November 20, 2025

Assam Gramin Bank: [ICRA]BBB (Stable) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Perpetual debt programme (Tier I bonds)	65.00	[ICRA]BBB (Stable); assigned
Total	**65.00**	

**Instrument details are provided in Annexure I*

Rationale

The assigned rating factors in the status of Assam Gramin Bank (AGB) as the sole regional rural bank (RRB) in Assam, its strong parentage and the granular deposit profile, which has resulted in a competitive cost of funds. However, the rating remains constrained by the moderate profitability, weak asset quality metrics and modest capitalisation profile. ICRA also notes that AGB had been placed under the prompt corrective action (PCA) framework by the National Bank for Agriculture and Rural Development (NABARD; rated [ICRA]AAA (Stable)/[ICRA]A1+) in FY2019, given the significant erosion of capital amid asset quality challenges and pension liabilities. The bank has, nevertheless, seen an improvement in its asset quality, profitability and capital position, which is expected to drive its exit from the PCA framework in the near term on the back of further improvement in the Tier I capital position.

Though the headline asset quality metrics have improved in the last few years, they remain weak with gross non-performing advances (GNPAs) and net non-performing advances (NNPAs) of 8.25% and 3.06%, respectively, and an elevated level of overdue loans (special mention account (SMA)[1] 1 and 2) as on September 30, 2025. The profitability improved in H1 FY2026 and FY2025, driven by higher net interest income (NII) and lower credit costs, leading to a return on assets (RoA) of 0.75% (annualised) in H1 FY2026 and 0.72% in FY2025 (0.03% in FY2024), following the past few years of losses. Nevertheless, given its high concentration in the agriculture sector, the bank remains susceptible to the risk of adverse movements in the asset quality as observed in the past.

AGB has also seen an improvement in its capitalisation profile, following capital infusions by the Government of India (GoI) and other shareholders in FY2020 to FY2024, along with the slight improvement in its profitability in FY2025. While its capitalisation ratios (CET I and capital-to-risk weighted assets ratios (CRAR) of 7.73% and 9.69%, respectively, as on September 30, 2025) meet the minimum regulatory levels, the cushions remain low, limiting its ability to support credit growth. ICRA also notes that AGB's operations remain focussed on rural credit in Assam, restricting its overall scale and growth prospects while keeping the geographical and sectoral concentration of the loan book high.

The bank's parentage is strong, comprising the GoI (50% stake), the Government of Assam (GoA; 15%) and Punjab National Bank {PNB with a 35% stake; rated [ICRA]AAA (Stable)/[ICRA]A1+}. Further, AGB is incorporated under the Regional Rural Banks Act, 1976 (RRB Act), under which the combined holding of the GoI and the sponsor bank (PNB) is to be maintained at 51%, thereby ensuring sizeable direct or indirect sovereign ownership at all times. Moreover, RRBs remain strategically important to the GoI and state governments for meeting the credit demands of the rural sector. Additionally, AGB's deposit profile remains highly granular, given its rural presence as well as the significant share of current account and savings account (CASA) in total deposits, translating into a competitive cost of funds.

The Stable outlook on the rating factors in ICRA's expectation that AGB will be able to maintain a steady credit profile while growing its scale and improving its capital position and earnings profile.

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[1] SMA is defined as a special mention account (SMA), which is an account exhibiting signs of incipient stress resulting in the borrower defaulting in the timely servicing of their debt obligations though the account has not yet been classified as an NPA as per the extant RBI guidelines; SMA 1 accounts are overdue by 31-60 days while SMA 2 accounts are overdue by 61-90 days

Key rating drivers and their description

Credit strengths

Strong parentage and constitution under RRB Act – AGB is incorporated under the RRB Act and is jointly owned by the GoI, the GoA and PNB. Legislative amendments introduced to the RRB Act in 2015 prevent the dilution of the combined holding of the GoI and the sponsor bank below 51%, ensuring sizeable direct or indirect sovereign ownership in the bank. Furthermore, under the Act, the GoI appoints the Chairman and two directors to the board while the state government is represented by two nominee directors. PNB is also represented by two nominee directors. Additionally, the board has representatives from NABARD and the Reserve Bank of India (RBI).

NABARD closely monitors the operational and financial performance of RRBs and extends supervisory support on a periodic basis. AGB is also monitored by PNB, which is its sponsor bank. Further, given the requirement of maintaining the requisite shareholding pattern, capital infusions must be supported by all shareholders.

Deposit profile characterised by high share of CASA and granularity – AGB had 465 branches as on March 31, 2025, spread across the rural and semi-urban regions of Assam. The rating factors in the bank's deposit profile, which remains inherently granular, given its presence in rural areas, as well as the high share of CASA, which stood at ~65% of total deposits as on September 30, 2025. The steady and strong CASA base, coupled with the granular term deposit base, has helped the bank maintain a competitive cost of interest-bearing funds (3.83% in H1 FY2026 and 3.72% in FY2025). This was driven by the steady CASA deposit growth and the limited need to mobilise term deposits, given AGB's low credit-to-deposit ratio. As internal accruals improve and with increasing focus on credit growth, incremental deposit mobilisation through term deposits may reduce the share of CASA deposits and push up the cost of funds.

