

**DhanlaxmiBank**

established 1927



# IDFC-SSKI Emerging Star Conference 2010

Mr. Bipin Kabra

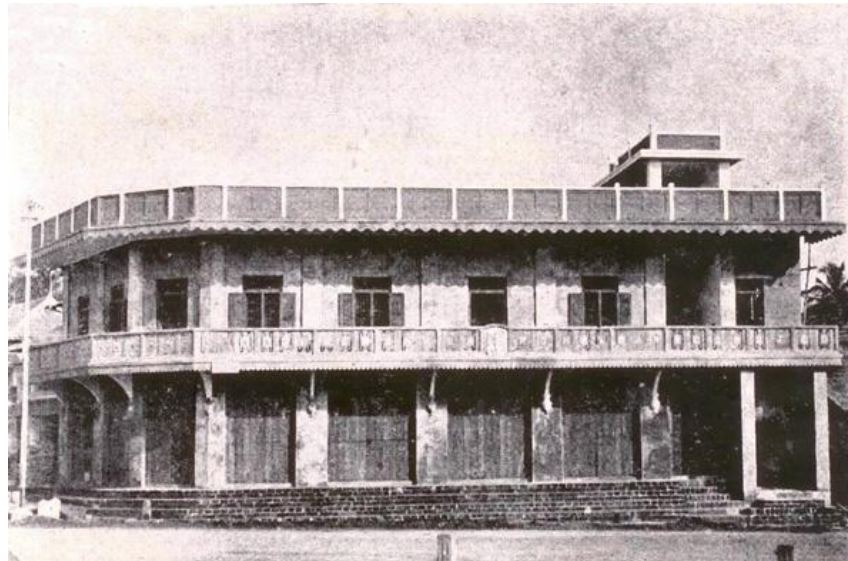
January 13, 2010

# Origin

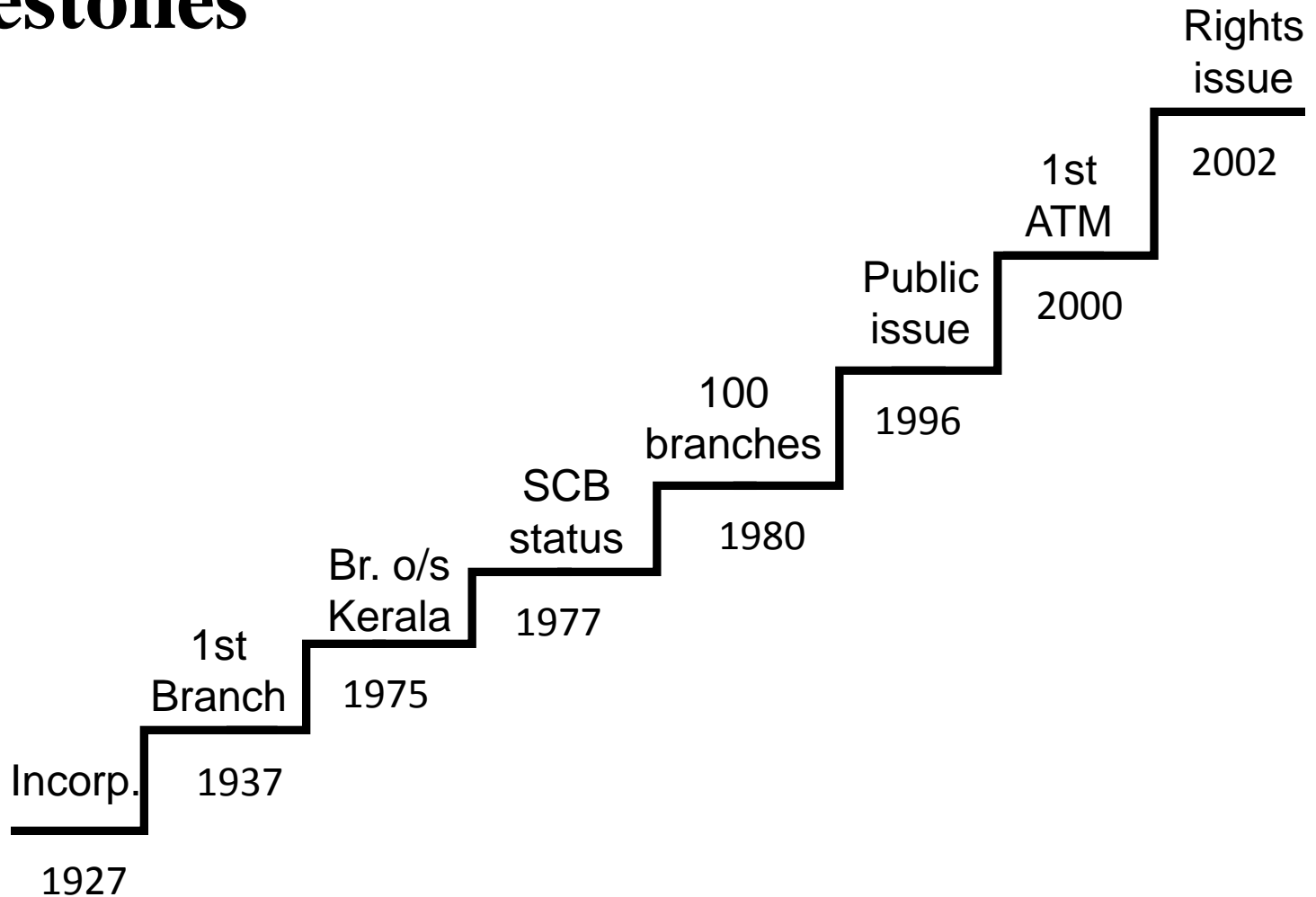
7 employees

Nov 14, 1927  
Trichur

Capital of  
11,000



# Milestones



# The distant past...

- Dependency in Kerala
  - *Banking business*
  - *Infrastructure*
  - *Employees*
- Reliance on SME segment
- High NPA level
- Low employee base and Higher age of employees
- 207 branches and 72 ATMs

# The Turning Point...

- As per RBI guidelines
  - Net worth of Rs. 300 crores
  - No single shareholder with control in excess of 10%
- Decline in holding by the largest shareholder from 37% to 10%
- Change in Board of Directors with induction of highly reputed professionals
- Rights issue made in April, 2008 at a price of Rs. 62 per share
- Revamp in the top and senior management with emphasis on proven industry credentials and execution capabilities

# Board of Directors

| Name   | Age | Total Work Experience  |
|--|-----|--|
| <b>Mr. G.N. Bajpai</b><br><br><b>Chairman</b>            | 66  | He has had a distinguished career in the Indian financial sector and is currently Director of Future Generali Life Insurance, Future Generali Insurance, Invent ARC Private Limited, Informerics Valuation and Rating Private Limited. He is the ex-chairman of Life Insurance Corporation & Securities Exchange Board of India (SEBI)   |
| <b>Mr. Amitabh Chaturvedi</b><br><br><b>MD &amp; CEO</b> | 41  | A Chartered Accountant by qualification having experience of over 18 years in the areas of Banking, Asset Management, Investment Banking. Life Insurance, General Insurance, Broking & Distribution. He was the Group President of Reliance Capital Limited and was in charge of financial services arm of Reliance ADA group. Prior to the Reliance Group, he was in charge of the Retail Banking group at ICICI. Mr. Chaturvedi was appointed on the Board of the Bank on October 10, 2008.  |
| <b>Mr. Shailesh Haribhakti</b>                           | 53  | A Chartered Accountant by qualification, he is the only Indian Member on the Standards Advisory council of the International Accounting Standards Board (IASB). He is the Chairman of FPSB, India. He is a Committee member of Futures & Options segment of NSE, SEBI Committee on Disclosure and Accounting Standards, Managing Committees of ASSOCHAM and IMC, and Corporate Governance Committees of ASSOCHAM and CII. He has been awarded “The Best Non Executive Independent Director Award - 2007” by the Asian Centre for Corporate Governance and IMC in January 2008. |

