



LAKSHMI VILAS BANK

Secretarial Department

CIN L65110TN1926PLC001377

Ref/Sec/205 & 266/254/2018-2019

February 25, 2019

To

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	The General Manager Department of Corporate Services BSE Limited Listing Department Phiroze Jeejeeboy Tower Dalal Street, Fort Mumbai - 400 001 Security code no: 534690
--	--

Dear Sir,

Sub: Revision in Credit Rating of our Unsecured Redeemable Non-Convertible Subordinated Lower Tier II Bonds - Series VII (Option B)

Ref: INE694C08047

In compliance with the applicable regulations of SEBI (Listing Obligations and Disclosure Requirements) 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+**" to "**BWR BBB-**" (**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 review letter along with rationale provided by the rating agency for downward revision of rating are enclosed.

Thanking you,

Yours faithfully,

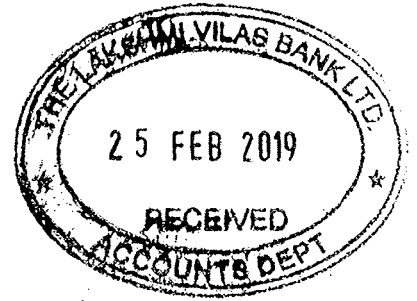
N Ramanathan
Company Secretary



Encl: As above.



SEBI Registered
RBI Accredited
NSIC Empanelled



BWR/ NCD//ERC/RB/0750/2018-19
February 21, 2019

The Managing Director,
Lakshmi Vilas Bank
No.4, Sardar Patel Road,
Guindy, Chennai - 600 032

Dear Sir,

Sub: Rating Review of **Lakshmi Vilas Bank** NCD issue of ₹. 50.50 Crores with a tenor up to 10 years

On review of **Lakshmi Vilas Bank** performance based on the information and clarifications provided by your Company as well as information available in the public sources, we inform you that Brickwork Ratings (BWR) has downgraded the rating of the **Lakshmi Vilas Bank NCD issue of ₹ . 50.50 Crores** as follows:

Instrument	Series	Amount (Rs.Cr)	Issue Date	Maturity Date	Previous Rating (July 2018)	Review Rating
Long Term Bonds	VII - Option B	50.50	10 Feb 2012	10 Feb 2022	BWR BBB+ (BWR Triple B Plus) (Outlook: Stable)	BWR BBB- (Pronounced BWR Triple B Minus) Credit Watch with Developing Implications

¹For Definition of ratings please refer our website www.brickworkratings.com

The Rating is valid for a period of one year or till the maturity of the instrument, whichever is earlier and is subject to terms and conditions that were agreed in your mandates, BWR letter BWR/NCD/HO/ERC/MM/2046/2018-19 dated July 23, 2018 and other correspondence, if any and Brickwork Ratings' standard disclaimer appended below. Brickwork would conduct surveillance periodically.



Brickwork Ratings India Pvt. Ltd.

3rd Floor, Raj Alkaa Park, Kalena Agrahara, Bannerghatta Road, Bengaluru - 560 076

Phone: +91 80 4040 9940 • Fax: +91 80 4040 9941 | info@brickworkratings.com • www.BrickworkRatings.com

Ahmedabad • Bengaluru • Chandigarh • Chennai • Coimbatore • Hyderabad • Kolkata • Mumbai • **Page 1 of 2**

CIN: U67190KA2007PTC043591



Lakshmi Vilas Bank, Chennai

Please note that Brickwork Ratings would need to be kept informed of any significant information/ development that may affect your Company's finances/ performance without any delay.

Please acknowledge.

Best Regards,



Rajat Bahl
Chief Analytical Officer & Head - Financial Institutions

Note: Rating Rationale of all accepted Ratings are published on Brickwork Ratings website. All non-accepted ratings are also published on Brickwork Ratings web-site . Interested persons are well advised to refer to our website www.brickworkratings.com, If they are unable to view the rationale, they are requested to inform us on brickworkhelp@brickworkratings.com.

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.

Brickwork Ratings India Pvt. Ltd.

3rd Floor, Raj Alkaa Park, Kalena Agrahara, Bannerghatta Road, Bengaluru - 560 076

Phone: +91 80 4040 9940 • Fax: +91 80 4040 9941 | info@brickworkratings.com • www.BrickworkRatings.com

Ahmedabad • Bengaluru • Chandigarh • Chennai • ~~Delhi~~ • Hyderabad • Kolkata • Mumbai • **Page 2 of 2**

CIN: U67190KA2007PTC043591



Rating Rationale

Lakshmi Vilas Bank

21Feb2019

Brickwork Ratings (BWR) downgrades the rating of Lakshmi Vilas Bank Ltd.'s Long Term Bonds amounting to ₹. 50.50 Cr

Particulars

Instrument	Issue Date	Previous Amount (₹ Crores)	Present Amount (₹ Crores)	Coupon	Maturity Date	ISIN Particulars	Review Rating*
NCD/Bonds Long Term bonds [Series VII - B]	10-Feb-2012	50.50	50.50	11.40%	10-Feb-2022	INE694C08047	BWR BBB- (Pronounced BWR Triple B Minus) Credit Watch with Developing Implications

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

Rating Downgraded

Rating under Credit Watch with Developing Implications

Rationale/Description of Key Rating Drivers/Rating sensitivities:

Brickwork Ratings has downgraded the rating of Lakshmi Vilas Bank's Long Term bond issue amounting to Rs.50.50 Cr from BWR BBB+ (Stable) to BWR BBB- (Credit Watch With Developing Implication)

Brickwork Ratings have relied on Lakshmi Vilas Bank's ('LVB' or 'the Bank') financial results upto Q3/9M FY19, publicly available information and other information/clarifications provided by the Bank.

