

A N N U A L   R E P O R T   2 0 0 0 - 2 0 0 1



**Synergy**  
*through people*

DEVELOPMENT CREDIT BANK LIMITED

*Developing happy futures together*



## ***Synergy through people***

As the world economy dips into lower levels of economic activity the pains of adjustment are inescapable. Bad times force companies to introspect and to concentrate on internal efficiencies and their core goals. It is an opportunity to reorganise on the basis of sustainable synergies inherent in every organisation. These synergies are all about human relationships and business productivity. Results are medium to long term but they set a sustainable path for an organisation.

Real change is about redefining relationships; asking questions not asked before. Approaching every problem from different angles and forcing a process of intellectual regeneration. It is a permanent rekindling of individual creativity and responsibility, a transformation of the work space in which individuals interact. Creating the conditions for missionary zeal rather than job descriptions. *"It is a resocialization so thorough, that employees feel they are working for a leap in the company's ability to meet or exceed industry bench-marks, a true productivity increase in bottom-line results."* (Richard Pascale: Oxford University).

Individuals make a great difference to overall performance whilst playing a specific role as part of a whole very much like a concert orchestra. Well conducted, companies achieve a real agility and energetic resonance when harmony prevails as a collective whole. The key to the future is enlightened leadership that creates the conditions for harmony and resonance. This is what we have achieved at DCB and will continually strive to improve.

**DEVELOPMENT CREDIT BANK LIMITED**  
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## Directors and Senior Management

### CHAIRMAN

Mr. Naushad I. Padamsee

### DIRECTORS

Mr. Iain Cheyne  
Mr. A.H. Dossani  
Mr. H.A. Dossani  
Dr. H.A. Kajani  
Mr. S.H. Karim  
Mr. S.V. Khoja  
Mr. N.S. Maknojia  
Mr. A.H. Manekia  
Mr. J.N. Maredia  
Mr. A.H. Merchant  
Mr. M.R. Prasla  
Mr. H.G. Rahimtoola  
Mr. H.B. Rajan  
Mr. Patrick Gleeson (Alternate to Mr. Cheyne)

### MANAGING DIRECTOR & CHIEF EXECUTIVE

Mr. Siddharth Sitholey

### CONSULTANTS

Dr. A.C. Shah  
Mr. R.K. Puranik

### STATUTORY AUDITORS

M/s. Gokhale & Sathe, Mumbai

### REGISTERED OFFICE

154, S.V. Patel Road (East),  
Dongri, Mumbai 400 009

### CENTRAL ADMINISTRATIVE OFFICE

204, Raheja Centre,  
Nariman Point, Mumbai 400 021  
Tel. : 2872465, 2825689  
Website : www.dcbi.com  
e-mail : dcb@giasbm01.vsnl.net.in

### SENIOR MANAGEMENT

#### GENERAL MANAGERS

Mr. D.A. Muljiani  
Mr. K. Kamalakaran

#### DY. GENERAL MANAGERS

Mr. N. Kumar Ratan  
Mr. B.B. Mistry  
Mr. J.C. Choudhry  
Mr. S.P. Mehta  
Mr. S.M. Bora  
Mr. B.V.R. Sarma  
Mr. V.Y. Babu

#### ASST. GENERAL MANAGERS

Mr. R.S. Kohli  
Mr. V.R. Rao  
Mr. G.H. Pillai  
Mr. D. Gunalan  
Mr. T.L. Vasant  
Mr. H.A. Rao  
Mr. N.G. Mardani

#### COMPANY SECRETARY

Mr. H.V. Barve

### REGISTRARS AND TRANSFER AGENTS

M/s. Sharepro Services

- 912, Raheja Centre, Free Press Journal Marg,  
Nariman Point, Mumbai 400 021.  
Tel. : 288 1568/69, 282 5163
- Satam Industrial Estate,  
3rd Floor, Above Bank of Baroda,  
Cardinal Gracious Marg,  
Chakala, Andheri (East), Mumbai 400 099.  
Tel. : 821 5166, 834 8218, 821 5991

