



LAKSHMI VILAS BANK

Secretarial Department

CIN L65110TN1926PLC001377

Ref/Sec/205 & 266/218/2019-2020

October 09, 2019

<p>The General Manager Department of Corporate Services National Stock Exchange of India Exchange Plaza, C-1-Block G Bandra Kurla Complex, Bandra-E Mumbai - 400 051 Company symbol: LAKSHVILAS</p>	<p>The General Manager Department of Corporate Services BSE Limited Listing Department Phiroze Jeejeeboy Tower Dalal Street, Fort Mumbai - 400 001 Security code no: 534690</p>
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Dear Sir,

Sub: Revision in Credit Rating

Ref: (i) INE694C08047

In compliance with the applicable regulations of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, it is hereby informed that the Credit Rating Agency, M/s. Brickwork Ratings India Pvt Ltd has revised the rating from "**BWR BBB -**" (**Credit Watch with Developing Implications**) to "**BWR BB+**" (**Credit Watch with Developing Implications**) for our Unsecured Redeemable Non-Convertible Subordinated Lower Tier II Bonds - Series VII (Option B), of Rs.50.50 Crores.

The rating rationale dated 09.10.2019 provided by the rating agency for downward revision of rating is enclosed.

Thanking you,

Yours faithfully,


N Ramanathan
Company Secretary



Encl: As above.



RATING RATIONALE

09 Oct 2019

Lakshmi Vilas Bank

Brickwork Ratings revises the ratings for Long Term bonds amounting to Rs.50.50 Crores of Lakshmi Vilas Bank. The Credit Watch with Developing Implications to continue

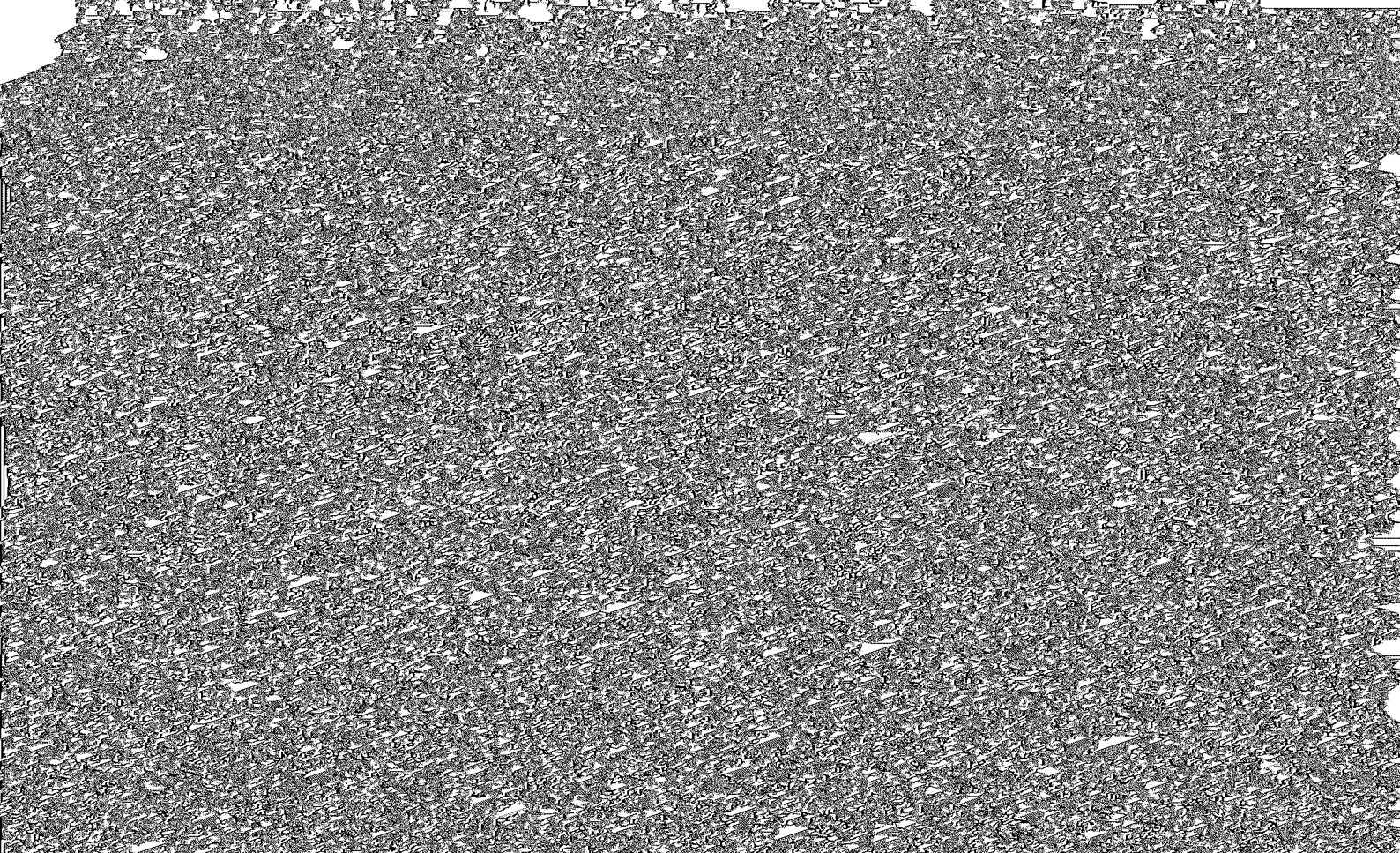
Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (April 2019)	Present
Long Term bonds [Series VII - B]	50.50	50.50	Long Term	BWR BBB- Credit Watch with Developing Implications	BWR BB+ (Credit Watch with Developing Implications) Downgrade and continue the Credit Watch
Total	50.50	50.50	INR Fifty Crores and Fifty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings
Complete details of ISIN wise is provided in Annexure-I

