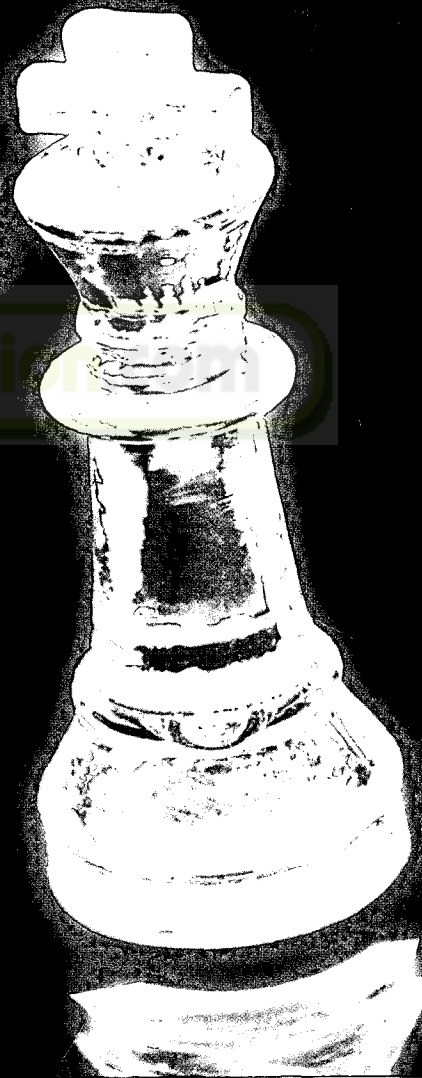


Annual Report 2006-2007

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Financial Highlights 2006-2007

- Net worth over Rs. 1000 crores
- Capital Funds at Rs. 1706 crores (inclusive of Tier II capital of Rs. 706 crores)
- Capital Adequacy Ratio (CAR) at 12.54% as against the regulatory minimum requirement of 9%
- Business Turnover of Rs. 28,700 crores, a growth of 18.14% over the previous year
- Network of Branches at 170 along with 99 off-site ATMS, in 141 geographical locations spread over 27 States and Union Territories - besides 2 overseas representative offices (in London and Dubai)
- Highest A1+ rating for Certificates of Deposits from ICRA and Highest P1+ rating for FDs from CRISIL
- New business and product lines during the last financial year, including Indus Gold Debit Card and Indus Gift Card, E-Remittance facility, tie-up with a number of banks for ATM usage, partnership with Religare Securities from Portfolio Management services, and Bancassurance tie-up with Aviva Life Insurance

Over time, we have successfully shifted our wholesale banking focus to a balanced combination of corporate loans, vehicle finance, and other retail advances. This has also helped us in cross-selling products among our customer segments. We have been particularly successful in the cross-sale of third-party products, including insurance policies and mutual funds, as well as debit cards and gold coins. We now need to concentrate on further building up our portfolio of demand deposits, during 2007-08 and the coming years.

Bhaskar Ghose

Managing Director & CEO

Board of Directors

Mr. R. Seshasayee, Chairman
 Dr. Ram Buxani
 Mr. R. Sundararaman
 Mrs. Kanchan Chitale
 Mr. T. Anantha Narayanan
 Dr. T. T. Ram Mohan
 Mrs. Pallavi Shroff
 Mr. Premchand Godha
 Mr. Ajay Hinduja
 Mr. S. C. Tripathi
 Mr. Bhaskar Ghose, Managing Director
 Mr. S. Nagarajan, Joint Managing Director

Company Secretary

Mr. Haresh Gajwani

Top Management

Mr. S. V. Zaregaonkar - Exec. Vice President - Finance Support Services & CFO
 Mr. J. Moses Harding - Exec. Vice President & Head - Wholesale Banking
 Mr. N. Suresh Pai - Exec. Vice President - Non-Finance Support Services
 Mr. S. V. Parthasarathy - Exec. Vice President - Retail Banking

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Auditors

M/s. S. R. Batliboi & Co.
 Express Towers, 6th Floor
 Nariman Point, Mumbai - 400021

Solicitors

M/s. Crawford Bayley & Co.
 Solicitors & Advocates
 State Bank Building
 NGN Vaidya Marg
 Mumbai - 400023

Registrar & Share Transfer Agent

Intime Spectrum Registry Ltd.
 C-13, Pannalal Silk Mills Compound
 L.B.S. Marg, Bhandup (West)
 Mumbai - 400078
 Tel: 022 25963838
 Fax: 022 25946969

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Registered Office

2401, Gen. Thimmayya Road
 (Cantonment)
 Pune - 411001

Corporate Office

701 Solitaire Corporate Park
 167 Guru Hargovindji Marg
 Chakala, Andheri (East)
 Mumbai - 400093

Retail Banking Division (Chennai)

Sudarshan Building
 Old No. 86, New No. 92
 Chamiers Road
 Chennai - 600018



NOTICE OF 13TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of IndusInd Bank Limited will be held at Hotel Taj Blue Diamond, 11 Koregaon Road, Pune – 411001, India, on Tuesday, September 18, 2007, at 12.00 noon to transact the following business:

Ordinary Business:

1. To consider and adopt the Profit and Loss Account for the year ended March 31, 2007 and the Balance Sheet as at March 31, 2007 together with the Reports of the Directors and Auditors thereon.
2. To declare Dividend for the year.
3. To appoint a Director in place of Dr. Ram Buxani, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. T. Anantha Narayanan, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. S. Nagarajan, who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint M/s. M. P. Chitale & Co., Chartered Accountants, as Statutory Central Auditors for the Bank to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, and to authorise the Board of Directors to fix the remuneration of the Statutory Auditors, and to appoint branch auditors in consultation with the Statutory Auditors and to fix their remuneration.

