
August 23, 2010

**CARE ASSIGNS 'PR1+' RATING TO THE CD PROGRAMME OF
DHANLAKSHMI BANK LTD (FOR ENHANCED AMOUNT)**

CARE has assigned "PR1+" [PR One Plus] rating to the Certificate of Deposit (CD) programme of Dhanlakshmi Bank Ltd. for an enhanced limit of Rs.500 crore.

Instrument	Amount Rated (Rs. crore)	Rating
Certificate of Deposits	500 (enhanced from Rs.250 crore)	'PR1+'

Rating Rationale

The rating takes into account the recent capital infusion resulting in near doubling of network and shoring up of capital adequacy levels to support its future business growth.

The rating also factors in increased ability and willingness to diversify and expand business to geographies outside Kerala and to new business segments, strong business growth witnessed in FY09 and FY10 and improvement in operational & strategic processes brought in by the new management having diverse experience in the financial sector. Key rating sensitivities are DBL's ability to successfully implement new business strategies, its ability to maintain long term profitability and its ability to manage credit & operational risks.

Company Profile

DBL is a Kerala based small sized private sector bank with its headquarters at Thrissur, Kerala. Owing to capital constraints the bank's branch network had remained almost stagnant in the last few years and the total number of branches stood at 181 as on Mar. 31, 2009. In FY09 with the change in top management and infusion of capital through rights issue, DBL has re-organised its business with separate verticals catering to corporate, SME and retail clientele. Since induction of the new management, strategic emphasis has been on manpower recruitment, building a pan-India footprint, de-risking the asset book and augmenting fee product portfolio. DBL historically had a larger proportion of retail portfolio; however with the new management coming in there has been a shift in the bank's strategy and it has diversified into corporate lending. However, going forward the bank plans to have a balanced mix of large corporate, SME and Retail portfolio. The number of branches increased to 270 as of March 31, 2010.

During FY10, the bank reported Profit after Tax (PAT) of Rs.23 crore on income of Rs.626 crore. The advances portfolio of the bank stood at Rs.5006 crore with a deposit base of Rs.7098 crore as on March 31, 2010. The Capital Adequacy Ratio (CAR) stood at 12.99% (Basel II) as on March 31, 2010. Bank's Gross NPA and Net NPA ratio stood at 1.54% and 0.84%, respectively as on March 31, 2010. For Q1FY11 the bank reported a PAT of Rs.6 crore (Q1FY10:Rs.10 crore) on a Total Income of Rs.199 crore (Q1FY10: Rs.136 crore) on back of 116% jump in operating expenses. DBL's asset quality has improved marginally with Gross NPA and Net NPA ratio at 1.41% and 0.76% respectively as on June 30, 2009.

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