# Board of Directors (continued...)

| Name                                | Age | Total Work Experience   |
|-------------------------------------|-----|---|
| <b>Mr. S. Santhanakrishnan</b>      | 64  | Retired as Deputy Managing Director of SBI after serving them 36 years. An independent Director on Board. He was also the executive Chairman of Credit Information Bureau (India) Limited (CIBIL).  |
| <b>Mr. K. S. Reddy</b>              | 56  | He has been in Indian Civil Services for over 16 years and worked in Ministries of Planning and Programme Implementation, Food Processing Industries, Defense, Communications, Welfare and Tourism and Civil Aviation.  |
| <b>Mr. Vidyadhara Rao Chalasani</b> | 64  | An additional / independent director on board. He has over three decades experience in financial services. Currently, he is the Director of Advice America (California, USA). During 1987-2000, he was the chief investment strategist of Wachovia Securities.  |
| <b>Mr. Ghanshyam Dass</b>           | 57  | He was the Managing Director of NASDAQ QMX for Asia Pacific until February 2009. He was also the CEO of British Bank of Middle East in India and Majan International Bank in the Sultanate of Oman. Currently, he is the Senior Advisor of KPMG and Advisor, Intel Capital.   |
| <b>Mr. Sateesh Kumar Andra</b>      | 41  | He is on the board of start-ups like Metromela Internet Services Private Limited, Ginger Soft Media Private Limited, Pressmart India Limited and Metrikus India Private Limited, started by young and first generation entrepreneurs. He was the Promoter and CEO of EUCLID software, a leading provider of Business Intelligence for IT. He is engaged as venture partner with DFJ (Draper Fisher Jurvetson) India, which lends support to enterprising entrepreneurs. |



