introduction

There comes a moment in the life of people, and organizations, when it is time to forget the past, improve the present and redesign the future. And, the way to achieve that is to focus on continuous growth. As a metric that measures achievement, growth is also what differentiates the future from the present. This Bank began with one branch in 1927. Today, its footprint is spread across 181 locations. By the end of this year, the Bank will have over 725 customer touch-points, both on-site and off-site. The Bank's offerings of products and services are also diversifying to meet ever-changing consumer aspirations and expectations. Technology is being rolled out to improve efficiency, availability and convenience. But, this is only the first chapter of an exciting story that's gradually unfolding. Each ascending step on the growth curve is a new episode in our bold story, a novel and enriching experience that promises to embrace all stakeholders and create value for society at large. Stay with us; this is a narrative that has growth stamped all over it.

Report Junction

www.reportjunction.com

Registered & Corporate Office
P B No 9, Dhanalakshmi Building,
Naickanal, Thrissur - 680 001

Mumbai Office
Trade View, 2nd Floor, Near Gate No 4,
Kamla Mills Compound, Lower Parel,
Mumbai - 400 013

Kindly refer to the website for other offices

Company Secretary
Ravindran K Warrier

Auditors
M/s P B Vijayaraghavan & Co.

Proposed Auditors
M/s Walker Chandiok & Co. New Delhi
M/s Shah Gupta & Co. Mumbai

Legal Advisors
Amarchand & Mangaldas &
Suresh A Shroff & Co.
Advocates & Solicitors

Major Exchange Houses
UAE Exchange Centre LLC
Al Ahalia Money Exchange Bureau
UAE Exchange Centre WLL

Foreign Correspondent Banks
Deutsche Bank Trust Company Americas
Wachovia Bank NA- A Wells Fargo Company
Commerzbank AG
National Westminster Bank PLC

Insurance Partner
Bajaj Allianz

Stock Exchanges
National Stock Exchange (NSE)
Bombay Stock Exchange (BSE)
Cochin Stock Exchange (CSE)

Registrar & Transfer Agents
Karvy Computershare Pvt Ltd
Plot No 17-24, Vithal Rao Nagar
Madhapur, Hyderabad - 500 081

www.reportjunction.com

contents

1. Board of Directors 05
2. Chairman's address 06
3. Managing Director & CEO's address 08
4. Core team 11
5. Performance 12
6. Directors' report 14
7. Management discussion & analysis report 20
8. Report on corporate governance 24
9. Auditors' Report 37
10. Balance Sheet 38
11. Profit & Loss Account 39
12. Schedules 40
13. Cash Flow Statement 68
14. Balance Sheet Abstract 70

ReportJunction.com

www.reportjunction.com

Report Junction.com

www.reportjunction.com

board members

V. R. Chalasani | S. Santhanakrishnan | K. Srikanth Reddy | Ghyanendra Nath Bajpai | Amitabh Chaturvedi | Shailesh V Haribhakti

Ghyanendra Nath Bajpai	-	Chairman
V. R. Chalasani	-	Director
S. Santhanakrishnan	-	Director
K. Srikanth Reddy	-	Director
Shailesh V Haribhakti	-	Director
Amitabh Chaturvedi	-	Managing Director & CEO

www.reportjunction.com

Dear Shareholders.

Down the millennia, confidence has been an integral part of India's spiritual and cultural heritage. Our continuing ability to weather adversities, whether they are internal or external, has won us our fair share of fans and supporters across the world. This is vividly manifest even in the current global crisis.

The financial year that just ended was undoubtedly difficult with a slowing global economy dragging down India's strong growth momentum. But, India's growth rate is still higher than most other countries in the world, given the robust domestic growth impetus, though it will definitely be lower than the past few years. Initial snap estimates show that India ended 2008-09 with GDP growth of 6.7%, higher than almost all the other countries in the world, and definitely surpassing most independent estimates.

What does 2009-10 look like? The central bank's prognosis is a bit guarded. Reserve Bank of India's annual policy states that even with a normal monsoon, the real GDP growth rate is likely to clock 6%, primarily due to the cautious outlook on private investment demand. If that indeed turns out to be the case (even though this forecast is subject to mid-course corrections), then it is likely to be the slowest growth rate the country will have experienced in a long time.

