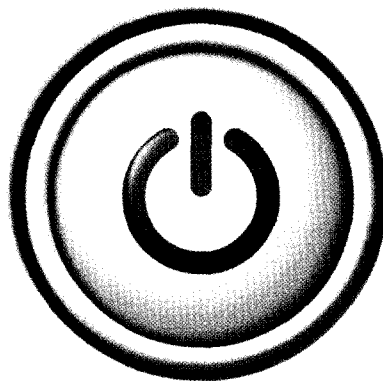


DEVELOPMENT CREDIT BANK LIMITED



ANNUAL REPORT 2004 - 2005

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POWERING UP FOR GROWTH

**Click.** And an old page is replaced with a new one. A press of a button takes you forward to fresh possibilities. This year, DCB leaves yesterday behind and heads into tomorrow with a brand new perspective.

DCB has always believed in being one step ahead in anticipating its customers' wants and needs before they themselves become aware of them. As we step onto a new path, we will take complete advantage of technological advancements to continue providing proactive products and services.

This is to be a year of finding new pulses to put our fingers on, rebooting old systems into new discs of potential and pressing new buttons of empowerment for our customers, our investors and ourselves.

This is the year to power up for growth.



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## BOARD OF DIRECTORS

### Chairman

Mr. Nasser Munjee  
(w.e.f. 12.08.05)

Dr. Naushad I. Padamsee  
(upto 12.08.05)

### Directors

Mr. Iain Cheyne	Mr. A. K. Dhuka (upto 09.03.05)
Ms. Nasim Devji (w.e.f. 13.01.05)	Mr. A. H. Dossani (upto 30.11.04)
Mr. M. M. Furniturewala (w.e.f. 30.09.04)	Mr. H. A. Dossani (upto 30.11.04)
Mr. John Harris	Dr. H. A. Kajani (upto 30.11.04)
Dr. Vijay Kelkar (w.e.f. 13.01.05)	Mr. S. V. Khoja (upto 30.11.04)
Mr. A. H. Manekia	Mr. N. S. Maknojia (upto 30.11.04)
Mr. R. A. Momin (w.e.f. 13.01.05)	Mr. J. N. Maredia (upto 30.09.04)
Mr. A. A. Sabuwala (w.e.f. 13.01.05)	Mr. A. H. Merchant (upto 30.11.04)
Mr. Narayan Seshadri (w.e.f. 30.09.04)	Mr. M. R. Prasla (upto 30.09.04)
Mr. Anuroop Singh (w.e.f. 13.01.05)	Mr. H. G. Rahimtoola (upto 30.11.04)
Mr. Frederic Lucien (Alternate to Mr. Iain Cheyne)	Mr. H. B. Rajan (upto 30.09.04)
	Mr. H. V. Sheshadri (MD & CEO) (upto 12.03.05)

### Senior Management

Mr. D. A. Muljiani, Acting CEO  
(w.e.f. 12.03.05)

Mr. Sandeep Mookerjee, Head - PFS

Mr. Harihar Krishnamoorthy, Head - Treasury

Mr. Yogesh Chadha, CFO

### Company Secretary

Mr. H.V. Barve

### Statutory Auditors

M/s. Habib & Co., Mumbai

M/s. N. M. Raiji & Co., Mumbai



## NOTICE OF AGM

### NOTICE TO MEMBERS

Notice is hereby given that the Tenth 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 Tuesday 13th September, 2005 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 2005 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 appoint a Director in place of Mr. A. H. Manekia who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. Iain Cheyne who retires by rotation and being eligible, offers himself for reappointment.
4. 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. P.C. Hansotia & 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:

##### 5. 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 authorized 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."

##### 6. Appointment of Ms. Nasim Devji as Director

To appoint a Director in place of Ms. Nasim Devji who was appointed as a Director in the casual vacancy caused by

the resignation of Mr. A. H. Dossani and who holds office upto the date of this 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 her as a candidate for the office of Director.

##### 7. Appointment of Mr. R. A. Momin as Director

To appoint a Director in place of Mr. R. A. Momin who was appointed as a Director in the casual vacancy caused by the resignation of Mr. H. A. Dossani and who holds office upto the date of this 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.

##### 8. Appointment of Dr. Vijay Kelkar as Director

To appoint a Director in place of Dr. Vijay Kelkar who was appointed as a Director in the casual vacancy caused by the resignation of Mr. S. V. Khoja and who holds office upto the date of this 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.

##### 9. Appointment of Mr. A. A. Sabuwala as Director

To appoint a Director in place of Mr. A. A. Sabuwala who was appointed as a Director in the casual vacancy caused by the resignation of Mr. A. H. Merchant and who holds office upto the date of this 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.

