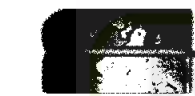
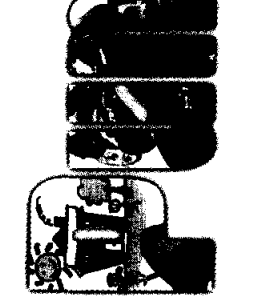
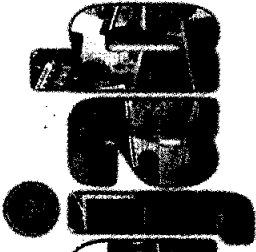


# annual report 2001 - 2002



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# BANK OF PUNJAB LTD.

## Special Products and Services

### Retail Banking

- Home Loans
- Auto Loans
- Personal Loans
- Education Loans
- Second Hand Car Loans
- Two Wheeler Loans
- Foreign Remittance
- Commodity Depository Services
- Investment Advisory Services

### Corporate Banking

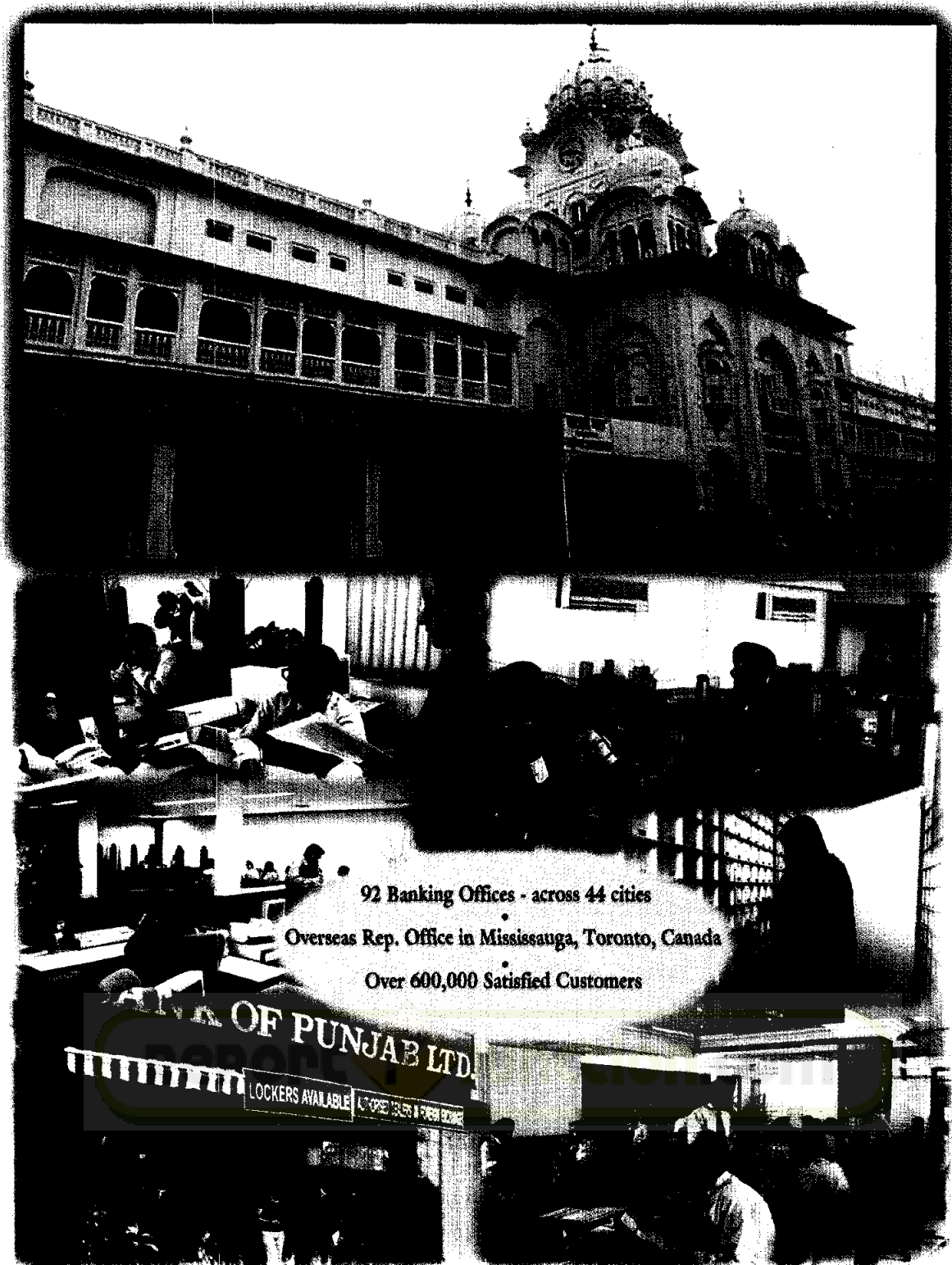
- Working Capital Finance
- Term Loans
- Project Finance
- Export/Import Finance
- Credit Lines
- Trade Finance
- Treasury & Forex
- Cash Management Services
- Supply Chain Management

