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**M/s. V. Sankar Aiyar & Co.**  
**Chartered Accountants**

**Auditors**

**M/s. Karvy Consultants Limited**

**Registrar and Share Transfer Agent**

**UNIT: UTI BANK LIMITED**

"Karvy House", 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034.  
Tel.: 040 - 331 2454, 332 0251/751/752. Fax: 040 - 331 1968.

**REGISTERED OFFICE**

Ground Floor, Sakar - I, Near Gandhigram Station, Off Ashram Road, Ahmedabad - 380 009.  
Tel.: 079 - 658 6815/5767/7292. Fax: 079 - 658 1490/1854.  
Email: poza@utibank.co.in  
Website: www.utibank.com

**CENTRAL OFFICE**

Maker Towers 'F', 13th Floor, Cuffe Parade, Colaba, Mumbai - 400 005.  
Tel.: 022 - 218 9106/7/8/9. Fax: 022 - 218 6944/1429.





## Board of Directors

P. J. Nayak

Chairman & Managing Director

M. Damodaran

Director

M. Raghavendra

Director

Shardul Shroff

Director

K. Narasimha Murthy

Director

Surendra Singh

Director

B. S. Pandit

Director

Donald Peck

Director

Daniel Paul Fletcher

Director

N. C. Singhal

Director

Yash Mahajan

Director

P. J. Oza

Company Secretary





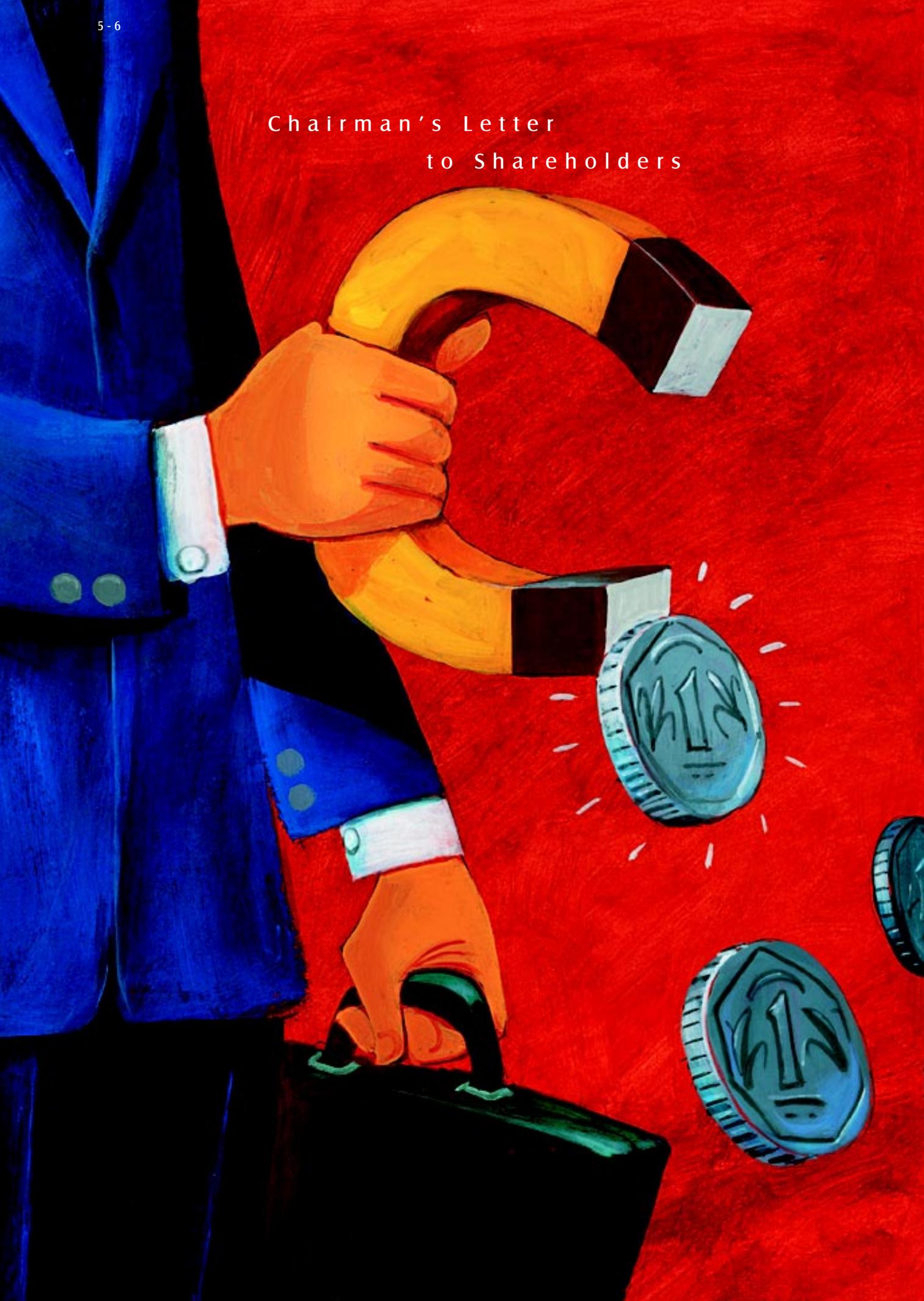
# H i g h l i g h t s

- Profit after tax up **56%** to **Rs.134.14 crores**.
- Net interest income up **103%** to **Rs.199.53 crores**.
- Deposits up **35%** to **Rs.12287.21 crores**.

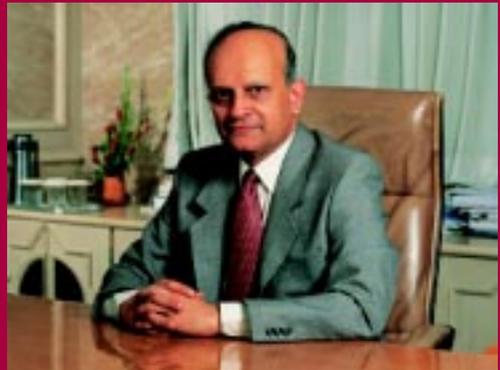


- Advances up **11%** to **Rs.5352.30 crores**.
- Network increased from 101 to **139 outlets**.
- Total number of ATMs went up from 303 to **491**.
- Retail customer accounts surged past the one million mark.
- Total income increased by **52%** to **Rs.1595.40 crores**.
- Other income up **155%** to **Rs.415.87 crores**.
- Net NPA ratio as a percentage of customer assets down to **2.74%** from 3.43%.
- NPA coverage up from 20% to **34%**.
- Earnings per Share (Diluted) increased from Rs.6.47 to **Rs.9.14**.
- Dividend up from 15% to **20%**.
- Capital Adequacy Ratio stood at **10.65%** as against the regulatory requirement of 9%.
- Return on Average Assets up from 0.97% to **1.13%**.

Chairman's Letter  
to Shareholders



*As we enter the ninth year of your Bank's operations, I am pleased to report that the Bank has grown in strength and size. We have continued, yet again, to grow our net profit by over 50%, for the third year in succession, and this consistency in performance provides confidence that the business model adopted by the Bank is robust in our increasingly competitive financial market.*



*We expect the competition to further strengthen, and we welcome it. Our customers have become increasingly discerning, and have a larger choice of service providers than ever before. Your Bank has grown by widening its product range and enhancing its delivery capabilities.*

*Over the last year, we attempted to bring a sharper focus to the requirements of our customers, and we renewed our efforts to tailor products to suit these requirements - in deposits, loans and other financial services. The expansion of our branch network, ATM installations and Internet services has resulted in thereby growing our customer base and has made your Bank more profitable.*

*A critical constituent of our growth has been the quality of our people. The strategic increase of market share and profits of the Bank has been possible because of the single-minded application and understanding of the challenges of the market place by our managers. Because of the empowerment we provide, we have continued to attract talented people, and it is their professionalism and dedication which have taken your Bank forward.*

*A notable development during the year was the induction of foreign equity into your Bank, through a preferential allotment of shares made to the South Asia Regional Fund and CDC Financial Services (Mauritius) Ltd. We expect continued investor interest in your Bank which will support a vigorous growth of business this year.*

*Taking your Bank to greater heights of excellence will require a combination of new technologies, better processes of credit and risk appraisal, sound treasury management, product diversification, good internal controls and a high calibre of human resources. Fortunately, we have a comparative advantage in several of all these areas. Our professionals are at the forefront of technological change and financial developments. We will continue to harness their resources to pursue a strategy of profitable growth for your Bank. The challenging environment ahead fills us with a sense of excitement and we believe that we have the capacity and determination to compete and succeed.*

May 2, 2002

P. J. NAYAK  
Chairman & Managing Director



## Directors' Report



## DIRECTORS' REPORT : 2001-2002

Your Directors have pleasure in presenting the Eighth Annual Report of your Bank together with the audited Balance Sheet and Profit and Loss Account for the financial year ended 31st March, 2002.

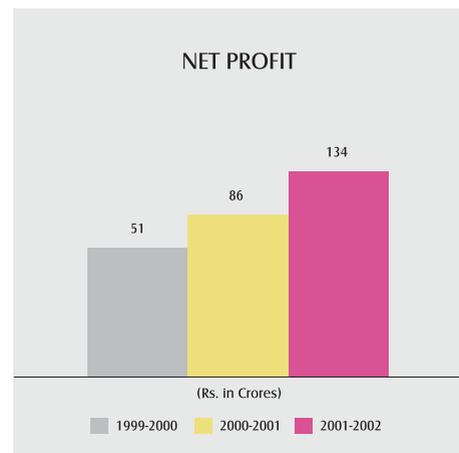
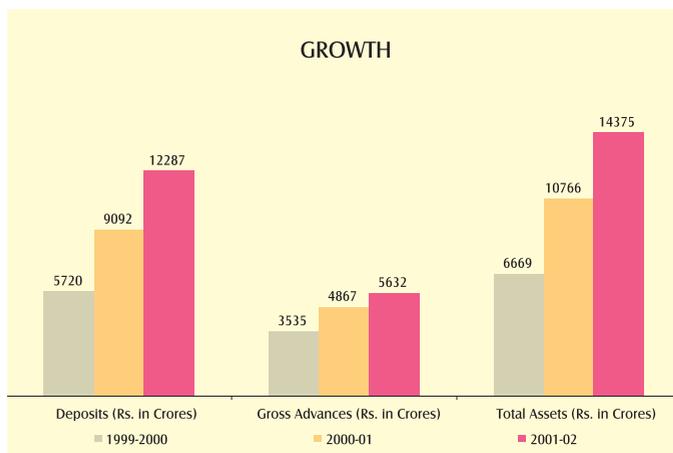
### FINANCIAL PERFORMANCE

Your Bank's performance during the year 2001-02 has been satisfactory on all fronts. Your Bank has emerged as robust with deepened streams of income, confident of facing the more competitive environment which will characterise the financial sector in the year ahead.

(Rs. in crores)

Particulars	2001-02	2000-01
Deposits	12287.21	9092.20
Advances	5352.30*	4821.12
Net Interest Income	199.53	98.26
Other Income	415.87	163.00
Profit before Depreciation, Tax and all other provisions/write-off	446.56	154.23
Depreciation	36.63	21.73
Provision for Tax	79.23	17.95
Other provisions including write-off	196.56	28.43
Net Profit for the year	134.14	86.12
Appropriations:		
Transfer to Statutory Reserve	33.54	25.84
Transfer to Investment Fluctuation Reserve	70.00	—
Transfer to Debenture Redemption Reserve	—	14.30
Proposed Dividend	28.72	24.21
Surplus carried over to Balance Sheet	1.88	21.77

\* Exclusive of provisions and bills rediscounted



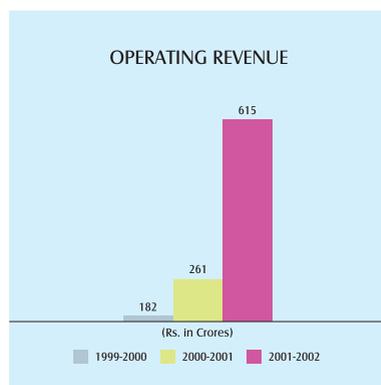


## Key Performance Indicators

Sr. No.	Particulars	31.03.2002	31.03.2001
1	Interest income as a percentage of working funds (working funds represent average total assets)	9.95%	10.07%
2	Non-Interest income as a percentage of working funds	3.51%	1.85%
3	Net Interest Margin (Net Interest Income/Average Assets)	1.68%	1.11%
4	Return on Average Net Worth	30.91%	31.84%
5	Operating profit as a percentage of working funds	3.46%	1.50%
6	Return on Average Assets	1.13%	0.97%
7	Profit per employee	Rs.7.79 Lacs	Rs.7.27 Lacs
8	Business (Deposits less inter bank deposits + Advances) per employee	Rs.8.96 Crores	Rs.9.59 Crores
9	Net non-performing assets as a percentage of customer assets*	2.74%	3.43%

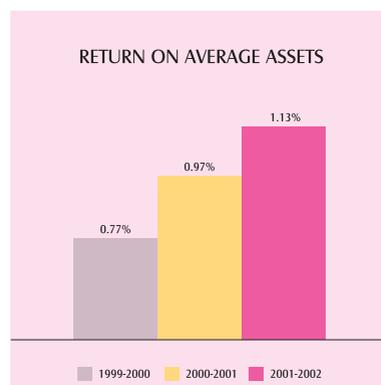
\* Customer assets include advances, credit substitutes and unamortised cost of assets leased out.

Your Bank earned a net profit of Rs.134.14 crores for the financial year 2001-02 as against Rs.86.12 crores in the previous year, registering a growth of 55.76%. The operating profit (gross profit before depreciation, tax and all other provisions) was Rs.446.56 crores during the year as against Rs.154.23 crores in the previous year. The growth in profit was largely driven by higher net interest income, a substantial growth in savings bank deposits, and trading income. During the year, the net interest income went up by 103.06% to Rs.199.53 crores, while trading income went up by 355.27% to Rs.314.09 crores. Income through fees went up by 11.89% to Rs.98.93 crores. Savings bank deposits rose by 53.82% to Rs.875.80 crores.



During the year, the total income of your Bank was of Rs.1595.40 crores as against Rs.1052.63 crores in the previous year, an increase of 51.56%.

Total expenses increased by 28.84% to Rs.1185.47 crores. Profit per employee increased to Rs.7.79 lacs from Rs.7.27 lacs. The business per employee decreased marginally from Rs.9.59 crores in the previous year to Rs.8.96 crores, mainly due to a large number of branches opened in the last quarter of the year and consequent increase in the number of employees. Your Bank increased its network of branches during the year from 86 to 111, spread over 20 States and one Union Territory, covering 63 different cities and towns, enabling your Bank to enlarge its client base substantially. The Bank's customer base grew to 10,95,801 accounts over the year, representing an increase of 36.98%.

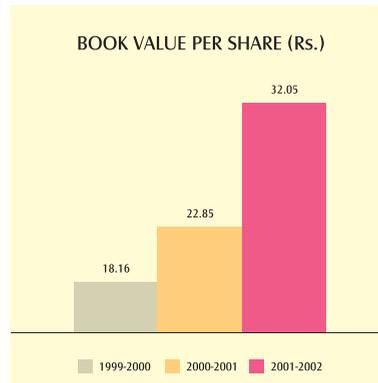
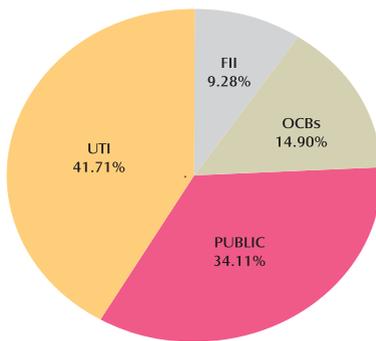


## CAPITAL & RESERVES

Your Bank's Capital stood at Rs.191.88 crores as on 31st March, 2002. Your Bank's shares are listed on the NSE, BSE, the Ahmedabad Stock Exchange and the OTCEI, and are deliverable only in the demat form with effect from 21st March, 2000. The listing fee for the current year 2002-03 has been paid. From 26th March, 2001, the shares of your Bank have been included and traded in the BSE Group A.

