



RATING RATIONALE

11 July 2024

Dhanlaxmi Bank Limited

Brickwork Ratings reaffirms and continues the long-term ratings for the Basel III Tier II Bonds of Rs.150.00 Crs. of Dhanlaxmi Bank Limited (DBL) in the Issuer Not Cooperating* category.

Particulars:

Instruments**	Amount (₹ Cr)		Tenure	Rating#	
	Previous	Present		Previous (13 July 2023)	Present
Basel III Tier II Bonds (Series XV -B)	150.00	150.00	Long Term	BWR BB /Stable Issuer Not Cooperating*/ Downgrade/ Resolution of rating watch	BWR BB /Stable/ Continues to be in Issuer Not Cooperating*/ Reaffirmed
Total	150.00	150.00	Rs. One Hundred and Fifty Crores Only		

*Issuer did not cooperate; based on best available information.

**Details of Bonds provided in Annexure II

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

Based on the strengthening of the Board and improvement in the financial performance of the Bank, the rating watch was resolved and a stable outlook assigned in July 2023. For more details refer BWR rationale dated [13 July 2023](#).

RATING ACTION

Brickwork ratings (BWR) took up with Dhanlaxmi Bank Ltd (DBL or the 'Bank') to provide the required information over emails and through telephonic communication. Despite the best efforts of Brickwork Ratings to get at least the minimum required information for a review, the Bank has not provided the same.

In absence of adequate information from the issuer and continued lack of management cooperation, Brickwork Ratings is unable to assess the issuer's financial performance and its ability to service its debt and maintain valid ratings. The Bank has not been submitting NDS to BWR since January 2023.

Based on inadequate information, non-submission of NDS regularly and continued lack of management cooperation, Brickwork Ratings has reaffirmed the long-term rating of Dhanlaxmi Bank Limited to 'BWR BB /Stable' and continued the rating in the Issuer Not Cooperating* category.

LIMITATION OF THE RATING

Information availability risk is a key factor in the assessment of credit risk as generally, non-cooperation by the rated entities to provide required information for a review of the assigned rating may also be accompanied by financial stress. Users of the credit rating should therefore



take into account possible deterioration in the credit quality of the rated entity arising from its non-transparency withholding of information required for a review of the rating.

The lenders/investors may note to exercise due caution while using the above rating which mentions "Issuer Not Cooperating" since the rating lack any projections or forward looking component as it is arrived at based on the best available information without any management/banker's interaction.

COMPANY PROFILE (As available with BWR)

Incorporated in 1927 at Thrissur, Kerala, Dhanlaxmi Bank (the bank) has a major presence in states of Kerala (58%), followed by Tamil Nadu (14%), 7% Maharashtra, 5% in Karnataka and remaining in other states. It has over 560 customer touch points including 261 branches, 282 ATMs and 17 BCs across, Metro Branches – 58, Urban Branches – 71, Semi-Urban Branches –112 and Rural Branches – 20 as on 31 Mar 2024. The Bank has its presence primarily in the southern region.

The bank was last rated on 13 July 2023 and the long-term rating was downgraded to “BWR BB /Stable” under the Issuer Not Cooperating category with a resolution of rating watch for the Basel III Tier II Bonds of Rs.150.00 Crs. of Dhanlaxmi Bank Limited (DBL).

The bank is led by MD and CEO Mr. Shivan J.K who has more than 37 years of experience in the banking industry. The RBI's approval for appointment of f Shri. Ajith Kumar K.K as MD & CEO is in place as per BSE notification dated 19 April 2024, they are awaiting Board meeting and Shareholder approval as per regulatory provisions.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED:

Basel III Bonds of this nature are susceptible to loss absorbency features as per the terms of the issue and RBI's extant guidelines. The key distinguishing feature of these bonds is the existence of the Point of Non-Viability (PONV) trigger and occurrence of such a PONV trigger event may at the option of the RBI be temporarily or permanently written - off, resulting in permanent loss of the principal to the investor and a default on the instrument to the investor. Basel III Tier II bonds are redeemable after 7 years from the deemed date of allotment with coupon servicing at annual intervals. The bonds are subject to the extant guidelines of the RBI applicable to Tier II Basel III-compliant bonds issued by banks.

KEY FINANCIAL INDICATORS (As available with BWR)

Key Financial Indicators	Units	FY22	FY23	FY24
Result Type		Audited	Audited	Audited
Total Business	Rs in Crs	20545	23206	24687
Net Interest Income	Rs in Crs	362	476	458
Net interest Margin	%	3.00	3.60	3.22
Profit After Tax	Rs in Crs	35.90	49.36	57.82
GNPA	%	6.32	5.19	4.05
NNPA	%	2.85	1.16	1.25
CRAR	%	12.98	12.32	12.71
CET I	%	10.31	10.55	11.36



NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: Nil

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]

S.I no.	Facility	Current Rating 2024			Rating History		
		Type	Amt in Rs.Crs	Rating	2023	2022	2021
1	Basel III Tier II Bonds (Series XV-B)	Long Term	150	BWR BB /Stable/ Continues to be in Issuer Not Cooperating*/ Reaffirmed	BWR BB /Stable Issuer Not Cooperating*/ Downgrade/ Resolution of rating watch	BWR BB+ CWDI (15-June-2022) BWR BB+ (Stable) (Reaffirmed) (03-Mar-2022)	BWR BB+ (Stable) (01-Mar-2021)
	Total		150				

COMPLEXITY LEVELS OF THE INSTRUMENTS - SIMPLE

For more information, visit

www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Banks & Financial Institutions](#)
- [Capital Instruments Issued by Banks & Financial Institutions](#)
- [What Constitutes Non-Cooperation](#)

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Dhanlaxmi Bank Limited

ANNEXURE I

Details of Bank Loan Facilities rated by BWR: NA

ANNEXURE II

INSTRUMENT (NCD/Bonds/CP/FDs) DETAILS :

Instrument	Issue Date	Amount Rs. Crs	Coupon Rate	Maturity Date	ISIN Particulars	Complexity
Basel III Tier II Bonds	29-Mar- 2018	150.00	11.00% payable half yearly	29-Mar-2025	INE680A08081	Simple@
	Total	150.00	Rupees One Hundred and Fifty Crores Only			

@www.brickworkratings.com/download/ComplexityLevels.pdf

ANNEXURE III

List of entities consolidated: NA

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