### eBanking Channels

- eBank Centrex 24 Hr. ATMs
- Global eBank Card
- Internet Banking
- Mobile Banking
- 24 Hr. Tele Banking
- Instant National/International Fund Transfer
- Anywhere Anytime Banking
- Utility Bill Payment
- Merchant Point of Sale Terminals

The Bank of Punjab Ltd.

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**Dr. S. Inderjit Singh**

*Noble Founder and Principal Promoter*

“Getting the right customers and keeping them is the foundation of our business. It demands a single minded commitment to Customer satisfaction. Meeting this commitment requires tough standards, good people and constant attention to the importance of each individual Customer. It means having an attitude.”

**Dr. S. Inderjit Singh**

*Panth Ratna  
(Jewel of the Community)*

## Board of Directors

*Chairman*

**DARSHANJIT SINGH**

*Directors*

**G.S. MANN**

**H.N. VOHRA**

**DR. A.S. MARWAH**

**RAJESHWAR PRASAD**

**Prof. VIVEK SAGAR MINOCHA**

**HARPREET SINGH**

**DIGVIJAY SINGH**

**T.N.V. AYYAR**

**DR. DINESH S. PATEL**

*Executive Director*

**TEJBIR SINGH**

*Company Secretary*

**BALBIR BAJAJ**

**BANK OF PUNJAB LIMITED****NOTICE:**

Notice is hereby given that the Eighth Annual General Meeting of the Members of the Bank of Punjab Limited will be held at Kisan Bhawan, Sector 35, Chandigarh on Monday, the 1st July, 2002 at 10.00AM to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2002, the Profit and Loss Account for the year ended as on that date and Reports of Auditors and Directors thereon.
2. To appoint a Director in place of Mr. H.N. Vohra, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Dr. A.S. Marwah, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Prof. Vivek Sagar Minocha, who retires by rotation and being eligible offers himself for reappointment.
5. To declare Dividend on Equity Shares.
6. To appoint Auditors to hold office from the conclusion of this Meeting to the next Annual General Meeting and to fix their remuneration. In this connection, the following Ordinary Resolution may be passed with or without modification(s):-

"RESOLVED THAT pursuant to Section 224 and 225 of the Companies Act, 1956 and subject to the approval of Reserve Bank of India, M/s.V. Sankar Aiyar & Co., Chartered Accountants, New Delhi be and are hereby appointed Auditors of the Bank to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and on such remuneration as may be fixed by the Board of Directors of the Bank.

FURTHER RESOLVED THAT pursuant to the provisions of Section 228 of the Companies Act, 1956, the Board of Directors be and are hereby authorised to appoint auditors for the branch offices for the Financial Year 2002-2003, in consultation with the Bank's Auditors, on such remuneration as may be fixed by the Board of Directors of the Bank".

By Order of the Board  
for Bank of Punjab Ltd.

Place : Gurgaon  
Dated : 27th May, 2002

**BalBir Bajaj**  
Company Secretary

**REGISTRARS & SHARE  
TRANSFER AGENTS**

**M/s Karvy Consultants Ltd.,**  
Regd. Office : 46, Road No. 4  
Street No. 1, Banjara Hills  
Hyderabad-500 034

**AUDITORS**

**M/s V. Sankar Aiyar & Co.**  
Chartered Accountants,  
Satyam Cinema Complex,  
Ranjit Nagar Commercial Complex,  
New Delhi - 110 008