At the end of March 2002, your Bank's Risk Weighted Capital Adequacy Ratio stood at 10.65%, as against 9% in the previous year, which is also the regulatory minimum. Your Bank has therefore become substantially better capitalised through the year. Your Bank has raised Rs.157.59 crores (at a price of Rs.34/- per share) as its Tier-I Capital by making a Preferential Allotment of 4,63,50,000 Equity Shares to South Asia Regional Fund and CDC Financial Services (Mauritius) Limited on 31st December, 2001. Your Bank has further raised Rs.52.94 crores (at a price of Rs.39.04 per share) as its Tier - I capital by making an additional Preferential Allotment of 1,35,59,700 equity shares to Life Insurance Corporation of India, General Insurance Corporation and New India Assurance Company Ltd. on 28th March, 2002 and to National Insurance Company Ltd. on 30th March, 2002. The shareholding of the Unit Trust of India has come down from 60.65% to 41.71%, as a result of the issuance of fresh equity during the year. Your Bank has also raised Rs.145.50 crores by way of subordinated bonds (unsecured redeemable non-convertible debentures) as its Tier-II capital during the year.

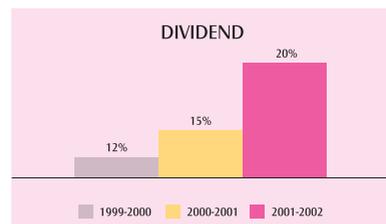
## SHAREHOLDING PATTERN



Your Bank has, for the first time, created an Investment Fluctuation Reserve (IFR) as part of the appropriation of profits in order to cushion your Bank against a steep fall in future in the value of investment securities. Rs.70 crores has been transferred into the IFR which, at this juncture, provides adequate cover against market risk.

## DIVIDEND

The Diluted Earning per Share of your Bank has risen to Rs.9.14 from Rs.6.47 in the previous year. In view of enhanced profitability of your Bank, the Board of Directors has recommended a dividend of 20% as against the 15% dividend declared for the financial year 2000-01.



## BOARD OF DIRECTORS

Out of 9 meetings of the Board of Directors held during the year 2001-02, six meetings were held at Mumbai and three at Ahmedabad. There has been a significant restructuring of the Board during the year. Shri M. Damodaran, Chairman, UTI was appointed as a Director in place of Shri P.S. Subramanyam, who resigned on 3rd July, 2001. Shri M. Raghavendra was appointed as Director in place of Shri P. M. Venkatasubramanian, who resigned on 4th July, 2001. Shri B. S. Pandit was appointed as a Director in place of Shri K. G. Vassal, who resigned on 12th November, 2001. Shri B. R. Barwale resigned on 2nd January, 2002 and Shri G. N. Bajpai resigned on 20th February, 2002. Shri A. C. Shah, Shri Bana Paranjpe and Shri Abid Hussain completed their maximum terms of office permitted under law on 2nd December, 2001, 7th March, 2002 and 7th March, 2002 respectively. Shri Donald Peck and Shri Daniel Paul Fletcher, representing South Asia Regional Fund and CDC Financial Services (Mauritius) Ltd., respectively were appointed as Directors of the Bank with effect from 12th January, 2002. Shri J. M. Trivedi was appointed as an Alternate Director to Shri. Daniel Paul Fletcher with effect from 27th March, 2002. In May, 2002, Shri N. C. Singhal and Shri Yash Mahajan were appointed as Additional Directors.

The Directors express their deep appreciation of the services rendered by Shri P. S. Subramanyam, Shri P. M. Venkatasubramanian, Shri A. C. Shah, Shri K. G. Vassal, Shri B.R. Barwale, Shri G. N. Bajpai, Shri Bana Paranjpe and Shri Abid Hussain as Directors of your Bank.

In accordance with the Articles of Association and the provisions of the Companies Act, 1956, Shri K. Narasimha Murthy, present Director, retires by rotation at the Eighth Annual General Meeting and, being eligible, offers himself for re-appointment.

Further, S/Shri M. Damodaran, M. Raghavendra, B. S. Pandit, Donald Peck, Daniel Paul Fletcher, N. C. Singhal and Shri Yash Mahajan are Additional Directors.

## EMPLOYEE STOCK OPTION PLAN

With a view to aligning the incentives of your Bank's employees with those of shareholders, your Bank introduced an Employee Stock Option Plan during the year 2000-01, in accordance with SEBI Guidelines on Employee Stock Options.

Pursuant to the approval given by the shareholders in February, 2001 for granting an aggregate of 1,30,00,000 stock options to employees in one or more tranches, 12,97,800 options were granted last year and this year 17,80,000 options were granted to 1123 employees, including the Chairman & Managing Director. These options will vest over a period of 3 years with 30% vesting in February, 2003, 30% in February, 2004 and 40% in February, 2005. The options were granted at an exercise price of Rs.29.68 which was the average of the daily high-low prices of the Bank's shares during the 52 weeks preceding the date of grant on the National Stock Exchange (where the maximum trading volume was recorded). No employee was granted options amounting to 5% or more of the total number of options granted during the year, nor was any employee granted options equal to or exceeding 1% of the issued capital of the Bank. From the first tranche of options



granted under ESOP in February, 2001, 3,35,678 options were vested in February, 2002, of which no option was exercised during the year. The Diluted Earning per Share pursuant to issue of shares on exercise of options will be Rs.9.14.

### **CORPORATE GOVERNANCE**

Your Bank is committed to achieving a high standard of corporate governance, and aspires to put in place practices which are in line with the best international standards. The corporate governance practices followed by your Bank are enclosed as an Annexure to this Report.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

It is hereby declared and confirmed that:

1. The applicable accounting standards have been followed in the preparation of the annual accounts and proper explanations have been furnished, relating to material departures.
2. Accounting policies have been selected and applied consistently and reasonably, and prudent judgements and estimates have been made so as to give a true and fair view of the state of affairs of the Bank and of the Profit & Loss of the Bank for the financial year ended 31st March, 2002.
3. Proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies (Amendment) Act, 2000, for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities.
4. The annual accounts have been prepared on a going concern basis.

### **MISCELLANEOUS**

Considering the nature of activities of the Bank, no specific comments in terms of provisions of Section 217(1)(e) of the Companies Act, 1956 are called for on technology absorption and conservation of energy. The Bank has, however, used information technology extensively in its operations.

In terms of revised limits set in the notification dated 17th April, 2002 of the Department of Company Affairs, no disclosures are required to be made under Section 217 (2A) of the Companies Act, 1956 and the rules made thereunder.

### **ACKNOWLEDGEMENTS**

The Board wishes to place on record its gratitude to the RBI and other financial institutions, correspondent banks and government institutions, for their valuable support and guidance. The Board also places on record its sincere gratitude to shareholders, valued customers, investors and well wishers for their goodwill, patronage and support.

The Board also records the concerted efforts put in and the valuable contribution made by the staff at all levels of your Bank and looks forward to their continued commitment and teamwork in further strengthening your Bank's business.

For and on behalf of the Board of Directors

Place : Mumbai  
Date : May 02, 2002

**P. J. Nayak**  
Chairman & Managing Director



Management's  
Discussion  
& Analysis

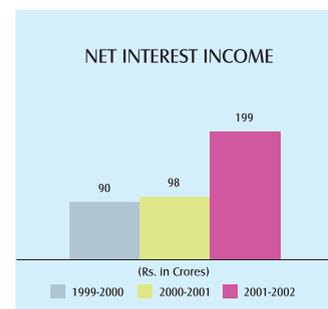


## MANAGEMENT'S DISCUSSION & ANALYSIS

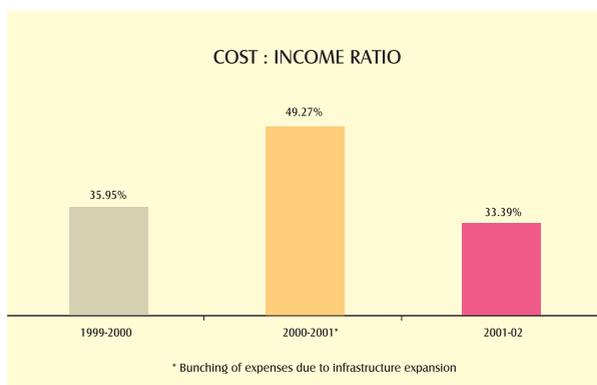
Industrial growth during 2001-02 has been subdued, and the Central Statistical Organisation estimates a growth of 3.3% in the industrial sector, substantially lower than the previous year's estimate of 6.2%. Notwithstanding this, overall GDP growth is estimated at 5.4%, as compared to 4.0% in the previous year, largely because of superior growth in agriculture and select services. India will, however, gain from a global economic recovery, which could be conducive to export growth and industrial production. Your Bank is poised to take advantage of these conditions, and business prospects in the medium term, therefore, appear to be favourable.

During the year 2001-02, your Bank's financial position has visibly strengthened, thanks to diverse new initiatives undertaken. The Profit after Tax of the Bank at Rs.134.14 crores registered a substantial increase of 55.76% over that of the previous year. The Risk Weighted Capital Adequacy Ratio of the Bank as at 31.03.2002 rose to 10.65%, up from 9% in the previous year. During the year, ICRA reaffirmed its A1+ rating of the Bank's Certificate of Deposit programme, which is the highest rating offered by ICRA in this category.

There have been three main drivers of growth in the Bank. First, in a macro economic environment where credit offtake has been poor and the liquidity overhang has brought interest rates and spreads down in the market, the net interest income of your Bank has risen to Rs.199.53 crores as against Rs.98.26 crores in the previous year, reflecting a steep growth of 103.06 %. This has been achieved partly through a rebalancing of the credit portfolio (with higher yielding corporate advances substituting for the adhoc bill discounting business), partly through the retail banking thrust which has enabled savings bank deposits to grow at 54%, and partly through enhanced cost efficiency, with the Cost : Income ratio having come down to 33%, from 49% in the previous year.



A second driver of growth has been the sustained thrust on retail banking. Your Bank has followed the retail banking sequence of first setting up a viable distribution network, spearheaded particularly by an expansion of ATMs; subsequently focused on the acquisition of low cost retail deposits; and is finally putting in place the prerequisites for a major expansion in retail assets. This thrust on retail banking has led to savings bank deposits growing by 54% over the year, and has laid the foundations for profitable growth of this segment of the business. The number of savings bank accounts has grown during the year from 3.05 lakhs to 5.25 lakhs, an increase of 72%, while the number of retail accounts has grown from 6.93 lakhs to 10.33 lakhs, an increase of 49%.

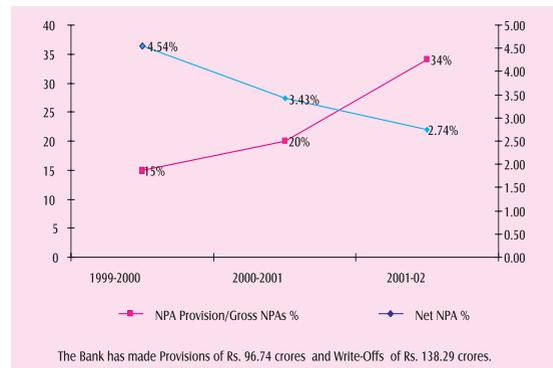
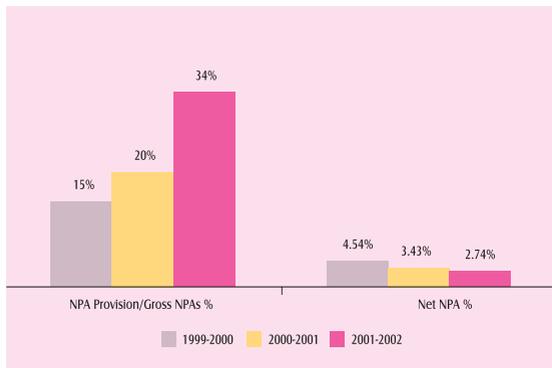


A third driver of growth has been trading profit, which rose 355% to Rs.314.09 crores, from Rs.68.99 crores in the previous year. In recognition of an exceptional year of trading profit, aided by favourable interest rate conditions, your Bank ploughed back Rs.196.56 crores (or 63% of the trading profit earned) into provisions and write-offs for impaired loan assets.



Consequently, net NPAs have fallen to 2.74% from 3.43% in the previous year, while provisions held as a proportion of gross NPAs have risen to 34% from 20% in the previous year. The management has focused resolutely on improving the quality of its credit assets.

INCREASING PRUDENCE



In addition to these three drivers of growth, the enhanced profitability of your Bank has been facilitated by the deepening of the Bank's merchant banking business (particularly syndication and trusteeship functions) and a major expansion in cash-management related corporate relationships. Your Bank handled cash management for 177 companies at the end of the year, and has during the year transferred Rs.22,375 crores of cash across the country on their behalf. Profitability has also been facilitated by the expansion of your Bank's ATM network. Its 491 ATMs at the end of the year made it the second largest fully networked ATM configuration in the country among banks. Your Bank ended the year with an ATM card base of over 5.6 lakhs. In March 2002, over 90% of the savings bank withdrawals from the Bank occurred through ATMs, and there were over 15 lakh ATM transactions that month. The ATM network provides major cost saving implications for the Bank, and has also begun generating significant interchange income.

These technology related business initiatives have been possible because of a state-of-the-art technology backbone within your Bank, coupled with a database and transactions processing facility, both of which the Bank has centralised.

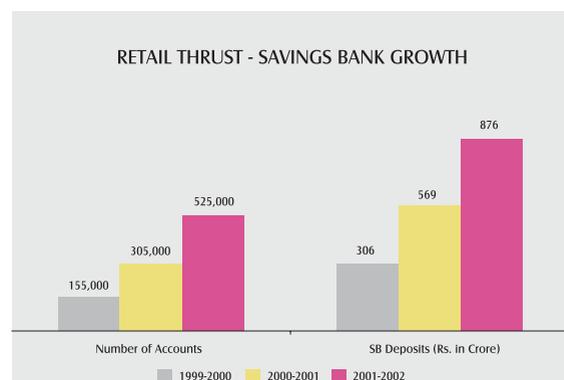
A sectoral discussion of past achievement and future strategy is presented below:

RETAIL BANKING

In development of the Retail Banking business, the Bank has focused on increasing:

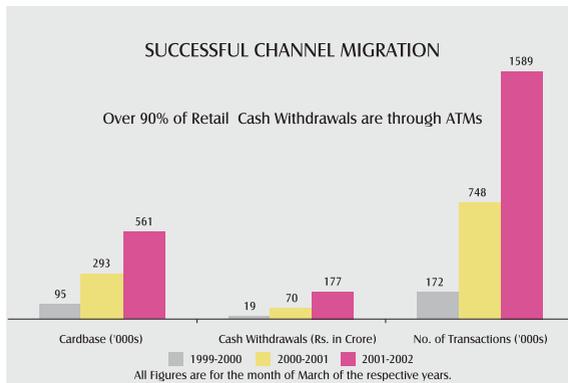
- the share of retail deposits, particularly demand deposits;
- the share of retail assets; and
- migration of low value transactions to self-service channels, besides selling of third party products.

The Bank continues to impart a major importance to the retail segment and plans to develop it as a key growth area in the coming years. The strategy revolves around increasing the reach through branch and ATM expansion and widening the product basket by adding on new products and services. The ATM expansion policy continues to be a major driving force behind the retail customer acquisition strategy and, as a result, the ATM base of the Bank has increased from 303 to 491 during the financial year 2001-02. In March '02, about 90% of retail withdrawals have taken place through the ATMs. Interchange agreements with MasterCard and VISA have contributed to revenue streams significantly. A Memorandum of Understanding signed with India Post allowing the Bank to establish ATMs at Post Offices has been a significant milestone. The first ATM has already been installed at the General Post Office



ATMs at Post Offices has been a significant milestone. The first ATM has already been installed at the General Post Office

at New Delhi. Similarly, the Bank's Internet Banking Facility, *iConnect™*, is poised to replicate the success of the ATM channel. Other e-commerce products like electronic bill presentation and payment and on-line shopping are also beginning to generate revenues.



Among the products and services, your Bank's payroll offering – Salary Power – is generating a satisfactory response and accounts for approximately 19% of the total Savings Bank accounts. The retail loan portfolio, comprising housing, car, personal, consumer and educational loans, has also grown during the year from Rs.47 crores to Rs.148 crores. Concurrently, the retail customer accounts base of the Bank has also crossed the one million mark.

The Bank is also alive to the fact that mere customer acquisition is not enough – everything hinges on the quality of customer service rendered. To ensure the continuance of a high standard of service your Bank's branches have been known to deliver, there is an on-going monitoring of customer service standards.

Your Bank has also tied up with a large number of Mutual Funds for distribution. The total volume of funds mobilised through our efforts was Rs.451.70 crores. The management is ensuring that the personnel involved in Financial Advisory Services are imparted adequate training and undergo the certification course of the Association of Mutual Funds of India (AMFI).

The Indian retail banking market provides a promise of locating several niches currently untapped. Factors such as demographic and demand shifts are expected to drive the growth of retail banking in the medium term. The Bank has set itself aggressive retail asset goals and expects to garner substantial income from the portfolio in the coming year.