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**Notice to Members**

Notice is hereby given that the Sixth Annual General Meeting of the members of **DEVELOPMENT CREDIT BANK LIMITED** will be held at **BIRLA MATUSHRI SABHAGAR, 19, MARINE LINES, MUMBAI 400 020** on Saturday, 29th September 2001 at 4.00 P.M. to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2001 and the Profit and Loss Account for the financial year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare Final Dividend on Equity Shares.
3. To appoint a Director in place of Mr. S.H. Karim who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. J.N. Maredia who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. M.R. Prasla who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint a Director in place of Mr. H.B. Rajan who retires by rotation and being eligible offers himself for re-appointment.
7. To appoint Auditors and fix their remuneration and in that connection to consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:-

"RESOLVED THAT subject to approval of the Reserve Bank of India, M/s. Habib & Co., Chartered Accountants, Mumbai 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 on a remuneration of such sum(s) as may be fixed by the Board of Directors, in addition to reimbursement of all out-of-pocket expenses in connection with the audit of the accounts of the Bank."

**SPECIAL BUSINESS****8. Appointment of Branch Auditors**

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

"RESOLVED THAT pursuant to the provisions of Section 228 of the Companies Act, 1956, the Board of Directors of the Bank be and is hereby authorised to appoint, in consultation with the Statutory Auditors, the Branch Auditors as and when required, to audit the Accounts in respect of the Branch Offices of the Bank, on such terms and conditions as it may deem fit and to fix their remuneration."

**9. Alteration of Articles of Association**

To consider and if thought fit to pass with or without modifications, the following Resolution as a Special Resolution.

"RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956 the Articles of Association of the Company be and are hereby altered in the following manner:

A. The present Article 137 of the Articles of Association be and is hereby substituted by the following :

137 Subject to the provisions of the Act, the BR Act and these Articles, the Board shall have power to appoint from time to time a Managing Director of the Company for such period and upon such terms and conditions as the Board thinks fit. The Managing Director shall be the Chief Executive Officer of the Company and shall be in charge of the day to day management, control and supervise the affairs of the Company subject to the superintendence of the Board of Directors and further subject to the provisions of Article 138 the Board may by resolution vest in such Managing Director such of the powers hereby vested in the Board generally as it

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thinks fit, and such powers may be made exercisable for such period or periods and upon such conditions and subject to such restrictions as it may determine provided that none of the powers of the Managing Director shall be conferred upon or exercised by any of the other whole-time Directors appointed under Article 140A.

The remuneration of a Managing Director may be by way of monthly payment, fee for each meeting, or by any or all these modes, not expressly prohibited by the Act.

- B. The words 'or Managing Directors' appearing in Article 138 of the Articles of Association be and are hereby deleted."

By Order of the Board of Directors  
For **DEVELOPMENT CREDIT BANK LTD.**

Registered Office :

154, S. V. Patel Road (East),  
Dongri, Mumbai 400 009.



H. V. Barve  
Company Secretary

August 4, 2001

**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 A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
- 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) The relative Explanatory Statement, pursuant to Section 173 (2) and other applicable provisions, if any, of the Companies Act, 1956 in respect of

Item Nos. 7, 8 and 9 of the Notice is annexed hereto.

- 5) The Register of Members and Share Transfer Books of the Bank will remain closed from Saturday, 15th September, 2001 to Saturday, 29th September 2001 (both days inclusive).
- 6) Subject to the provisions of Sections 206 and 206A of the Companies Act, 1956, the dividend on the Equity Shares as recommended by the Board of Directors, if declared at the meeting, will be payable to those members whose names appear on the Bank's Register of Members on 29th September, 2001.
- 7) **MEMBERS ARE REQUESTED TO ADDRESS ALL THEIR CORRESPONDENCE INCLUDING CHANGE OF ADDRESS, MANDATES, ETC. TO THE REGISTRARS, M/s. SHAREPRO SERVICES AT 912, RAHEJA CENTRE, FREE PRESS JOURNAL ROAD, NARIMAN POINT, MUMBAI-400 021 OR AT SATAM INDUSTRIAL ESTATE, 3RD FLOOR, ABOVE BANK OF BARODA, CARDINAL GRACIOUS ROAD, CHAKALA, ANDHERI [E], MUMBAI-400 099.**