# Vision

Large Profitable “A” Rated Bank



Large

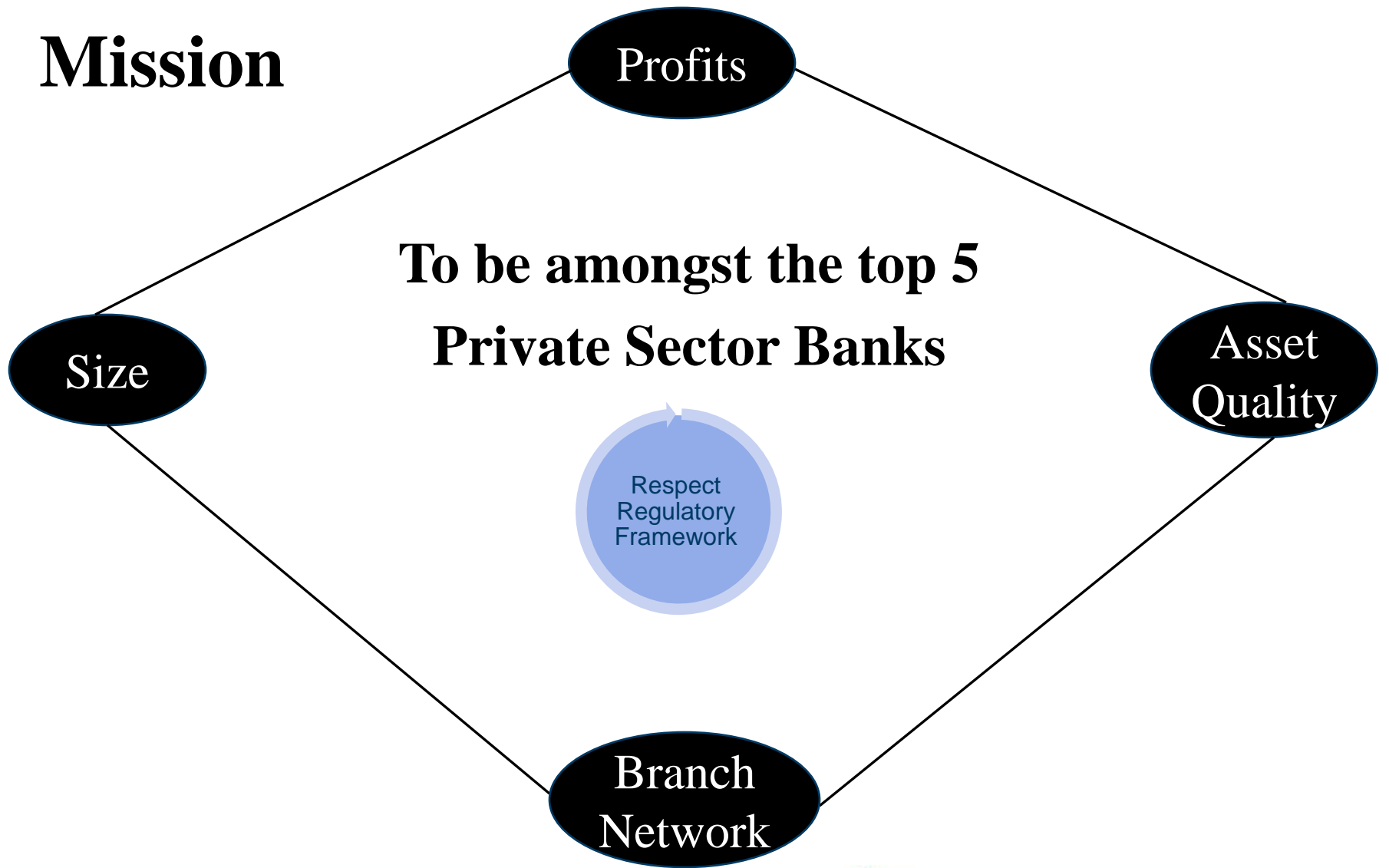


Profitable



A Rating

# Mission



# Objectives of the First phase

- To de-risk the existing portfolio
- To build platform
- To create a team
- To incorporate Next Generation Technology
  