**REGISTERED OFFICE**

SCO 46 - 47, Sector 9 - D,  
Madhya Marg,  
Chandigarh - 160 017

**BANK OF PUNJAB LIMITED**

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**NOTES:**

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member of the Company. Proxy should reach the Registered Office of the Company at least 48 hours before the time of the Meeting.
2. All documents referred to in the Notice are open for inspection at the Registered Office of the Bank during the office hours on all working days, except public holidays, between 11.00AM and 1.00PM upto the date of the Annual General Meeting.
3. The Directors' Report, Auditors' Report, Audited Balance Sheet as on 31st March, 2002 and the Profit & Loss Account for the year ended on that date are enclosed.
4. The Register of Members and the Share Transfer Books of the Company shall remain closed from Thursday, the 20th June, 2002 to Saturday, the 22th June, 2002 (both days inclusive) for the purpose of determining entitlement of the Dividend, if any, declared by the Bank.
5. The Dividend on Equity Shares, as recommended by the Directors, if declared at the Meeting, will be paid, in case of physical share holding to those Members whose names appear on the Register of Members of the Company as on 23th June, 2002 and in case of dematerialised share holding, to those Beneficiaries appearing in the records of National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the close of working hours on 19th June, 2002 subject to the provisions of Section 206A of the Companies Act, 1956.
6. Members holding shares in physical form are requested to notify change in their address, if any, quoting folio number to our Share Transfer Agents M/s Karvy Consultants Limited, 8-2-403/A, Road No. 5, Banjara Hills, Hyderabad-500034 Tel : (040) 337 6715 Fax : (040) 331 1968.

If the Shares are held in electronic form, the same has to be notified to the concerned Depository Participant (where you are maintaining your Securities Account).

7. Members are also requested to furnish their bank account number, name & address of the Bank to enable printing of these particulars on the dividend warrants as a measure of abundant caution to minimize the loss due to dividend warrant falling into improper hands through forgery or fraud. As an alternative, members residing at specified cities may give their mandates for payment of dividend through Electronic Clearing Service(ECS). The details of dividend through ECS scheme are given elsewhere in the Annual Report. Members may please go through the same and give their mandate for future payments of dividend.



**BANK OF PUNJAB LIMITED****DIRECTORS' REPORT****TO THE ESTEEMED MEMBERS**

The Board of Directors take pleasure in presenting to the Bank's shareholders, its eighth Annual Report together with the Audited Accounts for the year ended 31st March, 2002.

**FINANCIAL PERFORMANCE**

(Rs. in Crores)

<b>PARTICULARS</b>	<b>For the year ended 31.03.2002</b>	<b>For the year ended 31.03.2001</b>
Gross Income	<b>480.48</b>	383.50
Profit before Tax	<b>57.92</b>	40.83
Provision for Income Tax	<b>22.20</b>	6.01
Net Profit for the year	<b>35.72</b>	34.82
Profit brought forward	<b>13.58 *</b>	18.24
Amount available for appropriation	<b>49.30</b>	53.81
Appropriations:		
Statutory Reserves	<b>9.11</b>	12.19
Transfer to other Reserves	<b>12.63</b>	1.80
Proposed Dividend	<b>13.65</b>	16.20
Profit Carried Over	<b>13.91</b>	23.62

\* after providing for deferred tax of Rs. 15.50 crores.

The Bank registered a profit before tax of Rs.57.92 crores for the financial year 2001-02, an increase of 41.86% over the previous year figures of Rs. 40.83 crores. After provision of tax of Rs.22.20 crores (last year Rs. 6.01 crores) Rs. 35.72 crores was available to the Bank for transferring to reserves and for distributable profits.

**DIVIDEND**

Keeping in view the overall performance of the Bank, the Board of Directors is pleased to recommend a Dividend of 13%. Your Bank proposes to distribute Dividend through Electronic Clearing Scheme (ECS Scheme) introduced by the Reserve Bank of India. However, the response of the Shareholders for obtaining Dividend through the aforesaid scheme has not been encouraging in the past. If sufficient number of Shareholders provide requisite information (relevant details provided at page number 40 of the Annual Report), the Bank will pay dividend via 'ECS Scheme'. As you are aware ECS Scheme enables the dividend to be directly credited to your bank account. The Board urges its Shareholders to use this facility for both convenience and safety.

**CAPITAL ADEQUACY**

The Bank's Capital adequacy ratio strengthened to 12.82% up from 11.02% last year. During the year, the Bank issued on a private placement basis unsecured, non-convertible, redeemable, subordinated Bonds aggregating Rs.37 Crores at a coupon rate of 9.3% p.a. for Bonds with tenor of 63 months and 9.6% p.a. for Bonds with tenor of 87 months. The Bonds are eligible for inclusion in the Bank's Tier II Capital.

