DhanlaxmiBank
established 1927

SH: 85 /2016-17

Aug 05, 2016

The General Manager Department of Corporate Services **BSE Limited** I Floor, New Trading Ring Rotunda Building, P J Towers Dalal Street Fort, Mumbai – 400 001	The Manager Listing Department **National Stock Exchange of India Limited** 'Exchange Plaza', Bandra – Kurla Complex Bandra (E), Mumbai – 400 051

Dear Sir,

Sub: Compliance of Reg. 51 of SEBI (LODR) Regulations, 2015

Pursuant to Regulation 51 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, it is hereby informed that CARE has revised the rating on Upper Tier II Bonds of the Bank from CARE BB to CARE D. There is no revision in ratings of other bonds of the Bank. A copy of the letter from CARE is enclosed herewith.

This is for your kind information.

Thanking you,

Yours faithfully,

Santosh Kumar Barik
Company Secretary

CARE Ratings
Professional Risk Opinion

AUGUST 04, 2016

CARE REVISES THE RATING ASSIGNED TO THE UPPER TIER II BOND ISSUE OF DHANLAXMI BANK LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Upper Tier II Bonds	27.50 (Rupees Twenty Seven crore and Fifty lakh only)	CARE D [Single D]	Revised from CARE BB [Double B]

The rating of Upper Tier II Bonds takes into account its sensitiveness to the bank's Capital Adequacy Ratio (CAR) and profitability during the tenure of the instrument. The ratings for the hybrid instruments factor in the additional risk arising due to the existence of the lock-in clause in these instruments. Any delay in payment of interest/principal (as the case may be) following the invocation of the lock-in clause, would constitute an event of default as per CARE's definition of default and as such, these instruments may exhibit a somewhat sharper migration of the rating compared to conventional subordinated debt instruments.

Rating Rationale

The revision in the rating assigned to the Upper Tier II bond issue of Dhanlaxmi Bank Limited (DBL) is on account of non-payment of interest due to invocation of lock in clause following fall in CAR below regulatory requirement. As per the terms of instrument, the issuing bank shall not be liable to pay either interest or principal in the event of CAR falling below regulatory requirement. The bank reported a total Capital Adequacy Ratio (CAR) of 7.51% as on March 31, 2016, which was below the regulatory requirement of 9.625%. Tier I CAR stood at 6.12% as on March 31, 2016 and regulatory approval for payment of the interest has not been obtained.

Background

DBL is a Kerala-based small-sized private sector bank with its headquarters at Thrissur. Total assets of the bank stood at Rs.12,426 crore as on March 31, 2016. The bank's shares are listed and are widely held.

During FY16 (refers to the period April 1 to March 31), DBL reported after tax loss of Rs.209 crore on a total income of Rs.1,281 crore. The loss was primarily on account of provision towards NPA and provision for superannuation benefits relating to the VRS implemented in the years 2000 and 2004. Gross NPA and Net NPA stood at 6.36% and 2.78% respectively as on March 31, 2016. The bank is in the process of mobilizing fresh equity to improve its capital adequacy level and expects to complete the process by August 2016.

Analyst Contact

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*