Special Business:

7. Appointment of Mr. Premchand Godha as Director.

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

"RESOLVED THAT Mr. Premchand Godha who was appointed Additional Director of the Bank on October 31, 2006 under Section 260 of the Companies Act, 1956 and who holds office till the date of the 13th Annual General Meeting, and in respect of whom the Bank has received a notice in writing proposing his candidature for the office of the Director, in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, be and is hereby appointed as Director of the Bank liable to retire by rotation;

RESOLVED FURTHER THAT the Company Secretary be and is hereby authorised to file the required forms with the Registrar of Companies and to take all necessary steps for giving effect to this resolution."

8. Appointment of Mr. Ajay Hinduja as Director.

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

"RESOLVED THAT Mr. Ajay Hinduja who was appointed Additional Director of the Bank on October 31, 2006 under Section 260 of the Companies Act, 1956 and who holds office till the date of the 13th Annual General Meeting, and in respect of whom the Bank has received a notice in writing proposing his candidature for the office of the Director, in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, be and is hereby appointed as Director of the Bank liable to retire by rotation;

RESOLVED FURTHER THAT the Company Secretary be and is hereby authorised to file the required forms with the Registrar of Companies and to take all necessary steps for giving effect to this resolution."

9. Appointment of Mr. S. C. Tripathi as Director.

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

"RESOLVED THAT Mr. S. C. Tripathi who was appointed Additional Director of the Bank on February 14, 2007 under Section 260 of the Companies Act, 1956 and who holds office till the date of the 13th Annual General Meeting, and in respect of whom the Bank has received a notice in writing proposing his candidature for the office of the Director, in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, be and is hereby appointed as Director of the Bank liable to retire by rotation;

RESOLVED FURTHER THAT the Company Secretary be and is hereby authorised to file the required forms with the Registrar of Companies and to take all necessary steps for giving effect to this resolution."

10. Appointment of Mr. R. Seshasayee as Part-time Non-executive Chairman.

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

"RESOLVED THAT Mr. R. Seshasayee, who was appointed Additional Director on May 3, 2007 under Section 260 of the Companies Act, 1956 and subject to the provisions of Sections 10A, 16 and 20 of the Banking Regulation Act, 1949, and who holds office till the date of the 13th Annual General Meeting, and in respect of whom the Bank has received a notice in writing proposing his candidature for the office of Director in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, be and is hereby appointed as Director of the Bank, not liable to retire by rotation;

RESOLVED FURTHER THAT pursuant to the approval of Reserve Bank of India (RBI) under the applicable provisions of the Banking Regulation Act, 1949, the applicable provisions of the Companies Act, 1956, and as per the approval of the Board, consent of the members of the Bank be and is hereby accorded for the appointment of Mr. R. Seshasayee as Part-time Non- executive Chairman of the Bank for a period of two years with effect from July 24, 2007 on the terms and conditions approved by RBI;

RESOLVED FURTHER THAT the Company Secretary be and is hereby authorized to file required forms with the Registrar of Companies and to take all necessary steps for giving effect to this resolution."

11. Appointment of Mr. Bhaskar Ghose as Managing Director.

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

"RESOLVED THAT subject to the approval of Reserve Bank of India under Section 35B of the Banking Regulation Act, 1949 and the applicable provisions of the Companies Act, 1956, consent of members of the Bank be and is hereby accorded for the re-appointment of Mr. Bhaskar Ghose as Managing Director of the Bank, not subject to retirement by rotation, for a period of two years with effect from June 16, 2007 on such terms and conditions as may be approved by the Board of Directors and the Reserve Bank of India;

RESOLVED FURTHER THAT the Company Secretary be and is hereby authorised to file required forms with the Registrar of Companies and to take all necessary steps for giving effect to this resolution."

12. Appointment of Mr. S. Nagarajan as Joint Managing Director.

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

"RESOLVED THAT subject to the approval of Reserve Bank of India under Section 35B of the Banking Regulation Act, 1949 and the applicable provisions of the Companies Act, 1956, consent of members of the Bank be and is hereby accorded for the re-appointment of Mr. S. Nagarajan as whole-time director (designated as Joint Managing Director) of the Bank, for a period of two years with effect from October 28, 2007 on such terms and conditions as may be approved by the Board of Directors and the Reserve Bank of India;

RESOLVED FURTHER THAT the Company Secretary be and is hereby authorised to file required forms with the Registrar of Companies and to take all necessary steps for giving effect to this resolution."

13. Alteration to Articles of Association (Part-time Non-executive Chairman).

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 Sections 31 and other applicable provisions, if any, of the Companies Act, 1956 the existing Articles 102(1), 121(a)(1), 121(a)(3)(i), 121(a)(3)(ii), 121(a)(4), 121(b), 123A, 124 and 125 of the Articles of Association of the Bank be and are hereby altered by deleting the same and substituting in place thereof, the following as new articles;

Quote

Article 102(1)

Subject to the provisions of the Act, a Managing Director or Managing Directors, who is / are in the whole-time employment of the Bank may be paid remuneration either by way of a monthly payment and / or as per terms approved by Reserve Bank of India.