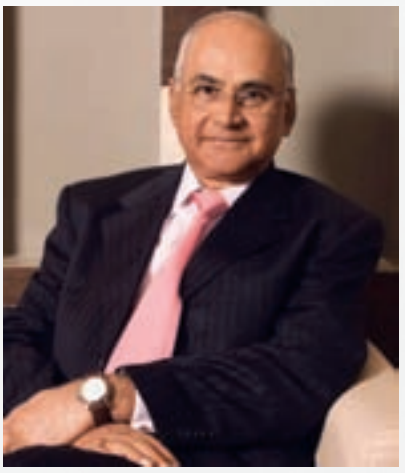
But, there is a silver lining in those dark clouds. For one, the country just celebrated its democratic credentials by conducting the world's largest elections. Over 450 million people voted for 8070 candidates in 542 constituencies over five phases. This is, from all accounts, a stupendous achievement and reflects the innate strength of the Indian democratic political structure. From this also flows all the optimism about multiple issues, including our economic

chairman's address

Report Junction.com

www.reportjunction.com

prospects and hopes for a better future, despite the surrounding gloom and the otherwise bleak forecasts. In addition, the maturity shown by the Indian electorate by voting resoundingly in favour of development does send out an unmistakable signal to the world.



This popular charter not only immediately improves the investment climate but also rekindles hopes that some of the pending economic reforms will finally get off the ground. On the list of expectations are hopes for further liberalization of foreign investment norms, revival of frozen disinvestment schemes for public sector units, a further boost to infrastructure and social sector investment, execution of much-needed reforms in the agricultural sector (such as land reforms), removal of some pricing distortions in petroleum and fertilizers, rationalization of select tax rates, implementation of fiscal reforms, including tighter controls over some expenditure items. Wherever one looks, hope and optimism seem to be the national leitmotif.

Some of the groundwork done by the Government and the Reserve Bank seem to be already paying off. The Government has so far launched three economic stimulus packages. The RBI, on its part, has cut cash reserve ratio by 400 bps since September and slashed repo rates by 425 bps. The combination of these coordinated actions seems to have taken root and the economy is showing incipient signs of bucking the slowdown.

Quick estimates show that the Index of Industrial Production contracted by 2.3% during March 2009, compared to the level of industrial activity during March 2008. Taken for the year as a whole, industrial production grew by only 2.4% during the 12-month period of April 2008 to March 2009, compared to 8.5% growth experienced during the same period of 2007-08.

But, when viewed through the prism of month-on-month growth, the prospects don't look so bleak. For instance, although the quick estimates for March do show a decline over the comparable year-ago figures, it shows a sharp 8.65% increase in the level of industrial activity over February 2009. This is heartening, especially since industrial activity has seen some sharp month-on-month declines during the year.

If one digs deeper, use-based classification shows greater reason for optimism – while production of intermediate goods shrank during the year (-2.8%) and basic goods delivered only marginal growth (2.5%), capital goods turned in an impressive 7% growth. This should be good news because it signals a revival of industrial investment.

The RBI's attempts to keep the system hydrated with sufficient liquidity, aimed primarily at keeping expectations at bay, also seem to have borne fruit. While money supply has grown by around 20.7%, commercial credit has maintained a growth rate of above 17%. Although this is nowhere near the giddy growth of previous years, Indian banks have been able to meet, to a large extent, the gap that has arisen from the lack of external financing.

The improving industrial production scenario, the steady strengthening of the farm economy, the emphasis on infrastructure, the toughness of the Indian markets are all encouraging signs for your bank. We have chosen a growth path that will see your bank expanding its footprint, growing its balance sheet and delivering enhanced stakeholder value.

Whichever way one looks at it, this is an exciting phase for the Indian economy, as well as for Dhanalakshmi Bank. A recharged and repurposed team with renewed energy is already in place, all set to take your bank to greater heights. Yes, there will always be some speed-breakers and sundry barriers to growth. But, as I said earlier, hope springs eternal in the Indian psyche. We will prevail.

I wish you all a productive and peaceful year ahead.

With best regards,

Yours sincerely,

Ghyanendra Nath Bajpai

www.reportjunction.com

ceo's address

Dear Shareholders,

This is the first time I am speaking to you directly, and I consider this opportunity both a privilege and a pleasure. Let me share with you my thoughts on your Bank's performance during 2008-09, and sketch a brief outline of the future roadmap.

I took charge of the Bank about 9 months ago. As an individual and as a professional, the journey so far has not only been rewarding but one full of new learnings. For the Bank, the period denoted transformation rather than mere change.

I have occasionally wondered how the economic boom of the 90s bypassed your Bank when a clutch of private sector banks burst on the horizon, grew at an amazing pace and set new benchmarks in every banking parameter. But, I don't see any point in dwelling on the past; the future holds greater opportunities and your Bank now has all the right ingredients in place to deliver improved results -- a professional and deeply supportive Board, as well as a management team with the right combination of experience and fresh energy!

