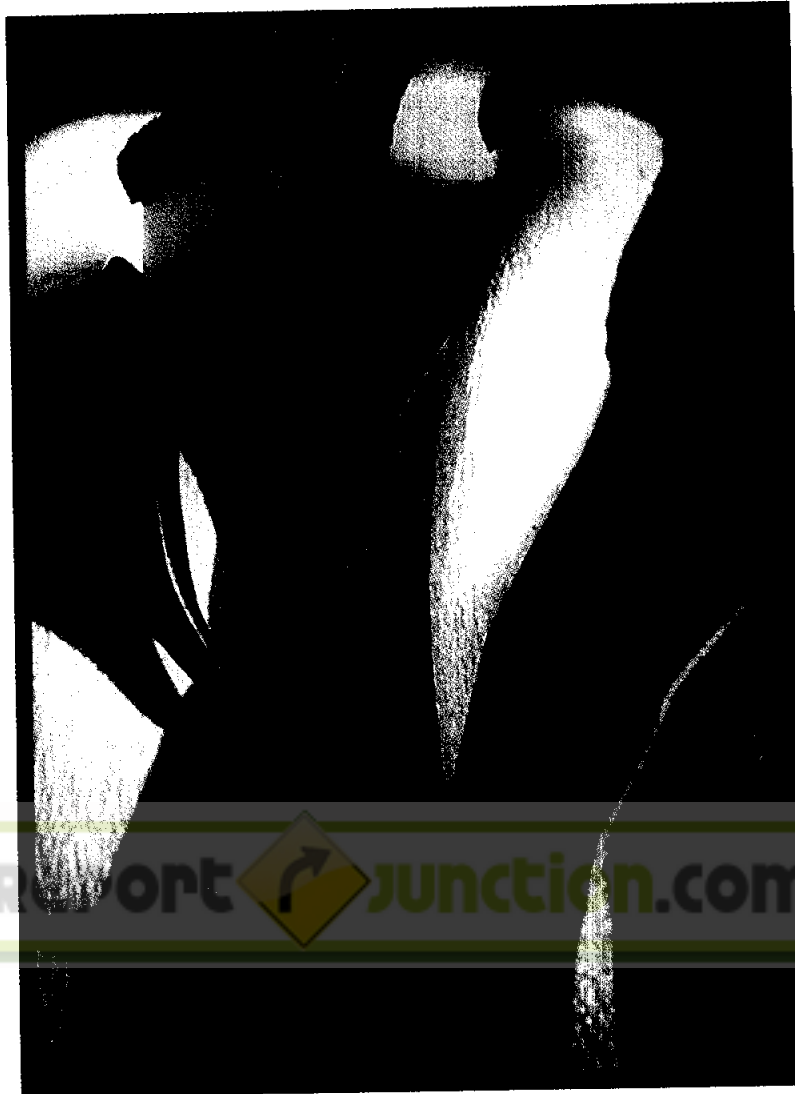


ANNUAL REPORT 2001-2002

Rooting Relationships





Rooting Relationships

Report

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Nature is a unique technology. Every element in Nature has a distinct quality, a unique feature and a specific purpose for survival. Drawing inspiration from these elements, REB has imbibed some of these singular attributes for multiple purposes. These in turn have translated into strong relationships rooted in confidence and trust. These relationships give REB its competitive edge. An edge that enhances productivity, maximizes potential and continually optimizes prosperity for all its shareholders.