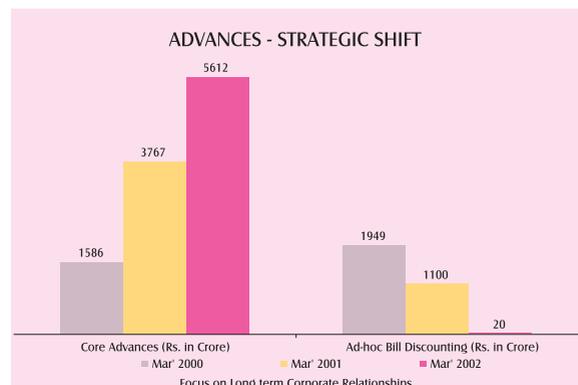
Total NRI deposits have grown during the year from Rs.489.01 crores to Rs.601.40 crores and constituted 4.89% of the total deposits. In order to provide a greater thrust to the growth of the segment, an NRI Services Department has recently been set up at Central Office, which focuses on the marketing and servicing of the NRI clientele. It is also proposed to set up an NRI Services Hub, which will offer smooth, speedy and efficient service to the NRI clients banking at any of the Bank's branches.

In order to reach out to NRIs and expand your Bank's client base, initiatives are being undertaken to set up alliances with exchange houses for remittance facilities. To establish a presence overseas, the Bank is also exploring the feasibility of setting up representative offices in NRI intensive overseas centres.

**CORPORATE BANKING**

The advances during the year increased from Rs.4821.12 crores to Rs.5352.30 crores (exclusive of provisions and bills rediscounted). The non-fund based business as also fee based income recorded substantial growth over the previous year's level. Your Bank also achieved the targets set by Reserve Bank of India for priority sector advances and export credit. The strategy of leveraging business of highly rated corporate clients was successfully implemented and the process of improvement of asset quality was further consolidated as your Bank continues to be creditor to a large number of the best corporates. Your Bank also acquired portfolios of assets from other financial institutions, and is also pursuing a strategy for deriving additional business from the new relationships.

The corporate loan book has also grown organically by targeting corporates with good rating, track record and sound





corporate governance practices. Corporates are selected on the following criteria:

- Sustainable long term competitive advantage and managed by groups known for competence and integrity.
- Potential to evolve as market leaders.
- Adequate size, appropriate technology, sustainable product portfolio and satisfactory track record.

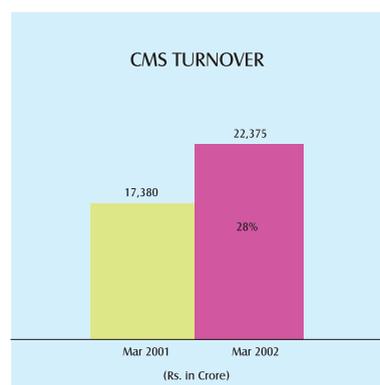
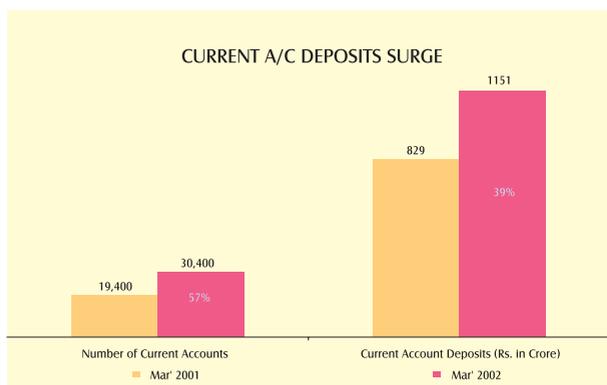
**RISK MANAGEMENT**

Several important steps were taken to evolve a risk management system compatible with the type and size of your Bank's operations as well as the management's risk perceptions. The Boston Consulting Group has been working with your Bank in carrying out a review of the existing risk management systems and in conceptualising and implementing an integrated risk management architecture. Meanwhile, several risk management measures have already been implemented in your Bank in conformity with RBI guidelines. Periodic reviews of the Asset Liability Management (ALM) Policy as well as the Credit Policy have been conducted, and approval obtained from the Bank's Board for strengthening risk management.

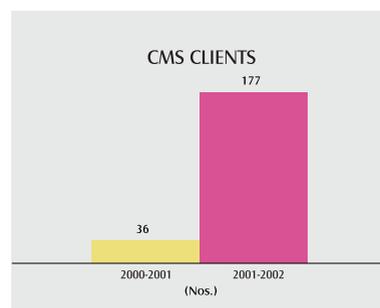
Rating and monitoring tools for corporate borrowers were developed during the year. As a further measure to ensure ongoing maintenance of the quality of loan assets, a Credit Audit team has been formed to conduct a post disbursement scrutiny of all major assets, going into various aspects such as appraisal, documentation, security creation and conduct of account. An exercise was also undertaken to streamline the database relating to borrowal accounts so that a robust MIS could be developed to make the credit risk monitoring mechanism effective. To take care of operational risks, the internal audit and inspection system of the Bank was strengthened by augmenting staff strength, enlarging the coverage of concurrent audit, enlisting the services of external audit firms for inspecting a number of branches and engaging an external audit firm of international repute for conduct of the management audit of the administrative offices.

**CORPORATE AND INSTITUTIONAL DEPOSITS**

Current account deposits climbed during the year to Rs.1151.47 crores from a level of Rs.828.99 crores, registering a growth of 38.90%.



Products like 'Anywhere Banking Service' and 'Payable at Par' cheques, introduced as components of Special Current Accounts have proved beneficial. These products are aimed at attracting high value Current Accounts from corporates, banks and the institutional segments that actively need multi-city collection and payment facilities. Your Bank aims to have a large base of such Current Accounts, providing a good source of float funds. During the year, target groups were broadened to include PSUs and Mutual Funds. Cash Management Services (CMS) continue to be a major tool for customer acquisition and income generation. Last year, your Bank attracted 141 new CMS accounts into its fold, including a number of large corporates.



During the year, your Bank also won mandates from UTI for distribution of interest and maturity payments, and the corpus so handled was Rs.598 crores. Your Bank partnered with multiple banks to execute these mandates. Correspondent banking tie-ups with multinational banks have also proved to be a good source of bulk CMS business, and arrangements with six multinational banks were entered into during the year.

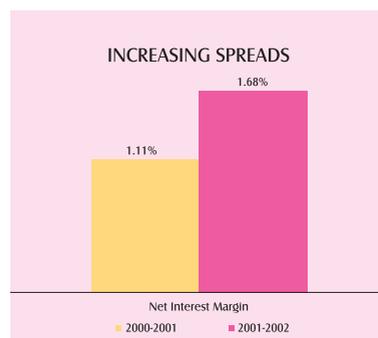
Your Bank also received approval from RBI to undertake sales tax collections for the Government of Andhra Pradesh, and collections have commenced in Hyderabad.

### TREASURY: ASSET LIABILITY MANAGEMENT

There has been an unprecedented fall in interest rates brought about by an unusual coincidence of global and domestic easing to fight recessionary pressures. The yield curve moved down by almost 300 basis points across the entire maturity spectrum. The crashing yields meant falling incomes on interest yielding portfolios and banks faced a challenging task in maintaining spreads. Your Bank managed to improve spreads in a difficult year owing to the active management of the portfolio.

While the average cost of deposits has come down to 8.77% as against 9.20% in the previous year, the yield on advances has fallen to 11.72% as against 12.00% during the previous year. The interest spread at 2.95% in 2001-02 is therefore higher by 15 basis points as compared to 2.80% booked in the previous year. Your Bank recognises the trade off between risk and reward in its business strategy and risk appetite, and accordingly strives to improve the pricing of all products to achieve better risk-adjusted performance.

The Bank has been successful in managing the liquidity position even as the Balance Sheet grew steadily in size. The Asset-Liability Management Cell has suitably modulated liabilities pricing to ensure that mismatches have been kept in check and in compliance with regulatory requirements.



### FOREIGN EXCHANGE, TRADING & ADVISORY

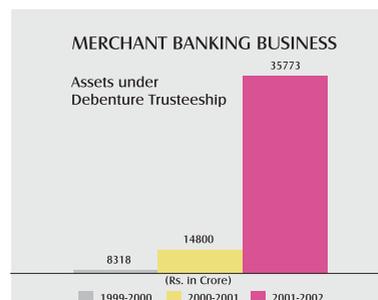
The falling yields threw up a major opportunity for enhancing income from interest rate trading. Your Bank has traditionally been aggressive in this area and capitalised on the opportunity by increasing the size of the investment book. The year also saw various external shocks which hit the markets and your Bank handled the situation by optimising the positioning of the portfolio which resulted in generation of profits. The total return of the gilts portfolio exceeded those of benchmark indices and returns of most gilt mutual funds.

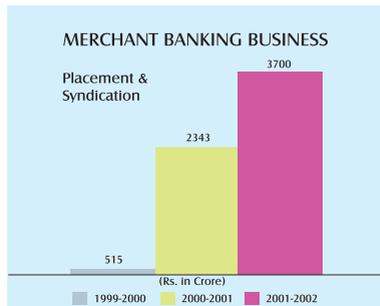
Foreign exchange profits also increased by almost 60% while new customers were added and merchant turnover increased substantially as a result. Your Bank was also active in Rupee derivatives and the profits from this activity were rewarding. Going forward, your Bank hopes to expand its operations in all markets in order to generate profits from proprietary positions and offer comprehensive treasury solutions to an expanding base of corporate customers.

During the year, your Bank consolidated its settlement processes to create an integrated back-office that would facilitate smooth settlement of all investment and foreign exchange transactions. Systems have been constantly upgraded to ensure up-to-date MIS to meet management and regulatory requirements.

### MERCHANT BANKING

Your Bank offers Corporate Advisory Services relating to capital structuring, placement and syndication, management of public issues, appraisals, investments, depository related services, loans against securities, secondary market trading in equity and debt, and capital market related services. Although services relating to depository participant accounts have grown modestly, given the turmoil in the





capital market, better growth is expected in the future. At the end of March 2002, the number of depository participant accounts was 74,419. The Bank acts as trustees to Debenture Holders of 153 corporates, involving about Rs.35,773 crores. The Bank also acts as a Clearing Bank for the NSE and BSE.

## OPERATIONS

Your Bank's Manual of Procedures was revised during the year. The manual provides guidelines for handling diverse banking situations and incorporates the essential features of circulars issued periodically.

Given the competitive environment your Bank operates in and to provide a consistent level of quality and efficiency in the delivery of products and services, your Bank decided to relocate the back office work relating to processing of accounts and customer requests. A Central Processing Unit (CPU) and Service Branches have accordingly been set up. It was decided to relocate the back office functions from our branches to a Central Processing Unit (CPU) so that the work of opening deposit accounts, issuance of cheque books, printing of statements of account and issuance of term deposit receipts are handled centrally and efficiently. In turn, branches get more time to serve customers, focus on cross selling of products and market new business. An additional benefit of this centralisation is expected to be cost saving. The Print Shop attached to the CPU has ensured superior quality printed material such as for statements of account, cheque books and term deposit receipts. Service Branches are also being set up in all major cities which will handle clearing operations, payment of drafts and collection of cheques. The service branches at Mumbai and New Delhi are now operational.

## NETWORK

The Bank's network grew rapidly, encompassing 111 branches, 28 Extension Counters, and 491 ATMs as on March 31, 2002 as against 86 branches, 15 Extension Counters, and 303 ATMs a year earlier. Geographical coverage, coupled with a technological edge, is seen as essential for the profitable growth of your Bank.

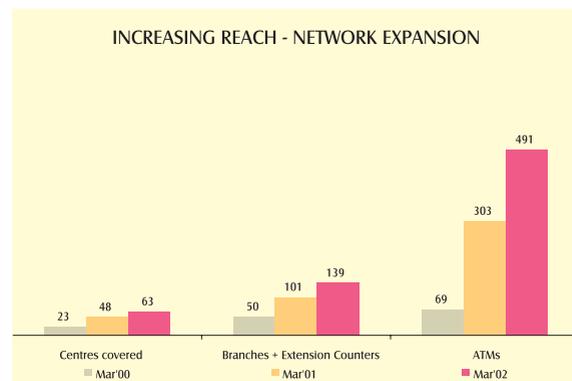
## INFORMATION TECHNOLOGY

The Information Technology strategy for the Bank has focused on consolidating the gains of moving to a centralised database, with the branches connected to a Data Centre on a Wide Area Network having leased lines as the primary link and supplemented by ISDN links, VSATs and Virtual Private Network connectivity. Several strategic decisions were taken to upgrade the IT infrastructure in order to enable the Bank to maintain its competitive edge in a fast changing market and provide value added services through multiple delivery channels.

The hardware at the Data Centre has been upgraded to enhance the processing capabilities. Your Bank is in the process of migrating the 'Finacle' software database to the latest version in order to add enhanced features. Though the storage facilities are scalable and commensurate with increased volumes of transactions, the focus is on transferring data to a separate Enterprise Storage System to increase the efficiency of the transactions and to support decision making tools.

Your Bank's network infrastructure today is one of the largest in the country. With the implementation of Facility Management, the network monitoring activity and the overall uptime of the network have improved, and the network uptimes are above 99% on account of the redundant paths available.

Your Bank's Internet Banking services offer a wide range of services to the customers like balance enquiry, funds transfer, online trading, e-shopping and e-broking. The number of hits on the website of the Bank exceeds one lakh per day. The web server has been suitably upgraded to take care of anticipated growth in this business segment. A bill payment facility through the Internet has also been enabled for all Internet Banking customers.



The ATM switch has been upgraded to enable the handling of more than 1000 ATMs at the switch level. The Base 24 software driving the Bank’s ATM network has also been upgraded. The ATM network of the Bank currently records more than 15 lakh transactions per month.

The Bank was the first Indian bank to set up a Business Continuity Centre. The Business Continuity Centre set up at a remote centre is equipped with a configuration of hardware and software which mirrors the configuration available at the main Data Centre. The Business Continuity Centre has become fully functional with near real-time data replication.

**AUDIT & INSPECTION**

The Inspection & Audit Department of the Bank undertakes the internal inspection and audit of branches through in-house auditors as also external Chartered Accountant firms. During the year, inspections and audits were conducted at 66 branches, and systems and procedures audits at 21 branches. Apart from 13 large branches of the Bank, Centralised Foreign Exchange Operations, Investment Operations, Money Market Operations and Merchant Banking Operations were covered by concurrent audit. Regular audits ensured that the business activities of the Bank were being conducted in accordance with the procedures stipulated. The Inspection and Audit Department is being further strengthened by augmenting its resources, enlisting external audit firms and extending the ambit of concurrent audit to cover a larger number of branches. All these measures are aimed at making the Bank’s audit function more focused on risk.

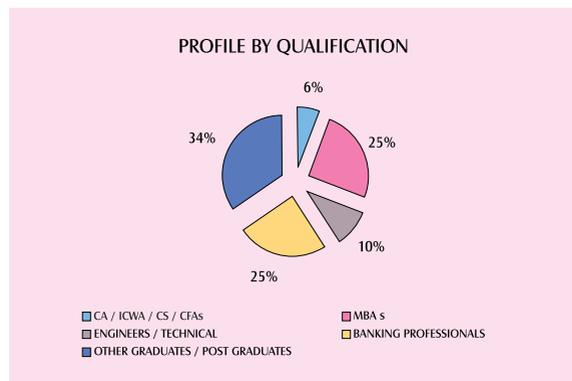
**HUMAN RESOURCES**

Our people are our finest assets in meeting the demands of a challenging environment. Your Bank has combined a good mix of experience and youth among its employees. Sourcing skilled manpower for the new branches as well as for augmenting the strength at existing branches to handle increased volumes was an ongoing activity throughout the year. Recruitments were also undertaken for specialised activities like Corporate Banking, Merchant Banking, Retail Banking and Information Technology. The number of employees increased to 1721 as compared to 1185 in the previous year.

A number of training programmes were held for the benefit of the staff at various levels on General Banking, Customer Service, Information Technology, Marketing and Retail Banking. For specialised training requirements, the services of consultants were utilised and the officers of the Bank were also deputed to the Indian Institutes of Management, the National Institute of Bank Management and the Bankers’ Training College of Reserve Bank of India.

In order to market the Bank’s products more effectively and reach out to a larger clientele, a new cadre of employees known as Sales Executives was created solely for the purpose of retail sales. This strategy proved successful and the Sales Executives were able to garner high levels of retail business.

