



MOMENTUM

DCB BANK

Development Credit Bank Limited • ANNUAL REPORT 2012-13

DCB Bank Branch Network



Map not to scale.
Only for graphical representation

States	Branch Network
Andhra Pradesh	10
Goa	4
Gujarat	17
Haryana	1
Karnataka	4
Kerala	1
Madhya Pradesh	3
Maharashtra	35
Odisha	3
Punjab	1
Rajasthan	1
Tamil Nadu	2
Uttar Pradesh	1
West Bengal	3
Union Territories	
Daman	1
Dadra & Nagar Haveli	1
National Capital Region (NCR)	
New Delhi	6

Contents

DCB Bank Company Information	02
Chairman's Statement	03
Notice to Members	04
Directors' Report	11
Corporate Governance	20

Auditors' Report	34
Balance Sheet	36
Profit & Loss Account	37
Cash Flow Statement	38
Schedules	39
Basel II	72
Attendance & Proxy Form	81

Vision

Our vision is to be the most innovative and responsive neighbourhood community Bank in India serving entrepreneurs, individuals and businesses.

Values

Treat Everyone with Dignity – Respect

Do What is Right – Ethical

Be Open & Transparent – Fair

Sense of Urgency, Passion & Energy – Dynamic

Go the Extra Mile, Find Solutions – Stretch

Improve Continuously – Excellence

Play as a Team, To Win – Teamwork

Support the Society – Contribute

Momentum



Linear momentum possesses both direction as well as magnitude. DCB has reinvented itself over the past few years and has succeeded in gaining momentum in a predetermined direction. This is what we have achieved - the Art of the Possible, which was the theme of last year's annual report. As this momentum continues to

increase, it carries the potential to have a much bigger positive result.

COMPANY INFORMATION

Board Of Directors

Mr. Nasser Munjee
Chairman

Mr. Murali M. Natrajan
Managing Director & CEO

Mr. Altaf Jiwani

Mr. Amin Manekia

Mr. Suhail Nathani

Mr. Sukh Dev Nayyar

Mr. Darius Udawadia

Mr. Imran Contractor
w.e.f. October 12, 2012

Mr. Keki Elavia
w.e.f. October 12, 2012

Mr. C. Narasimhan
w.e.f. October 12, 2012

Mr. Nalin Shah
w.e.f. October 12, 2012

Mr. S. Sridhar
w.e.f. October 12, 2012

Mr. Jamal Pradhan
w.e.f. January 15, 2013

Mr. Narayan K. Seshadri
upto 29-09-2012

Mr. A. A. Sabuwala
upto 12-10-2012

Mr. R. A. Momin
upto 12-10-2012

Ms. Nasim Devji
upto 12-01-2013

Senior Management Team

Mr. Murali M. Natrajan
Managing Director & CEO

Mr. Bharat Sampat
Chief Financial Officer

Mr. Abhijit Bose
Head Retail Assets & Strategic Alliances

Mr. J. K. Vishwanath
Chief Credit Officer

Mr. Praveen Kutty
Head Retail & SME Banking

Mr. Rajesh Verma
Head Treasury, Corporate Banking,
FIG & Trade Finance

Mr. Ravi Kumar
Chief Internal Auditor

Mr. R. Venkatesh
Head HR, Technology & Operations

Mr. Sachin Patange
Chief Compliance Officer

Mr. Sridhar Seshadri
Financial Controller

Company Secretary

Mr. H. V. Barve

Statutory Auditors

B S R & Co.
Chartered Accountants, Mumbai

Registered Office

Development Credit Bank Limited
601 & 602, Peninsula Business Park,
6th Floor, Tower A,
Senapati Bapat Marg, Lower Parel,
Mumbai 400 013

CHAIRMAN'S STATEMENT 2012-2013

A Satisfying Year

The Indian Economy: last year was characterized by a tightening of monetary policy to combat inflation. The liquidity conditions also remained difficult throughout the year. Due to domestic and international challenges, economic activity and growth got impacted. It appears that bold government policy initiatives may be required as soon as possible to encourage investment and regain growth trajectory.

In an adverse economic environment, DCB continued to perform well and delivered a strong growth in Balance Sheet and profitability. We continued to pursue retail deposits and secured lending. Prudent lending and timely portfolio actions helped to contain NPAs in a difficult year. The Bank's net NPA was below one percent and provision coverage ratio was 85.7%.

This year, the Bank crossed three major benchmarks. The Balance Sheet size crossed the ₹ 10,000 crore mark to close at ₹ 11,279 crore; Net worth crossed the important ₹ 1000 crore mark to close at ₹ 1,003 crore and our Profit After Tax crossed the ₹ 100 crore mark to close at ₹ 102 crore. DCB has delivered three years of continuous profitability and we hope to build on this momentum even further in the coming years.