- In essence, build a firm foundation for future growth

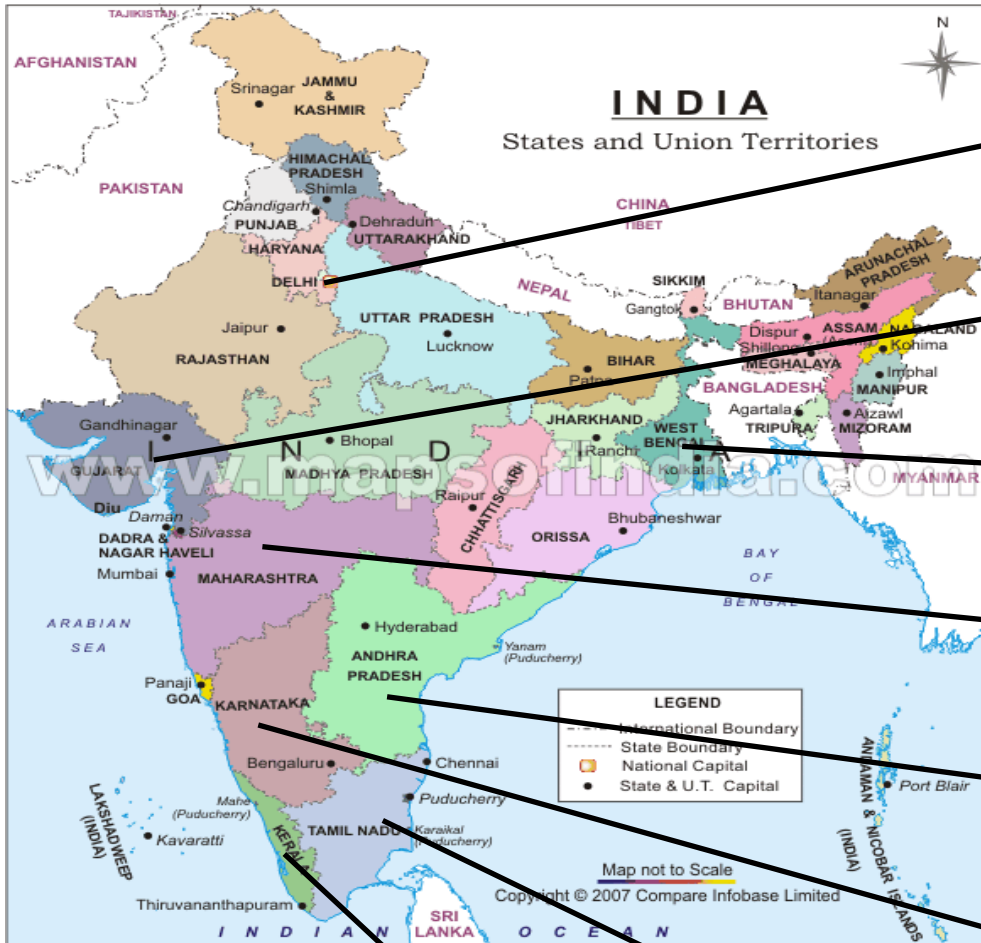
# Meeting the Objectives ... De-risk existing book

- De-risking the portfolio by
  - Increasing corporate book
- Entry into well known corporate houses
  - High volume, low margin, less risky portfolio

# Meeting the Objectives ... Build platform

- Building foundation by
  - Pan India presence - 66 new branches and 380 ATMs
  - New banking channels - Internet, call centre etc.
  - New Brand identity

# Geographical footprint by Mar 2010: 14 states



**Delhi - 10**

**Gujarat - 6**

**WB - 5**

**Maharashtra - 26**

**AP - 17**

**Karnataka - 12**

**Kerala - 149**

**TN - 38**

**South - 79%**

**Kerala - 55%**

**Regional Bank**



**All India Bank**



**Presence in 600 locations**

# Meeting the Objectives ... Create team

- More than doubled employee base (>2,500 hired in FY2010)
  - Average employee age reduced to 36 years (Nov 2009) from 48 years (Sept 2008)
  - Senior Management team
    - Recruited senior management from Industry
    - Formed core team of existing and new members
    - Stock options granted

# Senior Management

| Name                   | Designation               | Qualification | Previous Org.                   | Exp. |
|------------------------|---------------------------|---------------|---------------------------------|------|
| Mr. Amitabh Chaturvedi | MD & CEO                  | CA            | Reliance Capital, ICICI         | 18   |
| Mr. Bipin Kabra        | Chief Financial Officer   | ICWAI, CA     | Reliance Capital, ICICI, SBI    | 17   |
| Mr. Manish Kumar       | Head - HR & CSR           | PGDPM         | IDFC, Reliance, ICICI           | 15   |
| Mr. Rajeev Deoras      | Head - Wholesale Banking  | B.E., CAIIB   | Kotak Mahindra Bank, ICICI, SBI | 25   |
| Ms. Sheran Mehra       | Head - Marketing          | MBA           | Barclays, HSBC                  | 11   |
| Mr. Salil Datar        | Head - Branch Banking     | MMS           | ICICI                           | 19   |
| Mr. Deepak Singh       | Head - Insurance          | PGBM          | HDFC Sales                      | 14   |
| Ms. Jaya Janardanan    | Head - Operations         | M.Com, MFM    | Brics Online Services, ICICI    | 14   |
| Mr. S. Balasubramanian | Head - Trade & Advances   | CA            | Kotak Mahindra Bank             | 23   |
| Mr. Manish Sarraf      | Head - Treasury           | MBA           | Siemens, Citibank               | 17   |
| Mr. Anand Kumar Gupta  | Head - Alternate Channels | B.E.          | ICICI                           | 13   |
| Mr. Rajrishi Singhal   | Head - Policy & Research  | M.A.          | Economic Times                  | 24   |