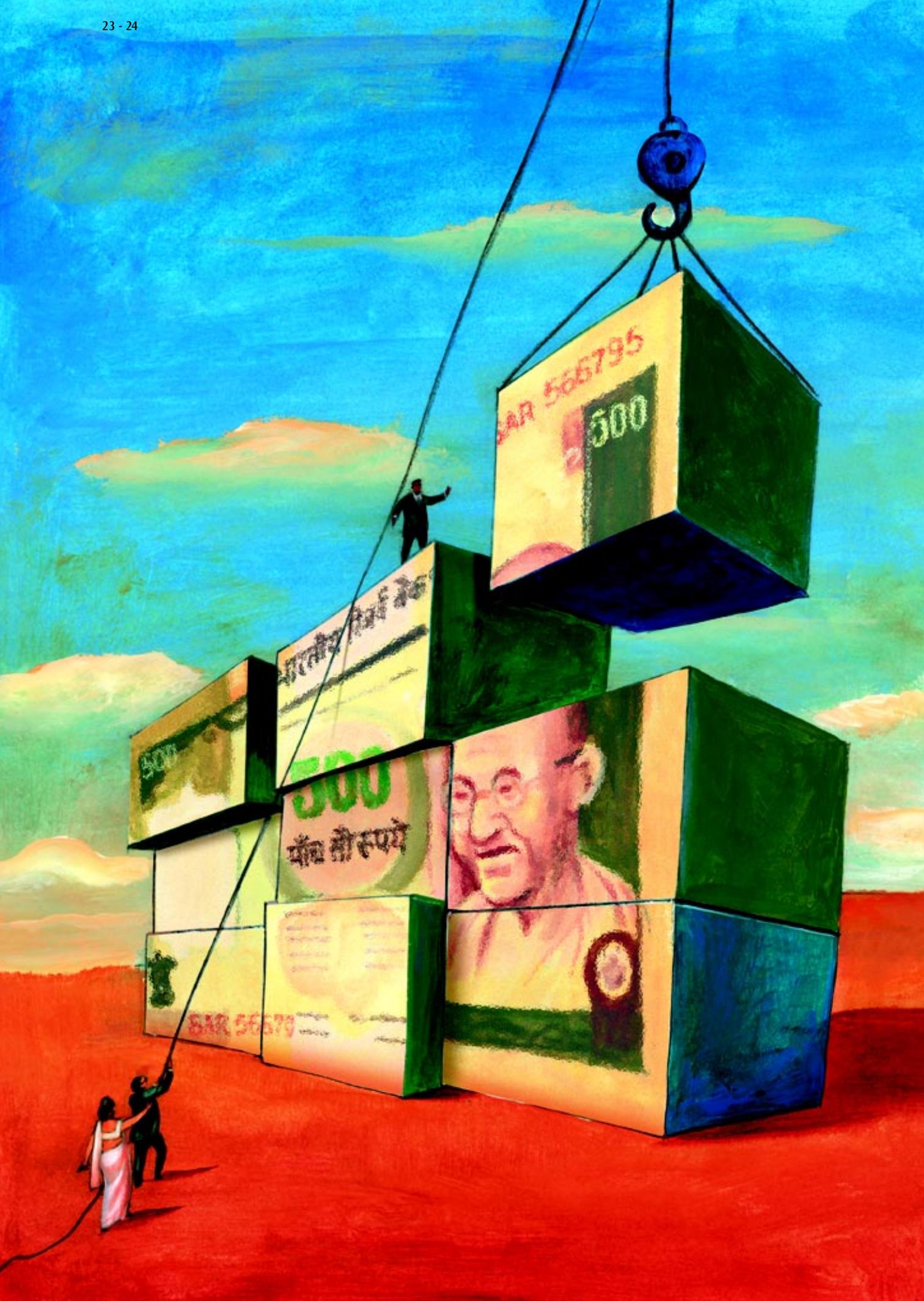
The recruitment process was further refined to ensure that the right talent was inducted into the Bank. Fresh management graduates were also recruited from the top business schools including the Indian Institutes of Management.





In order to instil a performance led culture, the remuneration structure of the employees has been revised and a performance-based variable pay plan is in place. Similarly, career progression is based on performance and is restricted to those with high potential and business acumen.

To motivate and retain talented employees and also attract fresh talent, an Employee Stock Option Plan had been introduced during 2000-01. A second grant of options totaling 17, 80,000 options was made to 1123 eligible employees during the past year.



# Auditors' Report



To,  
The Members  
UTI Bank Limited

We have audited the attached Balance Sheet of UTI Bank Limited as at 31st March, 2002 and also the Profit and Loss Account of the Bank for the year ended on that date annexed thereto. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

- (a) The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the provisions of Section 211 of the Companies Act, 1956.
- (b) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.
- (c) The transactions of the Bank, which have come to our notice, have been, in our opinion, within the powers of the Bank.
- (d) Proper returns adequate for the purpose of our audit, have been received from the branches of the Bank.
- (e) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books.
- (f) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account and the Branch returns.
- (g) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 in so far as they apply to the Banks.
- (h) On the basis of the written representations received from the Directors, as on 31st March, 2002, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2002 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- (i) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon and the Significant Accounting Policies, give the information required by the Companies Act, 1956, in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2002; and
  - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

For V. Sankar Aiyar & Co.  
Chartered Accountants

Place : Mumbai  
Date : 02.05.2002

N. Sampath Ganesh  
Partner



# Financial Statements



**BALANCE SHEET AS ON 31ST MARCH 2002**

<b>CAPITAL AND LIABILITIES</b>	Schedule No.	<b>As on 31-03-2002 (Rs. in Crores)</b>	<b>As on 31-03-2001 (Rs. in Crores)</b>
Capital	1	<b>191.81</b>	131.90
Reserves & Surplus	2	<b>422.95</b>	169.55
Employees' Stock Options Outstanding (net)	17(2.13)	<b>0.07</b>	0.00
Deposits	3	<b>12,287.21</b>	9,092.20
Borrowings	4	<b>1,245.81</b>	1,146.02
Other liabilities and provisions	5	<b>226.66</b>	226.22
	<b>TOTAL</b>	<b>14,374.51</b>	<b>10,765.89</b>
<b>ASSETS</b>			
Cash and Balances with Reserve Bank of India	6	<b>1,123.32</b>	881.28
Balance with banks and money at call and short notice	7	<b>628.12</b>	330.50
Investments	8	<b>6,630.22</b>	4,192.62
Advances	9	<b>5,352.30</b>	4,821.12
Fixed Assets	10	<b>260.47</b>	234.46
Other Assets	11	<b>380.08</b>	305.91
	<b>TOTAL</b>	<b>14,374.51</b>	<b>10,765.89</b>
Contingent liabilities	12	<b>7,219.04</b>	6,073.36
Bills for collection		<b>681.88</b>	<b>627.93</b>
Significant Accounting Policies and Notes	17		

As per our report of even date attached  
For and on behalf of  
**V. Sankar Aiyar & Co.,**  
Chartered Accountants

**For UTI BANK LTD.**

**P . J . Nayak**  
Chairman & Managing Director

**N. Sampath Ganesh**  
Partner

**K. Narasimha Murthy**  
Director

**M. Raghavendra**  
Director

**Daniel Paul Fletcher**  
Director

**Surendra Singh**  
Director

**N. C. Singhal**  
Director

**B. S. Pandit**  
Director

Place: Mumbai  
Date : 02.05.2002

**P. J. Oza**  
Company Secretary

Date : 02.05.2002  
Place : Mumbai

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2002**

	Schedule No.	Year ended on 31-03-2002 (Rs. in Crores)	Year ended on 31-03-2001 (Rs. in Crores)
<b>I INCOME</b>			
Interest earned	13	1,179.53	889.63
Other income	14	415.87	163.00
<b>TOTAL</b>		<b>1,595.40</b>	<b>1,052.63</b>
<b>II EXPENDITURE</b>			
Interest expended	15	980.00	791.37
Operating expenses	16	205.47	128.76
Provisions and contingencies	17(2.1)	275.79	46.38
<b>TOTAL</b>		<b>1,461.26</b>	<b>966.51</b>
<b>III NET PROFIT FOR THE YEAR</b>	( I - II )	<b>134.14</b>	86.12
Balance in Profit & Loss Account brought forward from previous year		74.37	52.60
Excess provision made for tax on distributed profits in previous year now written back		2.39	0.00
<b>IV PROFIT AVAILABLE FOR APPROPRIATION</b>		<b>210.90</b>	138.72
<b>V APPROPRIATIONS:</b>			
Transfer to Statutory Reserve		33.54	25.84
Transfer to Debenture Redemption Reserve		0.00	14.30
Transfer to Investment Fluctuation Reserve		70.00	0.00
Proposed dividend (previous year figure includes tax on dividend)		28.72	24.21
Balance carried over to Balance Sheet		78.64	74.37
<b>TOTAL</b>		<b>210.90</b>	<b>138.72</b>

As per our report of even date attached  
For and on behalf of  
**V. Sankar Aiyar & Co.,**  
Chartered Accountants

For UTI BANK LTD.

**P. J. Nayak**  
Chairman & Managing Director

**N. Sampath Ganesh**  
Partner

**K. Narasimha Murthy**  
Director

**M. Raghavendra**  
Director

**Daniel Paul Fletcher**  
Director

**Surendra Singh**  
Director

**N. C. Singhal**  
Director

**B. S. Pandit**  
Director

Place: Mumbai  
Date : 02.05.2002

**P. J. Oza**  
Company Secretary

Date : 02.05.2002  
Place : Mumbai

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2002**

	<b>As on 31-03-2002 (Rs. in Crores)</b>	As on 31-03-2001 (Rs. in Crores)
<b>SCHEDULE 1 - CAPITAL</b>		
<b>Authorised Capital</b> 23,00,00,000 Equity Shares of Rs.10/- each. (Previous year - 23,00,00,000 shares of Rs.10/- each)	<b>230.00</b>	230.00
<b>Issued, Subscribed and Paid-up capital</b> 19,18,12,870 Equity Shares of Rs.10/- each fully paid up. (Previous year - 13,19,03,170 Equity Shares of Rs.10/- each fully paid up.)	<b>191.81</b>	131.90
<b>TOTAL</b>	<b>191.81</b>	<b>131.90</b>
<p>During the year 5,99,09,700 equity shares of Rs.10/- each were allotted on preferential basis pursuant to the approval of the share holders in the Extraordinary General Meetings held on 23.10.2001 &amp; 27.03.2002.</p> <p>a. 4,63,50,000 equity shares at a premium of Rs.24/- per share b. 1,35,59,700 equity shares at a premium of Rs.29.04 per share</p> <p>The preferential issue of equity shares were made to comply with the RBI requirement of reducing the percentage of share holding by UTI in the Bank and to enhance the Tier - I capital of the Bank. The proceeds of the issue have accordingly been used in the operations of the Bank.</p>		
<b>SCHEDULE 2 - RESERVES AND SURPLUS</b>		
<b>I. Statutory Reserve</b>		
Opening Balance	<b>63.85</b>	38.01
Additions during the year	<b>33.54</b>	25.84
	<b>97.39</b>	<b>63.85</b>
<b>II. Share Premium Account</b>		
Opening Balance	<b>16.22</b>	16.22
Additions during the year	<b>150.62</b>	0.00
Less: Share issue expenses	<b>5.03</b>	0.00
	<b>161.81</b>	<b>16.22</b>
<b>III. Investment Fluctuation Reserve</b>		
Opening Balance	<b>0.81</b>	0.81
Additions during the year	<b>70.00</b>	0.00
	<b>70.81</b>	<b>0.81</b>
<b>IV. Debenture Redemption Reserve</b>		
Opening Balance	<b>14.30</b>	0.00
Additions during the year	<b>0.00</b>	14.30
	<b>14.30</b>	<b>14.30</b>
<b>V. Balance in Profit &amp; Loss Account</b>	<b>78.64</b>	<b>74.37</b>
<b>TOTAL</b>	<b>422.95</b>	<b>169.55</b>



## SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2002

	As on 31-03-2002 (Rs. in Crores)	As on 31-03-2001 (Rs. in Crores)
<b><u>SCHEDULE 3 - DEPOSITS</u></b>		
A I. Demand Deposits		
(i) From banks	70.50	13.69
(ii) From others	1,080.97	815.30
II. Savings Bank Deposits	875.80	569.38
III. Term Deposits		
(i) From banks	2,146.06	2,550.48
(ii) From others	8,113.88	5,143.35
<b>TOTAL</b>	<b>12,287.21</b>	<b>9,092.20</b>
B I. Deposits of branches in India	12,287.21	9,092.20
II. Deposits of branches outside India	0.00	0.00
<b>TOTAL</b>	<b>12,287.21</b>	<b>9,092.20</b>
<b><u>SCHEDULE 4 - BORROWINGS</u></b>		
I. Borrowings in India		
(i) Reserve Bank of India	51.00	72.00
(ii) Other banks	464.52	505.06
(iii) Other institutions & agencies	434.79	418.96
(iv) Bonds #	295.50	150.00
II. Borrowings outside India	0.00	0.00
<b>TOTAL</b>	<b>1,245.81</b>	<b>1,146.02</b>
Secured borrowing included in I & II above	NIL	NIL
# Represents Subordinated Debt of 5910 Bonds (previous year 3000 Bonds) in the nature of Non Convertible Debentures of Rs. 5,00,000/- each		
<b><u>SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS</u></b>		
I. Bills payable	102.18	93.02
II. Inter - office adjustments (net)	0.65	0.24
III. Interest accrued	16.06	50.02
IV. Proposed dividend (previous year figure includes tax on dividend)	28.72	24.21
V. Others (including provisions)	79.05	58.73
<b>TOTAL</b>	<b>226.66</b>	<b>226.22</b>
<b><u>SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA</u></b>		
I. Cash in hand & in ATM (including foreign currency notes)	68.44	47.92
II. Balances with Reserve Bank of India :		
(i) in current account	1,054.88	833.36
(ii) in other accounts	0.00	0.00
<b>TOTAL</b>	<b>1,123.32</b>	<b>881.28</b>

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2002**

	<b>As on 31-03-2002 (Rs. in Crores)</b>	As on 31-03-2001 (Rs. in Crores)
<b><u>SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE</u></b>		
I. In India		
i) Balance with banks		
(a) in current accounts	<b>114.75</b>	88.09
(b) in other deposit accounts	<b>8.61</b>	0.14
(ii) Money at Call and Short Notice		
(a) with banks	<b>457.96</b>	215.31
(b) with other institutions	<b>0.00</b>	0.00
<b>TOTAL</b>	<b>581.32</b>	<b>303.54</b>
II. Outside India		
i) in current accounts	<b>33.26</b>	-38.29
ii) in other deposit accounts	<b>13.54</b>	65.25
iii) Money at Call & Short Notice	<b>0.00</b>	0.00
<b>TOTAL</b>	<b>46.80</b>	26.96
<b>GRAND TOTAL</b>	<b>628.12</b>	330.50
<b><u>SCHEDULE 8 - INVESTMENTS</u></b>		
I. Investments in India in -		
(i) Government Securities #	<b>3,649.10</b>	2,427.13
(ii) Other approved securities	<b>0.00</b>	0.00
(iii) Shares	<b>197.33</b>	192.25
(iv) Debentures and Bonds	<b>1,804.52</b>	1,025.64
(v) Others (Units, Commercial Papers, Deposits with NABARD etc.)	<b>988.76</b>	552.45
Gross Investments in India	<b>6,639.71</b>	4,197.47
Less: Depreciation in the value of investments (previous year figure includes provision for NPAs)	<b>9.49</b>	4.85
Net investments in India	<b>6,630.22</b>	4,192.62
II. Investments outside India	<b>0.00</b>	0.00
Net investments outside India	<b>0.00</b>	0.00
<b>GRAND TOTAL</b>	<b>6,630.22</b>	<b>4,192.62</b>
# Includes securities costing Rs.8.86 cr. (previous year Rs.2.62 crores) pledged with other banks for availment of funds transfer facility		



## SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2002

	As on 31-03-2002 (Rs. in Crores)	As on 31-03-2001 (Rs. in Crores)
<b>SCHEDULE 9 - ADVANCES</b>		
A. (i) Bills purchased and discounted #	<b>165.94</b>	1,655.16
(ii) Cash credits, overdrafts and loans repayable on demand	<b>2,596.56</b>	2,113.23
(iii) Term loans	<b>2,589.80</b>	1,052.73
<b>TOTAL</b>	<b>5,352.30</b>	<b>4,821.12</b>
B. (i) Secured by tangible assets \$	<b>4,225.82</b>	3,023.85
(ii) Covered by Bank/Government Guarantees &&	<b>66.61</b>	731.67
(iii) Unsecured	<b>1,059.87</b>	1,065.60
<b>TOTAL</b>	<b>5,352.30</b>	<b>4,821.12</b>
C. I. Advances in India		
(i) Priority Sectors	<b>867.52</b>	348.00
(ii) Public Sector	<b>13.00</b>	429.88
(iii) Banks	<b>3.32</b>	0.10
(iv) Others	<b>4,468.46</b>	4,043.14
<b>TOTAL</b>	<b>5,352.30</b>	<b>4,821.12</b>
II. Advances Outside India		
i) Due from banks	<b>0.00</b>	0.00
(i) Due from others -		
(a) Bills purchased and discounted	<b>0.00</b>	0.00
(b) Syndicate loans	<b>0.00</b>	0.00
(c) Others	<b>0.00</b>	0.00
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>
# Advances are net of Rs.185 crores of borrowings under the Bills Rediscounting Scheme		
\$ Includes advances against book debts		
&& Includes advances against L/Cs issued by banks		

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2002**

	<b>As on 31-03-2002 (Rs. in Crores)</b>	As on 31-03-2001 (Rs. in Crores)
<b><u>SCHEDULE 10 - FIXED ASSETS</u></b>		
I. Premises		
At cost at the beginning of the year	<b>8.50</b>	8.50
Additions during the year	<b>0.08</b>	0.00
Deductions during the year	<b>0.00</b>	0.00
Depreciation to date	<b>0.95</b>	0.52
<b>TOTAL</b>	<b>7.63</b>	<b>7.98</b>
II. Other fixed assets (including Furniture & Fixtures)		
At cost at the beginning of the year	<b>182.40</b>	93.59
Additions during the year	<b>75.63</b>	91.85
Deductions during the year	<b>1.03</b>	3.04
Depreciation to date	<b>74.25</b>	42.63
<b>TOTAL</b>	<b>182.75</b>	<b>139.77</b>
III. Assets on Lease		
At cost at the beginning of the year	<b>74.57</b>	0.00
Additions during the year	<b>0.00</b>	75.26
Deductions during the year **	<b>23.26</b>	0.69
Depreciation to date	<b>10.03</b>	5.45
Lease adjustment	<b>0.00</b>	-0.16
<b>TOTAL</b>	<b>41.28</b>	<b>68.96</b>
<b>CAPITAL WORK-IN-PROGRESS (including Capital Advances)</b>	<b>28.81</b>	<b>17.75</b>
<b>GRAND TOTAL :</b>	<b>260.47</b>	<b>234.46</b>
** Represents reclassification/adjustments consequent to adoption of Accounting Standard-19 (AS-19) on Accounting for Leases		
<b><u>SCHEDULE 11 - OTHER ASSETS</u></b>		
I Interest Accrued	<b>163.70</b>	120.69
II Tax paid in advance/tax deducted at source (net of provisions)	<b>45.02</b>	8.46
III Deferred Tax Asset (Net) #	<b>1.65</b>	0.00
IV Stationery and stamps	<b>0.68</b>	1.20
V Others	<b>169.03</b>	175.56
<b>TOTAL</b>	<b>380.08</b>	<b>305.91</b>

# Refer note 2.17 in Schedule 17


**SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 2002**

	<b>As on 31-03-2002 (Rs. in Crores)</b>	As on 31-03-2001 (Rs. in Crores)
<b><u>SCHEDULE 12 - CONTINGENT LIABILITIES</u></b>		
I. Claims against the Bank not acknowledged as debts	<b>36.48</b>	26.23
II. Liability for partly paid investments	<b>0.00</b>	0.00
III. Liability on account of outstanding forward exchange contracts		
a) Inter-bank	<b>5,674.42</b>	4,744.10
b) Merchant	<b>105.90</b>	77.19
<b>TOTAL</b>	<b>5,780.32</b>	<b>4,821.29</b>
IV. Guarantees given on behalf of constituents in India	<b>864.50</b>	727.04
V. Acceptances, endorsements and other obligations	<b>528.31</b>	483.91
VI. Other items for which the Bank is contingently liable :		
(i) Liabilities on account of outstanding underwriting commitments	<b>0.00</b>	2.00
(ii) Devolvement notice received in respect of underwriting commitment (refer note No.2.21 of Schedule 17)	<b>3.50</b>	3.50
(iii) Disputed tax demand	<b>4.31</b>	4.21
(iv) Others	<b>1.62</b>	5.18
<b>TOTAL</b>	<b>7,219.04</b>	<b>6,073.36</b>

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2002**

	<b>Year ended on 31-03-2002 (Rs. in Crores)</b>	Year ended on 31-03-2001 (Rs. in Crores)
<b><u>SCHEDULE 13 - INTEREST EARNED</u></b>		
I. Interest/discount on advances/bills	<b>539.57</b>	473.61
II. Income on investments @	<b>602.67</b>	373.89
III. Interest on balances with Reserve Bank of India & other inter-bank funds	<b>30.57</b>	40.41
IV. Others	<b>6.72</b>	1.72
<b>TOTAL</b>	<b>1,179.53</b>	<b>889.63</b>
@ Includes interest on deposits placed with NABARD		
<b><u>SCHEDULE 14 - OTHER INCOME</u></b>		
I. Commission, exchange and brokerage	<b>97.62</b>	86.25
II. Profit on sale/Revaluation of Investments (net)	<b>305.44</b>	63.78
III. Profit on exchange transactions (net)	<b>8.65</b>	5.21
IV. Profit/(Loss) on sale of fixed assets (net)	<b>-0.78</b>	-0.08
V. Income earned by way of dividends etc. from subsidiaries/companies and/or joint venture abroad/in India.	<b>0.00</b>	0.00
VI. Lease rentals (previous year figure is net of lease equalisation)	<b>3.63</b>	5.67
VII. Miscellaneous Income	<b>1.31</b>	2.17
<b>TOTAL</b>	<b>415.87</b>	<b>163.00</b>
<b><u>SCHEDULE 15 - INTEREST EXPENDED</u></b>		
I. Interest on deposits	<b>856.63</b>	703.74
II. Interest on Reserve Bank of India/Inter-bank borrowings	<b>53.06</b>	33.45
III. Others @	<b>70.31</b>	54.18
<b>TOTAL</b>	<b>980.00</b>	<b>791.37</b>
@ Including Interest on repos & subordinate debt		
<b><u>SCHEDULE 16 - OPERATING EXPENSES</u></b>		
I. Payments to and provisions for employees	<b>49.57</b>	28.52
II. Rent, taxes and lighting	<b>36.01</b>	26.40
III. Printing and stationery	<b>6.68</b>	4.36
IV. Advertisement and publicity	<b>6.64</b>	5.56
V. Depreciation on Bank's property	<b>36.63</b>	21.73
VI. Directors' fees, allowance and expenses	<b>0.17</b>	0.15
VII. Auditor's fees and expenses	<b>0.28</b>	0.21
VIII. Law Charges	<b>2.24</b>	1.84
IX. Postage, Telegrams, Telephones etc.	<b>14.07</b>	8.38
X. Repairs and maintenance	<b>18.89</b>	10.17
XI. Insurance	<b>6.36</b>	4.14
XII. Other Expenditure (%%)	<b>27.93</b>	17.30
<b>TOTAL</b>	<b>205.47</b>	<b>128.76</b>

%% Includes Professional fees, Clearing house charges , CD stamping charges, travelling expenses etc.



## SCHEDULE 17

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2002.

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### 1.1 GENERAL

The accompanying financial statements are prepared on the historical cost convention and in accordance with the generally accepted accounting principles and practices prevailing within the banking industry in India.

##### 1.2 REVENUE RECOGNITION

1.2.1 Income and Expenditure are accounted on accrual basis except as stated below:-

- i) Interests on non-performing assets are recognised on realisation. Advances and debt securities are treated as non-performing assets when they are irregular for over 180 days.
- ii) Commission and exchange are recognised as income of the year in which they are realised except commission income on deferred payment guarantees which are recognised pro-rata over the period of guarantee.

1.2.2 Income from finance leases are accounted for based on the interest rate implicit in the lease.

1.2.3 Upfront incentives received on subscription to securities are recognised as income when realised.

1.2.4 Broken period interest paid on acquisition of fixed income securities are recognised as revenue expenditure.

1.2.5 Premium/discount paid/received on loans acquired under Deeds of Assignment are amortised to revenue over the residual term of loans so as to recognise income based on the interest rate implicit in the terms of assignment.

##### 1.3 ADVANCES

1.3.1 Advances are classified into standard, sub-standard, doubtful and loss assets in accordance with the guidelines issued by the Reserve Bank of India (RBI) and are stated net of provisions made towards non-performing advances.

1.3.2 Provision for non-performing advances comprising sub-standard, doubtful and loss assets is made in accordance with the guidelines issued by the RBI. The Bank has established additional provisions towards non-performing advances as a margin against imprecision inherent in the process of estimating loan losses.

1.3.3 A general provision of 0.25% is made on all

standard assets as per RBI guidelines and a provision of 4% is made on all advances where they are irregular for more than 90 days but less than 180 days.

#### 1.4 INVESTMENTS

##### 1.4.1 Classification

i. In accordance with the RBI guidelines, investments under various categories reflected under Schedule 8 to the Balance Sheet are further classified into the following classes:

- a) Held for Trading
- b) Available for Sale, and
- c) Held to Maturity

ii. Investments not exceeding 25% of total investments which the Bank intends to hold to maturity are classified as "Held to Maturity." In computing the total investments for the aforesaid purpose debentures and bonds which are in the nature of advances and deposits with NABARD are excluded.

iii. Those held for sale within 90 days from the date of their purchase/classification are classified under "Held for Trading".

iv. All other investments are classified under the "Available for Sale" category.

##### 1.4.2 Valuation

###### a.) Held to Maturity:

Investments under this class are carried at their acquisition cost and are not marked to market. Any premium on acquisition of a security is amortized over the balance period remaining to its maturity.

###### b.) Available for Sale and Held for Trading:

Investments in this class are marked to market. Net appreciation in each category within each class, if any, is ignored and net depreciation, if any, is provided for.

c.) Treasury bills are valued at cost.

1.4.3 Market value of investments where current quotations are not available, is determined as per the norms laid down by the RBI as under:

a.) market value of unquoted Government Securities are derived based on the YTM rate for Government securities of equivalent maturity put out by Fixed Income Money Market and Derivatives Association of India (FIMMDA).

b.) in case of unquoted bonds, debentures and preference shares where interest/dividend is

received regularly, the market price is derived based on the YTM for Government securities as suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark up for various credit ratings and maturity put out by FIMMDA has been adopted for this purpose.

- c.) unquoted preference shares and debentures where dividend/interest is not received regularly - on the basis of valuation and provisioning norms prescribed by RBI.
- d.) equity shares - at book value ascertained from the latest available balance sheet.
- e.) units of Mutual Funds - at the latest repurchase price/Net Asset Value declared by the mutual fund.

1.4.4 Investments sold on repurchase basis are excluded from the Investment portfolio. However depreciation in their value, if any, compared to their original cost are provided for.

## 1.5 FOREIGN EXCHANGE TRANSACTIONS

- 1.5.1 Transactions denominated in foreign currencies are accounted for at the rates prevailing on the date of transaction.
- 1.5.2 Monetary assets and liabilities in foreign currency are revalued at rates of exchange prescribed by Foreign Exchange Dealers' Association of India (FEDAI). Resulting exchange gains or losses are taken to the Profit and Loss Account.
- 1.5.3 Acceptances, endorsements and other obligations are reported at the exchange rate prevalent on the date of commitment.
- 1.5.4 Profit/Loss arising on revaluation of forward exchange contracts, other than currency swaps undertaken to hedge FCNR deposits (which are not revalued) outstanding as on the Balance Sheet date are accounted for as per the Reserve Bank of India directives at the rates prescribed by FEDAI.
- 1.5.5 Premium/discount on currency swaps undertaken to hedge FCNR deposits are recognised as interest income/expense and are amortised over the swap period.

## 1.6 FIXED ASSETS

- 1.6.1 Fixed assets are stated at cost less accumulated depreciation.
- 1.6.2 Depreciation on Fixed Assets are charged on Straight Line Method pro-rata from the date of addition at the following rates:

- a) computer hardware
  - i.) additions prior to 1st April, 2000 - 16.21% per annum
  - ii.) additions on or after 1st April, 2000 - 33.33% per annum
- b) application software - 16.21% per annum
- c) vehicles - 25% per annum
- d) premises - 5% per annum
- e) all other fixed assets - 10% per annum
- f) depreciation on assets given under operating lease arrangements is charged on Straight Line Method over the originally contracted lease period.

## 1.7 STAFF RETIREMENT BENEFITS

- 1.7.1 Provident Fund contributions made to a trust separately established for the said purpose are accounted for on accrual basis.
- 1.7.2 Provision for leave encashment benefit is made based on actuarial valuation.
- 1.7.3 The Bank has an insurance policy with LIC under the Group Gratuity and Insurance Scheme to cover the gratuity liability of its employees. The amount of contribution required to meet the actuarial liability as at the year end as confirmed by LIC has been provided for.

## 1.8 SHARE ISSUE EXPENSES

- 1.8.1 Share Issue expenses are adjusted from Share Premium Account.

## 1.9 INCOME TAX

Provision for income tax comprises current tax and deferred tax. Deferred tax assets and deferred tax liabilities are recognised for all timing differences at the prevailing tax rates. Permanent differences do not result in deferred tax assets or deferred tax liabilities.

## 1.10 CHANGES IN ACCOUNTING POLICIES AND REVISION IN ESTIMATES

- a. Consequent to adoption of the accounting standard on Accounting for Taxes on Income (AS-22), compliance of which is mandatory effective 1st April 2001, the net deferred tax asset for the year of Rs.11.15 crores and the cumulative net deferred tax liability up to 31st March 2001 of Rs.9.50 crores have been included as tax provisions for the year.

As a result of the aforesaid change in policy, profit after tax for the year is higher by Rs.1.65 crores.

- b. Consequent to adoption of the accounting standard on Accounting for Leases (AS-19), the



finance income from finance leases have been recognised in the revenue account as against the earlier practice of recognising the gross lease rentals and accounting for lease equalisation adjustment. Further the net investment in the lease to the extent not recovered is reflected as Advances as against the past practice of recognising the asset as a Fixed Asset.

The aforesaid change does not have any effect on the profits of the year.

- c. In earlier years investments that were sold on repurchase basis (repos) were not included for valuation purposes wherever the repos were outstanding on the balance sheet date. During the year the Bank has revised its policy to include such investments for valuation purpose.

This change has no effect on the profits of the year.

- d. In line with the clarifications issued by RBI, the Bank has not accounted for any appreciation resulting from valuation of its investments in the 'Held for Trading' category which were hitherto recognised in the Profit and Loss Account. As a result of the change in the valuation policy the Bank has, in order to maximise its returns, realigned its trading strategy by selling the investments periodically and realising the gains as against the past practice of holding the securities.

Since the trading strategies have undergone changes, the combined effect of change in valuation policy and the change in trading strategies cannot be ascertained.

- e. The Bank has revised the estimated useful life of certain categories of fixed assets. Consequently the rates of depreciation on those categories have been revised as under:

Asset Category	Old rate	Revised rate
i) Office Equipments (includes – VSATs, ACs, photocopiers etc.)	4.75%	10%
ii) Furniture & Fixtures	6.33%	10%
iii) Vehicles	9.50%	25%
iv) Premises	1.63%	5%

As a result of the aforesaid revision in rates, the depreciation charge for the year is higher by Rs.5.18 crores and profit after tax for the year is lower by Rs.3.33 crores.

## 2. NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2002.

### 2.1 'PROVISIONS AND CONTINGENCIES' DEBITED TO PROFIT & LOSS ACCOUNT INCLUDE:

	(Rs. in Crores)	
	31.03.2002	31.03.2001
i) Provision for Income Tax & Interest Tax	79.23	18.33
Current tax for the year	77.24	17.95
For earlier years	3.64	0.38
Deferred tax for the year	(11.15)	–
For earlier years	9.50	–
ii) Bad debts written off	131.60	3.47
iii) Provision towards non-performing assets	59.03	19.40
a. Advances	60.35	18.08
b. Investments	(1.32)	1.32
iv) Provision towards Standard assets	1.28	3.28
v) Provision towards advances that are irregular for more than 90 days but less than 180 days	2.25	NIL
vi) Amortisation of premium on investments classified as "held to maturity" (previous year, depreciation in value of investments)	1.00	4.03
Less: Excess provision for depreciation on investments written back	0.25	2.13
vii) Others	1.65	NIL
<b>Total</b>	<b>275.79</b>	<b>46.38</b>

### 2.2 BUSINESS RATIOS AND OTHER INFORMATION

	31.03.2002	31.03.2001
i) Interest Income as a percentage to working funds (Working funds represent average total assets)	9.95%	10.07 %
ii) Non-interest income as a percentage to working funds	3.51%	1.85%
iii) Operating profit as a percentage to	3.46%	1.50%

working funds		
iv) Return on assets	: 0.93%	0.80%
v) Business (dep. Plus adv.) per employee	: Rs.8.96	Rs.9.59
vi) Profit per employee	: Rs.7.79 Lakhs	Rs.7.27 Lakhs
vii) Net NPAs as a percentage of customer assets **	: 2.74%	3.43%

\*\* Customer assets include advances, credit substitutes and unamortised cost of assets leased out.