Rating Action/ Outlook

Brickwork Ratings (BWR) downgrades the rating of long term bonds of Rs.50.50 Crores of Lakshmi Vilas Bank (LVB) calculated above. The Rating downgrade is a consequence of the downgrading of





BWR has noted the recent developments in the Bank and the Credit Watch with Developing Implications shall continue in view of the proposed scheme of amalgamation between Indiabulls Housing Finance Ltd (IBHFL) and LVB which is subject to regulatory approvals and thereby improve upon the Bank's financial profile both in terms of asset quality as well as capital adequacy. However, in the absence of these approvals resulting in any regulatory issues on capital adequacy and asset quality, BWR shall initiate an appropriate rating action. BWR shall also continue to monitor the Bank for any restrictions by the regulator on servicing of the coupon or debt obligations on any of its existing bond issue, and this shall remain a key monitorable.

Key Rating Drivers

BWR has essentially relied upon the audited financials upto FY19 and unaudited financials of Q1FY20 of Lakshmi Vilas Bank, publicly available information and information/ clarifications provided by the Bank's management.

Credit Strengths:

- Bank's Board comprises of two RBI nominee Directors apart from other experienced members and management team
- It is one of the oldest Pvt Sector Banks since 1926 catering mainly to MSME and Retail segment; Corporates @35% is lower than the average amongst peer private sector banks
- Business has marginally increased in Q1FY20 with advances by 2% since Q4FY19; CASA has increased to 27%

Credit Risks:

- The Bank has been incurring operating losses and net losses for the last three quarters, Q3FY19 to Q1FY20; Cost to Income ratio is substantially high and is a concern
- Asset quality continues to remain weak with increasing Gross NPA over the last three quarters upto Q1FY20, Slippages though volatile are on the higher side. Fresh slippages or additional provisioning requirement on account of ageing of the NPAs remains a key monitorable.
- Capital adequacy ratios are weak, and lower than regulatory requirement

Analytical Approach and Applicable Rating Criteria

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 Sensitivities



The Bank plans to raise further capital upto Rs.1000 Cr through equity mode and Rs.500 Cr by way of Tier I and Tier II Bonds. The Bank is also exploring various avenues for raising capital to shore up its CRAR and placing strategies to recover NPAs. The limitations on the Bank as a result of PCA may likely restrict credit growth, though the Bank states of no restrictions on operations by depositors and lending activities to all segments except Corporates and other stressed and high risk sectors. The Bank's capital adequacy ratios as of June 30, 2019 are below the regulatory capital requirements. In July 2019, the Bank has raised Rs.188.16 Cr in CET-1 capital by way of preferential allotment.

Positive: The Bank's ability to exit from Prompt Corrective Action upon meeting the regulatory requirements shall be a rating positive for the Bank

Negative: Substantial decrease in the business as a result of any lending restrictions and any further deterioration in the asset quality shall be sensitivity for a further rating action. With the recent exit of the top management and one another following needs to be replaced within a short interval. Positions of prime importance lying vacant or leading to any further resignations shall also be a rating sensitivity

Liquidity Position: Adequate

As of June 30, 2019, the Bank has Liquidity Coverage Ratio of 165% above the minimum required of 100% however the Basel III Leverage ratio of 2.65% is below the minimum required of 4.5%. The regulator has revised the regulation on Basel III Leverage ratio, it shall be 4% for Domestic Systemically Important Banks and 3.5% for other banks, effective from quarter commencing October 01, 2019.

Key Covenants of the facilities rated

The Long term bonds of the Bank rated by BWR are in the nature of lower tier II bonds under Basel II. The coupon servicing on these bonds is quarterly and the debenture trustee has confirmed of timely coupon servicing of these bonds with the latest due was on 30-Sep-2019. The bonds raised in February 2012 are for a period of ten years at coupon of 11.40% payable on a quarterly basis.