Article 121(a)(1)

The Directors may, from time to time, appoint or re-appoint one of their member to be the Part-time Non-executive Chairman for such period not exceeding five years at any one time and may remove him and appoint another in his place.

Article 121(a)(3)(i)

Deleted

Article 121(a)(3)(ii)

The Directors, subject to provisions of the Banking Regulation Act, 1949, may, from time to time, entrust to and confer upon the Chairman for the time being such of the powers exercisable by law or under these presents by the Director, as they think fit except such as or by any law required to be exercised by the Board of Directors and may confer such powers for such objects and purposes and upon such terms and conditions and with such restriction as they think expedient and they may confer such powers either collaterally with or to the exclusion of or in substitution of all or any of the powers of the Directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any such powers.

Article 121(a)(4)

Deleted

Article 121(b)

The eligibility and appointment of the Chairman of the Bank will be governed by provisions of the Banking Regulation Act, 1949.

Chairman of the Bank may, by writing under his hand addressed to the Bank, resign his office.

Article 123A Whole-time Director

In addition to the Part-time Non-executive Chairman or Managing Director, the Bank may also appoint one or more Whole-time Directors by whatever designation / name it may think fit. The management of whole of the affairs of the Bank shall be entrusted to the Managing Director and the Whole-time Director(s) so appointed shall function under the supervision and control of the Managing Director.

Article 124

The Bank shall not appoint or employ, or continue the appointment or employment of a person as its Part-time Non-Executive Chairman, Managing Director or Whole-time Director who:-

(a) is an undischarged insolvent, or has at any time been adjudged as insolvent;

(b) suspends, or has, at any time suspended payment to his creditors, or makes or has at any time made a compromise with them; or

(c) is, or has, at any time been convicted by a Court of an offence involving moral turpitude.

Article 125

A Part-time Non-executive Chairman or Managing Director shall not, while he continues to hold that office, be subject to retirement by rotation, in accordance with Article 112. If he ceases to hold the office of Director, he shall ipso facto and immediately cease to be Chairman / Managing Director, as the case may be.

Unquote

14. Authority for further issue / placement of securities including ADRs GDRs, and Qualified Institutions Placement.

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 81 and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or modification(s) or re-enactment(s) thereof) and in accordance with the provisions of the Memorandum and Articles of Association of the Bank, the Listing Agreements entered into by the Bank with the respective Stock Exchanges where the equity shares of the Bank are listed, and subject to the Regulations / Guidelines, if any, prescribed by Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), financial institutions and all other concerned and relevant authorities from time to time, to the extent applicable and subject to such approvals, consents, permissions and sanctions of the Government of India, SEBI, RBI and all other appropriate authorities, institutions or bodies and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, consents, permissions and sanctions, and agreed to by the Board of Directors of the Bank (hereinafter referred to as 'the Board', which term shall be deemed to include any Committee(s) constituted / to be constituted by the Board to exercise its powers including the powers conferred by this Resolution) which the Board be and is hereby authorised to accept, if it thinks fit in the interest of the Bank, the Board be and is hereby authorised, on behalf of the Bank, to create, issue, offer and / or allot, in the course of one or more public or private offerings by way of public issue, rights issue, preferential allotment including Qualified Institutional Placement pursuant to Chapter XIII-A of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time, or otherwise, in the domestic or one or more international markets, equity shares and / or equity shares through depository receipts and / or convertible bonds and / or securities convertible into equity shares at the option of the Bank and / or the holder(s) of such securities, American Depository Receipts (ADRs) / Global Depository Receipts (GDRs) representing equity shares or convertible securities and / or securities with or without detachable / non-detachable warrants with a right exercisable by the warrant-holder to subscribe for the equity shares and / or warrants with an option exercisable by the warrant-holder to subscribe for equity shares, and / or any instrument or securities representing either equity shares and / or convertible securities linked to equity shares (all of which are hereinafter collectively referred to as 'securities') subscribed in Indian / foreign currency(ies) to investors (whether resident and / or non-resident and / or strategic investors and / or institutions or banks and / or incorporated bodies and / or trustees or otherwise, and whether or not such investors are Members of the Bank) / Foreign Institutional Investors (FIIs) / Mutual Funds / Pension Funds / Venture Capital Funds / Banks and such other persons or entities excluding promoters in case of preferential allotment, whether or not such investors are members of the Bank, to all or any of them jointly or severally, through prospectus(es) and / or placement documents(s) or offer letter(s) or circular(s) and / or on private placement basis for, (or which upon conversion of all securities so created, issued, offered and / or allotted could give rise to the issue of) an aggregate face value of equity shares not exceeding 25 per cent of the Authorised Equity Share Capital of the Bank at such time or times with or without voting rights in general meetings / class meetings, at such price or prices, at such interest or additional interest, at a discount or at the premium to market price or prices and in such form and manner and on such terms and conditions or such modifications thereto, including the number of Securities to be issued, face value, rate of interest, redemption period, manner of redemption, amount of premium on redemption / prepayment, number of equity shares, to be allotted on conversion / redemption / extinguishments of debt(s), exercise of rights attached to the warrants and / or any other financial instrument, period of conversion, fixing of record date or book closure and all other related or incidental matters as the Board may in its absolute discretion think fit and decide in accordance to the directives / guidelines issued by the appropriate authority(ies) and in consultation with the Merchant Banker(s) and / or Lead Manager(s) and / or Underwriter(s) and / or Advisor(s) and / or such other person(s), but without requiring any further approval or consent from the shareholders and also subject to the applicable guidelines for the time being in force;