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

H. V. BARVE  
Company Secretary

#### Registered Office:

154, S. V. Patel Road (East),  
Dongri, Mumbai - 400 009  
August 12, 2005.

## 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 in respect of the businesses at items 5,6,7,8 & 9 of above is annexed hereto.

5) Any dividend remaining unclaimed / unpaid for seven years from the date it became due for payment will be transferred to Investor Education and Protection Fund and once so transferred, no claim there against shall be entertained. Balance in Unpaid Dividend (Final 1997-98) account will be due for transfer as per above, in September 2005. Shareholders are requested to take a note thereof and ensure prompt collection of unclaimed dividend, if any.

6) MEMBERS ARE REQUESTED TO ADDRESS ALL THEIR CORRESPONDENCE INCLUDING CHANGE OF ADDRESS, MANDATES ETC. TO THE REGISTRARS VIZ. SHAREPRO SERVICES (INDIA) PVT. LTD. AT SATAM 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 12, 2005.

### ITEM NO. 5

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 the approval by the members of the resolution at item No.5 of the accompanying notice.

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

### ITEM NO. 6

Ms. Nasim Devji was appointed as a Director on 13th January 2005 in the casual vacancy caused by the resignation of Mr. A. H. Dossani as Director of the Company. Pursuant to the provisions of Section 262 of the Companies Act, 1956, she 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 Ms. Nasim Devji as a candidate for the Office of Director.

The Board recommends approval of the resolution at Item No.6 of the accompanying notice.

Ms. Nasim Devji is interested in the resolution as it relates to her own appointment.

#### ITEM NO. 7

Mr. R. A. Momin was appointed as a Director on 13th January 2005 in the casual vacancy caused by the resignation of Mr. H. A. Dossani 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. R. A. Momin as a candidate for the Office of Director.

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

Mr. R. A. Momin is interested in the resolution as it relates to his own appointment.

#### ITEM NO. 8

Dr. Vijay Kelkar was appointed as a Director on 13th January 2005 in the casual vacancy caused by the resignation of Mr. S. V. Khoja 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 Dr. Vijay Kelkar as a candidate for the Office of Director.

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

Dr. Vijay Kelkar is interested in the resolution as it relates to his own appointment.

#### ITEM NO. 9

Mr. A. A. Sabuwala was appointed as a Director on 13th January 2005 in the casual vacancy caused by the resignation of Mr. A. H. Merchant 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. A. A. Sabuwala as a candidate for the Office of Director.

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

Mr. A. A. Sabuwala is interested in the resolution as it relates to his own appointment.

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

H. V. BARVE  
Company Secretary

Registered Office:  
154, S. V. Patel Road (East),  
Dongri, Mumbai - 400 009  
August 12, 2005

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Tenth Annual Report of the Bank, together with the audited accounts for the year ended 31st March, 2005.

### 1. FINANCIAL PERFORMANCE

Figures in Rs. Crores

Particulars	For the year ended March 31,2005	For the year ended March 31,2004
<b>Balance Sheet Parameters</b>		
<b>Deposits</b>	3894.76	4474.18
<i>Customer Deposits</i>	3149.88	3317.98
<i>Inter Bank Deposits</i>	744.88	1156.20
<b>Advances</b>	2001.40	2439.52
<b>Non Performing Advances</b>	310.75	211.62
<b>Total Assets</b>	4659.46	5392.62
<b>Profit &amp; Loss Parameters</b>		
<b>Net Interest Income</b>	69.69	95.61
<b>Non Interest Income</b>	91.29	88.36
<b>Total Operating Income</b>	160.98	183.97
<b>Operating Cost</b>	165.11	130.01
<i>(Including amortization of premium on investments)</i>	(17.94)	(4.36)
<b>Operating Profit</b>	(-4.13)	53.96
<b>Provisions for loan loss, depreciation on investments &amp; other provisions</b>	158.78	36.60
<b>Profit / (Loss) for the year</b>	(-162.91)	17.36

During the year, the Bank raised capital amounting to Rs.138.45 crores. This amount was utilized mainly to provide for accumulated non performing assets and, in addition, for taking a one time depreciation loss on mark-to-market on securities as permitted by the Reserve Bank of India (RBI). A one time provision will ensure that future earnings are not exposed to volatility on this account. The Bank also wrote off Rs.62 crores from share premium

account towards bad and doubtful debts.

The total assets of the Bank fell by 13% as compared to the year 2004, mainly owing to lower net advances on account of higher provisioning and some fall in business volumes. Total deposits fell by 13% over the previous year concentrated mainly in the high cost inter bank deposits.

The net loss recorded for the year was primarily on account of the following:

- Loan loss provisions on legacy loans: Rs.101.31 cr.
- Revaluation of investments on a mark-to-market basis as per RBI guidelines: Rs.45.17 cr.
- Other Provisions: Rs.12.31 cr.