Key Financial Indicators (in INR Crs)

LVB-KEY Parameters	Audited	Audited	Audited	UnAudited	UnAudited
	2017	2018	2019	Q1FY19	Q1FY20
Total Deposits	30,553	33,309	29,279	32,473	28,980
Deposit Growth (in %)	20.14%	9.02%	-12.10%		-10.76%
Gross Advances	23,958	27,005	21,956	26,127	20,556
Loans Growth	20.88%	12.72%	-18.70%		-21.32%
Total Business	54,511	60,314	51,235	58,600	49,536
Business Growth	20.47%	10.65%	-15.05%		-15.47%



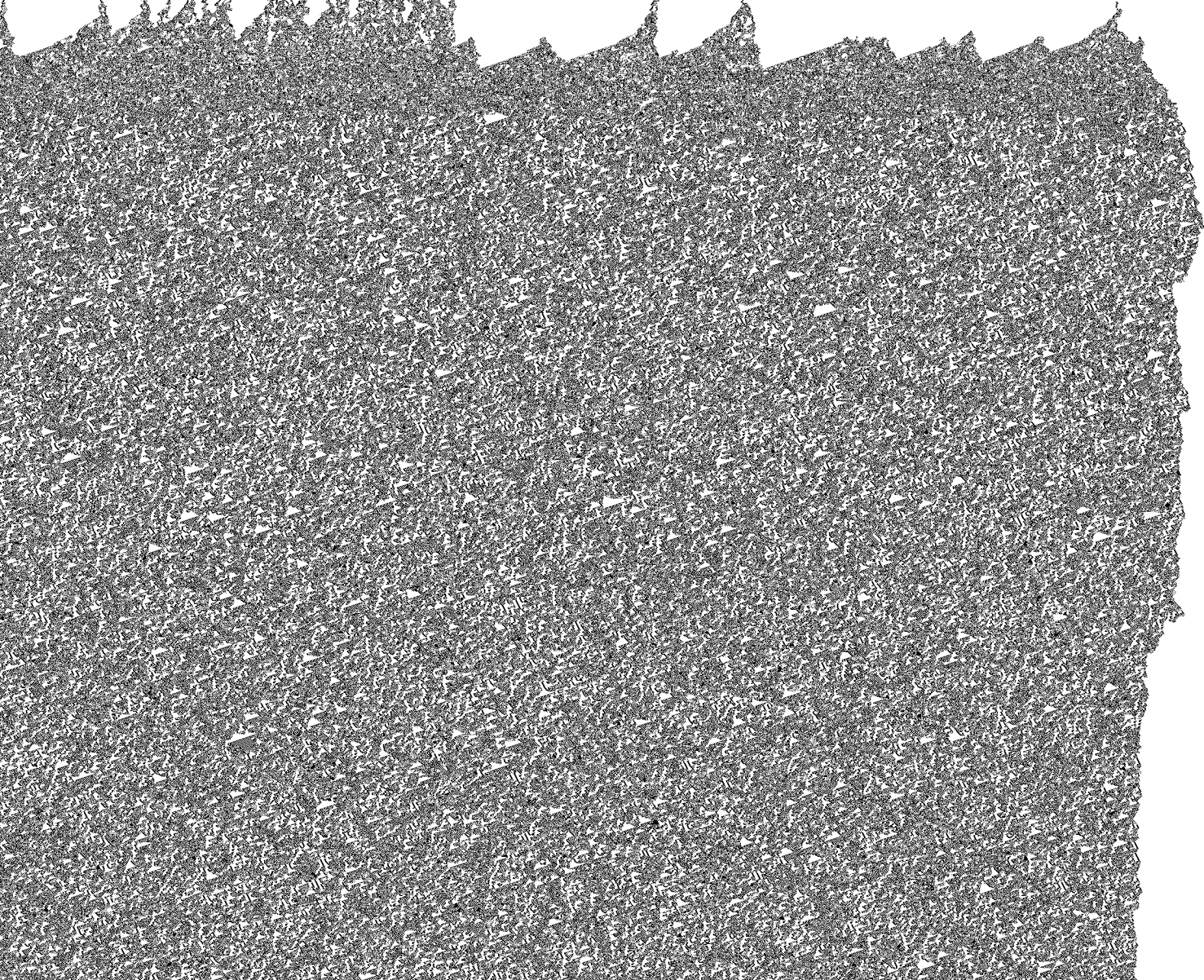
CASA Ratio %	19.11%	21.06%	25.67%	21.45%	27.12%
Profitability Ratios (%)					
RoE	15.33%	Negative	Negative	Negative	Negative
RoA	0.83%	Negative	Negative	Negative	Negative
NIM	2.85%	2.38%	1.65%	1.48%	1.65%
Net Interest Income (NII)	783	791	560	130	124



on October 02, 2019 on personal grounds. The Bank's other Board members with strong profile includes



Analytical Contacts	Investor Contacts
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sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings: Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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 reason.

