

The Lakshmi Vilas Bank Limited
November 27, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Tier II Bonds (Basel III Compliant) –I @	-	-	Revised to CARE D (Single D) from CARE B- (Single B Minus) (credit watch with developing implications) and withdrawn
Tier II Bonds (Basel III Compliant) –II @	-	-	Revised to CARE D (Single D) from CARE B- (Single B Minus) (credit watch with developing implications) and withdrawn
Tier II Bonds (Basel III Compliant) –III @	-	-	Revised to CARE D (Single D) from CARE B- (Single B Minus) (credit watch with developing implications) and withdrawn

Details of instruments/facilities in Annexure-1

@ Tier II Bonds under Basel III are characterized by a 'Point of Non-Viability' (PONV) trigger due to which the investor may suffer a loss of principal. PONV will be determined by the Reserve Bank of India (RBI) and is a point at which the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations and thus, enable it to continue as a going concern. In addition, the difficulties faced by a bank should be such that these are likely to result in financial losses and raising the Common Equity Tier I capital of the bank should be considered as the most appropriate way to prevent the bank from turning non-viable.

In CARE's opinion, the parameters considered to assess whether a bank will reach the PONV are similar to the parameters considered to assess rating of Tier II instruments even under Basel II. CARE has rated the Tier II bonds under Basel III after factoring in the additional feature of PONV.

Detailed Rationale & Key Rating Drivers

CARE has revised the outstanding ratings of the Tier II bonds (Basel III Compliant) aggregating Rs.318.20 crore from 'CARE B- (Single B Minus) (Credit Watch with developing implications)' to 'CARE D (Single D)' and withdrawn the ratings with immediate effect. The above action has been taken as the bank has written down the instruments as per the direction of RBI (Reserve Bank of India). This has been carried out before the amalgamation of LVB with DBS Bank India Limited.

Earlier, ratings assigned to the various debt instruments of The Lakshmi Vilas Bank Limited (LVB) have been placed on credit watch with developing implications with the moratorium imposed by Government of India (GoI) on LVB, after considering an application made by the RBI. The RBI has also superseded the Board of Directors of the bank and appointed Mr. T N Manoharan (former non-executive chairman of Canara bank) as the Administrator and on November 17, 2020, RBI has published a draft scheme for amalgamation of LVB with DBS Bank India Limited (DBS). The Government of India has approved the scheme of amalgamation on November 25, 2020 and the amalgamation will come into force on November 27, 2020.

Analytical approach:

Not Applicable

Applicable Criteria

[Criteria on assigning Outlook and Credit watch to Credit Ratings](#)

[Policy on Withdrawal of ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Financial sector](#)

[Bank - CARE's Rating Methodology for Banks](#)

[Bank - Rating framework for Basel III instruments \(Tier I & Tier II\)](#)

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

About the Company

Established in 1926, LVB is one of the old private sector banks based out of Tamil Nadu. The business operations of LVB are geographically concentrated in South India particularly in Tamil Nadu. Government of India has sanctioned the scheme of amalgamation with DBS Bank India Limited and all the branches of LVB will function as branches of DBS Bank India Limited with effect from November 27, 2020.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total income	3,090	2,558
PAT	-894	-836
Total Assets	32,005	23,057
Net NPA (%)	7.49	10.04
ROTA (%)	NM	NM

A: Audited

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Bonds-Tier II Bonds	INE694C08054	-	-	-	0.00	Withdrawn
Bonds-Tier II Bonds	INE694C08062	-	-	-	0.00	Withdrawn
Bonds-Tier II Bonds	INE694C08070	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Bonds-Lower Tier II	LT	50.50	CARE BB- (Under Credit watch with Developing Implications)	1) CARE BB- (Under Credit watch with Developing Implications) (20-Nov-20) 2) CARE BB-; Negative (09-Oct-20)	1) CARE BB+; Negative (11-Oct-19) 2) CARE BBB- (Under Credit watch with Developing Implications) (10-Sep-19) 3) CARE BBB	1) CARE BBB (Under Credit watch with Negative Implications) (02-Nov-18) 2) CARE BBB; Negative (04-Oct-18) 3) CARE	1) CARE A-; Stable (07-Jul-17)

						(Under Credit watch with Developing Implications) (12-Apr-19)	BBB+; Negative (04-Jun-18)	
2.	Bonds-Tier II Bonds	LT	-	-	1)CARE B- (Under Credit watch with Developing Implications) (20-Nov-20) 2)CARE B-; Negative (09-Oct-20)	1)CARE BB+; Negative (11-Oct-19) 2)CARE BBB- (Under Credit watch with Developing Implications) (10-Sep-19) 3)CARE BBB (Under Credit watch with Developing Implications) (12-Apr-19)	1)CARE BBB (Under Credit watch with Negative Implications) (02-Nov-18) 2)CARE BBB; Negative (04-Oct-18) 3)CARE BBB+; Negative (04-Jun-18)	1)CARE A-; Stable (07-Jul-17)
3.	Bonds-Tier II Bonds	LT	-	-	1)CARE B- (Under Credit watch with Developing Implications) (20-Nov-20) 2)CARE B-; Negative (09-Oct-20)	1)CARE BB+; Negative (11-Oct-19) 2)CARE BBB- (Under Credit watch with Developing Implications) (10-Sep-19) 3)CARE BBB (Under Credit watch with Developing Implications) (12-Apr-19)	1)CARE BBB (Under Credit watch with Negative Implications) (02-Nov-18) 2)CARE BBB; Negative (04-Oct-18) 3)CARE BBB+; Negative (04-Jun-18)	1)CARE A-; Stable (07-Jul-17)
4.	Bonds-Tier II Bonds	LT	-	-	1)CARE B- (Under Credit watch with Developing Implications) (20-Nov-20) 2)CARE B-; Negative (09-Oct-20)	1)CARE BB+; Negative (11-Oct-19) 2)CARE BBB- (Under Credit watch with Developing Implications) (10-Sep-19) 3)CARE BBB (Under Credit watch with Developing Implications) (12-Apr-19)	1)CARE BBB (Under Credit watch with Negative Implications) (02-Nov-18) 2)CARE BBB; Negative (04-Oct-18) 3)CARE BBB+; Negative (04-Jun-18)	1)CARE A-; Stable (07-Jul-17) 2)CARE A-; Stable (09-Jun-17)

						Credit watch with Developing Implications) (12-Apr-19)	Negative (04-Jun-18)	
5.	Bonds-Tier I Bonds	LT	250.00	CARE B- (Under Credit watch with Developing Implications)	1)CARE B- (Under Credit watch with Developing Implications) (20-Nov-20) 2)CARE B-; Negative (09-Oct-20)	1)CARE B+; Negative (11-Oct-19) 2)CARE BB- (Under Credit watch with Developing Implications) (10-Sep-19) 3)CARE BB (Under Credit watch with Developing Implications) (12-Apr-19)	-	-

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Bonds-Tier II Bonds	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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CARE's ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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