REB is a proud member of the Sansco Group of Companies. We are committed to the growth and development of the Indian economy and the welfare of the Indian people. We are committed to the highest standards of corporate governance and ethical conduct. We are committed to the highest standards of environmental protection and social responsibility.



annual report 2001-2002

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. Frederic Lucien
 (Alternate to Mr. Iain Cheyne)

MANAGING DIRECTOR & CHIEF EXECUTIVE

Mr. H.V. Sheshadri

CONSULTANTS

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

STATUTORY AUDITORS

M/s. Habib & Co., Mumbai

SENIOR MANAGEMENT

Mr. D.A. Muljiani
General Manager
 Mr. Manoj Bhalla
Head - Corporate Banking
 Mr. Harihar Krishnamoorthy
Head - Integrated Treasury
 Mr. T.S. Easwaran
Head - Credit & Risk Management
 Ms. Archana Shiroor
Head - Human Resources
 Mr. Sandeep Mookerjee
Head - Personal Financial Services

COMPANY SECRETARY

Mr. H.V. Barve

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
 e-mail : dcb@giasbm01.vsnl.net.in
 Website : http://www.dcbi.com

REGISTRARS AND TRANSFER AGENTS

M/s. Sharepro Services

- 912, Raheja Centre, Free Press Journal Marg, Nariman Point, Mumbai 400 021. Tel. : 2881568/69, 2885427
- Satam Industrial Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Marg, Chakala, Andheri (East), Mumbai 400 099. Tel. : 821 5168, 821 5991, 834 8218

Notice to Members

Notice is hereby given that the Seventh 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 Monday, 30th September, 2002 at 4.00 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Bank as at 31st March, 2002 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. A.H. Dossani who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. H.A. Dossani who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. S V. Khoja who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint a Director in place of Mr. A.H. Merchant who retires by rotation and being eligible, offers himself for reappointment.
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 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 218 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. Appointment of Mr. Iain Cheyne as Director

To appoint a Director in place of Mr. Iain Cheyne who was appointed as a Director in the casual vacancy caused by the resignation of Mr. Brian Wilson and who holds office upto the date of the ensuing Annual General Meeting under Section 262 of the Companies Act, 1956 and who is eligible for appointment and in respect of whom the Company has received a notice from a member under Section 257 of the Companies Act, 1956 proposing him as a candidate for the office of Director.

10. Appointment of Mr. H.V. Sheshadri as Director

To appoint a Director in place of Mr. H. V. Sheshadri, who was appointed as an Additional Director of the Company by the Board of Directors on 13-11-2001 and who holds office upto the date of the ensuing Annual General Meeting in accordance with Section 260 of the Companies Act, 1956, and who is eligible for appointment and in respect of whom the Company has received a notice from a member under Section 257 of the Companies Act, 1956 proposing him as a candidate for the office of Director.

11. Alteration of Memorandum of Association

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

- A. "RESOLVED THAT pursuant to the provisions of Section 17 and other applicable provisions, if any of the Companies Act, 1956 and subject to the approval / confirmation of any Authorities if necessary, the Memorandum of Association of the Company be and is hereby altered by inserting the following sub-Clause 10 (a) after the sub-Clause 10 in para (A) Main Object Clause of Clause III thereof.

- 10 (a) To carry on the business of insurance of all kinds or businesses allied to Insurance including inter-alia, the business of soliciting or procuring



annual report 2001-2002

Insurance Business and to receive commission or remuneration of the Insurance Business so procured and to act as Insurance Agent and/or Broker and/or Writing Agent for all classes of Insurance Business and also business as Insurance Advisers, Pension Advisers, Consultants, Assessors, Valuers and Surveyors."

- B. "RESOLVED FURTHER THAT the present sub-Clause 57 in the para (C) Other Objects Clause of Clause III of the Company's Memorandum of Association be and is hereby deleted and the present sub-Clause 58 be re-numbered as sub-Clause 57.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to agree to and accept such modifications, terms and conditions in the newly altered Object Clause as may be directed by the concerned Authorities and to modify the same accordingly and to obtain confirmation thereof and to take such other steps as may be required to implement the above."

12. Commencement of Insurance Agency etc. Business

To consider, and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956, approval be and is hereby granted to the commencement by the Company of the business of soliciting or procuring insurance business and to act as an Insurance Agent as provided in the newly inserted sub-Clause 10(a) in (A) Main Object Clause of Clause III of the Memorandum of Association of the Company."

