

SH: 189/ 2017-18

March 15, 2018

The General Manager, Department of Corporate Services, <b>BSE Limited</b> 1 Floor, New Trading Ring, Rotunda Building, P J Towers, Dalal Street Fort, Mumbai – 400 001	The Manager, Listing Department, <b>National Stock Exchange of India Limited</b> 'Exchange Plaza', Bandra – Kurla Complex, Bandra (E), Mumbai – 400 051
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Dear Sir,

**Sub: Intimation of Credit Rating**

Pursuant to Regulation 30 & Regulation 51 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the credit rating letter issued by Brickwork Ratings India Pvt. Ltd.

This is for your kind information.

Thanking you,

Yours faithfully,



**Santosh Kumar Barik**  
Company Secretary



Rating Rationale

Dhanlaxmi Bank Limited, Thrissur, Kerala

09th March 2018

**Brickwork Ratings (BWR) assigns the rating of 'BWR BB' of Dhanlaxmi Bank Limited's Proposed Basel III Tier II Bond issue amounting to ₹ 150 Crores**

**Particulars**

Instrument	Issue Date	Rated ₹ Cr	Coupon	Maturity Date	ISIN	Rating History	Rating* (November 2017)
Basel III Tier II -Bonds Proposed	-	150					BWR BB [BWR Double B] (Outlook: Stable) Assigned
Total		150	₹ One Hundred Fifty Crores Only				

**Rating : Assigned**

Brickwork Ratings has assigned the rating of Dhanlaxmi Bank Limited's ( or 'the Bank' ) Proposed Basel III Tier II Bonds of ₹ 150 Cr, as tabulated above.

**Rating of other instruments of the Bank is reaffirmed as follows:**

Instrument	Issue Date	Rated ₹ Cr	Coupon	Maturity Date	ISIN	Previous Rating (November 2017)	Rating* (March 2018)
Lower Tier II -Bonds	-	200 (raised ₹ 117.70 Cr)	Details of raised amount as per table below			BWR BB- to BWR BB [BWR Double B] (Outlook: Negative to Stable)	BWR BB [BWR Double B] (Outlook: Stable) Reaffirmed
Total		200	₹ Two Hundred Crores Only				

Series	Raised Amount Rs Cr	Rate of Interest	Maturity Date	ISIN No.	Previous Rating (November 2017)	Rating* (March 2018)
Series IX	10.00	11.00%	20.07.2018	INE680A08057	BWR BB- to BWR BB [BWR Double B] (Outlook: Negative to Stable)	BWR BB [BWR Double B] (Outlook: Stable) <b>Reaffirmed</b>
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/](http://www.brickworkratings.com/) for definition of the ratings



**Rating: Reaffirmed**

Brickwork Ratings has also reaffirmed 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 Q3/9MFY18, 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 of the CRAR and Tier 1 ratio, improving financials of the Bank in the first two quarters of FY18 in terms of net interest income, NIM, CASA and profitability but the overall risk profile continues to be high due to decline in business volumes, weakening asset quality and higher provisioning, resulting in losses for Q3/ 9M FY18.

**Draft Terms of the Proposed Issue**

The Bank proposes to float Basel III tier 2 bond issue amounting to Rs.150 Cr in one more tranches for a tenor of seven years with a coupon to be serviced semi annually and the rate to be decided at the time of issue(s). Other terms of the proposed Basel III Tier 2 bonds shall be on finalization of the term sheet and subject to extant guidelines of RBI as applicable.

**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**

BWR believes the **Dhanlaxmi Bank Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case there is improvement in the asset quality and the CRAR. The rating outlook may be revised to 'Negative' if slippages in asset quality increases 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 December 31, 2017, the Bank has 258 branches, 346 ATMs and 28 BCs.



**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

For details on the Bank's performance upto September 30, 2017 please refer to the [Bank's rationale dated 04 December 2017](#) available on brickwork ratings website, or click / use the following link:

[http://www.brickworkratings.com/Admin/PressRelease/Dhanlaxmi-Bank-Bonds\\_200Cr-Revision-Rationale-4Dec2017.pdf](http://www.brickworkratings.com/Admin/PressRelease/Dhanlaxmi-Bank-Bonds_200Cr-Revision-Rationale-4Dec2017.pdf)