Credit challenges

Weak asset quality – AGB's asset quality has remained weak over the last several years, given its weak borrower profile because of the high share of lending in the agriculture and micro, small and medium enterprises (MSME) segments. This led to a significant increase in GNPAs and NNPAs in the past, resulting in sizeable credit costs. Consequently, it reported high losses along with capital erosion and it was eventually placed under the PCA framework. AGB has seen a gradual reduction in its fresh NPA generation rate over the last few years. This, coupled with some recoveries and large write-offs, drove an improvement in its asset quality indicators as well, though the same remains weak with reported GNPAs and NNPAs at 8.25% and 3.06%, respectively, as on September 30, 2025; 8.54% and 3.54% as on March 31, 2025 compared to 10.40% and 5.57%, respectively, as on March 31, 2024 (19.68% and 10.35%, respectively, as on March 31, 2023). The overdue loan book (SMA 1 and 2) also remained high in relation to the capital. Slippages from this pool could stay elevated in the near term, leading to higher credit costs and lower profitability. The significant contribution of crop and agricultural loans to total advances continues to pose asset quality risk due to agro-climatic conditions as well as socio-political concerns. Further, there could be a lag in the recognition of stressed accounts as NPAs for agricultural loans over two crop cycles, which may result in sudden asset quality pressure.

Moderate profitability, though some improvement witnessed in FY2025 – The bank has historically exhibited weak operating profitability, primarily due to lower NII, which along with elevated provisions for bad debts in earlier years led to net losses. It was placed under PCA by NABARD in FY2019. From FY2020, the profitability was further impacted by provisioning and payment towards pension liabilities. However, the core profitability began to improve from FY2022, driven by the uptick in NII and capital infusions. Going forward, sustaining the profitability will depend on improving the asset quality. In addition, given the sizeable holding of Government securities, its overall profitability remains vulnerable to mark-to-market losses in the bond portfolio.

The NII improved to 4.68% and 4.36% of average total assets (ATA) in H1 FY2026 and FY2025, respectively, from 4.04% in FY2024 (3.56% in FY2023) because of the higher yield, though this was partially offset by the increase in the cost of funds. Operating expenses increased to 4.34% in H1 FY2026 from 3.55% in FY2025 (including the pension provision of 0.89%). Accordingly, the core operating profitability moderated to 1.53% in H1 FY2026 from 1.77% in FY2025 (1.45% in FY2024 and 1.09% in FY2023), though it remains better than previous years and is expected to improve further. Provisions moderated to

0.86% in H1 FY2026 and 1.17% in FY2025 from 1.69% in FY2024 (2.14% in FY2023), leading to an improvement in the RoA to 0.75% in H1 FY2026 and 0.72% in FY2025 from 0.03% in FY2024 (-1.02% in FY2023).

Weak capitalisation constrains business growth – AGB's capitalisation profile remains weak with a CET I and CRAR of 7.73% and 9.69%, respectively, as on September 30, 2025, against the regulatory requirement of 7% and 9%[2], respectively. This was on account of weak internal accrual generation in the past due to the high provision towards bad debts and payment towards pension liabilities. The GoI and other shareholders infused Rs. 576 crore in FY2020 to FY2024, which supported the capitalisation profile and aided a gradual improvement in the capital buffers. AGB has also paid the entire pension arrears liability and computer increment on the conclusion of a long-pending dispute as per the final order of the honourable Supreme Court. The pension liability increased in FY2025 owing to wage revisions, which the bank will be spreading over a 5-year period. Internal capital generation is likely to improve, given the higher NII and lower provisions vis-à-vis previous years, which will also support the growth and the overall capitalisation profile. However, AGB's CRAR of 9.69% as on September 30, 2025 was below the RRB average of 14.4%[3]. The cushions above the regulatory levels could build up gradually, although this would remain contingent on the asset quality.

High geographical concentration and vulnerability to agro-climatic risks – RRBs were set up with the primary focus of meeting the credit demand of the rural sector, with a district-defined role for each RRB. As they operate within a single state, their overall scale and growth prospects remain limited, resulting in the high geographical concentration of the loan book. AGB's loan book is concentrated towards agricultural advances (~59% of gross advances as on March 31, 2025). Significant exposure to the agriculture sector, coupled with the marginal profile of the borrowers, exposes the bank to agro-climatic risks, which could severely impact collections and lead to a deterioration in its asset quality metrics. Asset quality risk also arises from the political appeasement of farmers via farm loan waiver announcements, especially during election years. Further, the NPA recognition of agricultural loans is based on crop cycles (single or two crops in a year), which can result in delays in stress recognition. AGB saw a significant build-up in overdue loans in its agricultural loan book in FY2025 and its ability to arrest slippages will be critical for its asset quality and profitability, going forward.