RESOLVED FURTHER THAT, without prejudice to the generality of the above, the aforesaid issue of the securities may have all or any terms or combinations of terms in accordance with prevalent market practice including but not limited to terms and conditions relating to payment of interest, dividend, premium on redemption at the option of the Bank and / or holders of any securities, including terms for issue of additional equity shares or variations of the price or period of conversion of securities into equity shares or issue of equity shares during the period of the securities or terms pertaining to voting rights or option(s) for early redemption of securities;

RESOLVED FURTHER THAT, without prejudice to the generality of the above, the preferential allotment of such securities, the relevant date on the basis of which the price of the resultant shares shall be determined, shall be thirty days prior to the date of the General Meeting in which this resolution is passed, and that the allotment of such securities shall be made in the form of Qualified Institutional Placement to Qualified Institutional Buyers, in accordance with the provisions of Chapter XIII-A of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time;

RESOLVED FURTHER THAT the Board be and is hereby authorised to enter into and execute all such agreements and arrangements with any Lead Manager(s), Co-Lead Manager(s), Manager(s), Advisor(s), Underwriter(s), Guarantor(s), Depository(ies), Custodian(s) and all such agencies as may be involved or concerned in such offerings of Securities and to remunerate all such agencies by way of commission, brokerage, fees or the like, and also to seek the listing of such Securities in one or more Indian / International Stock Exchanges;

RESOLVED FURTHER THAT the Bank and / or any agencies or bodies authorised by the Board may issue depository receipts or certificates representing the underlying equity shares in the capital of the Bank or such other securities in bearer, negotiable, or registered form with such features and attributes as may be required and are prevalent in the Indian and / or International Capital Markets for the instruments of this nature and to provide for the tradability and free transferability thereof as per market practices and regulations (including listing on one or more stock exchanges(s) in or outside India);

RESOLVED FURTHER THAT the Board be and is hereby authorised to create, issue, offer and allot such number of equity shares as may be required to be issued and allotted upon conversion of any securities referred to above or as may be necessary in accordance with the terms of the offer, all such shares ranking in all respects pari passu inter se and with the then existing equity shares of the Bank in all respects, save and except that such equity shares or securities or instruments representing the same may be without voting rights, if permitted by law and / or, shall carry the right to receive pro rata



dividend from the date of allotment, as may be decided by the Board, declared for the financial year in which the allotment of shares shall become effective;

RESOLVED FURTHER THAT the Board be and is hereby authorised to create such mortgage and / or charge on the immovable and movable assets of the Company or on the whole or any part of the undertaking/s of the Company under Section 293(1)(a) of the Companies Act, 1956, in respect of any Security(ies) issued by the Bank pursuant to this Resolution and in the event such Security(ies) is / are required to be secured and for that purpose to accept such terms and conditions and to execute such documents and writings as the Board may consider necessary or proper;

RESOLVED FURTHER THAT, for the purpose of giving effect to any creation, issue, offer or allotment of equity shares or securities or instruments representing the same, as described above, the Board be and is hereby authorised, on behalf of the Bank, to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation, entering into arrangements for managing, underwriting, marketing, listing, trading, acting as depository, custodian, registrar, paying and conversion agent, trustee and to issue any offer document(s) and sign all applications, filings, deeds, documents and writings and to pay any fees, commissions, remuneration, expenses relating thereto and with power on behalf of the Bank to settle all questions, difficulties or doubts, that may arise in regard to such issue(s) or allotment(s) as it may, in its absolute discretion deem fit;

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee or any one or more whole-time directors of the Bank;

RESOLVED FURTHER THAT this resolution shall be in vogue for a period of 12 months from the date passing by the members or till the next Annual General Meeting whichever is less."

15. Authority for Employee Stock Options Scheme (ESOS)

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 81 and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or modification(s) or re-enactment(s) thereof) and in accordance with the provisions of the Memorandum and Articles of Association of the Bank, the Listing Agreements entered into by the Bank with the respective Stock Exchanges where the equity shares of the Bank are listed and subject to the Regulations / Guidelines, if any, prescribed by the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), financial institutions and all other concerned and relevant authorities from time to time, to the extent applicable and subject to such approvals, consents, permissions and sanctions of the Government of India, SEBI, RBI and all other appropriate authorities, institutions or bodies and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, consents, permissions and sanctions, and agreed to by the Board of Directors of the Bank (hereinafter referred to as 'the Board', which term shall be deemed to include any Committee(s) constituted / to be constituted by the Board to exercise its powers including the powers conferred by this Resolution) which the Board be and is hereby authorised to accept, if it thinks fit in the interest of the Bank, the Board be and is hereby authorised, on behalf of the Bank, to create, issue, offer and / or allot, to or for the benefit of such person or persons as are in the employment of the Bank in such grade as may be decided by the Board, at any time, equity shares of the Bank, against exercise of options vested from time to time, and / or warrants (whether attached to any security or not) with an option exercisable by the warrant holder to subscribe for equity shares / equity linked securities, and / or bonds, debentures, preference shares or such other securities convertible into equity shares, at such price, in such manner, during such period, in one or more tranches and on such terms and conditions as the Board of Directors may decide prior to the issue and offer thereof, for, or which upon exercise or conversion could give rise to the issue of a number of equity shares not exceeding in the aggregate, 7% of the issued equity capital of the Bank from time to time, on the date of the date(s) of the grant of options(s) under the IndusInd Bank Employees Stock Option Scheme - 2007, hereinafter referred to as 'ESOS-2007';