**ANNEXURE TO THE NOTICE**

Explanatory Statement as required by Section 173(2) and other applicable provisions, if any, of the Companies Act, 1956, annexed to and forming part of the Notice dated 4.8.2001

**ITEM NO. 7**

M/s. Gokhale & Sathe, Chartered Accountants, Mumbai were reappointed as Statutory Auditors by the shareholders at the 5th Annual General Meeting of the Company held on 30th September, 2000. They would hold office until the conclusion of the ensuing Annual General Meeting and have expressed their inability to be reappointed as Statutory Auditors.

The Board has placed on record its deep sense of appreciation for the services rendered by M/s. Gokhale & Sathe, Chartered Accountants during their association with the Bank as Statutory Auditors.

The appointment of Statutory Auditors requires prior approval of RBI and as usual representation was made



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recommending the appointment from a panel of Chartered Accountants as approved by the Board of Directors. The order of preference includes the name of M/s. Habib & Co. Chartered Accountants as first preference. The approval of RBI for appointment of M/s. Habib & Co., Chartered Accountants, Mumbai as Statutory Auditors is, therefore, expected. The Company has received a letter dated July 25, 2001 from M/s. Habib & Co., Chartered Accountants, Mumbai informing that their appointment, if made, will be within the limit specified in Section 224 (1-B) of the Companies Act, 1956 and the same is available for inspection by the members at the Registered Office of the Bank between 11.00 a.m. and 1.00 p.m. on all working days.

Board recommends approval of the resolution at Item No. 7 of the accompanying notice.

None of the Directors of the Bank is interested in the said Resolution.

### ITEM NO. 8

Section 228 of the Companies Act, 1956, requires that where the Company in General Meeting decides to have the accounts of a Branch Office, audited other than by the Statutory Auditors, the Company in that meeting shall for the audit of those accounts appoint a person(s) qualified for the appointment as auditors of the Company under Section 226 of the Companies Act, 1956 or shall authorise the Board of Directors to appoint such person(s) in consultation with the Statutory Auditors. For operational convenience, it is proposed to authorise the Board of Directors to appoint such Branch Auditors in consultation with the Statutory Auditors for audit of accounts of the Branches of the Bank and to fix the terms and conditions and remuneration of such Branch Auditors.

Board recommends approval of the resolution at Item No. 8 of the accompanying notice.

None of the Directors of the Bank is interested in the said Resolution.

### ITEM NO. 9

As per the requirements of the Banking Regulation Act, 1949, new Articles 140 A and 140 B in respect of the provisions relating to the appointment of whole-time Director(s) inserted after Article 140 of the Articles of Association of the Bank, with the approval of the shareholders at the last Annual General Meeting held on 30th September, 2000 were sent for approval of the Reserve Bank of India. The Reserve Bank of India has vide letter DBOD No. 972/08.103.001/2001 dated June 21, 2001 approved insertion of the said Articles 140A and 140B subject to the Bank's carrying out amendment to existing Articles 137 and 138 of the Articles of Association by deleting the reference to the words 'Managing Directors' in the said Articles and addition of certain words so as to ensure that there is only one person i.e. the 'Managing Director' who should be in charge of the day to day administration and control of the affairs of the Bank. The said letter received from Reserve Bank of India and a printed copy of the Memorandum and Articles of Association of the Company are available for inspection of shareholders between 11.00 a.m. and 1.00 p.m. on all working days till the date of the Annual General Meeting.

Board recommends approval by the members of the said special resolution at Item No. 9 of the accompanying notice.

None of the Directors of the Bank is interested in the said resolution, except the Managing Director to the extent of his holding the position as such.

