

OCTOBER 13, 2016

CARE REAFFIRMS THE RATING ASSIGNED TO THE LOWER TIER II BONDS OF DHANLAXMI BANK LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Lower Tier II Bonds	117.70	CARE BB+ [Double B Plus]	Reaffirmed
Total Facilities	117.70 (Rupees One Hundred Seventeen crore and Seventy lakh only)		

Rating Rationale

The rating assigned to the lower tier II bond issues of Dhanlaxmi Bank Limited (DBL) takes into account the continuation of losses in FY16 (refers to the period April 01 to March 31), moderate asset quality parameters and low capital adequacy levels with the bank reporting Capital adequacy ratio of 7.51% lower than the regulatory requirement of 9.625% as on March 31, 2016. The rating also takes note of the decline in overall business of the bank during FY16. The rating, however, favourably factors in the long track record of operations and a well-established presence in Kerala.

The ability of the bank to improve its capitalisation levels above regulatory requirement, improve asset quality and show improvement in performance on sustained basis are the key rating sensitivities.

Background

DBL is a Kerala-based small-sized private sector bank headquartered at Thrissur. As on March 31, 2016, the bank had a presence across 676 customer outlets comprising 266 branches, 398 ATMs and 14 processing centres.

For FY16 (refers to the period April 1 to March 31), DBL reported net loss of Rs.209 crore on a total income of Rs.1,281 crore with 8% decline in deposits and 9% decline in advances. For Q1FY17, DBL reported PAT of Rs.6 crore on total income of Rs.301 crore.

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

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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

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