RESOLVED FURTHER THAT the Board be and is hereby authorised to create, issue, offer and allot such number of equity shares as may be required to be issued and allotted upon conversion of any securities referred to above or as may be necessary in accordance with the terms of the Scheme, all such shares ranking in all respects pari passu inter se and with the then existing equity shares of the Bank in all respects, save and except that such equity shares or securities or instruments representing the same may be without voting rights, if permitted by law and / or, shall carry the right to receive dividend, as may be decided by the Board, declared for the financial year in which the allotment of shares shall become effective;

RESOLVED FURTHER THAT, for the purpose of giving effect to any creation, issue, offer or allotment of equity shares or securities or instruments representing the same, as described above, the Board be and is hereby authorised, on behalf of the Bank, to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation, the entering into arrangements for managing, underwriting, marketing, listing, trading, acting as depository, custodian, registrar, paying and conversion agent, trustee and to issue any offer document(s) and sign all applications, filings, deeds, documents and writings and to pay any fees, commissions, remuneration, expenses relating thereto and with power on behalf of the Bank to settle all questions, difficulties or doubts, that may arise in regard to such issue(s) or allotment(s) as it may, in its absolute discretion deem fit, without being required to seek any further consent or approval of the Members of the Bank;

RESOLVED FURTHER THAT the Board be and is hereby authorised to vary or modify the terms of the Scheme, pursuant to and in accordance with any rules, regulations, guidelines or directives that may be issued, from time to time, by any appropriate authority;

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors of the Bank."

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE BANK. The proxy form should be lodged with the Bank at its Registered Office at least 48 hours before the time of the meeting.
2. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Businesses is annexed hereto.
3. All documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Bank during office hours on all working days except public holidays between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting (AGM).
4. The Register of Members and Share Transfer Books of the Bank will remain closed from September 4, 2007 to September 18, 2007 (both days inclusive) in terms of the provisions of Section 154 of the Companies Act, 1956.
5. Members / proxies should bring the attendance slip duly filled in for attending the AGM.
6. A brief profile of the Directors retiring by rotation and eligible for re-appointment is furnished in the Report on Corporate Governance.
7. Members are requested to kindly bring their copies of the Annual Report to the AGM.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 6

Although not required, the Explanatory Statement is being given in respect of Item No. 6 of the Notice.

M/s. S. R. Batliboi & Co., Chartered Accountants, who had been re-appointed as Auditors for the year 2006-07 by the members at the Twelfth Annual General Meeting would be retiring at the conclusion of the forthcoming Annual General Meeting. They have been Statutory Auditors of the Bank for three consecutive years.

The Board of Directors, on the recommendations of the Audit Committee of the Board, proposes to appoint M/s. M. P. Chitale & Co., Chartered Accountants, as Statutory Auditors for the year 2007-08. The Bank has since received necessary approval from the Reserve Bank of India under Section 30(1A) of the Banking Regulation Act, 1949 for the said appointment of M/s M. P. Chitale & Co., Chartered Accountants, as Statutory Auditors for the year 2007-08.

As required, M/s. M. P. Chitale & Co. have forwarded a certificate to the Bank stating that the appointment, if made, will be within the limit specified in sub-section (1-B) of Section 224 of the Companies Act, 1956. Further, they have confirmed that they are not disqualified to be appointed as auditors under Section 226 of the Companies Act, 1956 and are not holding any securities of the Company.

Members are requested to pass the resolution under Item No. 6 as an ordinary resolution.

None of the Directors of the Bank is in any way concerned or interested in the passing of the Resolution.

Item No. 7

Mr. Premchand Godha is a Chartered Accountant. Under his leadership, Ipca Laboratories Ltd. has made rapid progress as a leading public listed Indian pharmaceutical company with a global presence. Mr. Godha is presently Managing Director of Ipca Laboratories Limited.

Mr. Premchand Godha was appointed Additional Director of the Bank under Section 260 of the Companies Act, 1956 on October 31, 2006 and he holds office upto the date of the Annual General Meeting. He is eligible for appointment as Director of the Bank and the Bank has received a notice in writing under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of Director.

Members are requested to pass the resolution under Item No. 7 as an ordinary resolution.

None of the Directors of the Bank, other than Mr. Premchand Godha, is in any way concerned or interested in the passing of the Resolution.

Item No. 8

Mr. Ajay Hinduja holds a degree in Economics from the University of Geneva with specialisation in Finance. He has had varied experience in the international banking arena, including as Director and Member of the Management Committee of Amas Bank (Switzerland) Ltd. since 1996. Mr. Ajay Hinduja has been on the Board of Amas Bank (Switzerland) Ltd. since 2004.