By Order of the Board of Directors  
For Development Credit Bank Ltd.

Registered Office:  
154, S. V. Patel Road (East),  
Dongri, Mumbai 400 009.

August 4, 2001

H.V. Barve  
Company Secretary



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## Directors' Report

DCB's second phase of evolution is witnessing many paradoxes in the emerging financial landscape, necessitating flexibility and dynamism in strategic thought. Your Directors are pleased to share this understanding as they present to you the Annual Report and Audited Statement of Accounts for the year ended March 31, 2001.

### 1. Strategy Repositioned

With challenging opportunities we have seen continuous turmoil; with technological advances we have seen growing dependence on human skill; with integration of the world economy, we have seen flourishing local markets. There is constant tension, and the right balance is a moving target that is never easy to hit.

A company's strategy is the vehicle for articulating how it will distinguish itself in its competitive environment to earn superior profitability. Strategy must reflect two elements: industry structure and relative position within the industry. Since industry structure and positioning are continuously changing, strategy must be dynamic, allowing the best possible transformation of inputs into outputs. This is where new management, new tools and new perspectives take on an active role. This is perhaps the effect of what Benson Shapiro has termed as the fourth industrial revolution which is management-oriented rather than machine-oriented. The first revolution, which still continues in many parts of the world, replaced blue-collar labour with machines. The second, also ongoing, replaced farm labour with machines. In the third, white-collar workers have been threatened, if not replaced, by computers. And now we must learn to manage ever increasing specialisation and integration of technology, through harnessing the right talent in the right culture.

### 2. National Economic Scene

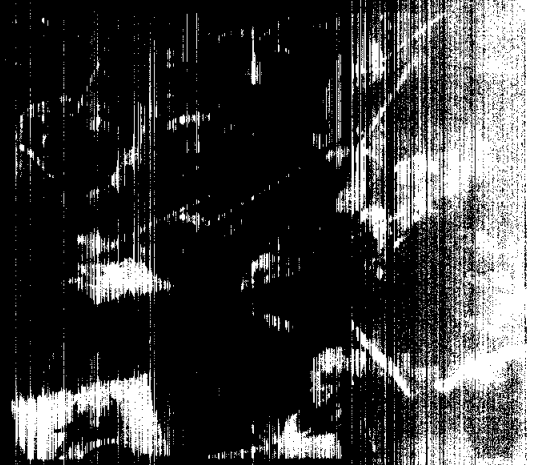
The Central Statistical Organisation (CSO), Government of India, released the quarterly estimates for the quarter ended March 2001, which provided the first official estimate of growth during the fiscal year 2000-01. After having grown at over 7% per annum for three consecutive years, real GDP growth had slowed down to 5% in 1997-98. Although it

picked up in the following two years to 6.4% and 6.6%, the growth always looked vulnerable to a downturn. In 2000-01, the growth indeed did dive. According to the latest estimates of the CSO, GDP growth in 2000-01 is likely to be only about 6%.

During the year under report, a devastating earthquake caused widespread destruction in the State of Gujarat. The cost of restoration of infrastructure is expected to cause a huge fiscal strain on the State reflecting both, the loss of revenue and the cost of financing of relief and rehabilitation. Production of principal agricultural commodities from the State such as oilseeds, cotton and tobacco would have suffered heavily. While reportedly there has not been major damage to large industrial installations, the State's industrial environment would be severely affected because of infrastructural constraints. Despite all these negative factors, on an overall reckoning, the impact of the quake on GDP growth may not be so large.

GDP growth in 'agriculture and allied activities' slowed down to 1.7% in the first quarter of 2000-01 but increased to 1.9% during the second quarter, as compared with the corresponding quarters of 1999-2000. In the third quarter of 2000-01, the growth rate of 1.2% was an improvement over the absolute decline of 1.1% recorded in the third quarter of 1999-2000. The bountiful rains of June 2001 have increased the probability of a sharp increase in the kharif production in the current year.

