non-equity capital instruments

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About CRISIL Ratings Limited (A subsidiary of CRISIL Limited)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ("CRISIL Ratings") is a wholly-owned subsidiary of CRISIL Limited ("CRISIL"). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

CRISIL is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide

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CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011 to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratiings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: www.crisil.com/ratings/credit-rating-scale.html