In a year when capital raising was not easy, DCB raised Tier I capital of ₹ 40.62 crore through Preferential Allotment. The Bank's Capital Risk Adequacy Ratio (CRAR) stood at 13.61. CRISIL has upgraded the Bank's Long Term rating to A-/Stable and Short Term rating to A1+. The rating upgrade is a result of consistent delivery and step-by-step improvement over the past many quarters by the Bank. Both these events reflect the comfort external investors as well as rating agencies have placed on DCB's performance. Twenty nine investment analysts are now tracking DCB and most of them have made positive observations.

Institutional Development

Performance is a function of the culture and passion of an institution. The results we see today is an outcome of the enormous efforts that have been placed on developing a distinctive "DCBian" culture. The selection of personnel, their induction, training, value systems are all part of a carefully planned process that is currently being evolved in the Bank. The Human Resource (HR) development initiatives undertaken at DCB are second to none. They involve all aspects of human development and this effort is now laying the foundations for a very unique institution for the future. DCB was awarded as "Great Place to Work" in the study conducted by Great Place to Work Institute.

During the year, DCB relocated to its new owned Corporate Office premises at Peninsula Business Park in Lower Parel. To mark this historic occasion, we invited Prince Rahim Aga Khan to India to be present during the inauguration. We are very grateful to Prince Rahim having readily agreed to be in India with us for this purpose. Subsequently, our back office operations and technology office which was located in Vikhroli was also co-located to Peninsula Business Park. The close proximity of operations and Corporate Office is likely to help speed up internal decision making and improve customer service substantially. Our new owned premises is the physical embodiment of a new institutionalization that is currently taking place at DCB.

Creating a great place to work and a conducive physical office space are designed for a single purpose: our customer. The entire focus of attention of the organization is to strive to give DCB's customers the best personalized banking service possible. In order to achieve this goal, we need highly trained and sensitive frontline staff armed with a back office that can deliver in the most efficient manner possible. We have been working very hard on this and we hope this year to ensure we meet our own rigorously set service standards. As Chairman, I have taken it upon myself to meet our customers both in organized meetings as well as at branches in order to assess for myself our progress in meeting the goals we ourselves have established. One thing we will always strive for: fixing problems as they arise and listening to our customers for a better and more personalized delivery of banking services using the best technology at our disposal.

Momentum

The theme of this year's annual report is "momentum". We feel we have built momentum to break out of a cycle we found ourselves in some years ago. I firmly believe we are now in a much better position which can only strengthen as we continue to execute our plans with discipline and care. Linear momentum possesses both direction as well as magnitude. DCB has reinvented itself over the past few years and has succeeded in gaining momentum in a predetermined direction. As we continue to increase this momentum we are confident of taking on greater challenges as we look into the future.

Nasser Munjee

Chairman

April 12, 2013

NOTICE TO MEMBERS

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Members of DEVELOPMENT CREDIT BANK LIMITED (“the Bank”) will be held at Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai 400 020 on Wednesday, June 05, 2013 at 2.30 p.m. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2013 and the Audited Profit and Loss Account of the Bank for the financial year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Suhail Nathani, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Amin Manekia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors of the Bank and authorize the Board of Directors of the Bank to fix their remuneration and in that connection to consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:-

“RESOLVED THAT pursuant to approval of the Reserve Bank of India (“RBI”) and pursuant to Section 224 and other applicable provisions, if any, of the Companies Act 1956 including any statutory modification or re-enactment thereof for the time being in force, M/s. B S R & Co., Chartered Accountants (Registration No.101248W) be and are hereby appointed as the Statutory Auditors of the Bank, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Bank at a remuneration and on the other terms and conditions as may be fixed by the Board of Directors.”

Special Business:**5. Appointment of Branch Auditors**

To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:-

“RESOLVED THAT pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification or re-enactment thereof for the time being in force (“the Act”) the Board of Directors of the Bank be and is hereby authorized to appoint, in consultation with the Statutory Auditors, such person who is qualified to be appointed as Auditor of the Bank under Section 226 of the Act, as the Branch Auditors as and when required, to audit the accounts in respect of the Branch Offices of the Bank; at a remuneration and on the other terms and conditions as may be fixed by the Board of Directors.”

6. Appointment of Director Mr. Imran Contractor

To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:-

“RESOLVED THAT Mr. Imran Contractor, who was appointed as an Additional Director of the Bank by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and who holds office only upto the date of this Annual General Meeting and in respect of whom a notice in writing under Section 257 of the said Act has been left at the Registered Office of the Bank by a member signifying his intention to propose him as a candidate for the office of Director, be and is hereby appointed as a Director of the Bank.”

