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The Wheel Spins: A year of revolution.

Report

Turn, turn, turn. Days change into months and months change into years. While the last year has been a turn of the wheel for some, for DCB the wheel has churned out a new dawn.

Last year a clarion call was sounded to put our shoulders to the wheel and it didn't go unheard. Enthusiasm shone, efforts poured in and the turnaround story has begun.

With inspiring leadership at the wheel, there is a renewed commitment towards service excellence amongst the employees, a higher level of customer satisfaction and a renewed confidence by investors. It's now time to *Feel the difference*.

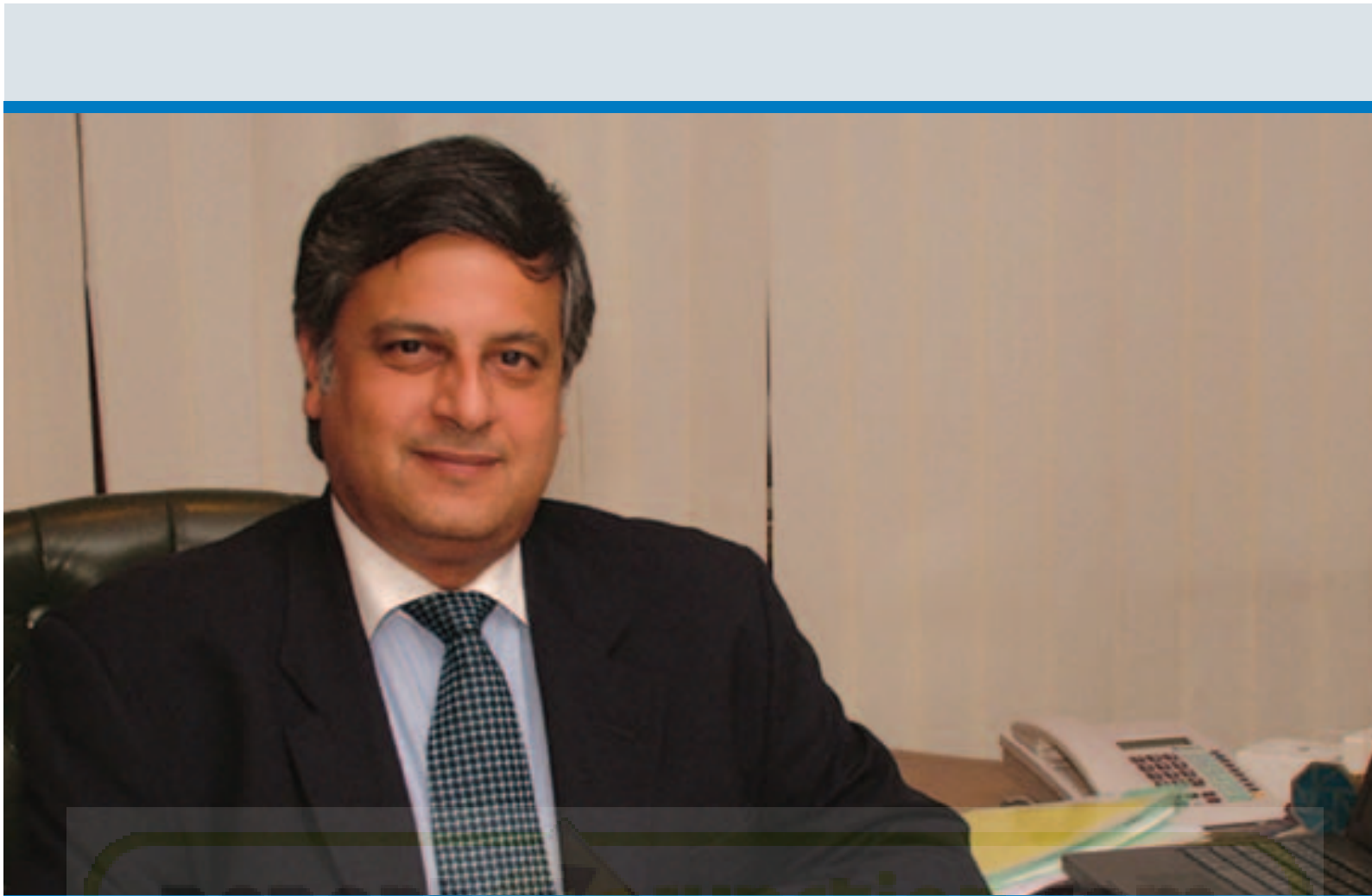
Development Credit Bank Ltd.



Development Credit Bank Ltd.

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Nasser Munjee

Chairman's Statement 2005-2006

Development Credit Bank Ltd.

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Development Credit Bank (DCB) has a long and distinguished history since its inception in the 1930s of being an amalgamation of several banks, over time, in the cooperative sector and of being the first Bank to migrate to scheduled bank status as a joint stock bank in May 1995. It was my privilege to take over the Chairmanship of DCB in August 2005 unfortunately at a time when the Bank was facing issues that threatened its very survival. Thanks to its chief promoter, AKFED, with a timely injection of capital, the Bank was able to cover its losses for fiscal 2005. It also signalled the need for shareholders to put in place an alternative strategy for its growth and prosperity. That task has devolved to me as Chairman and that is what we have attempted to do since September 2005.

