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CC/S&B/AND/2024-25/141

29.05.2024

Madam / Sir,

**Disclosure under Regulation 30 of SEBI (LODR) Regulations, 2015:  
S&P Credit Rating**

Pursuant to Regulation 30 and other applicable Regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we advise that S&P Global Ratings has revised outlook on State Bank of India (SBI) from **Stable** to **Positive**. (Report attached)

Parameter	To	From
<b>Issuer Credit Rating</b>	<b>BBB-/Positive/A-3</b>	<b>BBB-/Stable/A-3</b>
SACP	bbb	bbb
Anchor	bbb-	bbb-
Business position	Strong (+1)	Strong (+1)
Capital and Earnings	Moderate (-1)	Moderate (-1)
Risk Position	Adequate (0)	Adequate (0)
Funding and liquidity	Strong and Strong (+1)	Strong and Strong (+1)
Additional Factors	-1	-1

This is for your information and record.

Yours faithfully,



(Aruna Nitin Dak)  
DGM (Compliance & Company Secretary)  
Encl: A/a

# Outlook On Six Indian Banks Revised To Positive On Sovereign Action; Ratings Affirmed; ICICI, Axis Bank SACP Revised Up

May 29, 2024

- India's robust economic expansion is having a constructive impact on the sovereign's credit metrics. We therefore revised our rating outlook on India to positive from stable.
- India's banking system continues to ride the good economic growth momentum, well supported by recent structural improvements in the system. Indian financial institutions' resilience has therefore built up. We expect India's banks to maintain their strong financial performance over the next 12-24 months.
- We have revised our rating outlook on six Indian banks to positive from stable. We affirmed our 'BBB-/A-3' issuer credit ratings on these banks.
- Meanwhile, we have revised upward our assessment of the stand-alone credit profile (SACP) of ICICI Bank Ltd. and Axis Bank Ltd. by one notch each.

SINGAPORE (S&P Global Ratings) May 29, 2024--S&P Global Ratings today revised its rating outlook on six Indian banks to positive from stable. This follows a similar action on the sovereign (BBB-/Positive/A-3). The ratings on many Indian banks are capped by our sovereign credit ratings on India. This is due to the direct and indirect influence that a sovereign has on banks operating in the country.

We affirmed our 'BBB-' long-term and 'A-3' short-term ratings on Axis Bank, ICICI Bank, State Bank of India, HDFC Bank Ltd., Kotak Mahindra Bank, and Indian Bank. We also affirmed the issue ratings on the banks. At the same time, we have revised upward our assessment of the SACP of Axis Bank and ICICI Bank by one notch each. See individual bank sections for more details on the rating actions on each of the banks.

In our view, some of the factors benefiting the sovereign's creditworthiness will also have a positive impact on operating conditions for banks. In particular, India's infrastructure spending will likely pave the way for robust economic growth in the long term. (see "India Outlook Revised To Positive On Robust Growth And Rising Quality Of Government Spend; 'BBB-/A-3' Ratings Affirmed," published May 29, 2024).

India's good economic growth prospects will continue to support the asset quality of banks. Supportive structural and cyclical factors provide added benefits. We project the banking sector's weak loans (including standard restructured advances) will decline to about 3.0% of gross loans by March 31, 2025, from our estimate of 3.5% as of March 31, 2024. This is on the back of healthy corporate balance sheets, tighter underwriting standards, and improved risk-management

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practices. We believe underwriting standards for retail loans in India are healthy, and delinquencies in this segment remain manageable. However, unsecured personal loans have grown rapidly and could contribute to incremental nonperforming loans.

Credit costs for Indian banks were at a decade low of 0.8% for the year ended March 31, 2024, below the long-term average of 1.5%. This is supporting good profitability. We estimate system level return on average assets (ROAA) was 1.3% for fiscal 2024 (ended March 31, 2024), better than that of many of India's regional peers. Normalization of credit costs and a possible dip in margins could drive ROAA lower to about 1.1% in fiscal 2025, but it would still be comparable with peers'.

Strong profitability, capital-raising plans of some state-owned banks, and a likely moderation in loan growth following actions by the central bank (see "India's Regulatory Clampdown May Raise The Cost Of Capital," published March 26, 2024) will benefit capitalization of the banking system. S&P Global Ratings' risk adjusted capital for the banking sector will also benefit from lower risk weights in case the sovereign is upgraded.

## Revisions In SACP And Outlook

### Axis Bank

(Primary analyst: Nikita Anand)

We revised upward our assessment of Axis Bank's SACP to 'bbb' from 'bbb-' to reflect our view that the bank will sustain an improvement in its profitability over the next 12-24 months. The private sector bank's margins have increased due a higher share of high-yielding retail and small and midsize enterprise (SME) loans in the portfolio. We believe Axis Bank's funding profile will continue to gradually improve owing to the bank's focus on increasing the share of retail deposits and corporate salary accounts.