7. Appointment of Director Mr. Keki Elavia

To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:-

“RESOLVED THAT Mr. Keki Elavia, who was appointed as an Additional Director of the Bank by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and who holds office only upto the date of this Annual General Meeting and in respect of whom a notice in writing under Section 257 of the said Act has been left at the Registered Office of the Bank by a member signifying his intention to propose him as a candidate for the office of Director, be and is hereby appointed as a Director of the Bank.”

8. Appointment of Director Mr. C. Narasimhan

To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:-

“RESOLVED THAT Mr. C. Narasimhan, who was appointed as an Additional Director of the Bank by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and who holds office only upto the date of this Annual General Meeting and in respect of whom a notice in writing under Section 257 of the said Act has been left at the Registered Office of the Bank by a member signifying his intention to propose him as a candidate for the office of Director, be and is hereby appointed as a Director of the Bank.”

9. Appointment of Director Mr. Nalin Shah

To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:-

“RESOLVED THAT Mr. Nalin Shah, who was appointed as an Additional Director of the Bank by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and who holds office only upto the date of this Annual General Meeting and in respect of whom a notice in writing under Section 257 of the said Act has been left at the Registered Office of the Bank by a member signifying his intention to propose him as a candidate for the office of Director, be and is hereby appointed as a Director of the Bank.”

10. Appointment of Director Mr. S. Sridhar

To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:-

“RESOLVED THAT Mr. S. Sridhar, who was appointed as an Additional Director of the Bank by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and who holds office only upto the date of this Annual General Meeting and in respect of whom a notice in writing under Section 257 of the said Act has been left at the Registered Office of the Bank by a member signifying his intention to propose him as a candidate for the office of Director, be and is hereby appointed as a Director of the Bank.”

Section 260 of the Companies Act, 1956 and who holds office only upto the date of this Annual General Meeting and in respect of whom a notice in writing under Section 257 of the said Act has been left at the Registered Office of the Bank by a member signifying his intention to propose him as a candidate for the office of Director, be and is hereby appointed as a Director of the Bank.”

Place: Hyderabad
Date: April 12, 2013

By Order of the Board of Directors
For Development Credit Bank Limited

11. Appointment of Director Mr. Jamal Pradhan

To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:-

“RESOLVED THAT Mr. Jamal Pradhan, who was appointed as an Additional Director of the Bank by the Board of Directors pursuant to

Registered Office:
601 & 602,
Peninsula Business Park,
6th floor, Tower A,
Senapati Bapat Marg,
Lower Parel, Mumbai 400 013.

H. V. Barve
Company Secretary

NOTES:

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE BANK.
- 2) The instrument appointing the proxy, in order to be effective, should be duly stamped, completed and signed and deposited at the Registered Office of the Bank not less than 48 hours before the commencement of the meeting.
- 3) MEMBER / PROXY SHOULD BRING THE ATTENDANCE SLIP SENT HERewith, DULY FILLED IN, FOR ATTENDING THE MEETING.
- 4) An Explanatory Statement required under Section 173(2) and other applicable provisions, if any, of the Companies Act, 1956 in respect of the businesses at item nos. 5 to 11 of the Notice is annexed hereto.
- 5) The Register of Members and Share Transfer Books of the Bank will remain closed from Wednesday, May 29, 2013 to Wednesday, June 05, 2013 (both days inclusive).
- 6) Members holding shares in physical form are requested to address all their correspondence including change of address, mandates etc. to the RTA viz. M/s. Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078, and Members holding shares in dematerialised form should approach their respective Depository Participants for the same.
- 7) “GO GREEN” initiative of the Ministry of Corporate Affairs (MCA):

The Ministry of Corporate Affairs (MCA) has vide Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011 announced a “Green Initiative in Corporate Governance” allowing companies paperless compliance by sending documents to shareholders through electronic mode to the registered e-mail addresses of shareholders.

This is a welcome move as it will benefit the society at large through reduction in paper consumption and contribution towards a greener environment. The Bank has started sending correspondence and documents such as Notices of General Meetings, Annual Reports and other shareholder communications to the shareholders in electronic form to their respective e-mail address registered with Depository Participant.

The members who are holding shares in demat form and have not yet registered their e-mail IDs, are requested to register their e-mail IDs with their Depository Participant at the earliest, to enable the Bank to use the same for serving documents to them electronically, hereinafter. Members holding shares in physical form may kindly provide their e-mail IDs to the RTA sending an e-mail at dcbbankgogreen@linkintime.co.in or to the Bank at investorgrievance@dcbbank.com.

Please note that as a member of the Bank, you will be entitled to be furnished, free of cost, a printed copy of the Annual Report and other documents of the Bank, proposed to be sent through e-mail, upon receipt of a requisition from you, at any time. The Annual Reports of the Bank and other documents proposed to be sent through e-mail would also be made available on the Bank’s website:

<http://www.dcbbank.com/about/financials.html> and
http://www.dcbbank.com/about/investor_relations.html respectively.

