



SH:140 / 2017-18

December 04, 2017

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
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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 Brickwork has revised the rating on Lower Tier-II bonds of the Bank from BWR BB- to BWR BB. A copy of the credit rating letter issued by Brickwork, received by the Bank today, is enclosed herewith.

This is for your kind information.

Thanking you,

Yours faithfully,

Santosh Kumar Barik
Company Secretary



Rating Rationale

Dhanlaxmi Bank Limited, Thrissur, Kerala

30th November 2017

Brickwork Ratings (BWR) upgrades the rating from 'BWR BB-' to 'BWR BB' of Dhanlaxmi Bank Limited's Lower Tier II Bond issue amounting to ₹ 200 Crores

Particulars

Instrument	Issue Date	Rated ₹ Cr	Coupon	Maturity Date	ISIN	Previous Rating (December 2016)	Rating* (November 2017)
Lower Tier II -Bonds	-	200 (raised ₹ 117.70 Cr)	Details of raised amount as per table below			BWR BB- [BWR Double B Minus] (Outlook: Negative)	BWR BB [BWR Double B] (Outlook: Negative to Stable) Revised
Total		200	₹ Two Hundred Crores Only				

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Series	Raised Amount Rs Cr	Rate of Interest	Maturity Date	ISIN No.	Previous Rating (August 2017)	Rating* (November 2017)
Series IX	10.00	11.00%	20.07.2018	INE680A08057	BWR BB- [BWR Double B Minus] (Outlook: Negative)	BWR BB [BWR Double B] (Outlook: Negative to Stable) Revised
Series X- A	54.50	11.90%	29.04.2018	INE680A09030		
Series X- B	14.20	11.95%	29.05.2019	INE680A09048		
Series XI-A	29.30	11.90%	03.05.2018	INE680A09055		
Series XI-B	3.70	11.95%	03.08.2019	INE680A09063		
Series XIII-B	5.00	11.95%	10.12.2019	INE680A08065		
Series XIV-A	1.00	11.90%	24.10.2018	INE680A08073		
Total	117.70	₹ One Hundred Seventeen Crores and Seventy Lakhs Only				

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Upgrade

Brickwork Ratings has upgraded the rating of Dhanlaxmi Bank Limited's (or 'the Bank') Lower Tier II Bonds of ₹ 200 Cr, as tabulated above.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

Brickwork Ratings have relied on the Bank's financial results up to Q2/H1FY18, publicly available information and other information/clarifications sought from the Bank.



The rating revision, inter alia, factors in the capital infusion by the Bank, strengthening the CRAR to 11.62% and Tier 1 to 10.84%, improving financials of the Bank in the first two quarters of FY18 in terms of net interest income, NIM, CASA and profitability, but overall risk profile continues to be high due to decline in business volumes and higher provisioning. Bank has regularised the coupon payments of upper tier II Bonds.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

The revision in Outlook from 'Negative' to 'Stable' factors in the improvement in asset quality of the Bank and increased profitability, from the ensuing quarters and improvement in terms of return on assets of the Bank. The rating outlook may be revised to Negative if slippages in asset quality increase to the extent resulting in losses, or there is adverse impact on the capital adequacy ratios.

About the Bank

Background: Dhanlaxmi Bank Ltd (DLB) was incorporated in 1927 in Thrissur, Kerala. Traditionally, the bank has a long standing relationship with a large number of temple trusts in Southern India, which has given it a good deposit base. As of March 31, 2017, the Bank has 260 branches and 371 ATMs.

Management: Dr Jayaram Nayar is the Chairman of the Bank and Shri G Sreeram is the Managing Director and Chief Executive Officer of the Bank. The Bank has experienced Board of Director and professional key management personnel.

Financial Performance

Business Profile: As of September 30, 2017, the total business has declined by 3.0% from ₹ 17,740 Cr in FY17 to ₹ 17,205 Cr. Deposits have declined by 2.6% from ₹ 11,294 Cr in FY17 to ₹ 10,998 Cr in H1FY18 and Advances by 3.71% from ₹ 6,446 Cr in FY17 to ₹ 6,207 Cr in H1FY18. CASA as of H1FY18 is 31% (FY17:29%)



Earnings: Net Interest Income of the Bank stands at ₹ 176 Cr (FY17: ₹ 331 Cr), net interest margin improved to 2.93% (FY17:2.76%). With the increase in provisions , the Bank has been able to generate net profits of ₹ 14 Cr for HIFY18 (FY17: ₹ 12 Cr). Return on assets is improving and is at 0.23% for HIFY18 (FY17: 0.10%)

Asset Quality: Asset quality improved for FY17 with Stressed assets reducing to 5.07% (FY16: 6.67%).The Stressed ratio has increased as of HIFY18 to 6.66%. Gross NPA at 6.11% in HIFY18 (4.78% in FY17) and Net NPA at 3.67% in HIFY18 (2.58% in FY17). The Bank has restructured accounts amounting to only Rs.35 Cr. The Bank's Provision coverage ratio for HIFY18 is 74.69% (FY17:79.99%), which is considered satisfactory.