# Senior Management (continued...)

| Name                   | Designation                 | Qualification                            | Previous Org.              | Exp. |
|------------------------|-----------------------------|--|----------------------------|------|
| Mr. Sachin Sikka       | AGM - New Delhi             | BA, MBA                                  | ICICI Bank                 | 10   |
| Mr. K.V. Ajay Kumar    | AGM - Karnataka             | B.Com.                                   | Kotak Mahindra Bank        | 15   |
| Mr. Parag Kothari      | Head - Investment Banking   | B.E., MFM                                | Cholamandalam DBS          | 19   |
| Mr. V. Venkat Krishnan | AGM - IT Projects           | MCA                                      | HSBC, ICICI                | 14   |
| Mr. Sachin Saraf       | AGM - Infrastructure        | Diploma in Int. Designing and Decoration | HSBC                       | 12   |
| Mr. Dilip Janardhanan  | AGM - Regional Head, T.N.   | MBA, AMFI, IRDA                          | Kotak Mahindra Bank        | 11   |
| Mr. P Balachendil      | AGM - Regional Head, Mumbai | B.E., CFA, PGDBA                         | Tata AIG General Insurance | 10   |
| Mr. P. S. Sankaran     | Dy. Zonal Head, Kerala      | MBA, CAIIB                               | IndusInd Bank              | 23   |
| Mr. Venugopal          | AGM - HR                    | MBA, MHRM, PGDCA                         | Reliance Capital           | 19   |
| Mr. Raj Gaurav         | AGM - HR                    | PGDM                                     | Canara HSBC Life Insurance | 10   |
| Mr. J. Renganathan     | DGM - Credit                | MLS                                      | SBI                        | 24   |

# Senior Management (continued...)

| Name                  | Designation                       | Qualification                                  | Previous Org.                     | Exp. |
|-----------------------|-----------------------------------|--|-----------------------------------|------|
| Mr. Lalit Gupta       | AGM - Corporate Banking           | MIB  | GE Capital                        | 12   |
| Mr. Rajesh Rajah      | AGM - NRI                         | PGDM   | ICICI Bank                        | 14   |
| Mr. Vishal Kukreja    | AGM - HR                          | MBA  | IDFC                              | 7    |
| Mr. Sureshkumar       | AGM - HR                          | MSW  | HDFC                              | 11   |
| Ms. Jayachandran      | Zonal Head - Kerala               | B.Com  | HDFC Bank                         | 9    |
| Mr. P.J. Manjunaath   | AGM - Credit                      | CAIIB,DBF                                      | IndusInd Bank                     | 30   |
| Mr. Kiran Deshwal     | AGM - Corporate Banking           | M.Sc., PG Dipl. in Agri. Business Mgmt., CAIIB | BNP Paribas                       | 7    |
| Mr. Ashok Gupta       | Zonal Head - West & East Zone     | MMS,CAIIB                                      | State Bank of India               | 27   |
| Mr. D. A. Dhananjaya  | Head - Broking & Distribution     | B.Com  | Reliance Money                    | 11   |
| Mr. M. Guruvayurappan | Regional Head - Corporate Banking | MBA  | ICICI Bank                        | 17   |
| Mr. M. Muralidharan   | Senior Advisor to MD & CEO        | M.A., CAIIB                                    | BRICS Online Services, ICICI, SBI | 24   |