### Outlook

The positive rating outlook on Axis Bank reflects that on the sovereign. The rating on Axis Bank is capped by our sovereign credit rating on India, and will therefore move in tandem with that on the sovereign.

The bank will likely maintain its strong market position in India's banking sector over the next two years. Axis Bank's sustained improvement in profitability should support its adequate capitalization.

**Downside scenario:** We could revise the outlook on Axis Bank back to stable if we take a similar action on the sovereign rating.

**Upside scenario:** We will upgrade Axis Bank over the next two years if the sovereign rating on India is raised by a notch.

	To	From
<b>Issuer Credit Rating</b>	<b>BBB-/Positive/A-3</b>	<b>BBB-/Stable/A-3</b>
SACP	bbb	bbb-
Anchor	bbb-	bbb-

	To	From
<b>Issuer Credit Rating</b>	<b>BBB-/Positive/A-3</b>	<b>BBB-/Stable/A-3</b>
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	-1
Support	0	0
ALAC support	0	0
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	-1	0

## ICICI Bank

(Primary analyst: Nikita Anand)

We revised upward our assessment of ICICI's SACP to 'bbb+' from 'bbb' to reflect our view that the private sector bank's capitalization will remain healthy as strong earnings support above-average growth. We expect ICICI's risk-adjusted capital (RAC) ratio to stay at 10.0%-10.5% over the next 12-24 months, compared with our estimate of 10.4% for fiscal 2024. We forecast ICICI's return on assets will stay at 1.8%-2.0% over the next two years, supported by contained credit costs amid a benign credit cycle in India, and competitive net interest margins.

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 positive rating outlook on ICICI reflects that on the sovereign. The rating on ICICI Bank is capped by our sovereign credit rating on India, and will therefore move in tandem with that on the sovereign.

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

**Downside scenario:** We could revise the outlook to stable if we take a similar action on the sovereign rating on India.

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

	To	From
<b>Issuer Credit Rating</b>	<b>BBB-/Positive/A-3</b>	<b>BBB-/Stable/A-3</b>
SACP	bbb+	bbb
Anchor	bbb-	bbb-
Business position	Strong (+1)	Strong (+1)
Capital and earnings	Strong (+1)	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	-2	-1

## Revisions In Outlook

### State Bank of India

(Primary analyst: Nikita Anand)

The positive rating outlook on SBI reflects that on the sovereign. The rating on SBI is capped by our sovereign credit rating on India, and will therefore move in tandem with that on the sovereign.

We expect the public sector bank to maintain its market leadership in India's banking sector over the next two years. SBI's funding and liquidity should stay strong, supported by high customer confidence.

We expect SBI's asset quality to remain better than the sector average in India, and comparable with that of similar rated international peers. The bank's capitalization is likely to stay weaker than that of India's private sector banks.

We continue to factor in a very high likelihood of government support in our ratings on SBI.

**Downside scenario:** We could revise the outlook on SBI to stable if we take a similar action on the sovereign rating.

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

	To	From
<b>Issuer Credit Rating</b>	<b>BBB-/Positive/A-3</b>	<b>BBB-/Stable/A-3</b>
SACP	bbb	bbb
Anchor	bbb-	bbb-

	To	From
Issuer Credit Rating	BBB-/Positive/A-3	BBB-/Stable/A-3
Business position	Strong (+1)	Strong (+1)
Capital and earnings	Moderate (-1)	Moderate (-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
Sovereign support	0	0
Additional factors	-1	-1

## HDFC Bank

(Primary analyst: Shinoy Varghese)

The positive rating outlook on HDFC Bank reflects that on the sovereign. The rating on the private sector bank is capped by our sovereign credit rating on India, and will therefore move in tandem with 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 be able to leverage synergies from its merger with its parent Housing Development Finance Corp. Ltd. and enhance its financial performance over the next two years.

**Downside scenario:** We could revise the outlook on HDFC Bank back to stable if we take a similar action on the sovereign rating on India.

**Upside scenario:** We could upgrade HDFC Bank if we raise our sovereign rating on India.

	To	From
Issuer Credit Rating	BBB-/Positive/A-3	BBB-/Stable/A-3
SACP	a-	a-
Anchor	bbb-	bbb-
Business position	Strong (+1)	Strong (+1)
Capital and earnings	Strong (+1)	Strong (+1)
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

	To	From
<b>Issuer Credit Rating</b>	<b>BBB-/Positive/A-3</b>	<b>BBB-/Stable/A-3</b>
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	-3	-3

## Kotak Mahindra Bank

(Primary analyst: Aurick Soh)

The positive rating outlook on Kotak Mahindra Bank reflects that on the sovereign and our expectation that the bank can exit the central bank's restrictions on onboarding new customers online or issuing new credit cards in the next 12-18 months.

We continue to apply a negative adjustment under our comparable ratings analysis to reflect our opinion that the central bank's action in April this year could affect Kotak Mahindra Bank's credit and deposit growth and profitability. We expect the private sector bank to maintain its strong capitalization and superior risk management over the next two years.