We are sure you would appreciate the Go Green Initiative taken by MCA. We solicit your patronage and support in helping the Bank to implement the e-governance initiatives of the Government. Those shareholders who have though registered e-mails with DP, but written to the Bank / RTA for receipt of communication in physical form will be sent this notice physically.

Details of Directors seeking Re-appointment / Regular Appointment in the Annual General Meeting scheduled on Wednesday, June 05, 2013
(Pursuant to Clause 49 (IV) (G) (i) of the Listing Agreement)

Name of Director	Mr. Suhail Nathani	Mr. Amin Manekia	Mr. Imran Contractor	Mr. Keki Elavia
Date of Birth	03-05-1965	16-06-1961	16-10-1961	09-04-1946
Date of Appointment	29-01-2009	12-01-2012	12-10-2012	12-10-2012
Expertise in Specific Functional area	Corporate & Commercial laws, Private Equity and International Trade	Co-operation, Finance, Marketing & Banking	Finance, Investments and Software Technology	Accountancy, Audit and Finance
Qualification	M.A. in Law from Cambridge University and LL.M from Duke University	B.com, MBA, Babson College, USA	B.Com, Chartered Accountant, Cost Accountant and holder of Certificate in Software Technology from NCST	B.Com, Chartered Accountant
Board Membership of other Public Limited companies as on March 31, 2013	2	1	NIL	11
Chairman/ Member of the Committee of the Board of Directors of the Bank as on March 31, 2013	Member: 1. Executive Committee 2. Capital Raising Committee	Chairman: 1. Shareholders' Grievance Committee 2. Customer Service Committee Member: 1. Audit Committee 2. Risk Management Committee 3. Nomination & Remuneration Committee	Member: 1. Credit Committee 2. IT Strategy Committee	Chairman: 1. Audit Committee 2. Risk Management Committee 3. Fraud Reporting & Monitoring Committee Member: 1. Capital Raising Committee 2. Nomination & Remuneration Committee
Chairman/ member of the Committee of Directors of other Public Limited Companies in which he is a Director as on March 31, 2013.				
a. Audit Committee	Member: Phoenix Mills Ltd.	Member: IVP Ltd.	NIL	Chairman: 1. Grindwell Norton Ltd. 2. Godrej & Boyce Mfg. Co. Ltd. 3. Allcargo Logistics Ltd. 4. Uni Abex Alloy Products Ltd. Member: 1. NRB Bearings Ltd. 2. Goa Carbon Ltd. 3. Insilco Ltd 4. Dai-ichi Karkaria Ltd. 5. Peerless Trust Management Company Ltd.
b. Shareholders' Grievance Committee	NIL	NIL	NIL	NIL
c. Other Committees	1	1	NIL	9
Number of Shares held in the Bank as on March 31, 2013.	NIL	17,303	4575	NIL

Name of Director	Mr. C. Narasimhan	Mr. Nalin Shah	Mr. S. Sridhar	Mr. Jamal Pradhan
Date of Birth	04-07-1951	13-02-1947	09-05-1951	14-12-1968
Date of Appointment	12-10-2012	12-10-2012	12-10-2012	15-01-2013
Expertise in Specific Functional area	Banking, Investment and M&A	Accountancy, Audit and Finance	Banking	SSI and Exports
Qualification	B.Sc., M.B.A.	B.Sc. (Bus. Admn.) (USA), FCA (England), FCA (India)	M.Sc., CAIIB, Dip. in Systems Mgmt.	B.Com, OPM42 from Harvard Business School in 2012 (executive education program - Owner President Management Program)
Board Membership of other Public Limited companies as on March 31, 2013	NIL	2	3	NIL
Chairman/ Member of the Committee of the Board of Directors of the Bank as on March 31, 2013	Chairman: IT Strategy Committee Member: 1. Credit Committee 2. Risk Management Committee 3. Fraud Reporting & Monitoring Committee	Member: 1. Audit Committee 2. Shareholders' Grievance Committee	Member: 1. Credit Committee 2. Capital Raising Committee 3. Nomination & Remuneration Committee 4. Customer Service Committee	Member: 1. IT Strategy Committee 2. Customer Service Committee
Chairman/ member of the Committee of Directors of other Public Limited Companies in which he is a Director as on March 31, 2013.				
a. Audit Committee	NIL	Chairman: EIMCO Elecon (India) Ltd. Member: Artson Engineering Ltd.	Member: Strides Arcolab Ltd.	NIL
b. Shareholders' Grievance Committee	NIL	Member: Artson Engineering Ltd.	NIL	NIL
c. Other Committees	NIL	NIL	NIL	NIL
Number of Shares held in the Bank as on March 31, 2013.	NIL	NIL	NIL	4718

Explanatory Statement as required by section 173(2) of the Companies Act, 1956, annexed to and forming part of the Notice dated April 12, 2013.