# Meeting the Objectives ... Technology

- Bank carried out successful rollout of
  - Loan Flow software
  - Treasury Dealer Board and Core Treasury Solution
  - New accounting system (Oracle Financial)
  - Risk Management software
- Upgrade to the latest version of Flex Cube in process
- Moving to a Managed Data centre model
- Launched new website, Intranet and Internet banking

# The Journey so far ... Last 12 months

- Tier II capital of Rs. 150 crores to high net worth NRIs
- ATM outsourced to AGS adopting a use and pay model
- Insurance tie up with Bajaj Allianz
- Merchant Banking and Bankers to the Issue license obtained
- Higher Investment limits for FIIs/NRIs
  - from 24% to 49% for FIIs & 10% to 24% for NRIs

# The Journey so far ... Last 12 months

- CARE and ICRA upgraded rating for Tier II capital by two notches to A (minus)
- Top notch PR1+ rating from CARE for Certificate of Deposit
- “India’s Fastest Growing Mid-size Bank” by  on the basis of a KPMG survey
- Awarded Best bank in the private sector by the State Forum of Bankers’ Clubs at their Banking Excellence Awards
- Awarded “Best Employer Brand” among private sector banks by the Employer Branding Institute in Southern Region

# Shareholding Pattern as on Sept 30, 2009

| Stakeholders                    | (%)           |
|---------------------------------|---------------|
| Resident Individuals            | 43.55         |
| Foreign Institutional Investors | 23.30         |
| Corporate Bodies                | 23.34         |
| Non Resident Indians            | 5.46          |
| Banks / Financial Institutions  | 1.06          |
| Others *                        | 3.29          |
| <b>Total</b>                    | <b>100.00</b> |

*\* Includes insurance companies, Mutual funds, Trusts and Clearing members*

# Going forward ... Immediate plans

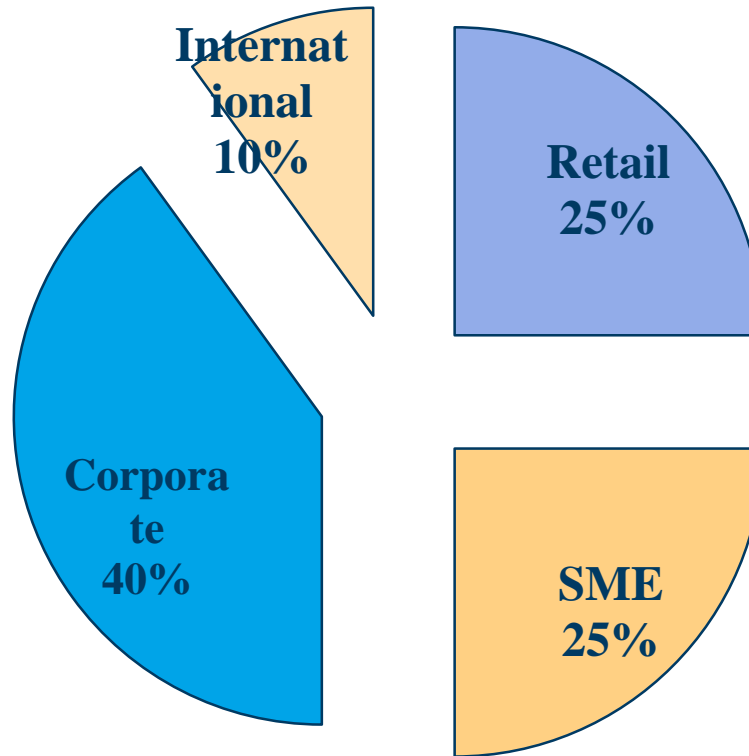
- To establish presence in segments such as
  - Asset Management
  - Venture Funds
- No Manufacturing of Insurance products

# Going forward ... Over next 5 years

- Specialised Bank
- Capital plans
- Fee based distribution
- Supply chain management



# Specialised Bank - No



# Capital plans to fund its ambitious growth

- Overall requirement of Rs. 3,000 crores next 5 years
  - To raise Rs. 200 crores of Tier II capital by March 2010
  - No capital dilution till June 2010