Liquidity position: Strong

The strong liquidity profile is driven by the excess statutory liquidity ratio (SLR) maintained by the bank, which was 15% of the net demand and time liabilities (NDTL) as on August 22, 2025 (regulatory requirement: 18%) because of the lower credit to deposit ratio.

Rating sensitivities

Positive factors – A meaningful increase in the scale of operations while improving the profitability and capital cushions over the regulatory levels on a sustained basis would have a positive impact.

Negative factors – Weakening in the earnings profile and/or a decline in the capital position below the regulatory levels on a sustained basis would have a negative impact.

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[2] *RRBs need to maintain a minimum Tier I capital of 7.0%; within the overall Tier I capital, perpetual debt instruments (PDIs) are restricted to 1.5%. In case the bank meets the CET of 5.5% and Tier I of 7.0% with PDIs, the additional PDI over 1.5% is eligible for the calculation of the overall CRAR. Further, RRBs are not allowed to issue Tier II instruments and the current Tier II capital consists of standard assets provisioning. Accordingly, even in a scenario where an RRB is able to raise sizeable PDIs, its ability to meet the overall CRAR will continue to be driven by its ability to meet the minimum CET of 5.5%*

[3] *Provisional figure quoted in the annual report of NABARD for FY2025*

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Rating Methodology for Banks and Financial Institutions
Parent/Group support	AGB was incorporated under the Regional Rural Banks Act, 1976 and is jointly owned by the GoI, the GoA and PNB. RRBs remain strategically important to the GoI and state governments, with sizeable direct or indirect sovereign ownership. ICRA expects AGB to receive financial support from its co-owners, if required.
Consolidation/Standalone	To arrive at the rating, ICRA has considered the standalone financials of AGB. AGB does not have any subsidiaries.

About the company

Assam Gramin Bank (AGB) was established in 2006 as a regional rural bank (RRB), as per the Regional Rural Banks Act of 1976, with the amalgamation of four banks – Pragjyotish Gaonlia Bank (established on May 6, 1976), Lakhimi Gaonlia Bank (established on September 29, 1980), Cachar Gramin Bank (established on March 31, 1981) and Subansiri Gaonlia Bank (established on March 30, 1982) – sponsored by United Bank of India. On February 22, 2019, the Government of India had amalgamated Assam Gramin Vikash Bank (sponsored by United Bank of India; renamed as Assam Gramin Bank w.e.f. October 23, 2025) and Langpi Dehangi Rural Bank (sponsored by State Bank of India) into a single RRB named Assam Gramin Vikash Bank (now Assam Gramin Bank). The sponsor of this new entity was United Bank of India and its head office is in Guwahati. Following the amalgamation of United Bank of India with Punjab National Bank, the latter became the sponsor w.e.f. April 1, 2020.

AGB was placed under the PCA framework in FY2019. It expects to exit the same with a steady improvement in its asset quality, profitability and capital profile.

AGB has a network of 465 branches along with 9 regional offices across Assam. It reported a profit after tax (PAT) of Rs. 56 crore in H1 FY2026 and Rs. 103 crore in FY2025 (Rs. 4 crore in FY2024) on a total asset base of Rs. 15, 478 as on September 30, 2025 and Rs. 14,507 crore as on March 31, 2025 (Rs. 14,195 crore as on March 31, 2024), translating into an RoA of 0.75% in H1 FY2026 and 0.72% in FY2025 (0.03% in FY2024).

Key financial indicators

Assam Gramin Bank	FY2024	FY2025	H1 FY2026
Total income^	729	774	440
Profit after tax	4	103	56
Total assets	14,195	14,507	15,478
CET I	6.51%	7.54%	7.73%
CRAR	8.72%	9.54%	9.69%
PAT/ATA	0.03%	0.72%	0.75%
Gross NPA	10.40%	8.54%	8.25%
Net NPA	5.57%	3.54%	3.06%

Source: AGB, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore
^Total income = Net interest income + Non-interest income (excluding trading gains)

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Nov 20, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Perpetual debt – Tier I bonds	Long term	65.00	[ICRA]BBB(Stable)	-	-	-	-	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
Perpetual debt programme (Tier I bonds)	Moderately Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
Yet to be placed	**Perpetual debt – Tier I bonds**	-	-	-	65.00	[ICRA]BBB(Stable)

Source: ICRA Research

Key features of the instrument

The rated Tier I bonds have specific features, whereby the debt servicing is linked to the bank meeting the regulatory norms for capitalisation and reported profitability. As per the regulatory norms for these debt capital instruments, approval from the RBI is required for debt servicing (including principal repayments) in case the bank reports a loss and it is not liable to service the debt if it breaches the minimum regulatory capitalisation norms, i.e. CRAR of 9.0%. The coupon, if not paid, is non-cumulative.

Annexure II: List of entities considered for consolidated analysis

Not applicable

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