When the curtains finally drew to a close on 2008-09, the Bank was clearly in mission mode. For the first time, the Bank's business growth rates far exceeded many of its peers. The net profit more than doubled from Rs 28.46 crores to Rs 57.45 crores during the year. There were significant improvements under other key business parameters as well. This performance brought home an inspiring but crucial message: while the existing team had reasons to feel re-energised, the new team have found a great place to work in and create enduring value. This combination seems to be delivering amazing results. An echo of this can be found in the way your Bank's scrip has performed during the past few months.

www.reportjunction.com

Where do we go from here? It is now an established fact that the Bank is in the throes of rapid change. I am happy to highlight a few areas that are ripe for change in the Bank's scheme of things.

First, your Bank will refocus its energies and attentions on enhancing customer ecstasy. All our strategies flow from this one central tenet. For example, your Bank is adopting a multi-channel approach to banking. The customer will now have multiple means of conducting normal banking business – through brick-and-mortar branches, call centres, ATMs, the internet and mobile banking. The customer will not be constrained by lack of options: the bank's services and products will be available to her when she needs them and how she wishes to access them. The proposed opening of 66 new branches and around 400 ATMs in the current year is merely the beginning of a process that promises to convert the Bank into a truly pan-Indian entity and transform its brand architecture for ever, without disturbing its core ethos and values.

Even traditional branch banking will undergo a paradigm shift. Each branch will become a one-stop shop that will offer products custom-built to meet a wide spectrum of consumer expectations – whether they are deposits, housing or auto loans, servicing SME clients, or offering life-cycle investment and savings requirements, such as insurance products, mutual funds, stock broking, bullion, structured products or even guarantees.

Obviously, technology will have to play a large role to make all this possible. You will be glad to learn that the Bank is investing considerable man hours and monetary resources in setting up the next generation of a banking network with cutting-edge systems and solutions. But, no matter how advanced the technology or how sophisticated the system, the Bank remains steadfast about one thing: the personal touch will be central to everything that we do. In fact, while the Bank welcomes all categories of customers and plans to offer all banking products, personal touch will remain an indelible part of its core DNA.

Undoubtedly, we will also strive to ramp up the balance-sheet size to a respectable level that represents the best of Corporate India, the promising among the small and the medium units, the smartest of the public sector units. But, at the same time, quality of assets shall remain paramount for your Bank while adding muscle. Intelligent risk management processes and nimble early warning systems will form an integral part of your Bank's operating philosophy. The reason is simple: profit will be the litmus test of our success and should remain the cornerstone of all our actions. Each line of activity would be under constant scrutiny from the angles of both income generation and cost reduction. I strongly believe that size of a balance sheet by itself means little unless it guarantees a healthy bottomline.

But, profits by themselves also mean little. This Bank firmly believes that as an important member of civil society, profits generated while improving incomes and enriching lives has much greater value. This objective can be met through inclusive banking, and your Bank feels that it is possible to meet larger social goals without sacrificing profits. In fact, inclusive banking plays a very important part in your Bank's overall strategic intent.

The quality of workplace we build and the level of employee motivation will be crucial in achieving all our goals. There are plans to launch a set of innovative HR initiatives that would ensure a robust and enduring leadership pipeline for various levels and empower the workforce to challenge the impossible! The Bank is also working on a model for evaluating employee productivity based on profit generated rather than quantum of business serviced. As always, the team will plan, pursue and deliver. Our ultimate objective is to build an institution that will not only figure among the greatest places to work in but will also instil pride among all its employees.

Finally, thank you for all your support. I look forward to your continued encouragement.

With best regards,

Yours sincerely,

Amitabh Chaturvedi

www.reportjunction.com

customer feed back

We bank with the Dhanalakshmi Bank and have received excellent service and support for all our banking requirements. We very much value our relationship with the Bank.

Muralidhara Rao
Amrita Institute of Medical Sciences

I have great appreciation for Dhanalakshmi Bank which serves the banking needs of Travancore Devaswom Board and Sabarimala Sannidhanam for past the 32 years.

P. Narayanan
Member, Travancore Devaswom Board

Any partnership works only when the partners have trust and confidence on each other and goes beyond the legal framework. We have had excellent relationship with Dhanalaxmi Bank and have enjoyed their partnership approach always.

Ramesh Iyer
MD Mahindra Finance

Top management's dynamism, along with speed in decision making is at par with top most private banks. Though being a typical traditional south based bank, they have ability to look at innovative structures practically and positively. The bank has changed over the last few months for good, and if it continues doing the good work by extending modern banking experience with traditional touch, it is set to achieve greater heights

Sarad Nagar.
L & T Infra

I want to put on record the kind of devotion and commitment shown, which I feel cannot be matched with any other organization in the industry.

N. Sreekumar
Joint Managing Director, V-Guard

reportjunction.com

www.reportjunction.com