The rating downgrade factors in the continued weak performance of the Bank since Q4/FY18 till Q3/ 9M FY19, in terms of decrease in business both in advances and deposits, operating loss incurred in Q3FY19, higher net loss for 9MFY19 as compared to full year FY18 net loss, weakening asset quality reflected through increased Gross NPA and Net NPA, higher provisions leading to the net loss and impacting the



capital adequacy. The CRAR as of December 31, 2018 is below that of March 31, 2018 and the capital adequacy ratio as of March 31, 2018 was below the regulatory requirement. Generating profit and maintaining CRAR as per regulatory requirement shall be the key rating sensitivities.

The rating is placed on Credit Watch with Developing Implication as the bank intends to infuse capital before the end of the current fiscal which will help meet the regulatory capital threshold and also bring the Net NPA below 6%. The timely infusion of capital will be a key rating sensitivity factor. Further, any restrictions by the regulator for servicing of the coupon or debt obligations on any of its existing bond issues remains a key monitorable.

Description of Key Rating Drivers

- **Credit Strengths:**

- The Bank has presence in Southern states of Tamilnadu, Andhra Pradesh, Telangana, Karnataka and Kerala.
- The Bank's CASA has increased from 21.06% in FY18 to 22.85% in 9MFY19
- Experienced Board members and senior management team are the core of this Bank. The Board has two nominee director from RBI

- **Credit Risks:**

- Continuing weak performance in terms business, earnings, asset quality since FY18.
- Business decreased by 9%, with decrease in advances by 11% and deposits by 8%, during 9MFY19.
- The Bank incurred an operating loss in Q3FY19 since operating loss of Q4FY18. For 9MFY19, the Bank made provisions of Rs.798 Cr (FY18: Rs.1306 Cr) and incurred a net loss of Rs.705Cr (FY18 net loss of Rs.585 Cr).
- GNPA has increased to Rs.3364 Cr as of 9MFY19 (FY18: Rs.2962 Cr) and Net NPA has increased to Rs.1716 Cr (FY18:Rs.1458 Cr); PCR is 55.93% (FY18: 55.07%)
- As of December 31, 2018 Capital adequacy ratios of CRAR @ 7.57% and Tier I @ 5.57% is below the ratios as of March 31, 2018. As of March 31, 2018 the bank had CRAR of 9.81% and Tier I of 8.05% The capital adequacy ratio of the Bank as of March 31, 2018 had declined below statutory requirement.

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).



About the Company

The Karur (Tamil Nadu) based Lakshmi Vilas Bank became a 'scheduled commercial bank' in August 1958. Since 1974 it started expanding its wings beyond Tamil Nadu. The Bank has its corporate office at Guindy, Chennai. As of September 30, 2018, the Bank has 569 branches with 1048 ATM's spread across 18 states and 1 Union Territory. Majority of its branches are in Southern states of Tamilnadu, Andhra Pradesh, Telangana, Karnataka and Kerala

Financial Performance

Business Performance: The Bank business has decreased by 9% for 9MFY19 at Rs. 54,910 Cr (FY18: Rs. 60,314 Cr). Deposit were at Rs.30,787 Cr (FY18: Rs.33,309 Cr) and Advances at Rs.24,123 Cr (FY18: Rs.27,005 Cr). Banks's CASA ratio as of December 31, 2018 stood at 22.85% (FY18: 21.06%)

Earnings Quality: Net interest income of the Bank is at lower levels of Rs.420 Cr for 9MFY19 (FY18: Rs. 791 Cr) Interest reversal due to high level of slippages is the main reason. Non Interest Income for 9MFY19 is at Rs.193 Cr (FY18: Rs. 347 Cr). Cost to Income ratio is high at 98.77% (FY18:68.76%). The bank has incurred an operating loss of Rs.25 Cr for Q3FY19 after generating operating profits of Rs.7 Cr and Rs.25 cr in previous two quarters of Q1 and Q2 respectively. Asset quality deterioration continues during 9MFY19 and have resulted in increased provisioning cost (excluding taxes) of Rs.798 Cr for 9MFY19 (FY18: Rs.1306 Cr and 9MFY18: Rs.368 Cr). The Bank has incurred a substantial loss of Rs.798 Cr for 9MFY19 against a net loss of Rs.585 Cr for FY18. Provision costs and non-interest income are key monitorables.