Mr. Ajay Hinduja was appointed Additional Director of the Bank under Section 260 of the Companies Act, 1956 on October 31, 2006 and he holds office upto the date of the Annual General Meeting. He is eligible for appointment as Director of the Bank and the Bank has received a notice in writing under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of Director.

Members are requested to pass the resolution under Item No. 8 as an ordinary resolution.

None of the Directors of the Bank, other than Mr. Ajay Hinduja, is in any way concerned or interested in the passing of the Resolution.

Item No. 9

Mr. S. C. Tripathi, I.A.S. (Retd.) specializes in rural economy and cooperation. He has held important positions, including in the Finance and Industry sectors at Chief Executive / Secretary level at the Central Government / State Government and in representative capacity at International levels. Mr. Tripathi retired as Secretary, Ministry of Petroleum and Natural Gas, Government of India in December 2005.

Mr. S. C. Tripathi was appointed Additional Director of the Bank under Section 260 of the Companies Act, 1956 on February 14, 2007 and he holds office upto the date of the Annual General Meeting. He is eligible for appointment as Director of the Bank and the Bank has received a notice in writing under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of Director.

Members are requested to pass the resolution under Item No. 9 as an ordinary resolution.

None of the Directors of the Bank, other than Mr. S. C. Tripathi, is in any way concerned or interested in the passing of the Resolution.

Item No. 10

Mr. R. Seshasayee, a Chartered Accountant, has been Managing Director of Ashok Leyland Ltd. since 1998. He had held Directorship of ICICI Ltd/ICICI Bank Ltd. from May 1997 to October 2003. He also held the position of Chairman of the Audit Committee of the Board of ICICI Bank Ltd. during that tenure. Mr. R. Seshasayee was also President of the Confederation of Indian Industry (CII) during 2006-2007.

Mr. R. Seshasayee was appointed Additional Director and Part-time Non-executive Chairman of the Bank under Section 260 of the Companies Act, 1956 and subject to the provisions of Sections 10A, 16, and 20 of the Banking Regulation Act, 1949, and assumed charge on July 24, 2007 for a period of two years. He holds office of Director upto the date of the Annual General Meeting. He is eligible for appointment as Director of the Bank and the Bank has received a notice in writing under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of Director.

Members are requested to pass the resolution under Item No. 10 as an ordinary resolution.

None of the Directors of the Bank, other than Mr. R. Seshasayee, is in any way concerned or interested in the passing of the Resolution.

Item No. 11

Mr. Bhaskar Ghose was appointed as Managing Director of the Bank on June 16, 2001. The said appointment was approved by the shareholders in the Annual General Meeting held on August 25, 2001.

Mr. Bhaskar Ghose was re-appointed on June 16, 2004 and approval for the same was granted by Reserve Bank of India vide letter DBOD No. 403/08.87.001/2004-05 dated November 11, 2004. The shareholders of the Bank also approved the said appointment in the Annual General Meeting held on August 13, 2004.

It is now proposed to consider the re-appointment of Managing Director for a period of two years with effect from June 16, 2007 and make an application to Reserve Bank of India for necessary approval as required under section 35B of the Banking Regulation Act, 1949.

Mr. Bhaskar Ghose, born in 1954, holds a Bachelors degree in Economics and has Masters degree in Business Management from Indian Institute of Management, Calcutta. Before joining your Bank, Mr. Ghose served Bank of America for twelve years in various capacities, the last being as Vice President and Head – Financial Institutions (1986-89). After leaving Bank of America, he moved to Banque Nationale de Paris for a brief period from April 1989 to May 1990. Thereafter, he shifted to The Bank of New York as its Vice President & Chief Representative for India, Sri Lanka and Bangladesh. He joined your Bank on October 3, 2000 as Executive Director and was subsequently promoted to Deputy Managing Director of the Bank in January 2001. He was inducted on the Board of the Bank of April 3, 2001.

Mr. Ghose was elected, on November 10, 2006, as a member of the Governing Council of Indian Institute of Banking & Finance, a non-profit organisation registered under Section 25 of the Companies Act, 1956.

Mr. Ghose is a professional banker with more than 30 years of rich experience. It will be advantageous for the Bank to avail of his stewardship in the field of banking.

The aforesaid information is also being furnished as required under Clause 49 of the Listing Agreement.

Members are requested to pass the resolution under Item No. 11 as an ordinary resolution.

None of the Directors of the Bank, other than Mr. Bhaskar Ghose, is in any way concerned or interested in the passing of the Resolution.

Item No. 12

Consequent upon merger of Ashok Leyland Finance Limited with the Bank, Mr. S. Nagarajan assumed charge as whole-time Director (designated as Joint Managing Director) with effect from October 28, 2004. The said appointment was approved by Reserve Bank of India for a period of three years with effect from the date of assuming charge.

As the approval granted by Reserve Bank of India for the appointment of Mr. S. Nagarajan as whole-time Director (designated as Joint Managing Director) is due for expiry on October 27, 2007, it is now proposed to consider his re-appointment as whole-time Director (designated as Joint Managing Director) for a further period of two years and to make an application to Reserve Bank of India for necessary approval as required under section 35B of the Banking Regulation Act, 1949.