### Q3/9M FY18 performance

The total business of the bank was Rs.17,277 Cr (FY17: Rs.17,740 Cr). Advances decreased by 3.57% and deposits by 2.06% in 9MFY18 over FY17. CASA has marginally improved to 30.% (FY17:29%). The bank has higher share of advances in Retail at 35.55% and SME at 25.00% the other advances are to Corporates 14.31%, gold at 12.91% and agri & micro at 12.23% Net Interest Income for 9MFY18 was Rs.260 Cr (FY17:Rs.331 Cr) is maintained while non Interest Income for 9MFY18 is on a decline at Rs.73 Cr (FY17:Rs.111 Cr). Operating profits has improved for 9MFY18 and was Rs.83 Cr (FY17:Rs.96 Cr). The Cost to income ratio has improved to 75% (FY17: 79%). Weakening of assets through slippages and classification of accounts under NCLT, provisions of the bank for Q3 have doubled over its previous quarter (Q2: Rs.24 Cr and Q3: Rs.48 Cr), resulting in a loss of Rs.22 Cr for Q3 over previous quarter profit of Rs.6 Cr. The bank's nine month provision is Rs.91 Cr (FY17:Rs.84 cr) and net loss is Rs.8 Cr (profit of Rs.12 Cr for FY17). The asset quality continues to be stressed. GNPA at 6.96% (FY17:4.78%, H1FY18: 6.11%), Net NPA at 4.08% (FY17: 2.58%, H1FY18: 3.67%) The Bank has standard restructured advances of Rs.18 Cr. Additions to NPA in Q1: Rs.38 Cr, Q2: Rs.35 Cr and Q3: Rs.57 Cr (FY17:Rs.155 Cr). The stressed asset ratio is 7.47% (FY17:5.07% and H1FY18: 6.66%). Provision coverage ratio is 74% (FY17: 79% and H1FY18: 75%). Capital infusion for FY18 till December 2017 strengthens the capital adequacy ratio. CRAR of 11.15% (FY17:10.26% and H1FY18: 11.62%) and Tier 1 at 10.43% (FY17:9.01% and H1FY18). The Bank's plans to raise further capital in the coming period shall the capital adequacy framework of the bank

KEY Parameters - Dhanlaxmi Bank	2015	2016	2017	9MFY17	9MFY18
Total Deposits	12,382	11,354	11,294	11,831	11,061
Deposit Growth (in %)		-8.30%	-8.79%		-6.51%
Net Advances	7,670	6,953	6,446	6,321	6,216
Loans Growth		-9.35%	-15.96		-1.66%
Total Business	20,051	18,307	17,740	18,152	17,277



<i>Business Growth</i>		-8.70%	-11.53%		-4.82%
CASA Ratio %	24.34%	25.03%	29.44%	29.22%	30.35%
<b>Profitability Ratios (%)</b>					
RoE	Negative	Negative	1.89%	0.80%	Negative
RoA	Negative	Negative	0.10%	0.04%	Negative
NIM	2.37%	2.47%	2.76%	2.71%	2.89%
Net Interest Income (NII)	299	305	331	247	260
Non Interest Income	85	77	111	83	73
Operating profits	17	3	94	56	83
Provisions & Contingencies	259	213	82	52	91
PAT	-242	-210	12	4	-8
Cost to Income Ratio	95.68%	99.14%	78.75%	83.12%	75.00%
<b>Asset Liability Profile (%)</b>					
Loans/Deposit Ratio	64.41%	63.57%	58.40%	56.14%	56.20%
Gross NPAs to Advances	7.00%	6.36%	4.78%	7.59%	6.96%
Net NPAs to Advances	3.29%	2.78%	2.58%	2.90%	4.08%
Std Restructured Portfolio as a % of Gross Advances	0.62%	0.31%	0.29%	na	0.51%
Gross NPA% + Restructured (Stressed Advances)	7.62%	6.67%	5.07%	7.59%**	7.47%
Provision Coverage Ratio	67.82%	75.67%	79.99%	78.02%	73.49%
<b>CRAR</b>	9.59%	7.51%	10.26%	9.24%	11.15%
<i>Tier I</i>	7.42%	6.12%	9.01%	8.13%	10.43%
<i>CET-I</i>	7.42%	6.12%	9.01%	8.13%	10.43%
<i>AT-I</i>	NR	NR	NR	NR	NR
<i>Tier II</i>	2.17%	1.39%	1.25%	1.11%	0.72%
<i>Book Value per share</i>	41	29	31	28	30
<i>Basel III Leverage ratio</i>	NA	3.13%	4.26%	3.81%	5.16%
<b>na : not available; NA: Not Applicable; NR - Not Raised; ** only GNPA</b>					



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

Rating History for the last three years (including withdrawn/suspended ratings)									
Sl. No.	Instrument/Facility	Rating (March 2018)			Rating History				
		Type	Amount rated (₹ Crs)	Rating	04 Dec 2017	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 [BWR Double B] (Outlook: Stable) Reaffirmed	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
2	Basel III Tier 2 (Proposed)	Long term	150	BWR BB [BWR Double B] (Outlook: Stable)					
	Total		350	₹ Three Hundred Fifty 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

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**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](http://www.brickworkratings.com/download/ComplexityLevels.pdf). Investors queries can be sent to [info@brickworkratings.com](mailto: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 IRI, DA & 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. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.