Asset Quality: As of December 31, 2018, the Bank's Gross NPAs increased to Rs.3364 Cr (FY18: Rs.2694 Cr). GNPA ratio for the bank has increased to 13.95% (FY18: 9.98%) while NNPA ratio is 7.64% (FY18: 5.66%) respectively. Higher recoveries and Potential slippages continue to be a key rating sensitivity. Provision Coverage Ratio stands at 55.93% (FY18: 55.07%).

Capital Adequacy: As of December 31, 2018 Capital adequacy ratios of CRAR @ 7.57% and Tier I @ 5.57% is below the ratios as of March 31, 2018. As of March 31, 2018 the bank had CRAR of 9.81% and Tier I of 8.05% The capital adequacy ratio of the Bank as of March 31, 2018 has declined below statutory requirement despite bank mobilising fresh equity of Rs.787 crore in January 2018. In terms of guidelines, the regulatory CRAR requirement for March 31, 2018 is 10.875% (including capital conservation buffer requirement)-, Tier I is 8.875% and CET-I is 7.375% (including capital conservation buffer requirement of 2.025%) respectively.

The Bank has been looking for various options of raising its capital since FY18 so as to above the regulatory requirement as of March 31, 2019. The regulator has relaxed capital adequacy requirements



including the capital conservation buffer for all banks to be achieved by March 31, 2020; the capital adequacy requirements as of March 31, 2019 remain to be at par as of March 31, 2018. As of September 30, 2018, the Bank has Liquidity Coverage ratio of 196.48 % and Basel III leverage ratio of 4.08%

LVB-Key Financial Indicators	2016	2017	2018	9MFY18	9MFY19
Total Deposits (Rs Cr)	25,431	30,553	33,309	30,620	30,787
<i>Deposit Growth (in %)</i>	<i>15.78%</i>	<i>20.14%</i>	<i>9.02%</i>		<i>0.55%</i>
Gross Advances (Rs Cr)	19,819	23,958	27,005	25,231	24,123
<i>Loans Growth</i>	<i>20.02%</i>	<i>20.88%</i>	<i>12.72%</i>		<i>-4.39%</i>
Total Business (Rs Cr)	45,250	54,511	60,314	55,851	54,910
<i>Business Growth</i>	<i>17.60%</i>	<i>20.47%</i>	<i>10.65%</i>		<i>-1.68%</i>
CASA Ratio %	17.36%	19.11%	21.06%	21.17%	22.85%
Profitability Ratios (%)					
RoE (%)	12.27%	15.33%	Negative	2.38%	Negative
RoA (%)	0.72%	0.83%	Negative	0.15%	Negative
NIM (%)	2.82%	2.85%	2.38%	2.37%	1.73%
Net Interest Income (NII) (Rs Cr)	645	783	791	670	420
Non Interest Income (Rs Cr)	305	503	347	308	193
Operating Profits (Rs Cr)	407	634	355	424	10
Provisions (other than tax) & contingencies (Rs Cr)	177	254	1306	368	798
PAT (Rs Cr)	180	256	-585	38	-705
Cost to Income Ratio (%)	57.14%	50.70%	68.76%	59.31%	98.87%
Asset Liability Profile (%)					
Gross NPAs to Advances	1.97%	2.67%	9.98%	5.66%	13.95%
Net NPAs to Advances	1.18%	1.76%	5.66%	4.27%	7.64%
Std Restructured Assets Portfolio as a % of Gross Advances	5.76%	2.09%	**	**	**
Gross NPA% + Restructured (Stressed Advances)	7.73%	4.76%	9.98%**	5.66%**	13.95%**
Provision Coverage Ratio (%)	68.55%	59.51%	55.07	46.75%	55.93%
CRAR (%)	10.67%	10.38%	9.81%	9.75%	7.57%
<i>Tier I (%)</i>	<i>8.69%</i>	<i>8.75%</i>	<i>8.05%</i>	<i>7.88%</i>	<i>5.57%</i>
<i>Tier II (%)</i>	<i>1.98%</i>	<i>1.63%</i>	<i>1.76%</i>	<i>1.87%</i>	<i>2.00%</i>

** is without including the standard restructured accounts; na: not available



Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	24-Jul-2018	31-Oct-2017	03-Oct-2016
1	Long Term bonds [Series VII - A]	Long term	199.50	-	Withdrawn	BWR A- (BWR A Minus) (Outlook: Stable) Reaffirmed	BWR A- (BWR A Minus) (Outlook: Stable) Upgrade
2	Long Term bonds [Series VII - B]	Long Term	50.50	BWR BBB- (BWR Triple B Minus) Credit Watch with Developing Implications Downgrade	BWR BBB+ (BWR Triple B Plus) (Outlook: Stable) Downgrade	BWR A- (BWR A Minus) (Outlook: Stable) Reaffirmed	BWR A- (BWR A Minus) (Outlook: Stable) Upgrade
Total			250.00	₹ Two Hundred Fifty Crores Only			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments
Any other information

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Banks and Financial Institutions

Analytical Contacts	Media
<i>Rajat Bahl</i> Chief Analytical Officer & Head - Financial Institutions	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	



For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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, 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 reasons.