Mr. S. Nagarajan, born in 1948, is a Commerce graduate, Chartered Accountant and Company Secretary. He joined Ashok Leyland Ltd. in 1973 as Junior Executive and was with Ashok Leyland Ltd. till the year 1988. He had held managerial positions in Projects, Manufacturing, Audit, Finance and Marketing. He joined Ashok Leyland Finance Ltd. (then called Ashok Leasing and Hire Purchase) as Controller and Secretary, and assumed charge in 1990 of Ashok Leyland Finance Ltd. as Managing Director.

The aforesaid information is also being furnished as required under Clause 49 of the Listing Agreement.

Members are requested to pass the resolution under Item No. 12 as an ordinary resolution.

None of the Directors of the Bank, other than Mr. S. Nagarajan, is in any way concerned or interested in the passing of the Resolution.

Item No. 13

As per Article 121(a)(1) of the Articles of Association of your Bank, the Directors could, from time to time, appoint one of their member to be the Whole-time Chairman and Chief Executive Officer.

Reserve Bank of India have directed that banks in private sector have a Part-time Chairman of the Board of Directors and a separate Chief Executive Officer / Managing Director who would be responsible for the day-to-day management.

Alteration of the existing Articles 102(1), 121(a)(1), 121(a)(3)(i), 121(a)(3)(ii), 121(a)(4), 121(b), 123A, 124 and 125 of the Articles of Association of the Bank is recommended to ensure compliance with the RBI directive.

Members are requested to pass the resolution under Item No. 13 as a special resolution.

None of the Directors of the Bank is in any way concerned or interested in the passing of the Resolution.

**Item No. 14**

Resolution set out in Item No. 14 is an enabling Resolution conferring authority on the Board to cover all corporate requirements and contingencies to issue securities of appropriate nature at opportune time, including the size, structure, price and timing of the issue(s) at the appropriate time(s). The Board will fix the detailed terms of the final size of the offering, exact timing, and other related aspects after careful analysis and discussions with lead managers, prevailing market conditions and in line with the extant guidelines issued by SEBI, RBI or any other statutory and / or other regulatory authorities either in India or overseas, in this regard. The Resolution also enables the Bank to place equity capital with Qualified Institutional Buyers in accordance with 'Guidelines for Qualified Institutions Placement' forming part of SEBI (Disclosure and Investor Protection) Guidelines 2000 as amended from time to time.

Section 81 of the Companies Act, 1956 provides, inter alia, that whenever it is proposed to increase the subscribed capital of a company by a further issue and allotment of shares, such shares shall be offered to the existing shareholders of the company in the manner laid down in the said Section, unless the shareholders decide otherwise in a general meeting. The listing agreements with the stock exchanges provide, inter alia, that a listed company in the first instance should offer all the shares and debentures to be further issued for subscription pro rata to the equity shareholders unless the shareholders decide otherwise in a general meeting.

Members are requested to pass the resolution under Item No. 14 as a special resolution.

None of the Directors of the Bank is in any way concerned or interested in the passing of the Resolution.

Item No. 15

It is proposed that the Bank formulate an Employee Stock Option Scheme to allow employees to become owners of your Bank's stock thereby becoming critically involved in determining your Bank's performance. It is proposed that Stock Options be issued which upon exercise or conversion could give rise to the issue of a number of equity shares not exceeding in the aggregate, 7% of the issued equity capital of the Bank from time to time, on the date of the date(s) of the grant of options(s) under the Scheme.

Section 81 of the Companies Act, 1956 provides, inter alia, that whenever it is proposed to increase the subscribed capital of a company by a further issue and allotment of shares, such shares shall be offered to the existing shareholders of the company in the manner laid down in the said Section, unless the shareholders decide otherwise in a general meeting. The listing agreements with the stock exchanges provide, inter alia, that a listed company in the first instance should offer all the shares and debentures to be further issued for subscription pro rata to the equity shareholders unless the shareholders decide otherwise in a general meeting.

The Compensation Committee (hereinafter referred to as "the Committee") will administer the ESOS-2007 and formulate its detailed terms and conditions.

The salient features of the Employee Stock Option Scheme 2007 (ESOS-2007) as proposed by the Board are as under:

(a) Total number of options to be granted:

The maximum number of Options granted to any Eligible Employee in a financial year shall not, except with the approval of the Board of Directors of the Bank, exceed 0.20% of the paid up equity shares of the Bank at the time of grant of Options and the aggregate of all such Options granted to the Eligible Employees shall not exceed seven per cent (7%) of the aggregate of the number of paid up equity shares of the Bank, from time to time, on the date(s) of grant of Option(s).

(b) Identification of classes of employees entitled to participate in the ESOS-2007:

All employees of the Bank as may be decided by the Committee, from time to time, would be entitled to participate in the ESOS-2007.

Employees may be granted stock options based on performance and such other criteria as the Committee may, in its absolute discretion decide.

The options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner.

(c) Requirements of vesting and period of vesting:

The stock options granted under ESOS-2007 shall vest within a maximum period of five years from the date of grant of options. Vesting of options would be contingent upon the employee remaining in the services of the Bank for the vesting period. However, in special cases, the Committee shall have the discretion to vest in an accelerated manner, all unvested options that have completed a vesting period of one year from the date of grant.