### 2.3 MOVEMENT IN NPAs

	(Rs. in Crores)	
	Gross	Net
NPAs at the beginning of the year	225.80	181.40

Additions during the year	199.66	142.31
Reductions (including write offs) during the year	143.30	138.29
NPAs at the end of the year	282.16	185.42

### 2.4 MOVEMENT IN PROVISIONS

	(Rs. in Crores)	
	Advances	Investments
Opening Balance as on 1/4/2001	44.40	3.53
Additions during the year	190.63	5.96
Recoveries/write-offs/write backs during the year	138.29	0.00
Closing Balance as on 31/3/2002	96.74	9.49

### 2.5 LENDING TO SENSITIVE SECTORS AS DEFINED FROM TIME TO TIME

(Rs. in Crores)

A. Advances to Capital Market Sector		
1.	Individuals	14.20
2.	Share and Stock Brokers	75.27
3.	Market Makers	0.00
4.	All other Borrowers against security of Shares	55.56
	Total Advances against security/collateral of shares	<b>145.03</b>
B. Advances to Real Estate Sector		
1.	Commercial Property	3.04
2.	Land and Buildings Developers	129.20
3.	Mortgages other than Individual Housing Loans	10.15
4.	Others	34.79
	Total Exposure to the Real Estate Sector	<b>177.18</b>
C. Advances to Commodities Sector		
1.	Cash Crops	0.00
2.	Edible Oils	10.39
3.	Agricultural Produce	64.10
4.	Other Sensitive commodities	74.30
	Total Exposure to Commodities Sector	<b>148.79</b>

Investments of the Bank include Equity shares of Rs.50.32 crores, Convertible bonds of Rs.0.84 crores and units of Equity Oriented Mutual Funds of Rs.10.53 crores.



## 2.6 MATURITY PATTERN OF ASSETS AND LIABILITIES:

(Rs. in Crores)

Liabilities	1 to 14 days	15 to 28 days	29 days and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 5 years	Over 5 years	Total
Deposits	1610.97	464.53	2025.08	2111.61	2569.69	3213.23	216.88	75.22	12287.21
Borrowings	704.69	0.00	0.00	156.43	0.00	2.69	341.78	40.22	1245.81
Assets	1 to 14 days	15 to 28 days	29 days and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 5 years	Over 5 years	Total
Investments	125.17	588.41	1022.94	949.57	1843.29	985.77	713.15	401.92	6630.22
Advances	1108.88	106.83	233.66	260.91	590.92	1888.04	732.81	430.25	5352.30
Cash/Bank balances	918.18	105.13	283.13	165.40	111.09	138.91	24.03	5.57	1751.44

Classification of assets and liabilities under the different maturity buckets are based on the guidelines issued by the Reserve Bank of India and behavioural patterns on withdrawal of deposits observed by the Bank.

## 2.7 MATURITY PATTERN OF FOREIGN CURRENCY ASSETS AND LIABILITIES (EXCLUDES FORWARD CONTRACTS)

(Rs. in Crores)

	Up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years and up to 5 years	Over 5 years	Total
Liabilities	382.74	78.90	34.67	34.46	0.00	530.77
Assets	102.40	19.52	12.20	10.73	0.00	144.85

The mismatch between total assets & liabilities reflected in the above table is mainly on account of non-inclusion of currency swaps undertaken to hedge FCNR deposits, as part of the assets.

## 2.8 DISCLOSURES IN RESPECT OF INTEREST RATE SWAPS (IRS) OUTSTANDING AS AT 31st MARCH, 2002

Nature	Nos.	Notional Principal	Terms
Hedge Swaps	2	Rs.20 crores	Fixed payable v/s Floating receivable linked to NSE Mibor
Trading Swaps	27	Rs.345 crores	Fixed payable v/s Floating receivable linked to NSE Mibor
Trading Swaps	42	Rs.515 crores	Floating payable v/s Fixed receivable linked to NSE Mibor/INBMK

- Losses which would be incurred if counter parties failed to fulfil their obligations is Rs.0.17 crores.
- Fair Value of Swap agreements Rs.1.14 crores.
- Agreements are with Banks/Financial Institutions under approved credit lines.
- The Bank accounts for the differential interest receivable/payable in respect of the notional principal amount on accrual basis.

**2.9 CAPITAL ADEQUACY RATIO**

	<b>31.03.2002</b>	<b>31.03.2001</b>
Tier I	6.42%	5.84%
Tier II	4.23%	3.16%
Total	10.65%	9.00%

**2.10 EARNINGS PER SHARE**

	<b>31.03.2002</b>	<b>31.03.2001</b>
Earnings for the year (Rs. in crores)	134.14	86.12
Basic weighted average no. of shares (in crores)	14.36	13.19
Basic EPS (Rs.)	9.34	6.53
Diluted weighted average no. of shares (in crores)	14.67	13.32
Diluted EPS (Rs.)	9.14	6.47
Nominal value of shares – Basic (Rs. in crores)	191.81	131.19
Nominal value of shares – Diluted (Rs. in crores)	194.89	132.49

Dilution of equity is an amount of issue of 30,80,000 shares (previous year 13,00,000 shares) under ESOP scheme pending exercise of option.

2.11 Standard Loan Assets that were restructured during the year aggregate Rs.99.14 crores (previous year Rs.27.32 crores).

**2.12 SUBORDINATED DEBT**

During the year the Bank has raised subordinated debt of Rs.145.50 crores in the form of 2910 non-convertible debentures of Rs.5 lakhs each. These qualify for classification as Tier II Capital.

**2.13 EMPLOYEES STOCK OPTIONS**

- a) Pursuant to the approval of the shareholders at the Extra Ordinary General meeting held on 24th February, 2001, the Bank has during the year granted 17,80,000 stock options (each option representing entitlement to one equity share of the Bank) to its employees and CMD. The options will vest over a period of 3 years and can be exercised at a price of Rs.29.68 per option being the average daily high-low price of the Bank's shares during the 52 weeks preceding the date of grant on the National Stock Exchange Ltd., Mumbai which had the highest trading volume of the Bank's shares during the period. The closing market price on the National Stock Exchange Ltd., on the date of the grant was Rs.37.50. The difference between the exercise price and the market price on the date of grant is treated as Deferred Employee Compensation Expense and amortised over the period.
- b) Of the 12,97,800 options granted in the previous year at the exercise price of Rs.38.63, options numbering 1,73,250 granted to non-whole-time directors of the Bank have been withdrawn since RBI was not in favour of the grant. 3,35,678 options vested during the year and none were exercised.
- c) The total options in force as on 31st March, 2002 were 28,98,925.



## 2.14 SEGMENTAL REPORTING

The business of the Bank has been divided into three segments as follows:

Segment	Principal activities
Corporate Banking	Corporate relationships, capital market services and cash management services.
Retail Banking	Retail assets and liability products, card services, internet banking, ATM services, financial advisory services and NRI deposits.
Treasury	Liquidity management, foreign exchange cover operations and trading, international correspondent banking, money market and derivatives trading.

(Rs. in Crores)

	Treasury	Corporate Banking	Retail Banking	Others (Reconciling items)	Total
Segment Revenue from External customers	735.27	831.68	26.10	2.35	1595.40
Inter Segment Revenue	576.85	606.75	443.56	0.00	1627.16
Segment Results	113.10	63.48	36.51	0.28	213.37
Total Carrying amount of Segment Assets*	6352.42	7078.40	303.14	640.55#	14374.51
Total amount of Segment Liabilities	1245.81	8298.02	3989.19	197.94	13730.96
Non cash expenses - Provisions	0.80	193.87	0.24	1.65	196.56

\* Excluding inter segment assets

# Includes fixed assets which have not been allocated to the individual business segments.

Inter segment revenue represents the transfer price paid by the Central Funding Unit (CFU) to the deposit mobilising segments and the price paid by the lending/investing segments to the CFU. For this purpose, the funds transfer pricing mechanism presently followed by the Bank which is based on cost of funds and spreads as approved by the management, has been used.

**2.15 RELATED PARTY DISCLOSURE AS PER ACCOUNTING STANDARD – 18 (AS-18)**

The Bank has had transactions with Unit Trust of India (UTI) in respect of which the Bank is an Associate.

The following table reflects the summary of various transactions at market related rates with UTI during the Financial Year 2001-02.

<b>Particulars</b>	<b>(Rs. in Crores)</b>	
	<b>Amount of Transaction</b>	<b>Amount Outstanding</b>
1) Borrowings by issue of Subordinated debt bond	31.00	31.00
2) Investment in Units	2.75	36.88
3) Income:		
Dividend from Units	2.43	
Interest on Lending under repo	1.18	
Fee income for service rendered	7.87	
4) Expenditure:		
Interest on Deposits	5.56	
Interest on Borrowing under repo	4.32	
Interest on Subordinated Bonds	3.60	
Interest on Call Borrowing	7.53	
Rent paid	2.70	
5) The transactions for purchase/sale of debt securities from/to UTI accounted for 3.38% of the Bank's total turnover of debt securities in this year.		



## 2.16 LEASES

### Disclosure in respect of Finance Leases

(Rs. in Crores)

1.	Gross Investment in the lease as on 31-03-2002	13.37	
2	The present value of minimum lease payments as on 31-03-2002	13.37	
3	Lease rentals receivable as on 31-03-2002:	Gross	Present Value
	Not later than 31-03-2003	8.25	7.48
	Between 31-03-2003 to 31-03-2008	6.95	5.89
4	Unearned finance income	1.83	
5	The unguaranteed residual values accruing	Nil	
6	Provision for uncollectible minimum lease payments receivable	Nil	
7	Accrued rents recognised in profit/loss for the year	Nil	
8	Initial direct costs to the extent incurred by the Bank are treated as part of the finance lease arrangement		

### Disclosure in respect of Operating Lease

(Rs. in Crores)

1	Gross carrying amount	45.90
2	Accumulated depreciation as on 31-03-2002	4.63
3	Accumulated impairment losses as on 31-03-2002	NIL
4	Depreciation for the year 2001-2002	4.58
5	Impairment losses for the year 2001-2002	NIL
6	Future Lease rentals receivable as on 31-03-2002:	
	Not later than 31-03-2003	3.97
	Between 31-03-2003 to 31-03-2008	21.79
	After 31-03-2008	13.21
7	Accrued rents recognised in profit/loss for the year	0.52
8	Initial direct costs to the extent incurred by the Bank are capitalised towards cost of the asset	

Finance lease include leasing of vehicles and other consumer durables. Operating lease comprises leasing of power generation equipment.

## 2.17 Deferred tax assets and liabilities

The major components of deferred tax assets and deferred tax liabilities as at 31st March, 2002 arising out of timing differences are as under:

- a. Deferred Tax Assets on account of Provisions for doubtful Debts Rs.21.41 crores
- b. Deferred Tax Liabilities on account of Depreciation on fixed assets Rs.19.76 crores

2.18 In computing the amount of permanent difference for reckoning tax provisions, the disallowance of interest expenditure u/s. 14A of the Income Tax Act has been arrived at having regard to the statutory restrictions on deployment of resources raised, their cost and their maturity.

2.19 Secured Advances include loans of Rs.215.17 crores acquired towards the end of the financial year under Deeds of Assignment where legal formalities of registration of charges are in progress.

2.20 As per the circular issued by the Ministry of Law in April 2002, banking companies are not required to create Debenture Redemption Reserve under section 117C of the Companies Act, 1956 in respect of debentures issued by them. Accordingly, no amounts have been appropriated to the said reserve during this year.

- 2.21 Contingent Liabilities include underwriting commitment to a Company of Rs.3.50 crores for which devolvement notice was received during 1994-95. The Bank has obtained legal opinion that its liability under the underwriting commitment stands extinguished.
- 2.22 Figures relating to the previous year have been regrouped/rearranged wherever necessary and feasible.

**For UTI BANK LIMITED**

**P. J. Nayak**  
Chairman & Managing Director

**K. Narasimha Murthy**  
Director

**M. Raghavendra**  
Director

**Daniel Paul Fletcher**  
Director

**Surendra Singh**  
Director

**N. C. Singhal**  
Director

**B. S. Pandit**  
Director

**P. J. Oza**  
Company Secretary

Date : 02.05.2002  
Mumbai


**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.3.2002**

	(Rs. in Crores)	
	31.3.2002	31.3.2001
<b>Cash flow from operating activities</b>		
Net profit before taxes	213.36	104.45
<b>Adjustments for:</b>		
Depreciation on fixed assets	36.63	21.73
Lease equalisation	(0.16)	0.16
Depreciation in the value of investment classified as 'Available for Sale'	5.96	3.53
Amortisation of premium on Investments classified as 'Held to Maturity'	1.00	4.03
Provision in respect of non-performing asset-investments	(1.32)	1.32
Provision in respect of non-performing asset advances	60.35	18.08
Provision on standard assets etc.	3.53	3.28
Investments written-off	8.64	0.00
Bad debts written-off	122.96	3.47
Write back of excess provision for depreciation on investments	(0.25)	(2.13)
Loss on sale of fixed assets	0.78	0.08
Amortisation of Deferred employee compensation-ESOP	0.07	0.00
Other Provisions	1.65	1.65
	<b>453.20</b>	<b>158.00</b>
<b>Adjustments for:</b>		
(Increase) in investments	(2448.10)	(2134.22)
(Increase) in advances	(691.24)	(1336.04)
Increase/(Decrease) in borrowings	(45.71)	565.00
Increase in deposits	3195.01	3372.20
(Increase) in other assets	(37.59)	(183.74)
Increase/(decrease) in Other Liabilities & Provisions	(11.63)	37.88
Direct taxes paid	(117.12)	(21.12)
<b>Net cash flow from operating activities</b>	<b>296.82</b>	<b>457.96</b>
<b>Cash flow from investing activities</b>		
Purchase of fixed assets	(86.75)	(175.20)
Proceeds from sale of fixed assets	0.42	3.65
<b>Net cash used in investing activities</b>	<b>(86.33)</b>	<b>(171.55)</b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.3.2002**

	(Rs. in Crores)	
	31.3.2002	31.3.2001
<b>Cash flow from financing activities</b>		
Proceeds from issue of Share capital	59.91	0.00
Proceeds from share premium (net of share issue exp)	145.59	0.00
Proceeds from issue of Subordinated debt	145.50	50.00
Payment of Dividend	(21.83)	(17.57)
<b>Net cash generated from financing activities</b>	<b>329.17</b>	<b>32.43</b>
Net increase in cash and cash equivalents	539.66	318.84
Cash and cash equivalents as at 1st April	1211.78	892.94
Cash and cash equivalents as at 31st March	1751.44	1211.78

Note: Depreciation on transfer of investments from one category to another and appreciation (previous year)/depreciation on revaluation of investments have been treated as realised profits /losses for the purposes of this statement

As per our report of even date attached  
For and on behalf of  
**V. Sankar Aiyar & Co.,**  
Chartered Accountants

**For UTI BANK LTD.**  
  
**P. J. Nayak**  
Chairman & Managing Director

**N. Sampath Ganesh**  
Partner

**K. Narasimha Murthy**  
Director

**M. Raghavendra**  
Director

**Daniel Paul Fletcher**  
Director

**Surendra Singh**  
Director

**N. C. Singhal**  
Director

**B. S. Pandit**  
Director

Place: Mumbai  
Date : 02.05.2002

**P. J. Oza**  
Company Secretary

Date : 02.05.2002  
Place : Mumbai

**AUDITORS' CERTIFICATE**

We have verified the above cash flow statement of UTI Bank Ltd. which has been compiled from and is based on the audited financial statements for the year ended 31st March, 2002. To the best of our knowledge and belief and according to the information and explanations given to us, it has been prepared pursuant to clause 32 of the Listing Agreement with the Stock Exchange, Ahmedabad.