Industrial growth has slowed down significantly. Fiscal 2000-01 registered an Index of Industrial Production (IIP) growth of only 5%, as against 6.6% in the preceding year. The outlook for the current year too is not encouraging. In April 2001, the IIP grew by only 2.7%. Even if the agricultural sector records a bumper harvest this year, the corresponding impact on demand for industrial goods would be felt only later in the year. Thus, notwithstanding the healthy forecast of 9% growth in agricultural sector, Centre for Monitoring Indian Economy (CMIE) expects the industrial sector to grow at only about 4.5% at best.



## SYNERGY

The discipline of performing with one's own expertise as a team, with enlightened leadership and control, resulting from a similar perspective on nature with the environment produces the true power of synergy – a beauty to behold.

The best minds without collective endeavor will not produce wisdom or beauty.



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The annual rate of inflation on a point-to-point basis as measured by variations in the wholesale price index (base 1993-94 = 100) worked out to 4.9% in 2000-01 as against 6.8% a year ago.

### 3. External Sector

Recent international economic developments have brought about a revision in the global economic outlook. Weakening of domestic demand and output in the United States and emerging markets and the absence of perceptible improvement in economic activity in the Euro area and Japan have raised fears of a global slowdown. A positive development, however, has been the moderation in oil prices from the peak in September 2000, although it is unclear at this stage whether the same would continue. According to the provisional data released by the Director General of Commercial Intelligence and Statistics, the trade deficit during the period April 2000 to February 2001 narrowed to US \$ 5.8 billion from US \$ 8.7 billion during the corresponding period of the previous year, driven by strong export growth which partly offset the higher oil import bill.

Aggregate foreign exchange reserves including gold and Special Drawing Rights increased by about US \$ 4.2 billion, to stand at US \$ 42.26 billion at the end of March 2001, mainly driven by India Millennium Deposits of about US \$ 5.5 billion mobilised by State Bank of India during October – November 2000, software exports, merchandise exports and Foreign Direct Investment (FDI) inflows.

### 4. Developments in Banking

#### • Deposits

Aggregate deposits of Scheduled Commercial Banks (SCBs) increased from Rs. 8,51,593 crore as at the end of fiscal 1999-2000 to Rs. 9,83,268 crore as at the end of the fiscal under report, registering in the process a growth rate of 15.5%. Deposits of SCBs crossed the 'ten lac crore' mark, during the fortnight ended June 29, 2001, to stand at Rs. 10,13,074 crore.

#### • Bank Credit

Aggregate non-food credit of SCBs stood at

Rs. 4,85,184 crore as at the end of March 2001. This represented a credit expansion of 13.06% during the fiscal 2000-01, as against 16% during the previous fiscal. During the first quarter of the current fiscal 2001-02, however, non-food credit has decelerated, down from Rs. 4,85,184 crore as at March 30, 2001 to Rs. 4,68,317 crore, symptomatic of the slow down in industrial production.

#### • Change in Interest Rate Policy

In April 1997, the Reserve Bank of India (RBI) introduced the Prime Lending Rate (PLR) as a step towards deregulation of interest rates and for providing more operational flexibility to banks. To provide further operational flexibility to commercial banks in deciding their lending rates and keeping in view the international practice, RBI has further relaxed the requirement of PLR being the floor rate for loans above Rs. 2 lakhs. Banks are now able to offer loans at below-PLR rates to exporters and other creditworthy borrowers.

#### • Developments in Government Securities Market

##### (i) Setting up of a Clearing Corporation

A Clearing Corporation, to facilitate clearing and settlement of money, government securities and forex transactions is expected to commence its operations soon. State Bank of India will be the chief promoter along with five other banks and financial institutions.

##### (ii) Negotiated Dealing System (NDS)

With a view to facilitating transparent electronic bidding in auctions and secondary market transactions in government securities on a real-time basis, RBI proposes to introduce an electronic 'Negotiated Dealing System'.

Both these developments are expected to accelerate the settlement mechanism amongst the participants which in turn will impart depth to, and augment liquidity of the Wholesale Debt Market.