(d) Exercise Price:

The exercise price shall be as the Committee may, in its absolute discretion decide from time to time. Normally, this would be based on the latest available closing price (on the stock exchange on which the shares of the Bank are listed), prior to the date of the meeting of the Committee in which the stock options are granted. As the shares are listed on more than one stock exchange, the latest available closing price on the stock exchange where there is highest trading volume on the said date shall be considered.

(e) Exercise Period and the process of exercise:

The exercise period would commence from the date of vesting and will expire on completion of five years from the date of vesting of options.

The options will be exercisable by the employees by a written application to the Bank to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Committee from time to time.

The options will lapse if not exercised within the specified exercise period. If the stock options expire or become unexercisable without having been exercised in full and/or lapse on account of employee separation (for any reason) before vesting, such options, which were subject thereto, shall become available for future Grants or sale under the ESOS-2007 unless the said plan stands terminated.

(f) Appraisal Process for determining the eligibility of the employees under ESOS-2007:

The appraisal process for determining the eligibility of the employee will be specified by the Committee and will be based on criteria such as profile, seniority and length of service, performance record, merit of the employee, future potential contribution by the employee and / or such other criteria that may be determined by the Committee at its sole discretion.

(g) Maximum number of options to be issued per employee and in aggregate:

The number of options that may be granted to employees in different Grades and Levels under the ESOS-2007 shall be determined by the Committee from time to time within the aggregate limit.

(h) Disclosure and Accounting Policies:

The Bank shall comply with the disclosure and the accounting policies prescribed by concerned authorities.

(i) Method of option valuation:

To calculate the stock-based remuneration, the Bank shall use the Intrinsic Value method for valuation of the options granted. The difference between the employee remuneration cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Bank shall also be disclosed in the Directors' Report.

(j) Deduction of Tax:

The Bank shall have the right to recover from the employee any of the employee's or employer's tax obligations arising in connection with the stock options or the shares acquired upon the exercise thereof. The Bank shall have no obligation to deliver shares or to release shares from an escrow established in pursuance of an Agreement until the Bank's tax deduction obligations, if any, have been satisfied by the Option Grantee.

As the ESOS-2007 provides for issue of shares to be offered to persons other than existing shareholders of the Bank, consent of the members is sought pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 and as per Clause 6 of the SEBI Guidelines.

Members are requested to pass the resolution under Item No. 15 as a special resolution.

None of the Directors of the Bank other than the Whole-time Directors is in any way concerned or interested in the passing of the Resolution.

By Order of the Board

Company Secretary

Pune, August 21, 2007

DIRECTORS' REPORT

To all Members,

Your Directors have pleasure in presenting the Thirteenth Annual Report covering business and operations of your Bank, together with the audited accounts for the year ended March 31, 2007.

Financial Performance

The financial performance for the year ended March 31, 2007 is summarised as under:

	(Rs. in crores)	
	As on March 31, 2007	As on March 31, 2006
Deposits	17644.80	15006.30
Advances	11084.20	9310.46
Operating Profit (before depreciation and provisions and contingencies)	205.67	223.29*
Net Profit	68.22	36.82

(* In terms of RBI guidelines, the Bank has reclassified amortization of premium in respect of HTM securities of Rs.40.12 crore and reported this as a deduction from "Other Income" in the current year which was earlier reported under "Other Provisions and Contingencies". Further, Rs.37.27 crore has been reclassified in "Other Income" of corresponding prior period to conform to current period classification. Consequent upon this, Operating Profit shown above stands reduced to the extent of such reclassification).

The business of your Bank grew during the year both in deposits and advances. During this year the focus of your Bank was on improving the fee-based income for which various initiatives have been taken by your Bank.

The operating profit was, however, lower at Rs. 205.67 crores during the year under review as against Rs.223.29 crores in the previous year mainly due to hardening of interest rates, the Bank's decision not to undertake securitisation business (in the previous year Bank booked a profit of Rs.41.84 crores on account of securitisation), and higher operating expenses on expanded branch network which rose to 170 branches with the opening of 33 new branches.

Your Bank's Net Profit after considering necessary provisions and contingencies and all expenses was higher at Rs.68.22 crores as against Rs. 36.82 crores previous year (an increase of 85.28%) on account of lower provisions and contingencies in the current year as against previous year. The Return on Assets (ROA) for the year was 0.34% as compared to 0.22% in the previous year.

Appropriations

Your Directors recommend appropriation of profit as under:

	Rs. in crores
Operating Profit before Depreciation	205.67
Less: Depreciation on Fixed Assets	34.09
Less: Provisions and Contingencies	103.36
Net Profit	68.22
Less: Tax Adjustment for previous year	1.00
Amount available for Appropriation	67.22
Transfer to Statutory Reserve	17.05
Transfer to Capital Reserve	2.22
Proposed Dividend	19.19
Tax on Dividend	3.26
Balance carried over to Balance Sheet	25.50
Total Appropriations	67.22

Dividend

Your Directors recommend a dividend of 6% for the year ended March 31, 2007, i.e., Re. 0.60 per equity share of Rs.10/- each. (Dividend for the year 2005-06 was Nil).

The Bank will be liable to pay tax on the amount of dividend paid, while it will be tax-free in the hands of the shareholders.