No dividend is being proposed.

One of the steps taken by the Bank to improve core profitability is to reduce costs in all areas. A Performance Enhancement Program (PEP) has been established to ensure that all revenue initiatives are followed through effectively. It reviewed several areas of the Bank (Operations, PFS, Corporate Banking, Treasury and Corporate Office / FINCON) to analyze the Bank's processes and the related costs and identified ways in which we can simplify them so that staff is able to deliver services in a cost effective way.

### 2. CAPITAL ADEQUACY

Pursuant to the approval of our Shareholders at the Extra Ordinary General Meeting held on 31st March 2005 and in terms of the approval of Reserve Bank of India vide their Letter No.DBOD.1039/106.01.132/2004-05 dated 28th March 2005, the Board of Directors have allotted by way of preferential allotment, to Aga Khan Fund for Economic Development (AKFED) 2,51,73,158 shares of Rs.10/- each at a consideration of Rs.55/- per share inclusive of premium of Rs.45/- per share totaling to Rs.138.45 crore. Consequently, as on 31st March 2005 AKFED's holding in Bank's Equity has gone upto 4,44,80,372 shares which is 68.88% of Bank's Capital.

Bank's owned funds are at Rs.199.43 crores resulting in a Capital Adequacy Ratio as on 31st March, 2005 at 9.88% which is well above the stipulated norm.

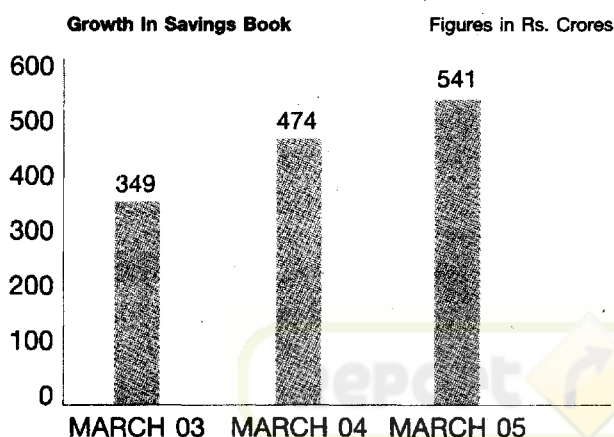




## BUSINESS PERFORMANCE :

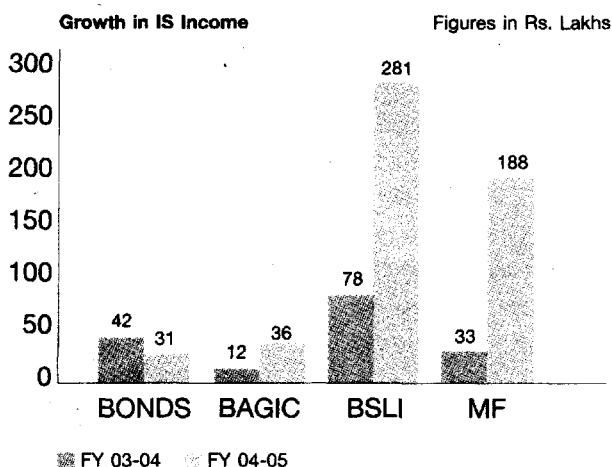
### 3.PERSONAL FINANCIAL SERVICES (PFS)

Having introduced a wide portfolio of products and services designed to appeal to a wide section of our customer base by offering complete financial solutions, the year has seen concentrated effort on growing the retail business for the Bank.



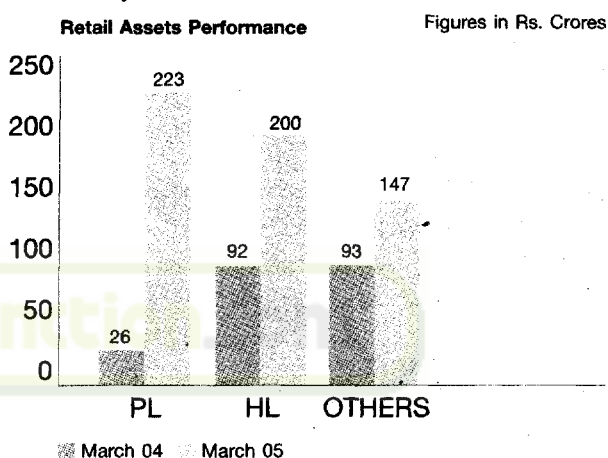
As a result, the retail business of the Bank has grown significantly with an increase in the Savings book by 14.14% over the last year. The fee income from the retail bank also increased by 58% over the last year to Rs. 22.98 crores excluding earnings from Investment Services.