13. Issue of Shares to AKFED

To consider, and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution :

"RESOLVED THAT in accordance with the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956 (including any amendment to or reenactment thereof for the time being in force), and enabling provisions in the Memorandum and Articles of Association of the Company and subject to the approval of Reserve Bank of India and all other concerned authorities to the extent necessary and of the conditions and modifications as may be prescribed or imposed by any of them in granting such approvals, permissions and sanctions

which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board") consent of the Company be and is hereby accorded to the Board of Directors (which shall include any Committee of the Board constituted for the purpose) to create and issue 51,79,252 Equity Shares of the face value of Rs.10/- each referred to as "the shares" for cash, at a premium of Rs.30/- per share, aggregating to Rs. 20,71,70,080 to Aga Khan Fund for Economic Development (AKFED), Geneva."

"RESOLVED FURTHER THAT the equity shares so issued and allotted shall rank *pari passu* in all respects with the existing Equity Shares of the Company except that the dividend payable on such shares shall be *pro-rata* to the amount actually paid on the said shares and proportionate to the period during the financial year in which they are allotted."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorised to make applications, from time to time to the various authorities as may be necessary, to prescribe and finalise the form and text of the Letter of Offer and the Application Form for Equity Shares, to make necessary changes in the Forms/Letter of Offer as may be required by the concerned authorities, and to take such actions and give such directions or instructions as they may from time to time, think fit and proper, to execute all such documents in writing as may be necessary and to do all such acts, deeds, matters or things whatsoever including settling any questions or difficulties that may arise with regard to or in relation to the offer, issue or allotment of the aforesaid shares as they in their absolute discretion may consider necessary, expedient, usual or proper in the best interest of the Company."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate to the Committee of Directors or any one of the Directors whom the Board may authorize, all or any of its powers and authorities vested in it in terms of this resolution as may be permitted by law."

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 1, 2002

H. V. BARVE
Company Secretary



an n o c t 2001-2002

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 Company 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 is annexed hereto.
- 5) The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 16th September, 2002 to Monday, 30th September, 2002 (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 Company's Register of Members on 30th September, 2002.
- 7) Submission of Form 15G :
The Shareholders who are entitled to seek exemption from deduction of tax at source on dividend amount having regard to their estimated total income for the financial year 2002-03 as per the provisions of the Income tax Act, 1961 may submit Form No.15G 'in duplicate' duly filled in and signed so as to reach the Registrars M/s. Sharepro Services, at the addresses given below on or before 30th September, 2002. It will not be possible for the Company to act on such declarations received after the said date. (Form 15G in duplicate is sent alongwith this notice)
- 8) **MEMBERS ARE REQUESTED TO ADDRESS ALL THEIR CORRESPONDENCE INCLUDING CHANGE OF ADDRESS, MANDATES, FORM 15G (IN DUPLICATE) ETC. TO THE REGISTRARS VIZ. M/S. SHAREPRO SERVICES AT SATAM INDUSTRIAL ESTATE, 3RD FLOOR, ABOVE BANK OF BARODA, CARDINAL GRACIOUS MARG, CHAKALA, ANDHERI (EAST), MUMBAI - 400 099 or AT 912, RAHEJA CENTRE, FREE PRESS JOURNAL MARG, NARIMAN POINT, MUMBAI - 400 021.**

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 August 1, 2002.

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 authorize the Board of Directors to appoint such person (s) in consultation with the Statutory Auditors. For operational convenience, it is proposed to authorize 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.

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

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

ITEM NO. 9

Mr. Iain Cheyne was appointed as a Director on 29th December, 2000 in the casual vacancy caused by the resignation of Mr. Brian Wilson as Director of the Company. Pursuant to the provisions of Section 262 of the Companies Act, 1956, he would hold office upto the date of the ensuing Annual General Meeting and is eligible for appointment.

A notice alongwith a deposit as required under Section 257 of the Companies Act, 1956 has been received from a member of the Company proposing Mr. Iain Cheyne as a candidate for the office of Director.

The Board recommends approval of the resolution at Item No.9 of the accompanying notice.

Mr. Iain Cheyne is interested in the resolution as it relates to his own appointment.