**BANK OF PUNJAB LIMITED****MANAGEMENT'S DISCUSSION & ANALYSIS REPORT****MACRO ECONOMIC FACTORS AND INDUSTRY**

The financial year 2001-02 witnessed a global slowdown with the world's largest economy, the U.S., facing recessionary conditions after a long and sustained period of economic growth. The slowdown was further compounded by the adverse impact of the September 11 terrorist attacks, which effected services and trade globally. In the closing months of the financial year, however, the outlook for a recovery in the world economy had considerably improved in view of the positive effects of decline in global inflation and interest rates.

The Indian economy was not immune to these adverse external developments. The events of September 11 had their destabilizing impact on the Indian financial markets. However, RBI effectively intervened during this period and initiated several measures to stabilise the domestic markets.

India's GDP growth during 2000-01 stood revised to a lower figure of 4% and the latest estimates of GDP growth in 2001-02 pegs this growth at 5.4%. Estimates of growth in the industrial sector see it much lower at 3.3% as against 6.2% in the previous year, while growth in the agricultural sector is expected to be higher at 5.7%. The lower growth in the industrial sector during 2001-02 also manifested itself in non-food credit, which registered a lower growth of 12.8% (as against an increase of 14.9% in the previous year) and food credit increased only marginally by around Rs. 300 crores. India's exports also suffered during the year registering a deceleration of 0.5% in the growth rate in US dollar terms.

More favourably, however, the annual rate of inflation on the Wholesale Price Index had declined from 4.9% in end March 2001 to 1.4% by end March 2002. This decline in the inflation rate had its positive fallout in the lowering of interest rates, which showed a consistent downtrend throughout the year. The country's exchange reserves also continued to grow at a healthy pace and increased by US\$ 11.8 billion to close at US\$ 54.1 billion in end March 2002.

The slowdown in the industrial sector affected growth of credit in the banking sector. As a result, banks flush with liquidity, built up large exposures in government securities, where the holdings above the Statutory Liquidity Ratio (SLR) amounted to more than Rs. 1,40,300 crores, higher than the gross borrowings of the government. Deposit growth was lower at 14.3% in 2001-02 compared to 18.4% in 2000-01.

The banking sector in India is passing through a period of structural change under the combined impact of financial sector reforms, internal and global competition, new and changing technology and processes. Your Bank has been continuously adapting itself to the new environment, seeking growth at a steady pace, building new and niche markets, leveraging its technology to enhance its reach and spectrum of products. This has resulted in your Bank being rated as the most efficient Bank in Business Standard Survey of February 2002.

**BRANCH NETWORK**

Your Bank opened 28 banking offices during the year as against 9 banking offices opened last year, thereby increasing the Bank's network to 92 banking offices as on 31st March, 2002. The Bank reinforced its national presence with new branches at Bangalore, Jammu and Shirpur (Maharashtra), in addition to existing branches in Mumbai, Ahmedabad, Jaipur, Secunderabad, Chennai and Kolkata and strengthened its presence in Punjab, Chandigarh, Haryana and Delhi. The Bank's reach has now expanded to 44 cities across the country, up from 31 cities last year.

The year also saw the Bank opening its first representative office abroad in Toronto, Canada.



**BANK OF PUNJAB LIMITED****RESOURCES**

The Bank's deposits stood at Rs. 3353.57 crores as on 31st March, 2002, an increase of Rs. 299 crores over previous year. The Bank's resource mobilisation policy throughout the year was focused on reducing cost of funds rather than the mere achievement of growth numbers. This focus enabled the Bank to reduce its cost of deposits, which came down from 8.31% on 31st March, 2001 to 7.62% as on 31st March 2002. The low cost component of demand liabilities also stood at a healthy 26.91% of total deposits.

**CREDIT**

The current year saw the Bank place greater emphasis on retail credit growth. The Bank's credit portfolio stood at Rs.1611.48 crores as on 31.3.2002. The Bank continued strengthening its relationship with some of its major PSUs/Corporate clients including Food Corporation of India, IRFC, NTPC, the TATA Group, Maruti Udyog Ltd., Reliance Group, Power Finance Corporation and GIC Housing among others.

As in previous years, the Bank's lending was broad based with exposure to all sectors of economy including industry, small business enterprises, trading, agriculture/agro based businesses, export and other commercial segments.