DCB is essentially being entirely restructured and relaunched. It is being structured to be a first class small bank with a limited geographical focus of attention with the best in class customer service delivery in all its existing and new products and processes. Its governance paradigm is being re-crafted for timely and zero-default compliance to both regulators as well as its shareholders and the Board. The latter is being restructured to have well considered names in the business so that the Bank can derive the best experience base in the industry. The senior management team - barring one person - has been entirely recast with experienced professionals from across the industry and they in turn have put in place new skill sets in middle management which will help build the new delivery platform for the Bank through its branches and outreach programmes. Most important of all a new CEO with the relevant background and experience will manage this transformation. He has done a remarkable job in a relatively short span of time.

During this past year since August 2005, DCB has experienced this transformation. Net NPAs at 6.3% have declined to 4.5% with a provision coverage ratio of 70.5% up from 53.7%. While we halved the loss for the fiscal year 2005-06 to Rs. 85 crores, this includes heavy provisioning for past problems leaving the Bank clear to use its fresh capital raising efforts to leverage growth. An aggressive business plan has been put in place for 2006-07, which has partly suffered as the Bank was unable to put its capital raising plans into effect in time and the markets since then have lost a lot of ground. Most important of all, the Bank has become profitable again in the first quarter of this fiscal year and it intends to remain so for the foreseeable future.

On the basis of this turnaround story, DCB attracted Rs. 52 crores of private equity capital in February 2006 thus restoring its capital adequacy and preparing it for its Initial Public Offering (IPO), which was

scheduled for April this year. Unfortunately owing to the pending Supreme Court Judgment on a long outstanding matter raised by one of our shareholders we were unable to receive all our permissions from regulators on time. Markets crashed in May 2006 and despite our winning the Supreme Court Case and receiving all outstanding permissions, DCB was unable to launch its IPO. I am happy to say at this stage that DCB proposes to launch its IPO in August 2006. This will give your Bank the critical size it needs to complete the process of restructuring and relaunching its operations in all its chosen areas of activity. It has taken exactly one year to ensure that the Bank is in a position to undertake an IPO and drive its business model over the next two years.

All our shareholders and clients can look forward to a new and professional bank. The three pillars on which it rests are Integrity, Professionalism and Confidentiality. The Bank will simply not compromise on breaches of any of these three principles. It is committed to innovation in its products and the manner in which they are delivered to customers; with the stress on innovation. The Bank has already launched a number of these products such as the Free Style Savings Account, M-Power Current Account and more will follow. In terms of its lending strategy it will concentrate on the SME sector in which many of our existing clients are drawn. Nine to Nine Banking is designed to assist precisely these clients. I would like to thank our existing clients for being rigidly loyal to the Bank even in difficult times. It is your support that has helped the Bank re-emerge with greater strength and fortitude. Soon many more clients will join the Bank as well as many new shareholders and together we will forge a bank of distinction of which we can all be proud.

In conclusion, let me say that the future of the Bank will lie in us working together, as shareholders, customers, employees and management to build a bank of excellence and consequence. Our aim is to be an exemplar in service and products and to contribute to the nation in whatever manner we can. Our commercial nature is being restored; if this can be done with one eye on "development" of people in our constituency of customers it would be a real contribution. The Bank is currently examining a number of possibilities, including a major contribution to microfinance in its priority sector portfolio which not only meets its regulatory requirements and is profitable but also supports the real economic needs of our constituents.



Nasser Munjee
Chairman

Place: Mumbai
Date: July 25, 2006





Board of Directors

CHAIRMAN

MR. NASSER MUNJEE (w.e.f. 12-08-2005)
DR. N. I. PADAMSEE (up to 12-08-2005)

DIRECTORS

MS. NASIM DEVJI
MR. SHABIR KASSAM (w.e.f. 10-01-2006)
DR. VIJAY KELKAR
MR. A. H. MANEKIA
MR. R. A. MOMIN
MR. A. A. SABUWALA
MR. NARAYAN K. SESHADRI
MR. ANUROOP SINGH
MR. IAIN CHEYNE (up to 31-12-2005)
MR. FREDERIC LUCIEN (up to 31-12-2005)
(Alternate to Mr. Iain Cheyne)
MR. JOHN HARRIS (up to 30-12-2005)
MR. M. M. FURNITUREWALA (up to 19-12-2005)

MANAGING DIRECTOR & CEO

MR. GAUTAM VIR (w.e.f. 13-09-2005)

SENIOR MANAGEMENT

MR. ADIL KASAD, CFO
MR. HARIHAR KRISHNAMOORTHY, HEAD - TREASURY
MR. D. K. VASAL, HEAD - LEGAL & COMPLIANCES
MR. R. VENKATESH, HEAD - HUMAN CAPITAL
MR. PRAVIN BATRA, HEAD - CORPORATE & BUSINESS BANKING
MR. P. N. VASUDEVAN, HEAD - CONSUMER BANKING
MR. PARAG PATANKAR, CHIEF OPERATIONS & TECHNOLOGY OFFICER
MR. BHUPENDRA JAIN, CHIEF CREDIT & RISK OFFICER

COMPANY SECRETARY

MR. H. V. BARVE

STATUTORY AUDITORS

M/S. N. M. RAIJI & CO., MUMBAI