ITEM NO. 10

Mr. H.V. Sheshadri was appointed as Additional Director by the Board of Directors of the Company on November 13, 2001. By virtue of Section 260 of the Companies Act, 1956 he holds office up to the date of the ensuing Annual General Meeting and is eligible for appointment.

A notice alongwith a deposit as required under Section 257 of the Companies Act, 1956 has been received from a member of the Company proposing Mr. H.V. Sheshadri as a candidate for the office of Director.



DCB

annual report 2001-2002

The Board recommends approval of the resolution at Item No.10 of the accompanying notice.

Mr. H.V. Sheshadri is interested in the resolution as it relates to his own appointment.

ITEM NO. 11 & 12

In view of a large branch network spread over several locations all over India, the Board of Directors is of the view that the Company should diversify and undertake insurance business including the business of Insurance Agents, Brokers and Writing Agents which business can be conveniently and advantageously combined with the existing banking business of the Company.

At present sub-Clause 57 of the "Other Objects" clause of the Memorandum of Association authorised the Company to carry on the business of insurance and other allied business. The Insurance Regulatory and Development Authority with whom the Company is required to register before undertaking business pertaining to insurance, including business as insurance agent and broker, requires that the Main Objects Clause of the Memorandum of Association of the Company should contain such a provision. It is also necessary as a pre-requisite to the permission of RBI to commence this new activity. Bank is in the process of making suitable application to Reserve Bank of India for commencing such business pending approval of the shareholders. It is therefore proposed to alter the Main Objects Clause by inserting the proposed new sub-clause as set out in the Special Resolution at item no. 11 of the accompanying Notice. On passing of the proposed resolution, a deletion shall be effected of present sub-Clause 57 of the Other Objects Clause of Clause III in the Memorandum of Association on account of it becoming redundant and the present sub-Clause 58 will be renumbered as sub-Clause 57.

A special resolution under Section 149(2A) of the Companies Act, 1956 for commencement of the above new business activity is also proposed at Item No.12 of the accompanying notice to enable the Company to commence the said business.

A printed copy of the Memorandum and Articles of Association of the Company is open for inspection by the Members at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all working days.

The Board recommends approval of the Special Resolutions at item Nos.11 & 12 of the accompanying notice.

None of the Directors of the Company is interested in the said Special Resolutions.

ITEM NO. 13

Members are aware of the support and guidance given by the Aga Khan Fund for Economic Development (AKFED) over the last seven years which has contributed to the growth and

achievements of the Company. Considering the tremendous growth potential and increasing need to optimize opportunities with speed and stability, the Board has taken the view that an invitation be made to AKFED for enhancing their stabilizing stake in the Company's equity. This would facilitate Company's substantial growth, the benefit of which has already been evidenced post-conversion. The money raised will be used to fill key gaps in products, technology and distribution and optimally leverage the infrastructure proposed to be built. The competitive environment brought about by rapidly changing customer needs has confirmed that banks that do not invest in technology are vulnerable to losing their most attractive and profitable customers from their existing base.

The Government of India has recently liberalized its policy on Foreign Direct Investment (FDI) in private sector banks whereby investment up to 49% of the capital has been permitted under automatic route subject to conformity with the guidelines issued by Reserve Bank of India.

It is therefore proposed to increase the Foreign Shareholding in the Bank by issue of 51,79,252 Equity Shares of Rs.10/- each to AKFED at a premium of Rs.30/- per share, on repatriation basis.

AKFED already holds 86,15,400 Equity Shares constituting 37.50% of the paid up share capital of the Company. With the proposed issue of 51,79,252 shares AKFED's shareholding will increase to 49% of the enlarged paid up share capital of the Company. Consequently the percentage holding of the remaining shareholders which is currently 62.50% will reduce proportionately to 51%.

The Special Resolution under Section 81(1A) of the Companies Act, 1956 is therefore proposed at item no. 13 of the accompanying Notice for approval of the Members.

None of the Directors of the Company except Mr. Iain Cheyne, who is Director of AKFED, is concerned or interested in the said Special Resolution.