**For V. Sankar Aiyar & Co.**  
Chartered Accountants

**N. Sampath Ganesh**  
Partner

Place: Mumbai  
Date: 02.05.2002

## ANNEXURE TO DIRECTORS' REPORT

### AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To  
The Shareholders of UTI Bank Limited

We have examined the compliance of conditions of Corporate Governance by UTI Bank Limited, (the Bank) for the year ended March 31, 2002, as stipulated in Clause 49 of the Listing Agreement of the said Bank with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Bank for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the management, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Bank as per the certificate of the Registrar and Transfer Agents of the Bank. We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

**For V. Sankar Aiyar & Co.**  
Chartered Accountants

Place: Mumbai  
Date: 02.05.2002

**N. Sampath Ganesh**  
Partner



## CORPORATE GOVERNANCE

(Forming part of the Directors' Report for the period ended 31st March, 2002)

### 1. Philosophy on code of governance:

Your Bank's policy on Corporate Governance has been

- I. To enhance the long term interest of its shareholders and to provide good management, the adoption of prudent risk management techniques and compliance with the required standards of Capital Adequacy, thereby safeguarding the interest of its other stakeholders such as creditors, customers, suppliers and employees.
- II. To identify and recognise the Board of Directors and the Management of your Bank as the principal instruments through which good corporate governance principles are articulated and implemented. Further, to identify and recognise accountability, transparency and equality of treatment for all stakeholders, as central tenets of good corporate governance.

### 2. Board of Directors:

The Board consists presently of 11 Directors and is responsible for the management of the Bank's business. The functions, responsibility, role and accountability of the Board are well defined. The Board, in addition to monitoring corporate performance also carries out functions such as approving the business plan, reviewing and approving the annual budgets and borrowing limits, and fixing exposure limits, and ensures that your Bank keeps shareholders informed about plans, strategies and performance. The detailed reports of the Bank's performance are periodically placed before the Board.

The composition of the Bank's Board includes the representatives of Unit Trust of India, the Bank's promoters. At present, CDC Financial Services (Mauritius) Limited, South Asia Regional Fund and GIC are also represented on your Bank's Board. The structure of the Board also follows the requirements of the Banking Regulation Act, 1949.

P. J. Nayak	Chairman and Managing Director
M. Damodaran	Promoter – UTI Nominee
Shardul Shroff	Independent
K. Narasimha Murthy	Independent
Surendra Singh	Independent
M. Raghavendra	GIC Nominee
B. S. Pandit	Promoter – UTI Nominee
Donald Peck	Independent
Daniel Paul Fletcher	Independent
N. C. Singhal	Independent
Yash Mahajan	Independent

Of these, all Directors are independent except S/Shri P. J. Nayak, M. Damodaran, B. S. Pandit and Shri M. Raghavendra.

In all, nine meetings of the Board were held during the year on the following dates, besides the Annual General Meeting and Extraordinary General Meetings:

5th May, 2001, 30th June, 2001, 11th July, 2001, 21st September, 2001, 23rd October, 2001, 10th December, 2001, 12th January, 2002, 28th February, 2002 and 27th March, 2002.

Shri P. J. Nayak and Shri K. Narasimha Murthy attended all the nine meetings. Shri Surendra Singh attended six, and Shri Shardul Shroff attended two. Shri Bana Paranjpe attended all eight meetings for which he was eligible while similarly, Shri Abid Hussain attended three out of eight, Shri G. N. Bajpai attended four out of seven, Shri M. Raghavendra attended six out of seven, Shri K. G. Vassal attended four out of six, Shri B. R. Barwale attended three out of six, Shri A. C. Shah attended three out of five, Shri B. S. Pandit attended two out of four, Shri Daniel Paul Fletcher attended two out of three and Shri P. S. Subramanyam attended one out of two, while Shri M. Damodaran could not attend any meeting out of the six for which he was eligible. Shri P. M. Venkatasubramanian attended both meetings for which he was eligible and Shri Donald Peck attended all the three meetings for which he was eligible. Shri J. M. Trivedi, Alternate Director to Shri Daniel Paul Fletcher, attended one meeting for which he was eligible. All Directors except Shri P. S. Subramanyam, Shri G. N. Bajpai, Shri Shardul Shroff, Shri Abid Hussain and Shri Surendra Singh, attended the Annual General Meeting held on 30th June, 2001.

These disclosures are made as required under the amended Companies Act.

The Directors of the Bank also hold positions, as directors, trustees, members, and partners in other well-known and reputed companies, trusts, associations and firms.

The details are as under:

**i. SHRI P. J. NAYAK**

: NIL

**ii. SHRI M. DAMODARAN:**

Sr. No.	Name of Company/Institution	Nature of Interest
1.	Unit Trust of India	Chairman
2.	India Access Limited	Chairman and Director
3.	The India Infrastructure Fund Limited	Chairman and Director
4.	UTI Investment Advisory Services Limited	Chairman and Director
5.	UTIAS (Mauritius) Limited	Chairman and Director
6.	The India Media, Internet and Communication Fund Limited	Chairman and Director
7.	UTI Investor Services Limited	Chairman and Director
8.	UTI Securities Exchange Limited	Chairman and Director
9.	Life Insurance Corporation of India	Member
10.	National Stock Exchange of India Limited	Director
11.	Infrastructure Leasing and Financial Services Limited	Chairman and Director
12.	Discount & Finance House of India Ltd.	Director
13.	India Fund	Chairman and Director
14.	UTI – Institute of Capital Markets	Chairman of Governing Council
15.	India Growth Fund	Chairman and Director

**iii. SHRI SHARDUL S. SHROFF:**

Sr. No.	Name of Company/Institution	Nature of Interest
1.	M/s Amarchand & Mangaldas & Suresh A. Shroff & Co.	Partner
2.	M/s Amarchand & Mangaldas & Hiralal Shroff & Co.	Partner
3.	Suresh A. Shroff & Co.	Partner
4.	Anand Amarchand & Mangaldas	Partner
5.	Infrastructure Development Finance Company Limited	Director
6.	Apollo Tyres Limited	Director
7.	Noida Toll Bridge Company Limited	Director
8.	IRCON International Limited	Director
9.	GE Capital Transportation Financial Services Limited	Director
10.	Schoolnet India Limited	Director
11.	NIIT Limited	Director
12.	Ballarpur Industries Limited	Director
13.	Gujarat Positra Port Infrastructure Limited	Director
14.	Bharat Aluminium Company Limited	Director
15.	CMC Limited	Director



**iv. SHRI K. NARASIMHA MURTHY:**

Sr. No.	Name of Company/Institution	Nature of Interest
1.	Industrial Development Bank of India	Director
2.	Srikari Management Consultants Private Limited	Director
3.	Narasimha Murthy & Co., Cost Accountants	Partner
4.	SWIL Limited	Chairman
5.	Unit Trust of India	Trustee

**v. SHRI SURENDRA SINGH:**

Sr. No.	Name of Company/Institution	Nature of Interest
1.	CMC Ltd.	Director
2.	Nagarjuna Fertilisers and Chemicals Limited	Director
3.	NIIT Limited	Director
4.	VLS Finance Limited	Director
5.	Shalimar Wires Industries Limited	Director

**vi. SHRI M. RAGHAVENDRA:**

Sr. No.	Name of Company/Institution	Nature of Interest
1.	GIC Asset Management Company Limited	Nominee Director
2.	GIC Employees' Pension Trust	Trustee
3.	GIC Employees' Gratuity Trust	Trustee
4.	United India Insurance Company Limited	Nominee Director
5.	OTC Exchange of India	Nominee Director
6.	Insurance Institute of India	Member, Governing Council Member, Administration Committee Member, Board of Education

**vii. SHRI B. S. PANDIT:**

Sr. No.	Name of Company/Institution	Nature of Interest
1.	Nirlon Limited	Nominee Director
2.	Autoriders Finance Limited	Nominee Director
3.	Saregama India Limited	Nominee Director
4.	UTI Investor Services Ltd	Nominee Director

**viii. SHRI DONALD PECK:**

Sr. No.	Name of Company/Institution	Nature of Interest
1.	Alumnus Software Ltd.	Director
2.	BPL Communications Ltd.	Director
3.	CDC Advisors Pvt. Ltd.	Director
4.	Cico Technologies Ltd.	Director
5.	Precision Camshafts Ltd.	Director
6.	International Auto Ltd.	Director
7.	Shree Rama Multi-tech Ltd.	Director
8.	Satyam Infoway Ltd.	Director
9.	Ortel Communications Ltd.	Director
10.	Daksh.com eServices Pvt. Ltd.	Director
11.	India Infoline.com Limited	Director

**ix. SHRI DANIEL PAUL FLETCHER:**

Sr. No.	Name of Company/Institution	Nature of Interest
1.	CDC Group Plc.	Director
2.	The Eastern Africa Association	Director

**x. SHRI N.C. SINGHAL:**

Sr. No.	Name of Company/Institution	Nature of Interest
1.	Cholamandalam Investment & Finance Company Ltd.	Director
2.	Shapoorji Pallonji Finance Limited	Director
3.	Deepak Fertilizers & Petrochemicals Corporation Ltd.	Director
4.	Max India Limited	Director
5.	The Shipping Corporation of India Limited	Director
6.	Pioneer ITI AMC Limited	Director
7.	Max New York Life Insurance Company Limited	Director
8.	Tolani Bulk Carriers Limited	Director
9.	Samalpatti Power Company Pvt. Limited	Chairman
10.	Ambit Corporate Finance Pvt. Limited	Director
11.	Sharat Chatterjee & Co. (VSP) Pvt. Limited	Director
12.	Life Insurance Corporation Mutual Fund	Trustee
13.	Ashapura Educational Foundation	Trustee
14.	International Chamber of Commerce - Commercial Crime Services, London	Director
15.	Supervisory Board, Eicher Group	Member
16.	Advisory Board, Deepak Group	Member
17.	Advisory Board, Ashapura Group	Member
18.	International Chamber of Commerce - Marine Transport Commission, Paris	Member
19.	Board of Governors, Institute of Management Studies, Ghaziabad	Member
20.	Executive Committee, ICC - India	Member

**xi. SHRI YASH MAHAJAN:**

Sr. No.	Name of Company/Institution	Nature of Interest
1.	Punjab Tractors Limited	Vice Chairman & Managing Director
2.	Swaraj Mazda Limited	Vice Chairman & Managing Director
3.	Swaraj Engines Limited	Chairman
4.	Swaraj Automotive Limited	Chairman
5.	Sterling Tools Limited	Director
6.	Pidilite Industries Limited	Director

**The business of the Board is also conducted through the following committees:**

**a) Committee of Directors:**

- P. J. Nayak - Chairman
- M. Raghavendra
- B. S. Pandit
- Donald Peck
- N. C. Singhal



- b) Audit Committee:**  
 K. Narasimha Murthy – Chairman  
 M. Raghavendra  
 B. S. Pandit  
 N. C. Singhal
- c) Business Monitoring Committee:**  
 P. J. Nayak - Chairman  
 K. Narasimha Murthy  
 Daniel Paul Fletcher  
 Yash Mahajan
- d) Share Committee:**  
 P. J. Nayak – Chairman  
 B. S. Pandit
- e) Shareholders/Investors Grievance Committee:**  
 Surendra Singh – Chairman  
 M. Raghavendra  
 Yash Mahajan
- f) Remuneration Committee:**  
 Surendra Singh – Chairman  
 K. Narasimha Murthy  
 Donald Peck

The functions of the Committees are discussed below:

**a) Committee of Directors:**

The Committee of Directors functions with the following objectives :

- (1) To provide approvals for loans above certain stipulated limits.
- (2) To sanction expenditures above certain stipulated limits.
- (3) To approve expansion of the Bank's network.
- (4) To review investment strategy.

Meetings and Attendance during the year:

18 meetings of the Committee of Directors were held during the year on 24/04/2001, 10/05/2001, 22/05/2001, 09/06/2001, 27/06/2001, 10/07/2001, 30/07/2001, 08/08/2001, 29/08/2001, 15/09/2001, 05/10/2001, 19/10/2001, 23/11/2001, 08/12/2001, 05/01/2002, 07/02/2002, 07/03/2002 and 27/03/2002. Shri P. J. Nayak attended 17 out of 18, Shri A. C. Shah attended 7 out of 13, Shri K. G. Vassal attended 10 out of 14, Shri M. Raghavendra attended 10 out of 12, Shri B. S. Pandit attended 2 out of 4 meetings for which they were eligible. Shri B. L. Paranjpe attended all the 17 meetings for which he was eligible. Shri Donald Peck attended all the 3 meetings for which he was eligible.

**b) Audit Committee:**

The Audit Committee functions with the following objectives:

- (1) To provide direction and to oversee the operations of the audit functions in the Bank.
- (2) To review the internal audit and inspection systems with special emphasis on their quality and effectiveness.
- (3) To review inspection and concurrent audit reports of large branches with a focus on all major areas of housekeeping, particularly inter-branch adjustment accounts, arrears in the balancing of books and unreconciled entries in inter-bank and NOSTRO accounts, and frauds.
- (4) To follow up issues raised in LFAR and RBI inspection reports.
- (5) To review the system of appointment and remuneration of concurrent auditors and external auditors.

As required under Section 292A and Clause 49 of the Listing Agreement, the new 'Terms of Reference' of the Committee were approved by the Board of Directors at its meeting held on 23/01/2001.

Meetings and Attendance during the year:

Eight meetings of the Audit Committee of the Board were held during the year on 04/05/2001, 30/06/2001, 10/07/2001, 18/09/2001, 22/10/2001, 01/12/2001, 11/01/2002 and 07/03/2002. Shri B. L. Paranjpe attended all the eight meetings for which he was eligible. Shri K. G. Vassal attended five out of six, Shri A. C. Shah attended four out of six, Shri B. S. Pandit attended one out of two. Shri M. Raghavendra attended all the five meetings for which he was eligible and Shri K. Narasimha Murthy attended the one meeting for which he was eligible.

**c) Business Monitoring Committee:**

The Business Monitoring Committee functions with the following objectives:

1. To monitor the business of the Bank periodically.
2. To suggest ways and means to improve the working and profitability of the Bank from time to time.

Meetings and Attendance during the year:

Three meetings of the Business Monitoring Committee were held during the year on 20/07/2001, 22/10/2001 and 11/01/2002. Shri P. J. Nayak and Shri K. Narasimha Murthy attended all the three meetings while Shri A. C. Shah attended one meeting out of two for which he was eligible.

**d) Share Committee:**

The Share Committee functions with following objectives:

1. To deal in and approve transfer of shares, in cases where shares are held in physical form.
2. To issue duplicate share certificates in lieu of mutilated share certificates as per the provisions of the Companies Act, 1956, Securities Contract (Regulations) Act, 1956 and all other applicable Acts.

Meetings and Attendance during the year:

During the year, 58 Circular Resolutions were passed to transact the business.

**e) Shareholders/Investors Grievance Committee:**

The Shareholders/Investors Grievance Committee functions with the following objective:

To look into redressal of shareholders' and investors' grievances relating to non-receipt of dividend, refund orders, shares sent for transfer, non-receipt of balance sheet, etc.

Meetings and Attendance during the year:

Two meetings of the Shareholders/Investors Grievance Committee were held during the year on 21/09/2001 and 12/01/2002. Shri Surendra Singh and Shri M. Raghavendra attended both the meetings, while Shri K. G. Vassal attended the one meeting for which he was eligible.

Details of the status of the references/complaints received during the year are given in the following statement:

**Status of the References/Complaints from 01.04.2001 to 31.03.2002**

Sr. No.	Nature of References/Complaints	Received	Resolved	Pending
1.	Change of address	1602	1602	-
2.	Bank Mandates	302	302	-
3.	ECS	2974	2974	-
4.	Nomination	1153	1153	-
5.	Non-receipt of share certificates & Refund orders	27	26	1
6.	Correction of names	31	31	-
7.	Stock Exchange queries	8	8	-
8.	SEBI	27	26*	1
9.	Non-receipt of dividend	595	591	4**
10.	Transfers	3837	3718	119***



- \* Three cases are treated as partly resolved as indemnity bond for issuance of dividend warrants/share certificates are awaited from the shareholders.
- \*\* Received on 31.03.2002 – the same has been resolved on 02.04.2002.
- \*\*\* Received in the last week of March, 2002, hence transferred during April, 2002.

Shri P. J. Oza, Company Secretary, is the Compliance Officer for SEBI/Stock Exchange related issues.

#### **f) Remuneration Committee:**

The Remuneration Committee functions with the following objectives:

The Remuneration Committee was formed on 17th August, 2000 as the Compensation Committee of the Board and was renamed as the Remuneration Committee w.e.f. 5th May, 2001. The Remuneration Committee decides the remuneration package for all employees and directors, which includes salary, benefits, bonuses, pensions and Employee Stock Options. The Committee is also consulted on appointments at very senior levels of the Bank.