# Fee based distribution

- Leverage our Multichannel distribution network
  - Third party products Distribution
  - Mutual Fund, Insurance products
  - Bullion, IPOs, Demat, G-sec, E-broking, etc.
- Target 35% of the total revenue from fee income

# Financial Information

# Profit and Loss statement

*Rs. in crores*

| Particulars                   | H1 - 2010 | FY 2009 |
|-------------------------------|-----------|---------|
| Interest Income               | 244.3     | 408.4   |
| Interest Expenses             | 186.8     | 286.8   |
| Net Interest Income           | 57.5      | 121.6   |
| Non Interest Income           | 42.4      | 79.4    |
| Operating Expenses            | 75.8      | 113.1   |
| - <i>Of which Staff costs</i> | 44.2      | 62.6    |
| Provisions                    | 4.2       | 8.2     |
| Profit before tax             | 19.9      | 79.7    |
| Net Profit (after tax)        | 16.4      | 57.5    |

# Credit - Deposit Growth

*Rs. in crores*

| Particulars                 | Sept 30,<br>2009 | Sept 30,<br>2008 | Y-O-Y<br>growth | Mar 31,<br>2009 |
|-----------------------------|------------------|------------------|-----------------|-----------------|
| <b>CASA</b>                 | <b>1,244.9</b>   | <b>1,209.5</b>   | <b>3%</b>       | <b>1,207.6</b>  |
| <i>CASA (%)</i>             | <i>22%</i>       | <i>31%</i>       | <i>-</i>        | <i>24%</i>      |
| <b>Term Deposits</b>        | <b>4,384.6</b>   | <b>2,726.8</b>   | <b>61%</b>      | <b>3,761.1</b>  |
| <b>Total Deposits</b>       | <b>5,629.4</b>   | <b>3,936.2</b>   | <b>43%</b>      | <b>4,968.8</b>  |
|                             |                  |                  |                 |                 |
| <b>Total Advances (net)</b> | <b>4,001.8</b>   | <b>2,490.4</b>   | <b>61%</b>      | <b>3,196.1</b>  |

- Deposits increased by 43% vis-à-vis 20% expansion in the industry
- Growth in Advances (+61%) outpaced the industry growth of 11%

# Performance Ratios

| Particulars                    | Sept 30, 2009 | Mar 31, 2009 |
|--------------------------------|---------------|--------------|
| <b>Capital Adequacy Ratio</b>  |               |              |
| <i>Basel I (%)</i>             | <i>14.93</i>  | <i>14.44</i> |
| <i>Basel II (%)</i>            | <i>15.90</i>  | <i>15.38</i> |
| <b>Gross NPAs (Rs. in cr.)</b> | <b>70.26</b>  | <b>64.43</b> |
| <b>Net NPAs (Rs. in cr.)</b>   | <b>34.43</b>  | <b>28.24</b> |
| <b>Gross NPA Ratio (%)</b>     | <b>1.73</b>   | <b>1.99</b>  |
| <b>Net NPA Ratio (%)</b>       | <b>0.86</b>   | <b>0.88</b>  |

# Performance Ratios (continued...)

| <b>Particulars</b>              | <b>H1 - 2010</b> | <b>FY-2009</b> |
|---------------------------------|------------------|----------------|
| <b>Net Interest Margin (%)</b>  | <b>2.12</b>      | <b>2.97</b>    |
| <b>Cost / Income ratio (%)</b>  | <b>75.82</b>     | <b>56.26</b>   |
| <b>Credit Deposit Ratio (%)</b> | <b>74.17</b>     | <b>65.31</b>   |
| <b>Return on Equity (%)</b>     | <b>7.41</b>      | <b>13.53</b>   |
| <b>Return on Assets (%)</b>     | <b>0.54</b>      | <b>1.21</b>    |



# Best Change Management Story

*Thank You*