The Board recommends the approval of the said Special Resolution. In doing so, Shareholders should carefully consider their position with respect to the dilution, which will occur in their shareholding.

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 1, 2002

H.V. Barve
Company Secretary

Focus

Single minded determination, focusing attention on efficiency and effectiveness. DCB is moving with its sights focused on organisational achievement. Streamlining strategies, creating cost-efficiencies, harnessing technology and building relationships which create real value.





annual report 2001-2002

Directors' Report

Your Directors have great pleasure in presenting to you the Seventh Annual Report of the Bank together with the audited accounts for the year ended March 31, 2002.

1. To Produce at Peak

Dedication. Determination. Discipline. Fundamentals don't change. What changes is the action landscape : the contours and the physical properties which are dependant on the business strategy, be it immediate or long-term. Channeling money into new business sectors is fine; but selecting which start-ups to support, which products to promote, continuously re-inforcing the promotion is true business finesse.

DCB's business strategy is clear: optimum positioning for high performance. From its earlier position as a small, niche player, DCB is steadily transforming itself into a distinctive, high-performing bank beginning with a three-dimensional operative framework:

- Relationship-building
- Focus on the right business in the right way
- Energy for productivity

All three dimensions require a good knowledge-base of the market-place and the development of talent.

Rooting Relationships is a long-term game plan which instills confidence and trust. It helps capture on a grand scale the gains that come with applying smart processes and routines. It means continuity in talking, listening, exchanging, informing. It is the strongest pillar on which client service is based. Most important of all, it becomes a powerful platform for cross-selling products because when a client is satisfied with one product, a good relationship makes it easier to introduce a second and third product.

2. Economic Scenario

The world economy experienced an overall deceleration due to volatility in international oil prices and the shocking terrorist attacks of enormous magnitude. The Indian economy was also affected with the global happenings and prevalent tensions on its borders. GDP, the prime barometer for measuring growth, was revised downward from the target of 6.5% and expected to be 5.4% as estimated by the Central Statistical Organisation. Food grain production has been on the

rise from 196 mio tonnes (2000-01) to 209 mio tonnes for the year 2001-02.

Industrial growth which had witnessed a significant slowdown in 2000-01 as measured by the Index of Industrial Production (IIP), continued to decelerate with greater intensity in 2001-02. However, the overall industrial growth in terms of the IIP during April-December 2001 was only 2.3% compared to 5.8% during the corresponding period of the previous year. In fact, the industrial growth during the first nine months of the financial year was the lowest recorded in the last ten years.

The Wholesale Price Index (WPI) declined from 4.9% for end-March 2001 to 1.4% for end-March 2002 indicating a highly favourable inflationary situation with prices under control. Consumer Price Index (CPI), however, was higher at 5.2% on a point-to-point basis and at 4.1% up to February 2002 on an average basis against previous year levels of 3% and 4% respectively. The Inflation Rate, as estimated by the CPI, ranged between moderate to low during the financial year.

Aggregate foreign exchange reserves including gold and Special Drawing Rights as on March 31, 2002 amounted to US\$ 54.106 bn.

3. Developments in Banking

The regulatory environment for the Indian Banking industry was characterised by greater liberalisation in foreign ownership and related areas, tightening of certain exposure norms and infrastructural improvements for trading in government securities and settlements in forex by setting up Clearing Corporation of India Ltd. and Negotiated Dealing System.

The specific reforms undertaken include allowing banks to lend at interest rates below their respective PLRs, encourage introduction of flexible interest rate system for deposits, offering higher interest rates to senior citizens, flexibility in determining working capital between cash credit and loan components, reduction in the exposure limits for each borrower, revised guidelines for exposure of banks to capital market and guidelines for investment in non-SLR securities through the private placement route.

Energy

Leveraging passion, moving ahead with conviction and going that extra mile. DCB has pooled its strengths and applied strategy to enhance organisational productivity. This energy stimulates efficiency and effectiveness resulting in performance beyond expectations.

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