Capital Adequacy: Capital infusion by Rs. 32 Cr in H2FY17 and by Rs.43 Cr in HIFY18, has strengthened the equity capital to Rs.253.01 Cr. As of HIFY18, the CRAR stands improved to 11.62% (FY17: 10.26%) and Tier 1 ratio to 10.84% (FY17: 9.01%). This is a substantial improvement over its capital adequacy ratio of previous period. The Bank has plans to raise further capital in the coming period.

KEY Parameters - Dhanlaxmi Bank -Rs Cr	2015	2016	2017	HIFY17	HIFY18
Total Deposits	12,382	11,354	11,294	11,208	10,998
<i>Deposit Growth (%)</i>		-8.30%	-8.79%		-8.50%
Total Advances	7,670	6,953	6,446	6,690	6,207
<i>Loans Growth (%)</i>		-9.35%	-15.96%		-9.12%
Total Business	20,051	18,307	17,740	17,898	17,205
<i>Business Growth (%)</i>		-8.70%	-11.53%		-8.73%
CASA Ratio %	24.34%	25.03%	29.44%	27.00%	31.00%
Earnings					
RoE (%)	-33.36%	-41.23%	2.07%	na	na
RoA (%)	-1.77%	-1.61%	0.10%	0.19%	0.23%
NIM (%)	2.37%	2.47%	2.76%	2.81%	2.93%
Net Interest Income (NII)	299	305	331	170	176
Non Interest Income	85	77	111	60	51
Operating profits	17	3	96	45	57
Provisions & Contingencies	267	209	82	33	43
Net profit after Tax	-242	-210	12	12	14
Cost to Income Ratio (%)	95.68%	99.14%	78.75%	80.64%	75.33%
Asset Liability Profile (%)					
Loans/Deposit Ratio (%)	64.41%	63.57%	57.07%	59.69%	56.44%



Gross NPAs to Advances (%)	7.00%	6.36%	4.78%	6.86%	6.11%
Net NPAs to Advances (%)	3.29%	2.78%	2.58%	2.52%	3.67%
Std Restructured Portfolio as a % of Gross Advances	0.62%	0.31%	0.29%	na	0.55%
Gross NPA% + Restructured (Stressed Advances)	7.62%	6.67%	5.07%	**6.86%	6.66%
Provision Coverage Ratio (%)	67.82%	75.67%	79.99%	79.24%	74.69%
CRAR (%)	9.59%	7.51%	10.26%	9.03%	11.62%
Tier I (%)	7.42%	6.12%	9.01%	7.94%	10.84%
CET-I (%)	7.42%	6.12%	9.01%	7.94%	10.84%
AT-I (%)	NR	NR	NR	NR	NR
Tier II (%)	2.17%	1.39%	1.25%	1.09%	0.78%
Book Value per share (Rs)	41	29	31	29	31
Basel III Leverage ratio (%)	NA	3.13%	4.26%	4.00%	5.29%
<i>na : not available; NA: Not Applicable; NR - Not Raised; ** only GNPA</i>					

Rating History for the last three years (including withdrawn/suspended ratings)

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Sl. No.	Instrument/Facility	Rating (November 2017)			Rating History			
		Type	Amount rated (₹ Crs)	Rating	01 Dec 2016	16 Aug 2016	02 Sep 2015	16 Sep 2014
1	Lower Tier II (Basel II)	Long term	200 (raised ₹ 117.70 Cr)	BWR BB- to BWR BB [BWR Double B] (Outlook: Negative to Stable) Revised	BWR BB to BWR BB- [BWR Double B Minus] (Outlook: Negative) Revised	BWR BB+ to BWR BB [BWR Double B] (Rating watch with Developing Implications) Revised	BWR BBB- to BWR BB+ [BWR Double B Plus] (Outlook: Stable) Revised	BWR BBB+ to BWR BBB- [BWR Triple B Minus] (Outlook: Negative) Revised
	Total		200	₹ Two Hundred Crores Only				



Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Complexity levels of the Rated Instruments
- Banks and Financial Institutions
- Basel III Compliant Instruments

Analytical Contacts	Media
A P Kamath General Manager - Ratings analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IRFEDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained.



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