Lakshmi Vilas Bank rebounds 3% after falling 1% on rating downgrade

The rating downgrade factors in the continued weak performance of the bank since Q4/FY18 till Q3/9M FY19.

Lakshmi Vilas Bank shares rebounded nearly 3 percent intraday after falling over a percent since the opening trade Tuesday on rating downgrade by Brickwork.

The stock was quoting at Rs 57.25, up Rs 1.55, or 2.78 percent on the BSE, at 12:54 hours IST.

Brickwork Ratings has downgraded the rating of Lakshmi Vilas Bank's long term bond issue amounting to Rs 50.50 crore from BBB+ (stable) to BBB- (credit watch with developing implication).

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 rating agency said.

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, it added.

Brickwork said 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 percent.

"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," it added.