Meetings and Attendance during the year:

Four meetings of the Remuneration Committee were held during the year on 27/04/2001, 28/02/2002, 07/03/2002, and 22/03/2002. Shri K. Narasimha Murthy attended all the four meetings, while Shri B. L. Paranjpe, Shri Surendra Singh and Shri Donald Peck attended all the three meetings for which they were eligible.

Remuneration Policy:

Your Bank believes that to attract the right talent, the Remuneration Policy should be structured in line with the other peer group banks, and is sensitive to compensation packages in this part of the financial market. Compensation is structured in terms of fixed pay, variable pay and employee stock options, with the last two being strongly contingent on employee performance. The Remuneration Policy for the Chairman and Managing Director is similarly structured and approved by the Board of Directors, the shareholders and the Regulatory Authorities from time to time. In terms of the Guidelines of the Reserve Bank of India, the Bank needs to ensure that the remuneration by way of salary, other allowances and monetary value of perquisites for managerial persons are within the overall limit of 5% of the net profits if it had one, and 10% of its net profits, if it had more than one managerial person.

Remuneration of Directors:

- I. Shri P. J. Nayak has been appointed as the Chairman and Managing Director of the Bank w.e.f. 1st January, 2000 for a period of five years on the terms and conditions and remuneration approved by the Board of Directors, shareholders of the Bank and Reserve Bank of India from time to time. The Bank has entered into a service agreement with Shri Nayak for a period of five years. The agreement can be terminated by either side by giving ninety days notice in writing. If, prior to expiration of the agreement, the term of office of the Chairman and Managing Director is terminated by the Bank, then in such case, the Chairman and Managing Director shall be entitled, subject to the provisions of and limitations contained in Section 318 of the Companies Act, 1956, to receive compensation from the Bank for the loss of office to the extent provided in the agreement.

The main components of his salary during 2001-02 have been as under:

1. Salary of Rs.15,60,000/- p.a.
2. Leave Fare Concession facility of Rs.1,00,000/- p.a.
3. Personal Entertainment Allowance of Rs.60,000/- p.a.
4. Travelling & Halting Allowance paid at actual expenses incurred plus Rs.600/- per day.
5. Allowance for proper upkeep of residential accommodation provided by the Bank at Rs.5000/- p.m.
6. Electricity and water charges payable for the residential accommodation provided by the Bank to be paid at actuals.
7. Full Medical facilities for him and his family.
8. Membership of two clubs (excluding life membership fees).
9. Provident Fund @ 12% of pay with equal contribution by the Bank.
10. Gratuity @ one month's salary for each completed year of service or part thereof.
11. Free use of residence telephone facilities and Bank's car with a driver.
12. Personal insurance to be taken under the Group Savings Linked Insurance Scheme (GSLI) and the personal

accident policy as per the Bank's Rules.

13. Newspapers and periodicals as required.
14. Variable pay to be paid as decided by the Board of Directors subject to a maximum of 100% of salary drawn during the year.
15. Other terms and conditions as per the Bank's staff rules and as may be agreed by the Board, from time to time.

Shri Nayak was granted 22,500 options under the Employees Stock Option Plan (ESOP)- 2001 on 24th February, 2001 (the grant date). The first vesting of 30 percent of this grant viz. 6,750 options was with effect from 24th February, 2002. The balance of this grant vests in the second year on 24th February, 2003 (30 percent) and in the third year on 24th February, 2004 (40 percent). The options can be exercised within three years from the vesting or four years from the date of grant. Each option is equivalent to one equity share of face value of Rs.10. Each option has an exercise price of Rs.38.63. He has not exercised any option out of 6,750 vested on 24th February, 2002.

Shri Nayak was also granted 36,600 options on 28th February, 2002 under ESOP - 2002. Each option has an exercise price of Rs.29.68. All other terms of this grant are similar to the one already granted on 24th February, 2001. The first vesting would take place on 28th February, 2003.

- II. Other Directors of the Bank, except Shri P. J. Nayak, are paid sitting fees of Rs.5000/- for every Meeting of the Board and also for every Meeting of the Committees attended by them. Reimbursement of expenses, if any, for travel to and from the places of their residence to the venue of the Meeting, lodging and boarding when attending the meetings, being on actual basis, are paid directly by the Bank to the service providers. During the year, the Bank paid Rs.7,70,000/- as sitting fees to its Directors.

#### **Sitting Fees:**

The details of sitting fees paid to the Directors during the period from 1st April, 2001 to 31st March, 2002 were as follows:

<b>Sr. No.</b>	<b>Name of Directors</b>	<b>Sitting Fees Paid (Rs.)</b>
1.	Shri P. J. Nayak	Nil
2.	Shri M. Damodaran	Nil
3.	Shri B. S. Pandit	25,000*
4.	Shri M. Raghavendra	1,15,000*
5.	Shri G. N. Bajpai	20,000*
6.	Shri Surendra Singh	55,000
7.	Shri Shardul Shroff	10,000
8.	Shri K. Narasimha Murthy	85,000
9.	Shri Bana Paranjpe	1,80,000
10.	Shri Abid Hussain	15,000
11.	Shri K. G. Vassal	1,00,000*
12.	Shri P. S. Subramanyam	5,000*
13.	Shri Donald Peck	45,000
14.	Shri Daniel Paul Fletcher	10,000
15.	Shri P. M. Venkatasubramanian	10,000
16.	Shri J. M. Trivedi (Alternate to Shri Daniel Paul Fletcher)	5,000
17.	Shri A. C. Shah	75,000
18.	Shri B. R. Barwale	15,000
	<b>TOTAL</b>	<b>7,70,000</b>

\* Paid directly to UTI/LIC/GIC, the financial institutions which the Directors represent.



### 3. General Body Meetings:

The last three AGMs were held as follows:

AGM	Date and Day	Time	Location
5th	14.07.1999 – Wednesday	10.30 a.m.	Tagore Hall, Nr. Sanskar Kendra, Paldi, Ahmedabad – 380 007
6th	30.05.2000 – Tuesday	11.00 a.m.	Tagore Hall, Nr. Sanskar Kendra, Paldi, Ahmedabad – 380 007
7th	30.06.2001 – Saturday	10.00 a.m.	Tagore Hall, Nr. Sanskar Kendra, Paldi, Ahmedabad – 380 007

The following special resolutions were passed in these meetings:

AGM	Date of AGM	Special Resolutions
5th	14.07.1999 – Wednesday	<ul style="list-style-type: none"> <li>Resolution No. 5 – Appointment of Statutory Auditor under Section 224A of the Companies Act, 1956</li> </ul>
6th	30.05.2000 – Tuesday	<ul style="list-style-type: none"> <li>Resolution No. 6 – Appointment of Statutory Auditor under Section 224A of the Companies Act, 1956</li> <li>Resolution No. 11 – Alteration of Articles of Association of the Bank</li> </ul>
7th	30.06.2001 – Saturday	<ul style="list-style-type: none"> <li>Resolution No. 7 – Appointment of Statutory Auditors under Section 224A of the Companies Act, 1956</li> <li>Resolution No. 8 – Alteration of Articles of Association of the Bank</li> </ul>

EGM	Date of EGM	Special Resolutions
1	23.10.2001	<ul style="list-style-type: none"> <li>Resolution No. 1 – Amendment in the Object Clause of the Memorandum of Association of the Bank (through postal ballot)</li> </ul>
		<ul style="list-style-type: none"> <li>Resolution No. 2 – Approval of shareholders of the Bank pursuant to Section 81(1-A) of The Companies Act, 1956, for preferential allotment of 4,63,50,000 equity shares to South Asia Regional Fund and CDC Financial Services (Mauritius) Ltd.</li> </ul>
		<ul style="list-style-type: none"> <li>Resolution No. 3 – Aggregate limit of investments up to a maximum limit of 49 percent of the paid-up capital of the Bank or up to such other limit as may be permitted by applicable Laws, Rules and Regulations and approved by the Board of Directors from time to time by Foreign Institutional Investors (FIIs), Overseas Corporate Bodies (OCBs) and Non- Resident Indians (NRIs) in equity shares of the Bank</li> </ul>
2	27.03.2002	<ul style="list-style-type: none"> <li>Resolution No. 1 – Alteration of the Articles of Association of the Bank</li> </ul>
		<ul style="list-style-type: none"> <li>Resolution No. 2 – Approval of shareholders of the Bank pursuant to Section 81(1-A) of the Companies Act, 1956, for preferential allotment of 1,35,59,700 equity shares to LIC, GIC and GIC subsidiaries and 60,00,000 Zero Coupon Fully Convertible Debentures to AIG India Sectoral Equity Fund</li> </ul>

- The resolution number one regarding amendment in the Object Clause in the Memorandum of Association of the Bank passed at the Extra Ordinary General Meeting held on 23rd October, 2001 was put through the postal ballot as required under the provisions of Section 192A of the Companies Act, 1956 and the Listing Agreement. Shri B. J. Divan, Retired Chief Justice of Gujarat High Court conducted the postal ballot and acted as the scrutiniser.
- As per the report of Shri Divan, dated 22nd October, 2001 a total of 5,026 numbers of ballots (9,61,98,961 shares) were received by him. Out of these 4322 (including three members who had split their options and

opted for both assent and dissent options) were valid ballots (9,60,51,068 shares) and 707 were invalid ballots (1,47,693 shares). Out of 4,322 valid ballots (9,60,51,068 shares) 4,167 ballots (9,59,87,463 shares) were in favour of the resolution and 155 ballots (63,605 shares) were against the said resolution. The resolution was thus approved by the holders of 99.93% of shares. Further, out of 4322 shareholders, 96.41% have assented and 3.59% have dissented. Accordingly, the special resolution was declared as carried by requisite majority.

- No resolution in the notice of the proposed Eighth Annual General Meeting is proposed to be passed through postal ballot.

#### 4. Disclosures:

- There were no transactions of a material nature undertaken by the Bank with its promoters, directors or the management, their subsidiaries or relatives that may have a potential conflict with the interests of the Bank.
- There are no instances of non-compliance by the Bank, penalties, strictures imposed by Stock Exchanges and SEBI on any matter related to capital markets, during the last three years.

#### 5. Means of Communication:

- Quarterly/Half – yearly results are communicated through newspaper advertisements, press releases and by posting information on the Bank's website.
- The results are generally published in the Economic Times, Times of India and Gujarat Samachar.
- Address of our official website is [www.utibank.com](http://www.utibank.com), where the information is displayed.
- The Management's Discussion and Analysis Report for the year 2001-02 is part of the Annual Report.

#### 6. General Shareholder Information:

- AGM: Date, time and venue - 10th July, 2002 - 10 a.m. at Bhaikaka Bhavan (British Library Building), Near Law Garden, Ellisbridge, Ahmedabad - 380 006.
- Financial Calendar - 1st April, 2001 to 31st March, 2002
- Date of Book Closure - 1st July, 2002 to 10th July, 2002 (BDI)
- Dividend Payment Date - on or after 11th July, 2002
- Your Bank's shares are listed on the following Stock Exchanges:
  - a) The Ahmedabad Stock Exchange  
Kamdhenu Complex, Opp. Sahajanand College,  
Panjrapole, Ahmedabad –380 015.
  - b) The Stock Exchange, Mumbai  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai - 400 001.
  - c) National Stock Exchange of India Limited  
Exchange Plaza, 5th Floor, Plot No. 5/1, G. Block,  
Bandra-Kurla Complex, Bandra (E),  
Mumbai - 400 051.



• **Stock Code -**

SR. No.	NAME OF THE STOCK EXCHANGE	DISTINCTIVE NOS OF SHARES	LISTING DATE W.E.F.	TRADING DATE W.E.F.	TRADING CODE NO.
1	AHMEDABAD	- 1 to 13,19,03,170 - 13,19,03,171 to 17,82,53,170	11.11.1998 05.02.2002	01.12.1998 14.02.2002	63134
2	MUMBAI	- 1 to 13,19,03,170 - 13,19,03,171 to 17,82,53,170	19.11.1998 09.02.2002	27.11.1998 20.02.2002	532215
3.	NATIONAL	- 1 to 13,19,03,170 - 13,19,03,171 to 17,82,53,170	16.11.1998 12.02.2002	03.12.1998 20.02.2002	UTI BANK EQ

- **Market Price Data:** The price of Bank's share - High, Low during each month in the last financial year on NSE.

Month	Low (Rs.)	High (Rs.)
April, 2001	22.95	34.25
May, 2001	30.35	38.80
June, 2001	29.95	38.40
July, 2001	26.20	34.65
August, 2001	26.50	31.80
September, 2001	21.00	30.00
October, 2001	22.30	29.95
November, 2001	26.25	29.90
December, 2001	25.00	28.50
January, 2002	25.65	31.10
February, 2002	28.95	47.00
March, 2002	36.25	42.20

- The Share price of your Bank's equity share performed well on the stock exchange with a low of Rs.22.95 during April, 2001 on the National Stock Exchange. It touched a high of Rs.42.20 during March, 2002, as also a high of Rs.47.00 during February, 2002. It showed a 83.87% appreciation between the low of April, 2001 and the high of March, 2002. It also showed a 60% appreciation between the closing price on the last day of trading at National Stock Exchange in March, 2001 and the similar price a year later.

- **Registrar and Share Transfer Agent:**

M/s Karvy Consultants Limited

**Unit: UTI Bank Limited**

Karvy House, No. 46

Avenue 4, Street No. 1

Banjara Hills, Hyderabad – 500 034

Phone No.: 040-3320251/751/752/753

Fax No.: 040-3311968

Contact Persons: Shri V. K. Jayaraman, AGM (RIS)/Ms. Varalaxmi, Dy. Manager (RIS)

- **Share Transfer System**

A Share Committee of the Board consisting of a few directors/officers of the Bank has been formed to look after the matters relating to the transfer of shares, issue of duplicate share certificates in lieu of mutilated share certificates and other related matters. The work relating to transfers is looked after by the Bank's Registrar and Share Transfer Agent, M/s Karvy Consultants Limited, Hyderabad.

The Bank ensures that all transfers are effected within a period of one month from the date of their lodgement. As at 31st March, 2002, 119 share transfers received a few days before, were pending for transfers.

According to a notification of the Securities and Exchange Board of India (SEBI), the equity shares of the Bank shall be traded compulsorily in demat form by all investors w.e.f. 21st March, 2000. The Bank has already entered into agreements with the National Securities Depository Limited (NSDL) and the Central Depository Services India Limited (CDSL) so as to provide the members an opportunity to hold and trade shares of the Bank in electronic form.

**Distribution of shareholding as on 31.03.2002:**

TOTAL NOMINAL VALUE	<b>Rs.191,81,28,700.00</b>
NOMINAL VALUE OF EACH EQUITY SHARE	<b>Rs.10.00</b>
TOTAL NUMBER OF SHARES	<b>19,18,12,870</b>
DISTINCTIVE NOS.	<b>FROM 1 TO 191812870</b>

SHAREHOLDING OF NOMINAL VALUE		SHARE HOLDERS		SHARE AMOUNT NOMINAL VALUE	
Rs.	Rs.	NUMBERS	% TO CAPITAL	In Rs.	% TO CAPITAL
UPTO	5000	91273	91.38	160293340	8.35
5001	10000	6307	6.32	47954440	2.50
10001	20000	1393	1.39	21488750	1.12
20001	30000	309	0.31	8045920	0.42
30001	40000	160	0.16	5700430	0.30
40001	50000	123	0.12	5931750	0.31
50001	100000	166	0.17	12794550	0.67
100001	ABOVE	153	0.15	1655919520	86.33
<b>TOTAL</b>		<b>99884</b>	<b>100.00</b>	<b>1918128700</b>	<b>100.00</b>

As on 31st March, 2002, out of total 19,18,12,870 Equity Shares of the Bank, 12,11,28,930 shares representing 63.15% of total shares have been dematerialised. The shares of the Bank are listed and traded on Ahmedabad, Mumbai and National Stock Exchanges.

- The Bank has not issued any GDRs, ADRs/warrants or any convertible instruments, the conversion of which will have an impact on equity shares.
- Branch Locations - Given elsewhere



- **Address for Correspondence:**

The Company Secretary

UTI Bank Limited

Registered Office

Ground Floor, Sakar - I

Near Gandhigram Station

Off Ashram Road

Ahmedabad - 380 009

Phone No. : 079-658 6815/7292/5767

Fax No. : 079-658 1490/1854

Email : [poza@utibank.co.in](mailto:poza@utibank.co.in)