The Bank also launched new schemes in the agricultural sector to enhance its priority sector lending. Products like Kisan Credit Card, Composite Loan scheme for farmers named BOP Kisan Suvidha and Two Wheeler finance scheme for farmers were introduced and are expected to extend the Bank's reach in the rural sector. Other new and innovative lending products were also introduced for small borrowers as well as for the larger corporate segment.

The Bank's (fund based and non fund based) exposure to the Capital Market as on 31st March, 2002 stood at 3.21%, well within the 5% limit stipulated by RBI.

**RETAIL BANKING**

The Bank continued with its efforts towards broadening and deepening its penetration into the retail market. The year saw the introduction of new and value added products for this segment. MasterCard Credit Cards and Visa Cards are now being accepted at our merchant 'Point of Sale' Terminals and ATMs. The Bank also launched a number of new initiatives through its e-banking channels. These included global mobile banking with enhanced services like statement of account, balance enquiry, cheque book request etc, receipt of school fees and BSNL bills through the Internet and ATMs as well as other e-banking initiatives like e-alert, LIC premium payment through Internet, Mobile etc.

The retail segment of advances of the Bank grew by 46%. The Bank's home loan portfolio also increased by 600% during the year. Even though the base figures of this portfolio in the previous year were relatively small, the progress in this segment has been encouraging and the Bank expects a sizeable growth in this business over the next few years.

The Bank also introduced a special home loan product for NRIs. Variable interest rates schemes were also introduced in line with market expectations, with customers retaining the option to shift from fixed to variable interest rate schemes.

Your Bank is also now poised to offer its retail customers a facility for investing in Government

## **BANK OF PUNJAB LIMITED**

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securities in DMAT form. Our Bank would be amongst the first to introduce this on-line facility, which is targeted at both the retail investor and the high net worth customer. Other products for this segment include pre-approved loans, 'At Par' cheque issuances across 44 cities, 'Anywhere Banking' etc.

With this vast range of products and delivery systems, your Bank is now fast moving towards achieving its goal of becoming a one stop retail super market, fulfilling the entire banking needs of its retail constituents.

### **TREASURY & GLOBAL BANKING**

The Financial Year 2001-2002 was a good year for the debt markets as there was a downward shift in the movement of primary and secondary market yields. The yield on the 10 year government securities fell from 10.23% on 31.03.2001 to 9.20% on 30.09.2001 and to 7.36% on 31.03.2002, a fall of 2.87% during the year. In the October 2001 Credit Policy, RBI had announced a 2% cut in cash reserve ratio and 0.5% cut in the bank rate, bringing down the CRR from 7.5% to 5.5% and bank rate from 7.00% to 6.5%. This released Rs.8,000 crores in the system. The Call Money rate which is the prime indicator of liquidity in the system, declined by 1.56% during the year. The Primary Market deals on 91 day and 364 day Treasury Bills also came down by as much as 262 basis points and 280 basis points. RBI had also cut the repo rate from 6.50% to 6.00% in March 2002. The Bank's treasury was an active participant in the debt and foreign exchange markets and successfully took advantage of profitable market opportunities.

In the area of Global Banking, the Bank's technology based products like Internet Banking, Global Debit Cards, Mobile Banking showed an encouraging response from NRI customers. The Bank also established dedicated NRI desks at various centres in the country to cater to NRI needs.

The representative office of the Bank that opened at Mississauga in Greater Toronto Area in Canada is active in facilitating growth of remittances, NRI deposits and trade services between India and Canada.

The Bank's extensive network of authorized branches for foreign exchange dealings as well as its global network of correspondent relationships enabled the Bank to render a broad range of quality services to both its domestic and international customers.

Both the travel related foreign exchange market and the remittances market are rapidly growing in India. The size of these markets is estimated to be in excess of Indian Rupees 10,000 crores. This area till now has been serviced either by private exchange companies or established names like Thomas Cook and Amex. Your Bank has identified this area as a growth segment and launched its first dedicated foreign exchange bureau. The Bank is also actively considering opening off-site bureaus to tap this business at important locations.

### **INFORMATION TECHNOLOGY**

In line with promise made to our shareholders last year, the Bank has introduced new electronic products like utility bill collection (telephone/electricity bills) acceptance of insurance payment, school fee etc over electronic channels like the Internet, Telephone banking and ATMs.

During the year, the Bank moved from branch computing to centralised bank computing with 'Finacle' software procured from Infosys. With this shift in technology, the Bank would now be in a position to set up a centralised back office processing centre which would result in enhanced process