Investment Services products have contributed tremendously to the fee earnings of the Bank. The Bank has also registered significant growth from the sales of both Life & General Insurance products along with the increase in the sales of Mutual Funds.



Having successfully introduced the Personal Loan product, the Bank has now also entered the Mortgage business. During the year, the Bank also introduced the Education Loan product to enable meritorious students to pursue higher education.

The assets business has ventured into new territories namely Chandigarh, Hyderabad, Mysore and Jaipur thereby making the product available in 11 centers across the country.



The branch network of the Bank has grown from 64 branches to 67 branches and its extension counters have also increased from 3 to 5. Also, keeping in mind customer convenience and to attract greater business volumes, three branches of the existing network were relocated in the year. The number of the Bank's own ATMs has increased from 99 ATMs to 121 ATMs.

Customers continue to enjoy the convenience of access to over 5000 VISA ATMs across the country through the Bank's strategic partnerships with HDFC Bank and the CASHNET network comprising Citibank, IDBI Bank, UTI Bank, Corporation Bank, Centurion Bank, Dhanalakshmi Bank and Bank of Punjab. Through these arrangements DCB customers can access their accounts for cash withdrawals and balance enquiries.

Since its inception, the PFS business has constantly introduced products and services that are designed to increase customer convenience. The Bank has recently launched the e-mail Statement of Account facility that is offered on a monthly frequency to all customers absolutely free. The e-mail statement offers a consolidated view of the

customers' total relationship with the Bank and this has been widely appreciated.

The Payable at Par cheque book for Classic Savings Account customers has removed the inconvenience of making demand drafts for outstation payments and also saving on DD charges. The Visa Money Transfer facility enables our customers to transfer funds from their DCB account to any Visa Debit or Credit Card anywhere in the country through electronic means. In addition the new range of Current Accounts that will provide our customers ease of transactions and will help manage cash-flows more effectively.

"Celfill", an ATM mobile top up facility enables DCB ATM / Debit cardholders and other bank's Visa Debit / Electronic cardholders to electronically refill their prepaid mobile card through any of DCB's ATMs.

#### 4. CORPORATE BANKING

The major development in corporate banking was a shift in the focus of attention to Small & Medium Enterprises (SMEs) and Mid-Corporates. This change in strategy is expected to yield better returns in the ensuing financial year. Further, Corporate Banking has developed various customer friendly products to finance the supply chain and franchisees of large corporates and also equipment finance schemes.

Through increased provisioning, the Bank's gross NPAs are covered to the extent of 53.70% compared to 39.80% for the previous year. During the year, there was a focused recovery strategy which has yielded recoveries to the tune of Rs.52 crores, from NPA and written off accounts, as against Rs.32.16 crores in the previous year. The percentage of Net NPA to Net Advances has been contained at 6.83%.

#### 5. FOREIGN EXCHANGE & MONEY MARKET

As in the previous year, the Indian Rupee continued to appreciate against US Dollar. The Forex Reserves, continued to surge following FII inflows, thereby enabling RBI to constantly monitor the Rupee / USD level in order to arrest any volatility.

The Bank continued to be active in the Dollar-Rupee markets and other major currencies with a turnover of USD 2.97 bn and Inter-bank turnover of USD 8.42 bn during the year, thus aggregating to a cumulative turnover of USD 11.39 bn. Strong market making capabilities as well as merchant business helped us post healthy results in this area of operation. The Bank continued marketing of FX Derivative products like FX Options, Overnight Index Swaps & Forward Rate Agreements to our customers.

Inflation moved up and remained well above 6% in the wake of unprecedented increase in global crude oil price during the second half of the year, as also steady rises in the Fed Rate during the year to control inflationary pressures amidst recovery signs of the US economy. Reserve Bank of India appropriately increased the CRR from 4.5% to 5% and the Reverse Repo rate from 4.5% to 4.75% during the second half 2004-05 to reign in any residual of inflationary expectations. These moves, however, resulted in a huge depreciation of the investment portfolio of the entire banking system. Reserve Bank of India, recognising the impact of this development in the working results of the banks, permitted shifting of securities one more time, during the year on a 'one-time' basis from 'Available for Sale' category to 'Held to Maturity' category to reduce the impact of mark-to-market losses.

The aggregate turnover in securities trading was Rs.9,824 crores in 2004-05 and the gross trading profit was Rs.18.67 crores as compared to earlier year level of Rs.33.26 crores despite the pressure on the trading portfolio. The Profit through FX operation was at Rs. 10.09 crores by end of the year.

#### 6. TECHNOLOGY

DCB's technology team embarked upon an ambitious program to consolidate and streamline its technology delivery capabilities. The Bank implemented multiple strategies during the year. Towards this purpose, a robust Management Information System (MIS) and tools that will enable greater capability for risk management viz. role based access control logs across various applications were