**Downside scenario:** We could revise the outlook on Kotak Mahindra Bank back to stable if we take a similar action on the sovereign rating.

We could also revise the outlook to stable if the bank takes a long time to implement the changes directed by the central bank, such that the improvement in credit profile does not sustain.

**Upside scenario:** We could upgrade Kotak Mahindra Bank if we raise the sovereign rating on India and we revise upward the bank's SACP by a notch.

We could revise our assessment of Kotak Mahindra Bank's SACP upward by a notch to 'bbb' if the regulatory restrictions on the bank are lifted in the next 12-18 months and the bank maintains its funding profile. This will entail strengthening the bank's technology infrastructure and conducting a comprehensive external audit to address the central bank's concerns. In this scenario, we will likely remove the negative adjustment under our comparable ratings analysis.

	To	From
<b>Issuer Credit Rating</b>	<b>BBB-/Positive/A-3</b>	<b>BBB-/Stable/A-3</b>
SACP	bbb-	bbb-
Anchor	bbb-	bbb-
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	-1
Support	0	0
ALAC support	0	0
GRE support	0	0

	To	From
<b>Issuer Credit Rating</b>	<b>BBB-/Positive/A-3</b>	<b>BBB-/Stable/A-3</b>
Group support	0	0
Sovereign support	0	0
Additional factors	0	0

## Indian Bank

(Primary analyst: Aurick Soh)

The positive rating outlook on Indian Bank reflects that on the sovereign, the bank's improving capitalization, and our expectation that the likelihood of government support for the bank will remain very high over the next 24 months.

We believe Indian Bank's financial profile will continue to improve owing to better operating conditions. In our view, the public sector bank will maintain its solid funding and liquidity profile over the next two years.

**Downside scenario:** We could revise the outlook on Indian Bank to stable if we take a similar action on the sovereign rating or if the bank's RAC ratio is unlikely to improve above 7% on a sustainable basis, limiting the upside to the SACP.

**Upside scenario:** We could upgrade Indian Bank if we raise the sovereign rating on India and the bank's RAC ratio sustainably improves above 7%, resulting in an upward revision of the SACP. Indian Bank's RAC ratio could benefit from the bank's plans to raise INR50 billion equity, potentially in the second half of fiscal 2025, as well as lower risk weights if the sovereign rating on India is raised.

	To	From
<b>Issuer Credit Rating</b>	<b>BBB-/Positive/A-3</b>	<b>BBB-/Stable/A-3</b>
SACP	bb+	bb+
Anchor	bbb-	bbb-
Business position	Adequate (0)	Adequate (0)
Capital and earnings	Moderate (-1)	Moderate (-1)
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



## Webinar

S&P Global Ratings analysts will host a live interactive webinar on May 31, 2024, 11.30 IST. What's Behind Our Recent Rating Action On India? (on24.com)

## Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- 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
- 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

- India Outlook Revised To Positive On Robust Growth And Rising Quality Of Government Spend; 'BBB-/A-3' Ratings Affirmed, May 29, 2024.
- India's Regulatory Clampdown May Raise The Cost Of Capital, March 26, 2024
- India Banks' Deposits Conundrum: Growth Versus Profitability, Feb. 15, 2024
- Tight Liquidity Shackles Indian Banks' Robust Credit Growth, Feb. 5, 2024
- New Regulatory Risk Weights Will Hit Indian Banks' Capital Adequacy By 60 Basis Points, Nov. 17, 2023
- Banking Industry Country Risk Assessment: India, Aug. 3, 2023

## Ratings List

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

Ratings Affirmed

Axis Bank Ltd. (Dubai International Financial Centre Branch)

Senior Unsecured BBB-

Ratings Affirmed; Outlook Action

To From

Axis Bank Ltd.

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

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

Ratings Affirmed

HDFC Bank Ltd.

Senior Unsecured BBB-

HDFC Bank Ltd. (GIFT-City Branch)

Senior Unsecured BBB-

Ratings Affirmed; Outlook Action

To From

HDFC Bank Ltd.

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

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

Ratings Affirmed

ICICI Bank Ltd. (Dubai Branch)

Senior Unsecured BBB-

ICICI Bank Ltd. (New York Branch)

Senior Unsecured BBB-

Ratings Affirmed; Outlook Action

To From

ICICI Bank Ltd.

Issuer Credit Rating

Foreign Currency BBB-/Positive/A-3 BBB-/Stable/A-3

\*\*\*\*\* Indian Bank \*\*\*\*\*

Ratings Affirmed; Outlook Action

To From

Indian Bank

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

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

Ratings Affirmed; Outlook Action

To From

Kotak Mahindra Bank

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

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

**Ratings Affirmed**

**State Bank Of India (Dubai Branch)**

Junior Subordinated	BB-
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**State Bank of India (London Branch)**

Senior Unsecured	BBB-
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**Ratings Affirmed; Outlook Action**

	To	From
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**State Bank of India**

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